

Creating Another Success Story

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We began our journey by creating something from nothing. Now, we are powering ahead with new determination to create something better. With our competitive edge and passion for excellence, we will embrace new challenges to shape POSCO into a sustainable global company.

2007 Sustainability Report

This is the fifth Sustainability Report issued by POSCO. The report demonstrates our responsibility to our stakeholders and reflects our activities towards sustainable development.

Report Particulars

To faithfully reflect information which is of greatest interest to our stakeholders and can help them make informed decisions we established the POSCO Materiality Test Process to examine issues we believe are most material to POSCO.

With an expert review comprising external experts representing each stakeholder group and assurance by an accounting firm, we have been able to produce a Sustainability Report with greater credibility. The expert comprised five experts each on the economic, environmental, and social sectors. They reviewed a draft version of this report to ensure it provided stakeholders with pertinent information. Samil PricewaterhouseCoopers provides assurance on the Sustainability Report with a team of sustainability experts from Korea and Switzerland.

We endeavored to identify the issues of greatest interest to our stakeholders and reflect them in this report. This was undertaken by conducting a media survey using 72 keywords across the general, environmental, social and economic sectors in domestic media reports including those in general broadsheets, financial dailies and Internet news sources in 2007. We also sent email surveys to experts regarding CSM and Sustaiability Reports to study and reflect report needs. POSCO also published a condensed Korean version containing key details of economic, environmental and social performances.

We published a summary version of the report in the Korean language that focuses on the material economic, environmental, and social issues.

Report Framework

This report is aligned with the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and was prepared following POSCO's internal sustainability reporting framework established in 2006. All financial information, standards and definitions were based on the financial statements and appendix report that follow generally accepted accounting principles in Korea.

Report Period

This report covers the calendar year 2007 from January 1 to December 31. POSCO issues a Sustaiability Report every year and the previous edition, 2006 Sustainability Report, was released in 2007.

Report Scope

This report covers our operations related to sustainability management at Pohang Works, Gwangyang Works, Pohang Head Office and Seoul Office. Related data from our major subsidiaries in Korea, India and China were also included. Subsidiary information covered in this report follows each company's individual standards; therefore discrepancy may exist from the guidelines set forth from POSCO. Moreover, we used POSCO's separate financial statements in the 'Economic Impact' segment. For more information related to our consolidated financial statements, please refer to our 2007 Annual Report.

Report Data Standards

Numerical data including financial information are denominated in Korean won (KRW). For reference, USD 1 was equal to KRW 935.80 at the noon buying rate of the U.S. Federal Reserve in New York City on December 31, 2007. The unit ton refers to the metric ton.

Report Distribution and Feedback

The full report is published in Korean and English. Also the digest version is available in Korean. The report is distributed to employees, BOD members, financial institutions, civic groups, government, research institutes and corporate associations. We also receive requests for the report via telephone and Internet. Stakeholder feedback on the report is collected through diverse channels, including mail, internet and telephone.

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

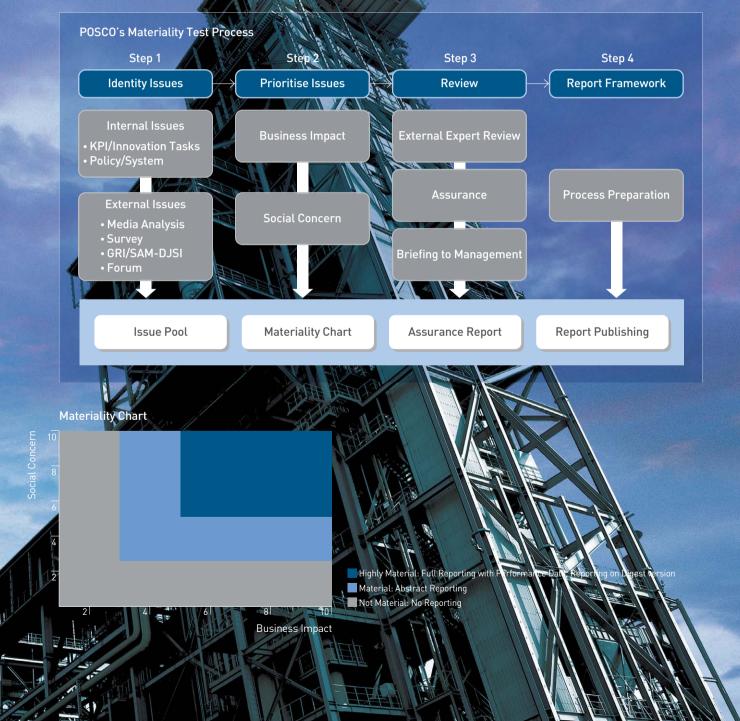
Materiality Test

In preparing a Sustaiability Report, it is essential to focus on issues that are of importance to stakeholders and those that have a significant impact on business activities. POSCO conducted a materiality test and prepared the 2007 Sustainability Report in accordance with the test findings.

POSCO's materiality test process consists of four steps. Step 1 is identifying the key issues. An issue pool is formed by identifying the internal issues that are considered important within POSCO from a strategic and financial viewpoint such as KRI, innovation tasks, policies and systems, in addition to issues that are of importance externally, such as those revealed the ough media analysis, stakeholder surveys, GRI indicators and assessment items by

sustainability assessment institutions. Step 2 consists of creating a draft report by prioritizing the issues that have significant impact on the company and are of significant concern to stakeholders by rating them on a scale of ten. In Step 3, a draft report is reviewed by external experts representing each stakeholder group and then presented to management. After an external assurance, additional work is carried out before a final report is published. The final Step 4 is reflecting this in the report production process and including it in the report production framework.

The report production process is based on G2 Guidelines. POSCO intends to revise the process in accordance to the new G3 Guidelines after the publication of the 2007 Sustainability Report.



2007 Highlights

As we pass our 40-year anniversary, we are powering ahead to create another success story as a sustainable and socially responsible company that operates on the world stage. The concerted efforts of everyone at POSCO resulted in sound economic, social and environmental achievements in 2007. POSCO will continue to strive to deliver results.



Proclamation of Global POSCO Way

We proclaimed the 'Global POSCO Way' to realize our vision of 'Creating Another Success Story, Beyond Here Beyond Now.' The five core values under the Global POSCO Way are: Customer, Challenge, Execution, People, and Integrity.



Sustainability Management (Included in SAM-DJSI for 3 Straight Years)

POSCO has been selected as the leader in the steel category in the Dow Jones Sustainability Indexes (DJSI) since 2005. DJSI tracks the world's 2,500 leading companies in sustainability management. POSCO is the first company to be added to the index for three years in a row from the steel industry which has high environmental risks. POSCO received the industry's highest marks in 13 out of 18 categories in economic, environmental and social sections in 2007. POSCO is also the only Korean company in Goldman Sachs' GS Sustain Focus List.



Corporate Governance (Best Company of Corporate Governance Award)

POSCO received the Best Company of Corporate Governance Award from the Korea Corporate Governance Service for two consecutive years. We received high marks for our efforts to protect the rights of minority shareholders and setting up the Insider Trading Committee to prevent unfair insider dealings. We were also highly rated for having the Audit Committee composed entirely of outside directors and having an independent auditor's office to support the committee. Separately, POSCO was honored at the 7th Transparent Accounting Awards sponsored by the Korean Accounting Association.



Business Performance (Record High Production and Sales)

In 2007, our crude steel production and sales climbed to new highs backed by our focus on high value-added products and low-cost production. Crude steel output grew by 3.3% to 31.1 million tons, while sales increased 11% to KRW 22,207 billion. Operating income amounted to KRW 4,308 billion. POSCO paid taxes of more than KRW 1,200 billion, topping the KRW 1 trillion mark for the second year in a row.



Environmental Performance (Commercialization of FINEX)

The commercial FINEX plant was launched in May 2007. As the next generation technology to replace the blast furnace method, FINEX markedly reduces the generation of pollutants. By removing the need for preliminary raw material processing, FINEX lowers the emission of sulfur oxides by 3% and nitrogen oxides by 1% compared to the blast furnace route.



Win-win Cooperation with SMEs (Award for Cooperation with SMEs)

In 2007, POSCO received the Prime Minister's Award for cooperation with SMEs. That marked the third straight year in which we were recognized for our efforts to promote SMEs. We won the President's Award in 2005 and the Silver Tower Order of Industrial Service Merit in 2006.

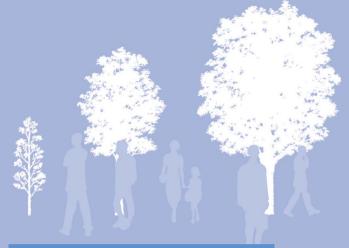


Social Performance (Global Social Contribution)

POSCO implements social contribution on a global scale, with a special emphasis on India, China and Vietnam. We built homes in New Delhi with 'Habitat for Humanity', sent clothing to disaster victims in China, and helped to build an elementary school in Vietnam. In Korea, we launched an e-learning campaign for multi-cultural families. Conducted in five languages (Korean, Chinese, Vietnamese, Japanese and English), the programs has assisted some 5,000 foreign wives of Korean men adjust to their new surroundings.

Sustainability Issues

Through sustainability management, POSCO is working to maximize the positive effects of our business activities on the environment and society while minimizing the negative impact. This diagram was prepared to identify the environmental and social impact of our activities. It shows the connection between the major issues covered in this report and our operations.



Environment (29page)

- Response to UNFCCC
- Environmental strategy and performance

POSCO emits 2.19 tCO2/ton of crude steel. Curbing CO2 emissions and responding to UNFCCC are of utmost priority to POSCO. We are also making steady efforts to reduce pollutants and increase recycling, with our recycling rate for resources and water reaching 98%. POSEPI, the indicator of our environmental activities and performance, was 145 in 2007, up from the previous year.



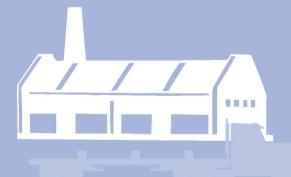
POSCO achieved 2007 sales of KRW 22 trillion and operating income of KRW 4.3 trillion, and the dividend payment ratio was 200%. POSCO established its 2018 vision and is pursuing growth into a global company with annual sales of

Suppliers (52page)

- Fair Competition
- Win-Win Cooperation with SMEs

all business areas related to our suppliers. POSCO has been fostering trust by maintaining long-term partnerships with exemplary suppliers, building a global sourcing network, and establishing a benefit-sharing system. We also encourage facility purchases based on price and quality and are expanding 'green purchasing' activities.







Employees (46page)

- Safety
- Communication

The safety of our employees is paramount and we are focusing on improving employee satisfaction and development through open communication. The level of employee engagement improved to 80%, while the average training time per employee was 304 hours.



Society (58page)

• Social Contribution Strategy and Activities

POSCO is focused on nurturing human resources, expanding social welfare and supporting cultural development. Our social contribution activities span Korea, India, China and Vietnam. In 2007, our social contribution spending amounted to KRW 150.5 billion and each employee devoted an average 22 hours to volunteering.



I would like to begin by thanking our customers, shareholders and other stakeholders around the world for their unwavering support of POSCO.

On behalf of everyone at POSCO, I am pleased to present our fifth sustainability report which details our activities and performance related to sustainability management.

This year marks the 40th anniversary of our founding. Forty years ago, we set off on an ambitious quest to create a steel mill in Pohang on the southeastern coast of Korea. Through sheer determination, we overcame limitations in capital, technology and experience. As we look forward to the next 40 years, POSCO has declared a new vision, 'Creating Another Success Story - Beyond Here, Beyond Now.' The vision represents our strong will to write another success story by taking our founding philosophy to the international stage and contributing to the advancement of global community.

Our new success story involves pursuing sustainability management by considering economic profits, environmental protection and social responsibility to enhance the company's long-term performance, and furthermore, growing into a company that contributes to the global community. To this end, our activities for sustainability cover a wide range of issues including the environment and climate change, safety and health, win-win partnership with small- and mid-sized enterprises (SMEs), and social contribution activities including volunteering.

These activities are anchored in our commitment to transparent corporate governance and business ethics. We have an advanced governance structure centered around the Board of Director that maintains a system of checks and balances between the board and management. Our example has been acknowledged in Korea and abroad. To become an even more trusted company, we pledge to work towards further improvement to ensure the board's autonomy and protect shareholders' rights.



>>>>> we strive to create a new success story as a globally respected company >>>

POSCO is facing increasingly greater demands for ethical management. Based on our tradition of upholding basic principles and integrity, we promise to pursue the highest levels of business ethics.

Climate change is a major issue that needs to be jointly addressed by the global community. As a steel company, POSCO consumes vast amounts of energy during the production process and is placing special emphasis on curbing greenhouse gases emission. We established a greenhouse gas management system in 2006 and are implementing various measures to lower emission levels. One such measure is using byproduct gases to meet a large portion of our energy requirements. In addition, POSCO is an active participant in initiatives to reduce greenhouse gases led by the International Iron and Steel Institute and in international efforts for environmental preservation.

2007 was a meaningful year for POSCO in terms of environmental performance. We completed the world's first commercial FINEX plant with a 1.5 million ton-capacity. FINEX is a next-generation, environmentally friendly technology that removes the need for preliminary raw material processing and dramatically reduces the generation of pollutants.

We firmly believe that promoting mutual growth with our suppliers and outsourcing service partners is not only our duty, but also the key to enhancing our competitiveness. We harness our technologies and expertise to support and nurture SMEs. Through a department dedicated to promoting win-win partnerships with SMEs, we provide financial assistance as well as support for purchasing, sales, R&D and training. In particular, our benefit-sharing program has been acknowledged as an exemplary model of cooperation with SMEs. Under the program, we jointly carry out improvement tasks with our suppliers and share the resulting gains.

POSCO engages in a wide range of activities to fulfill our social responsibilities. These include Korean language and culture classes to support multi-cultural families and the POSCO Asia Fellowships.

We also present the POSCO TJ Park Prize to individuals or organizations that have contributed to advancing science, education and philanthropy.

Solid economic performance provides the foundation for our social and environmental activities. In 2007, our crude steel production and sales climbed to new highs backed by our focus on high value-added products and low-cost production. Crude steel output grew by 3.3% to 31.1 million tons, while sales increased 10.8% to KRW 22,207.0 billion. Operating income amounted to KRW 4,308.0 billion.

POSCO was valued at USD53.4 billion as at the end of 2007. We ranked in second place among listed companies in Korea and second among global steel producers. POSCO had the honor of being included in the SAM Dow Jones Sustainability Index (DJSI) in the steel category for three consecutive years. We also garnered awards for excellence in corporate governance and transparent management.

Our commitment to fulfilling our social responsibilities and pursuing mutual prosperity with our diverse stakeholders has remained constant throughout our 40-year history. That commitment will continue to guide us in the coming 40 years as we strive to create a new success story as a globally respected company.

Thank you.

June 2008

Ku-Taek Lee Chief Executive Officer

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Stakeholder Engagement

POSCO carries out sustainability management activities by exchanging views with stakeholders. The opinions and demands of our stakeholders are collected and reflected in our management decisions through various communication channels, which are also used to deliver our policies and operations-related issues to our stakeholders.

In order to forge a solid partnership with stakeholders, we operate a communication process as described below. For those processes, we are aiming to develop them by finding communication channels and preparing relevant systems.

POSCO's Vision and Communication Regarding Stakeholders

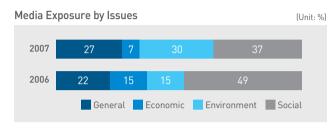


Media Survey

To identify the issues of chief concern to our external stakeholders, POSCO conducted a media survey of all domestic media sources in 2007. Using 72 keywords spanning general, environmental, social and economic news, we identified the major issues for social/NGO, investment/rating agencies, labor/employees, customers, government, and partner firms. We also checked the positivity/negativity levels of the issues and reports.

The survey revealed a total of 1,040 articles related to POSCO, divided into 383 social (37%), 307 environmental (30%), 282 general (27%) and 68 financial (6%). Our exposure in environmental news doubled compared to a year earlier, reflecting the growing interest in environmental issues. By stakeholder group, social/NGOs comprised 63%, investment/rating agencies came to 11%, labor/employees to 10%, customers 10%, while government and partner firms came to 6% each. Social/NGO groups more than doubled compared to 2006.

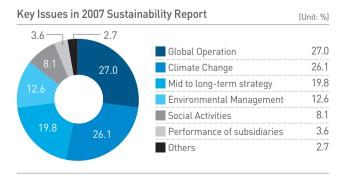
Positive articles numbered 868 (83%) while negative articles came to 172 (17%). The 9% rise in positive articles is attributed to POSCO's efforts in sustainability management, social contributions, win-win management and financial performance. Issues of the management rights due to M&As in the steel industry and the labor unions acted as negative factors.

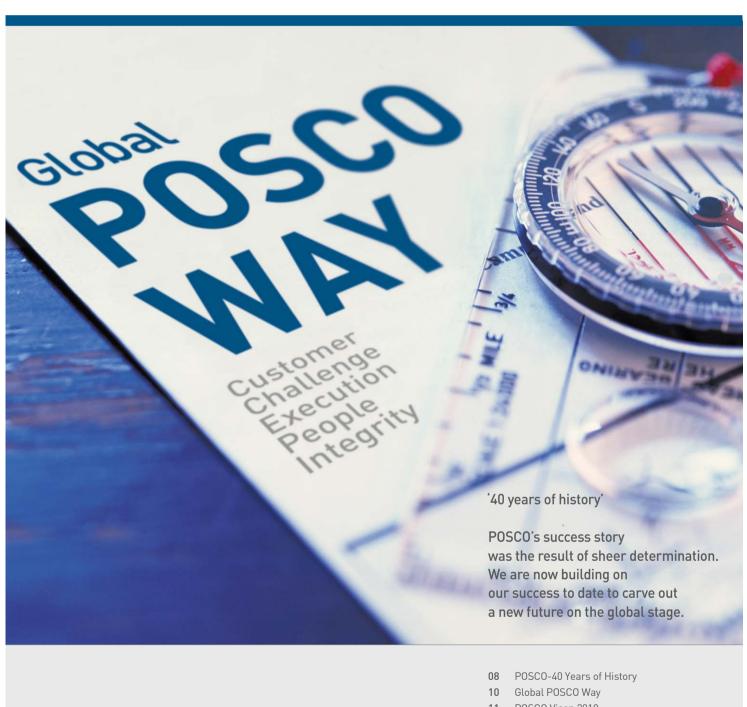


Email Survey

Prior to preparing the 2007 Sustainability Report, POSCO conducted a survey of experts in CSM to identify significant issues and stakeholder needs. We surveyed 60 experts from external agencies such as consulting firms, media firms and NGOs, 40 internal personnel and team leaders from related departments, and 100 persons who had requested our sustainability report from the POSCO sustainability homepage. The questions were sent via email and fax. According to the survey results, the contents of the report received 4.2 points out of a possible 5 in terms of credibility. Overall satisfaction level came to 3.9 points, signifying high levels of credibility and satisfaction with the report. The report was also judged to be written in plain and easy to understand language, receiving 3.9 points on readers' understanding of the terminology. Furthermore, when asked about how the report aided in their understanding of POSCO's CSM performance, respondents gave a high mark of 4.1.

In the 2006 Sustainability Report, the issues which were of most interest were sustainability management and related issues, climate change, social contribution, supply network management, performance indicators and GRI indicators. Respondents also expressed a desire to learn more about POSCO's global operations, climate change strategy, and mid to long-term business plans, which we reflected in the 2007 edition.





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- 14 Business Ethics
- 15 Fair Competition
- 16 Risk Management
- Sustainability Management

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

POSCO - 40 Years of History

Since its founding on April 1, 1968, under the name of Pohang Iron & Steel Co., POSCO has taken a remarkable journey over the last forty years, from playing a critical role in the development of the Korean economy to becoming a world leading steel maker.

Our assets surged over 19,000 times to KRW 30.4928 trillion last year compared to a mere KRW 1.6 billion back in 1968. Revenues have risen more than 530 times, to KRW 22.207 trillion in 2007 compared to KRW 41.6 billion in 1973 when our first production line started operation.

POSCO has produced 550,850,000 tons of steel products over four decades, including 69,250,000 tons of steel plates, 213,760,000 tons of hot-rolled steel, 133,840,000 tons of cold-rolled steel, 39,360,000 tons of steel rod, and 19,410,000 tons of stainless steel. This is equivalent to the amount of steel that could manufacture about 580 million mid-sized automobiles.

The history of Korea's economic development cannot be told without the history of POSCO.

Korea'dream to set up a steel industry, a hope once dashed by the Japanese colonial rule, was revived in the 1960's with the Korean government's comprehensive steelworks plan. We had no capital, technology, or experience. However, the government was determined to build up the backbone industries to modernize the Korean economy. Under this master plan, Park Tae Jun, then president and current honorary chairman of POSCO, and 39 workers held a launch ceremony on April 1, 1968 and set out to build POSCO's first production line.

Armed with a strong sense of duty, all of the workers were committed to constructing a steelworks for the country. They

worked day and night, taking cat naps in what was called the 'Rommel house.' Then in 1973, we successfully built Korea's first crude steel production facility with a capacity of 1.03 million tons. Four expansion phases later, in 1983, we completed Pohang Works with the capacity to produce 9.1 million tons of crude steel.

To cope with Korea's growing demand for steel, POSCO took on the challenge of creating another success story in Gwangyang. From the launch of the first Gwangyang plant in 1985 to the completion ceremony in 1992, we built a state of the art steelworks that spans iron making, steelmaking, and rolling. Realizing the crucial role of technology, we also established Pohang University of Science and Technology and the R&D Center for Industrial Science and Technology.

Continued efforts to raise efficiency and productivity catapulted POSCO into the world's No.1 steel producer (based on crude steel output) in 1998. In the following year, POSCO revamped its business processes and set up an integrated digital system. Since being privatized in 2000, the company has been expanding its global production network. We are currently pursuing the construction of steel mills in India and Vietnam. We have also made major strides in technology, with the development of innovative technologies such as FINEX and poStrip. Securing a stable supply of raw materials is of importance, which is why we are investing overseas in resource development. In addition, we are fostering sales of high-value, strategic products such as automotive steel and API steel.

We strive to uphold transparency and weave innovation into the fabric of our corporate culture. As a responsible corporate citizen, we practice sustainability management whereby balanced consideration is given to environmental soundness and our

[History of POSCO - Rise of a Steel Maker] 1968-1981

Jul. 1967	Pohang chosen as home of an integrated steelworks
Apr. 1, 1968	Pohang Iron & Steel Co. Ltd. established
Apr. 1, 1970	Pohang Works phase 1 construction begins
Jul. 3, 1973	Pohang Works phase 1 construction complete (annual
	crude steel capacity of 1.03 million tons)
Feb. 8, 1981	Pohang Works phase 4 construction complete (annual
	crude steel capacity of 8.5 million tons)



Construction work amid fierce sand dust



Tears of joy and celebration with first production line

[Success Story Continues in Gwangyang Bay] 1981-1992

Dec. 5, 1985	Gwangyang Works phase 1 construction begins
Dec. 3, 1986	Pohang University of Science and Technology established
Mar. 3, 1987	Research Institute of Industrial Science and Technology established
Jun. 10, 1988	Shares listed on Korea Stock Exchange (1st popular share)
Oct. 2, 1992	Gwangyang Works completed in time to celebrate
	quarter century of POSCO's existence (annual crude
	steel capacity of 20.8 million tons)







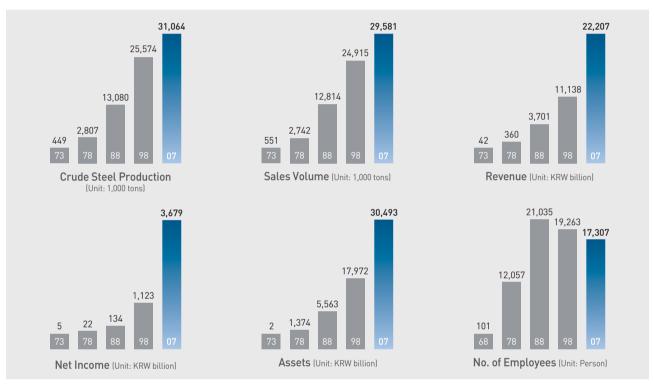
First popular share on the Korea Stock Exchange

obligations to society in addition to economic performance.

We began our journey by creating something from nothing. Now, we are powering ahead with new determination to create something better. With our competitive edge and passion for excellence, we will embrace new challenges to shape POSCO into a sustainable global company.



POSCO at a Glance



[POSCO's New Beginning with Privatization] 1993 - 2002

Oct. 14, 1994 Listed on New York Stock Exchange
Oct. 27, 1995 Listed on London Stock Exchange

Mar. 14, 1997 Introduced outside directors and outside auditor

Oct. 4, 2000 Privatization complete

Mar. 15, 2002 Company name changed to POSCO



[Becoming 'Global No. 1' through Growth and Innovation] 2003-2008

May 29, 2003 Launch of POSCO Volunteer Group

Jun. 2, 2003 Declared the Code of Ethics

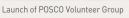
Nov. 7, 2003 Launched POSCO-China

Jun. 30, 2005 Signed MOU to build integrated steelworks in Orissa,

mula

May 30, 2007 Completed commercial FINEX facilities







Declaring the Code of Ethics

Global POSCO Way

Following the appointment of Ku-Taek Lee as CEO in 2003, POSCO has been pursuing growth and innovation to evolve into a global corporation. In line with that pursuit, we launched the 'Global POSCO Way' project, under which we redefined our corporate vision to excel in the global business environment, connecting every POSCO employee to share and participate in the advancement of the company.

POSCO's management strategy evolves around the basic principle of uniting our employees to work together towards our vision. Over the course of ten months, between February and December 2006, we held in-depth interviews with top management, held workshops and conducted surveys to gather suggestions and ideas from our 6,000 employees to devise the 'Global POSCO Way' management strategy. It builds on our earlier management practices and benchmarks strategies of other world-leading corporations. The new vision and core values are as follows.

Vision and Core Value Diagram

The vision 'Creating Another Success Story' is our affirmation to move beyond our past successes and create a better future. Our vision is born from our resolve to become a global POSCO and a

leader in technology, process and culture. Our commitment is reflected in our corporate motto, 'Beyond Here, Beyond Now.'

POSCO's core values are the standards every employee must uphold to turn tomorrow's vision into reality. Our five core values have been designated to reflect the rapidly changing business environment: Customer, Challenge, Execution, People, and Integrity. Collectively, they reflect the basic beliefs that have driven POSCO's success over the last four decades. The core values incorporate the company's philosophy to grow hand in hand with our customers by tackling challenges and executing new ideas based on the basic principle of respect for mankind and integrity.

Vision

Creating Another Success Story

Beyond Here, Beyond Now

Roadmap to the World, Innovation for the future





POSCO Vision 2018

As we celebrated our 40th anniversary, we proclaimed 'POSCO Vision 2018' under which we will build on our steel business to secure new growth drivers and grow into a global corporation. Our vision is to realize a 'New POSCO,' a company with stability and sustainability that achieves both growth and profits.

Construction and energy are among POSCO's key next-generation growth platforms as we branch out from our traditional steel-making business. We will continue to seek new growth engines as we move towards our goal of achieving sales of KRW 100 trillion (consolidated basis) by 2018. To achieve Vision 2018, POSCO will implement the '3S Strategy' where the 3S represents 'size up,' speed up,' and 'synergy up.'

Size Up

We will boost production capacity centered on growing markets overseas and cultivate future growth drivers in strategic industries. We will implement reforms and overhaul our business model to thrive in the global marketplace. Moreover, we will pursue growth of the entire POSCO Group through concerted efforts with all subsidiaries.

The mission to become a global big three and top three involves raising production overseas. In China, we will raise market share by strengthening ties with local steel companies and extending our Supply Chain Management (SCM) system of strategic products.

POSCO's two prong strategy involves the advancement of existing businesses and uncovering new growth areas to increase non-steel consolidated sales to KRW 30 trillion by 2018. In the energy field, we will increase commercial power generation capacity and enhance operational efficiency of the LNG terminal while exploring opportunities in renewable energy. In construction, we will expand our presence in the plant business which is showing explosive growth. In addition, we will aggressively target entry into overseas markets. For example, in the Middle East and Africa, considered the next generation growth regions, we will pursue resource development as well as energy and construction businesses.

Speed Up

The 'Speed Up' strategy is aimed at building our capabilities to operate efficiently in the face of change and in any given business environment. In terms of technology, we will pursue 'World Best First Most' to establish POSCO as the global leader in technology by developing high quality products that are also environmentally friendly.

We have selected 12 development tasks to set up the framework to manufacture and distribute premium products. Our long-term technology strategy is focused on 'quality upgrades for all products', with an emphasis on our eight strategic products, FINEX, and endless hot rolling technology.

POSCO is also committed to creating eco-friendly products. We are trying to reduce carbon dioxide and pollutants generated during production and energy use, minimize the negative effects on the human body and environment during the use of POSCO products, and promote recycling.

Along with efforts to expand our global marketing network, we will explore opportunities in resource development and ways to raise investment efficiency. POSCO will also secure greater cost competitiveness by seeking technologies and innovation to bring down costs.

Strengthen the Group's Competitive Edge

One of POSCO's Group strategies is to efficiently utilize available resources. In construction, we will expand the scale of plants and overseas development projects. In energy, we will devote our attention to renewable energy such as fuel cells. We will also explore opportunities in new materials such as magnesium steel plates.

Another core strategy is to maximize synergy among the various business fields to spur growth for POSCO and our affiliates. This will entail increasing each affiliate's competitiveness in the steel support business.

We will reform our operating system to enhance domestic and international cooperation within the framework of fair competition and ethical management. We will also promote sharing of our vision and brand, and human resources for the continuous expansion of shared management resources among all POSCO affiliates.

'Vision 2018' will lead to the re-birth of POSCO as a global leading company. We will strive to create another success story by achieving consolidated sales of KRW 100 trillion.

POSCO's Vision & Strategy



Size up

- Increase production in overseas growth markets
- Secure new strategic growth engines

Speed up

- Upgrade and reform all facets of operation
- Redefine our business model and how we do our work to operate in a global environment

Synergy up

- Maximize the value of POSCO and our our subsidiaries
- Strength the competitiveness of POSCO and our subsidiaries
 Strength the POSCO and our

subsidiaries

Corporate Governance

Based on our Corporate Governance Charter which sets forth the vision and principles of our governance structure, we have been making continued efforts to ensure independence of the Board of Directors and protect the rights of shareholders. POSCO is proud to be recognized domestically and internationally as an outstanding model of transparent governance. We introduced the written and cumulative voting system to protect shareholders, while the Insider Trading Committee oversees transactions with companies with whom POSCO has a special relationship for greater transparency.

Ownership Structure

As of the end of December 2007, we had a total of 87,186,835 issued shares. Our shares are listed on the Korea Exchange. We also have 62,994,368 ADRs (15,748,592 issued shares) traded on the New York, London, and Tokyo markets. As of the end of December 2007, the five biggest shareholders collectively held 18.28% of the company.

Board of Directors

BOD and Special Committees

POSCO's BOD consists of eight outside directors and six standing directors. The outside directors are appointed through a careful

Shareholder Composition (as of Dec. 31, 2007) Shareholder 2004 2005 2006 2007 59,353,640 60,373,344 59,223,011 54,305,628 42,634,739 Foreign 69% 67% 68% 62% 49% 21,354,305 20,130,320 20,867,759 23,287,314 32,905,462 Domestic 24% 23% 24% 27% 38% 8,258,210 6,683,171 7,096,065 9,593,893 11,646,634 Treasury Stock 9% 8% 8% 11% 13% Total 88.966.155 87.186.835 87.186.835 87.186.835 **87.186.835**

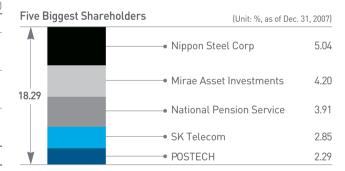
performance results

evaluation

selection process. Candidates are first chosen by the Outside Director Selection Consulting Group, which consists of five experts from various fields. The candidate list is then narrowed down by the Director Candidate Recommendation Committee and appointments are made at the general shareholders' meeting. Outside directors play a crucial role, sitting on the BOD's special committees as members or as committee chairs. We have set up a system such that outside directors also hold their own separate meeting to provide them with an opportunity to independently discuss key corporate issues.

In 2007, POSCO's BOD held a total of seven meetings with a 96.2% attendance rate. Standing directors' attendance rate was 100% while outside directors', including foreigners, attendance rate was 93.7%. Key BOD decisions in 2007 included an investment proposal for Pohang Works line 1, expansion of steel plate production capacity, plans for RHF joint venture, takeover of MEGS, a Malaysian EG mill, and 2008 business plans.

The BOD also approved critical proposals related to our global expansion and sustainable growth such as the decision to purchase a stake in Uzbekistan's Aral Mine Excavation Business, joint investment in a US steel pipe factory, plan for a new overseas production base, and Group subsidiaries' public offerings.



(as of April 2008)

ROD **CEO** General Shareholders' Meeting Ku-Taek Lee 8 Outside Directors, 6 Standing Directors Chairman Won-Soon Park Chairman Young-Ju Park Chairman Sung K. Huh Chairman Yoon-suk Suh Chairman Yoon-suk Suh Chairman Ku-Taek Lee Evaluation of standing Preliminary deliberation on Preliminary deliberation on Execute legal rights such as Preliminary deliberation or major external investment plans and amendment of auditing the performance of directors' duties and director candidates and the evaluation and resolution on internal deliberation or approval on recommendation of outside compensation for transactions in accordance key investment plans operation regulations for BOD appointment of outside auditors director candidates management and evaluation with antitrust regulations 2007 meetings: 12 and Fair Trade Act of business performance 2007 meetings: 3 Deliberated on 28 issues, 2007 meetings: 7 2007 meetings: 2 2007 meetings: 5 2007 meetings: 5 Deliberated on 6 issues including Gwangyang #4 blast furnace 1st stage including recommendation of Deliberated on 2 issues. Deliberated on 21 issues, Deliberated on issues such Deliberated on issues such outside director candidates and evaluation of standing including stock purchase plan of Hyundai Heavy including overall corporate as audit of fiscal 2006 as contribution to POSCO Educational Foundation

Industries and takeover of

MEGS, a Malaysian EG mill

consolidated earnings

results

director candidates

Special Committees

There are six special committees under the BOD that are all chaired by an outside director with the exception of the Executive Management Committee. The Audit Committee, the Evaluation and Compensation Committee, and the Insider Trading Committee consist of outside directors only.

External Evaluation

POSCO had the honor of being named the best Korean company for corporate governance in a survey conducted by the Hong Kong-based publication 'Finance Asia' in 2006. Subsequently, we received the Best Company of Corporate Governance Award from the Korea Corporate Governance Service for the second straight year in 2007. We also received the Transparent Management Grand Prize given by five economic organizations including the Korea Employers Federation in December.

Compensation for Directors and Executives

Compensation for outside and standing directors is determined based on the parameters approved at the general shareholders' meeting. The 2007 meeting set the maximum compensation amount to KRW 6 billion, same as the previous year. The actual compensation disbursement was KRW 4.4 billion. Directors' compensation consists of a basic salary, performance-based salary, and incentive. The basic salary is decided by the BOD's designated amount according to one's position while the performance-based salary portion is decided based on the BOD's evaluation standard. Other details regarding compensation are decided by the BOD's Evaluation & Compensation Committee. POSCO adopted a performance-based compensation system to directly link executives' salary with the company's performance. The performance salary of the CEO is based on the evaluation of overall management performance, which combines qualitative and quantitative evaluations. The quantitative part is made in accordance with the achievement of management targets as set by the BOD and the achievement in comparison to past performance in terms of EVA (Economic Value Added), EBITDA, and revenue. The qualitative part is made in accordance with the achievement of midterm management strategies as determined by the Evaluation and Compensation Committee. Other standing directors and executive officers receive performance salaries in accordance with the management performances of POSCO and evaluation by the CEO.

BOD Profile (as of April 2008)

Description	Name	Professional Experience	BOD Committee Activity (Underlined executive is the committee chair)	
Outside Director	Yoon-suk Suh	Chairman of the Board Former Dean of College of Business Administration, Ewha Womans University	Chairman of the Audit Committee, Chairman of the Insider Trading Committee, Evaluation and Compensation Committee	
	Young-Ju Park	Eagon Industrial Co. CEO Vice Chairman of the Federation of Korean Industries	Chairman of the Evaluation and Compensation Committee, Finance and Operations Committee	
	Jeffrey D. Jones	US Attorney at Law, Kim & Chang Honorary Chairman of American Chamber of Commerce Korea	Audit Committee, Insider Trading Committee	
	Won-Soon Park	The Beautiful Foundation Standing Director Former People's Solidarity for Participatory Democracy Chief of Staff	Chairman of the Director Candidate Recommendation Committee, Finance and Operations Committee	
	Wook Sun	Nongshim CEO Former President & CEO of Samsung Human Resources Development Center	Director Candidate Recommendation Committee, Audit Committee, Insider Trading Committee	
	Charles Ahn	Chairman of AhnLab's Board of Directors Former President & CEO of AhnLab	Director Candidate Recommendation Committee, Evaluation and Compensation Committee	
	Sung K. Huh	Former Professor of Business Admistration, Dong-A University Former Minister of Maritime Affairs and Fisheries/ Public Administration and Security	Chairman of the Finance & Operation Committee, Evaluation and Compensation Committee	
	Sang-Yong Park	Yonsei University Business Administration Professor Former President of Korea Securities Research Institute	Audit Committee, Insider Trading Committee	
	Ku-Taek Lee	CEO	Chairman of the Executive Management Committee	
	Seok-Man Yoon	President	Finance & Operation Committee, Executive Management Committee	
Standing Director	Joon-Yang Chung	President	Executive Management Committee	
	Soung-Sik Cho	Senior Executive Vice President	Executive Management Committee	
	Dong-Hee Lee	Senior Executive Vice President	Finance & Operation Committee, Executive Management Committee	
	Jong-Tae Choi	Senior Executive Vice President	Director Candidate Recommendation Committee, Executive Management Committee	

Business Ethics

At POSCO, we devote ourselves to creating a culture that is based on high ethical standards. This commitment is underscored by our extensive infrastructure, training and communication.

The firm dedication to integrity demonstrated by our top leadership inspires our employees to make responsible and ethical decisions in their everyday operations. At POSCO, repeated training, strict disciplinary action against ethics violators and leading by example are the keywords that sum up its governance principles. The CEO frequently highlights the importance of integrity and proposes various ways to implement the culture of compliance. In addition, we offer continuous education to instill proper ethical values in our employees.

Code of Conduct

Our code of conduct, first adopted in 2003, includes a wide range of sophisticated policies and system to maintain high standards for personal and business integrity. At the beginning of every year, employees make an online pledge to adhere to the Code of Conduct.

To encourage our employees and the general public to uphold integrity and ethical behavior, we offer ethics counseling via our corporate website as well as the cyber ombudsman center. Anyone can freely report or discuss their concerns about legal or ethical violations by phone, fax, mail or the Internet. For those who prefer anonymous communication, the company has a system that ensures their privacy. To encourage the reporting of unethical actions, we introduced a reward system of up to KRW 50 million. A report of an illegal monetary transaction will result in a reward of ten times the reported amount; in the case of a voluntary confession of being a party to an illegal monetary transaction, the person will receive a reward of five times the reported value. In 2003, we opened the country's first 'gift return center' to root out the old corporate custom of receiving gifts during major holidays. Gifts that cannot be retuned are sold through in-house auctions and the proceeds are donated to support charitable causes.

Employee Education and Communication

We believe that the only way business ethics can be embedded in our corporate culture is through continuous education. Under this belief, we have developed a unique blend of online and offline training. All employees are required to receive a three hour group training on business ethics and a 20-hour mandatory e-learning program. In 2005, we initiated the Ethical Practice Program, under which each department chief is responsible for instituting ethical practices within his/her department. Utilizing the Six Sigma method, each department conducts workshops to discover ethical risks and seeks ways to address the identified risks. Under the program, which is conducted on a one-year cycle, the business ethics execution leader of each division takes on the role of facilitator, designing the ethical practice program, consulting with his/her staff, and communicating with the ethics department.

Various other events are organized to spread the code of ethics among our employees. We publish the bi-weekly Ethics Digest, an online newsletter to promote compliance awareness. When logging onto our Intranet, pop-ups with specific ethics-related information show up once every week. A business ethics screen saver is offered twice a year. In addition, the CEO delivers a periodically message highlighting the importance of integrity.

Ethical Practice Program

Our code of conduct represents POSCO's commitment to integrity, defining what is expected of every POSCO employee and detailing their responsibilities for behaving ethically. On the back of every employee ID is a business ethics checklist. The five-item checklist offers answers to key ethical questions to ensure that our employees make the right choices on and off their job. In addition, the best ethical mottos and quotes are posted on company elevators and lobbies while the in-house magazine features a regular column on workplace compliance.

Enhancing Supplier Code of Conduct

POSCO is enhancing and implementing our supplier code of conduct to promote ethical standards among our business partners. We hold an ethics seminar for all our clients and new business partners. Also upon signing a contract, we attach a special clause regarding code of conduct, a disciplinary tool which helps to prevent unethical behaviors such as bribery that can undermine trust. The special clause goes into effect only after reaching an agreement with our counterparty.

Chronology of Business Ethics at POSCO

- 2003. 7. 3 Declaration of POSCO code of conduct and distribution of handbook on business ethics
- 2003. 7. 23 Opening of ethics counseling center
- 2003. 8. 21 Ethics seminar for suppliers and business partners
- 2003. 8. 22 Introduced the system of business ethics leaders
- 2003. 8.25 Operation of gift return center
- 2003.12.15 Opening of online courses on business ethics
- 2004. 6. 2 Revealed ethics mascot, Baro-man (meaning proper person), and ethics motto, 'Pride of Clean POSCO'
- 2004. 8. 24 Introduced reward system for reporting unethical conduct
- 2004. 9.13 Ethics seminar for new business partners
- 2005. 1. 3 Pledge by all POSCO employees to honor the code of conduct (start of every year)
- 2005. 4 Ethics training for employees of overseas subsidiaries
- 2005. 6.10 Computerized the business ethics voluntary implementation program
- 2005. 6.17 Ethics workshop for senior executives of client firms
- 2006. 6. 9 Announced results of Gallup survey on the five stakeholder groups
- 2006. 7. 27 Published the first issue of Ethics Digest
- 2006. 8. 23 Meeting of ethics committee (held once every quarter)
- 2007. 3.14 Ethics Immersion Class (EIC)

http://www.posco.com/homepage/sustainability/businessethics

Fair Competition

In 2002, POSCO introduced the 'Compliance Program (CP)' to promote fair competition. The CEO's support for voluntary compliance and principles are described in POSCO's Code of Ethics unveiled in June 2003. And since 2005, all employees make a pledge to honor the ethics code at the beginning of every year.

Since 2004, the board of directors appoints a management-planning director to run the program for compliance with fair competition as the compliance manager who reports the operational status to the board every year. In 2004, POSCO established the Insider Trading Committee under the BOD to ensure transparent transactions with our subsidiaries. The committee deliberated and reported on eight cases in 2007. We also established a Fair Competition Support Team, a department that oversees, plans, and modifies fair competition related operations as part of our goal to foster a culture of compliance with pertinent regulations.

Voluntary Advisory Committee

This committee consists of managers who run departments that are highly related to fair competition such as sales, purchasing and outsourcing. Through routine meetings, the committee members review key issues of the compliance program, thus serving an advisory role to the compliance manager. Departments represented in the committee each appoint a 'fair competition compliance leader' to oversee related affairs, playing a supporting role to the committee members. The leaders also supervise each department's voluntary inspection and consulting.

Education Programs

Since the October 2002 launch of our e-learning program on fair competition, a total of 14,459 employees have completed the course. In addition to that program, we offer practical training led by outside experts from the Fair Trade Commission and others. In 2007, 1,514 people attended 13 group sessions on compliance.

Voluntary Inspection by Departments

Our system of inspection and consulting by each business department is a mechanism for monitoring unfair or illegal activities. Workers in fair competition related departments go through a checklist to review their work duties and consult with the appropriate department for activities that have a risk of violating the law. In 2004, POSCO opened a fair competition website, allowing online inspection and consulting. Seven core departments including those involved in sales, purchasing and outsourcing were designated to conduct mandatory inspections. In addition, we created and published our fair competition inspection handbook that explains the system, method, and fair competition checklists.

2007 Performance

In 2007, we conducted a survey of employees working in departments related to fair competition to evaluate awareness of the compliance program and incorporate suggestions for improvement. We strengthened our internal monitoring system to get a better grasp of the compliance status in the related departments. Through our Fair Competition News and Intranet pop-up windows, we have raised our employee awareness on the importance of fair competition.

CP Adoption by Subsidiaries

Period ~2003		2006	2007	2008(planned)	
Category POSCO E&C POSDATA POSCO Specialty Steel,		POSCO C&C POSCON, POSREC, Samjung P&A	POS-M POSMEC	POSCO Power POSMATE POS-A.C.	
Companies (accumulated)	3	7	9	12	

In addition, we supported our subsidiaries' implementation of the fair competition compliance program; as of 2007, a total of nine subsidiaries have adopted the program. To strengthen their CP operation, we have been conducting various group leadership training sessions. Furthermore, we held three seminars reviewing case studies of our subsidiaries in an effort to enhance the consulting capabilities of those in charge of compliance with fair competition.

POSCO also is leading the way in promoting CP in Korea's corporate sector. We held the Compliance Program forum, attended by around 40 people from the Fair Trade Commission and major companies, and gave a presentation on our CP operation.

Future Direction

In 2008, POSCO plans to take further steps to improve compliance performance at the Group level. Our goal is to prevent potential legal violations, strengthen inspections, promote voluntary compliance, encourage subsidiaries to adopt CP and reinforce CP operation.

By setting up the 'Mid-to-long term CP Roadmap.' we plan to offer effective training to all our employees in accordance to their position and function. In addition, we will work with related departments and subsidiaries to map out specific guidelines regarding matters that have high potential for legal violations. Meanwhile, the 'Fair Competition Academy' will be held once every quarter to improve the consulting capabilities of those in charge of executing the compliance program.

http://www.posco.com/homepage/sustainability/partnership

Risk Management

We believe rigorous internal control that complies with international laws and regulations is at the core of our sustainability as a global business. We rolled out an extensive risk management program which includes tools enabling early detection and prevention of risks.

Internal Audit

In 2004, we built and started to maintain a companywide Risk Management System (RMS) that identifies and prioritizes the risk elements in each work process. The system then gives risk ratings by assessing possibility of risk occurrences and their impact as well as the current control level. As of now, a total of 1,116 risk factors are under RMS supervision.

The RMS is organically connected to internal auditing activities. Based on risk ratings, the internal auditing concentrates on high risk areas to implement change and adjust the rating accordingly.

Since 2006, we have been building an auditing portal per each business department. The auditing portal system allows for constant monitoring of information irregularities. This not only reduces the monitoring workload for auditors but also minimizes potential 'blind spots.' We have also launched a departmental voluntary inspection system, which enables each department to use the RMS to constantly check and prevent work-related risks. In 2007, we overhauled risk related systems to facilitate each department to search and adjust key risk factors, by pursuing common risk inspection tasks among all relevant departments.

Our plan for 2008 is to further promote the culture of voluntary risk management by increasing system sharing among relevant departments and stepping up support and inspection efforts. We also plan to create a new team which will be responsible for process overhauling and other supportive activities such as selecting and rewarding departments with an outstanding track record on voluntary risk management. High risk areas will receive separate rigorous inspections to enhance overall risk

Departmental Voluntary Inspection System



management competency.

Internal Control for Financial Reporting

POSCO is listed on the Korean and New York stock markets. In December 2003, we established a system that can assess internal control during financial reporting. They include CEO/CFO certification on disclosure and internal controls and operation of a disclosure committee. We have been conducting self assessments on internal control activities since 2004.

Under the Sarbanes-Oxley Act, an external audit attestation has become mandatory since fiscal year 2006. Accordingly, we completed implementation of the group-level internal control evaluation system which also covers our affiliates in March 2005 and conducted external auditing in 2006.

For our financial reporting internal control system, we employed external experts for consultation and used the Standard Control Activity Framework presented by COSO and the US SEC to documentize key processes in 10 areas, evaluate job risk factors and design control activities. As internal control evaluation should take place every quarter or every six months, we have set up an online evaluation system that enables internal control evaluation through simultaneous access to all sectors.

Internal Control Evaluation System



Members of an independent team with full understanding of the job functions carry out the effectiveness evaluation of internal controls to support top management's certification on internal controls. Based on the team's report, the management reports the status of the internal accounting control system every six months to the BOD and Audit Committee in accordance with the Act on External Audit of Stock Companies.

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

Sustainability Management

POSCO's commitment to sustainability management was delivered in its 2008 New Year's message. 'In order to gain respect and trust of the global community, we must continue our pursuit of corporate accountability and build a global mindset and competencies. That is the way for POSCO to attain our vision of creating another success story and becoming a sustainable global company that is committed to corporate citizenship.'

The steel industry consumes vast amount of resources and energy to create intermediate materials, meaning that we have a significant economic, environmental and social impact. Keenly aware of our corporate responsibilities, we have been striving to address the difficult challenges that affect our communities in a responsible manner.

To give greater efficiency to our citizenship initiatives, POSCO organized a CSM team in 2003 and declared sustainability

Awards and Recognitions

- SAM-DJSI Sector Leader (3 years in a row) Silver Class
- O Goldman-Sachs Sustainability Focus List
- OKorea Accounting Association Transparent accounting grand prize
- O Business Week Asia's Most Admired Company
- ©Korea Management Association Most respected company (4 years in a row)
- ©Korea Accounting Association Transparent accounting grand prize
- ©Korea Economic Daily Chairman Lee Ku-Taek, Dasan Management Award for CEO
- ©Korea Academic Society of Business Administration

Chairman Lee Ku-Taek, Best CEO Award

- ©World Steel Dynamics POSCO ranked 2nd in global steel industry competitiveness
- $\ensuremath{{\bigcirc}}\xspace$ Lee Ku-Taek, appointed as the chairman of Korea Iron & Steel Association
- Moody's Credit rating A1 (One grade higher than Korea's sovereign credit rating)
- ⊚S&P Credit rating A (Same as Korea's sovereign credit rating)

Goldman Sachs Standards for Selecting Sustainability Company



management as our core value. Our approach to sustainability considers profitability, environmental soundness and social responsibility in a comprehensive and systematic manner, in order to pursue stable and long-term growth in a rapidly changing global business environment.

On the strength of transparent corporate governance, POSCO promotes environmental management, win-win partnerships, social contribution and business ethics. Details on each subject can be found in the following pages:

► Environmental Management 30p, Win-Win Cooperation 54p. Social Contrition 58p, Business Ethics 14p



THE GS SUSTAIN FOCUS LIST

Goldman Sachs included POSCO in its focus list of 'Introducing GS Sustain' report presented at the UN Global Compact Summit in

Activities with Major Sustainability Related Organizations

Category		Name	Role
	International Iron and Steel Institute	IISI	As the chair company of IISI, lead steel industry's response to key issues such as climate change
		SRPG	Publish reports as a member of IISI sustainability report project group
		ENCO	Implement cooperative actions to resolve environmental issues of steel industry
Global		CO ₂ Breakthrough Programme	Global joint technology development program to reduce CO2 emissions
agencies		Kyoto Protocol and the Steel Industry	Exchange information on CO2 reduction measures to respond to climate change agreement
		LCA Project and LCI Project	Project to build eco-friendly image for steel industry
	World Business Council Sustainable Developme	tor WBCSD	An international group of global CEOs that come together to contribute to sustainable development. Promote sustainable development and partake in public policy making
	Korea Business Co Sustainable Devel		Domestic partnership of WBCSD; promote sustainable development of domestic industries and partake in public policy making
Domestic agencies	BISD BISD BIS	ISD	An umbrella group of the Korea Chamber of Commerce & Industry; drives expert committee activities to play a leadership role in Korea's sustainability management initiatives
	KOSA Korea iron & Steel Associat	on Korea Iron & Steel Association	Implement joint actions on key issues affecting steel industry such as climate change

July 2007. POSCO was the only Korean company on the list. The GS Sustain focus list contains 44 companies positioned for sustainable growth. The picks were made after analyzing 120 companies that practice sustainability management 8 sectors. POSCO was given high marks for sound corporate governance and transparent management and accounting.

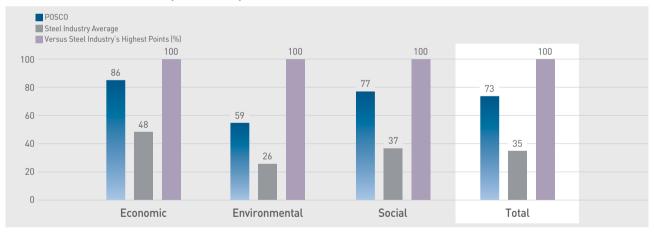
In addition, POSCO had the honor of being included in the SAM Dow Jones Sustainability Index (DJSI) in the steel category for three consecutive years since 2005. DJSI is a representative index that tracks the value of the world's 2,500 leading companies in sustainability management. POSCO was also the only company to be added to the index for three years in a row from the steel industry that has high environmental risks. In particular, POSCO received the highest marks in 13 out of 18 categories in economic, environmental and social sections in 2007.

Dow Jones Sustainability Indexes (DJSI)



The Dow Jones Sustainability Indexes (DJSI) track the performance of leading sustainability-driven companies worldwide. The DJSI World investable stocks universe consists of 2,500 companies that are included the Dow Jones Global Indexes (DJGI). DJSI stocks are selected based on corporate sustainability evaluation by SAM Research, which bases its findings on media assessment, stakeholder analysis and extensive surveys. The component companies are subject to constant monitoring. Based on annual reviews, an average 10~15% of the DJSI components are replaced every year. In the 2007 review, 33 companies were excluded and 42 were newly added. In all, 326 companies in 59 industries were included in the 2007 SAM DJSI. DJSI component companies are given priority recommendation for investment by SRI (socially responsible investing) funds, meaning exposure to stable, long-term investors.

2007 SAM Dow Jones Steel Industry Sustainability Index Evaluation

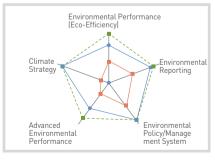


Economic



POSCO
--- Steel Industry's Highest Points

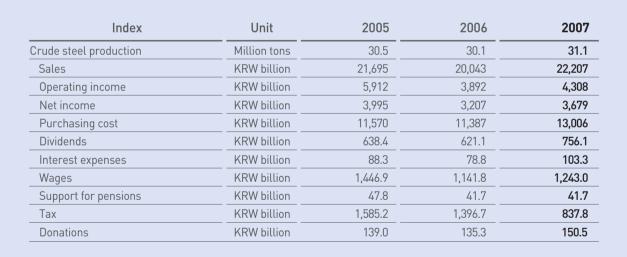
Environmental



Social



ECONOMIC Contribution



20 Management Strategy | 25 Economic Performance

Management Strategy

Global Strategy

Global Strategy

To overcome the constraints of the mature market at home, POSCO is seeking new opportunities overseas to sustain growth. An important facet of our global strategy is expanding our production facilities in Asia, a region that has strong growth prospects.

In 2006, POSCO became the first foreign company to operate an integrated stainless steel mill in China. We have also made inroads into India, another growing market that ensures access to raw materials. Under an MOU signed with the state of Orissa, POSCO has secured mineral rights and will build a steel plant with annual capacity of 12 million tons. Separately, we are reviewing plans to build an integrated steel mill in Vietnam.

Construction is underway for cold-rolled steel plant in Vietnam with target completion of 2009. In the Americas, we are building an automotive steel sheet plant in Mexico and an API steel pipe mill in the U.S. Additionally, POSCO has 28 processing centers in various regions around the world, including China, Japan, India, Southeast Asia and Mexico.

Mine Development

Consolidation in the mining industry and rising prices have created a seller's market for raw materials such as iron ore and coking coal. To ensure a steady supply of cheap raw materials, POSCO has invested in various mine development projects.

POSCO is taking part in the development of eight coal mines (e.g., Mt. Thorley in Australia, Green Hills in Canada) and two iron ore mines (e.g., POSMAC mine in Australia). We are also pursuing projects for non-ferrous metals which are essential raw materials in high-grade steel products. We entered into a joint venture for a nickel mine and refinery with SMSP, a mining company based in New Caledonia, and invested in a molybdenum mine.

POSCO will continue to invest in mine development projects with the goal of raising its raw material self-sufficiency rate from the current 17% to 30%.

Global SCM

POSCO is seeking to expand its global operations by providing customized services to each region through its SCM (Supply Chain Management) network spanning key locations worldwide.

Our SCM bases, strategically located in markets where our customers operate, processes materials to match specific customer requirements and makes just-in-time delivery. Offering greater customer services directly from key global steel markets in fields such as steel processing and JIT logistics, the SCM bases are engaged in frontline export work to expand sales of high

grade, strategic products including automotive steel, high performance cold rolled steel and stainless steel. They also support POSCO's EVI (Early Vendor Involvement) activities by collecting vital information on local steel demand and technology. Early securing of a sales network in China, India and Vietnam, the sites where our overseas production bases are being built, is expected to maximize synergies as well.

As of the end of June 2008, POSCO is operating 30 overseas SCM offices. By region, there are 13 offices in China, 3 in Japan, 6 in Southeast Asia, 3 in India and 5 in Europe/US. In 2007, the SCM bases sold 1.64 million tons of products to bring in revenues of USD1.5 billion. Under our Global SCM 5555 initiative, we plan to invest a total of USD500 million, operate 50 SCM offices, sell 5 million tons of products and achieve USD5 billion in sales by 2011. As the first step, we aim to increase our SCM offices to 35 by the end of 2008.

Since its operation began in October 2004, POSCO-CSPC, our automotive steel sheet processing center in Suzhou, China, has been playing a vital role in increasing sales. It has been providing high quality steel and services to local automakers like Shanghai Volkswagen, Shanghai GM and Nanjing Ford as well as the world's top 10 auto parts makers including Brose and Bentler. In July 2007, the company completed the second-phase construction, additionally installing heavy gauge slitter and progress press. Leveraging its advanced facilities, the center has grown into China's largest automotive steel sheet processing facility with an annual capacity of 270,000 tons.

POSCO-IPPC, the electrical steel processing center in Pune, India, is in the process of building an additional auto plate processing facility. The move is aimed at further increasing its presence in India's automotive plate market following the opening of GM and Volkswagen auto plants near the region. POSCO-IPPI Plant 1 and 2, along with POSCO-IDPC, in Delhi will form the basis for POSCO-India's sales network.

Moving forward, we plan to expand or newly set up SCM bases in key export markets of China, Japan and Southeast Asia in an effort to strengthen our marketing competency.

Global Technology Leadership

POSCO has selected 12 technology development projects to establish a system for producing and distributing high-grade steel with the goal of reinforcing product competitiveness.

In 2007, we focused on eight strategic, value-added products for technology development, such as automotive steel and electrical steel. Their sales portion exceeded 60% of the total in 2007. Over KRW 1 trillion was invested in strategic products over the year. Some ten facility projects were completed including a new heat



treatment furnace at the No. 3 plate mill in Pohang Works and rationalization of the No. 3 hot rolled steel mill in Gwangyang Works. Moreover, we developed 37 new products including an 1180 MPa-class hot dipped galvanized iron plate for automobiles.

POSCO is stepping up R&D activity to establish itself as a global technology leader in steel making. On May 30, 2007, we set up the world's first FINEX commercialization plant with annual capacity of 15 million tons. We were also the first in the world to achieve continuous rolling of 45 sheets of hot-rolled coil, and moreover, expanded monthly capacity to 100,000 tons.

Automotive Steel Sheets

POSCO is a major steel supplier to automakers with sales of automotive steel sheets exceeding 5 million tons in 2007. We developed core manufacturing technology to attain the world's best line speed for galvannealed steel sheets. By adjusting sulfur nitride we developed proprietary automotive steel products, and also developed PSM steels that received high class, high performance surface processing using the high accuracy roll roughness processing facility. In addition, we supplied GA780 MPa-grade dual phase steel and 1470 Mpa-grade HPF.

API-Grade Steel Mass Production Technology

We are making continued efforts to increase the volume of API-grade steel supply. API-grade steel is high-grade, high-strength American Petroleum Institute-specification linepipe steel that helps counteract harsh environments at oil wells and in long distance petroleum transport. Our achievements include commercial production of 13,300 tons of X80 (14.5mmt) grade linepipe steel with heavy thickness and low-temperature toughness, steels with lower Mo, Ni content, as well as production of X65 grade steel with high corrosion-resistance and X80 grade steel. We also secured manufacturing technology for X100 grade steel.

Stainless Steel Quality and Competitiveness

Amid increased supply from China and unstable raw material prices, POSCO focused on promoting strategic products and advancing technologies for the 400 series to enhance our competitive edge in high performance stainless steel.

Electrical Steel

We expanded production of high-grade grain-oriented electrical steel and developed three new items including a non-oriented electrical steel sheet having low core loss and high magnetic flux density. Work was carried out to develop chromium-free coating and processing technologies to meet diverse needs relating to insulation coating. Moreover, utilizing our electrical steel testing labs and processing centers, we set up a system for technology support for clients.

Hot Rolled Steel Technology

In 2007, POSCO enhanced the value of its high-grade rolled steel products centered on Mega-Y activities. In the case of high carbon steel, we enhanced quality by reducing scabs in the continuous casting process, scale of the hot rolling process, and deviation of thickness and hardness. For high strength steel, we reduced the variation in material properties in the width direction.

TMCP Steel

Based on the outlook for increased demand for steel plates, we decided to proceed with facility investment and technology upgrades for the existing three steel plate mills to expand production capacity from 3.8 million tons to 4.5 million tons in 2008. When facility investment is completed in 2009, the figure will rise further to 5.0 million tons. In addition, we decided to build a new steel plate mill with capacity of 2.0 million tons in Gwangyang with completion targeted for July 2010. These measures will enable us to provide a greater supply of high-grade steel plates such as TMCP (Thermo Mechanical Controlled Process) steel and heat-treated steel.

Wire Rod

Our focus in 2007 was on developing technology for the production of five wire rods for automotive applications. We developed an extremely thin tire cord that boasts superior quality to competing products thanks to technology for control of inclusions in steel. Application of this technology is being extended to spring steel for engine valve, bearing steel and others. During the year, we also developed five new products including a high strength 1,300 MPa-grade wire rod for bolts. The quality of our high grade products have been verified by prominent global companies such as Bridgestone and Schaeffler, opening the doors to overseas sales.

Cold Rolled Steel

Cold rolled steel has numerous uses, from automobiles and home appliances to construction and containers. We are strategically fostering certain cold-rolled products based on projected profitability and our technological capabilities. To better respond to customer needs, we set up a V.E. activity channel (home appliances makers) in 2007. In view of the fast growing display industry where devices are getting increasingly bigger, we took steps to enhance the formability of EG anti-fingerprint steel used in home appliances and stepped up development of processing technology to support the production of large-size panels.

Commercialization of FINEX Technology

POSCO demonstrated its global technological leadership with the commercialization of FINEX (fine-ore direct-reduction process). We started operating the world's first FINEX commercialization plant in May 2007. Although this was unchartered territory, it took just three months for production to stabilize at the plant, which

has an annual capacity of 1.5 million tons. Several processes had been developed as the next-generation steel-making technology. These include the DIOS process of Japan, the HIsmelt process of Australia, the CCF process of Europe and TECNORED process of Brazil. However, FINEX was the first technology to be successfully commercialized. POSCO has written a new chapter in the world's steel-making history with FINEX, an environment-friendly and cost-effective technology.

Strip Casting Demo Plant and Commercialization

Strip casting is an innovative technology that directly casts coils of 2-4mm in thickness from molten steel, omitting much of the processes of casting slabs and hot rolling. Not only does this method lower investment and operational costs, but it also dramatically reduces energy consumption and pollutants. After launching R&D on this technology in 1989, POSCO broke ground for a demonstration plant with 600,000 ton annual capacity in June 2004 and completed the plant in June 2006. Subsequently, we developed technology to consecutively cast five 100-ton ladles. We also developed our own technologies such as roll texturing and a design for special fire resistance to sustain high quality levels. In 2008, we will concentrate on addressing surface defects in the casting process and problems related to material quality detected during operation of the demo plant while working to lower processing costs. Our aim is to achieve cost and quality levels on par with those of products made using previous stainless steel processes to promote commercialization of strip casting technology.

Environment-Friendly Products

POSCO is doing its best to develop new technologies and processes based on the principles of minimizing pollutants and energy use, decreasing the impact on humans and the environment, and recycling. We developed 14 environment-friendly products in 2000. As of 2007, we have developed totally 166 products in the fields of environmental preservation, energy saving, and recycling improvement. The share of eco-friendly products developed stood at 76% in 2007. The 2007 sales volume of such products developed during 2001~2007 was 2.13 million tons.

Electro-Galvanized (EG) NZMC Steel Sheet

Utilizing Pohang Works' EG facilities and Zn-Ni coating technology, we developed the electro-galvanized (EG) NZMC steel sheet which boasts greater corrosion resistance than steel sheets with pure Zn coating.

The addition of Ni results in a stronger coating layer and improved corrosion resistance compared to pure $Zn[20g/m^2]$ coating, meaning the same or superior quality with half the coating mass. The product is ideal for home appliances and cooling/heating devices. Demand is growing for the product due to the anticipated benefits of longer component life span and cost savings for client firms.

Environment-Friendly Products Development Status

Category	2002	2003	2004	2005	2006	2007
Environment-Friendly Products Development Ratio (%)	65	74	74	81	83	76
No. of Environment-Friendly Product Types	20	25	25	22	19	28
Accumulated Orders (ton)	68,871	130,830	418,007	681,131	1,143,111	2,130,498

^{*} Environment-Friendly Products Development Ratio [%]: The share of newly developed environmental-friendly products out of the total new developments

Types of Environment-Friendly Products

Category	Function	No. of products in 2000~ 2007
Environmental preservation	Non-containment of environmental hazardous substances, isolation of substances Reduction of noise and quakes, improvement of exhaust gas purification performances Improvement of collision and safety properties	22
Energy saving	Light-weight automobiles, omission of a process of heat treatment Improvement of energy efficiency, and improvement of processibility	113
Recycling improvement	• Improvement of corrosion resistance and life span, and improvement of durability	31

We have applied for a patent as of 2007, and will continue with research to further enhance the product's performance.

High Performance Steel for bridges

High performance steel (HPS) refers to steel with optimized properties (eg, tensile strength, impact toughness, weldability, cold formability, fatigue fracture, corrosion resistance) for bridges. It has been developed in Japan, US and Europe since the 1990s with commercialization efforts being made entering the 2000s. Demand for HPS is on the rise as it lowers building costs and allows for easier maintenance.

In conjunction with a project to develop new material application technology for next-generation structures led by the Ministry of Construction and Transportation (MOCT), we launched R&D into high performance steel in 2005. We developed a 600Mpa grade product in 2006 and in the following year, we provided the steel for building of the Incheon Grand Bridge, considered one of the world's top ten construction projects. Compared to comparable grade products, it has enhanced yield strength and impact toughness. It also boasts reduced preheat during welding and improved performance after welding.

We shared the Ministry of Commerce, Industry and Energy (current Ministry of Knowledge and Economy)'s view that KS standards should be introduced for the developed steel products to ensure the quality of Korea's bridges. In August 2007, we pursued formulation of the 'KS D 3868 High-performance Steel for Bridges (HSB)' standard. We are working to have the standard reflected in bridge designs overseen by MOCT. Going forward, we plan to develop 800Mpa grade steel and other products optimized for special applications to promote advances in the construction sector.

New Businesses

Energy

As part of our initiative to nurture the energy business as a future growth driver, we acquired full ownership of POSCO Power (formerly Korea Independent Energy Corp.) through share acquisitions in 2005 and 2006. We have received government approval to build a 1,000 MW LNG combined cycle power plant. Construction is set to begin in April 2009. The power plant, which will help ensure a stable power supply to the Seoul metropolitan area, is scheduled for completion by November 2011.

LNG Terminal

POSCO is the first Korean company to directly import LNG. Through the completion of our Gwangyang LNG terminal housing two 100,000 kl storage tanks in 2005 we have secured a stable supply of LNG. In addition to environmental benefits, we realized cost savings of KRW 180 billion in 2007.

To enhance the terminal's operational efficiency and prepare for growing LNG demand, we are currently building a 165,000 kl storage tank. About 22% of the work was completed as of the end of 2007. The target completion date is September 2010.

Overseas Resource Development

Amid the unprecedented hike in oil price and fierce competition for natural resources, POSCO is making various efforts to secure access to stable energy supply and reinforce our global competitiveness. In January 2007, we decided to participate in exploration of Aral Sea gas fields in Uzbekistan. We signed an agreement with Korea Gas Corp. to acquire an equity stake in the gas field in June. The Aral Sea gas fields are estimated to hold reserves of 8 Tcf (trillion cubic feet, 168 million tons), which is equivalent to the amount of gas consumed in Korea over eight years (annual consumption of about 22 million tons). POSCO's stake in the gas field is equal to roughly 30 years worth of Korea's LNG import volume (550,000 tons/year).

Environmentally-Friendly Fuel

To minimize waste and promote resource recycling, we are pursuing a project to transform sewage sludge and everyday waste into energy. Specifically, waste materials are dried and then processed to turn them into fuel for power generation. This endeavor will enable us to generate income from waste treatment, meet Renewable Energy Portfolio Standards (RPS), and secure carbon credits. Our target is to convert 1.5 million tons of sludge annually, which is 40% of the amount generated in Korea, and supply an annual 300,000 tons of fuel for power generation by 2011. We aim to operate a power plant wholly fueled by everyday waste.

We have already obtained the rights to Suwon's sludge treatment facility. In November 2007, we secured priority rights to bid on private investment to turn everyday waste into fuel in Busan. We plan to pursue similar projects in the Seoul metropolitan area, Daegu, Gwangju and Pohang by presenting proposals to the local governments of these regions.

Clean Development Mechanism (CDM)

With environmental issues rising to the fore, countries around the world are working to address climate change. In line with these movements, POSCO is striving to reduce carbon emissions during the steel-making process and pursuing CDM projects.

Work is underway to register three projects with the UN which include the combined cycle power generation using FINEX byproduct gas and two small hydroelectric power plants in Gwangyang. We are also seeking ways to link strip casting and the fuel cell business with CDM.

Overseas Afforestation/Reforestation

Planting trees which absorb greenhouse gases from the atmosphere is one way of securing carbon credits. Afforestation projects involve land that was not forested for at least 50 years, while reforestation projects involve land without forest since 1989. We are studying the feasibility of CDM afforestation/reforestation projects in Southeast Asian and South American nations. We intend to secure 10% of our targeted carbon credits through such overseas endeavors.



Economic Performance

POSCO pursues mutual benefits with stakeholders to fulfill its economic responsibility as a corporate citizen. We create value through our business activities such as purchasing, production and distribution. We also deliver value through taxes, dividends and interest given to the providers of capital, and contributions to our communities.

Business Performance

Commercialization of FINEX and operation of the integrated stainless steel mill in Zhangjiagang gave a boost to crude steel output in 2007. Crude steel production and sales volume amounted to 31.06 million tons and 29.58 million tons respectively. Revenue and operating income each grew 11% year-on-year to reach KRW 22,207 billion and KRW 4,308.3 billion thanks to growing sales of high value-added products and ongoing cost savings. The operating margin was 19.4% and net income was KRW 3,679.4 billion. Earnings before interest, tax, depreciation and amortization (EBITDA), an indicator of cash generating ability, reached KRW 6,029.3 billion, with the EBITDA margin posting 27.2%. Return on equity (ROE) rose slightly to 15.9%.

Product Sales and Exports

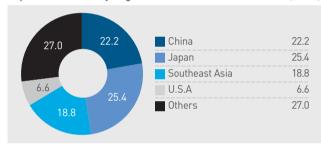
Total sales in 2007 reached 29.58 million tons, of which 66.1% were strategic products. These refer to high value-added

products such as automotive steel sheets, high-quality API steel, 400 series stainless steel, electrical steel, TMCP steel, high-grade hot-rolled and cold-rolled steel products, and high-grade wire rods.

Exports reached 8.9 million tons and accounted for 30.1% of total sales volume. Our products are shipped to some 60 countries, with 66.4% of shipments bound for the Asian region. Exports to China as a percentage of total exports fell to 22.2%. POSCO is expanding its export business centered on its regular customers. Through our global SCM strategy, we are extending our reach from our main export markets of China, Japan and Southeast Asia to the more distant regions of Europe, Central and South America, and Africa.

Export Breakdown by Region

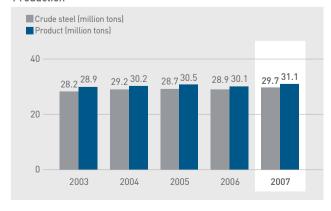
(Unit: %)



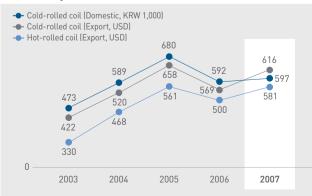
Key Financial Indicators

Category	2003	2004	2005	2006	2007
Sales (KRW billion)	14,359	19,792	21,695	20,043	22,207
Operating Income (KRW billion)	3,059	5,054	5,912	3,892	4,308
Net Income (KRW billion)	1,980	3,826	3,995	3,207	3,679
Operating Margin (%)	21.3	25.5	27.2	19.4	19.4
ROE (%)	16.2	26.3	22.4	15.5	15.9
EBITDA (KRW billion)	4,519	6,500	7,393	5,450	6,029
EBITDA Margin (%)	31.5	32.8	34.1	27.2	27.2
Shareholders' Equity (KRW billion)	12,958	16,110	19,510	21,792	24,503
Debt to Equity Ratio (%)	42.1	32.6	24.1	21.0	24.4

Production



Prices of Major Products



* Premier product, FOB basis

Credit Rating

POSCO has the highest credit rating among the world's steel companies. In February 2007, Standard & Poor's (S&P) raised its rating on POSCO to 'A' from 'A-.' In October, Moody's gave an 'A1' rating, the highest among global steel companies. That rating is one notch higher than Korea's sovereign rating (A2). The high credit ratings not only enhance POSCO's status but also make it cheaper to raise funds overseas.

The ratings upgrades are attributable to POSCO's financial stability and strong profitability backed by the growing sales of strategic products and cost reduction. We expect to maintain high credit ratings as long as we encounter no major glitches in our global expansion strategy and the global steel market does not fall into a serious downturn.

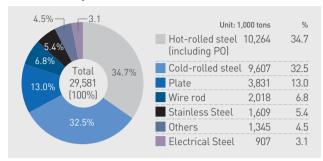
Share Performance

POSCO shares appreciated 86% in 2007 to close the year at KRW 575,000. POSCO far outperformed the KOSPI, which posted a 32% gain. Market capitalization reached KRW 50.1 trillion at the year's end, representing a major surge over KRW 26.9 trillion in 2006. That was the second highest figure among listed companies in Korea and the second highest among global steelmakers. Earnings per share jumped 49% to KRW 48,444, while the price-earnings ratio rose to 11.9 from 7.6 in 2006.

Purchasing, Outsourcing and Asset Acquisition

Raw material costs incurred and the spending on other materials and outsourcing grew by 15% year-on-year to KRW 13,005.8 billion, equivalent to 58.6% of revenue in 2007. Raw material costs stood at KRW 10,347.1 billion, other material costs at KRW 1,308.0 billion and outsourcing costs at KRW 1,350.7 billion. Outlays to acquire tangible assets (e.g., buildings, structures, fixtures) and intangible assets came to KRW 6,539.9 billion.

Sales Volume by Product





Wages

POSCO fully abides by the provisions of the Minimum Wage Act. Also, basic salary of men and women is equall New recruits at POSCO receive a salary that is equivalent to 420% of the legal minimum wage. Economic benefits for employees are classified into wages and welfare benefits. Variable wages increased in 2007 as the growth in operating profit pushed up incentives. Labor costs for the year totaled KRW 1,243.0 billion, of which KRW 134.4 billion was provisions for severance and retirement benefits. Total allowance payment was KRW 1,108.6 billion.

* Hourly wage of new recruits: Theoretical annual salary of a new recruit at a plant divided by average annual working hours per employee in 2007

Credit Rating

		2003	2004	2005	2006	2007
Moody's	POSCO	A3	A3	A2	A2	A1
Moody S	Korea's sovereign rating	A3	A3	A3	A3	A2
S&P	POSCO	А	Α-	Α-	Α-	Α
Jar	Korea's sovereign rating	Α-	Α-	А	А	Α

Stock Information

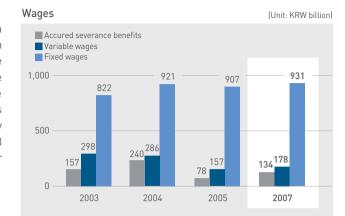
Category	2003	2004	2005	2006	2007
Share Price (KRW)	163,000	187,000	202,000	309,000	575,000
Market Cap. (KRW trillion)	14.5	16.3	17.6	26.9	50.1
EPS (KRW)	24,306	47,331	50,438	40,748	48,444
PER(X)	6.7	4.0	4.0	7.6	11.9

Pensions

Pension schemes are largely divided into the national pension plan mandated by law and private pensions. National pension premiums are determined by an individual's wage. Half the amount is deduced from the individual's monthly salary while the other half is provided by the company. In the case of private pensions, POSCO provides KRW 55,000 in subsidies for employees who subscribe to plans for upwards of ten years whose monthly premiums are KRW 110,000 or more. As of the end of 2007, 12,763 employees, or 74% of the total workforce, received subsidies for private pension plans.

Taxes

POSCO also contributes to society by paying taxes. In 2007, we did not receive any grants from the central or local governments in relation to transactions of products and services. We did not receive any financial assistance such as special tax cuts, except for deductions stipulated in tax laws. We paid total taxes of KRW 837.8 billion in 2007, broken down into KRW 644.2 billion in national taxes, KRW 108.2 billion in local taxes and KRW 85.4 billion in customs duties. Total tax payment decreased by 40%



year-on-year. Sluggish results in 2006 lowered corporate income taxes, while customs duties fell as the Korean government abolished the tariff on coke and lowered the tariff on nickel from 3% to 1%. On the other hand, income tax expense as reported on the income statement increased by 22% to KRW 1,112.6 billion due to the improvement in earnings results for fiscal 2007.

Material and Outsourcing Costs

Category	2004	2005	2006	2007
Raw material costs (KRW billion)	8,196	8,931	8,805	10,347
Other material costs (KRW billion)	1,467	1,493	1,351	1,308
Outsourcing costs (KRW billion)	1,072	1,146	1,231	1,351
Total (KRW billion)	10,735	11,570	11,387	13,006
As % of revenue (%)	54.2	53.3	56.8	58.6

Asset Acquisition				(Unit: KRW billion)
Category	2004	2005	2006	2007
Construction in progress	4,558	7,170	3,093	2,468
Machinery and equipment	684	2,165	2,292	3,257
Buildings, structures, etc.	158	804	340	733
Total tangible assets	5,400	10,139	5,725	6,458
Intangible assets	345	15	49	82
Total	5,745	10,154	5,774	6,540

^{*}Acquisition of machinery and equipment includes asset transfer from construction-in-progress. Others include asset transfers, foreign currency translation adjustments, and adjustments resulting from the effect of changes in the scope of consolidation.

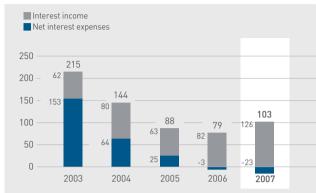
*Includes depreciation expense of idle property.

Dividends

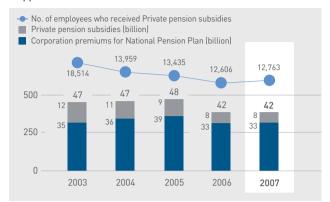
Category	2003	2004	2005	2006	2007
Dividend rate (%)	120	160	160	160	200
Dividend per share (KRW)	6,000	8,000	8,000	8,000	10,000
Interim dividend per share (KRW)	1,000	1,500	2,000	2,000	2,500
Total dividends (KRW billion)	485	644	638	621	756
Year-end share price (KRW)	163,000	187,000	202,000	309,000	575,000
Earnings per share (KRW)	24,306	47,331	50,438	40,748	48,444

Interest Expenses





Support for Pensions



Contributions

Donations are made in accordance with the 'Regulations on Organization, Responsibilities and Authorities' and the 'Operation Rules of the Board of Directors (BOD).' The BOD decides on contributions exceeding KRW 1 billion. The Finance and Operation Committee decides on amounts in the range of KRW 100 million~KRW 1 billion and also deliberates on the giving of donations of over KRW 1 billion. Donations in the range of KRW 10 million~KRW 100 million are subject to the authority of the CEO. Our donations totaled KRW 150.5 billion in 2007, including KRW 47.2 billion to POSCO Education Foundation, KRW 66.6 billion to the labor welfare fund, and KRW 25.0 billion to POSTECH.

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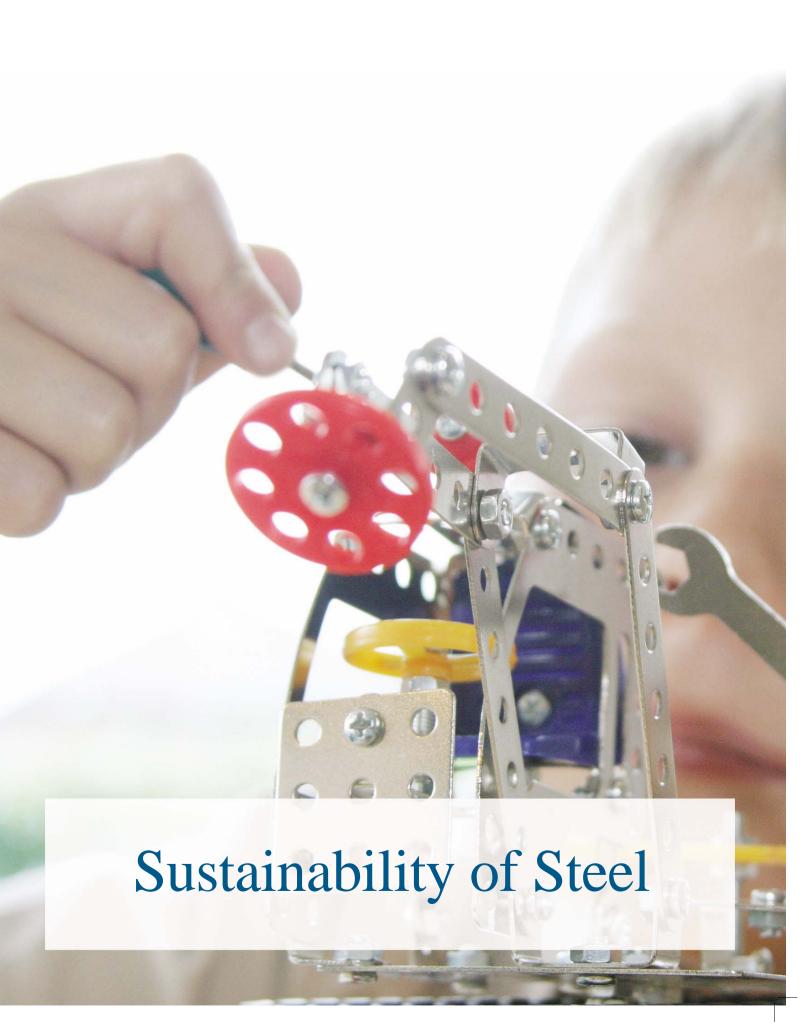
(Unit:	KRW	billion

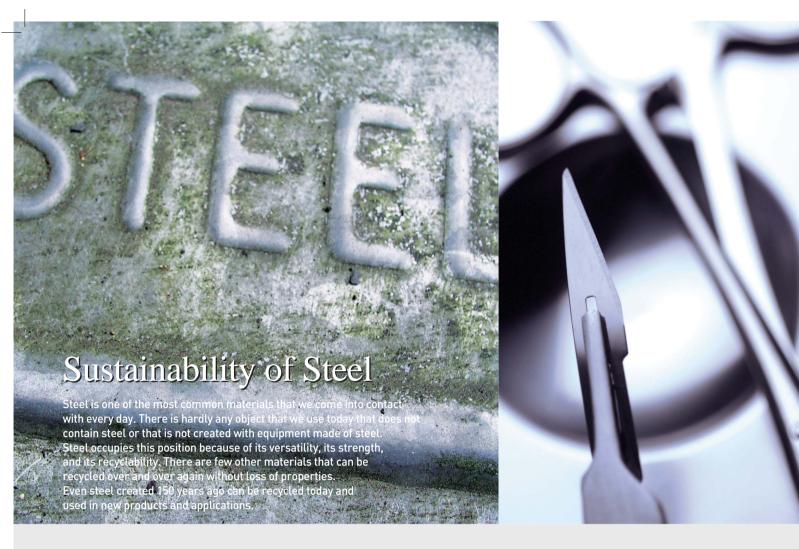
				(OTHER THEORY)
Category	2004	2005	2006	2007
Total	911	1,585	1,397	838
National tax	766	1,370	1,090	644
Local tax	101	149	181	109
Customs duty	44	66	126	85

Contributions

(Unit: KRW billion)

Category	2005	2006	2007
POSCO Education Foundation	33	33	47
POSTECH	10	20	25
Labor welfare fund	69	59	67
Others	27	23	12
Total	139	135	151





Today all of us are challenged to use resources, energy, and materials wisely and appropriately. Steel helps us to meet this challenge easily. It is made in highly efficient processes and it is completely recyclable - time and time again.

Steel contributes to sustainability on a grand scale. The following demonstrates just some of the ways that steel is being used in our day-to-day lives to foster our development and well-being.

With you from birth Steel and Health

From sterile surgical instruments to exercise machines, steel is with us in many ways that benefit our health. Around the world, steel is in the hospitals we rely on, the pharmaceutical systems that manufacture our medicines, and in emergency equipment that gets medical assistance to us rapidly when it counts.

Refreshing you Steel and Water

Steel plays a fundamental role in helping to make freshwater accessible for everyone. From rainwater storage tanks to complex pump and pipe-infrastructure, steel is involved in the entire process of water collection, purification and delivery. Steel enables us to manage water, from raindrops to ocean waves.

Cultivating our crops Steel and Agriculture

Agriculture is vital to our modern civilization. It provides us with our food, clothing, and increasingly, our energy. Agriculture also continues to provide livelihoods, employing 42 % of the world's population. From basic hoes, shovels and forks, to modern ploughs, irrigation systems and grain storage silos, steel is there every step of the way, making agriculture easier and more efficient.

Caring for our world Steel and the Environment

Steel contributes to the health of our planet in many ways. Lightweight steel vehicles keep us safe and minimize the amount of fuel we use. Steel is also used to construct clean and economical sources of alternative energy. However, steel's most important contribution to our environment is its infinite recyclability.





Nourishing you Steel and Food

Steel is part of every step of our food supply network. Cultivation, manufacture, preservation, and delivery of food would not be possible without steel. The use of steel also reassures us that the can of food we buy in the market will be as fresh and nutritious as the day it was packed.





Sheltering you Steel and Housing

Innovative steel solutions are fundamental to meeting humanity's growing need for shelter. Steel is one of the most sustainable building materials with unique characteristics that favor its use in the construction industry. Steel is long-lasting, versatile, earthquake resistant, and 100% recyclable.

Getting you there Steel and Transport

Mobility is essential in our modern society. Steel provides transport solutions that move us quickly, efficiently and economically. It also helps to keep us safe as we move. Innovative advances in steel design ensure that steel will continue to contribute to the development of fuel-efficient transport solutions long into the future.

Powering your world Steel and Energy

Every time you switch on an electrical appliance, you are using steel. Hi-tech electrical steels are used to create the power you use. Pylons and cables made of steel transport the electricity directly to you. Steel is also used in the creation of renewable energy including hydrogen fuel cells, wind turbines, and solar panels. Steel powers your world, day and night.

Protecting you from harm Steel and Safety

Steel protects you in simple ways, such as steel-toed boots that keep your feet safe, or cans that store your food safely. Steel also protects in complex applications such as buildings designed with steel to resist earthquakes, or steel-bodied vehicles that protect you and your family when travelling. Steel has many ways of keeping you safe.

Keeping you in touch Steel and Communication

Almost every form of human communication uses steel in some way. Newspapers and books could not be created without steel presses. Computers and pens contain steel and are produced using steel

equipment. Postal systems around the world depend on steel sorting equipment and infrastructure to deliver our letters and packages. Steel is there even when we make a telephone call, all along the line.

Enriching your life Steel and Culture

Steel is an integral part of our culture. It is part of the clothes and jewelry that we wear, and the music, sports and entertainment that we enjoy. Steel inspires artistic sculpture and architectural grandeur, and provides down-to-earth playgrounds for children of all ages. Steel enriches our lives.

Infinite recycling Steel and Recycling

The recycling of scrap steel is vital to the production of new steel. Recycling enables steelmakers to conserve energy in the production of steel as well as to preserve the earth's resources. Steel is one of the easiest materials to recover from waste streams. It can be recovered using just a magnet.



ENVIRONMENTAL Performance

Index	Unit	2005	2006	2007
POSEPI	-	135	142	145
Dust	kg/T-S	0.24*	0.24	0.22
SOx	kg/T-S	0.91*	0.94	0.70
NOx	kg/T-S	1.41*	1.44	1.22
Water supply for operation	m ³ /T-S	3.76	4.00	4.16
Effluent discharge volume	m ³ /T-S	1.61	1.54	1.43
Final effluent COD	 mg/ll	5	5	6
Final effluent T-N	 mg/ll	21	15	11
Byproduct volume	10,000 tons	1,889	1,963	2,068
Byproduct recycling rate	<u></u> %	98.3	98.5	98.7
CO ₂ emissions/ton crude steel	T-CO ₂	2.06	2.13	2.19

^{* 2004} data.

30 Environmental Management 32 Environmental Management Performance
35 Strengthen Partnership with Environmental Customers
37 Climate Change and Energy

Environmental Management

To realize an environment in which nature coexists with human, POSCO operates a systematic Environmental Management System comprising an environmental objective, organization and related system. Under a policy of striving for environmental preservation, a resource recycling society and harmony with communities, POSCO sets an environmental objective and action plan every year. Environmental considerations affect all of our business activities. POSCO is committed to continuing technology development and investment to fulfill its role as a leader in global environmental management.

Environmental Policy

POSCO established its environmental policy in 1995 and has since persisted with efforts to minimize our impact on the environment. Reflecting the demands of our stakeholders and international trends, POSCO declared its commitment to sustainable development. In line with such efforts, the company established its sustainability policy that encompasses its environmental policy on January 20, 2004. Our environmental policy forms an important axis of our sustainable policy.

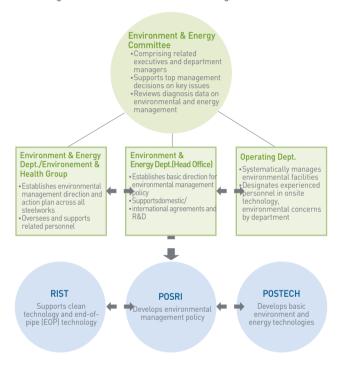
2007 Environmental Objective



Every year, POSCO reflects domestic and overseas changes in the business climate as well as the voices of our stakeholders in setting environmental objectives and action plans. Our environmental objective and actions for 2007 were as follows.

Environmental Organization

Pohang Head Office, Pohang Works and Gwangyang Works together form a closely coordinated environmental organization. POSCO works with domestic and overseas research institutions including RIST, POSTECH and POSRI to take an active role in shaping related policies, studying business trends, and developing technologies to further environmental management standards.



Environmental Accounting

Environmental Investments & Costs

POSCO invested KRW 494 billion, or 12.2% of total capex, into environmental facilities in 2007. Since our establishment in 1968 until the end of 2007, we invested a total of KRW 3,446.8 billion [8.9% of total capex] into improving our environmental

2007 Environmental Objectives and Action Plans

Objective	Pursue environmental management centering on human and ecology	Strengthen partnership with environmental customers	Voluntarily participate in earth environment protection activities
Action Plans	Reduce dioxin emissions by 81% compare with 2001 level by 2010 Reduce chemical substance emissions to 50% of 2001 levels by 2009 Operate TF to enhance dust collector efficiency	Enforce voluntary agreement on green partnership with SMEs Make a Clean Taein-dong (Near Gwangyang works)	Expand use of slag for marine ecology restoration Pursue POSCO CO2 Breakthrough Join Asia-Pacific Partnership (APP)
Achievements	Reduced dioxin emissions to 91% of 2001 levels Reduced chemical substance emissions to 83% of 2001 levels	Dec. 2007: Held workshop on results of expanding green partnership with SMEs May. 2007: Signed environmental pact with Gwangyang Works Council for making Clean Taein-dong May. 2007: Declared Pohang Works Environmental Vision in	Used 16,000 tons for marine forest, off Pyeongsan, Southern Coast Participated in establishing 19 initiatives of domestic/overseas policy coordination, incl. APP, IISI Achieved energy reductions of 343,000 TOE in 2007

Environmental Costs (Unit: KRW billion)

Category	Details	2003	2004	2005	2006	2007
Environmental facility operating costs	Electricity, maintenance, labor costs, etc.	297	265	225	226	231
Recycling costs	Byproduct processing, delivery, incineration/landfill, outsourced treatment costs, etc.	134	146	199	187	178
Depreciation costs	Environmental facility depreciation costs	120	126	115	122	134
General management costs	Environment-related department labor costs, water usage dues, etc.	20	21	26	34	36
Environmental R&D costs*	Environmental R&D costs	-	-	10	10	14
Energy recovery costs*	Byproduct gas recovery costs, hot water/steam/electricity recovery costs	-	-	52	51	51
Total		571	558	627	630	644

^{*} In 2005, ABM system was newly adopted to measure environmental costs. Environmental R&D does not include energy sector.

Category	Investment	Sum
Air	Automatic stack monitoring system installation FINEX dust collector installation Sinter flue gas clean facility installation	396.7
Water	Recycled water transfer facility installation FINEX effluent treatment facility installation	46.7
Recycling & other	FINEX slag pit installation, Pohang no. 3 blast furnace slag pit rationalization and specified waste holding facility improvements	50.6
	Total	494.0

performance. To maintain environmental equipment, a total of KRW 579.7 billion was spent in 2007. When energy recovery costs and related R&D costs are added, total environmental costs came to KRW 644.4 billion.

Environmental Accounting System

POSCO completed designing an environmental activity cost calculation system at the end of 2003 based on an Activity Based Management (ABM) system. After a trial run, the system was launched in January 2005. The system not only analyzes benefits such as those from energy recovery and the recycling of byproducts, but it also contributes to management decision-making in rationalizing department operations and facility investments.

Environmental Training

To enhance employees' awareness levels, POSCO includes environmental topics in its quarterly technology sessions. Employees exchange opinions on recent issues, environmental management activities and technical trends. Additionally, an online training program aids employees' basic knowledge on the environment. In 2007, 816 workers completed the e-learning program, bringing the total to 9,800 since the program was introduced in 2001.

Environmental Audit

POSCO receives regular internal and external environmental audits on whether its systems meet ISO14001 standards. Following the inspections, we conducted a revision of our environmental impact evaluation system. The revisions were distributed throughout the company in December 2007 and related training was given. Also, company clubs are used to encourage information exchanges between environment-related personnel to raise efficiency of the environmental management system.

0.1.			D. I	0	
Cate	Category		Pohang Works	Gwangyang Works	
Audited			pts. including iron- ng, chemical, steel- ng depts.	8 depts. including iron- making, chemical, steel- making depts.	
	Certification organization		Lloyd's Register Qual (LRQA Korea)	lity Assurance Korea	
External	Period		2007. 5. 14~16	2007. 11. 5~8	
review	Audit results		Need to improve training and environmental awareness following organizational and assignment changes Recommend establishing procedure for followon items pointed out by internal review		
	Period		2007. 11. 12~16	2007. 12. 14~ 8	
Internal review	Audit results		training program for • Improvement in com	implement environmental or outsourcing partners mpany-wide decision-making changes due to mutual review of ss of each Works	

Environmental Management Performance

Pursue environmental management centering on human and ecology

POSCO has signed voluntary agreements with the government and civic groups to reduce emissions of pollutants. We also save energy and resources by recycling byproducts. Our environmental management is measured by the POSCO Environmental Performance Index (POSEPI) and disclosed to internal and external sources in a transparent manner. This allows consolidated environmental evaluations and feedback, which are then reflected in establishing the following year's environmental objectives.

Improving Air Quality

Major air pollutants generated from steel making include dust, sulfur oxides (SOx) and nitrogen oxides (NOx). To reduce the volume of such pollutants, POSCO invested KRW 176 billion into building a flue gas cleaning system at Gwangyang Works' sintering furnaces in December 2007. As a result, we reduced emissions of SOx, NOx and dioxin by more than 80% compare to 2004. To minimize exhaust and dust from the iron and steel making areas of Pohang Works, flying dust and odor pollution from the raw material yard and roads, POSCO plans to spend about KRW 140 billion from second half of 2007 to 2009. All vehicles operating within our steelworks will undergo checks on their loads, tire and vehicle cleanliness, to block the inflow of dust from the source. All road sections in our iron and steel making areas are fitted with water sprinkler systems. To maximize the sprinkling effect, POSCO is installing bank angles to roads in the areas during pavement works.

Reducing Dioxin Emissions

In July 2005, POSCO signed a Voluntary Agreement for Reduction of the Emissions of Persistent Organic Pollutants (POPs). Under the agreement, we have been conducting related R&D, such as adopting sintering flue gas dioxin treatment facilities and developing technology to lower POPs. The best available technology (BAT) - absorption facility for activated carbon - was installed at Pohang Works' sintering facility units 3 and 4 and

began operations in July 2004. In December 2007, all sintering plants at Gwangyang Works were injected wth NaHCO3 and outfitted with selective catalytic reduction (SCR) facilities to drastically curb SOx, NOx and dioxin levels. POSCO expects to reduce dioxin emissions from the two steelworks by more than 81% relative to 2001 by the year 2010 and reached the goal with excessive score in 2007.

Improving Water Quality

The water used in our steel making processes initially goes through wastewater treatment plants (WWTP) at each plant. More than 98% is then reused. About 2% of the steelworks' water needs is supplied from nearby dams. In 2007, POSCO received 160,000 and 190,000 tons of water daily from Youngcheon and Sueo dams. Those were increase over 2006 due to increase of premium steel production plant. Water that is not reused during the steelmaking procedure undergoes advanced treatment at 2nd WWTPs and is then reused for cleaning roads and sprinkling at materials yards to reduce dust. The rest is discharged into the nearby sea.

The final wastewater treatment at coke plant of Pohang Works and Gwangyang Works are equipped with high-performance activated carbon absorption facilities (used to clean tap water) to minimize emissions of water pollutants. We also created an additional 3,000 m³ of biological treatment facilities at Pohang Works in 2007 to raise the efficiency of T-N* and COD** reductions, as well as added activated carbon facilities and two fiber filters to lower SS***.

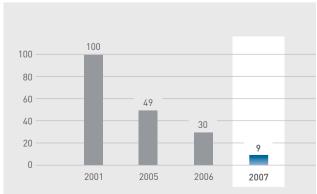
*T-N (Total Nitrogen)
**COD (Chemical Oxygen Demand)
***SS (Suspended Solid)

Chemicals

In December 2004, POSCO joined the government and civic groups in signing a Voluntary Agreement to Reduce Chemicals Emissions. The agreement targets the reduction of chemical discharges by 30% within 3 years (2007) and by 50% within 5 years

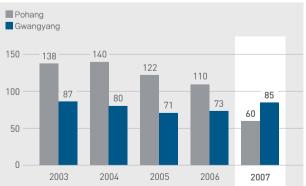
(Unit: ton/year)





*Reduction of dioxin emissions was calculated with the reference figure of 100 for the

Emissions of Chemical Substances



Emission of Air Pollutants (Unit: Kg/T-S)

Category	Steelworks	1997	2002	2004	2006	2007
Dust(Kg/T-S)	All	0.44	0.22	0.24	0.24	0.22
S0x(Kg/T-S)	All	1.47	0.91	0.91	0.94	0.70
N0x(Kg/T-S)	All	1.84	1.49	1.41	1.44	1.22

(2009) and was accordingly dubbed the Chemicals Discharge Reduction 30/50 program. Totally 164 local companies have joined the initiative. We have reached to the target by 30% of 2004 in 2007. To reduce emissions of BTX and ammonia from coke plants, POSCO introduced the Leak Detection and Repair (LDAR) system. We also installed covers on our WWTPs to collect and treat chemicals. In addition, we regularly replace worn out tanks and pumps, and have installed pipes to collect and treat Volatile Organic Compound (VOC)s that leak from our coke plant tanks. We are also expanding the use of odor neutralizers in furnaces and a non-steam granulated slag production system to eliminate odors from the blast furnace area.

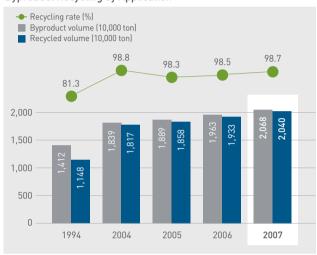
*BTX: Benzene, toluene and xylene compounds

Byproduct Recycling

A total of 20.68 million tons of byproducts were generated during steel making at Pohang Works and Gwangyang Works. Slag accounted for 75% of the total, comprising 46% blast furnace slag and 29% steel making slag. Dust and sludge accounted for 15% while the remaining 10% was other slag materials. Some 98.7% of byproducts are recycled stably into resources, while the rest is either incinerated or solidified for landfill.

All of the blast furnace slag and steel making slag is reused as resources. To raise the added value from blast furnace slag, 82% of total volume in 2007 was produced as granulated slag, while steel making slag is used to meet diverse needs, such as restoring marine ecology.

Byproduct Recycling by Application



POSCO Environmental Performance Index (POSEPI)

Adopted in 2001, POSEPI is used to assess the company's comprehensive environmental management performance and to support rational decision-making. By averaging the performance of the past three years (1997~1999), POSCO delegated 60, 30 and 10 points each to operational performance, activity performance and environmental conditions to form a reference basis point of 100. POSEPI is currently under revision for more enhanced delicacy of environmental assessment.

Water supply for Operation

(Unit: m³/T-S)

Category	Steelworks	1994	2004	2005	2006	2007
Water supply for operation	Pohang & Gwangyang works	4.27	3.78	3.76	4.00	4.16
Effluent discharge volume	Pohang & Gwangyang works	1.95	1.51	1.61	1.54	1.43

Final COD Concentration in Effluents

(Unit: mg/l)

						3, ,
Category	Steelworks	1994	2004	2005	2006	2007
Concentration	Pohang & Gwangyang works	10	6	5	5	6
Legal limit	Pohang & Gwangyang works	80	70	70	70	70

Final T-N Concentration in Effluents

(Unit: ma/l)

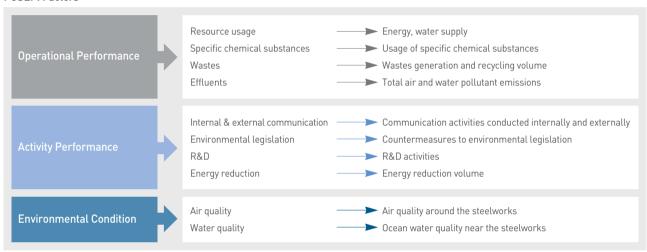
Category	Steelworks	2000	2004	2005	2006	2007
Concentration	Pohang & Gwangyang works	51	20	21	15	11
Legal limit	Pohang & Gwangyang works	-*	60	60	60	60

^{*}T-N concentration has been regulated since 2003

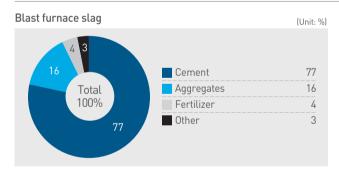
POSCO Environmental Performance Index (POSEPI)

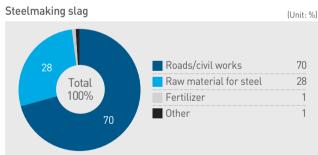
Category	Ref. year	2003	2004	2005	2006	2007
Operational performance	60	84	83	83	87	86
Activity performance	30	38	39	41	44	45
Environmental condition	10	8	9	11	11	14
Total	100	130	131	135	142	145

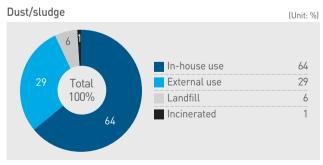
POSEPI Factors



Byproduct Recycling by Application (2007)







Compliance

POSCO follows more stringent internal standards for pollutants and waste than those mandated by law and conducts regular checks. Of 48 inspections by environment-related authorities in 2007, we received one notice, including the additional planting of trees like a tree belt at steel works.

Strengthen Partnership with Environmental Customers

To strengthen our partnership with environmental customers, POSCO discloses its environmental data in a transparent manner. POSCO is also participating in the Green Partnership with SMEs and the environment improvement agreement with the Council for Making a Clean Taein-dong. We take part in diverse activities to improve the natural surroundings quided by our environmental vision.

*Taein-dong: local area near Gwangyang works

Disclosure of Environmental Data

To measure pollution levels of areas in and around our steelworks and use the data in environmental management, POSCO adopted automatic monitoring facilities. Installed at 46 sites in Pohang Works and 64 in Gwangyang Works, they measure gas emissions and air quality in real time. The data is then posted on an electronic board for local residents, while the environment management composite data system provides information to onsite workers and management. POSCO added more sites to the system in 2007 and have operated the system to step up monitoring of air quality.

Automatic Monitoring Facilities and Items

Category	Stack emissions	Atmospheric concentration	Open-path method	Wastewater effluent
Pohang Works	46 sites	4 sites	7 paths	3 sites
Gwangyang Works	64 sites	3 sites	9 paths	5 sites
Items	9, including dust, SO ₂ , NO ₂	9, including PM10, S02, N02, 03	7, including S02, N02, 03	4, including COD, SS

^{*}SO2: sulfur dioxide, NO2: nitrogen dioxide, PM10: particulate matter smaller than 10 micrometers, 03: ozone, COD: chemical oxygen demand, SS: suspended solid

Green Partnership with SMEs

POSCO has been expanding its green partnership with SME partners to realize a win-win system of environmental management. In cooperation with RIST and POSRI, we evaluated

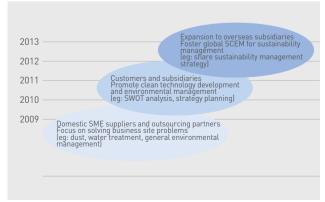
and transferred clean technology, as well as provided guidance on green technology, to 26 business partners.



This is an extension of the Green Partnership program with SMEs carried out from 2003 to 2006 in cooperation with the Ministry of Knowledge Economy and Korea National Cleaner Production Center with 44 supplier and client firms. POSCO helped spread environmental management to partner firms by evaluating their environmental management during production processes, supporting ISO14001 certification and environmental mark.

POSCO plans to expand the program to overseas subsidiaries and gradually shift the focus to supporting sustainability management to promote global Supply Chain Environmental Management (SCEM).

Mid to Long Term Roadmap for POSCO Green Partnership





Council for Making a Clean Taein-dong

Gwangyang Works is a member of the Council for Making a Clean Taein-dong launched in October 2006. The council includes 46 companies doing business in a nearby industrial complex and residents working together to create an environmentally-friendly Gwangyang Port, in addition to projects to improve the welfare of local communities.

With an emphasis on environmental projects near Taein-dong, the Council signed an agreement that outlined specific commitments in July 2007, such as work to improve the residential setting, efforts to afforest miniparks, and launch projects to serve the interests of local residents. Through ongoing communication between companies and residents, the Council will promote mutual understanding and conduct joint projects to improve the living environment in Taein-dong.



Declaration of Environmental Vision

In December 2007, Pohang Works held a ceremony to declare its environmental vision to improve the surrounding air quality. Under the motto of 'Blue Sky, Clean Air / Clean City Pohang,' the steelworks plans to invest roughly KRW 140 billion from the second half of 2007 to 2009 to reduce exhaust and dust from iron and steel making plants, as well as fugitive dust and odor from

material yards and roads. To effectively execute those plans, an organization was created in July to focus on reducing PM10 in iron and steel making areas. The organization includes the Task Promotion Team and five task force teams in steel making, coke, steel making, FINEX and air quality.

Pohang Works Action Plan

- We will strive to maintain clean air quality in the region.
- We will enhance environmental management to become a model for steelworks around the world.
- We will actively employ the ideal technologies to improve air quality.
- All employees will participate in efforts to create a blue Pohang and clean steelworks.
- We will create a forested surrounding for the steelworks.

Additionally, to decrease dust levels at open storage yards, we set up one of the most advanced yard sprinkling systems that automatically sprays water when wind strength exceeds a certain level. As for areas where it is difficult to plant windbreak forests, POSCO decided to install a wind screen measuring 17m in height and 570m in length. To reduce dust emissions from stacks, in addition to the existing 660 units of dust collectors, POSCO plans to install a sinter flue gas clean facility using proprietary technology of low-temperature plasma at sintering plants 1 and 2 in 2008.



Youth Environment Class

POSCO operates the youth environment class program for teenagers. By providing diverse onsite learning opportunities as part of the children's regular curriculum, the aim is to incite interest in the environment. In 2007, some 300 students from nine elementary and middle schools from the Pohang area visited Pohang Works and had a chance to learn about advanced environmental treatment facilities including our environment center and wastewater treatment plant. We also running teenager's environment classes for the students in Pohang area to encourage on-site environmental activities.

Climate Change and Energy

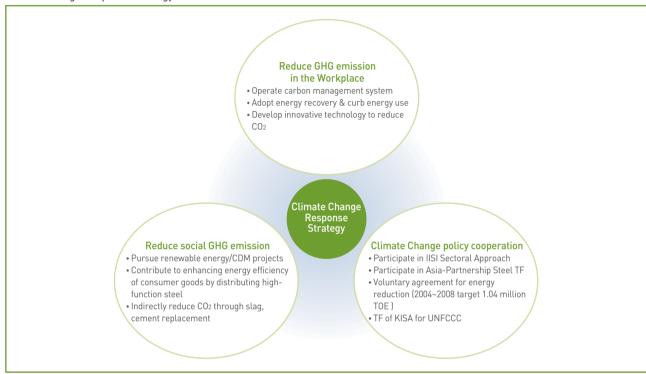
Voluntarily Participate in Global Environment Protection Activities

POSCO is endeavoring to curb the emission of greenhouse gases during the steel making process through energy conservation and innovative technologies. We also take action to reduce greenhouse gases by pursuing advances in renewable energy and CDM*

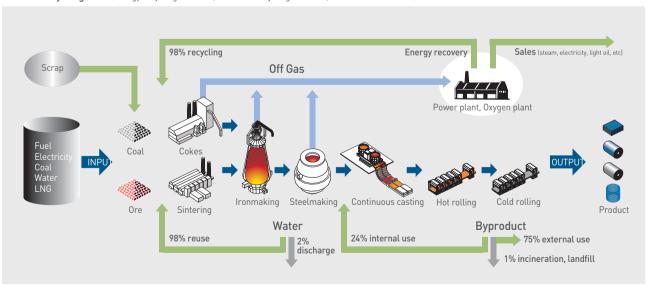
initiatives. In addition, POSCO made a voluntary energy saving agreement with Korean government and has fully executed the agreement. POSCO is strengthening the cooperative relationship internationally and domestically as POSCO participates in the earth environment protection activities of IISI** and APP***.

* CDM (Clean Development Mechanism)
** IISI (International Iron and Steel Institute)
*** APP (Asia Pacific Partnership)

Climate Change Response Strategy



POSCO Recycling Rate (Energy recycling rate 98%, Resource recycling rate 99%, Water reuse rate 98%)



*Energy recycling rate: (total off gases-loss)/total off gases

Greenhouse Gas Reduction

Byproduct Gas Recovery

The majority of our fuel needs for steelmaking are met by byproduct gases (COG, BFG, LDG, FOG)* generated during the production process. Surplus byproduct gas is also used within our steelworks' in-house generation systems. In 2007, 76% of electric energy used at our Head Office, Pohang Works and Gwangyang Works was procured from the in-house power plant, energy recovery facilities such as CDQ (Coke Dry Quenching) and TRT (Top Gas Pressure Recovery Turbines), and LNG combined power facilities. The remaining 24% was secured from external sources. After installing two CDQ facilities at Coke Plants 3 and 4 of Gwangyang Works in 2005, we started operating CDQ systems at Coke Plants 2 and 5A at Pohang Works in 2007. Accordingly, we expect additional energy savings of 520,000 Gcal. Furthermore, a 150MW combined power generation facility to retrieve surplus gases generated from the FINEX process began operating in May 2007.

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

Installation Rate of Energy Recovery Facilities



Energy Conservation Activities

POSCO uses its comprehensive energy information system to manage mid- to long-term energy conservation plans, performance, and energy per ton of crude steel. The system also enables the sharing of ideas and related activities between departments. By pursuing action plans through energy assessment, department workshops and benchmarking studies, we realized KRW 84.8 billion in energy cost savings in 2007.

We work with external energy assessment firms to spread the energy conservation methods of the same processes at both steelworks. POSCO is also participating in a program between large and smaller companies in which we provide technological support for energy conservation to SMEs. Ten SMEs are receiving technical assistance such as furnace operating methods and heat efficiency assessment to conserve energy.

Carbon Management System

POSCO launched a companywide greenhouse gas management system called Carbon Management System covering Pohang Works and Gwangyang Works in January 2006.

Developed in accordance with the WBCSD*/WRI** Greenhouse Gas Protocol Guidelines, the Carbon Management System calculates CO2 emissions by taking into account fuel/raw material consumption, electricity purchase, product output and byproduct generation. The system has enabled more efficient control over CO2 emissions during the steelmaking process and is anticipated to facilitate implementation of the Kyoto Mechanism.

*WBCSD: World Business Council for Sustainable Development **WRI: World Resources Institute

PHASE 1

Inventory Management

Calculation of GHG emissions by steelworks/ process System launched in Jan. 2006

PHASE 2

Project Management

Evaluation of reduction performance linked to inventory

PHASE 3

Strategy Management

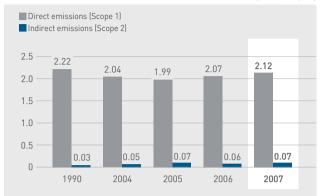
Decisions considering reduction potential and economic feasibility

Greenhouse Gas Emissions

The main greenhouse gas (GHG) produced from integrated steelworks is CO2 from coal, used as a reducing agent. This means CO2 emissions rise in tandem with steel output. POSCO has made continued efforts to curb CO2 emissions per ton of crude steel. But the recent increase in production of high grade steel pushed up CO2 due to a greater amount of hot metal. Along with emissions from our business activities, we focus on curbing GHG emissions in the wider society. Such measures include promoting the use of steel slag in cement, expanding the use of marine slag and CDM initiatives. POSCO discloses its GHG emissions through its Sustainability Report and takes assessment of the contents by SAM-DJSI.

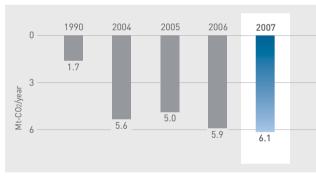
CO2 Emissions Per Ton of Crude Steel





- * Calculations based on WBCSD/WRI Greenhouse Gas Protocol Guideline (2004)
 -Calculation scope: Pohang Works and Gwangyang Works (Scope 1: Transportation on site is not included.)
- -Indirect emissions (Scope 2): Indirect CO2 emissions via use of purchased electricity (Excluded Seoul office and Pohang headquater)
- *CO2 emissions may be subject to change in the future according to adjustment in the national emission factor and boundary condition for calculation as well as self-production of cokes, self-utilization of byproduct gas and emissions factor adopted in calculation.

Reduction in Social CO₂ Emissions



*CO2 reduction in society due to use of granulated slag: 0.79 T-CO2/T-Clinker replacement (used Asia-Pacific Partnership Steel TF reduction effect)

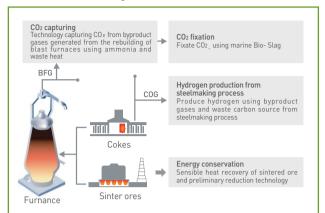
CO₂ Breakthrough Technology

POSCO is an active participant in international efforts to preserve the environment, including the CO₂ Breakthrough Programme that is promoted by the IISI and pursued by major international steel makers.

Reducing Greenhouse Gas in Society

POSCO is pursuing Clean Development Mechanism (CDM) schemes such as environmentally-friendly small hydroelectric power plants and combined power plants using FINEX byproduct gases. The small hydroelectric power plant scheme using water brought in to Gwangyang Works from the nearby Sueo dam resulted in the operation of two power plants with 300kW power generation from May 2007 which would generate 4.82 million kWh electricity per year. The small hydroelectric power plants and FINEX combined power plant are currently being registered as a CDM scheme. As for the overseas forestation project, a

POSCO CO₂ Breakthrough Framework



CO2 capturing using ammonia and waste heat

Technology used to separate CO₂ from byproduct gases generated from blast furnaces using ammonia absorption method. Application is easy due to a rise in byproduct gas calories. Measure to isolate and then treat the separated CO₂ is also being considered.

CO₂ fixation using marine bio-slag

Technology using steel byproducts to develop artificial fishing reef and marine forests and install them on sea beds to promote growth and photosynthesis of seaweed while fixating CO₂ by using carbonation of byproducts.

Hydrogen production technology using byproduct gases and waste carbon source from steelmaking process

Technology used to produce hydrogen using coke oven gas, tar and waste plastics generated during the steelmaking process. Measure is being considered in which CO₂ that is created during the hydrogen synthesis process is captured and separated as a clean energy source.

Sensible heat recovery of sintered ore and preliminary reduction technology Technology using reduced gas to retrieve energy contained in sintered ore of 850℃.

special team was created in May 2005 which is overseeing the overall project planning. The team is carrying out activities such as analysis of investment environment and selection of site and items to plant.

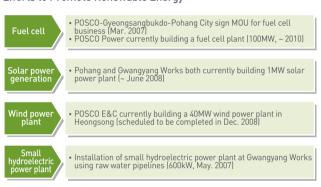
Expanding Marine Use of Steel Byproducts

POSCO signed an MOU with the Ministry of Land, Transport and Maritime Affairs in November 2007 for cooperation in responding to marine climate change. POSCO plans to spur development of technology to separate CO₂ from steel byproduct gases and promote the formation of marine forests using steel slag to reduce the expansion of the whitening phenomenon in waters off Yeona.



Creating Marine Forests Using Steel Slag Using steel slag generated during the steel making process to create a bio-slag marine forest encourages the breeding of seaweeds to form a marine forest. During photosynthesis, marine forests absorb CO2 and act as a natural CO2 storage. marine forest photosynthesis (Natural CO2 Storage) Produce bio-slag marine forest

Efforts to Promote Renewable Energy





- POSCO E&C currently building a plant in Suwon City (450 ton/day, ~
- Nov. 2009) POSCO-Busan sign MOU on project to turn general waste into fuel [700 ton/day, ~ Nov. 2007]



Participating in demonstration of national development project (under consideration 2008)

Domestic and International Cooperation on Clean Technology and Climate change

IISI Global Steel Sectoral Approach

POSCO has actively engaged in Global Steel Sectoral Approach discussions led by the IISI. IISI launched the talks on finding a substantial, sector-specific response to climate change in April 2007. The discussions focus on setting goals for greenhouse gas reductions by collecting data from steel makers and examining reduction potentials.

Steel Taskforce of Asia-Pacific Partnership

In July 2005, six countries in the Asia-Pacific region (Korea, US, China, India, Japan and Australia) signed a partnership on clean technology development and the UNFCCC. In January of the following year, a taskforce team comprising government and industries was launched. Member countries increased to seven after Canada joined the partnership in October 2007.

POSCO is participating in the steel industry taskforce team to encourage voluntary reduction of greenhouse gases and clean technology development. With active discussions on technology transfers and cooperation, we anticipate visible results.

Participation in Domestic & International Cooperative Activities for Climate Change

	Activities	Details
	Voluntary agreement for energy reduction	Voluntary agreement between government and businesses on a 5-year target to save energy and reduce greenhouse gas emissions
Domestic	Energy saving through partnership	An effort led by the Korea Energy Management Corp. for companies to share technology and know- how for energy conservation
	KISA taskforce team for the UNFCCC	Taskforce team comprising KISA, Ministry of Commerce, Industry and Energy, major steel companies and research institutions for response to UNFCCC
	IISI CO ₂ Breakthrough Programme	Program jointly pursued by international steel companies
Overseas	IISI Global Steel Sectoral Approach	Sector-specific approach jointly pursued by IISI members
	IISI Global Steel Sectoral Approach	Steel taskforce of seven Asia- Pacific countries on clean technology development and UNFCCC





Voluntary Agreement to Reduce Energy Use

POSCO is carrying out a second voluntary agreement made with the government to reduce energy use by 6.9% of consumption levels in 2003, or 1.04 million TOE, from 2004 to 2008. To meet our target, POSCO plans to step up energy saving activities, develop innovative technologies to curb CO₂, participate in domestic and international cooperative activities on clean technology and climate change, in addition to investing KRW 890 billion in energy facilities.

Participation in Domestic Greenhouse Gas Registry

POSCO is a participant in the GHG Emission Registration Reduction Project led by the Korea Energy Management Corp. and is pursuing eight related projects. In 2007, we received 244,000 tons in CO₂ credit certification for three items, such as the installation of CDQ facilities in Gwangyang Works Plants 3 and 4. Our involvement in the registry should boost our ability to counter climate change and provide opportunities to participate in the carbon-trading market.

	Period	Investment in Energy Facilities	Target	Reduction
1st agreement	1999~2003	KRW 540 billion	790,000 TOE (5.9% relevant to 1997 energy use)	1.25 million TOE (9.3% relevant to 1997 energy use)
2nd agreement	2004~2008	KRW 890 billion	1.04 million TOE (6.9% relevant to 2003 energy use)	1.07 million TOE(2004~2007) (7.1% relevant to 2003 energy use)

Registration of Domestic GHG Reduction Projects

Project Name		Expected reduction volume over 5 yrs (1,000t-C02 eq)
New installation of combined power system using FINEX byproduct gas	Registered	406
Additional electricity generation through waste energy from blast furnace TRT	Certified	31
Energy saving from installation of converter byproduct gas boiler	Certified	10
Electricity generation from CDQ installation at Gwangyang Plants 3,4	Certified	203
Energy saving from installation of fluid coupling implemented pump at hot coil plant de-scaling system	Registered	19
New installation of cogeneration power facilities using previously unused byproduct gas at steelworks	Registered	1,204
Electricity generation using waste energy recovered from CDQ facilities	Registered	209
In-house energy savings from installation of electricity-saving facility at Pohang Works' power plant boiler	Registered	35
Total		2,117

Designated as Best Voluntary Energy Saving Company

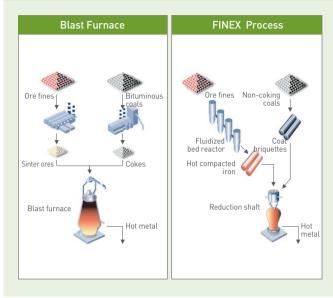
In 2007, Gwangyang Works was recognized as one of the best voluntary energy saving companies for its diligent adherence to the voluntary agreement forged with the government to save energy and reduce greenhouse gases. Both Pohang Works and Gwangyang Works implemented and followed a mid to long-term five-year energy savings plan which produced 315 energy saving projects in 2007 and resulted in savings of 343,000 TOE, surpassing the initial target by 110,000 TOE.

 $\times\!\!\!/$ Ton of Oil Equivalent (TOE): 1 TOE is defined as 10^7 kcal calorific value generated from 1 ton of crude oil.

Participation in 2007 Carbon Disclosure Project (CDP)

POSCO has been a participant in the CDP since 2003 and has disclosed its CO2 emissions generated during the steel making process. The CDP Committee assesses the climate change countermeasures of leading global companies. Based on the Committee's 2007 evaluations, the Association for Sustainable & Responsible Investment in Asia (ASrIA) selected POSCO as one of the four best companies in Asia to respond to climate change. In 2006, POSCO was rated as the global leader in the steel sector and included as one of the 50 companies in the 2006 Climate Leadership Index. Earlier in 2003, POSCO was also named a Section Leader in the steel industry.

Completed Commercial FINEX Plant



The need for a new steelmaking process was raised since the 1980s due to the high cost involved in additional facilities to control emissions of environmental pollutants, not to mention the drying up of high-quality iron ore lumps and coking coal used in the blast furnace process.

In 1992, POSCO began developing FINEX in cooperation with RIST and Austrian steel company Voest Alpine. After a decade of R&D, we succeeded in starting operation of a 600,000-ton capacity demo plant in June 2003. In May 2007, we completed the commercial purpose plant with 1.5 million ton-capacity.

The blast furnace process includes the sintering process which sinters iron ore fines and the coke making process which produces cokes from coking coals. These two processes produce pollutants such as SOx and NOx. Much technology and costs are needed to prevent such pollution. FINEX is a strip casting iron-making technology which eliminates the sintering and coke making steps to radically reduce pollutants. Another major advantage is the ability to use cheap iron ore fines (which account for 70~-80% of world iron ore deposits) and regular coal. When international prices of quality raw materials for iron-making surged in 2005, the FINEX method attracted the attention of the international steel industry for its use of cheaper iron ore fines and lower quality, non-coking coals.



SOCIAL Responsibility



Index	Unit	2005	2006	2007
Employees	Persons	19,004	17,523	17,307
Engagement level	%	68	73	80
Training time/person	Hours	366	333	304
Injuries (employees)	Cases	9	14	11
Injuries (outsourcing)	Cases	9	9	6
Lost-time injury frequency rate (employees)	-	0.24	0.40	0.32
Lost-time injury frequency rate (outsourcing)	-	0.23	0.18	0.14
Customer satisfaction (domestic)	100 point	82.1	79.0	82.3
Social contribution spending	KRW billion	80.8	86.3	96.5

52 Customers and Suppliers 54 Win-Win Cooperation with SMEs
58 Social Contribution 62 Local Communities

Safety & Health

POSCO's fundamental responsibilities are for the safety and health of its employees. Efforts to meet these responsibilities are an essential element of our competitiveness. In accordance with company guidelines, steps must be taken to ensure safety and health in all work processes. The guidelines stipulate that priority be given to injury prevention in terms of budget, personnel and systems.

Pohang Works and Gwangyang Works have their respective safety and health policies. These standards apply not only to POSCO employees, but also to employees of outsourcing service partners residing on our premises. Pohang and Gwangyang Works each holds a meeting of their respective Industrial Safety and Health Committee on a quarterly basis. The committees are composed of seven representatives from management and seven from labor, and are chaired by the heads of the respective Works. Each business site also holds division level safety and health committee meetings at regular intervals.

Safety

Activities to ensure safety start with education. In accordance with the POSCO Safety Program we conduct safety education classes for employees from new recruits to senior managers. We also offer safety lectures through e-learning.

POSCO has introduced various safety programs. The Isolation & Locking System (ILS) ensures safety in the event of human error or equipment malfunction. By shutting off energy source, the system prevents machinery from operating unexpectedly during inspection, replacement or repair work and blocks unauthorized access to hazard zones. For repair work involving two or more people, the related departments and outside companies gather for a Tool Box Meeting (TBM) to discuss risks and safety measures. The Autonomous Safety Management Licensing System helps each department independently manage safety. Under this scheme, a team comprising health/safety experts and

Industrial Safety and Health Committee members certifies a department's safety management system. To prevent accidents, we strictly enforce the Cardinal Rules (wear hygienic protection devices, ban on unauthorized access to operating machinery, inspect electrical machinery prior to working of them, check for oxygen in sealed space, and test for gases before entering work areas where gases are present). In addition, POSCO fully adheres to the Process Safety Management (PSM) in accordance with Korea's Industrial Safety and Health Act.

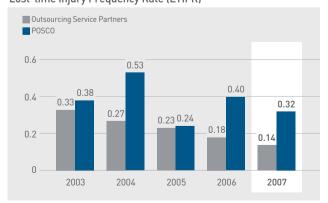
The company-wide integrated e-Safety System plays an important role in promoting safety, health and injury prevention. It facilitates implementation of activities to ensure safety, especially with regard to facilities exposed to the risk of accidents. The system also helps to prevent the omission or delay in inspections prescribed by law. Moreover, the system enables effective management of safety related statistics and faster access to reports on accidents.

Safety & Health

Safety Education

- Link with Lifelong Learning
- · Safety Training Center
- POSCO Safety Training (PST)
- E-learning Courses
- Safety SystemSafety Manager System
- Cardinal Rules
- Isolation & Locking System
- Work Safety Approval System · Tool Box Meeting (TBM)
- · Near Miss Incident Reporting System
- · Process Safety Management
- Autonomous Safety Management Licensing System
- Safety Assistance for Outsourcing Partners
- Expert Agencies for Equipment Safety

Lost-time Injury Frequency Rate (LTIFR)



- *LTIFR = (loss time injuries / yearly working hours) X 1,000,000
- *Yearly working hours used for calculation of LTIFR of outside service partners is calculated based on standard working hours.

Number of Injury case



*Injuries that cause work suspension of four days or more are counted here. The injuries are based on the enforcement regulations of the workplace zero-accident movement. (the regulation of the Ministry of Labor No.2003-16) which excludes injuries caused by third party.

For the benefit of outsourcing partners, POSCO offers assistance programs in a wide range of areas such as health & safety education and safety diagnoses. In particular, the Safety Coordinator system facilitates active communication between POSCO and its outsourcing partners on issues related to safety.

In the event of an accident, an immediate examination is carried out and the results are registered in the e- Safety System, which can be accessed by all employees. We also keep an eye on indicators of worksite safety, including the number of Lost-time Injury Frequency Rate (LTIFR) and the Injury Rate. The LTIFR is the number of injuries per one million work hours. In accordance with the related Korean Laws and regulation [the enforcement regulations of the workplace zero-accident movement, the regulation of the Ministry of Labor No.2003-16], injuries occured during operation requiring work suspension of four days or more are recognized as lost time injuries. Safety indicators are reported at monthly management meetings with all executives and managers participating, and strict safety management is enforced in accordance with the readings of the indicators.

Health

Ever since our inception, the underlying basis of our health policy has been to promote the wellbeing of employees. We provide physical checkups and medical support for workers at all of our business sites. Pohang Works and Gwangyang Works have the added function of upholding a clean work environment. Through the company-wide health support system, we maintain health and work environment data for all employees. The system enables efficient operation of our employee health programs and aids in our efforts to promote healthy lifestyles and a clean and pleasant work environment.

Employee Health Program

We provide an annual health checkup for all employees for the early detection of diseases. We have clinics to provide consultations for those with acute or chronic conditions. For those suffering medical problems, we provide regular monitoring to prevent their conditions from worsening. A 'deliberation committee on employees with medical conditions' assists employees with serious illnesses.

Promoting Healthy Lifestyles

Our health promotion campaigns are based on a long-term approach. We have paid particular focus on musculoskeletal disorders and managing stress. Another major initiative is our anti-smoking drive. First introduced in 1999, our anti-smoking campaign is contributing to the health of our employees as well as the wider community. We introduced various programs to encourage smokers from giving up their unhealthy habit, including those jointly organized with public health centers.

Pohang and Gwangyang Works operate physical therapy centers, which have been well received by the employees. The centers have advanced equipment such as apparatus for decompression treatment to encourage workers with the risk of developing musculoskeletal disorders or those already displaying symptoms to receive treatment. Additionally, professional counselors are available to provide guidance on how to manage stress.

Industrial Hygiene Management

To foster a clean and pleasant work environment, we conduct evaluations every year to measure harmful factors that arise in the workplace. Special attention is given to work sites where employees are exposed to higher health risks. For instance, we implemented a 'hearing protection program' and 'health protection in sealed space program.' To safeguard workers from harmful factors in the workplace, we have distributed high quality hygienic protection devices. For the proper handling and usage of chemical substances, we abide by the Material Safety Data Sheet (MSDS).

Case Study



Hutopia is a counseling center run by the health support team at Pohang Works. In addition to professional counseling services, the center offers lifelong learning courses.

Open to all POSCO employees, Hutopia helps relieve stress and promotes mental health, which in turn enhances productivity. Those seeking counseling may do so by visiting the center or via phone or email. On-line counseling is also available. Hutopia also receives requests for group counseling. It offers a program that promotes understanding among colleagues using the Myers-Briggs Type Indicator (MBTI) assessment.

Workers of Pohang Works' plate plant say they have learned to better manage stress and understand each others' strengths and weaknesses after using the center's services. They strongly recommend Hutopia to their colleagues.

Employees

Policy on Human Resources and Labor Relations Management POSCO is constantly exploring ways to enhance its organizational structure and system. We seek to enhance our work processes through such means as clearly delineating individual responsibility and authority, simplifying the decision-making process, and innovating our meeting culture. Our aim is to realize advances at POSCO and promote them throughout all of our subsidiaries.

Realizing that high caliber employees are vital to spearheading growth and innovation, we offer various programs to support employee development including job rotation and overseas studies. We also continue to streamline our organization to secure labor competitiveness. POSCO has a long-standing tradition of labor management harmony. Our profit-sharing scheme and Labor-Management Council have played a pivotal role in maintaining trust between the two sides. Our commitment to mutual prosperity extends beyond our workers to encompass all stakeholders including suppliers and the society at large.

Strengthening Competitiveness of POSCO People

Performance-Oriented Personnel Management

Advanced Welfare System

Securing/Cultivating Talent in Strategic Sectors

Human Resources

A competitive workforce is crucial to staying ahead in a dynamic environment. To ensure optimal management of human resources,

we have implemented facility rationalization projects and improved work processes. Other efforts include outsourcing and de-mergers to promote work specialization. Additionally, POSCO observes ILO standards of child and compulsory labor and takes a keen interest in helping people with disabilities lead fulfilling lives. We go beyond observing laws and employ more physically challenged people than the legally required standards. We are also recruiting more female employees in step with the government's moves to enhance hiring practices.

Korea's First Vocational Training Program for Married Women

POSCO is providing greater employment opportunities for married women. In support of the government's employment boosting policy, we opened a vocational training program for married women who demonstrate strong potential, to help them find work and promote their participation in society.

Thirty women were chosen after a competitive selection process; the odds of being chosen were 133 to 1. They completed 6-month training program which ended in late December, 2007. The program covered basic skills and knowledge (one week), overview of the steel-making process and products (8 weeks), and on-the-job training (16 weeks).

Women who complete the vocational training program are converted to full-time employee status and deployed to positions according to their aptitude and ability. They are entitled to enjoy the same working conditions as their male counterparts. Moreover, POSCO plans to expand female dressing rooms and other convenience facilities to provide a better working environment for female employees.

Status of Human Resource

Category	2004	2005	2006	2007
No. of Employees	19,377	19,004	17,523	17,307
Pohang Works	8,209	7,959	7,103	6,774
Gwangyang Works	7,179	6,951	6,345	6,272
Headquarters/Technology Research Lab/Offices/Others	3,989	4,094	4,075	4,261
Technical service workers	17,634	17,501	16,050	15,821
Office workers	1,743	1,503	1,473	1,486
Annual contract-based employees	34	42	39	58
Monthly-paid part-time employees	12	7	5	5
Female employees	312	309	363	388
Manager or higher level female employees	9	24	34	42
Disabled employees	226	245	241	247
Hiring	438	285	468	387
Retirement	419	659	1,952	576
Retirement due to age limit	153	150	274	346

Communication with Employees

Labor-Management Council

The Labor-Management Council encourages the exchange of ideas and opinions between employees and management. It consists of 20 people (10 employees and 10 managers). In addition to regular quarterly meetings, the Council holds extraordinary sessions to discuss urgent or special matters. The Works Council and the Division Council meet every quarter. The Department Council meets every other month, and the Section and Plant Councils meet monthly. These councils offer employees a forum to express opinions, air complaints and seek solutions. They help to raise employees' trust by quickly dealing with matters of interest according to conditions at the respective work units of POSCO. In addition, employees may express their views or send in inquiries by phone, e-mail or through the corporate website.

Employee members on the Labor-Management Council and coordinators from each department are chosen by the workers through anonymous balloting to serve 3-year terms. The fourth round of elections was held in October 2006, during which 10 employee members and 420 coordinators were selected through electronic votes. Employee members deliberate on company-wide issues such as wages, working conditions, employee welfare and productivity. Coordinators tackle issues pertinent to their respective departments and matters of common interest along with the Labor-Management Council. They help to build a sense of unity between the workers and the company via communication regarding POSCO's operations and policies.

In 2007, the Labor-Management Council led the campaign to own 'one more share of company stock' as part of 'We love POSCO' activities aimed at strengthening employees' affinity to the company. The Council is working to foster mutual prosperity of labor and management to spur continued growth of POSCO as a global corporation.

Major Activities of the Labor-Management Council in 2007

Category	Details
Employee issues (regular meetings)	- 2007~2008 wage adjustment - Extension of employee stock ownership plan
Campaign to 'own one more share of company stock'	Activities to strengthen employees' affinity to the company

Value Bridge

organized Value Bridge, an online discussion form, to reinforce employees' commitment to realizing the Global POSCO Way and our core values. Over the period of one week, employees shared views on ways to implement the company's five core values and actual case stories through the POSCO Way site. About 3,200 people participated in the lively discussions.

Jang Jae-pil, Material Testing Dept., Pohang Works, POSCO's first female certified master craftsperson



"I wanted to harness the more than 15 years of experience I gained working in the quality control department, so I asked for a job transfer. Wanting to become the best in my chosen field, I decided to take the exam to become a nationally certified master craftsperson.

I was able to pass the test due to my colleagues in the material testing dept. who generously taught me what they know. When I first transferred, I received three months of training, learning about machinery testing, structural testing, new terminology and more. As I acquired more knowledge, I felt I was up to the challenge of becoming a certified master craftsperson. I want to sincerely thank my colleagues for their support. I also want to thank my superiors in the department for motivating me to take on the challenge.

Because of my workload, the theoretical studies were done during after-office hours. That meant I wasn't able to pay much attention to my children and I felt bad about having to spend less time with them. I am going to buy them a present with the bonus I received for passing the test. I had promised my kids I would give them a present if I passed. I'm really happy I can keep that promise. I'm also glad I was able to show my family my determination and 'can do' spirit.

I'm also slightly worried. As the first women to become a certified master craftsperson, I realize I have to live up to rather high expectations from those around me. That's why I plan to work and learn even harder. I want to be worthy of respect from my superiors and set a good example for my junior colleagues.

Dialogue with the CEO

Innovation Festival 2007 included a session called 'Dialogue with the CEO' where employees representing various levels of the organization held frank conversations with the CEO centered on the five core values. The session was broadcast live to all POSCO employees via the Intranet.

Young Board

Previously, the Young Board was composed entirely of employees from various departments within POSCO. But from 2007, we also included three employees from affiliated companies while retaining total membership at the same level of 20 seats.

Young Board addressed issues regarding the future direction of POSCO through online and offline gatherings. The outcome of these sessions was reported to the CEO twice in 2007. One hundred people have served on Young Board since its launch in 1999. The group was headed by a female member for the first time in 2007. Another noteworthy development was that Young Board gave an English briefing on one of its tasks.

Young Board will continue to include more people from POSCO subsidiaries and contribute to sustaining growth at POSCO by presenting suggestions on the corporate culture and other aspects of operations with a global perspective.

Young Board Report Subjects in 2007

- -Young Board Suggestions in POSCO Culture
- -Suggestions on Enhancing Intrinsic Value of R&D
- -Suggestions for Successful Group Management
- -What or How (Purpose of Work and Balanced Execution)

Intranet POS-B

POSCO operates the intranet site POS-B as a space where employees can exchange opinions with others. Employees can discuss topics on the company and their anxieties related to work. Departments can monitor the message board, answer questions, and reflect on solutions to problems. POS-B, which also acts as a vital communication channel between employees and management, even allows employees to write to the chief executive officer. In 2007, employees registered and discussed 3,100 messages on POS-B. Of these, 80 messages contained discussion of anxieties related to work. Such messages were answered directly by those in charge of the work and solutions were found to improve the conditions causing anxiety.

Employee Engagement Survey

This survey measures how engaged employees are in the company's and their individual performance. The survey results are used to find ways to encourage workers to become more involved in their work. POSCO has been conducting the survey annually since 2003 in conjunction with an outside consulting firm.

Various measures have been taken to raise employee engagement, giving due consideration to the nature of the different work functions and employee ranks. They include improvements in work process and organizational structure and team empowerment activities. In particular, the emotional networking activities and work study groups at Pohang and Gwangyang Works present a model for enhancing performance by motivating people.

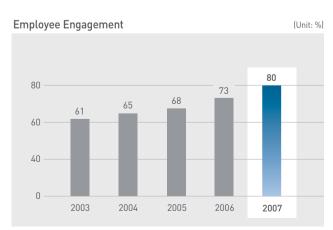
We continue to explore ways to sharpen our competitive edge by bolstering employee engagement. From 2006, we have been drawing greater feedback from the frontline workers. This has raised awareness on the importance of managing people working in the fields among the supervisors and upper management.

Compensation and Welfare

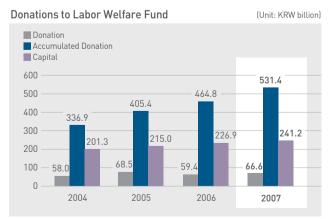
POSCO employs a yearly negotiated salary system for assistant managers or higher where one's wage can vary depending on performance. We are enhancing human resources management with compensation based on ability and performance, providing opportunities for early promotion to people with excellent work record. To have employees share in management performances, we run a profit-sharing system in which a portion of operating income is distributed to employees.

POSCO has invested a great deal of resources in the welfare of its employees and their families so as to stabilize their lives and meet their welfare needs. We have managed the Labor Welfare Fund since April of 1991, with the aims of promoting employees' independence and raising productivity. This fund is used to provide a wide range of assistance including the cafeteria benefit plan, celebration/grievance payment, condolence payment, scholarship for employees' children, help with medical expense, housing loan, living expense loan, and loan for ESOP purchase.

The new Employee Stock Ownership Plan was introduced in 2002 to create a sense of ownership among employees. When an employee acquires treasury stocks, POSCO matches the purchase with an equal number of stocks for free. The annual limit for the purchase of treasury stocks is KRW 4 million per



* Employee Engagement: Ratio of employees who seek and take action to enhance corporate performance



Assistance Available under the Labor Welfare Fund

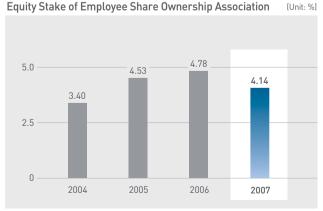
Category	Details
Cafeteria Benefit Plan	Employees may select from a range of welfare schemes within the budget set aside for each individual. Use of POSCO Welfare Card (credit card)
Celebration/Grievance Payment	Distributed in the event of a family celebration or death
Condolence Payment	Distributed to employees who are on leave due to a work-related injury or for health reasons
Condolence Payment for Death Unrelated to Work	Distributed to surviving family members upon the death of an employee due to reasons unrelated to work
Scholarship for Children	Full tuition payment for middle school, high school or university for up to two children
Medical Expense	Annual medical fees paid by the individual in excess of KRW 2 million (total for employee, his/her spouse and children); maximum assistance of up to KRW 10 million
Housing Loan	Up to KRW 50 million for home purchase and up to KRW 30 million for lease (Seoul basis) at annual interest of 3%
Living Expense Loan	Up to KRW 10 million at annual interest of 5%
Loan for ESOP Purchase	ESOP purchase limit, annual interest of 5%

person. If an employee wishes, he or she can receive a loan through the Labor Welfare Fund for the purchase.

Education and Career Development

In tune with the mid-term corporate strategy to 'secure global leadership in steel, spur growth of POSCO Group and enhance synergy, and promote Global POSCO Way,' the objectives of training in 2007 were securing global leadership, making innovation a part of everyday routine, and building the foundation for Group growth. In 2007, the average training time per employee was 304 hours and the total attendance in training were 571,968. This included internal offline training, e-learning, external training, lifelong learning programs and training led by departments.

Equity Stake of Employee Share Ownership Association



Leadership Training for Managers and Supervisors

POSCO is expanding its global operations with numerous pursuits such as the integrated steelworks in India and the project in Vietnam. In line with the expansion, we have been offering global leadership training for people in management and supervisory roles. Launched in 2005, the Executive Academy is open to executives and department/section heads of POSCO as well as the executives of subsidiaries and CEOs of business partners. Academy participants exchange ideas and receive training to cultivate the mindset and capabilities to realize a global POSCO. In 2006, we introduced leadership training designed to reinforce the skills of mid-level managers and develop their ability to lead organizational change.

Secure Global Leadership

- Strengthen leadership skills of managers/supervisors
- Enhance capabilities of people working at overseas subsidiaries

Make Innovation a Part of Everyday Routine

- · Accelerate change in how we do our work
- Foster knowledgeable workers through a culture of learning

Build Foundation for Group Growth

• Expand training to spur Group-wide growth

Promote Management Performance and Individual Competency

Average Training Time per Employee



POSCO Group Training Program

We introduced a Group initiation training program for new recruits of POSCO and all subsidiaries in December 2006. The program instills Group-wide core values (Global POSCO Way) and fosters a sense of belonging and unity. It allows participants to obtain basic knowledge and cultivate healthy values as a member of the POSCO Group. The Group program is followed by introductory training organized by the individual companies to help the newest additions gain an understanding of the spirit and culture of the respective entities and acquire basic skills needed to perform their duties. The Group-wide Junior Membership Training is conducted for employees 12~18 months after they join the POSCO Group where the emphasis is on promoting our vision and values and the employees' roles as future leaders.

Innovation Education

Grounded on the Global POSCO Way and POSCO Six Sigma Model [PSSM], our innovation activities are intended to nurture employees who go about their work with a global perspective. As part of the Six Sigma initiative, innovation training empowers our workforce with the ability to drive organizational change and spread the spirit of innovation.

Innovation education is broadly classified into Six Sigma, Quick Six Sigma (QSS), and innovative mindset training. Six Sigma stimulates employees to innovate their way of thinking and develop their competencies. QSS training focuses on execution, so that employees are spurred to identify problems and pursue the necessary improvements while performing their job. In 2007, 16,980 employees participated in these programs, which ranged from QSS (two-day course) and MBB (Master Black Belt, 3.5 months) to innovative mindset training (Execution Vitamin, etc.).

We believe that we have to overhaul our thought patterns and the way we go about our work to evolve into a world-leading corporation. Our innovation education is nurturing smart and innovative people who embrace challenge and lead change.

Lifelong Learning Program

The Lifelong Learning Program was adopted in April 2005 to help employees to pursue not only a better quality of life through the balance of work, rest and study, but also to strengthen corporate competitiveness. It allows workers to take part in study programs for self-development or for the improvement of job competence



while taking into account the manpower requirements in each department and the needs of individual employees. POSCO's Lifelong Learning Program is unique as each department takes the lead in developing learning programs to satisfy the needs of employees. Consisting of general, value sharing and job competency studies, the program contributes to improving quality of life, sharing of our core values, and raising job competency.

POSCO offers diverse support to foster a culture in which employees can pursue continuous learning. We invite prominent outside lecturers to speak on various subjects and operate a program to nurture in-house instructors to head classes on work functions. For manager and supervisors, we have set up a database of learning materials related to the five core areas of corporate management and distributed the data. We also support Communities of Practice (CoPs) to encourage the generation and sharing of work knowledge, and to enhance the learning effect by linking learning with innovation activities.

Knowledge Management

The purpose of knowledge management (KM) at POSCO is to upgrade the work competencies and performance of employees through the creation, utilization and sharing of knowledge and extension of the human network. We carry out practical and effective KM activities centered on CoPs to utilize knowledge acquired from inside and outside the company.

In 2007, an average of 7,300 employees logged on to the Knowledge Management System (KMS) each day to access information necessary to carry out their duties. Some 300

Lifelong Learning

	Value Sharing Studies	Job Competency Studies	Cultural Studies
Goals	Increasing trust between employees and POSCO through the sharing of core values	Nurturing knowledge workers by strengthening professional capabilities	Offering various opportunities to enhance the value of life
Contents	Business environment, innovative mindset, ethics, safety and security	Deepening and expanding knowledge for duties, switching duties	Workshop for a boundary-less organization, cultural lectures



registrations of knowledge generated on the job and through CoP activities are made to the system everyday. Around 10,000 cases of quality knowledge registered on KMS are being accessed by workers to assist in their work and innovation activities and as learning material. Ongoing efforts to refine lower quality knowledge have vastly enhanced user satisfaction, and we are seeing greater generation of comprehensive knowledge.

We opened the POSCO Digital Library in July 2006 by integrating five libraries spread out in different regions. The opening expanded the pool of digital information and provides easier access to a wide range of data. We also operate the Knowledge Plaza Cafe, an unmanned 24-hour library, in five regions which is spurring greater interest in reading among our workers.

2007 was a meaningful year in that CoPs took root as a medium for innovation and learning. Six Sigma, QSS and Work-Diet activities were carried out through CoPs, leading to the sharing and utilization of know-how on preventing waste and quality knowledge. It also resulted in the formation of a network of specialists. The link between CoPs, innovation activities, work and learning is producing synergies to build a unique system of knowledge management at POSCO. As of the end of 2007, there were 1,653 CoPs at POSCO with total membership of about 89,000, meaning that on average, each employee participated in 5.1 CoPs.

KM has led to change in how employees go about their work by giving them easy access to information regarding their job and innovation activities. According to an employee survey, the biggest changes since KMS was set up are as follows: enhanced work productivity (33% of survey respondents), knowledge-sharing through KMS (28%), and creation of new knowledge and techniques (16%).

The benefits from KM include identifying problems through discussion among employees, greater participation in improvement activities, and vast gains in work competencies from knowledge sharing and learning. It has enhanced the organizational culture by facilitating communication through CoP activities. The joint CoP between the operating and maintenance departments of steel mills and other similar unions have broken down the walls between different work functions and resulted in stronger performance. By systematically managing internal and external knowledge assets needed for work and innovation activities, we are accumulating and providing practical, quality information, which in turn is helping to maximize productivity.

POSCO has been a recipient of the knowledge management award jointly presented by Maeil Business Newspaper and the consulting firm Booz Allen Hamilton for three consecutive years, from 2004 to 2006. Last year, POSCO received the grand prize. The awards were introduced in 1999 to recognize companies that contribute to raising Korea's national competitiveness through knowledge management. Additionally, POSCO was selected as Asian MAKE (Most Admired Knowledge Enterprise) by Teleos, a knowledge management research agency in UK, in 2005 and 2006.

POSCO's successful implementation of KM has been widely acknowledged. As of the end of 2007, our KM program has been benchmarked by some 180 companies. Furthermore, we have assisted various overseas steel producers in establishing their KM systems.



Customers and Suppliers

The ultimate objective of our business activities is to grow with our customers. We provide technological support to enhance customer value, operate a Customer Relationship Management (CRM) system, and are actively involved in joint projects to develop new products and pioneer new markets.

The steel making process involves cooperation with numerous suppliers and outsourcing firms. To grow with our valued partners, POSCO offers diverse support measures spanning management innovation, technology development, manpower exchanges, in addition to sales and purchases.

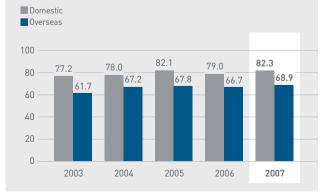
Customers

Our aim is to have annual sales of strategic products reach 25 million tons, or 85% of total domestic production volume, by 2010. Of that volume, 10.8 million tons will be key strategic products. Given the growing sales contribution of high value-added products, we expect customers to have more exacting demands. POSCO is continuing to raise the quality of its products and services to proactively respond to the changing environment.

In the past, we had to concentrate on volume given our responsibility to provide a stable supply of steel to the domestic market. We, however, recognize that improving quality takes precedence over increasing output. From that standpoint, we focused on quality in 2006. We also stepped up our technological support services by directly visiting customers. POSCO provided 216 related services to 227 client firms during 2007.

POSCO carries out steady improvements in related systems to raise customer value and aims to provide rapid and systematic customer assistance. POSCO's CRM system includes an integrated customer information database to accumulate and analyze customer data to determine their needs. This information acts as a base for deepening our understanding of customers, which enables POSCO to offer tailored services.

Customer Satisfaction



* Maximum score is 100 points.

POSCO conducts customer care activities, whereby regular visits are made to listen to and address customers' complaints and comments. We act quickly to solve problems, including those received on- and offline via the Voice of Customers (VOC) program, and operate a system that keeps track of complaints while monitoring the response process. In 2007, we handled 1,371 VOC cases via online alone.

POSCO conducts an annual survey to gauge customer satisfaction and reflects the results in related policies. The survey is administered by an outside research organization to secure objectivity and reliability. The research organization surveys customers at home and abroad and holds in-depth interviews with a number of them. The survey is made up of questions on eight items such as sales volume, payment conditions, handling of orders and product quality. Satisfaction levels are measured on a seven-point scale. In the 2007 survey of 135 domestic and 117 overseas firms, we received a mark of 82.3 from domestic respondents (up by 3.3 points year-on-year) and 68.9 from overseas respondents (up by 2.2 points)

Suppliers and Outsourcing Service Partners

Our supply chain is directly linked to our overall competitiveness. Through joint efforts with suppliers, POSCO has established fair and transparent purchasing practices, and secured a stable and competitive supply chain. We are further improving our supply chain by analyzing the performance of suppliers, uncovering excellent suppliers, and increasing cooperation with our valued partners.

POSCO has been fostering trust by maintaining long-term partnerships with exemplary suppliers, building a global sourcing network, and establishing a benefit-sharing system. We also encourage facility purchases based on price and quality and are expanding 'green purchasing' activities.

In 2006, POSCO implemented TCO (Total Cost of Ownership) purchases to afford more opportunities to outstanding suppliers. By making facility purchase decisions based on TCO evaluations, POSCO has benefited from reduced costs while suppliers enhance their competitiveness. TCO purchases are expected to resolve problems associated with the previous price-bidding system, in which low prices were the sole criteria in selecting suppliers. Additionally, we believe the system will allows us to better recognize outstanding suppliers, improve the credibility of suppliers, and identify quality improvements.

To strengthen our ties with outsourcing service partners, POSCO is dedicated to upgrading their working environments and providing their employees with incentives and opportunities to raise their quality of life. We seek continuous improvements in our dealings with these firms to enhance their pride as POSCO's business partner. Additionally, we continue to use the KPI (Key

Performance Indicator) system to evaluate outsourcing service partners and share the results. Introduced in 2005 to raise competitiveness of outsourcing firms, the system helps ensure objectivity and encourages fair competition and compensation, so that our leading partners can grow with us.

By supporting the adoption of ERP at outsourcing service partners, we are helping them improve their corporate image and competitiveness through stable labor-management relations and enhanced transparency. Our change management training program for mid-level managers at outsourcing partners promotes greater understanding of the business environment. By improving labor-management ties and encouraging innovative thinking, we are laying the foundation for sustainable mutual growth.

Green Purchasing

Green purchasing refers to the priority acquisition of environmentally preferable products such as materials with reduced content of harmful chemicals, resource/energy saving materials, and recyclable products. The aim of green purchasing is to minimize our environmental footprint from the purchasing stage.

POSCO has been implementing green purchasing since July 2002. We give priority to goods bearing six environmental labels: the 'Environmental Mark' certified by the Ministry of Environment; 'Good Recycled' mark certified by the Ministry of Commerce, Industry and Energy; 'Energy Saving' mark; 'Reduced Harmful Material' mark; 'Reduced Waste' mark; as well as other flame-retardant or foreign environmental labels. We purchase such goods even if they may be up to 10% more expensive than other products.

POSCO also reviews environmental management practices of suppliers as well as the environmental impact of materials they use. The results are then reflected in our purchasing decisions. We offer preferential treatment to suppliers that complement our green purchasing initiative while sanctioning those who are uncooperative or cause serious environmental problems by distorting related data.

The July 2005 legislation of the Act on the Promotion of the Purchase of Environment-friendly Products further highlighted the importance of green purchasing. In September 2005, POSCO signed a voluntary agreement on green purchasing with the Ministry of Environment. We came up with a detailed system and process to categorize goods and made related changes to our ERP system. Thirty of Korea's leading companies have joined the voluntary agreement and POSCO represents the corporate sector by serving as chair on the promotion committee.

We established a Green Purchasing Team in 2006 to further improve upon related activities. Our green purchases in 2007 totaled KRW 169.1 billion, an increase over KRW 124.4 billion in

2006. Of the total amount, materials including industrial machinery and chemicals accounted for KRW 166.1 billion and office supplies for KRW 3.0 billion.

Green Purchasing Policy

Through strategic green purchasing, POSCO aims to provide environmentally-friendly, high-quality goods to customers at optimal prices and in a timely manner. To this end, POSCO complies with the following three principles.

- First, in all purchasing activities, POSCO shall comply with laws and regulations and fulfill its social responsibilities to preserve the environment and natural resources.
- Second, in all purchasing activities, POSCO shall build a cooperative relationship with suppliers to realize our environmental policy.
- Third, POSCO shall attempt to secure a pool of best suppliers to manufacture a stable supply of environmentally-friendly products, continually improve quality, and reduce total costs.

Green Purchases in 2007

(Unit: KRW billion)

Category	Materials	Office Supplies	Total
Environmental Mark	1.7	2.8	4.5
GR Mark	0.1	0	0.1
Energy Saving Mark	13.1	0.2	13.3
Reduced Harmful Material Mark	32.7	0	32.7
Reduced Waste Mark	106.4	0	106.4
Other	12.1	0	12.1
Total	166.1	3.0	169.1

POSCO EVI Activities

The auto industry is moving towards using more advanced high strength steel in car bodies to make vehicles safer and lighter to curb CO2 emissions amid tougher international environmental regulations. To meet this pressing need for lighter and stronger automotive body structure, POSCO has initiated the EVI (Early Vendor Involvement) system, collaborating with automakers from the initial development stage to create relevant technologies from the customer's perspective. The system provides a win-win opportunity to both POSCO and automakers. By providing technological assistance in materials and processing, POSCO can secure a stable market through timely development of new products that accurately reflect automaker's requirements. Automakers on the other hand can enhance quality, speed up time-to-market and cut costs by producing cars that satisfy market demand while minimizing the trial and error process.

http://www.posco.com/homepage/sustainability/partnership

Win-Win Cooperation with SMEs

In the past, competition was between individual companies. Now. we are seeing competition between business ecosystems, which also encompasses customers, suppliers, competing firms, regulators and other stakeholders. Moreover, there is growing emphasis on the importance of win-win cooperation between large companies and small- and mid-size enterprises (SMEs) for sustainable growth. To meet the needs of the changing times, POSCO has adopted a systematic, company-wide approach to pursuing win-win partnerships with SMEs. To strengthen cooperation with SMEs, we set up the Win-Win Cooperation Team in 2005 dedicated to SME support activities. We have been referring to our suppliers and service providers as 'outsourcing service partners' from July 2004. The term reflects our commitment to promoting win-win relationships befitting the new paradigm of the 21st century and to reinforcing mutual trust with our business partners.

We carry out numerous activities to foster mutual growth with SMEs. These include our benefit sharing system with suppliers, making cash payments within three days of purchase, promoting orders to SMEs and optimal price assessment, and enhanced treatment of outsourcing service partners. We continue to provide various support measures to facilitate stable operation of SMEs. We pay particular attention to helping SMEs secure and train competent workers and offer technical support for SMEs with insufficient research and testing facilities. A Win-win Cooperation Committee has been set up to strengthen win-win partnership activities of our subsidiaries, while the SME Consulting Center was created on our company homepage to prevent unfair competition practices. POSCO makes every effort to listen to the views of SMEs and understand the hardships they face and reflects their opinions in our SME policies.

POSCO is building fair and transparent relationships with outstanding SMEs. We also contribute to developing local economies and creating jobs by pursuing diverse forms of cooperation with SMEs that have a far-reaching economic impact. We have won recognition for our win-win cooperation activities and our contribution to narrowing the divide between large corporations and SMEs. In 2005, POSCO was named as an outstanding company in mutual cooperation between large and small companies and received the Presidential Award. Subsequently, we received the Silver Tower Order of Industrial Service Merit in 2006 and the Prime Minister's Award in 2007.

As one of the backbone industries of Korea, POSCO will contribute to raising the competitiveness of the demand industries and SMEs and spearhead mutual growth through win-win cooperation.

Win-Win Cooperation with SMEs

Purchasing Support

- · Benefit sharing activities
- Improving working conditions of outsourcing service partners
 Promoting SME orders

- Techno partnership
- New product development under conditional purchase
- Joint research with SMEs
- Patents held by POSCO
- Promoting technology transfer

- SME vocational training consortium
- Support for SME innovation through Six Sigma training
- Cultural lectures

- Full cash settlement
- Assistance fund for POSCO partners
- · Support financing through net work loans

- Operate a team overseeing SME support
- · Win-win cooperation committee
- SME consulting center

Win-win Cooperation - Procurement

Benefit Sharing

POSCO adopted a benefit sharing system for suppliers in July 2004. The system promotes joint improvement activities between POSCO and suppliers and allows both sides to share in the ensuing benefits. Suppliers are able to enhance their operations and cut costs, while POSCO realizes quality upgrades and cost savings in the long run. Benefits in the first year of project implementation are wholly returned to SMEs; afterwards, results are divided 50:50 between POSCO and SMEs. The program also offers other incentives such as long-term contracts. As of the end of 2007, a total of 314 SMEs participated in 482 improvement projects to report visible financial results of KRW 117.0 billion. Of that amount, POSCO distributed KRW 15.71 billion to 114 companies.

Cooperative Activities with Outsourcing Service Partners

During 2003~2007, POSCO endeavored to strengthen its partnership with key outsourcing service partners operating within its steelworks by improving working conditions and providing motivation to employees. In June 2003, we introduced a 5-day workweek to better the workers' quality of life and productivity of outsourcing service partners. In addition, we have provided assistance worth KRW 3.9 billion for repairs of convenience facilities and KRW 1.5 billion to boost morale.

Support for SME Orders

To promote stable operations at SMEs, POSCO is continuously searching for items that can be purchased from SMEs and pursuing local production of equipment. Such efforts raised SME orders from KRW 2,954.7 billion in 2006 to KRW 3,714.9 billion in 2007.

As part of efforts to place orders to SMEs, we give construction orders below KRW 5.0 billion to SME builders. POSCO awarded KRW 329.4 billion worth of construction orders [53% of total] to SMEs during 2007. In addition, we provide opportunities for SMEs to expand into overseas markets by introducing both the SMEs and their products to overseas steel mills such as New Nippon Steel, TKS and Shanghai Baosteel. Under POSCO's recommendation, SMEs with PCP certification have shown a sharp increase in transactions with overseas steel companies 18 SMEs reported collective export revenues of KRW 129.4 billion in 2007, up from 21 SMEs posting KRW 104.1 billion in the previous year.

Win-Win Corporation - Technology Development Techno Partnership

In September 2006, POSTECH, RIST and Pohang Techno Park created a 'Techno Partnership Support Team.' The team provides technological consulting for SME suppliers and the use of research and testing equipment for free. Thirty seven SMEs signed up for the techno partnership agreement in Pohang at the time and 34 extended the agreement for another year in October 2007. In April 2007, the techno partnership program was expanded to Gwangyang and now boasts 54 participating members, while the team added Jeonnam Techno Park and Sunchon University to its consulting panel. From September 2006 to December 2007, the team grew to 1,216 participants who provided numerous support activities including 662 technology consultations and 197 test analyses. Rather than focusing on SME's short-term gains, the Techno Partnership Support Team aims to enhance their long-term competitiveness which would ultimately lead to growth of local economy.

New Product Development under Conditional Purchase

This is a program under which POSCO guarantees the purchase of products for a certain period to encourage R&D by SMEs provided that they can yield tangible results such as local production of imported materials or development of new products. We signed an agreement with the Small and Medium Business Administration in June 2005 and launched a pilot program in November 2005. Since then, POSCO pursued 13 projects in 2006 and 24 projects in 2007. For SMEs, the program means a chance to boost technology levels and secure a stable revenue stream, while the benefits to POSCO are access to a steady supply of equipment and enhanced productivity.

Joint Research with SMEs

POSCO conducts joint R&D, from product design to testing, with SMEs to promote commercialization of research. The joint endeavors help SMEs improve technology levels and generate a stable revenue stream from the developed products. This is a win-win strategy for both SMEs and POSCO, given that the SMEs will be awarded rights to supply the developed products to POSCO, while POSCO will attain improved quality and a stable supply. Areas of joint research include equipment, materials, measurement devices, and processing technology. So far, 104 companies took part in 77 projects for which the R&D expenditure totaled KRW 19.8 billion. Of that amount, POSCO provided KRW 13.3 billion.

Transfer of POSCO's Patented Technologies

- ♦ SME Patent Consulting Center: POSCO opened a SME patent consulting center to enable SMEs to more easily utilize patented technologies held by POSCO and improve their technology levels. In 2007, 62 cases of patent consulting were undertaken by the center.
- ♦ Boost Transfer of POSCO's Patented Technology: POSCO waives fees for patents, utility model rights and design rights in the case of products that are manufactured and delivered to POSCO. We have signed 194 patented technology transfer contracts with 136 SMEs as of the end of 2007.
- ♦ Support for Commercialization: Among patented technologies owned by POSCO, some will require further investment before they can be used by SMEs. If an SME makes a request for commercialization assistance for a transferred technology, we will review it and have the necessary research or testing done for free at internal or external research institutes.
- ♦ Full Support of Application Expenses for Joint Patent: POSCO shoulders the entire burden of patent related costs (costs to apply, register and maintain the patent rights) for joint patents with SMEs. We applied for nine joint patents with seven SMEs in 2007.

Other activities include participation in the government-led campaign to activate sleeping patents. We currently provide 120 sleeping patents. In addition, we promote various programs to enhance the technological competitiveness of SMEs such as technology transfers utilizing 11 specialized institutes.

Win-Win Cooperation Activities - Training & Education SME Vocational Training Consortium

Outsourcing service partners manned by competitive human resources are essential for the continued development of POSCO. Accordingly, we provide support to enhance the human resources, as well as technologies, of those enterprises. Our assistance includes training frontline workers, upgrading training equipment, and developing customized education programs.

POSCO was selected to take part in the SME Job Training Consortium program led by the Ministry of Labor in 2004. Leveraging our outstanding pool of instructors, facilities and equipment, we offer education and training to workers of SMEs. Through comprehensive support, we are contributing to raising technology levels of SMEs, which in turn is helping to advance the local economy.

Educational Support

	2005	2006	2007
No. of participating companies	132	215	263
No. of trainees	4,200	7,746	10,782
e-learning (person)	-	-	2,500

In June 2007, we opened a job listing section on the SME Vocational Training Consortium website. The job listings are helping trainees find jobs and connecting SMEs to qualified personnel.

In a survey of companies in the SME Vocational Training Consortium, POSCO received an 'A' rating, the highest rating, in 2007 for the second straight year. In addition, the POSCO Human Resources Development Center was recognized by the Labor Ministry as the most outstanding educational organization. We plan to offer more diverse courses and services in 2008 to meet the human resource needs of participating companies.

Promoting SME Innovation through Six Sigma Training

POSCO is helping SMEs pursue innovation to lower costs and enhance quality by providing Six Sigma training. Launched in July 2003, this program shows SMEs how to identify weaknesses in their management activities and find solutions. The training program is identical to the Six Sigma program conducted for POSCO employees. Trainees may also take various courses online. In 2007, a total of 346 SME employees completed Six Sigma training. The QSS (Quick Six Sigma) program was completed by 5,453 workers of SMEs.



General Education Courses

For the purpose of enhancing the quality of life for SME employees and their families, we organize lectures on various subjects twice a month in Pohang and Gwangyang and once a month in Seoul. The lectures provide information on a wide range of topics such as child rearing, health, economy and literature. In 2007, a total of 47 lectures were given in the three regions for a collective audience of 1,738 SME workers and their family members.

Win-Win Cooperation Activities - Financial Assistance Full Cash Settlement for Purchases from SMEs

To assist SMEs who are facing hardships due to deteriorating sales and profits amid weak economy, we have been making full cash payments for purchases made from all domestic suppliers registered as SMEs from the end of 2005, regardless of the purchase amount.

For 1,657 SMEs, we made aggregate cash payments of KRW 3.2 trillion in 2005, KRW 3.6 trillion in 2006, and KRW 4.5 trillion in 2007. The cash settlements helped these business partners lower their financial expenses by KRW 30.5 billion.

The need for funds usually increases running up to the Lunar New Year and Chuseok (Korean Thanksgiving), the two major holidays in Korea. With that in mind, we try to make early payments before these holidays. Early settlements around the holidays reached KRW 235.2 billion in 2006 and KRW 289.5 billion in 2007. The frequency of payments has also increased from, from twice a week to daily.

POSCO is also working to promote the spirit of win-win cooperation to secondary subcontractors even though we do not engage in direct transactions with such firms. We encourage our SME partners to provide the same settlement terms we offer them to their subcontractors. Already, 13 of our 25 PCP suppliers are making settlements in cash or other liquid means. A growing number of our business partners are following in their tracks.



Assistance Fund for POSCO Partners & Network Loan

POSCO has set up a fund that provides loans carrying interest rates that are $1\sim2\%$ lower than market rates to help resolve financial problems facing our outsourcing service partners, customer firms and suppliers

We opened a time deposit account worth KRW 100 billion in September 2005. That seed money was used to back loans extended by the bank to SMEs. In 2006, loans worth KRW 25.9 billion were given to 57 SMEs. That rose to KRW 135.9 billion in loans to 227 companies in 2007. The loans allowed the borrowers to save KRW 1.32 billion in interest expenses.

Another form of financial assistance available is the network loan. Network loans worth KRW 58.2 billion were extended to 115 SMEs in 2006 and KRW 64.6 billion to 120 SMEs in 2007. The borrowers enjoyed interest expense savings of KRW 1.84 billion.

Win-Win Cooperation Activities -Other

SME Support Team

POSCO has in place a win-win cooperation team to provide ongoing support to SMEs. The team draws up plans for companywide activities relating to win-win cooperation and monitors implementation of such activities.

The team constantly pays attention to the views of SMEs and maintains open communication channels to ensure effective and practical SME support.

Win-Win Cooperation Committee & SME Consulting Center

The Win-Win Cooperation Committee was created to spread winwin cooperation activities to our subsidiaries. The committee is composed of representatives from major POSCO subsidiaries and holds regular meetings once every quarter. Its roles include identifying areas for cooperation, devising action plans, finding best practices and sharing information.



The SME Consulting Center was established in July 2005 to prevent unfair competition practices. Through this center, POSCO is contributing to ensuring stable operations at SMEs and promoting fair competition. The center can be accessed via the POSCO website as well as by telephone and fax.

The center can help open the doors for SMEs wishing to do business with POSCO. From POSCO's standpoint, access to outstanding SME suppliers means a greater competitive edge in terms of purchasing. The center has also assisted secondary subcontractors troubled by overdue payments. Details of consultations and reports made to the center are kept strictly confidential. In all, the SME Consulting Center is playing a valuable role in promoting win-win cooperation with SMEs.

Social Contribution

POSCO is committed to not only fulfilling its role of contributing to the national economy through the steel industry, but is taking an extra step forward to realize its philosophy of respecting mankind and pursuing win-win cooperation. We are actively involved in a wide range of social contribution activities to grow and develop alongside our local communities.

In particular, active volunteering by our employees and executives has enabled POSCO's sharing management to take root as a new corporate culture. POSCO carries out a wide range of activities in the four broad categories of human resources development, contributing to our local communities, volunteer activities, and promoting culture and sports.

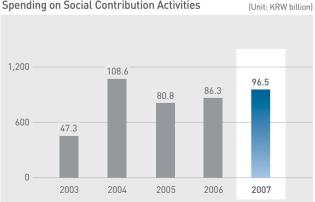
Social Contribution Strategy

- · Develop social contribution programs that tie in with company business
- Expand social role as a corporate citizen by engaging with those in need and local communities
- Establish POSCO-wide framework for social contribution activities
- Gradually expand overseas volunteer activities with the focus on strategic global markets

POSCO's Social Contribution



Spending on Social Contribution Activities



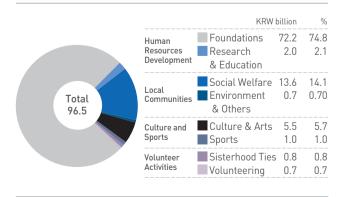
Human Resources Development

Asia Network

The POSCO TJ Park Foundation was created in September 2005 through the expansion and reorganization of the POSCO Scholarship Foundation. A major program run by the foundation is the POSCO Asia Fellowships, which promote closer ties among Asian nations through academic and cultural exchange. Scholarships to nurture next generation leaders and the POSCO Caregiving program are two other major programs offered by the foundation.

- ❖ POSCO Asia Fellowships: People who graduate from prestigious universities in Asia are given a chance to pursue graduates studies at one of the top schools in Korea. Additionally, scholarships are awarded to students in various universities across Asia, and research funding is provided in the areas of liberal arts and social sciences.
- *Fellowships for Asian Students Studying in Korea: Fellowships for Asian students studying in Korea: People who have earned bachelor's degrees at prestigious universities in Asia are invited to undertake two years of graduate studies at one of eight leading schools in Korea, such as Seoul National University, Korea University, Yonsei University and POSTECH. In 2007, the program awarded tuition and living allowances totally worth KRW 900 million to 59 students from 11 countries. The selected students included graduates of University of Delhi in India, Peking University in China, and Vietnam National University in Hanoi. While in Korea, they also learned about the Korean language, culture and history, which helped them gain a greater understanding of their host country.
- ❖ Networking with Asian Universities: Fellowships are also available to students at outstanding universities in Asia that have formed cooperative ties with the POSCO TJ Park Foundation. This program is designed to foster future leaders who will contribute to advancing their home country as well as to strengthening mutual ties with Korea. In 2007, the scholarship was given to 545

Spending on Social Contribution Activities by Sector in 2007



students in 27 universities spread across 12 countries. This program is encouraging more Asian students to pursue their studies in Korea, helping to foster experts on Asia, and promoting other fellowships offered by the Foundation.

♦ The POSCO New Star Scholarship, POSCO Vision Scholarship: The POSCO New Star Scholarship awards scholarships to 100 high school students every year. The POSCO Vision Scholarship provides full tuition assistance for 100 university students who spent their youth in welfare facilities.

Programs Run by POSCO TJ Park Foundation

- POSCO TJ Park Prize: Prizes are given to individuals or organizations that have contribute to advancing science, education and philanthropy
- POSCO Asia Fellowships: Creating a network of Asian nations to spur mutual cooperation and exchange
- POSCO New Star Scholarships: Helping outstanding high students grow into future leaders
- POSCO Vision Scholarships: Assistance for university students who grew up in child welfare facilities
- POSCO Caregiving: Providing care and assistance for elderly people living alone
- POSCO NGO Fellowships: One-year overseas training program for NGO workers
- POSCO Steel Art Award: Competition of artworks made with steel

POSCO Educational Foundation

The POSCO Educational Foundation was established in 1971 and currently operates 12 institutions in the Pohang and Gwangyang regions, ranging from kindergartens to high schools. Since its establishment, the Foundation has been spearheading efforts to maximize the effects of education by recruiting the best teachers, implementing diverse specialty education models and providing quality educational quidance.

Five elementary and middle schools under the POSCO Educational Foundation were awarded at the 14th National English/Mathematics Competition organized by the Sungkyunkwan University and sponsored by the Dong-A Ilbo. In particular, the Pohang Jecheol Jigok Elementary School took home its 14th consecutive award. Meanwhile, Gwangyang Jecheol Elementary School has won the best elementary group award for three straight years at the 2006 International Youth Mathematics Competition in Tianjin, China.

At Pohang Jecheol Technical High School, all 210 graduates in the year 2008 obtained licenses. On average, each person acquired licenses in six fields. One of the graduates, Yu Byeong-yeon, who specialized in materials technology, received widespread attention for obtaining 23 licenses, the most for a vocational

school student in Korea.

Fostering Next Generation Leaders POSTECH

POSTECH is Korea's first research-oriented university dating back more than 20 years. It has the only PLS (Pohang Light Source) or 'light factory' in Korea and runs 60 affiliated R&D institutes, including the largest BT R&D facility among Korean universities and the National Center for Nanomaterials & Technology. Over the years, POSTECH has produced highly qualified manpower in basic sciences and engineering (4,019 bachelor's degrees, 5,489 master's degrees, and 1,331 doctoral degrees awarded since founding).

- 2007 Joongang Ilbo: Overall rank (1st), Educational environment & finance (2nd), Faculty research (1st)
- Ranked 11th in Citation/Faculty in THES-QS World University Rankings 2007 published in The Times (highest rank among Asian universities)

Volunteer Activities

POSCO Volunteer Group

Volunteer activities by employees have played a vital role in spreading the spirit of giving and sharing. The launch of POSCO Volunteer Group in 2003 opened a new era of more organized and systematic volunteer activities at POSCO.

More than 88% of the workforce takes part in volunteer work. Under the supervision of the POSCO Volunteer Group secretariat, our employees are regularly helping out at various social welfare facilities in their respective regions.

Infrastructure to Support Volunteer Service Activities

Under the Volunteer Service Mileage System introduced in October 2004, individuals who clock in a set amount of volunteer hours receive certificates and badges, and their volunteer group receives funding for activity fees. As of the end of 2007, a total of 3,039 employees and their families acquired certificates for over



Volunteer Service Mileage Certification

(unit: person)

	2005	2006	2007
100hr	388	1,014	2,505
300hr	33	138	327
500hr	17	66	158
1,000hr	3	22	49

^{*} Volunteer Service Mileage Certification of Employees and Their Spouses POSCO Caregiving

100 hours of volunteer service, while 49 people were certified for 1,000 hours. POSCO also provides necessary goods, vehicles and lunches to aid in the volunteer efforts. Employees can register and search for volunteer groups, manage their volunteer records, and access information on places needing volunteers through the intranet social contribution system.

A totally of 9,578 employees have taken our volunteer service elearning courses since they were launched in September 2005. The courses can be accessed by all via the homepage of Korea Council of Volunteering. We also produced educational CDs and distributed 286 copies.

POSCO Caregiving

Caring for the elderly has surfaced as a major issue due to the aging society. POSCO Caregiving is a key program under the POSCO TJ Park Foundation. Under this program, caregivers visit the homes of elderly people who live alone to provide basic nursing care and help with household chores. They also provide the service to people with disabilities.

This program is doubly effective in that it also creates jobs by hiring caregivers. In view of growing demand for free caregiving services and our success in Pohang and Gwangyang in 2006, we extended our service reach to Seongnam in 2007. As a result, the total number of caregivers increased from 35 in 2006 (20 in Pohang, 15 in Gwangyang) to 55 in 2007. The number of service recipients went up from 600 to 1,100.



Joint Activities with Subsidiaries and Business Partners

Together with our subsidiaries and partner firms, POSCO donated KRW 10 billion to the Community Chest of Korea as part of a year-end collection for neighbors in need in 2007. The money went towards disaster relief efforts, POSCO's volunteer program for college students, social integration programs for multi-cultural families, extracurricular study rooms for children, and medicine for foreign workers.

Since the launch of POSCO Volunteer Group, ten affiliated firms, namely POSCO E&C, POSCO Specialty Steel, POSCO C&C, POSDATA, POSTEEL, POSCON, POSREC, POSMEC, POS-M and Samjung P&A created their own volunteer service teams and have been carrying out volunteer activities. Our outsourcing service partners and suppliers have also joined in our POSCO Day event.

Participation in Volunteer Service by Employees

Category	2005	2006	2007
Ratio of Employees' Volunteer Service Participation	75.7%	74.2%	88.9%
Avg. volunteer hours	12.7	14.6	21.7

Participation in Volunteer Service by Employees and Their spouses

Category	2005	2006	2007
Total Volunteer Service Hours	353,183	361,732	547,238
No. of Volunteers	15,769	15,018	18,943
No. of Volunteer Service Groups	315	340	392

^{*}Based on data registered in POSCO's social contribution system (as of April 30, 2008)

Social Contribution with NGOs

As a means of providing more organized and effective volunteer services, POSCO works together with various NGOs.

Korea Food for Hungry International (KFHI)

POSCO assembled 3,000 emergency relief kits in conjunction with Korea Food for Hungry International. Containing medicines, blankets, underwear, soap and towels, these kits are distributed to victims of natural disasters such as typhoons and flooding. We sent 2,400 kits to North Korean residents who suffered huge damage from the torrential rains in August 2007. In September, 600 kits were sent to residents of Jeju Island in the wake of Typhoon Nari.

Habitat for Humanity

POSCO organized a college student volunteer group jointly with Habitat for Humanity that has brought together 100 students from 40 universities across Korea. These students are given the opportunity to gain valuable experience while volunteering in Korea and abroad. A 550 km cycling trip to promote Habitat for Humanity, international cultural exchange, presentations, and bazaars are just a few of the activities we have supported to spread the spirit of sharing.

Beautiful Store

We hold 'POSCO Day' on a regular basis with the Beautiful Store during which used items are sold to raise funds for worthy causes. In 2007, employees of subsidiaries and business partners joined in our efforts and we were able to collect some 129,950 recycled goods. We raised KRW 258 million from selling those items and donated the money to help our neighbors in need.

Korean University Council for Social Service

We support volunteer activities by nationwide university students focusing on their majors, to encourage them to use their academic skills to help society and further spread the practice of volunteering. Working together with the Korea University Council for Social Service and the Ministry of Education & Human Resources Development, POSCO extended support for 10,000 students and professors from 88 universities taking part in 174 programs.

The Republic of Korea National Red Cross

We continued the blood donation drive with the Korean Red Cross in 2007 to help secure a stable supply of blood. During the year, 2,343 employees from POSCO, subsidiaries and outsourcing service partners took part in the drive. In particular, the blood donation campaign held with Microsoft every April since 2002 at POSCO Center on Teheran Street, the IT mecca of Seoul, has been a huge success, gaining the support of workers from nearby offices and residents of the area.

Global Volunteer Activities

POSCO also implements social contributions on a global scale to extend support to our international neighbors. We have been leaving a particularly strong impression in India, China and Vietnam, countries that have a key role in our global expansion plans.

In India, we dispatched a medical team and provided surgery to 23 children with cleft lip and/or palate in the state of Orissa, where we are pursuing the construction of a steel mill. The team also passed on their know-how to their local counterparts during their stay. In January, about 100 college students sponsored by POSCO volunteered their time to build homes with Habitat for Humanity. In addition, we signed the POSCO-India Fellowship agreement with universities in Orissa to give scholarships to high-achieving students.



Meanwhile, POSCO-China has formed sister ties with a local elementary school and is providing school supplies. It also organized a campaign to send clothes to victims of natural disaster.

In Vietnam, POSCO lent a helping hand by providing surgery to correct cleft lip and/or palate and building an elementary school. In Bangladesh, we supported the drive to nurture IT experts by setting up a computer center. Our spirit of sharing also reached out to children with cleft lips/palates in the Philippines and Cambodia, as well as to victims of natural disaster in Indonesia and Pakistan.

Starting this year, we are supporting employees at POS-IPC in the city of Pune in India who are volunteering regularly at a shelter for children with AIDS.

Culture & Sports

POSCO is contributing to enhancing the quality of life through arts and culture in Pohang, Gwangyang and Seoul, the sites of our domestic steel mills and offices.

❖ POSCO Center Concert: Once a month, the atrium of the POSCO Center in Seoul turns into a venue for a dazzling musical concert. The free monthly concerts featuring performances by classical musicians, musical stars and popular artists are drawing a warm response. The list of well known performers in 2007 included the popular violinist Richard (Yong-jae) O'Neil. A total of 94 concerts have been staged at the POSCO Center atrium since 1999.

♦ POSCO Campus Symphony Festival: Since May 2004, POSCO has been visiting university campuses to host symphony concerts and help popularize classical music. We staged ten festival performances in 2007, including concerts at KAIST and POSTECH. By going beyond cultural events on a corporate scale, we have invigorated exchanges between industry, academia and local residents, and in the process, promoted university campuses as venues for the cultural arts.

http://www.posco.com/homepage/sustainability/socialcontribution

Local Communities

Along with the objective of contributing to economic development through the steel-making business, POSCO is committed to carrying out its role as a partner to the local communities based on its underlying principle of respect for people. We engage in a wide range of social contribution activities to grow together with the communities in which we operate.

	Year steel mill was established*		As of end-2007	
	Population (thousand persons)	City budget (KRW billion)	Population (thousand persons)	City budget (KRW billion)
Pohang	70	0.32	510	926.2
Gwang- yang	78	5.9	138	380.7

^{*} Pohang: 1968, Gwangyang: 1982

Mutual Growth

We aim to grow together with our local communities. When POSCO was founded in 1968, the city of Pohang had a population of just 70,000 and a budget of KRW 320 million. Now the city boasts a population of 510,000 and a budget of KRW 926.2 billion. The city of Gwangyang had a population of 78,000 and a budget of KRW 5.9 billion in 1982 before the construction of Gwangyang Works. Now, those figures have swelled to 138,000 and KRW 380.7 billion.

The self-sufficiency rate for fiscal resources for Pohang is 53.3%, the highest in Gyeongsangbuk-do. The rate was 48.1% for Gwangyang, the highest in Jeollanam-do. (Based on 2008 budget, Source: Joseilbo)

We are supporting Pohang's drive to turn itself into a city of science by building world-class educational and R&D infrastructure including POSTECH, RIST, BT R&D Center, and the National Center for Nanomaterials & Technology. We are also helping to advance the regional economy in Gwangyang. Our

investments in that city include a magnesium sheet plant (July 2007), plate factory and ferronickel plant (2007~2010).

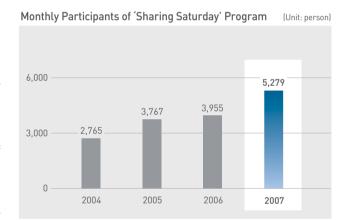
Along with moves to spur the local economies, we provide assistance to low-income families and promote the development of regional arts and culture. Recognizing the importance of educating future leaders, we also place priority on training and education.

Community Engagement

Employee Volunteering Program

'Sharing Saturday' is a monthly volunteering program run by POSCO. About 63,000 people took part in the program in 2007, which translates to an average of 5,279 per month.

POSCO employees and their family members regularly volunteer at around 70 welfare facilities in Pohang, Gwangyang and Seoul. The concept of designating a monthly theme was introduced in 2006, resulting in greater satisfaction for the volunteers and the beneficiaries alike.



Support for Multi-Cultural Families

In April, POSCO signed an agreement with the local governments of Gyeongsangbuk-do and Jeollanam-do and Korea Digital University to carry out an e-learning campaign for multi-cultural families. More recently, we jointly launched a program with Uiduk University to support foreign women with Korean husbands living in Pohang, Gyeongju and Angang. A multi-cultural family support center opened on the university premises on October 11, 2007.

The joint program with Uiduk is intended to bring multi-cultural families closer together through educational outreach and family counseling. On top of helping married immigrant women adjust to life in Korea, the program addresses the unique needs of children growing up in multi-cultural families.

POSCO and Uiduk University also hopes to raise awareness of cultural diversity in Pohang, Gyeongju and Angang and contribute to creating an open society that embraces people from different cultures.

Fifty wives of POSCO employees and fifty Uiduk students are volunteering their time and effort for the program. Their activities include mentoring for children and family counseling services.

The foreign population is growing in Korea and so is the number of marriages between Koreans and non-Koreans. According to the Ministry of Government Administration and Home Affairs (current Ministry of Public Administration and Security), there were 536,627 foreigners residing in Korea in 2006. The ratio of international marriages, which stood at just 1.2% in 1990, jumped more than ten-fold over a span of 15 years. That means 1.7 out of every 100 Koreans are married to a foreigner.

Meanwhile, online courses on the Korean language and culture under the e-learning campaign for multi-cultural families were launched last August. About 2,000 women took part in the first round of classes conducted in five languages via the campaign website (e-campaign.kdu.edu). The second round of classes started this month.

POSCO operates three Sharing Houses in Pohang and Gwangyang. These facilities provide free meals to the elderly, handicapped and low-income residents in the regions. They are manned by 586 wives of POSCO employees and local residents who volunteer their time to prepare and serve the meals. The kitchens served an average of 550 people a day in 2007. Since their opening, the centers have provided more than 450,000 meals.

In addition, employees donate lecture and manuscript fees received from external organizations towards a charity fund. In 2007, we were able to donate about KRW 59 million to the Beautiful Foundation and other charitable groups.

Support for Low-Income Families

POSCO operates five extracurricular study rooms in low-income neighborhoods in Pohang where elementary and middle school students can get help with their studies. These study rooms also offer counseling and cultural programs. From November 2006, we started running a home repairs program for low income families. We select two families each month to provide services such as wallpapering, flooring replacement, sink repairs, and work to repair leaks and roofs.

Our activities for isolated neighbors in Gwangyang include sponsoring lift cars for the disabled, walkers for the elderly and upgrading welfare facility functions.

Sisterhood-Ties

POSCO has maintained sisterhood ties to engage with the local communities since 1991. As of the end of 2007, the various departments of POSCO have forged ties with 224 towns, schools and groups and are carrying out a wide range of volunteering services. We open doors to communication with these communities and are striving to realize long-desired projects.

To ensure that our services meet actual needs, the results of our activities are surveyed every year and reflected upon future community initiatives.

Category	Pohang	Gwangyang	Total
Towns	112	79	191
Schools, groups	6	27	33
Total	118	106	224

Volunteer Medical Services and Blood Donation Drives

For residents of regions where medical services are not readily available, POSCO's medical staff visits at least once a month to provide simple treatment and write prescriptions for free. In addition, the company holds blood donation drives at least twice a year. Donation certificates are given to employees and their family members who need transfusions.

Nurture Future Leaders

To groom future leaders in our local communities, a variety of programs are available to elementary school students living in the vicinity of Pohang Works and Gwangyang Works. They include the Junior Engineering Classroom, cultural tours for fourth graders, field trip to our premises for fifth graders, and the Steel Camp for sixth graders.

Cultural Tours

POSCO organized cultural tours to Seoul for 571 children from five elementary schools located near Pohang Works. These outings are designed to give the children an opportunity to broaden their views and to encourage them to nurture hope and dreams for the future.

Gwangyang Traditional Music Fest



Gwangyang Traditional Music Fest blends the charms of tradition with the flair of the modern. The event was held on March 31, 2007. at Gwangyang Culture & Art Center and the Jeonnam Dragons stadium.

Sponsored by POSCO and organized by Gwangyang city, the

fest drew some 20,000 visitors. It included a multimedia show of traditional music, Pansori (traditional Korean narrative song) and more.

Based on the theme of 'the beauty of unity,' the multimedia show was held at Jeonnam Dragons stadium and brought together traditional and

contemporary artists. Performers included the Gyeonggi Provincial Traditional Music Orchestra and the traditional orchestra from a regional elementary school. They were joined by popular artists such as Yang Hee Eun, Jang Yun Jung, SG Wannabe and B-Boy dancers.

At the Gwangyang Culture & Art Center, the audience was treated to captivating performances by Pansori masters Ahn Sook Sun, Cho Tong Dal, Lee Yim Rye, and Kim Il Ku. Visitors also got to take in traditional tightrope-walking, Bongsan Mask Dance and other fun-filled events.

Gwangyang Traditional Music Fest, the largest festival of its kind in Korea, not only helped to promote deeper appreciation for Korea's traditional arts, but also gave a boost to the regional economy.

Field Trips to POSCO

A total of 8,250 youngsters took advantage of the field trips in 2007. This program is aimed at raising children's understanding of steel and how steel touches our lives.

Junior Engineering Class

This program taught 1,888 regional elementary school students the fundamentals of science and provided practical, hands-on lessons. POSCO researchers and engineers serve as teachers of these classes



Children's Steel Camp

Introduced in 1993, the free camp is held annually during summer break for students of elementary, middle and high schools in Pohang and Gwangyang. The objectives of the camp are to teach students about the value of steel and to instill in them the importance of community and protecting the environment. The 15th annual camp in 2007 attracted totally 861 sixth graders (470 from Pohang and 391 from Gwangyang).

Local Arts & Culture

Basic Facilities for Local Communities

In Pohang, POSCO was behind the building of the Hwanho Sunrise

Park (KRW 30 billion), Pohang Culture & Art Center (KRW 5.7 billion), and Pohang Technopark (KRW 30 billion). Over in Gwangywang, we helped to set up the Gwangyang Community Center (KRW 30 billion) and Jeonnam Technopark (KRW 10 billion).

Spearheading Development of Local Culture and Sports

Our Mecenat activities gained pace in 1980 with the building of Pohang Hyoja Art Hall, a regional stage for the arts and culture. The hall hosted 17 performances in 2007 to an audience of some 23,000. In addition, the stage is open every Tuesday to arts groups based in the region to stimulate the creation of original works by these troupes. A total of 42 Tuesday performances were held in 2007 and drew crowds numbering 17,000. Opened in 1992, Gwangyang Baekwoon Art Hall gives local residents the opportunity to enrich their lives through the arts. Twenty performances were held in 2007 in a wide range of genres, from classical and traditional Korean music to theater, along with seven exhibitions. About 48,000 came to enjoy these events.

POSCO is also playing an active role in promoting regional sports. We launched professional football clubs, Pohang Steelers (1983) and Jeonnam Dragons (1994) and built a stadium for the exclusive use of football matches and a pitch for youth football.

Local Festivals

The Pohang Fireworks and Lights Festival have been held annually since 2004. The annual festival has played a major role in boosting regional tourism, attracting 3.65 million visitors through 2007. The Environment Tower and dazzling lighting on display at the Hyeongsan power generator have also lured countless tourists, as did the scenic lighting on a walking path along Hyeongsan River. In Gwangyang, a multimedia show highlighting traditional Korean music attracted some 30,000 visitors in 2007.

http://www.posco.com/homepage/sustainability/socialcontribution

Pohang Fireworks and Lights Festival



The 4th Pohang Fireworks and Lights Festival attracted some two million people. The event kicked off on July 28 with a spectacular fireworks display over Bukbu beach. A big crowd pleaser was the dazzling show of fireworks along Hyeongsan River on August 4.

Adding to the excitement of the August 4 display was the Hyeongsan River lantern display based on the theme of 'harmony of light and water.' Light is symbolic of both Pohang, known for its sunrise, and POSCO, as furnace plays an important role in steel-making. The festival was an international affair, bringing in pyrotechnic experts from countries like Japan and France.

Until 2006, the festival was held near Pohang Citizens' Day on June 12. The schedule was moved to July to coincide with the summer vacation season. Along with fireworks, the 2007 festival included concerts and sports events.

The adjustment brought in more visitors to Pohang to enjoy their summer holidays. City officials estimate the festival brought in profits of about KRW 60 billion, giving a huge lift to the local economy.

Pohang mayor Park Seung-ho came to the site of the fireworks display along Hyeongsan River on August 4 to join the festivities. He said the festival brought together the natural light of Young-il Bay and the light of POSCO and fireworks, and thanked POSCO and all those involved for their efforts.



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Achievements of Subsidiaries

POSCO operates subsidiaries that are involved in the entire life cycle of steel making from steel mill facilities and product processing to distribution and specialty product manufacturing. We also have strong businesses aligned to grow with the market trends of today and tomorrow such as construction, energy and IT. POSCO Power, dedicated to the next-generation energy business, is proactively meeting tough international standards on climate change and energy. We are solidifying the foundation for stable operation with 19 domestic subsidiaries and 27 overseas subsidiaries in China, Vietnam and India as of December 2007.

POSCO believes subsidiary management is an integral part of our social responsibility. As such, we are encouraging our subsidiaries, through training and other awareness programs to practice within boundaries of ethics, compliance and integrity to protect environmental quality and meet local communities' needs in a responsible manner.

Our overseas subsidiaries respect local laws and culture and operate various programs to hire and nurture regional talent. Also, they have in place a range of citizenship programs to protect the local environment, develop human resources and improve welfare.

Sustainability Performances of Key Subsidiaries

Zhangjiagang POSCO Stainless Steel Designated as Green Factory Zhangjiagang POSCO Stainless Steel conducts environmental audits, applying the same high-level benchmarks as POSCO headquarters. The company is investing 15% of its total investment in environment related facilities, and turning more than 45% of its site into green zones. Moreover, the company is rated as the most eco-friendly company in China. It has been designated as a Green Factory, recognized for its efforts to bring down pollutant levels below legal standards and recycling and reusing various byproducts.

Qingdao Pohang STS

Two years after Qingdao Pohang STS employees declared their pledge to follow the Code of Ethics, the company obtained commitments from 21 local material suppliers to comply with these standards in 2007. The company is working hard to build on POSCO's global management vision to deliver results.

POSCO-Vietnam

POSCO-Vietnam is fully committed to mutual growth with the local communities. Its philanthropic efforts are particularly focused on education. The company is supporting outstanding students in Ho Chi Minh City and Hanoi through the POSCO Asia Fellowship and working with the Korean consulate to offer IT training to Ho Chi Minh University students majoring in Korean language. In October 2006, the company donated USD10,000 in cash and other relief supplies to victims of Typhoon Durian in the Vung Tau region.

POSCO-India

POSCO-India is pursuing various community projects prior to construction of an integrated steel mill. To help local residents gain economic independence, the company launched a vocational training program. A total of 82 people were selected and have completed a 6-month course in three separate batches. POSCO-India plans to expand job training opportunities for residents living around the plant site.

Under the POSCO India Fellowship agreement with Utkal University, Biju Patnaik University and Kalinga Institute of Industrial Technology, the company awarded scholarships to 122 meritorious students (including 29 from the plant site). Thirty students also received grants under a separate agreement signed with Delhi and Nehru universities.

POSCO Specialty Steel Named 'Changwon City Company of the Year'

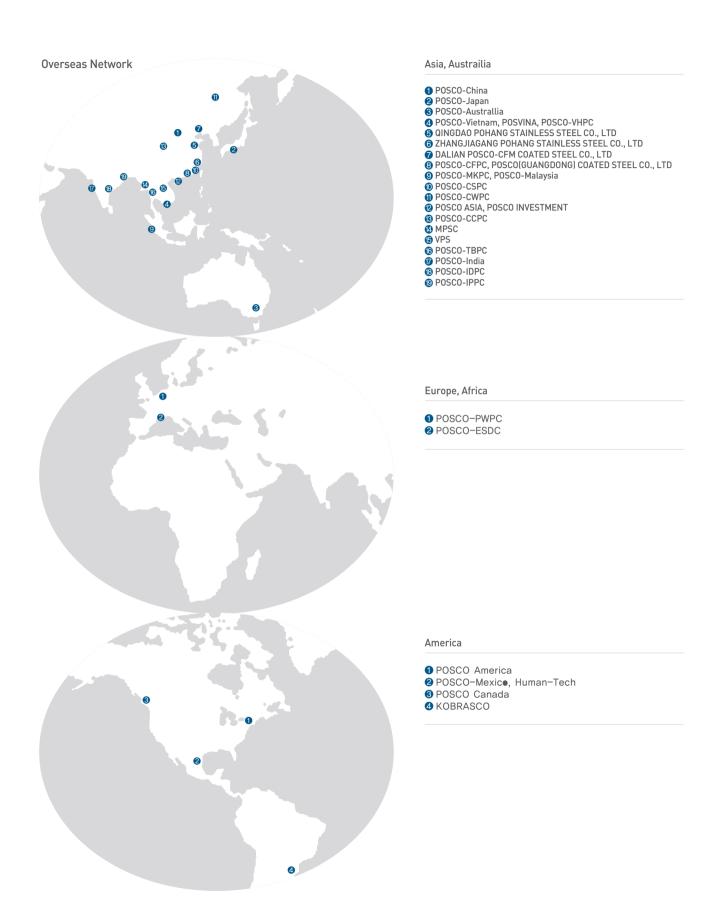
POSCO Specialty Steel is striving to make a positive impact toward the development of stronger communities. Its activities included cleaning up the Taean oil spill, collecting goods for charitable organization Beautiful Store and giving blood. In April 2007, the company received the 'Changwon City Company of the Year' award for its operational excellence and community contributions.

POSCO Power Launches Construction of Fuel Cell Plant

POSCO Power is in the process of building the world's largest fuel cell plant powered by hydrogen. Its plan is to invest KRW 120 billion to build a 100 megawatt (MW) per year fuel cell power plant by 2010. The first phase construction that includes a 50 MW plant and testing facility kicked off on October 16, 2007 with the completion slated for August 2008.

Domestic Subsidiaries (as of Dec. 2007)

	Industry	Company Name
Steel	Production/sales	POSCO Specialty Steel, POSTEEL, POSCO C&C
Steet	Support	POSCON, POSREC, Samjung P&A, POSMEC, POS-M, SNNC
	E&C	POSCO E&C, POS-A.C.
	IT	POSDATA
	Energy	POSCO Power
	Others	POSCO Research Institute, POSCO Terminal, POSMATE, Seung Kwang Co., Ltd., Club, POSTECH Venture Capital Corp., POSWITH



POSCO-China

Established in 2003, POSCO-China is a holding company that oversees POSCO invested companies across China. It manages POSCO's interests in the four local subsidiaries of Zhangjiagang POSCO Stainless Steel, Qingdao Pohang Stainless Steel, Dalian POSCO-CFM Coated Steel and Shunde Pohang Coated Steel. It also offers financial, personnel, training, marketing and other services to the subsidiaries.

Employees

POSCO-China invests in a multitude of resources to encourage the development of its workforce. In 2006, the company introduced the new recruit promotion system and launched such activities as presentations to promote employee assimilation and enhance work competencies. In addition, comprehensive and systematic training opportunities are offered to dispatched employees to develop their leadership talent. The company also holds councils and workshops for executives and employees on a regular basis to share views on the company's personnel policies.

Social Contribution

Our comprehensive localization policy, launched since our first entry into the Chinese market, led to the hiring of local talents for managerial positions. We are also reinvesting our local earnings in social initiatives such as scholarships and partnership programs. Since 2004, we have formed a sister school relationship with Zhenreying Elementary School near Beijing, and supplied school facilities and steel blackboard, sponsored joint sport meets and field trips for seniors and granted scholarships. Since 2003, we took part in POSCO Qingam Foundation's POSCO-Asia Fellowship program and awarded scholarships to 547 top students in five universities [Qinghua Univ., Beijing Univ., Beijing Science and Technology Univ., Dongbei Univ. and Social Science Academy of China).

http://www.posco-china.com



Zhangjiagang POSCO Stainless Steel

Set up in 1997, Zhangjiagang POSCO Stainless Steel is the outpost for production and sales of hot rolled and cold rolled stainless steel plates in East China. In 2006, the company which has been producing cold rolled coil with hot rolled coil supplied by POSCO, opened the upstream process facility with annul capacity to churn out 600,000 tons of hot rolled coil. The facility is a part of POSCO's first complete stainless steel line outside Korea and the first plant to be built in China by a foreign investor. The opening of the new facility drove the company's growth into the third largest stainless steel maker in China.

Although the Chinese government is aggressively seeking to adjust overlapping investment in the steel industry, the country is seeing a surge in stainless demand alongside rapid economic development. Therefore, our investment in the full stainless steel production facility is rated as a well-timed response to the supply and demand situation in China. Moreover, POSCO's accumulated technology has enabled installation of state-of-the-art, ecofriendly equipment that saves energy, meeting China's industrial policy in accordance with its new framework for economic growth.

Employees

Zhangjiagang POSCO Stainless Steel's 1,919-strong workforce includes 1,884 locally hired employees and 35 dispatched from POSCO. The company places high priority on two-way communication between the upper management and rank-and-file employees through various meetings and seminars on a diverse range of topics including wages, promotions, training and

Key Indicators

Indicator	2005	2006	2007
Output (STS) (1,000 tons)	335	463	780
Output (CGI) (1,000 tons)	132	-	-
Output (Total) (1,000 tons)	467	463	780
Sales (1,000 tons)	457	448	736
Revenue (USD 1 million)	934	1,388	2,864
Net profit (USD 1 million)	-44	113	81
No. of employees (person)	1,644	1,823	1,919
No. of locally hired employees (person)	1,594	1,765	1,884
No. of female employees (person)	254	267	284
Average training hr. per person (hour)	127	33	46
No. of accidents (case)	5	8	5
No. of deaths (case)	-	-	-
Water usage (1,000 tons)	1,123	2,224	3,564
Water discharge (1,000m³)	499	629	1,430
Social contribution spending (USD 1,000)	412	2,513	10,390



welfare. To ensure professional growth of our people, we offer various leadership training and development initiatives while promoting their health and safety through regular safety training, physical check-ups and in-house medical services.

Social Contribution

Since inception, Zhangjiagang POSCO Stainless Steel has always valued its relationship with the local communities. Citizenship efforts have included the ZPSS scholarship program for local schools, regular donations of educational and fire prevention materials, blood donation drive, local event sponsorships and partnerships with charitable agencies. In recognition, we received the highest honors for complying with local laws, paying taxes, protecting the environment and working tirelessly to make a difference through social contribution activities. In 2007, we donated USD10 million to build an international school in Zhangjiagang to groom local talent.

Environment

Zhangjiagang POSCO Stainless Steel conducts environmental audits, applying the same demanding benchmarks as POSCO headquarters. We have also laid down a solid framework for environmental protection by allocating 15% of total investment for related facilities and designating over 45% of worksites as green areas. Our stringent control of possible pollutants and recycling efforts for byproducts allowed us to gain a reputation as the most environmentally responsible steel manufacturer in China and win the title of 'Green Factory.'

Tax

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

Qingdao Pohang Stainless Steel

Qingdao Pohang Stainless Steel Co., Ltd. is a producer of cold-rolled stainless steel, set up as an 80:20 joint venture between POSCO and Qingdao Steel of China in December 2002. The plant went into operation in April 2005 and has an annual production capacity of 180,000 tons. At present, it supplies less than 3mm thick cold-rolled stainless steel to Chinese customers.

In 2005, the first year of operation, the plant produced 130,000 tons of cold-rolled stainless steel. By the following year, its capacity was up to 170,000 tons and products were being shipped all across China including Shandong, Jiangsu, Guangdong and three northeastern provinces. Despite the company's short history, its 400 series stainless products gained a competitive edge in China. As a result, the company rolled out 90,000 tons of 400 series products from a total output of 180,000 tons in 2007, attaining a 51% production ratio for the 400 series. Moreover, demand led to strong sales, contributing greatly to the company's stable performance. In February 2006, a stainless steel processing center was created near the company to expand its business scope to include sophisticated surface finishing such as grinding of stainless products and mirror polishing. At the same time, the base is used as a logistics center for goods manufactured at POSCO and local subsidiaries in China. Currently, three Korean companies and two Chinese companies are housed in the base.

Key Indicators

•			
Indicator	2005	2006	2007
Output (Total) (1,000 tons)	129.8	171.9	182.6
Sales (1,000 tons)	122.3	175.2	178.7
Revenue (USD million)	270.0	455.6	526.6
Net profit (USD million)	△ 20.6	28.3	15.1
No. of employees (person)	438	424	425
No. of locally hired employees (person)	427	414	413
No. of female employees (person)	23	25	26
No. of accidents (case)	2	2	1
No. of deaths (case)	0	0	0
Lost-time injury frequency rate	2.00	2.29	1.1
Water usage (m ³)	296,926	240,659	252,738
Water discharge (m ³)	200,119	146,184	173,274
Final discharge COD (ppm)	26.00	27.55	21.29
Solid waste generated (1,000 tons)	2.22	1.84	2.03
Energy consumption (fuel NG) (1 mil.cal)	4.63×10 ⁴	5.03×10 ⁴	5.23×10 ⁴
Social contribution spending (USD 1,000)	1.0	17.7	18.2
Tax paid (Yuan 10,000)	45,892	34,594	13,387



Employees

Qingdao Pohang Stainless Steel employs a total of 425 workers, among whom 413 are hired locally. As part of the personnel localization drive, we run diverse training programs that focus on providing tools to build competencies and leadership. Outstanding employees are granted incentives that include onsite training or opportunities to visit POSCO and steel mills in Korea. To facilitate communication between management and labor, regular meetings and seminars are held on diverse topics such as corporate management and vision, safety and quality, welfare and employee training. In December 2006, the company set up a public assembly to further promote labor-management cooperation.

Social Contribution

Our aim at Qingdao Pohang Stainless Steel is to grow with our neighbors. To that end, we have set up policies to make an impact on local communities through sisterhood ties and other community initiatives. In August 2006 we delivered town development funds to our sister village. In 2007, local senior citizens were invited to a special party held in their honor.

Environment, Health & Safety

Qingdao Pohang Stainless Steel's guidelines for environmental accountability call for pollutant emission control and environmental inspection in line with China's policy to strengthen related regulations. The company rigorously abides by environmental laws and regulations and has set up an internal process to address any related civic complaints. Other EHS activities include safety training, work environment evaluation and employee medical checkup.

Business Ethics

Two years after the Qingdao Pohang Stainless Steel Code of Conduct was proclaimed in 2005, the company obtained commitments from 21 local material suppliers to comply with these standards. The company is working hard to build on POSCO's global management vision to deliver results.

POSCO-Vietnam

POSCO-Vietnam is strategically located in Phu My 2nd industrial complex in Vung Tau Province, about 80 km from Ho Chi Minh City. It has a vital role in POSCO's blueprint to create an Asian production network. Following China and India, Vietnam has emerged as Asia's strong growth market through policies promoting openness and foreign direct investments. The country has been recording annual growth of over 8% in the past three years and is seeing growing demand for steel products. Recognizing this as an opportunity to gain a foothold in an emerging market, POSCO is building steel mills that will supply steel for the automobile, shipbuilding, industrial electronics and construction sectors.

Project Progress

Investment Permit and Plan

In November 2006, POSCO decided on a USD 1.128 billion investment project in Ba Ria-Vung Tau Province, Vietnam. After the groundbreaking ceremony in August 2007, the first phase construction, slated to be completed by late September 2009, began for a cold rolling plant with annual capacity of 700,000 tons of CR (cold rolled) and 500,000 tons of FH (full hard). In the second phase of the plan, the company will build a 3 million-ton capacity hot rolling plant by 2012.

To facilitate material purchase and product export, the company is also in the process of building an exclusive harbor. The construction will be carried out in two phases: two 10,000 ton berths by March 2009 and one 50,000 ton berth by 2012.

Laying the Groundwork

POSCO-Vietnam signed a 48-year lease for the plant site. Of the 130 hectares of land approved for the project, we have acquired a total of 98 hectares as of now, for a 75% progress rate. IDICO, a Vietnam industrial complex developer, is in charge of land acquisition. The solid foundation for successful construction of a cold rolling plant has been laid, with groundwork completed for 69 hectares of land. In addition, 68% of groundwork for the exclusive harbor has been finished and ground improvement, construction and pile driving work are underway. The Vietnamese government authorized the exclusive use of the harbor site to POSCO and we are in the process of signing a lease contract.

Construction Progress

After finishing the groundwork for our cold rolling plant, we kicked off full-scale pile driving work and concrete structure formation. As of February 2008, pile driving has been completed for 7,488 holes out of a total 7,844 holes, showing a 95.4% rate of completion. The overall progress rate is reported at 32.1%, having completed construction of 25,000m² out of 118,000m² concrete structures and installing 2,099 tons out of 8,776 tons in steel framework. Although we faced difficulties due to concrete displacement piles during excavation, we remedied the situation by raising the ground by one meter.



Employees

As of 2007, POSCO-Vietnam employs 56 people, of which 40 are local hires and 16 dispatched from Korea headquarters. For greater communication between labor and management, we created an employee representative body that reflects Vietnam's unique labor culture. Our commitment to nurture employee relations has helped instill a sense of pride in our local hires. We are also working to bring out the best in our employees and become a true friend of Vietnam.

Social Contribution

POSCO-Vietnam has been active in philanthropic initiatives long before the start of plant construction in order to get full backing from the local community. In October 2006, the company donated USD10,000 in cash and relief supplies to victims of Typhoon Durian in the Vung Tau region. We are also supporting outstanding students in Ho Chi Minh City and Hanoi through the POSC Asia Fellowship and working with the Korean consulate to offer IT training to Ho Chi Minh University students majoring in Korean language. In addition, the company is forging a close partnership with the provincial government by inviting local government officials to visit POSCO headquarters, presenting POSCO-Vietnam's future vision, supporting various local events and organizing monthly meetings with the government.

Tax

POSCO-Vietnam paid USD560,000 in income tax on employee wages in 2007. The company has yet to incur corporate taxes because it is still under construction.

POSCO-India

POSCO-India was established in Paradip, Orissa, in August 2005 to build a 12 million ton integrated steel mill. The USD12 billion project includes construction of an integrated steel mill, development of a 6 million ton iron ore mine and related infrastructure.

India is an enormous market with huge growth potential among developing nations. In particular, the country's steel consumption per capita stands at a mere 39kg, well below the level of China's 270kg and the United States' 400kg. Thus, India's steel industry is expected to grow dramatically. POSCO tapped into the vast opportunities India offers early on with the aim to secure a foundation for sustainable growth by building the world's most competitive steel mill.

Project Progress

Steelworks Construction

POSCO-India obtained the green light from the government of Orissa to purchase a 4,004 acre ground to construct the steelworks in November 2005. The company is currently awaiting the final go-ahead from the Supreme Court. It has already obtained approval recommendation from the Ministry of Environment and Forest for forest division clearance of state-owned land.

Meanwhile, the central government authorized the company's plan to build the harbor after reviewing the environmental impact evaluation and lifting the coastal protection area designation. The company also secured the central government's final approval on the environmental impact evaluation for the construction of the steelworks.

Development of Iron Ore Mine

POSCO applied for exclusive prospecting licenses (PL) to develop iron ore mines in three regions to the Orissa State Government in September 2005. The following April and June, the company made an application for ML (Mining Leases) for two locations. In December 2006, the Orissa government recommended the central government to grant PL for one region and is in the process of going through additional paperwork. The company expects the Orissa government to resubmit PL recommendation in the first half of this year. With the central government's PL approval expected soon, POSCO-India is gearing up for full-scale exploration, partnering with an Australian mining exploration consulting firm.

Building Infrastructure

In January 2006, the central government granted POSCO-India the rights to use railways, crucial in transporting major raw materials such as iron ore. In October of the same year, we acquired a 10% stake in Haridaspur-Paradip Rail Co., Ltd. The move secured us priority rights to use a new railway that directly connects inland to the prospective steelworks site in Paradip.

The provincial government authorized the use of water and power for steelworks construction. The plant site was also designated as a Special Economic Zone (approval in principle), which makes it eligible for various tax benefits for a maximum 15 years. They include a 50% to 100% reduction on corporate tax and full exemption from tariffs and consumption tax levied on raw materials. Also, the company is building an access road to the steelworks construction site.



Resident Resettlement (Steelworks Construction Area)

In May 2006, the Orissa government mapped out the '2006 Orissa Resettlement and Rehabilitation Policy.' In a separate move, POSCO devised the Resettlement and Rehabilitation Package (draft) based on the results of an extensive socio-economic survey. Negotiations are currently underway with resident representatives, town mayor and related provincial government ministries. The resettlement of residents will start when the Package (draft) is finalized by the Resettlement Committee comprised of POSCO officials, resident representatives, local NGO members, politicians and government officials (town mayor, etc.).

For timely resettlement, the company is pursuing an additional construction once the first-phase construction of the transit camp is completed. It also plans to build a vocational training center for residents and employees and have completed the purchasing of the site and design of the building.

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

Employees

As of February 2008, POSCO-India has a total of 64 employees, of which 53 are locally hired. We encourage employees to take an active part in issues that directly affect them through regular employee seminars where they discuss topics that range from progress of key projects and company's vision to welfare and job training. The company also offers the Skill-up Program designed to boost job competencies of local employees and other classes aimed at enhancing their understanding of the POSCO corporate culture as well as Korean culture. At the same time, we hold regular classes on local culture for employees dispatched from Korea.

Social Contribution

From early on, POSCO-India has been firmly committed to mutual growth with local communities and took action in the areas of healthcare, education and welfare of residents. In the past two years, the company provided free surgery to 56 harelip patients. In early 2007, it supported a polio medical camp and helped 84 patients receive surgery. Moreover, some 5,000 local residents benefited from the company's mobile medical service.

The company's other community initiatives include installing streetlights around town communal facilities, donating goods to flood victims and providing medical equipment to local hospitals. In November 2006, POSCO-India gave USD200,000 to the Habitat for Humanity-sponsored 'Jimmy Carter Work Project 2006' to build 100 houses for India's homeless. POSCO Volunteer Corps and POSCO-India employees donated their time to take part in the project.



To help local residents gain economic independence, we launched a vocational training program. A total of 82 people were selected and have completed a 6-month course in three separate batches. POSCO-India plans to expand job training opportunities for residents living around the plant site.

Under the POSCO-India Fellowship agreement with Utkal University, Biju Patnaik University and Kalinga Institute of Industrial Technology, the company awarded scholarships to 122 meritorious students (including 29 from the plant site). Thirty students also received grants under the separate agreement signed with Delhi and Nehru universities.

Business Ethics

In 2006, POSCO-India introduced the Code of Conduct and pledged to adhere to global ethical practices. In an effort to encourage all employees to perform with integrity and ensure its systems are applied properly and consistently, the company organized a total of four seminars on related subjects since August 2007 and invited outside experts for special lectures.

http://www.posco-india.com

POSCO Specialty Steel

POSCO Specialty Steel was established in 1997 by taking over the steel bar & seamless pipe segment of Sammi Steel. The plant, located in Changwon City, has an annual production capacity of 900,000 tons of crude steel. It manufactures stainless steel for cutting edge industries such as automotive, aerospace, nuclear plant and shipbuilding as well as tool steels including wire rods, flat bars, round bars and seamless steel tubes. The completion of a massive casting facility in 2006 enabled the company to be the first in Korea to commercially produce a 100 ton-grade steel ingot. In 2008 when the first phase facility revamping investment is completed, POSCO Specialty Steel will have the capacity to produce 62,000 tons worth of forged products for industrial use annually.

Despite challenging global conditions stemming from the sharp rise in oil prices and exchange rate volatility, POSCO Specialty Steel enjoyed its most successful year yet, recording KRW 1.5 trillion in sales in 2007. That was the result of diverse efforts: maximizing facility efficiency, enhancing brand power through CI change, innovating processing technology and implementing drastic cost cutting measures. It was the fourth year in a row revenue exceeded KRW 1 trillion.

Management Policy

Quality, safety/health and environment are the three underlying principles governing POSCO SS. The company operates an integrated management system that mutually benefits customers and all other stakeholders.

Employees

POSCO SS is enjoying solid labor-management relations based on mutual trust. The company's commitment to better communicate with employees, invest in their welfare and conduct transparent disclosure of management information has resulted in 11 consecutive years of no labor-disputes. We have also created the labor-management council to reflect the opinions of employees and nurture employee relations. The council is made up of 27 sub-council members and 6 companywide representatives. The fourth term elected members have been serving since April 2006. To bring out the best in our workforce, the company introduced performance-based payment for all employees above the position of assistant manager as well as competitive compensation packages in 2007. Other programs to help create a sound work environment included publishing a monthly CEO letter, offering mentoring for new recruits, building shower rooms in factories, and renovating the cafeteria.

Safety & Health

POSCO SS is taking proactive actions to create a safe and healthy work environment led by the CEO's firm determination. In 2003, the company obtained KOSHA18001 from the Korea Occupational Safety and Health Agency and completed the recertification inspection in July 2006. In an effort to sharpen the focus on health and safety activities, POSCO SS operates a 12-member industrial safety and health committee, comprised of 6 representatives each from labor and management. Moreover, a comprehensive evaluation is conducted every quarter and a bi-annual safety inspection is held for partner firms.

Key Environmental Activities

Key Environmental Risk	Response
Electricity consumption (average 490~500 kWh/t-s)	Energy conservation programs • Introduce AOD facility- Curb energy use by eliminating the LF process in stainless steel processing • Introduce DST facility- Heat treatment process is eliminated as stainless wire rods produced in high speed precision rolling mill receives direct solution treatment at high temperature
Air pollutants (dust, sulfur oxides, CO2, etc.)	 Install TMS in steelmaking emission control system (5) for real-time dust density monitoring Adopt LNG, which generates less dust and sulfur oxides, as heat source for new heat treatment facilities Sign a voluntary pact to cut POP emissions with the Ministry of Environment in 2006 Pursue energy conservation by signing a voluntary agreement to cut greenhouse gas emissions with Changwon City in 2007
Water pollutants (COD, T-N)	Review investing in discharge water recycling equipment at waste water treatment facility (Installation slated in 2008) Constant measurement of F-concentration in wastewater and control it within the company benchmark with the operation of F-concentration passive sampler Enhance management technology with HMI upgrade for monitoring and managing steel waste water treatment facility
Solid waste such as dust, slag and waste refractories Dust (annual 18,000 tons) Slag (annual 120,000 tons)	Improve handling of byproducts and increase recycling • Steel slag: Recycle slag for aggregate replacement and pursue obtaining of environmental mark for slag aggregate • STS refined slag: Plans to install new slag treatment facility to remove environmentally harmful elements such as fugitive dust generated during processing and to recover valuable metals contained within STS slag • Increase recycling of dust: Expand recycling by pursuing measures to recover valuable metals(Ni, Cr, Fe, etc.) contained in STS dust and realize cost savings • Reuse entire volume of waste refractories: Waste refractories recycled as refractory material

Social Contribution

POSCO SS employees are making a positive impact on the local communities through various volunteer works and other contributions. Every third Saturday is designated as 'Volunteer Day' and the company's volunteer group dedicates its time on a wide range of initiatives. These include working with various social welfare centers, forging sisterhood ties, protecting the environment, supporting local cultural activities, and making donations to Beautiful Store and other nonprofit agencies.

Key Indicators

Ney mulcators			
Indicator	2005	2006	2007
Output (1,000 ton)	801	831	861
Sales (1,000 ton)	797	834	861
Revenue (KRW billion)	1,142.1	1,147.7	1,553.6
No. of employees (person)	1,266	1,225	1,219
No. of female employees (person)	26	30	32
Average training hours per person (hour)	115.2	109.6	116.0
Employee satisfaction (%)	67.3	69.2	68.8
No. of workplace accidents (case)	5	5	2
No. of workplace deaths (case)	-	-	-
Lost-time injury frequency rate	1.51	1.64	0.67
Dust (ton)	24	32	15
SOx (ton)	4	13	24
Water usage (1,000m ³)	1,346	1,609	2,118
Waste water discharge (m ³)	464,568	617,855	826,552
Final discharge COD (ppm)	11.79	12.14	11.00
Final discharge T-N (ppm)	8.25	9.68	5.25
Solid waste generated (1,000 ton)	160.8	177.4	218.7
Solid waste recycled (Recycle rate) (ton) (%)	140.2 (87.2)	148.7 (83.8)	168.9 (77.2)
Energy consumption (1 mil. Cal)	2,261,530	2,294,240	2,311,740
CO2 emission (ton)	326,790	333,338	538,380
Customer satisfaction (%)	80.5	81.9	80.4
Paid Tax* (KRW 1 mil)	-24,798	-34,354	-30,583
Social contribution spending (KRW 1,000)	269,000	270,000	274,000

 $[\]boldsymbol{\ast}$ Rise in refund of value added taxes due to increase in export volume resulted in recording minus tax payment.



Its 2007, volunteering efforts concentrated on cleaning up Taean oil spill, collecting goods for charitable organization Beautiful Store and giving blood. In April 2007, the company received the 'Changwon City Company of the Year' award for its operational excellence and community contributions.

Environment

POSCO SS sets environmental goals every three years and action plans annually. A stringent internal index has been devised for compliance with environmental targets. The index compiles scores of the internal compliance rate, which is based on stricter standards than current laws, real-time data from the Tele-Metering System (TMS), and results from evaluations by outside agencies. For information on the latest technology in environment and energy, we turn to the POSCO technology workshop held in conjunction with POSCO Technical Research Laboratories and Research Institute of Industrial Science & Technology. Efforts to develop and commercialize green production technologies are made through various research programs and technology exchanges. In 2006, we entered into a voluntary agreement to cut emissions of persistent organic pollutants (POPs) with the Ministry of Environment. In 2007, we signed a greenhouse gas reduction agreement with Changwon City. After obtaining ISO14001 certification in 2000, POSCO SS converted to the newly revised ISO14001 certification in 2004 and completed the ISO 14001 Periodic Audit in November 2007.

Business Ethics

Our commitment to perform with integrity is instilled in every employee as a nonnegotiable expectation of behavior. This expectation is guided by our extensive integrity policy and Code of Conduct. In 2006, the company introduced the 'Business ethics voluntary implementation program.' Under the program, team leaders assume responsibilities for promoting ethical management by engaging in ongoing self-evaluation and ethical risk discovery. To fulfill our compliance obligations, we have devised an extensive system including production of a quarterly self-inspection checklist, operation of the audit fellow system, publishing of Ethics News and taking disciplinary actions against ethics violators.

http://www.poscoss.co.kr

POSCO C&C

Set up in 1988 as a coated steel manufacturer, POSCO Coated & Color Steel Co., Ltd (POSCO C&C) changed its corporate name to current POSCO C&C in April 2008. Key products include galvanized steel sheets, aluminized steel sheets, aluminum-zinc alloy coated steel sheets and color coated steel sheets. The company was listed on the Korean stock market in 2002.

Management Policy

POSCO C&C is committed to realizing its vision of becoming the 'world's best coated steel sheet manufacturer.' 2007 was a very difficult year clouded by internal and external uncertainties such as surging raw material prices, fiercer competition, and declining export profitability caused by a strong Korean currency. Nevertheless, we successfully bounced back from the deficit recorded in 2006 and built a sturdier foundation for future earnings.

POSCO C&C is pursuing innovation in management and corporate culture and working to speed up new product development for stable profit generation. In addition, we are better positioned to grow with the trends of the color coated steel sheet market after rationalizing the No.1 CCL. We are also in the process of building a new Seoul Office building.

R&D

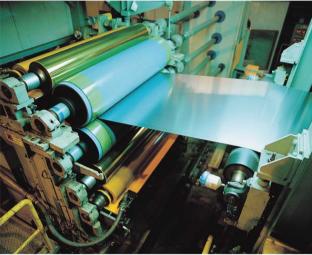
To ensure sustained growth, POSCO C&C is concentrating on development of high value-added products. Our key innovations include 'only one' products such as POS-PVS color coated steel, which are enjoying huge sales. Increased exports to Europe resulted in a 6.7% rise in overall exports of color coated steel sheets last year. ALZASTA, which began full-scale production last year, is POSCO C&C's proprietary product with four times greater durability than conventional galvanized steel sheets. It won material approval from Samsung Electronics and LG Electronics, boosting the company's sales. We are also pursuing development of other next-generation products such as CU replacement steel sheets and anti-fingerprint STS coating steel sheets.

Sales Strategy

We have adopted a strategic product operation plan and are in the process of pursuing a profit-oriented sales strategy to achieve sustainable growth. As a result, we attained the highest level of sales in ALCOSTA, a highly profitable aluminized steel sheet, and non-construction color coated steel sheets. The company also pursues a different sales strategy for each region, which led to a more than 25% increase in exports to a new high. In 2007, the company saw over 18% growth in sales and recorded operating profit of KRW14.7 billion.

Innovation Activities

POSCO C&C is enhancing work efficiency and corporate value through innovation initiatives and cutting edge digital management system. Six Sigma is at the heart of our innovation,





with all employees actively partaking in Quick Six Sigma activities to identify and improve problems.

Social Contribution

Volunteer Service

Under the slogan of 'Let's come together,' all POSCO C&C employees donate their time in the volunteer corps to serve the communities they work and live in. They also give a portion of their wage to selected charities. The volunteers meet every third Saturday of each month to address various social issues facing their communities.

Rugby Team

POSCO C&C and its rugby team are making a positive impact by promoting public health and amateur sports clubs. The winner of the 5th National Rugby Competition in 1995 and the 40th Presidential Championship in 2002, our S Rugby Club is one of Korea's premier teams which produced several key players who were instrumental in Korea's winning the gold medal at the 13th



Asian Games held in Bangkok in 1998. The team also won the Presidential National Rugby Championship in September 2007.

To achieve our goals, we are raising work efficiency, building optimized processes, and reinforcing internal control activities to secure greater integrity and transparency. The company has introduced a compliance program and ethical management leadership program to underscore the importance of fulfilling compliance obligations. Furthermore, we have completed the creation of a transparent accounting system in line with POSCO Group's adoption of IFRS (International Financial Reporting Standards) designed to meet global capital market requirements.

Business Ethics

POSCO C&C aims to earn the respect of the business world by maintaining a strong culture of integrity and compliance. Through innovation and other initiatives to strengthen our growth potential, we will enhance our corporate value and instill high ethical standards among all employees. This will help us grow with our stakeholders by making POSCO C&C a company that customers want to do business with, shareholders want to invest in and employees want to work for.

http://www.poscocnc.com

Key Indicators

Indic	cator	2005	2006	2007
No. of employees (person)		335	328	321
No. of locally hired employees (person)		-	-	-
No. of female en (person)	mployees	6	6	6
Average training person (hour)	g hours per	156	185	214
Employee satisf	faction (%)	-	-	
No. of workplac (case)	e accidents	1	-	1
No. of workplac (case)	e deaths	1	-	-
Lost-time injury	r frequency rate	1.46	0	0
Dust	Coating (ton)	-	-	2.6
Dust	Color (ton)	11.6	8.8	3.3
147	Coating (m ³)	281,526	328,340	320,631
Water usage	Color (m³)	186,606	196,894	205,486
Water	Coating (m ³)	234,461	232,805	295,851
discharge	Color (m³)	117,739	127,645	122,798
Final water	Coating (ppm)	10.55	12.69	13.82
discharge	Color (ppm)	7.6	9.3	6.9
Final water	Coating (ppm)	5.1	6.3	2.1
discharge T-N	Color (ppm)	2.3	3.3	2.5
Chemical	Coating (kg)	-	-	-
agent emission	Color (kg)	4,886	-	-
Solid waste	Coating (ton)	815.56	637.18	858.99
generated	Color (ton)	1,340	1,808	1,878
Solid waste	Coating (ton(%))	-	-	-
recycled (recycle rate)	Color (ton(%))	775(58)	1,273(70)	1,406(75)
Energy	Coating (Mcal)	152,093	127,987	169,302
consumption	Color (Mcal)	80,601	83,663	111,425
CO2 am::	Coating (ton)	17,400	18,550	20,133
CO2 emission	Color (ton)	8,998	9,629	8,807
Paid tax (KRW 1	million)	993	200	2,119

POSCO Power

In March 2006, POSCO Power (previously Korea Independent Energy Corp. or KIECO) had a significant ownership change. POSCO became the full owner by acquiring the remaining 50% stake held by Korea Power Investment Corp. (KPIC). POSCO and KPIC had each acquired 50% of the energy company, a joint venture between Hanwha Group and El Paso Corp. of the US, on July 11, 2005.

The need for a private power plant emerged in the late 1960s as Korea saw a surge in power consumption amid rapid economic growth and Korean Electric Power Corp. (KEPCO) alone could not serve the nation's growing power needs. On February 21, 1972, a 324,800kW power plant (at the time accounting for 25% of nationwide power plants) went into operation, which recorded 99% operating reliability. Located in the Seoul metropolitan area (Incheon), the power plant was instrumental in leading Korea's economic development by providing a stable supply of power.

When demand for power surged again in the mid-1990s, the government requested Korea's only private power producer, POSCO Power, to expand its capacity. At the request, the company carried out expansion in phases from 1995 to grow into Korea's largest independent power producer with a total capacity of 1.8 million kW.

In May 2007, the company launched massive research into development of the next generation fuel cell, SOFC (solid oxide fuel cell). Investing a total of KRW 67.6 billion until 2012, POSCO Power aims to develop a 150 kW SOFC stack and system. It is also working to create synergies with POSCO subsidiaries by leading efforts such as signing of an MOU for a POSCO-wide fuel cell project with RIST, POSCON, POSCO E&C and POSMEC.





Major EHS Activities

Item	Key Activities		
Air pollutant control • Set up strict N0x control standards that are tougher than current laws - Install automatic measurement devices at all power plant outlets			
Workplace safety	 System to prevent workplace accidents Prevent industrial accidents through work permit system Eliminate negligent mishaps Attach Tank NFPA Code within oil storage facility Improve workplace shortcomings through operation of safety system Prevent major accidents through operation of Lock Out Tag Out system Promote cleanup of personal surroundings through in-house broadcasting (reminder announcements) 		
Employee health	Health program for employees Employee health consultation twice a month (onsite visit by doctor) Medical check-up and follow-up treatment Promote healthy lifestyle & run fitness center (physical check-up once a year) Training to prevent musculoskeletal diseases Hold CPR training (once every two years, Invite outside expert) Hold health related seminars Furnish automatic blood pressure monitor		

POSCO Power is always in search of environmental excellence and pursues the most eco-friendly way in everyday operations. It uses LNG to generate power, operates pollution prevention facilities to minimize emission of air pollutants and greenhouse gases and has in place stricter standards than current laws. As a part of green management, POSCO Power entered into an ESCO agreement with Korean Electric Power Corp., to enhance the efficiency of LNG combined cycle plant #3 and #4. This should lead to a decrease of approximately 3,600 tons per year in carbon emission by 2009. As a result, POSCO Power received the highest grade in the regular evaluation for process safety management conducted by the Ministry of Labor and KosHA, obtaining the right to conduct in-house voluntary inspections for three years. The entire amount of generated power is sold to KEPCO under a Power Purchase Agreement (PPA), securing a stable profit structure.

Key Indicators

Indicator	2005	2006	2007
Output (GWh)	2,633	2,394	3,880
Sales (GWh)	2,570	2,338	3,789
Revenue (KRW billion)	401	413	504
No. of employees (person)	213	222	239
No. of female employees (person)	9	9	11
No. of workplace accidents (case)	0	0	0
No. of workplace deaths (case)	0	0	0
Lost-time injury frequency rate	0	0	0
Dust (ton)	0.4	0.5	0.2
SOx (ton)	7.9	6.9	2.7
NOx (ton)	1,752.9	1,632.0	2,765.0
Water usage (1,000m ³)	905	827	1,014
Waste water discharge (1,000m ³)	199	209	324
Final discharge COD (ppm)	1.5	1.4	3.3
Final discharge T-N (ppm)	2.8	1.9	3.2
Final discharge (1,000 ton)	377.2	426.5	381.1
Energy consumption (Gcal)	5,808,200	5,316,750	8,594,680
CO2 emissions (ton)	1,372,148	1,259,515	2,026,915
Paid tax (KRW 1 million)	50,817	30,625	29,624
Social contribution spending (KRW 1,000)	39,600	158,000	276,950



Under the vision of 'Rebirth,' the company aims to construct a new LNG power plant with a total capacity of 2 million kW. Two of the 500 MW facilities will be constructed during the Phase 1 period slated for 2011, and the remaining two are to be completed during Phase 2, slated for 2016. The company concluded purchasing of a site near an existing power plant in June 2007 and is now awaiting necessary approval and buying main equipment. When construction of these facilities is completed, POSCO Power will reinvent itself as a world-class power company with a large-scale combined cycle power plant to lead POSCO's energy business.

Management Policy

Under POSCO's management philosophy of 'creating another success story,' POSCO Power aims to open a new horizon in the power industry on the principle of respect for human dignity. The company is striving to maximize its competitive edge by promoting global excellence and putting ongoing emphasis on management innovation. POSCO Power is dedicated to building the most efficient power plants and fostering a spirit of creativity and challenge to become a truly great company.





Employees

We believe that harmony between labor and management is the foundation for a company's health and competitiveness. This belief led to the creation of the labor-management council which represents employee interests. Every year, CEO talks directly to employees on company performance and future directions. Also, seminars are held every six months on the corporate vision, business environment, goals and current issues. To further strengthen two-way communication between labor and management, the company holds regular meetings and gatherings. In particular, a two-day workshop held twice a year offers an opportunity for employees to seeks ways to further promote stronger partnership with the management and engage in constructive dialogue on overall workplace issues such as difficulties facing employees.

Environment, Health & Safety

Under the management policy of 'taking on creative challenges towards becoming a great company,' all our employees are striving to build a pleasant and healthy working environment by building core competency in EHS. In order to establish clear environmental accountability, we introduced the EMS (Environmental Management System) in 2001. Rigorous attention to safety is embedded deeply in the corporate culture. On top of receiving KOSHA 18001 certification in 2004 and the highest rating (P) in process safety management in 2005, we continue to focus on keeping our employees safe through prevention of workplace injury and illness and encouraging our suppliers to improve their safety standards. We will continue to place the highest value on EHS as we believe it is profoundly important for our success.

Social Contribution

POSCO Power is dedicated to improving people's lives and making communities stronger. Our philanthropic efforts center on supporting senior citizens living alone and various disability groups in the western Incheon area near the power plant. Employees donate a portion of their wages with the company matching that amount and adding 1.5 times to spend in charitable causes. Our employees are involved in various volunteering initiatives aimed at enriching lives of the less fortunate. These include helping out at nursing home cafeterias, delivering lunches to the elderly living alone, organizing silver weddings, and helping with home repairs and other activities.

Active involvement by our employees has earned us various CSR recognitions such as the Prime Minister Commendation in 2003, Incheon City Mayoral Award in 2005, Incheon Chamber of Commerce Prize in 2006 and Presidential Award in 2007.

Business Ethics

In 2007, POSCO Power adopted POSCO's Code of Conduct as the framework for its ethical management. In an effort to instill high ethical standards among employees, the company set up a team that is dedicated to ensuring high-integrity business practices. To promote integrity as a vital part of the corporate culture, the company introduced the employee-led compliance program in 2008 in addition to company-driven systems and policies such as the Code of Conduct, Governance Principles and pledge to perform with integrity. Through our commitment to full compliance and transparency, we hope to gain the respect of our community.

http://www.poscopower.co.kr



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GRI Content Index

● Full ● Partial ○ No Case N/A = Not Available

GRI Index	Indicators	Page	Extent of reporting	Reason
Strategy a	nd Analysis			
1.1	Statement from the most senior decision-maker of the organization	4~5	•	
1.2	Description of key impacts, risks, and opportunities.	1~6, 11	•	
Organizat	ional Profile			
2.1	Name of the organization.	8	•	
2.2	Primary brands, products, and/or services.	8~9	•	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	12~13, 66	•	
2.4	Location of organization's headquarters.	8~9	•	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	66~67	•	
2.6	Nature of ownership and legal form.	12~13	•	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	8~9, 25~26, 66~67	•	
2.8	Scale of the reporting organization.	46	•	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	12~13	•	
2.10	Awards received in the reporting period.	1, 13	•	
Report Pa	rameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Front page	•	
3.2	Date of most recent previous report (if any).	Front page	•	
3.3	Reporting cycle (annual, biennial, etc.)	Full		
3.4	Contact point for questions regarding the report or its contents.	Back page	•	
3.5	Process for defining report content.	Front page	•	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Front page	•	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope). I	Front page	•	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Front page	•	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions			N
3.10	not to apply, or to substantially diverge from, the GRI Indicator Protocols. Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions,	Details per indicator	0	Not material
3.11	change of base years/periods, nature of business, measurement methods). Significant changes from previous reporting periods in the scope, boundary,	Details per indicator	•	
	or measurement methods applied in the report.	Front page	•	
3.12	Table identifying the location of the Standard Disclosures in the report.	82~85	•	
3.13	Policy and current practice with regard to seeking external assurance for the report.	87	•	
Governan	ce, Commitments, and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting	10		
/ 0	strategy or organizational oversight.	12	•	
4.2 4.3	Indicate whether the Chair of the highest governance body is also an executive officer. For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and	13	•	
	of members of the highest governance body that are independent and/ or non-executive members.	13	•	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	12	•	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	13	•	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	12	•	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy			
	on economic, environmental, and social topics.	12		

GRI Index	Indicators	Page	Extent of reporting	Reason
4.8	Internally developed statements of mission or values, codes of conduct, and			
	principles relevant to economic, environmental, and social performance and		_	
	the status of their implementation.	4~5, 10, 11	•	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental,			
	and social performance, including relevant risks and opportunities,			
	and adherence or compliance with internationally agreed standards,			
	codes of conduct, and principles.	12~13	•	
4.10	Processes for evaluating the highest governance body's own performance,	10		
/ 11	particularly with respect to economic, environmental, and social performance.	13		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	14, 15, 16	•	
4.12	Externally developed economic, environmental, and social charters, principles,	, ,		
	or other initiatives to which the organization subscribes or endorses.	17~18	•	
4.13	Memberships in associations (such as industry associations) and/or			
	national/international advocacy organizations in which the organization:			
	* Has positions in governance bodies;			
	* Participates in projects or committees;			
	* Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	17~18		
4.14	List of stakeholder groups engaged by the organization.	6		
4.14	Basis for identification and selection of stakeholders with whom to engage.	6		
4.16	Approaches to stakeholder engagement, including frequency of	O .	•	
	engagement by type and by stakeholder group.	6	•	
4.17	Key topics and concerns that have been raised through stakeholder			
	engagement, and how the organization has responded to those key topics	Eront nago 1 2 2 4		
	and concerns, including through its reporting.	Front page, 1, 2~3, 6		
STANDARI	D DISCLOSURES PART II: Disclosures on Management Approach (DMAs)			
DMA EC	Disclosure on Management Approach EC	25	•	
DMA EN	Disclosure on Management Approach EN	30	•	
DMA LA	Disclosure on Management Approach LA	44, 46	•	
DMA HR	Disclosure on Management Approach HR	44, 46	•	
DMA SO	Disclosure on Management Approach SO	58, 14	•	
DMA PR	Disclosure on Management Approach PR	15, 54	•	
Economic				
EC1	Direct economic value generated and distributed, including revenues,			
	operating costs, employee compensation, donations and other community			
	investments, retained earnings, and payments to capital providers	05.00		
F00	and governments.	25~28	•	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	37~41	•	
EC3	Coverage of the organization's defined benefit plan obligations.	27	•	
EC4	Significant financial assistance received from government.	27~28	•	
EC5	Range of ratios of standard entry level wage compared to local minimum			
	wage at significant locations of operation.	27	•	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	E0 0		
EC7	at significant locations of operation. Procedures for local hiring and proportion of senior management hired	52~3	•	Percentage Unavailable
EU/	from the local community at significant locations of operation.	70	•	Percentage Unavailable
EC8	Development and impact of infrastructure investments and services			
	provided primarily for public benefit through commercial, in-kind,			
	or pro bono engagement.	64	•	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	8, 28, 62	•	
	motasing the extent of impacts.	5, 20, 02	•	
Environme	ntal			
EN1	Materials used by weight or volume.	27	•	Resource cost Unavailable
EN2	Percentage of materials used that are recycled input materials.	24, 40	•	Strategy Available
EN3	Direct energy consumption by primary energy source.		N/A	
			N/A	
EN4	Indirect energy consumption by primary source.		1 4/ / 1	
EN4 EN5	Energy saved due to conservation and efficiency improvements.	38	•	
EN4		38 38~42	_	

GRI Index	Indicators	Page	Extent of reporting	Reason
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	41	•	Practices Available
EN8	Total water withdrawal by source.	33	•	Not by Source
EN9	Water sources significantly affected by withdrawal of water.	32	•	
EN10	Percentage and total volume of water recycled and reused.	32~33	•	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		N/A	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		N/A	
EN13	Habitats protected or restored.		N/A	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		N/A	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		N/A	
EN16	Total direct and indirect greenhouse gas emissions by weight.	29, 32, 39	•	
EN17	Other relevant indirect greenhouse gas emissions by weight.	39	•	Not by Weight
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	38~42	•	, , , , ,
EN19	Emissions of ozone-depleting substances by weight.	38~42	•	
EN20	NOx, SOx, and other significant air emissions by type and weight.	29	•	
EN21	Total water discharge by quality and destination.	32~33	•	
EN22	Total weight of waste by type and disposal method.	24, 34, 37, 53, 70 75, 77, 79	•	
EN23	Total number and volume of significant spills.		0	No Case
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII,			
EN25	and percentage of transported waste shipped internationally. Identity, size, protected status, and biodiversity value of water bodies		0	No Case
EN26	and related habitats significantly affected by the reporting organization's discharges of water and runoff. Initiatives to mitigate environmental impacts of products and services,		0	No Case
	and extent of impact mitigation.	30, 34, 35, 39~42	•	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		N/A	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	34	•	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		0	No Case
EN30	Total environmental protection expenditures and investments by type.	31	•	NO Case
2.100	Total of the state			
	or Practices and Decent Work			
LA1	Total workforce by employment type, employment contract, and region.	46		
LA2	Total number and rate of employee turnover by age group, gender, and region.	46		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	48~49	•	No Discrimination
LA4	Percentage of employees covered by collective bargaining agreements.	46~47		No Discrimination
LA5	Minimum notice period(s) regarding significant operational changes,	40 47		
LA6	including whether it is specified in collective agreements. Percentage of total workforce represented in formal joint management-worker		N/A	
	health and safety committees that help monitor and advise on occupational health and safety programs.	46~47	•	All Employees
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	43	•	Not by Region
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	44~45		
LA9	Health and safety topics covered in formal agreements with trade unions.	44~45		
LA10	Average hours of training per year per employee by employee category.	49	0	All Employees
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	49~51	•	All Employees
LA12	Percentage of employees receiving regular performance and career		-	
LA13	development reviews. Composition of governance bodies and breakdown of employees per category	48	•	
	according to gender, age group, minority group membership, and other indicators of diversity.	12		
LA14	Ratio of basic salary of men to women by employee category.	26		
	That or basic satary or more to women by employee category.			

GRI Index	Indicators	Page	Extent of reporting	Reason
Social: Hui	nan Rights			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		N/A	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		N/A	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including		N1/A	
HR4	the percentage of employees trained. Total number of incidents of discrimination and actions taken.		N/A N/A	
hr4 HR5	Operations identified in which the right to exercise freedom of association		IVA	
пкэ	and collective bargaining may be at significant risk, and actions taken to support these rights.		N/A	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	46	•	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	46	•	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		N/A	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		N/A	
	and actions taken.		IV/A	
Social: Soc	iety			
S01	Nature, scope, and effectiveness of any programs and practices that assess			
	and manage the impacts of operations on communities, including entering, operating, and exiting.	62~64	0	Impliment SIA
S02	Percentage and total number of business units analyzed for risks related to corruption.		N/A	
503	Percentage of employees trained in organization's anti-corruption policies and procedures.	14	0	All Employees
S04	Actions taken in response to incidents of corruption.		0	No Case
S05	Public policy positions and participation in public policy development and lobbying.		0	No Case
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	19	0	No Case
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		0	No Case
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		0	No Case
Social: Pro	duct Responsibility			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		N/A	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		0	No Case
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such			No case
PR4	information requirements. Total number of incidents of non-compliance with regulations and voluntary codes		N/A	N. O
PR5	concerning product and service information and labeling, by type of outcomes. Practices related to customer satisfaction, including results of surveys	E2	0	No Case
PR6	measuring customer satisfaction. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	52 52~53	0	Voluntary code Availab
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications,	32°33		Totalitally code Availab
PR8	including advertising, promotion, and sponsorship by type of outcomes. Total number of substantiated complaints regarding breaches		0	No Case
	of customer privacy and losses of customer data.		0	No Case
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		0	No Case

 $^{{\}rm \#POSC0~observes~ILO~international~standards~of~labor~and~domestic~provisions~regarding~labor~practices}$

Assurance Report

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

We have performed evidence-gathering procedures to provide assurance on the following aspects of the Sustainability Report 2007 of POSCO, all for the year ended December 31, 2007 (hereafter jointly referred to as the subject matter):

- The economic performance data reconciled with POSCO's nonconsolidated audited financial statements as disclosed in the tables on pages 25 to 28;
- The environmental performance management data in the tables on pages 32 to 42;
- The safety & health data in the tables on pages 44 to 45;
- The business ethics information on page 14;
- The social contribution and regional communities data in the tables on pages 58 to 64; and
- The management and reporting processes with respect to the preparation of economic performance data reconciled with POSCO's non-consolidated audited financial statements, the environmental performance management, safety & health, business ethics, social contribution and regional communities data.

We have evaluated the subject matter against the following criteria:

- Internal sustainability reporting guidelines and definitions applied;
- The defined procedures by which the reconciliation of economic performance data with POSCO's non-consolidated audited financial statements and the environmental performance management, safety & health, business ethics, social contribution and regional communities data are prepared, collated and aggregated internally as part of the data management of POSCO; and
- The principles summarized in the section '2007 Sustainability Report' on page C3 of the Sustainability Report which define the scope of the reporting.

The accuracy and completeness of environmental performance management, safety & health, business ethics, social contribution and regional communities data are subject to inherent limitations given their nature and methods for determining, calculating or estimating such data. Our Assurance should therefore, be read in connection with POSCO's internal guidelines, definitions and procedures established to prepare and report on its sustainability performance.

The Executive Committee of POSCO is responsible for both the subject matter and the evaluation criteria.

Our responsibility is to provide a conclusion on the subject matter based on our evidence-gathering procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', approved December 2003 by the International Auditing and Assurance Standards Board (IAASB).

We planned and performed our evidence-gathering procedures to obtain a basis for our conclusions in accordance with an ISAE 3000 assurance engagement. We have not performed an audit according to International Standards on Auditing. Accordingly, we do not express such an audit opinion.

Our evidence-gathering procedures included the following work:

- Assess how POSCO staff apply the internal sustainability reporting guidelines and definitions;
- Visiting the works of POSCO in Pohang and Gwangyang, the head office in Pohang and the Seoul office;
- Interviewing personnel responsible for the internal sustainability reporting and reconciliation of economic performance data with POSCO's non-consolidated audited financial statements and the environmental performance management, safety & health, business ethics, social contribution and regional communities data collection at the site we visited as well as on corporate level;

- Performing tests on a sample basis of evidence supporting selected economic performance, environmental performance management, safety & health, business ethics, social contribution and regional communities data (economic performance data reconciled with POSCO's Annual Report, code of conduct, employee education and communication, enhancing supplier code of conduct, spending on social contribution activities, volunteer activities, POSEPI, CO2 emissions, LTIFR) with regard to the reported data aggregation from the selected site to the corporate level;
- Reading and performing tests of the relevant documentation on a sample basis, including sustainability reporting policies, management and reporting structures, documentation and systems used to collect, analyze and aggregate reported economic performance data reconciled with POSCO's nonconsolidated audited financial statements and the environmental performance management, safety & health, business ethics, social contribution and regional communities data; and
- Assess the data consolidation process for the reconciliation of economic performance data with POSCO's non-consolidated audited financial statements and environmental performance management, safety & health, business ethics, social contribution and regional communities data at the corporate level.

In our opinion:

- The internal sustainability reporting guidelines are applied properly on the sampling;
- The internal management and reporting processes to collect and aggregate the economic performance data reconciled with POSCO's non-consolidated audited financial statements, the environmental performance management, safety & health, business ethics, social contribution and regional communities data is functioning as designed; and

• The reporting system provides an appropriate basis for the disclosure of economic performance data reconciled with POSCO's non-consolidated audited financial statements, the environmental performance management, safety & health, business ethics, social contribution and regional communities data, in all material respects, based on the evaluation criteria.

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

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

- Ensure that the sustainability reporting organization and structure will be strengthened in 2008, in particular with respect to control activities and according systems and processes.
- Further develop the sustainability reporting guidelines and definitions in 2008 ensuring consistency, accuracy and completeness of all data.
- Furthermore we support POSCO's decision to revise POSEPI and strengthen the according documentation.

Samil PricewaterhouseCoopers

poulci Min C. Scheinale

Partner, Audit & Assurance

Thomas Scheiwiller PwC Global Sustainability Leader

Glossary

ADR (American depository receipts)

American Depository Receipts (ADR) refers to certificates issued in the US representing the right to ownership of shares in non-US companies. ADRs allow investors to conveniently invest in foreign securities without difficulties that may arise from cross-boarder transactions.

BAT (best available technology)

The application of most advanced methods, systems and techniques in calculating social expenses stemming from environmental pollution or in environmental regulation policies such as toxic material discharge facility installation or emission limit standards.

CDM (clean development mechanism)

CDM is an arrangement allowing industrialized countries with a greenhouse gas reduction commitment to invest in emission reducing projects in developing countries. It enables industrialized countries to attain their greenhouse gas reduction goals while supporting developing countries' sustainable development. Globally proposed CDM projects include renewable energy development, thermal efficiency and processes improvement and reforestation.

CDP (carbon disclosure project)

CDP represents an efficient process whereby many institutional investors collectively sign a single global request for disclosure of information on Greenhouse Gas Emissions. The 2006 CDP 4 information request was signed by 225 institutional investors and sent to 2,180 companies worldwide.

CDQ (coke dry quenching)

CDQ facility cools the red-hot coke from coke ovens using nitrogen gas. The facility recovers the heat from the coke and makes steam, which is used to run generators

COD (chemical oxygen demand)

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

GRI (Global Reporting Initiative)

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

LCA (life cycle assessment)

LCA assesses the environmental impact of a product throughout its lifespan from raw material purchase and production to use and disposal. Among those included in the evaluation are energy and raw material input and pollutants.

LCI (life cycle Inventory)

An early stage in the life cycle assessment involving the compilation and quantification of inputs and outputs for a product throughout its life cycle.

LDAR (leak detection and repair)

Measures taken to reduce the emission of pollutants from fugitive emission sources. They include activities and systems related to regular monitoring and repair of potential leak points.

MSDS (material safety data sheets)

MSDS contains information on the hazards and safety measures of chemical materials. Its purpose is to satisfy workers' rights to be informed and to prevent industrial accidents. The MSDS policy states that MSDS be attached to all chemical materials throughout their distribution

PM10

Fine dust with a diameter below $10\,\mu\text{m}$ composed of particulate matter present in the air.

POPs (persistent organic pollutants)

Organic chemical compounds that do not break down in nature and accumulate in plants and animals through the food web. They pose a risk to human health including disruption of the immune system and damage to the central nervous system. POPs are usually generated during industrial production and waste incineration. The major POPs include pesticides such as DDT and aldrin, industrial chemicals such as polychlorinated biphenyls (PCB), hexachlorobenzene (insecticide), dioxin and furans. The Stockholm Convention on Persistent Organic Pollutants (POPs), which regulates 12 POPs and entered into force in May 2004, has been ratified by more than 50 countries.

PSSM (POSCO Six Sigma Model)

POSCO's 'unique working method' adapted to the company. PSSM aims to create a virtuous cycle of continuous improvement, learning and execution through active participation of all employees and management. It is comprised of identifying problems, carrying out improvement measures, adhering to standards and learning activities. It also covers supplementary activities such as issuing directives, reporting, meetings and education.

QSS (Quick Six Sigma)

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

Slag

By-product formed in smelting metals or ores, and other metallurgical or combustion processes. In steelmaking process, it floats on top of a molten pool of iron, minimizing reoxidation on the surface. There are blast furnace slag and steel slag. Slag can be used in cement, concrete, as road base material and fertilizer.

SS (suspended solids)

Materials with particle size of less than 2 mm that do not dissolve in water.

TCO (total cost of ownership) evaluation

A method of selecting suppliers based on the total direct and indirect costs of a product throughout its lifespan.

TRT (top-gas pressure recovery turbine)

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

POSCO's Previous Reports

Reports on Activities and Performances of POSCO's Sustainability Management

POSCO wants to make efforts together for the sustainable development of humankind by offering information transparently and conducting active communication for all stakeholders.



Environmental Report 1994 ~2003

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

Social Contribution Report 2003, 2006

In 2003, we published a Social Contribution Report, which was a compilation of social contribution activities conducted since the time of POSCO's founding. It contained our efforts for mutual growth with the society through activities in the fields of education, athletics, culture, social welfare and volunteering.

Sustainability Report 2004~2007

Since 2004, POSCO has published a Sustainability Report, which includes content from the Environmental Report and the Social Contribution Report. The Sustainability Report, which describes the activities and performances of POSCO's efforts for sustainability management over the period of a year, is subject to international guidelines and verification by an independent organization.

Contact Information

We welcome any comments or inquiries about the POSCO Sustainability Report.

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Reader Feedback Survey

We look forward to receiving your feedback on POSCO's 2007 Sustainability Report. Your views and suggestions will be incorporated in future editions and sustainability management at POSCO.

1. What is your overall satisfaction level with this report?										
□ Very High	□ High	□ Neutral		□ Low		□ Very Low				
2. How would you rate to Report provides sufficient and The contents are credible	d relevant information	□Highly agree	□Agree □Agree	□Neutral □Neutral	□Disagree	□Highly	disagree	□Not sure		
The report is easy to underst The report layout aids in under Report offers good accessibile	erstanding the contents	□Highly agree □Highly agree □Highly agree	□Agree □Agree □Agree	□Neutral □Neutral □Neutral	□Disagree □Disagree □Disagree	□Highly	disagree	□Not sure □Not sure □Not sure		
3. What are your areas of interest or information you seek? (Multiple answers possible)										
□POSCO overview □Fair competition □Environmental management □Employees	□Risk management □Sustainability management □Management strategy □Econo □Environmental performance □Environmental partnership □Energy and climate change □Safety					ss ethics nic performanc and health ements of aries				
4. If you have any comments or suggestions regarding this report or sustainability management at POSCO, please write them below.										
5. Which of the following applies to you?										
□Customer □Civic group □Other	□Shareholder □Media	□POSCO en □Governme	' '		bsidiary emplo cal resident	oyee	□Resear □Studer	rch institute t		

Please return the survey by post or fax to:

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FORWARD-LOOKING STATEMENTS The POSCO Sustainability Report 2007 contains forward-looking statements to provide a value-added account of our sustainability activities. These forward-looking statements reflect our current views with respect to future events and performances, and are generally identified by the use of forward-looking terminology such as 'anticipate,' 'believe,' 'assume,' 'will,' 'plan,'and other similar expressions. Such statements are included in the discussion of our business strategies and operations, performance goals and targets, and business plans, including research & development and investments, among other things. In addition to the foregoing factors, detailed descriptions of certain risks and uncertainties, which may cause actual results to differ materially from those forecasted, can be found in the section captioned 'Risk Factors' in our annual Form 20-F deposited with the U.S. Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's current analysis of future events. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events after the publication of this report.

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