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# SUSTAINABILITY REPORT 2010

Toward Four Greats

2010 SUSTAINABILITY REPORT



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TOWARD FOUR GREATS: We make change, take the future

POSCO builds the foundation for mutual sustainable growth of the society and corporation. POSCO reaches for the global top through harmony of the “Greats” in Business, Market, System, and People. POSCO will achieve its vision through “4 Greats”—Business evolution by expanding to new businesses (Great Challenge); market expansion by pioneering into new markets (Great Voyage); system innovation of establishing the Family management system based on trust and communication (Great Harmony); and human growth where employees and the company grow together (Great People). The POSCO Sustainability Report 2010 is the testimony of POSCO’s footsteps in creating the future through change and innovation.

About this Report

First, this report further expanded stakeholder participation during its production process. The CSM forum with sustainability experts conducted in the form of interviews helped us identify stakeholders’ major points of interest and issues that can affect their decision-making. We will reflect the results obtained from the forum and put our efforts in improving those issues.

Second, the materiality test tool that POSCO developed in collaboration with POSRI was further refined. In addition to media survey and stakeholders’ survey, peer group analysis was added in measuring stakeholder interest. In addition, we analyzed the agendas discussed at the Enterprise Management Meetings to further refine materiality test. As a result, the “customer” was identified as an important issue, and we have added “Quality Management” and “Creating Customer Value” in the Report.

Third, KPIs that represent Open, Creative and Envioronmental Management are presented in one page in order to help readers understanding. Prior to KPI selection we have carried out Peer Group Assessments and have reflected our Materiality Process results. As a result, we have secured the representativeness of KPIs by providing useful information to our stakeholders as well as covering areas of importance in the steel industry.

Fourth, in addition to the sustainability management efforts and performances of the whole POSCO Family, sustainability performances of individual POSCO Family companies were included as well. The performance details of POSCO E&C, POSCO POWER, POCO ICT, POSCO C&C, POSCO CHEMTECH and POSCO M-TECH will be introduced.

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**Reporting Framework >>** The 2010 Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines, and with POSCO's internal sustainability reporting process. Currently POSCO is looking into GRI 3.1, and plans to apply it in the 2011 Sustainability Report. All financial information, standards and definitions used or made within the report follow Korea's generally accepted accounting principles.

**Reporting Period >>>** POSCO publishes a sustainability report every year. This report covers the calendar year from January 1 to December 31, 2010. Some sections include the period until April 2011. Please note that the section on corporate governance reflects decisions made at the board meeting held on February 25, 2011.

**Reporting Scope >>** This report contains POSCO's operational activities and performances with respect to sustainability management at our Pohang and Gwangyang Works, Pohang Head Office and Seoul Office. All subsidiary information stated in this report is based on each company's individual standards; hence there may be discrepancies from the guidelines set forth by POSCO. The

financial information in the "Economic Performances" segment under the "Creative Management" section is based on POSCO's non-consolidated financial statements. Consolidated financial statements are available in our 2010 Annual Report.

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

**Assurance of the 2010 Sustainability Report >>** Assurance on this Report was conducted by KPMG Samjong in accordance with the International Standard on Assurance Engagement (ISAE) 3000 and AA1000AS, thereby assuring that inclusivity, materiality, and responsiveness are reflected in the Report in addition to the existing principles of consistency, accuracy, and completeness.

## CEO Message

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### Toward Four Greats

Since the implementation of sustainability management in 2003, POSCO has strived for sustainable and balanced growth with a focus on economic viability, environmental soundness, and social responsibility. This Report “Toward Four Greats” shows the reader the performance details of sustainability management internalized in POSCO’s system.

Last year, expanding from the existing “Vision 2018,” POSCO declared the “POSCO Family Vision 2020.” It reflects POSCO’s aspiration and dedication to contribute to mutual sustainable growth of the whole human society by achieving four “Greats” in Business, Market, System, and People.

POSCO conducted activities across-the-board to move closer to “POSCO Family Vision 2020” under the motto Toward Four Greats.

Despite cut-throat competition both in the domestic and global markets, POSCO achieved KRW 32.6 trillion in sales and KRW 5.5 trillion in operating profits, which was the highest among all steel-making companies for 2 consecutive years since 2009.

2010 was the starting year that POSCO declared its vision for low-carbon, green growth. It declared its voluntary target to reduce CO<sub>2</sub> intensity per ton of steel manufactured by 9 percent compared to the average emission of the three previous years by 2020. In the first year, POSCO successfully reduced 2.3%, and plans to invest KRW 1.5 trillion until 2018 in developing breakthrough technologies. In addition, POSCO was the first in the steelmaking industry to publish and distribute the Carbon Report assured by a third party.

There have been many achievements in the areas of customer satisfaction and technology innovation as well. POSCO set up the implementation plan for “POSCO Marketing 3.0,” which reflects POSCO’s commitment to put its heart and soul into the product and service to be the stepping stone for our customers’ success. The enhanced marketing efforts led to record sales at 31.5 million tons.

In November 2010, the POSCO Family Quality Charter was declared, under which the POSCO Family and suppliers are implementing quality management measures for win-win growth. The Global R&D Center constructed in Songdo, Incheon succeeded

業-Business, 場-Market,

動-System, 人-People

The Report reflects POSCO’s aspiration and dedication to contribute to win-win sustainable growth of the whole human society by achieving four “Greats” in Business, Market, System, and People.



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in developing 29 technologies through the R&BDE (Research & Business Development Engineering) strategy that independently commercializes and engineers research results. Recently, win-win growth with SMEs is gaining more attention. POSCO launched a team dedicated to supporting SMEs in 2005, providing assistance in finance, technology support, and management counseling to 105 SMEs, which established a new cooperation model. The Win-win Growth Support Group is a pro bono volunteer group comprised of executives from Family member companies who provide corporate management mentoring to SMEs.

Keeping safe means love for your family and co-workers – safety is the first step in respecting humanity. In September 2010, POSCO expanded and restructured the Office of Safety Innovation which conducts safety measures at the Family level including outsourcing partners. With the commitment to build a safe working environment, it started the Mega-Y measures to achieve Zero Safety Accidents.

As a corporate citizen, POSCO also strengthened its efforts in social contribution to help alleviate social issues. POSCO operates 4 social enterprises including Songdo SE to provide jobs to

the underprivileged. In collaboration with the Ministry of Gender Equality & Family, POSCO implements a variety of projects to help multi-cultural families. In addition, through volunteer activities and social contribution projects in global business sites such as Indonesia and Mongolia, POSCO is contributing to the regional economic growth.

In addition to creating an ecosystem of mutual growth with customers, suppliers and outsourcing partners, POSCO practices the management principle of sharing and consensus with the shareholders, local community and employees, to go beyond great and become a company that is loved by all. We hope for your continued interest and support in our efforts in sustainability management.

Thank you.

*J.Y. Chung*

June 2011 CEO  
Joon-Yang Chung

## 2010 Key Performance Indicators

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## FINANCIAL PERFORMANCE

Despite unfavorable conditions of year 2010, POSCO was able to overcome the crisis and create profit by expanding production capacity and overseas business, strengthening synergy among Family companies, customer-oriented marketing, and cost reductions.

**200** <sup>KRW</sup> trillion  
POSCO Family's Sales Target by 2020

**94** <sup>KRW</sup> billion

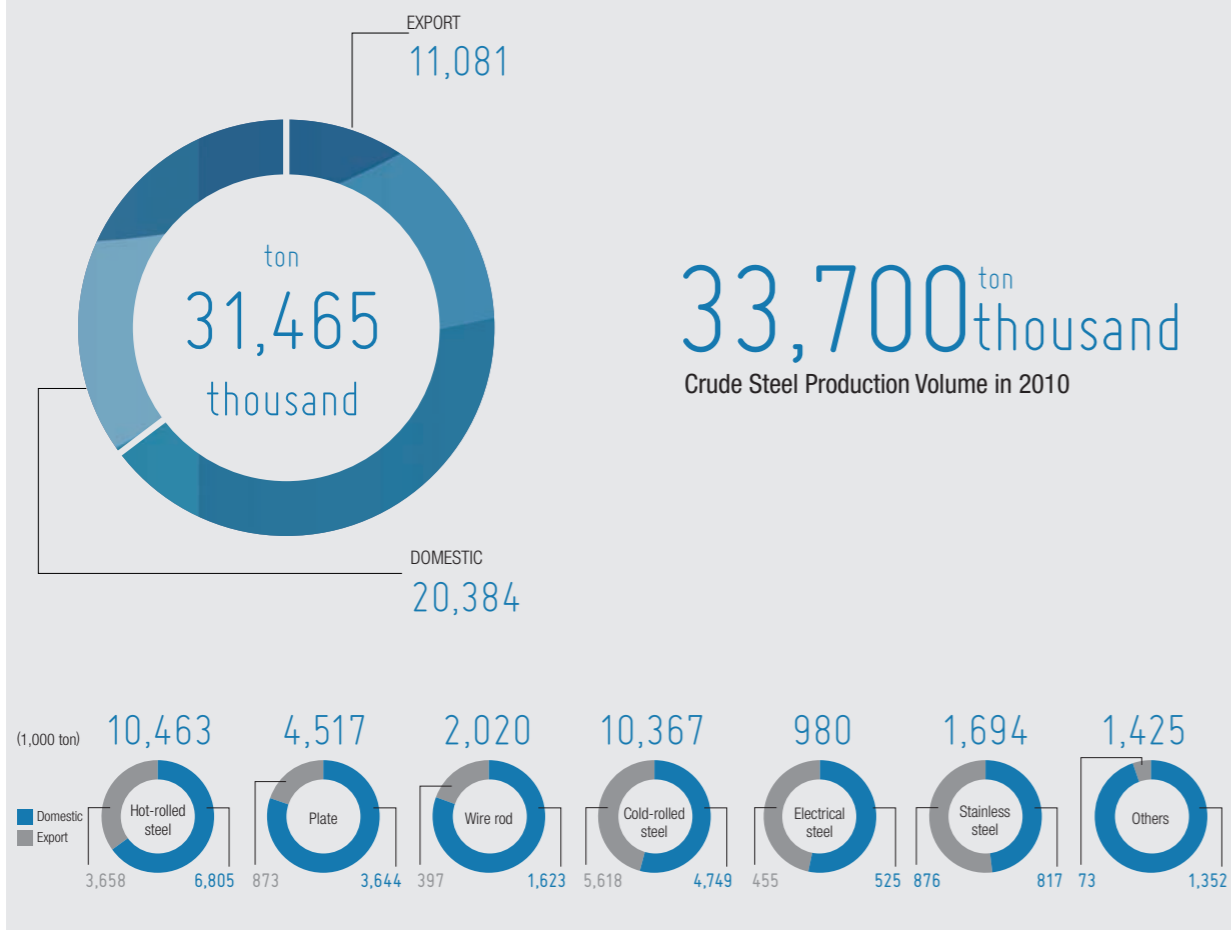
**R&D Expenses**

POSCO actively invests in R&D for sustainability management. In 2010, POSCO increased investment by 74% at KRW 94 billion.

**Key Financial Indicators**

	2008	2009	2010
Sales (KRW billion)	30,642	26,954	32,582
Operating Income (KRW billion)	6,540	3,147	5,047

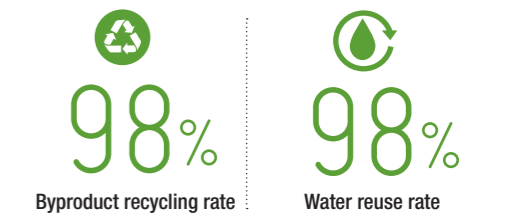
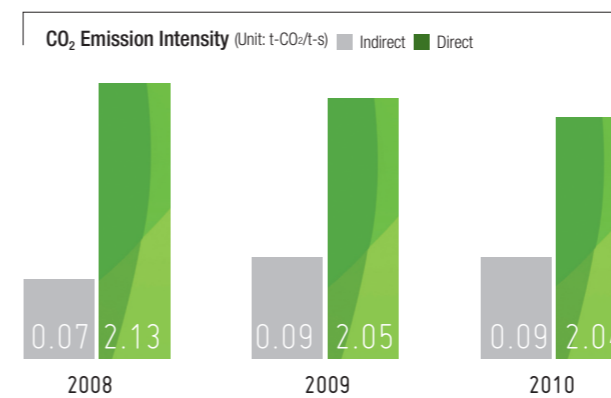
**PRODUCTION AND SALES VOLUME** | In 2010, POSCO increased production capacity, such as starting operation of the Gwangyang plate plant. In addition, POSCO declared the Quality Charter to advance as the global leader in mass production of high-quality products. POSCO launched POSCO-South Asia, broadening its overseas sales network as well.



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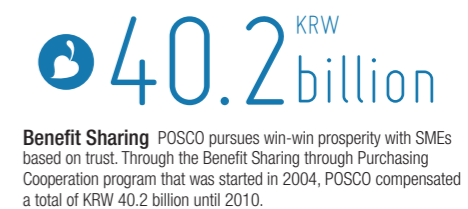
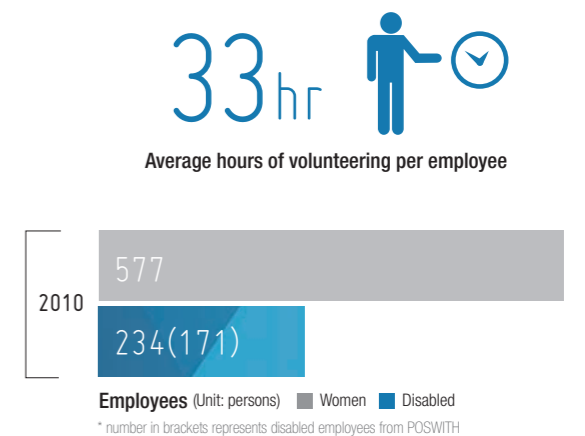
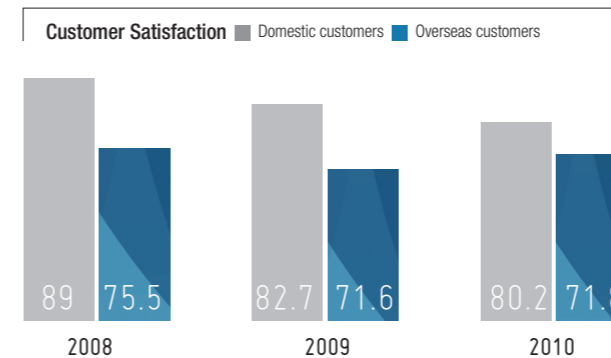
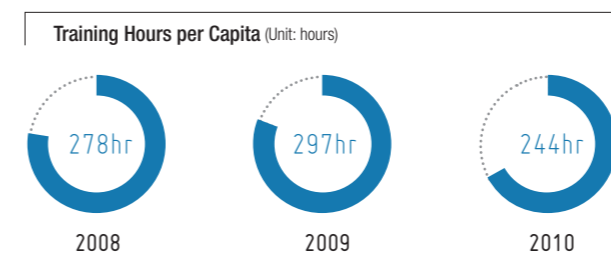
## ENVIRONMENTAL PERFORMANCE

POSCO leads the way in building a green environment. It puts its efforts in building an eco-friendly production environment by recycling water, energy and by-products and thus reducing waste generation.



## SOCIAL PERFORMANCE

POSCO strives to grow together with the society. It contributes to social equality by expanding employment of women and disabled persons, and provides support for win-win growth with SMEs. Moreover, POSCO listens to the voice of the customers to create customer-oriented value. POSCO provides full support for the personal advancement of its employees so that they may realize their dreams.



Prior to publishing the 2010 Sustainability Report, POSCO conducted a experts' interview to listen and reflect external specialists' views on major issues related to sustainability management. The five experts are recognized for their knowledge and expertise in their respective areas, and gave helpful advice on behalf of the stakeholders. POSCO will thoroughly examine their advice and reflect them in improvement activities.

NOH HANKYUN

*Area of expertise* Social contribution, ISO 26000  
*Career* Professor at Kookmin University



KIM GICHAN

*Area of expertise* Win-win cooperation, win-win growth, innovation activities  
*Career* Professor at Catholic University of Korea



RYU YOUNGJAE

*Area of expertise* Economics, corporate governance  
*Career* CEO of SUSTINVEST



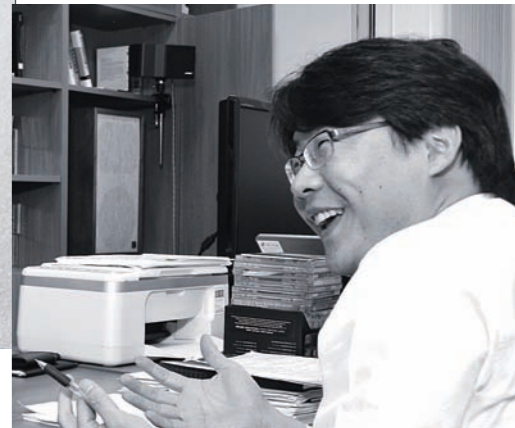
JEON EUICHAN

*Area of expertise* Environmental management, climate change  
*Career* Professor at Sejong University



RA JUNYEONG

*Area of expertise* Social contribution, regional development  
*Career* Professor at Catholic University of Korea



## What is your general rating on POSCO's sustainability management?

**KIM** • In the past, a good or bad company was judged depending on the size of the profit it made. Now, even Fortune 500 companies can go bankrupt. Today, corporations are scrutinized not only on their fiscal performances but also in the aspects of environment, ethics, supply chain, and social responsibility. POSCO is one of the best companies in this area, implementing those activities in a systematic manner, and is leading the win-win growth movement.

**NOH** • As POSCO has grown with the nation's development in mind, I think it has fulfilled its role of sustainability management in the economic sector. Now it is time to pay more attention to the environment and society as well. Sustainability should always be a factor in making decisions in corporate management. POSCO should be able to take social factors into account when considering new businesses as well.

**JEON** • Because of the nature of its business, POSCO is a huge buyer of raw materials. POSCO should keep an open mind to sustainability and take precaution in transporting raw materials.

**RYU** • Investors see sustainability in the light of risk management. In addition to financial risks, POSCO should include sustainability issues (ESG issues) in the RMS (Risk Management System) to manage them more systematically.

**NOH** • Corporations have implemented sustainability management by identifying social trends, deciding its stance, implementing strategies, and verifying results. But this meant their activities were only responsive. POSCO is a company that can go beyond that, deciding the direction in advance, and seek advice from professionals or stakeholders. POSCO should differentiate itself. For that, it should look at sustainability while internalizing its values.

## What do you think of POSCO's corporate governance?

**RYU** • I hope many experts with abundant experience in the steel industry will be appointed to the Board of Directors. If needed, they may be invited from overseas. As the compensation level for CEOs in the financial sector was the target of public criticism recently, people are taking more interest in the directors' pay. Reporting the remuneration policy for the directors will answer stakeholders' questions.

## Please give us your advice on POSCO's win-win growth activities

**KIM** • For a company to keep growing, the surrounding ecosystem should be healthy. POSCO takes active measures to make the corporate ecosystem healthy through win-win growth activities. However, it would be even better if POSCO had a system to verify internally whether it is too much or too little.

**RYU** • Large corporations say they are implementing various win-win activities, while SMEs often say different. The fact that large companies and SMEs don't share the same views is the reality. Thus, it is important to secure a channel where you can gather their honest opinions.

**KIM** • POSCO has been implementing benefit sharing programs for a long time, but giving benefit to one company can mean causing loss to another. You should take a close look at the system to prevent moral laxity.

## Give us your opinion on POSCO's strategy and actions on the global issues of environment and climate change.

**JEON** • I think that overall, POSCO's environmental management system is well-equipped with the necessary elements, from setting the target, establishing implementation guidelines, setting up organizations, reporting and management system, and investment. POSCO is doing well in performance management as well. Its efforts have been amply recognized in traditional areas such as air and water quality control and waste recycling, and POSCO's efforts to respond to the climate change issue will be a model case as well.

**RA** • POSCO's goal to reduce CO<sub>2</sub> emission intensity by 9% by the year 2020 is inspiring. In order to gain more support from the stakeholders, POSCO should explain further about its

voluntary agreement with the government and subsequent efforts to reduce CO<sub>2</sub> emissions, and that POSCO has already reduced 14 million tons of socially emitted greenhouse gas annually through the development and supply of high-efficiency steel products, and turning by-products to resources.

**JEON** • Further improvements should continue in air quality control such as reducing dust-generating processes. While the target for zero wastewater discharge is commendable, it is important to continue to monitor the performance and maintain transparency in reporting. POSCO should establish a pioneering resource recycling system, creating a model case of industrial symbiosis or eco-industrial park.

## POSCO puts efforts in enhancing employee competitiveness and creating a pleasant working environment. What do you think of this?

**RA** • The Korean society has high expectations on the 4-team-2-shift schedule introduced in 2010 in that it is an innovative system that can improve employees' quality of life while enhancing productivity through training programs. It is recommended that POSCO report the situation on non-regular workers and in-house subcontracting which is an issue recently, and if there are any problems, take bold measures to address that issue.

**NOH HANKYUN**  
—stakeholders should feel included as members, as contemporaries in society.

**KIM GICHAN**  
—for a company to keep growing, the surrounding ecosystem should be healthy.

**RYU YOUNGJAE**  
—investors see sustainability in the light of risk management

**JEON EUICHAN**  
—POSCO should establish a pioneering resource recycling system, creating a model case of industrial symbiosis.

**RA JUNYEONG**  
—POSCO should devise a method to measure the long-term social value created by social contribution projects.



**RYU •** I see large corporations turning rapidly into bureaucracies. I expect POSCO is facing similar difficulties in regard of internal communication. I think the trust and communication mentioned in the Report will solve those problems.

*Which part in stakeholder-related activities needs more effort on our part?*

**KIM •** POSCO should divide interest groups and maintain good relations with them. You can spread out risks in the process of seeking consent and communication with the constituents. Communication with experts is also important. POSCO should close the gap between organizations by utilizing KOSA, civic organizations, and environmental organizations.

**RYU •** Set up stakeholder channels using POSCO's sustainability management expert pool, and hold meetings once or twice each year.

**JEON •** It is necessary to invite outside stakeholders to participate in POSCO's Environment Committee and gain consensus of local residents, experts, media and NGOs on POSCO's environmental targets and commitment to environmental improvement.

**NOH •** Stakeholders' "participation" does not necessarily mean "engagement." They should feel included as members, as contemporaries in society. The ability to accept others' interests, the process of contemplating those interests together, and feeling that I'm voicing my opinion could be more important than reflecting the opinion itself.

*What do you think of POSCO's social contribution activities?*

**RA •** I feel POSCO's social contribution leans to the past paradigm. While maintaining the keynote and strategic positioning on local community and overseas social contribution, POSCO should align its social contribution activities focusing on themes that can actually address social issues. It would make me happy to see POSCO develop programs so that POSCO's capacity can actually contribute to solving social issues.

**NOH •** Due to the nature of social contribution programs, it is hard to quit once started. If POSCO's continued support is assured, the recipient grows dependent, making it difficult to operate the program. It is necessary to introduce the Sunset timeline to foster self-support and independence.

**RA •** POSCO should devise a method to measure the long-term social value created by social contribution projects. It is necessary to measure, evaluate, and report the efficacy of social contribution projects.

*Are you satisfied with POSCO's process of reporting sustainability management performances?*

**RA •** The Sustainability Report should balance both positive and negative aspects. It seems the Report focuses only on the positive side. Areas where performance figures are not satisfactory or remain stagnant should be stated honestly, and improvement tasks and performance targets should be presented together to show POSCO's commitment in order to gain more trust.

Issues of High Interest by Stakeholders															
	GENERAL							ECONOMIC							
	Sustainability management system	Stakeholder participation	Corporate governance	Corporate ethics	Risk management system	International regulations	SRI	Business performance	Market share	Wages/pension	Raw materials (mines)	New business	R&D	Employment	Corporate value
Customers/suppliers	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
CSR experts/institutions & academia	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Shareholders/investors	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Employees/subsidiaries	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Local residents	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Students	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
NGOs and other	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

COMMUNICATION WITH STAKEHOLDERS

PURSUING BALANCE BETWEEN HUMAN AND NATURE

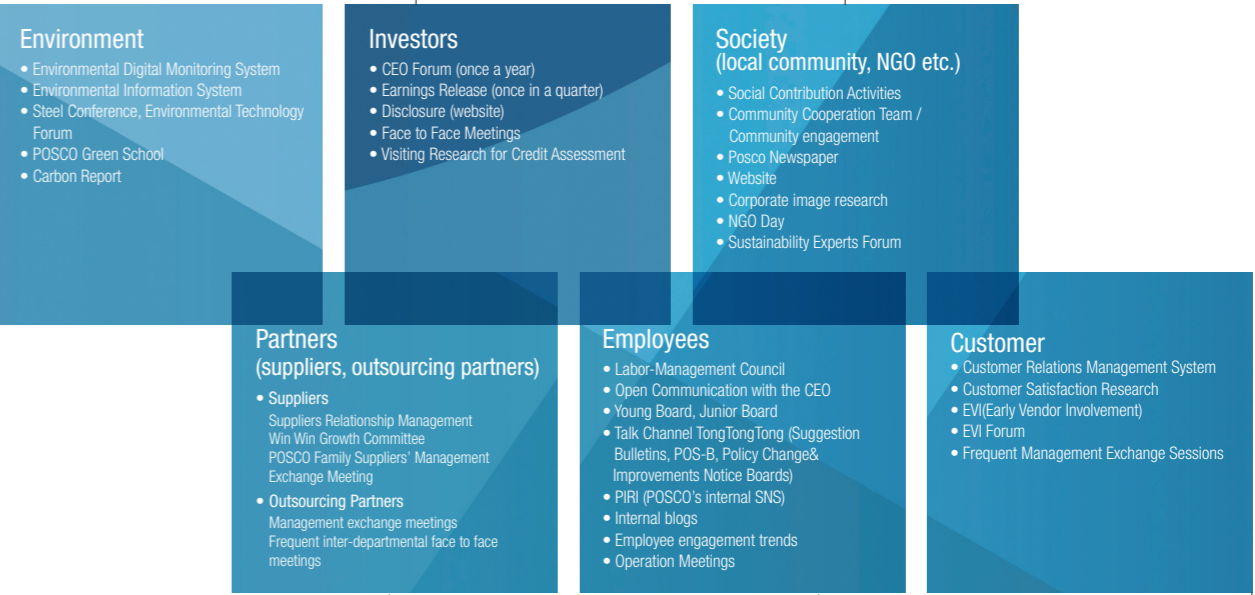
POSCO protects our planet through low carbon green growth. Through our Environmental Digital Monitoring System, we manage our pollution levels real time and the POSCO Family actively shares information through Environmental Information System and stimulates environmental improvements. In addition, we run the POSCO Green School program to educate children the importance of environmental preservation. Moreover, we report our efforts on responding to climate change to our stakeholders in our Carbon Report.

MAKING SHAREHOLDERS PROUD

POSCO provides transparent and useful business information to shareholders along with securing shareholder's profit by pursuing sustainable growth. By running an IR group, we try to reflect investor's opinions and provide information. The CEO reports our business performance and plans to our investors every year through the CEO forum held in January. Earnings Release meetings are held every quarter by inviting investors, analysts and media. Disclosures are made, face to face meetings are held and visiting research methods are implied in order to listen to opinions and insights through various channels.

CONTRIBUTING TO THE SOCIETY AS A CORPORATE CITIZEN

POSCO tries to be a firm of endearment and the pride of local communities in which we operate in. At Pohang and Gwangyang works, we actively communicate with local communities and engage in continuous dialogues through our Community Cooperation Team in order to grow together. In addition we hold NGO Day every year so that POSCO can get feedback from NGOs on its social contribution activities. Such feedback helps us improve and reorganize our social contributions portfolio.



WIN WIN GROWTH AS ONE FAMILY

Under mutual trust, POSCO enhances the overall competitiveness of the corporate ecology by pursuing win win growth with suppliers and outsourcing partners. We provide various support in terms of management innovations, R&D, procurement etc. Especially, the Win Win Growth Department carries out activities such as Benefit Sharing, Techno Partnerships, Financial Support and Overseas Sales Support. In 2011, we plan to expand our boundaries of support to 2nd~4th tier partners in order to build stronger relationships with our business partners.

RESPECT FOR HUMAN RIGHTS AND SELF REALIZATION

POSCO supports its employees with the environment in which they can develop their overall competitiveness and better the quality of their lives so that they can reach self realization. Employees vote their own labor representatives and through the labor-management council, discuss pay and labor practices with the company. In year 2010, Open Communication with the CEO was held across 8 sessions to enhance communication with the CEO and the employees. In order to facilitate communication between employees and management, we run the Young Board and Junior Board as well as POS-B(internal bulletin board for grievance reporting), internal blogs and SNS. In addition, POSCO carries out Employee Engagement Trend surveys with an independent consulting firm every year.

BRINGING SUCCESS TO OUR CUSTOMERS

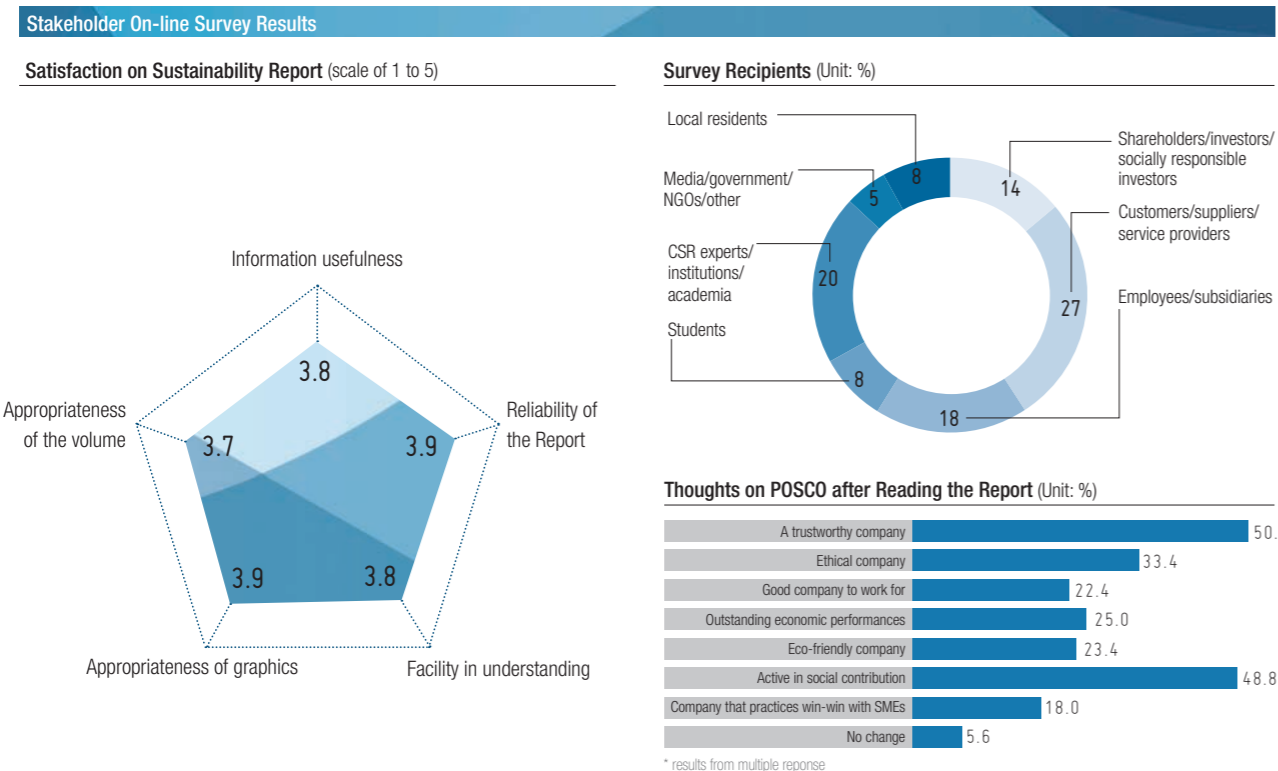
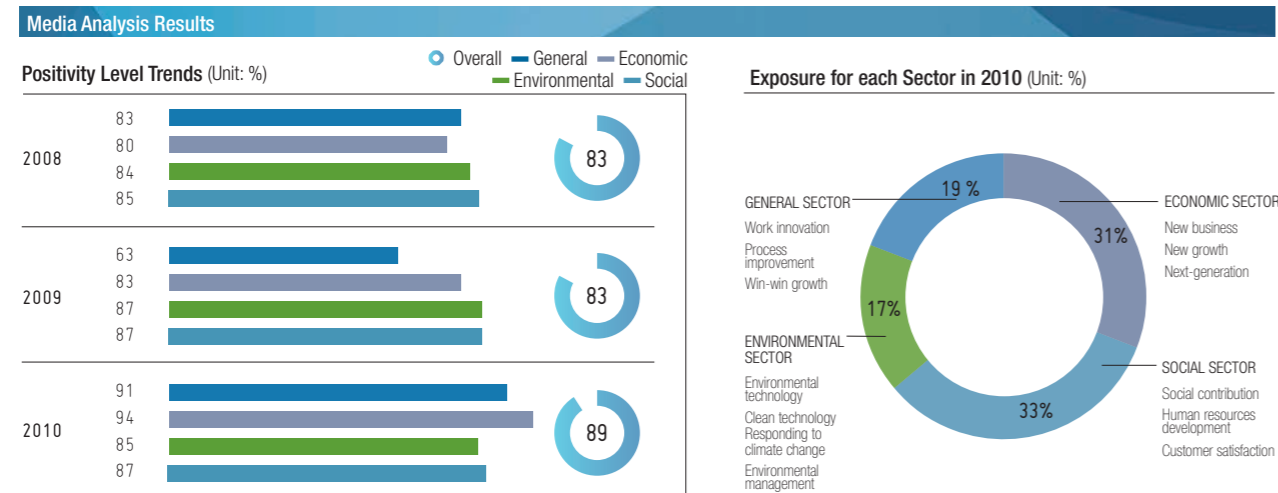
With customer centric marketing, POSCO tries to satisfy customers through building trust and enhance customer value. Customer Relations Management System enables us to manage customers' needs in a systematic manner and provide tailored services. We also provide technological support, participate in product development and engage in discovering new markets for customers. In addition, POSCO established new visions for Quality Management and Marketing to get closer to our customers. Moreover, we visit our customers to support them with customer care services in a regular basis. Customer Satisfaction Research is carried out every year by a third party in order to reflect its results in our policies.

Issues of High Interest by Stakeholders																		
ENVIRONMENTAL									SOCIAL									
Environmental management system	Violation	Pollutants	Recycling	Climate change	Energy	Eco-friendly technology	Environment improvement performance	Safety/health	Hazards/accidents	Labor management relations	Human rights	Human resources management	Cooperation with suppliers	Win-win	Local community	Volunteer activities	Social contribution	
■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	
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## IDENTIFYING KEY ISSUES

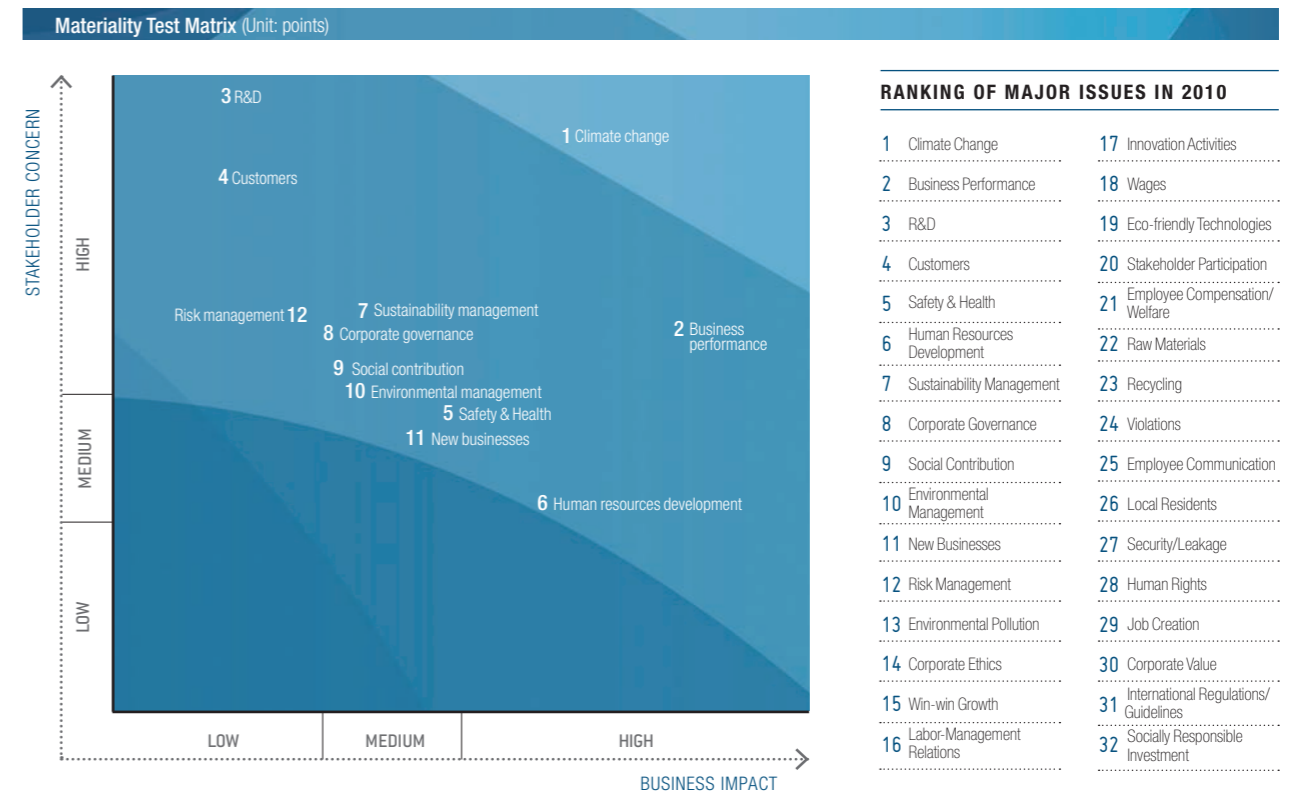
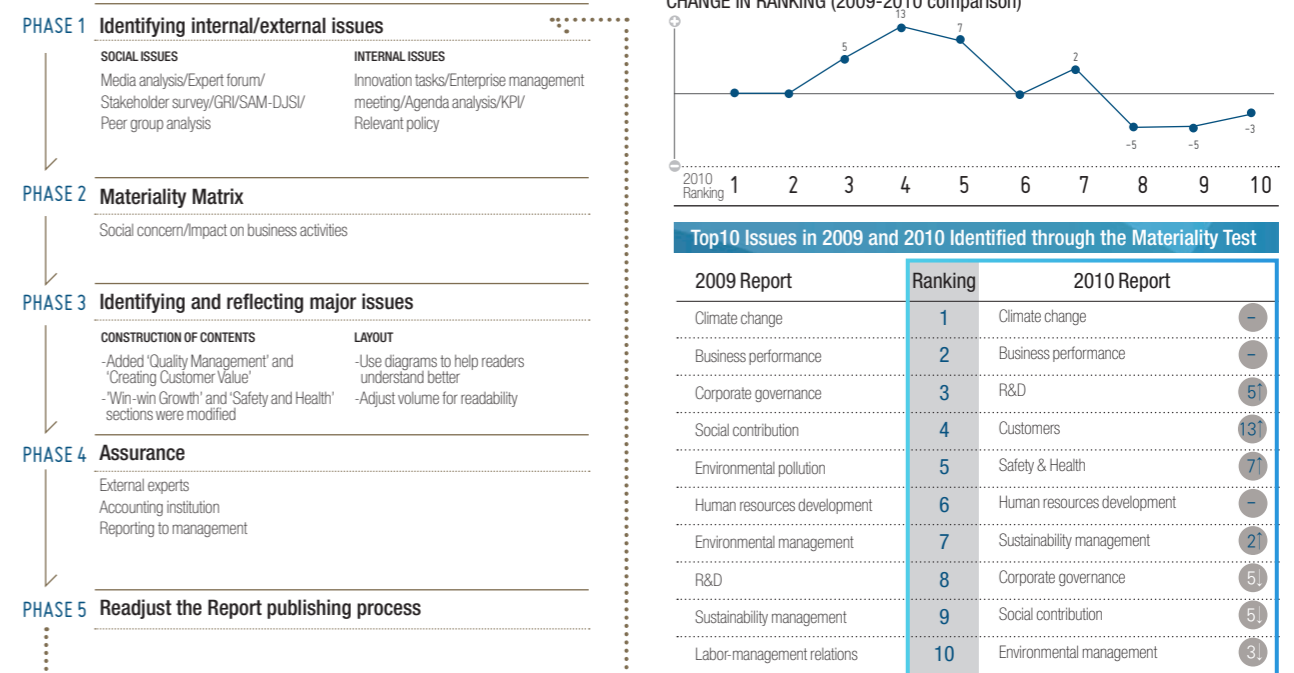
**Media Analysis** POSCO has conducted media analysis since 2005 in order to identify issues of interest to our stakeholders. Among the news articles reported by the media from January 2009 to December 2010, 3,396 Korean articles and 27 foreign articles related to sustainability management were the subject of analysis. After analyzing them by category, we have found that news coverage related to general issues comprised 17%, economic performance 28%, environmental performance 23%, and social performance 32%. 89% of Korean news coverage was positive. Positive coverage dealt with expanding to non-steel business as a new growth engine, expectations on the completion/expansion of production plants, environment-friendly technologies, Internal Reward Program for GHG Reduction, benefit sharing and the commitment to customer satisfaction. On the other hand, the delayed construction of the steel mill in India, POSCO being the heaviest energy consumer and lack of disclosure on human rights related issues were the negative coverage POSCO received. Foreign media gave positive evaluation about POSCO being selected as Global Top 100 Company in the Davos Forum, and signing an agreement to provide technological support to small-and-medium sized steelmaking companies.

**Stakeholder Survey** POSCO conducted a survey to gather feedback on last year's Report, identify major issues and stakeholders' needs. The survey was conducted on 2,500 persons including internal stakeholders – POSCO employees and subsidiaries – and our external stakeholders – customers, communities, business partners and shareholders. The overall satisfaction with our Report was 3.8 (out of 5). As to the effect the Report had, many respondents answered they thought POSCO as a "company that could be trusted," as well as one that "actively practices social contribution activities." The survey showed that stakeholders are interested in matters related to wages/pension, new businesses, eco-friendly technology, labor-management relations, and win-win growth.



## MATERIALITY TEST PROCESS

In 2008, POSCO devised its own materiality test process to identify material issues to the stakeholders and the impact it has on corporate management and reflect them in the Sustainability Report. The process is upgraded every year by reflecting improvements and feedback. POSCO has used the materiality test scheme to identify issues of common interest to its stakeholders and those issues with a high potential impact on its business activities, and has prepared this Report based on these test findings. An issue pool was formed on three main categories; general sustainability management issues such as international regulations, guidelines, SRI evaluation, and peer group analysis; issues of interest to stakeholders identified through media analysis and Stakeholder e-mail surveys; and POSCO business issues such as management strategy and KPI. POSCO selected 33 issues from the issue pool and conducted an analysis of social concerns and impact on its business in accordance with POSCO's materiality test framework. The materiality test process is as follows.





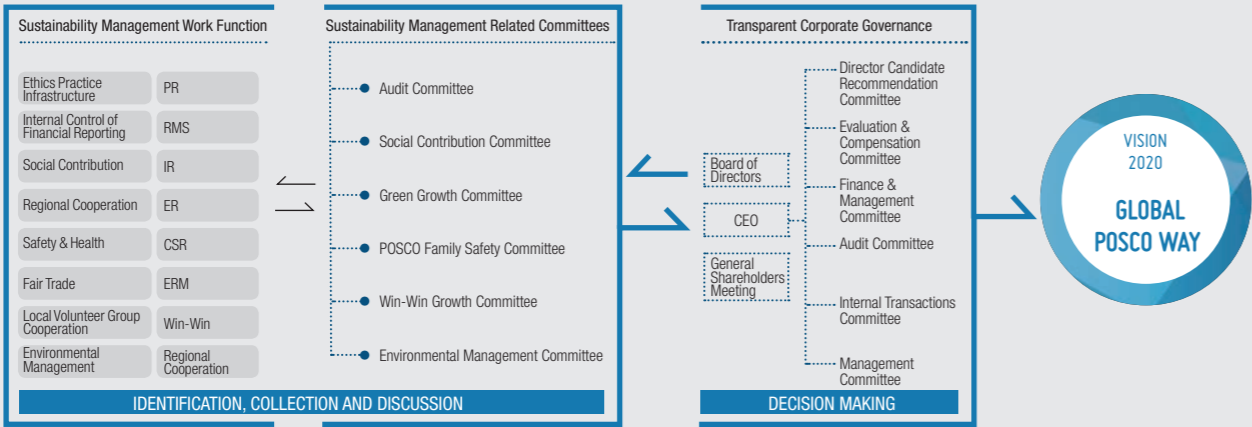
POSCO that leads a sustainable society is  
completed through great challenge

**A COMPANY'S SUSTAINABILITY CAN CHANGE THE COMPANY, THE SOCIETY, AND EVEN THE NATION.  
A COMPANY'S CHALLENGE CAN SPRING LIFE TO THE SOCIETY.**

With future oriented business and as a proud global leader in the steel industry,  
With the challenging spirit venturing into the world for new opportunities,  
POSCO will become a proud name that moves the world.  
In a workplace full of trust, communication and innovation,  
With a management principle to foster the best human asset,  
POSCO will become the company loved by all stakeholders.  
The great innovations in Business, Market, System, and People will  
complete POSCO's tomorrow.

# POSCO'S SUSTAINABILITY MANAGEMENT SYSTEM

Consuming a vast amount of resources and energy in its processing, steelmaking inevitably has a significant economic, social and environmental impact. Keenly aware of this from the outset, POSCO has persistently strived to incorporate environmental and human integrity into its management philosophy. In 2003, we announced our sustainability commitment that integrates economic viability, environmental soundness, and social responsibility into our overall management activities, and set up the CSM (Corporate Sustainability Management) Team for a more systematic and responsible approach to corporate management. POSCO will assess its sustainability management performances to date and integrate them with its new management philosophy to further expand the scope and value of sustainability management. In particular, we will continue to enhance our sustainability competence to be recognized by our stakeholders as the best company to work for, work with, invest in, and the company that protects the environment. In 2011, POSCO undertook external relations, social relations, and public relations operations for open communication with all the stakeholders, and merged the stakeholder point-of-contact departments into the CR (Corporate Relations) Department. We also established the Bureau for Firms of Endearment that supports and coordinates stakeholder activities of the CR Department. POSCO's ultimate goal is to become the company that is loved by all the stakeholders. In order to be sustainable in age of rapid economic and industrial changes, POSCO declared the POSCO Family Vision 2020, and will devote its efforts to become the Global Top Business Group, reaching KRW 200 trillion in sales. The driving engine to achieve this goal will be the Four Greats – Great Challenge (business evolution), Great Voyage (market expansion), Great Harmony (system innovation), and Great People (fostering growth of people). POSCO is steadily enhancing the foundation for sustainable growth through win-win cooperation with stakeholders and by strengthening collaborative work between related departments.



POSCO's Committees				
	Meeting Interval	Chairperson	Participants	Achievements in 2010
Environmental Management Committee	Once a year	CEO	POSCO Family company CEOs	Established mid term environment and energy strategy at the POSCO Family level
Environmental Management Steering Committee	Quarterly	Chief of Environment & Energy Planning Dept.	Executives in charge of environmental management at subsequent Family companies	Established implementation plan for each environmental management task, Environmental Risk Management
Win-Win Growth Committee	Twice a year	CEO/Presidents of SMEs	16 POSCO executives and CEOs from family companies 16 CEOs from SMEs	Established win-win growth strategies
Win-Win Growth Executives Committee	Once per quarter		13 executives from POSCO and family companies	
Social Contribution Committee	Once a year	CSO	POSCO Family company CEOs	Agreement and strategy on annual KPI, launched Incheon Regional Volunteer Group
Social Contribution Executives Committee	Once a year	Head of Social Contribution Group	12 executives from POSCO Family companies in charge of social contribution for each region	Reached agreement on the Global Volunteer Week, launched regional volunteer groups
Family Safety Committee	Twice a year	Head of Carbon Steel Business Division	POSCO executives, CEOs of family companies and members of Safety TFT (Safety Innovation Office, Safety Team of the two Works, Safety Master, ILS etc.)	Inspected safety maintenance activities and set up implementation plans
Green Growth Committee	Twice a year	CEO	9 POSCO executives, CEOs from 11 Family member companies	Established the POSCO Family mid-to-long-term master plan, discussed major issues
Green Growth Subcommittees	Once per quarter		POSCO Group leader and 18 executives from Family companies	Mid-to-long-term low-carbon steel technology development, responding to domestic and international regulations, fostering green business
• Low-carbon Steel Technology Subcommittee		- Chief of Steel Technology Dept.		
• Responding to Climate Change Subcommittee		- Chief of Environment & Energy Planning Dept.		
• Green Biz Subcommittee		- Chief of Management Strategy Dept. 1		
Fair Trade Corporate Compliance Program Committee	Twice a year	Head of Audit Department	11 department heads related to fair trade	CP operation plan

\* Win-win Cooperation Committee and Win-win Cooperation Executives Committee have been renamed as win-win Growth Committee and Win-win Growth Executives Committee, respectively.  
\* The Renewable Energy Subcommittee has been renamed as Green Biz Subcommittee



**AUDIT DEPT/FINANCE/ERM DEPARTMENT**  
**Risk Management**  
Ensure POSCO's transparent operations through monitoring internal and external financial and non-financial risks and internal audits.  
[Risk Management System p. 22](#)

**CORPORATE ETHICS TEAM**  
**Fostering Ethical Corporate Culture in POSCO Family**  
Its activities include establishing ethics practice infrastructure to foster an ethical corporate culture within the POSCO Family, and to operate education programs and campaigns.  
[Ethical Management p. 20](#)

**GLOBAL HR DEPARTMENT**  
**Recruiting, cultivating, and supporting global talents**  
Recruits, cultivates, and supports global talents who are the pillars of POSCO's future.  
[Human Resources Development p. 37](#)

**MANAGEMENT STRATEGY DEPARTMENT, MANAGEMENT PLANNING GROUP**  
**Transparent Corporate Governance**  
In addition to establishing POSCO's management strategies, its target is to maintain a transparent corporate governance structure that is a key element in sustainability management.  
[Corporate Governance p. 18](#)

**BUREAU OF GREEN GROWTH**  
**Enhancing steel product competitiveness, and initiating new green growth engine**  
The Bureau response proactively on environmental issues, linking those efforts in identifying new green growth engines to enhance steel product competitiveness.  
[Green Business p. 22](#)

**ENVIRONMENT & ENERGY PLANNING DEPARTMENT**  
**Actively responding to climate change and POSCO Family's Environmental Management**  
Build the global standard of environmental management that will lead low-carbon, green growth  
[Environmental Management p. 58](#)

**SOCIAL CONTRIBUTION DEPARTMENT**  
**Social responsibility activities, communication with stakeholders, overall sustainability management operations, becoming a loved company**  
The Social Contribution Group supervises the overall work related to sustainability management and supports the POSCO Family's efforts to spread the sense of social responsibility and social responsibility activities. It is part of the CR Department along with Public Relations and External Relations, in charge of all-round communication with stakeholders.  
[Social Contribution p. 42](#)

**WIN-WIN GROWTH DEPARTMENT**  
**Mutual sustainable growth between large companies and SMEs**  
The Win-win Growth Department implements various win-win activities such as financial support, technology development and education for the win-win growth of the POSCO Family including subsidiaries and outsourcing partners.  
[Win-Win Growth p. 26](#)

**COMMUNITY COOPERATION TEAM**  
**Communication with the local communities**  
Since its establishment, POSCO has continued efforts for coexistence and win-win growth with the local community. POSCO listens to the issues of the community and tries to find solutions. The community village sisterhood ties program is one of the representative social contribution programs.  
[Participating in Local Communities and Their Development p. 48](#)

**SAFETY INNOVATION OFFICE**  
**Realizing a no-hazard plant**  
The Corporate Safety Department has three strategy areas to ensure a safe working environment for all POSCO Family employees – enhancing safety awareness, making safe processes/facilities, and optimizing the safety system.  
[Safety and Health p. 35](#)








## GLOBAL POSCO WAY

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In April 2007, POSCO established the Global POSCO Way to inherit POSCO's cultural strengths that have been passed on from the past, and to expand and acquire elements required of leaders in the global era. The Global POSCO Way was revised in December 2010, reflecting Vision 2020 and its management principle. The Global POSCO Way is the spiritual model and code of conduct that all POSCO Family members must follow, and is comprised of visions and core values, and action principles that everyone should practice to realize those core values in everyday life. The Global POSCO Way also presents a method of work and corporate culture befitting a world class corporation. It also plays a pivotal role for POSCO members in rapidly changing management conditions, enhancing the interconnection between various managerial activities.



12 Principles for Practicing Core Values		
	CUSTOMER	
	1	Listen to customers and think in their shoes
	2	Value the trust relationship with the customer and seek for win-win growth with the customer
	CHALLENGE	
	3	Don't be afraid of failure and keep challenging for the goal
	4	Think outside the box and find creative solutions
	EXECUTION	
	5	Open your work and continue to eliminate waste elements
	6	Continue process improvement and standardization, and observe them
	7	Put emphasis on the work-site and execution; enhance performance through cooperation
	PEOPLE	
	8	Respect individual character and diversity with an open mind
	9	Enhance competence through active self-development and strive for win-win growth with the job
	10	Put safety first at work and follow it
	INTEGRITY	
	11	Work fairly and transparently, and strive for win-win growth with stakeholders
	12	Recognize the environment as our ethical responsibility and take the initiative for developing environmentally friendly technology and low-carbon lifestyle

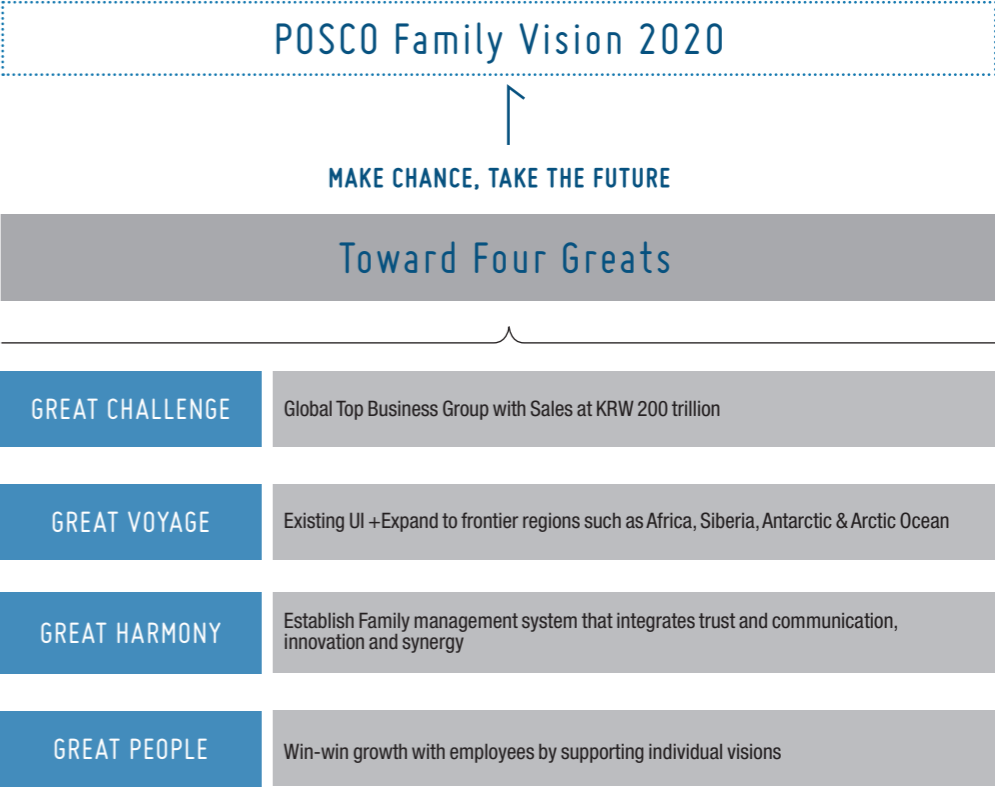
## VISION 2020

### Changes in the Coming Decade, and Our Choice

Today's economic and industrial paradigm is changing rapidly. The world order is shifting from the Western countries including the United States to the G20 that includes emerging markets such as China, Asia, and South America, and new markets such as Africa, Siberia, and the polar regions are emerging fast as well. Corporate management conditions are also experiencing rapid changes. In the industrial sector, wide-ranging technological innovation will take place. Green, materials, and marine businesses will grow rapidly, and the future manufacturing business will evolve. Competition and opportunities between old and new will cross each other and the race for early market dominance will pick up its pace. Competition in the steel industry is expected to rise as well. Domestically, competitors' production capacity will be expanded, while the global market will face cut-throat competition between a few large steel-makers with production capacity of at least 50 million tons. In such competition, the ability to acquire raw materials and green competitiveness will be the key between success and failure.

In a market constantly exposed to uncertainty such as the double dip recession, the competition among countries to secure scarce resources and emerging markets will become fiercer. India and China will rise as the new dominant forces in the global economy. The growth of these countries will greatly increase the number of the middle class, and increased consumption will lead to leaping oil and raw material prices and rapid resource depletion. Thus the use of renewable energy will expand and the evolution toward a green society will also gain speed. In such corporate conditions, only those that adopt the new growth method and can internalize creative transformation will survive. Those that undergo creative innovation with the insight to see the future will move forward, while those that are shortsighted and inward-directed, adhering to the present performance and past methods will wither. Whether a company moves ahead as a leader or declines will depend on their strategic choices.

In response to these changes, POSCO launched the Strategic Planning Division and the Growth Business Investment Division and acquired Daewoo International, fully launching POSCO Family management for future growth and synergy creation. POSCO pursues sustainable growth by developing new technology, expanding to new markets, and investing in new growth businesses. Thus, in 2020, POSCO will become the global top business group that creates new businesses and new paradigm. Based on its steelmaking capacity POSCO will continue to expand its market scope, as well as new businesses including future technologies and new seed businesses. Vision 2020 is the essence of POSCO's commitment toward future growth.



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CORPORATE GOVERNANCE

POSCO continues to refine its corporate governance to enhance the independence of its board of directors (BOD) and the rights of its shareholders under the “Corporate Governance Charter,” which sets forth the vision and principles of POSCO’s governance. POSCO’s BOD is comprised of 5 standing directors and 8 outside directors. POSCO has established a BOD operational structure that centers on outside directors who act as the chair of the BOD or BOD’s expert committees. Outside directors convene exclusive meetings, which institutionally secures the opportunity to make independent decisions. Our cumulative and written voting system significantly enhance the rights of shareholders, and the Internal Transactions Committee ensures transparent and fair transactions with those parties who hold a special relationship with POSCO, such as its affiliates. In order to strengthen the independence of the BOD and its audit function over the company’s management, the 2006 General Shareholders’ Meeting resolved to separate the CEO position from the Board’s chairmanship. The CEO Candidate Recommendation Committee was organized in 2007 and its operating principles were designed to ensure an independent and transparent procedure for electing the CEO. In 2009, we have downsized the Board from 15 (9 outside and 6 standing directors) to 13 (8 outside and 5 standing directors) for a more efficient operation of the Board, and the percentage of outside directors was increased from 60% to 62%. In 2010, the BOD and Expert Committee Activity Evaluation System (BOD Self-Evaluation System) was introduced to enhance credibility, and announced the Outside Director Code of Ethics to ensure responsible and transparent activities of outside directors.

Board Composition

POSCO’s Board of Directors is comprised of 5 standing directors and 8 outside directors. Candidates for the standing directors are screened by the Director Candidate Recommendation Committee which recommends the final candidates to the General Shareholders’ Meeting where their appointment is decided. As for outside directors, the Outside Director Selection Consulting Group comprised of 5 reputable experts from various fields select a threefold of candidates, the Director Candidate Recommendation Committee evaluates the candidates, and the final decision is made at the General Shareholders’ Meeting.

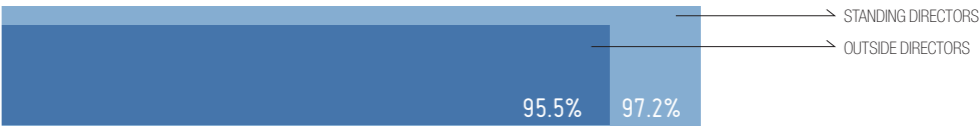
Subcommittees

POSCO BOD has 6 subcommittees and 5 of these, excluding the Management Committee, are chaired by outside directors. The Audit Committee, Evaluation & Compensation Committee and Internal Transactions Committee are comprised solely of outside directors to ensure independent decision-making.

BOD Profiles (As of March, 2011)			
	Name	Experience	Subcommittee Activities
Outside Directors	Yoo Janghee	President of East Asian Economic Association Former vice president for external affairs at Ewha Womans University	Chair of Board of Directors
	Han Joonho	CEO & Chair of Samchully Former CEO of KEPCO	Chair of Finance and Operations Committee Member of Evaluation and Compensation Committee
	Lee Youngsun	President of Hallym University Former professor at Yonsei University Department of Economics	Chair of Director Candidate Recommendation Committee Member of Finance and Operations Committee
	Kim Byongki	Former head of Planning & Coordination Office at the Ministry of Strategy and Finance Former researcher at SERI	Chair of Evaluation and Compensation Committee Member of Audit Committee and Internal Transactions Committee
	Lee Changhee	Professor at Seoul University Department of Law International Director of Korea Tax Law Society	Chair of Internal Transactions Committee and Audit Committee Member of Evaluation and Compensation Committee
	Nam Yong	Advisor of LG Electronics Former CEO of LG Electronics	Member of Candidate Director Recommendation Committee Member of Finance and Operations Committee
	Park Sanggil	Lawyer at Kim&Chang law firm	Member of Candidate Director Recommendation Committee Member of Finance and Operations Committee
	Byun Daegyu	CEO of Humax Holdings Official member of National Academy of Engineering Korea	Member of Candidate Director Recommendation Committee Member of Evaluation and Compensation Committee
	Chung Joonyang	Chair & CEO	Chair of Management Committee
Standing Directors	Choi Jongtae	Exucutive President	Chief Financial and Planning Officer
	Park Hanyong	Executive Vice-president	Head of Corporate Staff Division
	Oh Changgwan	Executive Vice-president	Head of Stainless Steel Business Division
	Kim Jinil	Vice-president	

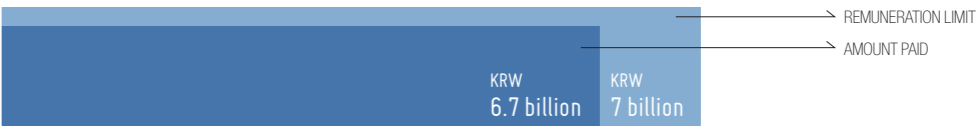
Outside Director Code of Ethics <http://www.posco.co.kr/homepage/docs/kor2/html/company/control/s91a1000010c.jsp>  
C.G Charter, Bylaws <http://www.posco.com/homepage/docs/eng2/html/company/posco/s91a1010050c.jsp>

Attendance



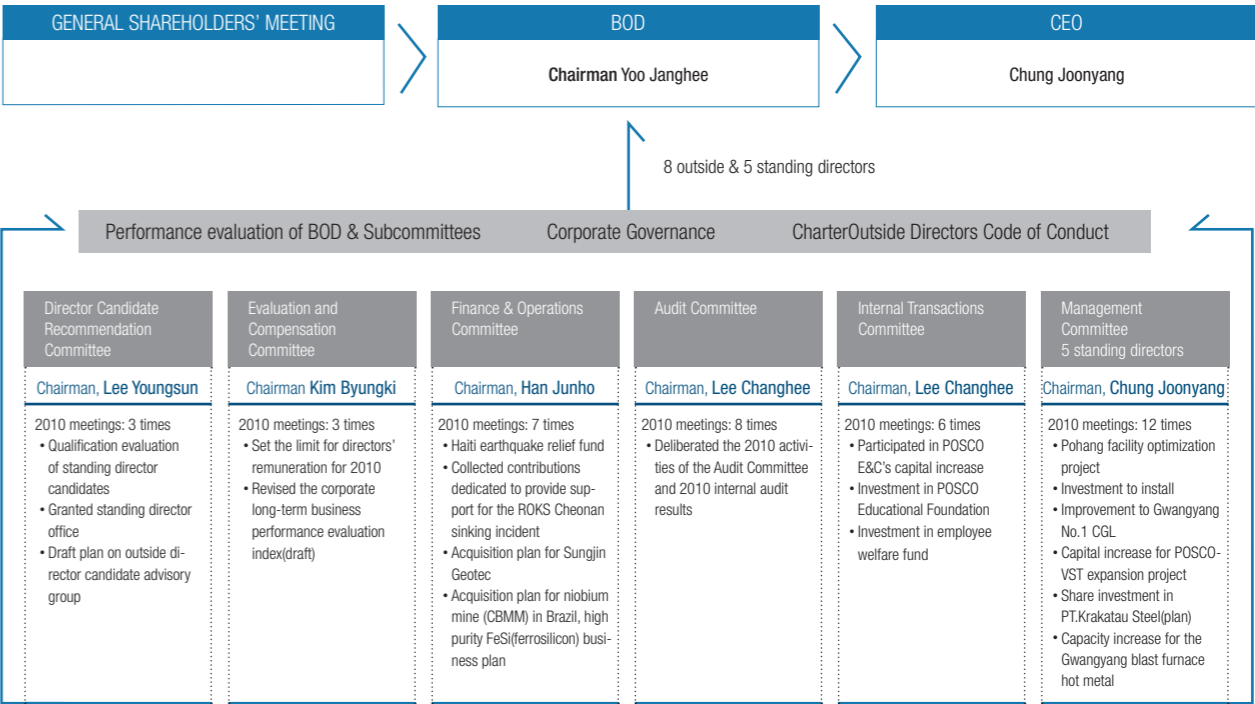
Service from Jan. ~Feb. 2010 : Jeffrey Jones(88%)  
Service from Mar.~Dec. 2010 : Ahn Charles(100%), Son Wook(100%), Park Sangyong (88%), Yu Janghee (100%), Han Junho (100%), Lee Youngsun (80%), Kim Byungki (88%), Lee Changhee (100%)

Remuneration of Outside and Standing Directors: The limit set at the General Shareholders' Meeting is KRW 7 billion, and KRW 6.7 billion was paid.



\* Director remuneration: basic salary + incentive, details are decided at the BOD Meeting after being evaluated by the Evaluation and Compensation Committee  
\* CEO performance salary: qualitative and quantitative appraisals of the corporation's business results.  
\* Standing directors and executive officers performance salary: company's business results and their individual performance evaluation by the CEO.

Composition & Function of Subcommittees	
Subcommittee	Major Function
Director Candidate Recommendation Committee (1 standing & 3 outside directors)	-Evaluation of qualification of director candidates and recommendation of outside director candidates -Election of CEO from standing directors, prior evaluation before appointing subcommittee members
Evaluation and Compensation (4 outside directors)	-Evaluation on executive officers, prior evaluation on compensation, and performance evaluation
Finance and Operations Committee (2 standing & 3 outside directors)	-Prior evaluation on major external investment plans, prior evaluation of BOD operation regulations -Deliberation and decision on financing-related issues and donations of more than KRW 100 million but less than KRW 1 billion
Audit Committee (3 outside directors)	-Execution of legal rights such as auditing of executive officers on their duties, and electing external auditors -Consent of appointment and dismissal of internal auditing executive, execution of duties commissioned from the BOD
Internal Transactions Committee (3 outside directors)	-Prior evaluation and/or decision on internal transactions related to the Monopoly Regulation and Fair Trade Act
Management Committee (5 standing directors)	-Prior evaluation or decision on major internal investment plans -Major issues related to rank system, HR development, working system, and welfare



## ETHICAL MANAGEMENT

The most important thing for a company in the process of achieving its business goals is adhering to the basics and principles in working – in other words, fostering and enhancing ethical management. POSCO implements various activities not only for POSCO but also the POSCO Family that includes subsidiaries and overseas business sites. These activities include continued education and campaigns, and building effective infrastructure so that employees can learn and practice corporate ethics in their day-to-day work.

### Education and Campaigns

#### Spreading Ethical Management throughout the POSCO Family

On-and-off-line activities are effectively linked so that all the POSCO Family employees can participate in the education program and be exposed to various campaigns.

POSCO operates various education programs and builds ethics infrastructure to spread ethical management not only throughout POSCO but also to subsidiaries and outsourcing partners as well. The “Ethics Education with the Executives” is a program where executives learn corporate ethics first and then teach them to employees. The “New Employee Ethics Education” is conducted simultaneously with the subsidiaries, and the “Department Ethics Practice Program” that was introduced in POSCO in 2005 was expanded to the “Family Ethics Practice Program” in 2010, encouraging the participation of the subsidiaries. Under the “Family Ethics Practice Program,” all the employees participate in identifying and improving ethical risks at the Family level under the supervision of the division head. The results are evaluated, and departments with outstanding results are rewarded and also reflected in the employee evaluation. POSCO encourages ethical management to outsourcing partners as well, spreading the values of ethical management and providing support. Since 2010, POSCO has started to provide guidelines for ethical management such as the basic system and infrastructure of ethical management to those outsourcing companies that don't have an internal auditing system yet. In addition, a special clause on ethics is included when a contract is signed between POSCO and an outsourcing partner, under its consent. The clause institutes corresponding sanctions in case of unethical actions, such as bribery, that occur in the course of transactions.

### Risk Prevention at the Global Business Level

Ethical management is an essential element in becoming a true global leader. POSCO demands and supports overseas branches and offices to prevent ethical risks at the global level. POSCO conducts ethics education tailored to the needs of the expatriate employees. The directors of overseas branches were called in to receive education in 2010, and regular employees are required to complete ethics education before being stationed overseas. Ethical management fostering activities are conducted regularly for expatriates and locally hired employees. In 2010, staff from the Ethics Committee visited 24 overseas branches in China, Vietnam, Mexico and Thailand, and performed ethics practice diagnosis and education as well as ethics coaching to 125 expatriate employees and 250 local manager level employees. In 2011, over 8,000 local employees in 60 branches and 25 countries read the Code of Conduct and pledged compliance.

Moreover, POSCO established and executed the “Guideline for Compliance with the Foreign Corrupt Practices Act” in order to respond proactively to the FCPA. The FCPA is a federal law instituted by the U.S. government to prohibit corruption and fraudulent accounting for all companies listed on a U.S. stock exchange, whose enforcement scope is being expanded. The guideline consists of 11 articles covering compliance procedure and method, prohibited actions, internal control, and education, including prohibition of bribery in any form to local or foreign officials. Related details have been included in the 2011 Code of Conduct pledge, and reports and consulting is operated separately.

## Protecting Human Rights through Ethical Practices

POSCO upholds its principle of protecting human rights and respecting humanity through ethical practices. The key-word for ethical practices - consideration for others, win-win, and trust – are reflected in the basic duties in the Code of Conduct, to which all stakeholders are subject. Our goals is to develop and grow with each of our stakeholders by building a company that customers want to do business with, a company investors want to invest in, and a company people want to work for. To prevent this from being a mere ideological declaration, POSCO implements the philosophy through practical systems and campaigns in order to have it embedded in daily activities. The Ethics Counseling Center was opened to adopt appropriate measures or take action on cases where human rights were not respected. The Ethical Dilemma Casebook was published as well, which introduces solutions when faced with ethical dilemmas.

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

#### ONLINE

- Corporate Ethics e-Learning (2004~): 20hrs, mandatory course for all POSCO employees
- Corporate ethics pop-up window, screen saver

#### OFFLINE

- Self-checklist at the back of the ID card
- Monthly publication of corporate ethics webzine “Olbareumi”
- Ethical leadership education (2003~): for the leader group, 4,000 persons yearly
- Visiting Ethics Class (2003~)
- Ethics lectures by division heads

#### Ethical Practice Infrastructure

Pledge to honor the Code of Conduct	• Conducted on-line at the beginning of each year
Whistle blowing program for ethical violations (2004~)	• Ethical Counseling Center or the Cyber Ombudsman Center on POSCO's website, by phone/fax/mail/ internet Total number of reports received were 674 cases
Gift Return Center (2003~)	• Gifts received during the traditional holidays that weren't returned are donated to charities, and those that cannot be donated are sold through internal on-line auctions and the proceeds are used for social contribution funds 952 gifts were returned, auctions held 11 times, and the proceeds totaled KRW 21 million. • Wreath sent to congratulate promotion were auctioned as well (2003~) All proceeds (KRW 16 million) were donated to charity
Corporate Ethics Practice Leader Program	• 1 leader for each division (total 113 persons) are appointed to act as ethics ombudsman

#### Foreign Corrupt Practices Act Guideline (in brief)

**ABIDING BY THE FCPA** POSCO employees and executives will abide by the laws and regulations including the Foreign Corrupt Practices Act. In case of violations, complete immunity will not be granted even if the action at issue was acceptable as customary either socially or in doing business.

**PROHIBITIONS AND EXCEPTIONS** No provision shall be made to an official, whether monetary or other, that is beneficial to that official, except when provisions were made to facilitate business proceedings that are commonly accepted as customary.

**THIRD PARTY AGENT AND JOINT INVESTMENT** Even in cases where POSCO makes transactions with an official through a third party, the FCPA must be observed.

**INTERNAL CONTROL AND AUDIT** Books and records should be kept that accurately reflect business transactions. All expenditures and/or asset dispositions not recorded in the books is strictly prohibited.

**EDUCATION** Employees and executives who meet officials on a regular basis must receive education on the basic regulations of the FCPA and/or the FCPA Guideline such as legal and ethical restrictions when doing transactions with an official.

**REPORTING AND PROTECTION OF INTERNAL WHISTLEBLOWER** When a person has become aware of violations or has suspicions of possible violation, he/she must report to his/her superior, Compliance Committee, or Corporate Ethics Team. The whistleblower who reported an act of violation or possible act of violation must be completely protected as to not receive any disadvantage in relation to employment or any other matter.

**PENALTIES** POSCO employees or executives who have violated the FCPA in their course of duties may be subject to penalties in accordance to employment regulations and award/penalty regulations, as can an employee or executive who has not cooperated with the execution of the FCPA or Guideline. In case an employee or executive has been fined for a civic or criminal penalty, he/she will not be reimbursed from the company.

#### Chronology of Business Ethics





- Feb. 28 Won the grand prize at "Korea's Most Admired Companies and CEO Awards – 2006"
- Jul 27 Published the first issue of online business ethics webzine, "Ethics Digest"

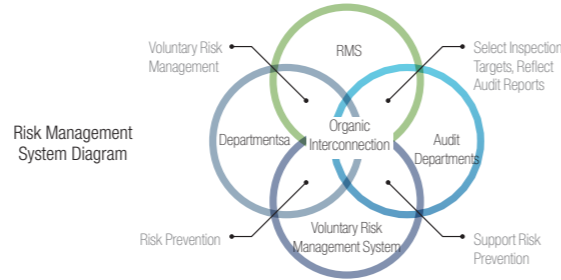
- Feb. 14 Received the grand prize at the "Korea Ethical Management Awards"
- Jun. 05 Published social contribution monthly online webzine "Living Together"



- Feb. 22 Named Korea's Most Respected Company by the Korea Management Association
- Mar. 05 Selected as one of Global Most Respected Companies by Fortune Magazine
- Mar. 24 Published the corporate ethics webzine "Olbareumi"
- Sep. 01 Kick-off of the Family Ethics Practice Program
- Nov.04 200 Most Respected Companies in Asia by Wall Street Journal

2003	2004	2005	2006	2007	2008	2009	2010	2011
June 02 Declared POSCO Code of Conduct July 23 Opened Ethics Counseling Center Aug. 15 Enacted and enforced the POSCO Code of Conduct practice guidelines Aug. 25 ~ Sep. 01 Operated the first Gift Return Center Aug. 01 Implemented the special clause system in contracting	Aug. 24 Implemented a reward program for whistle blowing	Jan. 03 Held pledging ceremony of all employees to honor the POSCO Code of Conduct Jun. 10 Kick-off of the Corporate Ethics Practice Program at the department level Dec. 13 Won the grand prize at the "4th Ethical Management Awards"		Jul. 12 Selected as one of "Asia's Most Admired Companies" by Business Week Sep. 28 POSCO introduced as case study at the ECOA Annual Conference Oct. 16 Amended part of POSCO's Code of Conduct to include articles prohibiting sexual harassment	 	Mar. 05 Conducted internal auction for wreaths sent to congratulate employees and executives on their promotion Apr. 21 Received the grand prize from the Federation of Korean Industries (FKI) at the "Respected Corporation and CEO- 2009 Award" Aug. 31 Published the "Ethical Dilemma Casebook"		Jan. 03 Established and executed the "Guideline for Compliance with the Foreign Corrupt Practices Act" Mar. 04 Code of Conduct pledge ceremony of the locally recruited employees at the overseas branches Feb. 24 Named Korea's Most Respected Company by the Korea Management Association Mar. 07 Selected as one of Global Most Respected Companies by Fortune Magazine

## RISK MANAGEMENT SYSTEM



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### Building Voluntary Risk Prevention System

POSCO built the Risk Management System (RMS) in 2004. The system classifies the company's work processes, identifies and assesses the risk for each of the classified work processes, and manages the risk according to risk level. For the effective operation of the RMS and reflecting of changes in the business environment, POSCO has organically integrated risk management activities between the on-site departments and audit departments. The Audit Portal System built in 2006 enables audit personnel to check major risk factors at any time. The Audit Portal System minimizes any potential blind-spots. Based on the notion that risk management begins at the working departments, POSCO upgraded the Audit Portal System one step further to Voluntary Risk Prevention System so that on-site staff can manage risks directly. The Voluntary Risk Management immediately notifies the department manager by e-mail when a risk is identified, so that appropriate measures can be taken before the problem is aggravated. The system that has been built during 2 years since 2008 notifies 110 types of risk signs related to purchasing, sales, investments, maintenance, and production. POSCO employees and executives pay close attention to signs of anomaly in areas that have been identified as requiring tight control by the department manager. Meanwhile, the audit departments provide support in updating various risk factors so that they may reflect the changing business conditions, and spread model cases in order to fully integrate the system with the working departments. Thanks to these efforts, the Voluntary Risk Management system has been recognized for its effectiveness in managing risks.

### Enhancing Risk Prevention Activities

POSCO operates the Audit Control System to accumulate auditing know-how and to prevent the recurrence of the same risk through systematic follow-up and management. In 2010, in addition to making improvements to the internal process, overseas subsidiary management diagnosis was strengthened, issuing 670 administrative measures (instructions and improvement) and 120 personnel affairs measures (disciplinary action and warning). After receiving consulting to get to the root of repeated unethical actions, the number of audit comments on faulty behavior decreased from annual average of 81 to 31, and complaints decreased from 22 to 14 annually. POSCO provides an online audit guidebook that can be used as education material for preventing unethical actions. POSCO's continued efforts at risk prevention include operating the work-related dilemma counseling center, discussion groups, and on-site consulting. With the declaration of Vision 2020 in 2011, POSCO will further expand management diagnosis activities in tandem with the expanded businesses and newly joined subsidiaries, as well as risk prevention related to the FCPA\* owing to expanded overseas business as well. Risks will be dealt with at the source through preventive and corrective auditing, and follow-up monitoring will be strengthened to prevent the risk from recurring.

\* FCPA (Foreign Corrupt Practices Act): The anti-corruption act of the United States passed in 1977. It prohibits bribery to foreign officials or political parties.

### Financial Reporting and Internal Controls

POSCO is listed in the Korean and New York stock exchange. As such, in December 2003, it established the CEO/CFO certification procedure on disclosure and internal control, and established a system of evaluating the internal control of the financial reporting system, including launching of the Disclosure Committee. Under the Sarbanes-Oxley Act\*, which requires external auditors' certification beginning from fiscal year 2006, POSCO completed the internal control evaluation system in March 2005 for the POSCO Group and its subsidiaries. External auditing was started in 2006, enhancing the credibility of our financial reporting and disclosures. As for the financial reporting internal control system, we hired an external consulting agency and used the Standard Control Activity Framework presented by COSO\*\* and the U.S. SEC to document key processes in 10 sectors, evaluate job risk factors and design control activities. In addition, since POSCO must evaluate its internal control system annually, a web portal evaluation system was built that makes it possible to log in to all the divisions at once to execute internal control evaluation.

\* SOX (Sarbanes-Oxley Act): U.S. law on accounting and reform introduced in July 2002 that requires more stringent accounting controls

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

### Internal Control Evaluation System

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

## FAIR TRADE

Since POSCO adopted the Compliance Program (CP) in 2002 to conform to a fair market order and promote liberal competition, it has continued its efforts to foster the culture of voluntary compliance. Since 2004, POSCO's BOD nominates the CP Director who is in charge of the overall supervision of the Compliance Program and reports the operation status to the Board on a regular basis. The Internal Transactions Committee installed under the BOD in 2004 has deliberated on 59 agendas until 2010, while the Fair Trade Support Team was installed in 2004 as well to oversee fair trade related operations and foster a voluntary compliance atmosphere within the company.

### Compliance Committee

The Compliance Committee is comprised of the heads of those departments most relevant to fair trading, such as marketing, purchasing, and outsourcing. Important issues related to the Compliance Program are discussed at regular meetings. The organization under the Compliance Committee appoints the Compliance Leaders to assist Compliance Committee members and provide consultation related to compliance issues to the departments.

### Education Program

The fair trade education programs and e-learning courses first installed in 2002 have gone through major renovations in 2008 and reopened with new courses. Employees and management that have completed the course in 2010 number 37,016. In 2010 1,454 employees including new employees, promoted employees, and staff from related departments such as sales/purchasing, and employees from subsidiaries have taken the courses, which were held 29 times. POSCO also conducts voluntary compliance education, and invites specialists from external institutions such as the Fair Trade Commission for practical training. In 2004, POSCO launched the Fair Trade Website facilitating online self-audits and consultation. The self-audit system has been enhanced by designating 7 key departments such as sales, purchasing, and outsourcing as mandatory self-audit departments. The website's main role is to provide "a department-level self-audit and consulting system," which is an internal monitoring system. Fair trade related departments conduct self-audit by referring to the checklist, and if possible breaches are identified, must consult with the company's compliance department. For an even upgrade of fair trade practices throughout the Group, POSCO has expanded its Fair Trade website to subsidiaries' integrated fair trade website since 2009.

### 2010 Performance

In 2010, POSCO received an AA grade at the CP evaluation hosted by the FTC\* and evaluated by the Korea Fair Trade Mediation Agency, obtaining AA grade three times consecutively ('06, '08, '10) – a first among Korean companies. In addition, we conducted an internal audit on our subsidiaries regarding compliance of the Subcontracting Law to further support mutual growth. We heightened our employees and management's awareness on fair trade through articles on the webzine, and publishing/distributing a guidebook that reflects revisions to the Fair Trade Act. POSCO supports subsidiaries to implement the CP as well. As of 2010, 13 Family member companies operate the CP. The "Fair Trade Academy" was held 3 times to disseminate the culture of voluntary compliance at the POSCO Family level and enhance the capacities of the fair trade personnel. As a result of these efforts, POSCO Family member companies received excellent grades (2 AA grades and 2 A grades) at the 2010 CP evaluation by the FTC.

\* FTC: Fair Trade Commission

### Future Direction

In 2011, POSCO will dedicate itself to the dissemination of voluntary compliance and strengthening the CP culture on a POSCO Family level. POSCO will enforce the basics of CP operations such as strict preventive education and monitoring, supporting win-win growth activities, and promoting the CP network. In addition, POSCO will actively disseminate CP to subsidiaries by opening the "Fair Trade Academy" each quarter, enhancing CP personnel's work capacity.

Compliance Program in Subsidiaries						
	~ 2003	2006	2007	2008	2009	2010
Subsidiaries	POSCO E&C	POSCO C&C	POS-M	POSTEEL	POSAC	Daewoo Engineering
	POSDATA	POSCON	POSMEC	POSIMATE	POSCO Power	
	POSCO Specialty Steel	POSREC			SNINC	
		Samjung P&A				
No. of Companies (Aggregate)	3	7	9	11	14	15(13*)

\* Stands for POSCON and POS-M that underwent M&A.

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Together with All the Stakeholders, POSCO  
will Create a Sustainable and Valuable Future

IT HAS BEEN 43 YEARS SINCE POSCO HELPED BUILD THE NATION BASED ON BASICS AND PRINCIPLES.  
NOW POSCO GOES BEYOND TO OPEN THE AGE OF 3.0

We put our soul and effort toward POSCO Family Vision 2020  
To become the Global Top Business Group with KRW 200 trillion in sales  
Through Open Management that will enable win-win growth with all the stakeholders  
Environmental Management that will bring a green world to life  
And Creative Management that will fuel new growth and future value

WIN-WIN GROWTH

POSCO’s win-win growth management starts from trust with the stakeholders. CEO Chung Joonyang’s principle of “When there is a conflict between stakeholders’ trust and POSCO’s interests, put trust first,” has propelled trust as the core of POSCO’s win-win growth management. As a basic industry of the country, POSCO continues to seek win-win prosperity with SMEs based on trust, support their capacity building activities so that they may grow as global corporations. POSCO will grow with all the stakeholders, contributing to the advancement of the country and community.

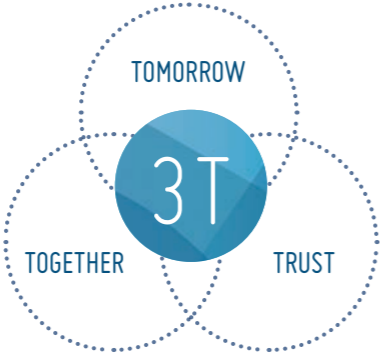
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Win-Win Growth Department

POSCO expanded the SME support team established in June 2005 into the Win-Win Cooperation Department in November 2008, and in February 2009, it was transferred to come under the direct supervision of the CEO. In March 2011, it was renamed as the Win-win Growth Department to go beyond just win-win cooperation toward building a future-oriented relationship with the SMEs, and provide wide ranging support covering not only first tier partners but also 2nd~4th tier partners as well.

POSCO operates 65 win-win growth programs in all the sectors of business including technology cooperation, financial assistance, purchasing and sales, education and training, sales network support, and management consulting. POSCO also puts its efforts to enhance the POSCO Family’s corporate ecosystem competitiveness by various activities and measures such as signing win-win growth and fair trade agreements, implementing win-win growth activities at the POSCO Family level, and listening to SMEs’ opinions under the direction of the CEO. In particular, the “POSCO Family Executives Win-win Growth Support Team” was launched in 2010, whereby win-win growth performances are reflected in executives’ evaluation, and all the executives of the POSCO Group visit an SME once a month for on-site experience, listening to the difficulties they are facing, and provide consulting support.

The motto of the POSCO Family level win-win growth is “3T”.  
It means building future-oriented (Tomorrow) relationships with the 1st tier as well as 2nd~4th tier suppliers based through confident building (Trust) to achieve win-win growth (Together).



POSCO's Win-win Growth Efforts				
1999~2004	2005~2007	2008	2009	2010
<p><b>1999~</b></p> <p>Early payment to suppliers before the holidays Placing construction orders under KRW 5 billion with SMEs Joint research with SMEs</p> <p><b>2003</b></p> <p>Improving treatment for outsourcing partners</p> <p><b>Jun.</b> Introducing CRM system for SME customers</p> <p><b>Jul.</b> Introducing SRM, a first among global steelmakers Green partnership with SMEs</p> <p><b>2004</b></p> <p><b>Jul.</b> Introducing Benefit Sharing program, a first in Korea</p> <p><b>Oct.</b> Launching Network Loans</p> <p><b>Nov.</b> Selected as SME Job Training Consortium participant</p> <p><b>Dec.</b> Initiating full cash settlement for purchases from SMEs</p>	<p><b>2005</b></p> <p><b>Jun.</b> Launching SME support team Participating in new product development under purchasing condition</p> <p><b>Sep.</b> Operating Win-win Cooperation Committee at subsidiaries Assistance Fund for POSCO Partners</p> <p><b>2006</b></p> <p><b>Jul.</b> SME Patent Consulting Center</p> <p><b>Aug.</b> Transferring of POSCO's patented technologies</p> <p><b>Sep.</b> Techno Partnership (Pohang)</p> <p><b>2007</b></p> <p><b>Apr.</b> Expansion of Techno Partnership (Gwangyang)</p> <p><b>Jul.</b> Energy-savings corporate col-laboration projects</p>	<p><b>May.</b> SME new employees adaptation program</p> <p><b>Jun.</b> Consulting services to suppliers</p> <p><b>Jul.</b> Introducing the Management Doctor program</p> <p><b>Aug.</b> Supporting QSS innovation activities</p> <p><b>Sep.</b> Techno Partnership Accomplishment Presentation</p> <p><b>Nov.</b> Fostering "World Best, World First" products</p> <p>Launching the Win-win Department Agreement on a Special Fund for Win-win Cooperation</p> <p><b>Dec.</b> Agreement on a joint R&amp;D fund by private and public sectors</p>	<p><b>Jan.</b> Low interest loan for facilities investment Win-win Guarantee Program Agreement</p> <p><b>Mar.</b> Opened the "POSCO Suppliers Recruitment Center" at the Job World website</p> <p><b>Apr.</b> Launching ceremony for the Supply Chain Innovation Support Group</p> <p><b>May.</b> Pan-POSCO Win-Win Cooperation Conference</p> <p><b>Jul.</b> Supporting outsourcing service providers' environmental management</p> <p><b>Aug.</b> Supplier safety control consulting</p> <p><b>Sep.</b> POSCO Family Network Loan</p> <p><b>Nov.</b> POSCO Family Win-Win Cooperation Festival</p>	<p><b>Apr.</b> Held POSCO Family Win-win Cooperation Meeting</p> <p><b>Jun.</b> Established POSCO Group Suppliers' Code of Conduct</p> <p>Signing ceremony for the Root Industry Performance Bond Contribution Agreement</p> <p><b>Aug.</b> Strengthened function of the POSCO Family Win-win Growth and Fair Trade supervising departments</p> <p>Win-win Cooperation and Fair Trade Agreement with SME suppliers, announced policy to enhance win-win growth</p> <p>CEO Chung Joonyang's second visit to the supplier</p> <p><b>Sep.</b> Started to reflect win-win growth in executives' performance evaluation</p> <p>Held POSCO-Kbiz Conference Published Win-win Growth Program Guidebook</p> <p><b>Oct.</b> Launched the POSCO Family Win-win Growth Support Team</p> <p>Inaugurated the POSCO Family 2nd~4th Tier Suppliers Council</p> <p>Opened the "Cyber Complaint Report Center"</p> <p><b>Nov.</b> Held POSCO Family Win-win Growth Festival</p>

TECHNOLOGY COOPERATION SECTOR

Techno Partnership (Customized technology support project for SMEs)

Joint R&D fund/ New Product Dev. Purchasing program

Boosting Transfer of POSCO's Patented Tehcnology

Fostering World Best, World First Items



In 2009, POSCO established a Technology Consulting Group in collaboration with POSTECH, RIST, and Pohang Technopark , and has been providing technological support to SMEs at no charge. The Technology Consulting Group signed Techno Partnership agreements with SMEs in the Pohang and Gwangyang areas, and has undertaken 86 cases of technology consulting. The SMEs who have entered the partnership are provided with cusomized consulting and can use testing and research equipment for free. In June 2010, the Techno Partnership program has been expanded to 5 Family member companies with their own research labs. POSCO started technology consulting to companies in the Gyeonggi Province and Incheon area through the Songdo Global R&D Center since March 2011.

In December 2008, POSCO signed the Private & Public Sector Joint R&D Fund Agreement with the SMBA (Small & Medium Business Administration) and raised KRW 10 billion in R&D Fund, and undertook 12 projects as of the end of 2010. POSCO also participated in the new product development under purchasing project. Under the "New Product Development under Purchasing Condition" program, when a SME develops a product that a large company needs, the SMBA supports development costs (up to KRW 500 million), and the large company guarantees to purchase the product for a given period.

•**Patent Consulting Center** POSCO has opened a patent consulting center to facilitate the SMEs' utilization of POSCO's technologies and to encourage their creativity. The center provides consulting related to technology transfer, patent information and work-related invention. Inquiries can be made to our regional centers at Pohang and Gwangyang via phone, mail, e-mail or visitation.

•**Supporting SMEs with POSCO Owned Patents and Intellectual Rights** Together with RIST and POSTECH, POSCO provides its intellectual property to SMEs. SMEs looking to utilize POSCO-owned technologies can inquire with the Patent Consulting Center, or log in to the steel-N.com website, search the relevant patented technology, fill out an application and send it via e-mail. In 2010, 20 cases for 14 SMEs have been provided without royalty, and we are currently maintaining 138 patented technology transfer contracts with 106 SMEs.

•**Full Support of Application Expenses for Joint Patents** POSCO shoulders the entire burden of patenting expenses from application, registration, and holding the patent rights for joint patents with SMEs. Following 29 applications for 25 SMEs in 2009, we applied for 22 joint patent cases with 22 SMEs.

POSCO establishes a cooperation system with outstanding suppliers and customers and cultivates them to grow into companies with the world's best technology and products, in order to secure the world's most competitive corporate ecosystem. Outstanding SMEs who have global competitiveness with world best, world first items receive all applicable win win growth support programs from POSCO.

**SUPPORT PROGRAM**  
Systematic support is provided through POSCO's Support Group/Technology support through the Techno Partnership program/Management consulting, management doctoring, and QSS consulting/Exclusive supply contract spanning up to 3 years until item development is completed. 2010 Result: 139 items selected, including Sung Jin Engineering & Industry's high corrosion resistant conductor roller.

Number of new product development projects by year under purchasing condition							
	2005	2006	2007	2008	2009	2010	Total
Purchasing condition projects	1	13	24	11	14	1	64
Public & Private Sector Joint R&D Fund	-	-	-	-	6	6	12

Expense coverage in joint patenting			
Year	2008	2009	2010
Number of patenting expenses that were paid by POSCO	8 cases, 7 companies	29 cases, 25 companies	22 cases, 22 companies

Operation status of Techno Partnership Program	
Participants	5,049 persons
Consulting Service	2,072 times
Test Analysis	870 cases
Participant Panels	Pohang: POSCO, POSTECH, RIST, Pohang Technopark, POMIA* Gwangyang: POSCO, Jeonnam Technopark, Sunchon University

\* Pohang Institute of Metal Industry Advancement

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Full Cash  
Settlement for  
Purchases from  
SMEs

In a bid to assist SMEs in stabilizing their businesses, POSCO adopted a full cash settlement policy in 2004 for purchases made from SMEs. In addition, in advance of the holidays when capital needs surge, we reschedule payments from twice a week (within 3 days of delivery) to everyday beginning from 1 week prior to the holidays. POSCO is also expanding this win-win cooperation basis to 2nd~4th tier partners who are not in direct transactions with POSCO. In order to induce improvement in payment terms, when a SME supplier pays cash to the 2nd~4th tier partners, we offer incentives in supplier performance assessments.

Assistance  
Fund for POSCO  
Partners &  
Network Loans

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

Win-Win  
Cooperation  
Special Fund

In order to help SMEs with funding issues in the aftermath of the global financial crisis, POSCO entered into an agreement with Shinhan Bank and Woori Bank in November 2008 for a KRW 200 billion special fund to start extending loans from December 2008. POSCO opened a low-interest rate deposit account with the aforementioned banks, which in turn created a fund of the same amount so that they can grant loans to SMEs. Thus, SMEs trading with POSCO can get loans at preferred interest rates within the limit of KRW 2 billion. As of the end of 2010, loans made through the Win-Win Cooperation Special Fund amount to KRW 96.4 billion.

Win-Win  
Guarantee Prog.  
& POSCO Family  
Network Loans

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

Low Interest  
loan for Facilities  
Investment

POSCO supports outsourcing partners who lack funds for facility investment. This program provides up to KRW 20 billion per year for 3 years (total of KRW 60 billion) from 2009 to 2011 directly to the outsourcing partners at 1% interest rate. It is a long-term low interest loan that outsourcing partners can repay in installments over 3 years' period. As of 2010, POSCO provided KRW 25.9 billion directly to 28 outsourcing partners.

Facility  
Purchasing  
Interim Payment

Along with the facility purchasing prepayment program that has already been in operation, POSCO launched the facility purchasing interim payment program in 2010, to assist SMEs in production and operation funds. Under the facility purchasing interim payment program, POSCO makes interim payments to suppliers to alleviate their burden due to the long delivery time and large capital required, and help maintain liquidity. SMEs with contract amount exceeding KRW 100 million and period of over 180 days are eligible. After 1/2 of the contract period has passed, POSCO pays 30% of the total contract amount, minus the prepaid amount.

Root Industry  
Performance  
Bond Program

Root industries are the foundation of Korea's manufacturing business. However, they face difficulties in terms of financing due to the notion of being a “3D industry” with low profitability that leads to low credit ratings. Root industries refer to the 6 sectors of casting, molding, welding, plastic working, surface treatment, and heat treatment. In order to alleviate funding difficulties of the SMEs in the root industry, POSCO participated in the “Root Industry Performance Bond Program” initiated by the Machinery Financial Cooperative, raising KRW 100 billion in performance bond. As the 6 root industries consist of casting, molding and surface treatment that is related to steelmaking, POSCO plans to expand support activities as part of increasing the corporate ecosystem's competitiveness.

Funding Support (KRW billion)						
Root industry performance bond program	Joint R&D fund by private and public sectors/ Facilities investment support	POSCO Family Network Loan	Win-win Guarantee	Suppliers support fund	Win-win Cooperation special fund	Total
100	30	500	330	200	200	1,360



Benefit Sharing

Introduced in July 2004, POSCO's Benefit Sharing system promotes joint improvement activities with its suppliers, allowing both sides to share in the ensuing benefits. In addition to other incentives including long-term contracts, benefits are shared at up to 50% of the returns or savings, for a period of up to 3 years. As of 2010, a total of 713 suppliers of the POSCO Group joined the program and performed 1,302 improvement cases. Among them, a proven KRW 40.2 billion was returned to 367 suppliers. In particular, beginning from 2011, POSCO will help provide technology support to 2nd~4th tier SME partners through the Techno Partnership program, and relay the improvement ideas as Benefit Sharing projects so that all partners from 1st tier to 4th tier can share the benefits.

POSCO Certified  
Partners (PCP\*)

POSCO's Certified Partners (PCP) fosters the development of PCP suppliers as global expert item (sourcing group) suppliers with world class technology and quality. POSCO provides PSPs with various privilege programs at the POSCO Group level. The selection criteria include excellent performance in the SRM evaluation by our sourcing group for 2 consecutive years, and a supply track record exceeding a certain amount.

\* PCP: POSCO Certified Partner

Support in SME  
Order Volume

POSCO provides practical support to domestic SMEs by diverting steelmaking facility orders that were given to large overseas companies to domestic SMEs, thereby helping them overcome crises and secure a stable basis for growth. In addition, when ordering large-scale project facilities to construct or expand its plants, POSCO identifies items that can be purchased from SMEs at the project assessment phase to allocate part of the purchase order to SMEs that used to be placed only at large companies.

Efforts for  
Win-Win  
Growth with SME  
Customers

•**Flexible pricing and stable supply for foundry pig-iron buyers** In order to enhance competitiveness of the foundry pig-iron industry, POSCO postponed price hikes and offers discounts, and supplies substitute products to replace expensive imported products. As of 2010, the amount supported by postponing price increase amounts to KRW 6 billion, and discounts KRW 7.7 billion.

•**Optimizing steel materials used by customers and localization of imported materials (developing cost saving steel types)** POSCO ceaselessly develops steel types that can shorten the steel material treatment process to help SMEs' cost competitiveness. The representative product is the non-heat treated steels. As of 2010, POSCO developed 2 cost reduction type steel of which sold 40 thousand tons.

POSCO Group  
Supplier Code of  
Conduct

With the purpose of encouraging all SMEs trading with POSCO to fulfill their responsibilities as global corporate citizens, POSCO established the POSCO Group Supplier Code of Conduct in June 2010. This code is the minimum qualification for a company wanting to do business with POSCO. Suppliers must make electric signatures through “e-Procurement,” which is POSCO's e-commerce system ([www.steel-n.com](http://www.steel-n.com)).

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

Yearly POSCO Certified Partner Status



## EDUCATION & TRAINING/ MANAGEMENT CONSULTING SECTOR

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### SME Job Training Consortium and Culture Classes

### Management Consulting



POSCO is contributing its capacities to the Job Training Consortium as well, which trains prospective new employees and employees currently working at SMEs. In 2010, a total of 46,819 SME employees finished 39 off-the-job courses and 46 e-Learning courses. In the same year, Culture Classes targeting POSCO and outsourcing partners, SME employees and their families were held 11 times.

•**Customized SME Consulting** POSCO taps into its expert personnel to provide management consulting, helping SMEs solve their weak spots and chronic problems, and enhancing their core capacities and competitiveness. Consultants are POSCO MBB (Master Black Belt) holders and in-house specialists who work with SMEs for a period of 1~6 months. In 2009, 22 companies that POSCO and its affiliates trade with, and in 2010, 27 companies received this service.

•**QSS Consulting** QSS (Quick Six Sigma) consulting service is designed to spread and establish POSCO's onsite innovation experiences to its suppliers, supporting SMEs' production site innovations. POSCO's QSS consultants help suppliers reduce wastage by drawing up working protocols for major processes, enhancing the efficiency of inventory management and reorganizing space utilization as well as 5S and "My Machine" activities. QSS consulting was recognized as having helped SMEs eliminate waste elements. In 2010, all 68 POSCO Group companies participated in QSS consulting.

•**Management Doctor Program** This program taps into the expertise and knowledge of former executives of large corporations to help SMEs enhance their competitiveness. A triangle partnership between the large corporation, SMEs and the Consulting Group of the Federation of Korean Industries supports SMEs in improving their management conditions. The program complements the business consulting and QSS consulting services, offering assistance in sensitive areas such as management strategy building, HRM and marketing. In 2010, POSCO conducted consulting to 10 SMEs wanting to participate.

## INTERVIEW



CEO Park, Heung Won  
(Sung Jin E&I)

### *Securing a stable market for SMEs is the key*

#### How did Sung Jin E&I come to do business with POSCO?

Although Sung Jin E&I and POSCO haven't known each other for long, the bond is quite strong. Sung Jin E&I became POSCO's strategic purchasing partner for rollers in 2000, and was designated as PCP for 5 consecutive years from 2006 to 2010. In 2008, Sung Jin received the POSCO President's Award for outstanding Techno Partnership activities, Large and Small Companies Cooperation Award, President Award for Outstanding Corporation, and in 2009 received POSCO CEO's Award for outstanding QSS activities, and was selected POSCO's supplier of the year in 2009.

#### What support did you receive through the Techno Partnership?

We were going through endless trial error joining the parts in molten state during production of conductor rollers due to the material's characteristics. Losses were big too. That was when POSCO came to us. It was registered as a Techno Partnership project in 2007, and we received support in testing equipment and excellent human resources. I was very happy to have found the fast route to success.

#### What did POSCO contribute in the win-win cooperation sector?

POSCO boasts an excellent and diverse win-win cooperation program. I think the best of them all is the 3-year long term contract system. For SMEs, securing a stable market is most important.

#### What is Sung Jin E&I's plan in innovation and competitiveness?

Sung Jin E&I signed the QSS Implementation Agreement in August 2007, and is actively implementing the 5S movement, as well as the Techno Partnership program. In order to enhance employees' work capacities, we are participating in the SME Job Training Consortium supervised by the POSCO Human Resources Development Center, putting our efforts in making the world's best product.

## POSCO Family Win-Win Growth Support Team

## Cyber Complaint Report Center

## MARKET SUPPORT SECTOR

## Support in Overseas Market with Overseas Mills and Facility Suppliers

## SME Promotion at Overseas Processing Centers

## Supporting SME exports through Daewoo International

The POSCO Family Win win Growth Support Team that was launched in October 2010 is an SME support team comprised of POSCO Group's executives with the goal of spreading and establishing the win win growth atmosphere throughout the whole POSCO Family. The POSCO Family executives participating in the Win win Growth Support Team make personal visits to SMEs once a month to experience the SME working conditions, and conduct pro bono activities in legal and tax matters. The Support Team started out with 196 executives from 13 Family companies. As of the end of 2010, it provided assistance to 105 companies, and as of February 2011, the Team expanded to 225 executives from 23 POSCO Family members.

In October 2010, POSCO opened the Cyber Complaint Report Center to collect and solve SMEs' complaints and difficulties more actively. The Cyber Complaint Report Center is located in the first page of POSCO's homepage (www.posco.co.kr), making it easily accessible to SMEs. In addition, it is divided into 4 parts – ethical management, win win growth, purchasing, and sales – making it easy to submit opinions and complaints.



POSCO helps its suppliers to secure overseas sales outlets by introducing outstanding suppliers to overseas steel mills or facility providers. Thus, domestic suppliers can secure a stable market to enhance their competitiveness and grow into global corporations with world class quality and technology. In addition, when meeting with overseas steel-makers, POSCO introduces outstanding suppliers, providing them an opportunity to make a presentation. Outstanding suppliers can also accompany POSCO in overseas benchmarking or market survey. They can participate in POSCO's investment projects in China, India, and Vietnam as business partners, or form a consortium with POSCO to participate in overseas projects business.

POSCO operates a SME product promotion center at overseas processing centers to support their overseas marketing. In 2009, POSCO opened 3 promotion centers in Thailand and 4 in India. In 2010, 320 visitors came to the Thailand promotion center and 680 in India. Visitors saw for themselves the excellent products made by POSCO's SMEs.

POSCO utilizes the broad overseas network of Daewoo International, an affiliate and one of the major trading companies in Korea, to help customers and suppliers open new overseas markets. This is achieved by providing local market information and giving opportunities to meet local buyers. In 2010, POSCO aided one of its customers Intelsteel to make a KRW 66 million sale to a Japanese buyer. Helping SMEs secure overseas markets takes place actively in Malaysia, the Philippines, Russia and China.

## CASE STUDY

### DONGJOO INDUSTRIAL CO. — The Turkey Exchange Meeting that Opened a New Doorway for Exports

Dongjoo Industrial Co. (President Ra Chaehong) is a parts maker that supplies roll chocks, coil sleeves, protection liners, and strippers to major domestic and overseas steel mills. In reverse thinking, the company invested in facilities during the foreign exchange crisis. In 2009 where the global economy made a downturn, Dongjoo achieved 25% growth in sales compared to 2008. POSCO was behind such success. Since 2005, Dongjoo took advantage of the overseas market support program that POSCO provides as a privilege program for PCPs. POSCO supported PCPs secure new sales destinations by introducing them at exchange meetings with overseas steel mills or facility suppliers. In 2006 at the exchange meeting between POSCO and Edmir Steel Mill of Turkey, POSCO introduced Dongjoo's roll chock which opened the doorway for exports. As a result, Dongjoo Industrial Co. won the "5 Million Dollar Export Award" in 2007, followed by the "10 Million Dollar Export Award" in 2009, and made a name for itself as a proud global SME.

# CREATING CUSTOMER VALUE

In the future market environment, a company will continue to grow when it creates value for the customer and helps them succeed. POSCO provides custom tailored value to the customer and further enhances that value to build a relationship of long-term trust and win-win growth. Customer value can be created through customer oriented marketing that is based on an accurate understanding of the customer and win-win cooperation.

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## Customer-Oriented Marketing

The POSCO CEO firmly believes in customer-oriented marketing - serving the customer, win-win with the customer, and winning the customer's trust. The core value of customer-oriented marketing is to create customer value and realize Marketing 3.0. While appealing to the mind and heart of the customer were "Marketing 1.0" and "Marketing 2.0" respectively, putting our spirit into our products and services to give joy to the customers and becoming the stepping stone for their success is what "Marketing 3.0" is about.

POSCO implemented a customer-oriented marketing program to realize Marketing 3.0. In the aspect of marketing strategy, POSCO established marketing strategies for each customer and region, and in the organizational aspect, the structure was adjusted from product-based to a customer and industry-based structure. The KAM (Key Account Management) department was set up to tend to key customers. To encourage customer-oriented mindset in all marketing staff, a new vision structure was established in June 2010. The structure sets the direction for creating customer value based on the motto "Your Trust and Success, Our Tomorrow."

Brand marketing to expand communication with the customers, and capacity-building programs for our marketing personnel that reflects changes to the marketing condition are all part of our commitment to creating customer value through customer-oriented marketing. Through these programs, POSCO now has a deeper understanding of the customer and the industry, and strives to provide value tailored to the customers and even fulfill customers' hidden needs as well. Value creation that was limited to POSCO marketing and customer purchasing was expanded to include purchasing, marketing, production and R&D that covers all sectors to provide various services and solutions, and including even the customers' customer in the value creation scope.



## VISION STATEMENT

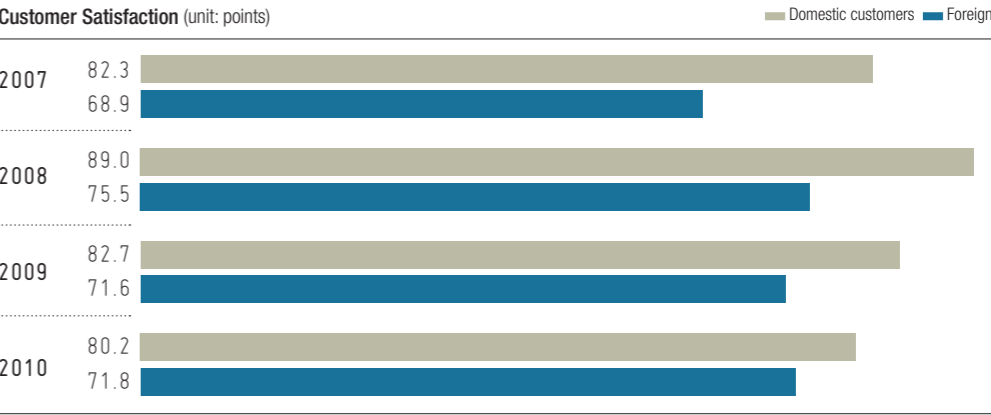


## Maximizing Customer Satisfaction

POSCO conducts annual customer satisfaction surveys to identify customers' reaction, complaints, and improvements to be made to its services and products in general. In the survey conducted on 225 domestic and 153 overseas customers, the satisfaction rate for domestic customers was 80.2, and overseas customers 71.8. Based on the survey results of 2010, POSCO analyzed elements of customer dissatisfaction, identified improvement tasks, and is currently implementing them at the POSCO level including the head office, overseas sales branches, processing centers and trading companies. POSCO has established a systematic e-learning course to help point-of-contact sales staff to actively implement customer value creation activities with a customer-oriented mindset. The core human assets will be the driving force that will enable POSCO to be the global business leader in cut-throat market circumstances both domestically and abroad.

However, POSCO's education program does not stop at capacity-building for its own employees only. POSCO provides product education for mutual growth with the customers as well. The product education helps participants understand the product and process, share information with other customers in the same industry to bond and enhance win-win partnership between customers.

Since 2003, POSCO has been operating the CRM (Customer Relationship Management) system that accumulates integrated customer data. The CRM system enables POSCO to keep track of business history with the customer and operates an integrated database that helps it better understand the customer to provide services tailored to the customer's needs. POSCO improves the level of customer service and the efficiency in sales and marketing.



## CASE STUDY

### EVI ACTIVITIES — Suggests and provides beforehand the total solution the customer needs

EVI (Early Vendor Involvement) was first started in automobile companies, where the core parts suppliers participated early in the new product development process to improve quality and reduce costs. POSCO, on the other hand, expanded this to a "POSCO style EVI (Expanded Value Initiative for customer)" that identifies the needs not only of our customer, but also the customer of that customer throughout all the industries, to suggest and provide a total solution including product and technology, before even being asked. First, for the major industries with high demand for steel such as automobiles and home appliances, thin and light steel products are being developed and applied. In the shipbuilding sector, we plan to provide support in the hull structure optimization technology. In the new business area that have high growth potential such as renewable energy, construction material, and marine plants, we are focusing on new wind power towers, reducing the weight of heavy equipment used in construction, and high-strength products that can replace existing materials. In the project-based industry such as construction, public works and plant building, eco-friendly modular bridge and high performance steel pipe pile will protect us from cheap substitute materials in the market.

These EVI activities was started in 2004 from the automobile sector then expanded to home appliances and construction. As the CRT TV is being replaced with the slim type LCD and LED monitors, POSCO successfully developed a black coloring resin coated steel sheet to replace the thick plastic material, in cooperation with the home appliance customer, reducing 20% in production cost. At the Incheon Cheongra District underground roadway, the high performance steel pipe strut was used instead of the conventional H strut. Our customer was able to save both construction cost and time.

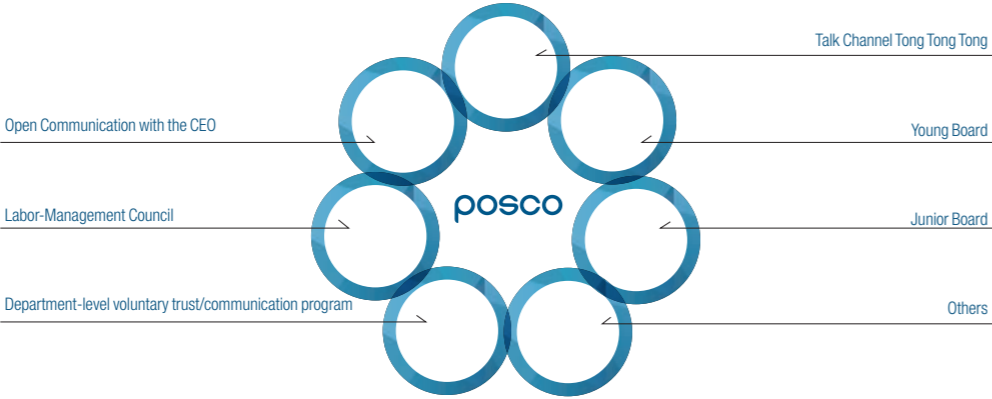
# EMPLOYEES

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

## TRUST AND COMMUNICATION

Since 2003, POSCO has been conducting employee engagement surveys in collaboration with an external consulting firm. The employee engagement score in 2010 was one of Top 3\* in Korea. This is believed to have been possible due to listening and communicating with the employees through various channels. The representative channel for open communication is the Labor-Management Council. There are also various other channels such as the Young Board, Junior Board, and Talk Channel Tong Tong Tong. POSCO also executes open communication with the CEO and voluntary trust/communication programs at the department level. POSCO continues to develop communication channels in order to form a consensus on the company's major policies and institutions, as well as activities to enhance employees' trust and communication capacities.

\* Source: Hewitt, "Best Employers in Korea"(BEK) 2009



Open Communication with the CEO
• The CEO visits the Seoul Office, Pohang and Gwangyang Works and holds free conversations with the rank representatives
• Held 8 times in 2010
Labor-Management Council
• Representative body of the employees
• Comprised of 20 representatives from employees and management, and 420 drafters
• Labor-Management Council: Regular quarterly meetings (discussing agendas to submit)
• Company: Holds talks and workshops on corporate management and policies every quarter. Wage concession for multiple years ("10~"11), extension of retirement age, revision of wage system, and implementation of 4-team-2-shift system
Others
• PIRI (POSCO in Real-time Interaction): POSCO's internal SNS
• Blogs

Talk Channel Tong Tong Tong
• The interactive online communication channel
• It consists of CEO Story, Idea Board, Policy & System Improvement Notice Board, Free Board(POS-B), and Q&A Board
Young Board
• Younger employees can state their opinions on company strategy – implemented 4 tasks including "POSCO identity communication and trust in the POSCO 3.0 era," and "Ways to enhance managerial synergy at the POSCO Family level"
Junior Board
• Comprised of employees below the manager level from each division – conducted 24 tasks in 2010
Department-level Voluntary Trust/Communication Program
• Identifies elements to improve related to trust, communication, and trust leadership at the department level
• Supervised by the department open communication facilitator

Employee Engagement Trend (unit: %)



# SAFETY AND HEALTH

POSCO puts safety and health above all else. Safety and health are valuable principles that should be upheld based on respect for human life. POSCO and its constituents never forget that the safety and health activities executed at the company affect the lives and families of all employees. POSCO builds a safe environment with the family in mind, observing safety rules and implementing safety activities so that even the smallest mistakes can be defended against. In addition, POSCO is building the so-called Health Office to maintain optimal health and enable employees to demonstrate their full capabilities. Respect for human life, which is one of POSCO's core values is realized through the safety and health activities.

## Office of Safety Innovation Expanded

POSCO Family Safety Slogan

We, the POSCO Family, aware that safety is the utmost value in respecting human life, will keep each other safe and internalize safe behavior, building an accident-free workplace and happy family.

In September 2010, the Office of Safety Innovation was expanded. The safety and health activities that were implemented at the division and regional level at Pohang and Gwangyang Works have been expanded to include the POSCO Family and outsourcing partners.

●**Safety Injuries Zero Mega-Y** Starting from the Safety Festival held in December 2010, POSCO declared the company-wide Safety Injuries Zero Mega-Y campaign. The Pohang and Gwangyang Works, outsourcing partners, affiliates, and global production plants all participate in the Safety Injuries Zero Mega-Y activities. POSCO is implementing 28 tasks in 9 sectors under Safety Injuries Zero Mega-Y campaign to foster the culture of safety throughout the POSCO Family.

●**PSRS (POSCO Safety Rating System) Assessment** Each department and affiliate conducts a quantitative safety control assessment using the PSRS assessment tool. Based on the assessment results, commendable cases are cultivated as model cases, and areas that need improvement undergo consulting and customized improvement plans.

●**SAO (Safety Acts Observation)** The SAO program compliments and encourages employees' safe and commendable acts and eliminates unsafe acts through questionnaires. POSCO identifies unsafe acts at the shop floor and the overall atmosphere such as changes and workers' concerns.

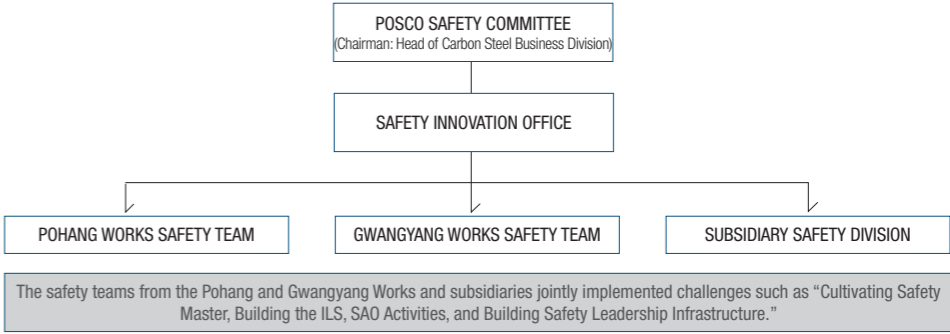
●**Facility/Equipment Safety System** Safety issues are reflected from the investment phase and in the design and construction phase. In addition to ensuring that no safety facilities are omitted, the design safety standard and a safe installation process is established. POSCO builds a safety system that will assure safety even in cases of human mistakes or facility breakdown, and stabilizes the improvement process through various activities.

●**ILS (Isolation Locking System)** Analysis on injuries that occurred in POSCO revealed that a large portion of material injuries\* occurred because the energy source was not locked down. In order to address this issue, the "ILS on dead equipment" that shuts down, isolates, and locks the energy source preemptively to eliminate the hazard at the source, and the "ILS on live equipment" that prevents safety hazards when entering or exiting a facility in operation have been established and are currently in operation.

\* Material injuries: (1) accidents of 1 or more fatalities (2) accidents where 2 or more have been injured simultaneously that require 3 months or more of treatment (3) accidents where 10 or more have been injured or fallen ill simultaneously

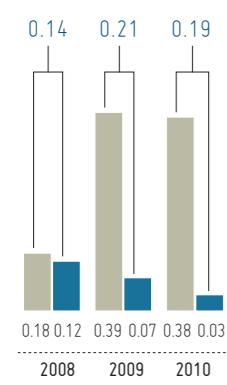
●**Innovation in Education and Training** POSCO revamped the safety education system with the goal of cultivating consilience safety knowledge. Programs where employees can build safety-related capacities and learn basic knowledge were developed, and the recipients were expanded to include the whole POSCO Family in order to secure the foundation for zero accidents. POSCO also conducted change control education for the whole POSCO Family. The SAO and Safety Leadership education were expanded to safety personnel in the POCO Family companies and outsourcing partners to foster a culture of a healthy safety awareness.

Organization of POSCO's Office of Safety Innovation



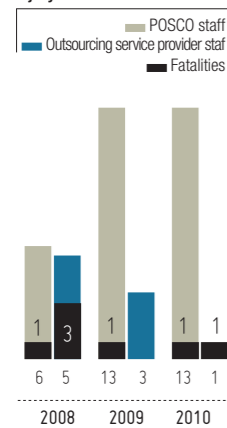
## Scientific Safety Control System

Lost-time Injury Frequency Rate



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

Injury Cases



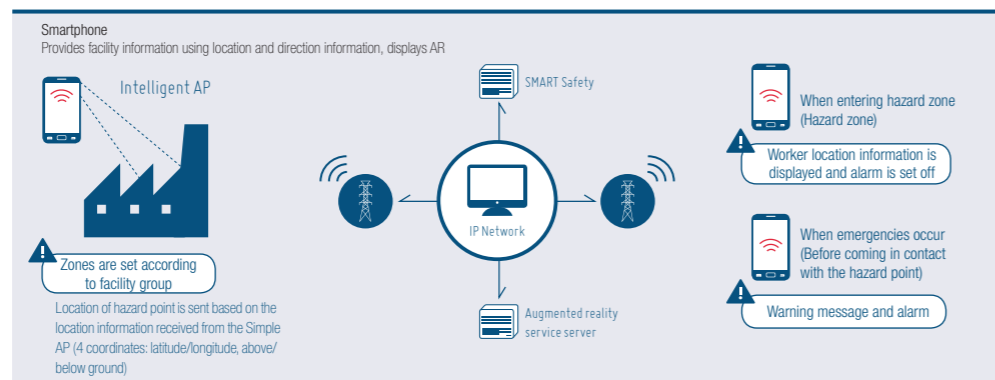
## Health Activities

POSCO strives to assure everyone's safety and achieve zero safety accidents through a scientific safety control base utilizing the smartphone mobile technology in the process/facility sector.

● **Hazard Forecasting System** In 2011, based on the augmented reality\* technology, hazard areas and facilities such as hazard points within the plants will be shown in the form of a navigation system to inform personnel before they enter/exit.

### AR-based Facility Hazard Point Tracking

Prevents safety accidents by prior hazard point monitoring, using the smartphone image (AR) after a person enters the plant  
The collected hazard points are converted into diagrams, providing detailed information such as the hazard element and appropriate measures to be taken



\* Augmented reality: technology that shows real-world environment augmented by computer-generated sensory input.

● **Development of the Fun Safety Smart System** POSCO will contribute to fostering a safety culture through the fun and easy smartphone application that provides daily safety information, safety statistics and quizzes.

DAILY SAFETY	SAFETY STATISTICS	FUN SAFETY	HEALTH	SAFETY APP	POSCO FAMILY
<b>My Safety Activity Checklist</b> Check my daily safety activities on the smartphone, such as SAO, Near miss, safety check, and hazard assessment. The e-Safety System automatically transmits this data.	<b>Overall safety performance information</b> Safety performance information by individual, department, plant, and job. Safety-related data including hazards, violation, commendation, near miss sign off, and safety check records.	<b>Expert safety information quiz &amp; ranking</b> Operated similarly to the Online Steel Academy. Inducing healthy competition to foster safety awareness	<b>Individual health level assessment</b> Provides information on individual health level in connection with the Health Management System. Alert system using indicators such as obesity, BMI, GPT, GOT, and cholesterol levels.	<b>Portalization of the commercial safety &amp; health application</b> Comprehensive tool for the safety & health related application. POSCO's unique safety activities that are disclosable such as the PSRS self-diagnosis app and SAO app will be developed into commercial apps.	<b>Safe anywhere in the POSCO Family</b> When developing applications, they are designed so that the POSCO Family companies can use them when executing safety activities using the smartphone.

Respect for human life is one of POSCO's core values. POSCO builds the "Health Office" to enable all employees to enhance their health and maintain a healthy condition to demonstrate their full capabilities.

POSCO conducts health examination on all employees to maintain and enhance their health condition. For more reliable test results, high-performance equipment such as compound blood culture analyzer and digital radiation equipment were revamped. For employees with health problems, regular tracking/treatment is provided to prevent them from worsening. Besides these basic health care activities, POSCO has prepared independent tumor marker tests (4 markers) and external commissioned tests (6 tests) to find cancer that is the foremost cause of death, and employees can choose which test to take every year. Starting from these health checkups, POSCO practices respect for human life through the health management system, health enhancement campaigns, and industrial hygiene management.

Health Management System	Health Enhancement Campaign	Industrial Hygiene Management
<ul style="list-style-type: none"> <li>Systematic and customized health care service for the employees</li> <li>Health consultation → Customized diet and exercise prescription → Health education and regular checkups</li> <li>Psychological counseling, fitness center, physical therapy center</li> </ul>	<ul style="list-style-type: none"> <li>No-smoking campaign: expanded to all POSCO Family companies</li> <li>Fighting obesity: 8-week weight loss program, healthy walking campaign, developing healthy diet</li> <li>KPI: monitoring exercise rate, bicycle commuters to build a Health Office</li> </ul>	<ul style="list-style-type: none"> <li>Distribution of hygiene and protective gear</li> <li>Protecting hearing</li> <li>Healthy work program for closed areas</li> <li>MSDS (Material Safety Data Sheet): appropriate use of chemical substances</li> <li>Designated as independent working environment measuring institution</li> </ul>

## HUMAN RESOURCES DEVELOPMENT

POSCO promises to provide full support to its employees who are working to realize their dreams. POSCO supports new employees to become experts and grow into global talents with a creative mind and challenging spirit. Moreover, POSCO provides an environment where achieving one's individual vision leads to self-realization, and to achieving the company's vision and the nation's competitiveness. POSCO will become a happy workplace that realizes the life's value of all its employees.

### Securing Talent

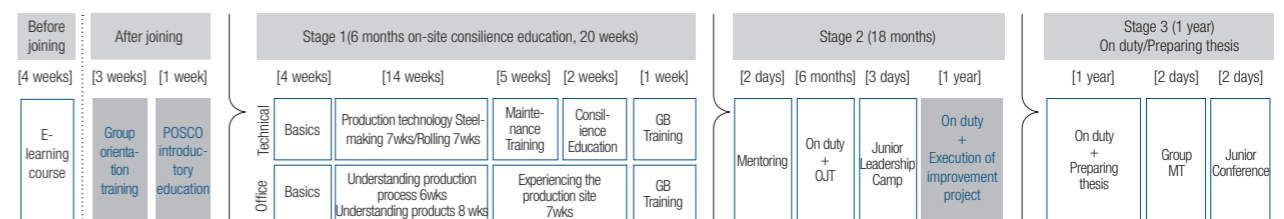
● **Recruiting System** POSCO pursues "Open Recruitment" that abolished limits in education, age and nationality. POSCO also employs the "Patterned and Structured Recruiting Method" to recruit outstanding talents. The "Patterned and Structured Recruiting Method" is based on the "Assessment Center" evaluation technique, taking into account not only the applicant's present abilities but also his/her growth potential, to recruit talents who can grow with the company. Since 2010, POSCO adopted the "internship" system in recruiting new employees, moving away from the conventional one-way recruiting procedure to one that applicants and the company can exchange information. POSCO strives to enhance the value of communication in recruiting as well.

● **Recruitment Activities** In 2010 POSCO actively recruited consilience, global, and expert human assets. First, POSCO selected "POSCO Undergraduate Scholarship Students" in their second or third year, cultivating them into "consilience talents" that the company needs through the cultivating program composed of taking humanities and science classes, internships, and global training. In addition, POSCO recruited students studying at the countries where POSCO's overseas branches are in operation, and foreign students studying in Korea, in order to secure global talents with excellent linguistic abilities and understanding of diverse cultures. Moreover, POSCO prepared the foundation for future new growth businesses by recruiting experts in various areas. POSCO will continue to recruit more people from a wider area of expertise. POSCO will continue to improve its recruitment process to a more applicant-oriented one by adopting new recruitment methods such as long-distance interviews, and online communities/SNS.

● **Cultivating New Employees** The objective of new employee training program is to share core values for achieving Global POSCO, and enhancing a sense of pride and solidarity as members of the same organization. New employees receive systematic training and education even before joining POSCO until their third year, and become experts within those 3 years.

POSCO Workforce (As of end of 2009)			
	2008	2009	2010
<b>Number of employees</b>	<b>16,707</b>	<b>16,458</b>	<b>16,898</b>
Pohang Works	6,249	5,851	6,415
Gwangyang Works	6,075	6,023	6,070
Head Office/Technology Research Lab/Offices/Others	4,383	4,584	4,413
Technical service workers (male/female)	15,281(15,098 / 183)	14,905(14,703/202)	15,227(15,003/224)
Office workers (male/female)	1,426(1,149 / 276)	1,553(1,256 / 297)	1,671(1,318/353)
Annual contract-based employees	57	79	84
Monthly-paid part-time employees	2	2	2
Hired	455	665	913
Voluntary retirement	1,003	1,045	923
Retirement due to age limit	509	459	566

### New Employee Self-development Support System



- **Cultivating global leaders of the next-generation** POSCO operates diverse education programs to cultivate leaders of the next-generation with creative and strategic thinking, fit for the ever-changing age of global competition.
- Cultivating managers through problem-solving action learning method
- POSCO Executive MBA: enhance management's consilience competence, expert knowledge and management skills
- Strategy University: cultivate strategic talents with long-term outlook, with knowledge in humanities, oriental studies, and art of war/tactics
- Global Mini-MBA, intercultural negotiation process: cultivating talent for global business

- **Cultivating creative consilience talent** POSCO employs the TRIZ University and operates the Creativity Camp to foster employees' creative problem-solving capacities.
- TRIZ University: enhance employees' creative problem-solving capacities. The program has multi-level (1 to 3) international certification courses to enhance expertise.
- Creativity Camp: provides participants an opportunity to learn and apply creative thinking techniques such as scenario planning at their job posts.
- Other: Saturday Learning, Monthly Learning, Wednesday Humanities Lecture (cultivating insight and creativity)

• **Expanding Education at the POSCO Family level** POSCO is gradually expanding education recipients from POSCO employees to the POSCO Family. All employees and management at the POSCO Family share core values and management philosophy through new appointee/enhancement courses by rank, and orientation education for new employees. POSCO supports employees at outsourcing partners by providing courses in leadership, QSS, and 6 Sigma. The e-learning system has also been expanded to the Integrated Global e-Learning System open to the POSCO Family, outsourcing partners and overseas local employees.

• **Self-directed learning system stabilized** As the education paradigm changes based on IT, POSCO has actively implemented the e-learning system, fostering self-directed learning. POSCO focused on enhancing the education results, providing customized courses and increasing user convenience. As a result, POSCO's efforts have been recognized, and was selected the best e-learning institution by the Ministry of Labor for 7 consecutive years.

POSCO Training Hours per capita by position in 2010					
Position	Department/ Group Manager	Team leader/Plant Manager	Part Leader	Foreman	Staff
Training Hours	192	185	220	254	249

POSCO Major Education Indexes				
	2008	2009	2010	Note
No. of Trainees (persons)	518,808	535,193	499,662	Data is based on gathering classes (POSCO Future Creation Academy, on-site training, lifelong learning, commissioned training) and e-learning courses
Training Hours per Capita (hr)	278	297	244	
Trainee Satisfaction (points)	4.44	4.48	4.41	

LEADERSHIP EDUCATION SYSTEM	VALUE MANAGEMENT		FUTURE-ORIENTED MANAGEMENT		GLOBAL MANAGEMENT	
	Value	Consilience	Leadership	Innovation	Globalization	POSCO lization
Executive	PEVC	Executive Coaching Saturday Learning	SEDP			
Department manager/Group leader	PWVC	Executive MBA Wednesday Humanities Lecture	EDP		Cultivating overseas subsidiary heads Overseas subsidiary heads	Locally hired managers
Team leader/Plant manager	PTVC	Monthly Learning	JEDP	Cultivating MBB		Global Biz expertise
Manager	PWVC	Strategy University	TDP	Cultivating BB	Cultivating overseas assignees Overseas assignee	overseas
Assistant manager	PSVC PNVC (II)		HRAC MAC PAC FAC	Cultivating GB		Education for model locally hired employees
New employee	PMTC PNVC	Capacity building program	HRAC MEC PEC FEC	QSS Improvement Leader	Biz communication skills and foreign language courses	
Part leader/Foreman	PFVC	Leadership Challenge				

\*PEVC: POSCO Executive Shared Value Course  
 \*PWVC: POSCO Innovative Leader Shared Value Course  
 \*PTVC: POSCO Team Leader Shared Value Course  
 \*PWVC: POSCO Work Leader Shared Value Course  
 \*PSVC: POSCO Self Leader Shared Value Course  
 \*PNVC: POSCO New Employee Shared Value Course  
 \*PFVC: POSCO Foreman Shared Value Course  
 \*ILC: Innovative Leader Course  
 \*TLC: Team Leader Course  
 \*WLC: Work Leader Course  
 \*PMTC: POSCO Membership Training Course  
 \*TDP: Teamleader Development Program  
 \*SEDP: Senior Executive Development Program  
 \*EDP: Executive Development Program  
 \*JEDP: Junior Executive Development Program  
 \*P: Planning  
 \*F: Finance  
 \*HR: Human Resource  
 \*M: Marketing  
 \*EC: Essential Course  
 \*AC: Advanced Course

CASE  
STUDY

## SMART WORK &amp; SMART OFFICE

*“Smart Work” is necessary to become “Smart POSCO” and for Smart Work, hardware and way of working must change.*

(Feb. 9th 2011, CEO Chung Joonyang)

POSCO is building a framework for sustainable growth based on changes to the way work is done. The starting point was the smartphone that brought about revolutionary changes to the way of working. In February 2010 smartphones were first distributed to team leaders and plant managers. In August, POSCO was the first Korean company to distribute smartphones to all the employees, building the foundation for “Smart Work” – change in the way of working. “Anyone” can work creatively and with speed “Anywhere” and “Anytime.” Now, POSCO employees and executives can check and send e-mails and give approval, and the U-learning provides them with a wide ranging opportunity for self-development. Moreover, safety and hazard prevention systems such as RFID and GPS, and the facilities maintenance smart work system enhance work efficiency. PIRI (POSCO in Real-time interaction), POSCO's internal twitter was opened to facilitate communication using the smartphone as well.

In February 2011 the offices were remodeled into the Smart Office. The object of the Smart Office is to provide an environment where each employee can concentrate on his/her job, and enable “smart” communication between departments, individuals, and with the customers, by breaking down the walls. Although the company has continued to improve the way of working in order-reporting-meeting through innovation activities, it is true that some old vices are still intact, such as writing up report back data, sense of hierarchy between ranks and order-centric working.

Vygotsky, the Russian psychologist said that “tools determine cognition.” Surroundings determine behavior. If the working environment is changed, the way of working can be changed naturally. This is the background for implementing the Smart Office. POSCO eliminated dead space such as corridors and makeshift meeting rooms. As a result, the working space got larger by 25%, which was turned into a space for creative activities such as engagement in work, communication, collaboration, and learning. There are a variety of working rooms to choose from as needed, such as the Focus Room where all elements that can interfere with work are shut off, and 9 Collaboration Rooms (meeting rooms) for 4, 6 and 12 persons. The Insight Space which is the library is open to employees who want to study materials related to work, or have discussions and presentations. The Communication Space was designed like a café where employees love to come and communicate with each other over a cup of coffee.

POSCO also eliminated personal seats and drawers, and the 16 printers located at various locations were replaced with one multifunction printer. Reporting using the tablet PC (iPad, Galaxy Tab) naturally leads to a paperless office. Since the Smart Office was opened, POSCO established 10 Ground Rules to build a Smart Office, and a TFT was organized for the early adaptation to the new office, distributing an operation manual for the public office equipment. POSCO posted etiquettes to be observed in the working space, reflecting the VOC (voice of customer) of the employees. The Smart Office is currently in operation in one floor at the Seoul POSCO Center. After adjustments and improvements are made, it will be expanded to the rest of the POSCO Center.



## INTERVIEW



Kim Junseong  
(Human Resources  
Innovation Department)

*This is a workspace that enhances engagement!*

“At first, the free seating system felt awkward, but ever since the partitions were removed, the office became more open and pleasant. I like being able to talk freely with my coworkers in the communication room. Using the personal cabinet helps keep the desks clean and I can focus on my work better. I also like the fact that since there are more meeting rooms, I can have meetings and discussions as necessary.”

Global HR

• **Global HR System** In order to ensure that POSCO's core values and Code of Conduct are properly settled and practiced at the overseas business sites, the Change Agent program, which consists of 55 locally recruited employees was launched in 2010. The Change Agents who received a month's education at the head office and performed local implementation tasks have laid the groundwork so that local management and employees can internalize POSCO's core values and Code of Conduct. In 2011, POSCO plans to expand the number of Change Agents to 100, and conduct enrichment programs for the existing Change Agents to broaden their scope of activities. In addition, Culture Managers will be cultivated, who will monitor and support the Change Agents' activities at the major business locations. Meanwhile, POSCO is implementing global standardization in HR in general, including human resources affairs and workforce management, as well as various policies and measures related to human rights such as minimum wage and female employees, maternity and foreign worker recruitment. POSCO puts its efforts in eliminating human resources-related risks and ensuring human rights is protected at the global POSCO Family level. In 2010, POSCO established an operation system that will minimize local HR risks in China, Southeast and Southwest Asia, and this system will be applied to other regions including Japan in 2011.

In November 2010, HR personnel from the global POSCO business sites gathered at the Global Leadership Center located in Songdo, and held the first Global HR Forum. At this forum, the HR personnel shared model cases in observing the Code of Conduct and realizing core values, and set the direction to heighten consciousness of the POSCO Family. A consensus and atmosphere had been formed to realize POSCO's ethical management at its global business sites.

● **Foreign Talent Development** POSCO cultivates core local talents who will be the key agents for the overseas branches in realizing Global POSCO. These local employees will grow as global leaders and proud members of the POSCO Family, tapping into their intimate understanding of POSCO and internalizing its visions, core values, innovation activities and various work capacities.

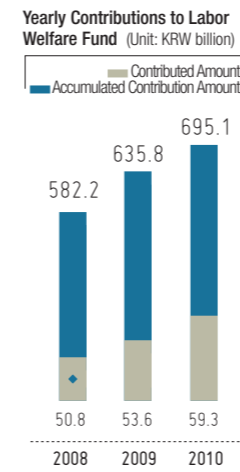
Local Employees HR Development System									
Understanding POSCO		Core values/ Innovation		Cultivating Global Leaders	Global Job Function			Enhancement of Global Capacity	
Director				Executive cultivation program					
Sr. Manager				Newly appointed team leader/plant manager leadership training	Short-term delegation to the head office	Rotation at head office	Graduate Institute of Ferrous Technology, POSTECH	Expert on Chinese Job Function Program	Expert on Chinese Job Function program
Manager									
Senior	Enhancing the Family Mindset	CA Cultivation Program	QSS Improvement, Leader Program						
Junior	New employee orientation								
Common		Global e-learning (sharing values/leadership/job function expert/global)							

Global Education Program			
Course Name		Target	Details
Enhancing the Family Mindset		Seniors and juniors (no prior visit to Korea)	Understanding POSCO and other cultures
Change Agent Cultivation Program		Senior level core talents	Core values/VP enrichment learning
Change Agent Enrichment Education		Change Agents	Sharing CA activities + Understanding management policies + Enrichment learning of lecture materials
Leadership Training for New Team Leaders		Senior manager and manager core talents (those selected by head office HR department)	Understanding the roles and responsibilities of a leader + sharing management philosophy + learning the skills in establishing culture of trust and communication
Biz capacity building course at University of Hawaii			Basic management theory/Biz case study + negotiation skills
Global Challenge Program	Short-term delegation to the head office	Management level expatriate employees who have been stationed overseas for 3-5 years Core talents who can be substituted	POSCO's corporate culture/job function capacity building/networking
	Rotation at head office	Senior to senior manager with outstanding basic capacities Who need to be cultivated into global talents	Global biz, project execution
	Korea regional expert	Core talents of the overseas office, senior ~ manager/sr. manager level	Seoul National University Language Education Institute's Intensive Korean Language Training Program/Understanding POSCO
		Proficient in English, work related to Korean	
Job Function Expert Program		Local HR manager at the Chinese office	Enhancing mindset as labor manager + Understanding Chinese labor-management trend and law + Enhancing organizational management skills
Basic Training for QSS Improvement Leader		Junior level employees with the recommendation of the head of the overseas branch	Acquiring the basic capacity of a QSS Leader
QSS Master Training		Those who have completed the Basic Training for QSS Improvement Leader program	Understanding the role of a QSS Master + Enhancing analyzing skills based on systematic thinking + Cultivating QSS coaching skills

## Human Rights

Starting in a country with scarce natural resources, POSCO grew as a global steelmaker. POSCO appreciates the value of competitive human resources. Thus one of POSCO's basic management principles is respect for human rights. POSCO abides by the Standards of Child and Compulsory Labor and Discrimination Convention of ILO in all its business activities. Freedom of association is guaranteed at all workplaces and regular education programs are conducted for all POSCO employees to prevent human rights violations. In addition, POSCO will continue to recruit more disabled persons through POSWITH, the first government-certified standard workplace for the disabled in the form of a subsidiary. Moreover, in response to the government's measures to improve employment structure, POSCO is employing more women. POSCO also reflected the VOC of the foreign employees working in Korea, opening a Korean language class to help them adapt faster. POSCO will continue to address the difficulties foreign employees are facing in work and everyday life.

## Compensation and Welfare



Disabled and Female Workers (Unit: persons)			
	2008	2009	2010
Female workers (percentage)	459(2.7%)	499(3.0%)	577(3.4%)
Female above managerial level	46	66	101
Disabled (POSCO)	240	235	234
(POSWITH)	79	128	171

## CASE STUDY

POSCO CHILDCARE CENTER—an infrastructure to expand female employment

## Work & Life Balance

The POSCO Childcare Center was opened on March 12, 2010 at the Seoul POSCO Center. The Childcare Center is a huge help to employees who were experiencing difficulties in childcare, because it is located in the same building with the office. Employees come to work with their children and can feel safe about their child until they are finished for the day, and if needed, they can visit any time to check on their children. The classrooms are divided into "Butterfly" for 1 year-olds or less, "Rabbit" for 2 year-olds and "Bluebird" for 3-4 year-olds, with activities to fit their age. Pohang and Gwangyang Works already opened daycare centers in 2006 to aid the dual-income employees. The daycare centers built in the residential areas in Pohang and Gwangyang can accommodate 99 children, and is furnished with an interior activities room, special activities room, cafeteria, and outdoor playground. The Pohang and Gwangyang daycare centers won the Minister of Environment Award and Excellence Award respectively, at the "2009 Eco-friendly and Safe Children's Playground Contest." Through these childcare centers, POSCO helps relieve some of the childcare burden of its employees, expand female employment, and contributes to increasing the birthrate.



*There weren't many working moms at the private daycare center where I sent my first child. When I had to work late, I felt heartbroken when I thought of my child waiting for me alone. This problem is solved now that the Childcare center is open. The happiest thing is that now I can bring my younger child home from my parent's house.*  
Lee Sukja (STS Strategy Group)

	Seoul	Pohang	Gwangyang
Opened	March 2010	March 2006	September 2006
Location	Daechidong, Seoul	Jigokdong, Pohang	Geumhodong, Gwangyang
Surface area	424m <sup>2</sup>	764m <sup>2</sup>	979m <sup>2</sup>
Hours/Classes	07:30~20:00 / 1-4 year-old		

# SOCIAL CONTRIBUTION

Ever since its foundation in 1968, POSCO has undertaken various social contribution activities. POSCO strives to build a healthy society of coexistence through its social contribution activities. POSCO cultivates future talents, communicates with the local communities, tends the socially disadvantaged, and brings hope for humanity for a better world and a better future. In 2010, POSCO further expanded its social contribution activities at the overseas branches and POSCO Family, to build the future society 3.0 founded on communication and trust.

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VISION	Supporting continued global growth and enhancing corporate value by implementing social contributions at the POSCO Family level.
STRATEGY FOR SOCIAL CONTRIBUTION ACTIVITIES	Enhance social contribution oriented to the local community Support independence of the socially underprivileged including the disabled and multi-cultural families Implement social contribution customized and localized to meet the needs of the overseas business regions.
CENTRICITY	Fostering Talent   Local Community   Social Welfare   Buiding Global Hope

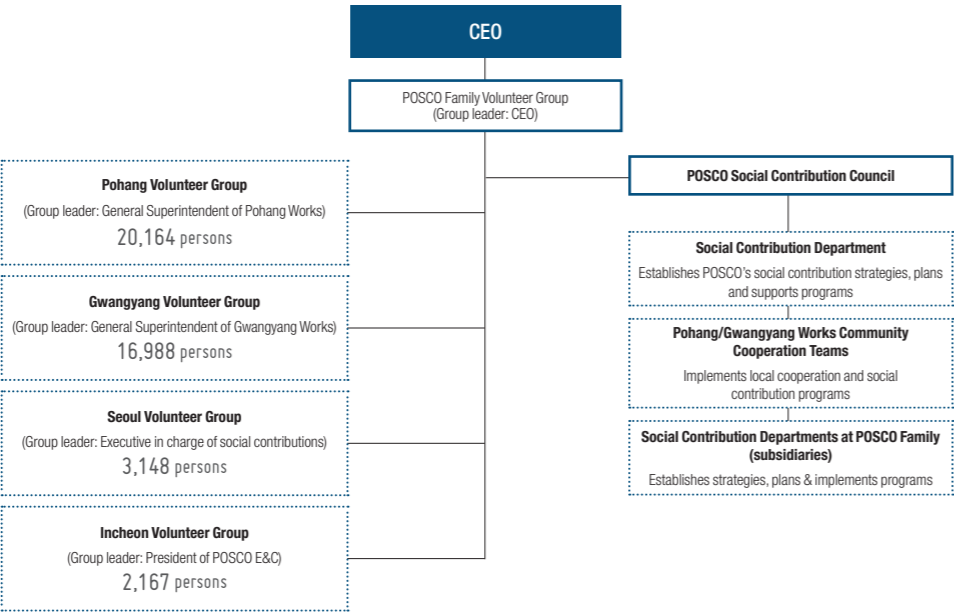


## POSCO Family's Social Contribution Emblem and System

In 2009 POSCO adopted its social contribution slogan and emblem. The slogan and emblem reflect principles which have been POSCO's philosophy since its foundation - valuing the environment, human resources, and local communities. The emblem is in the form of two hands embracing nature, human, and steel and the image of nature, human, and steel in harmony within a border symbolizing Earth. The slogan "a harmonious world of Nature, Human and Steel" is widely used as the symbolic expression of POSCO Family's sharing of social responsibilities and creating synergy from various activities.

Social Contribution Expenses in 2010 (Unit: KRW)

760 billion



POSCO Family Donations (Unit: KRW billion)							Total Donations to Community Chest of Korea (1998-2010)	65.95 billion
2004	2005	2006	2007	2008	2009	2010		
7	7	8	10	10	10	10		

# FOSTERING TALENT

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

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●**POSCO TJ Park Foundation** The POSCO Scholarship Foundation established in 1971 was expanded and re-named to POSCO TJ Park Foundation in 2005. The Foundation taps into its funds of KRW 200 billion to operate its 3 main strategic projects - “Asia Fellowship,” “Next-Generation Human Resources Development,” and “Love and Sharing” programs. The Foundation awards the POSCO TJ Park Prize to leaders in the areas of science, education and community service/volunteerism. It also runs the Science Fellowship to foster Korea’s scientists in the field of basic science into internationally renowned leaders; and the POSCO Asia Fellowship to expand the Asian academic and cultural network as well as cultivate regional leaders. In addition, the POSCO TJ Park Foundation nurtures community leaders of the next generation through the POSCO New Star Scholarship, which supports outstanding high school students, and the POSCO Vision Scholarship provides learning opportunities to students who are heads of the household.

●**POSTECH** POSTECH is a research-oriented university of global standards founded in 1986 with the purpose of cultivating the gifted few into human assets endowed with both knowledge and wisdom, and to spread their research outputs to society, serving the country and the global community. POSTECH built the first industry-academy-institute joint research model in Korea and advanced as the leading science and engineering university in Asia. POSTECH consists of 11 undergraduate, 18 graduate programs and 59 research units, and maintains partnership relations with 82 universities in 21 countries.

●**POSCO Education Foundation** The POSCO Education Foundation was founded in 1971 with the goal of cultivating independent, ethical and creative human beings. It operates 12 schools from kindergartens to high schools. Ever since its establishment, the Foundation has actively recruited able teachers, and implemented specialty aptitude curriculums, providing students with holistic education. In October 2010, POSCO Jigok Elementary School and POSCO Middle School won the Best School Award at the 20th National English and Math Competition hosted by Sung Kyun Kwan University. POSCO Elementary School took home its 20th consecutive Best School Award, while POSCO Middle School won the award for 12th consecutive time. The POSCO Education Foundation held the third Nobel Aspirer Science Camp in collaboration with POSTECH to nurture the dreams of future scientists and continues to operate high grade science programs.

POSCO TJ Park Foundation		
	Details	Remarks
POSCO TJ Park Prize	Commemoration of the founder's accomplishments and promotion of his entrepreneurship	Introduced in 2006
	Award Categories(Award amount KRW 200 million): Science, Education, and Volunteerism	Awards every March
	Award winners in 2010 : Science: Park Jongil (professor of Mathematical Sciences, SNU)	
	Education: Jang Byeongho (principal of Jecheon Cheongnam Special School)	
POSCO Asia Fellowship	Volunteerism: Kim Haeseong (president of Global Village)	
	Scholarships to Asian students studying in Korea	
	Fostering Asian regional specialists	
	Scholarship programs in prominent Asian universities	
POSCO TJ Park Science Fellowship	Supporting research and forums on Asian culture and society	
	Supporting quarterly publication "Asia"	
	Supporting basic scientists in the subjects of math, physics, chemistry, and life science to advance to the global level	First group selected in 2009
	30 recipients selected in 2009: 10 in doctor's course, 9 scientists in Post-doc, and 11 newly appointed professors	Around 30 recipients selected and awarded annually
POSCO New Star Scholarships	Award amount: Doctor's course: KRW 25 million/year, support for 3 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 35 million/year, support for 2 years after selection	
	Excellent students in Pohang and Gwangyang and students talented in math	Began in 2006
	Supporting 300 students annually (255 currently supported) Supporting 300 students annually (255 currently supported)	Began selecting second-graders from 2010
	KRW 1.5 million annually in scholarships for 3 years KRW 5 million scholarship for entering prominent universities	
POSCO Vision Scholarships	Assistance for high school and university students who are the head of household(including those living only with a grandparent) or from the near-poverty group (including single-parent households)	Began in 2006
	Supporting 100 students annually: 60 in 2006, 76 in 2007, 34 in 2008, and 20 in 2010	
	Support detail: full coverage of university tuition fees	

Supporting  
Self-sufficiency  
of the Socially  
Disadvantaged

POSCO Smile  
Microcredit Bank

Creating  
Sustainable  
Jobs for the  
Underprivileged

POSCO has been donating charity funds to the Community Chest of Korea with the POSCO Family members since 1998. A designated portion from the donation was used to run 16 programs in partnerships with domestic expert NGOs. POSCO operates 4 social enterprises, 4 Smile Microcredit Bank branches and one moving branch to assist self-sufficiency of low-income groups.

 HOUSING CONDITIONS	 MEDICAL SUPPORT	 MECENAT
<b>Steel House construction, environmental sharing contest</b>  Safety haven using the modular* construction method for 300 battered women/steel houses to support families who lost their homes to a fire (5 houses built since 2009).	<b>Free treatment for foreign workers, medical service in Mongolia</b>  Free treatment by Raphael Clinic, provided support to the medical volunteers at the Khan-Uul community health center in Mongolia.	<b>Hello Art Camp, Art Psychotherapy</b>  Activity to foster artistic sensitivity and emotional stability in children of low-income groups/Hello Art Class/Adelia Trio/ Art psychotherapy program.

\* Modular construction method: most of the construction is completed at the plant and brought to the construction site to be installed, after which exterior and interior paintwork is done.

The Smile Microcredit Bank supports self-sufficiency of those whose income or credit ratings prevent them from getting access to normal bank loans. Amid times where it gets more difficult for low-income groups to achieve economic independence, POSCO opened branch no. 1 in Gangseo-gu, Seoul in 2009, which was followed suit by branches in Pohang, Gwangyang, and Songdo. The Smile Microcredit Bank provides various loans and financial services to the low-income group working in traditional markets, single-parent families, families with many children, and multicultural families. Aware that there are many people who don't know the qualifications and conditions to get a Smile Microcredit loan, the chief executives visit the branches in person to promote the program.

POSCO designed an independent social enterprise model that will contribute to creating economic value through sustainable growth. POSCO rebuilds the local community and provides jobs for the underprivileged, as well as public services. POSCO suggests an ethical market to both the producer and consumer, and has laid the groundwork that will contribute to solving social and economic issues simultaneously. Furthermore, POSCO returns the profit and technical know-how from the social enterprises back to the local community to foster social convergence.

POSCO's Social Enterprises			
POSWITH	<ul style="list-style-type: none"><li>Established on Jan. 1, 2008</li><li>Business area POSCO's consignment services -Washing work clothes, call center, IT help center, clerical assistance (HR, labor, welfare, finance)</li><li>Near Pohang Works</li></ul>	<ul style="list-style-type: none"><li>Socially disadvantaged / number of employees 171 disabled / 310 employees (55%)</li><li>Aggregate income / 2010 income KRW 30.3 bil. / KRW 12.3 bil.</li><li>Completion ceremony: 2008. 1. 20</li><li>Certified as standard workplace for the disabled</li></ul>	<b>Employee Number</b> Target for 2011(Disadvantaged / Total) <b>181/330(55%)</b>
POS Eco Housing	<ul style="list-style-type: none"><li>Established on Dec. 14, 2009</li><li>Business area Construction of eco-friendly steel houses and construction material -Received orders for POSCO's internal project and public facilities construction</li><li>Located within POSCO ICT Fuel Cell plant in Jukcheon</li></ul>	<ul style="list-style-type: none"><li>Socially disadvantaged / number of employees 28 / 43 employees (63%)</li><li>Aggregate income / 2010 income KRW 2.3 bil. / KRW 2.3 bil.</li><li>Completion and launched: 2010. 6</li><li>Certified as social enterprise (2010. 10)</li><li>Preliminary certification as social enterprise by the Gyeongsangbukdo Provincial Govt.</li><li>First social enterprise linked to the parent company's main business</li></ul>	<b>Employee Number</b> Target for 2011(Disadvantaged / Total) <b>45/60(75%)</b> <b>+12%</b>
POS Plate	<ul style="list-style-type: none"><li>Established on Jan. 22, 2010</li><li>Business area Outsourcing cooperation with plate plant Specimen processing and warehouse management</li><li>Located within Gwangyang Works plate plant</li></ul>	<ul style="list-style-type: none"><li>Socially disadvantaged / number of employees 38 / 104 employees (37%)</li><li>Aggregate income / 2010 income KRW 2.5 bil. / KRW 2.5 bil.</li><li>Office building completion: 2010. 6</li><li>Plant operations started: 2010. 7</li><li>Certification as social enterprise (expected to be acquired by 2011. 3)</li><li>Donated 20% of shares to Love Sharing Welfare Foundation (2011. 3. 18)</li></ul>	<b>Employee Number</b> Target for 2011(Disadvantaged / Total) <b>55/136(40%)</b> <b>+3%</b>
Songdo SE	<ul style="list-style-type: none"><li>Established on Jan. 22, 2010</li><li>Business area Management of new buildings in the Seoul-Incheon corridor that are owned by POSCO and related companies Cleaning and parking</li><li>Located in POSCO E&amp;C Songdo Office and POSCO R&amp;D Center</li></ul>	<ul style="list-style-type: none"><li>Socially disadvantaged / number of employees 105 / 115 employees (91%)</li><li>Aggregate income / 2010 income KRW 1 bil. / KRW 1 bil.</li><li>Started operation: 2010. 5 / Signboard hanging ceremony: 2010. 7</li><li>Certification as social enterprise: Dec. 2010</li><li>Started operation at Global R&amp;D Center (2010. 10)</li></ul>	<b>Employee Number</b> Target for 2011(Disadvantaged / Total) <b>150/170(94%)</b> <b>+3%</b>

MULTICULTURAL PROJECTS 2010 CALENDAR

**POSCO's Multicultural Projects** As a global corporate citizen, POSCO helps the Korean society embrace the various cultures with the increasing number of multicultural families in Korea. POSCO also helps immigrants through marriage to settle in Korean society. In June 2010, POSCO signed an MOU with the Ministry of Gender Equality & Family, and will implement a variety of projects including improving the notion on multicultural families, helping immigrants through marriage in employment, startup capital, and children's education to help them enhance their bilingual abilities. In 2011, the Danuri Call Center for immigrants through marriage will be opened to provide practical help to multicultural families.

2009. May~

Information for Vietnamese Women Im-migrants

POSCO helps foreign women who are to be married by providing information on Korean society and culture to help them better adjust when they arrive in Korea.

- Education manual that introduces basic information about Korea
- Information providing program before departing their country (3 times a week)

2010. June~

Multicultural Forum and Job Fair

POSCO's CEO Chung Joonyang and over 100 persons from the government, academia, NGOs, and subsidiaries attended the Multicultural Forum. At the forum, various suggestions were made and views shared regarding employment and business startup support for immigrant women, and multi-lingual, multicultural education for the children in a global age. The Job Fair that provides employment information for immigrant women was held as well.

2010. June~

POSCO Center Music Concert with Multi-cultural Families

The 2010 Hello Art Concert, "Adelia Trio Concert with Multicultural Families" was held, where 250 women from 11 countries and their families were invited. \*Adelia Trio (3 Korean Americans who are members of the New York Philharmonic)

2010. June~

Making Book Boxes with the Multicultural Families

POSCO Family employees joined with 50 children from multicultural families in the "Book Box Buzz" event, making book boxes with the children with the hope that they will meet a new world through those books and become proud constituents of society.



2010. July~

Smile Microcredit Loans to Support Startup Businesses

The POSCO Smile Microcredit Foundation that helps those in low-income groups who find it difficult to get loans from banks also developed the "Multicultural Family Self-Sufficiency Support Loan" to assist multicultural families in achieving economic independence.

2010. September~

Joyous Thanksgiving with the Immigrants

On the Chuseok (Korean Thanksgiving) holidays, POSCO held the "Hangawi Festival" in cooperation with Global Village where immigrant workers and multicultural families participated. POSCO will continue to hold events that remind everyone that the immigrant workers and multicultural families are our friendly neighbors.

2010. October~

Multicultural Families' Joint Wedding Ceremony

POSCO held a joint wedding ceremony for 7 multicultural couples living in the Gangnam-gu district. Their stories were compiled into a storybook, giving all the guests and participants a heartwarming memory.

2010. November~

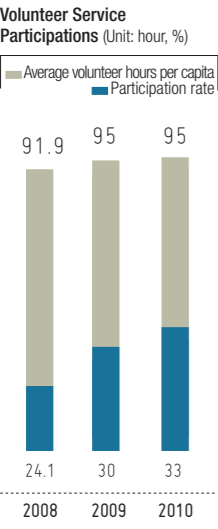
Supporting Multilingual Capacity of the Children from Multicultural Families

With the goal of cultivating children from multicultural families as the bridge that connect Korea with their "mother country" POSCO supported the multilingual capacity-building program for outstanding students, who were also sent to the Guangzhou Asian Games as supporters.

EMPLOYEES’  
VOLUNTEER  
SERVICE  
ACTIVITIES

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POSCO  
Family’s Social  
Contributions



POSCO fosters human resources who are global, creative and have power of execution. POSCO mandates its employees to participate in volunteer activities in order to cultivate global talents who embrace diversity with an open mind and action, fulfilling their responsibilities to society and neighbors.

All employees and executives become members of the POSCO Volunteer Group launched in 2003 the moment they join POSCO. Since September 2005, they receive systematic education on sharing through e-learning programs and CDs. In 2010, the volunteering culture was expanded to the POSCO Family, and everyone participates in the activities devoting 30 hours annually.

Sharing Saturday	Every third Saturday of the month. In 2010, an average of 6,468 persons participated each month
Fees received for external lectures, or writing articles	In 2010, over KRW 65 million was donated, with which books were contributed to 10 schools in Indonesia, and a blood filtering equipment to the local Red Cross
Social contribution system	Departments register volunteer groups so that volunteer performance and information can be easily accessed

POSCO continues to expand the scope of the POSCO Family social contribution activities so that more subsidiaries, suppliers and overseas offices can participate.

Social Contribution Committee	Shares social contribution know-how and jointly implements various programs (members are the head of administrative support division, superintendents of Pohang and Gwangyang Works, and presidents of the subsidiaries)
POSCO Family Global Volunteer Week	POSCO Family member companies join together for global volunteer activities
Blood Donation Event	25,566 people participated until 2010

In November 2009, the POSCO Family Volunteer Group was launched, which is comprised of over 41,000 employees and executives from POSCO, 22 subsidiaries, 109 outsourcing partners and 31 PCPs (POSCO Certified Partners). In 2010, the volunteer group in Incheon was launched, in which 3 subsidiaries and 10 outsourcing partners participate.

POSCO Employees' Lecture Fee Donations (Unit: persons/KRW thousand)				
	2008	2009	2010	Total
Cases	121	86	53	624
Donations	65,746	46,425	44,296	276,427

Volunteer Service Mileage Certification (Aggregate, including family members/unit: persons)			
	2008	2009	2010
100 hours	5,319	7,672	11,051
300 hours	915	1,185	1,953
500 hours	400	587	898
1000 hours	110	173	282

INTERVIEW



Jeon Namsu  
(Gwangyang Works,  
Product Quality Department)

*A little sharing brings big happiness!*

I started to help children who were heads of the family in 1986, after two years I joined POSCO. I formed a volunteer group with my friends, and through the mediation of Pohang City Hall met a little 12 year-old girl, who had to take care of her family at such a young age. 25 years later, the little girl called to thank me again for taking care of her and her two sisters. Hearing her made me proud, and moved me as well.”

BUILDING  
GLOBAL HOPE

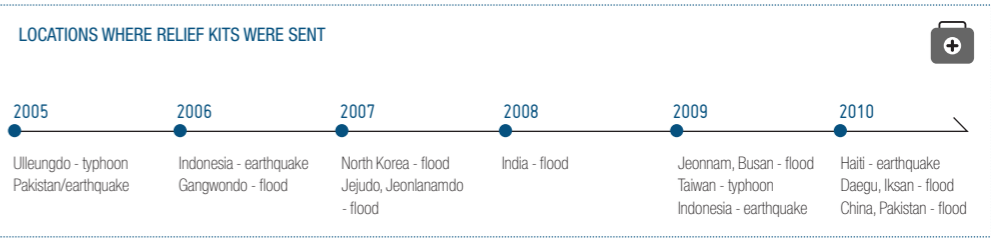
POSCO fulfills its social responsibilities as a global corporate citizen, actively undertaking overseas volunteer work as well. In particular, we provide opportunities for university students and youths who will play a leading role in the future society to experience the world so that they may grow as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

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●**University Student Volunteer Group (Beyond) / Youths Volunteer Group** To spread the culture of sharing and to enhance the spirit of volunteerism in college students, POSCO launched the “POSCO University Student Volunteer Group – Beyond” in 2007. In May 2010, the 4th Beyond was formed, comprised of 100 students selected from 40 universities. After a preparation period, they executed cultural exchange programs in Sentul, Indonesia for ten days between Jan. 19 to Jan. 29, 2011 and built 10 houses with the Habitat for Humanity program in Indonesia. POSCO also sent 10 youth volunteers to a rehabilitation center for the handicapped, Korea-Vietnam Cooperation Center, and Foreign Trade University in Ha Tay, Vietnam, and the International Development Center in Mongolia. The volunteers brought 440 PCs and computer equipment to give lessons in IT, Korean language, and recreation activities.

●**Global Volunteer Week** POSCO held the “POSCO Family Global Volunteer Week” from June 7 to June 12, 2010. Over 44,000 POSCO Family employees from 19 countries and 202 companies participated in the “POSCO Family Global Volunteer Week.” It was a week filled with various activities, such as providing relief kits, environmental cleanup, visiting welfare facilities, and home repair.

●**Emergency Relief** POSCO offers a swift hand in case of natural disasters such as earthquakes and floods. In particular, POSCO makes relief kits to fit the local customs and circumstances. The 3,000 kits that are made annually were sent to areas in need not only in Korea, but also to Pakistan (2005,2010), Indonesia (2006, 2009, 2010), North Korea (2007), India (2008), Taiwan (2009), and China (2010). In addition, POSCO established the “Southeast Asia Emergency Relief Center” in Indonesia in order to responding more quickly to natural disasters in Southeast Asia.



INTERVIEW



Luu Thê hung  
(POSCO-VIETNAM)

*I’d like to bring hope to more people!*

I visited orphanages to clean, paint, and read stories to the children. All I did was bring a smile to a few children in a small Vietnamese village. But I am also proud that I am part of the POSCO Family that practices sharing in many corners of the world.”

PARTICIPATING  
IN LOCAL  
COMMUNITIES  
AND THEIR  
DEVELOPMENT

Participating in  
the Community

When POSCO was first established in 1968, Pohang was a small city with a population of 70,000 and budget of KRW 320 million. Now, it has become an international city with a population of 520,000 and budget of KRW 1,033.7 billion. Gwangyang, the second city built on the steel industry, started out with a population of 80,000 and budget of KRW 590 million in 1981, and now it has grown into an international steel port with a population of 147,000 and budget of KRW 455.8 billion. POSCO believes that the local community’s growth is POSCO’s growth, and improving the lives and satisfaction of the residents is most rewarding. POSCO will embrace the local community so that the residents will feel proud of POSCO’s growth.

POSCO actively supports the local communities to prevent and solve issues of the region. In addition, POSCO actively builds partnerships with the stakeholders through communication and sisterhood ties with the villages.

●**Communicating with the local residents** As a responsible member of the local community, POSCO always listens closely to the local citizens. POSCO identifies social contribution activities customized to the local needs through surveys such as the “Analysis on Attitude toward POSCO and Local Cooperation Performance,” which is conducted annually in Pohang since 1993, and the “Survey on Residents’ Evaluation of Local Cooperation Projects and Sentiments toward POSCO” conducted in 2010 in Gwangyang. In addition, we have installed Community Cooperation Teams to secure a window for communication with the local residents. The Community Cooperation Team supervises community welfare support activities such as fostering culture in the community, scholarships and academic support projects, and supporting disadvantaged groups.

●**Sisterhood Tie Program\_ One-Department-One-Village** Beginning with the sisterhood agreement with Hagwang village, Gwangyang in April 1988, POSCO has made sisterhood ties with 125 villages in Pohang, 118 in Gwangyang, and 7 in Seoul, as well as 32 schools and organizations to enhance solidarity with local residents through trust and communication.

POSCO contributes to the local economy through stable business operations and job creation, and returns its profits by building local infrastructure. The Win-win Growth Support Group provides management consulting to local suppliers and spreads POSCO’s innovation activities as well. POSCO helps build the foundation for win-win by strengthening the competitiveness of the local supply chain.

 Please refer to Win-win Growth p. 26 for POSCO’s supplier support activities

Major installations that helped the local economy	Hyeongsan River Walk (*05~, KRW 407 million), POSCO Lights Street (*08~, KRW 559 million), Pohang Hwanho Haemaji Park(*95, KRW 20 billion), Pohang Technopark (*03, KRW 20 billion), Gwangyang Community Center (*01~, contributed KRW 29.8 billion), Jeonnam Technopark (*07, KRW 10 billion) are now popular tourist attractions
Local festivals	Pohang International Fireworks Festival (*04~), Gwangyang Sunshine Festival (*10~), Gwangyang University Gugak Festival(*08~)  <Pohang International Fireworks Festival> total economic effects (aggregate) /spectators(aggregate): KRW 296 billion / 6 million  <Gwangyang Sunshine Festival> number of spectators: 12,000, the Yeolliji Festival (*02~*08) was merged with the Sunshine Festival since 2010
Gift vouchers for traditional markets	In 2010, Pohang Works paid rewards amounting to KRW 100 million in gift vouchers usable at traditional markets.

Local Taxes Paid (Unit: KRW billion)			
	Pohang Works	Gwangyang Works	
Local Taxes Paid in 2010	53.5	41.7	
Ratio	22%	26%	

Sisterhood Ties							
Category	Sisterhood Ties				Beneficiary Residents(persons)	Rate of sisterhood(%)	
	Villages	Schools	Organizations	(Total)		As to population	As to administrative district
Pohang	119	-	6	125	413,996	80.6	29.6
Gwangyang	92	15	11	118	36,992	26.4	31.8
Seoul	7	-	-	7	-	-	-
Total	218	15	17	250	450,229	69.1	-

Promoting  
Sports & Culture

POSCO builds infrastructure to promote local culture as well. POSCO built art halls and launched professional football clubs to provide high quality culture, arts and recreation to the community.

Local Culture	Pohang Hyoja Art Hall (built in 1980), Gwangyang Baekun Art Hall (built in 1992)
Sports Promotion	Pohang Steelers and Jeonnam Dragons were founded (built exclusive football stadiums with 20,000 and 15,000 seats respectively)
Culture and Arts	• Artrium at Seoul POSCO Center: music concerts held every month, over 10,000 patrons come annually (Special concerts are held for the underprivileged including multicultural families and children from local children’s center) • POSCO Art Center, Aquarium

Promoting  
Educational  
Development

POSCO is investing intensely in local educational infrastructure through its education foundation. POSCO also provides various learning opportunities to the local youths.

 Please refer to Fostering Talent p.43 for POSCO’s education support activities.

Local Youths Hands-On Learning Program	The on-site, hands-on learning program targeting 5th graders
Junior Engineering Class	POSCO’s researchers and engineers volunteer as lecturers. A total of 1,213 children from Songdo, Songlim, Daehae, Cheonglim, and Indeok elementary schools participated
Children’s Steel Camp	870 elementary school students from Pohang and Gwangyang

Promoting Social  
Welfare

POSCO helps orphanages and conducts various volunteer work for the socially vulnerable. POSCO strives to contribute to the overall quality of life of the local residents.

Home Repair Program	Repaired 54 and 84 homes in Pohang and Gwangyang respectively
Gwangyang Childcare Center	As part of the “Public Childcare Facility Support Program” supervised by the Federation of Korean Industries that POSCO and other domestic corporations support, the Childcare center broke ground in September 2009
Soup Kitchen	Soup kitchens were opened in Pohang and Gwangyang, and an average of 615 people come daily in 2010

Soup Kitchens	No. of visitors (unit)		Days operated
	2010	Aggregate	
Pohang	68,837	446,050	1,586
Gwangyang1	41,430	379,494	1,615
Gwangyang2	40,488		
Total	150,755	825,544	3,201

INTERVIEW

*I have come to love nature!*

The 2010 Steel Camp was fun, and I got to meet new friends. Most importantly, I used to litter and not listen to my parents, but after attending the Steel Camp I have come to love nature and my parents more. Thank you for the Steel Camp, POSCO!

Kim Mugeon (Pohang Yanghak Elementary School)



# CREATIVE MANAGEMENT

## 2010 TECHNOLOGY INNOVATION

### Diversified the API\* Grade steel products

- 41mmt thick steel plates for underwater pipelines
- Development of toughness API-grade steel /Hot rolled API-K55
- Hydrogen sulfide corrosion resistant steel sheets for transporting petroleum gas

### Development of High Performance Cold Rolled Steel

- ECO thin film black resin coated steel sheet
- 1,470Mpa HAF ultra high strength reinforced steel
- High elongated CR980DP steel sheet

### Development of Electrical Steel Products

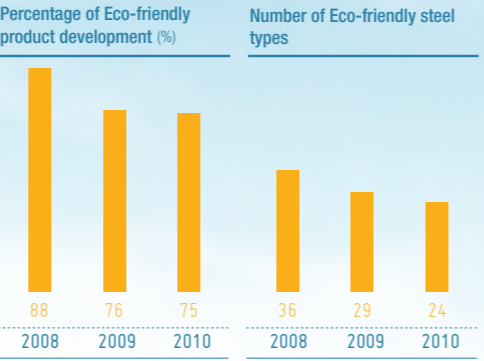
- Grain-oriented efficiency steel sheet for converters
- Non-oriented electrical steel sheet for motors

### Continued Development of High Performance Wire Rods

- Ultra fine steel wires for cutting silicon
- Deep sea exploration fixation ropes
- 2300Mpa grade high fatigue resistance wire rods for engine valve springs

\* API(American Petroleum Institute): While other structural steel products have a variety of international standards, petroleum-related structural steel standards are unified under the API standards.

## Types of POSCO's Environment-Friendly Products (Number of development projects between 2000~2010)



### Hot-Rolled Products

Products are rolled with materials at high temperature  
! Automobile frame, wheel, container, construction material, steel pipe, machine part, high gas pressure containers, etc.



### Cold-Rolled Products

Hot rolled materials are rolled at low temperature  
! Inner and outer panel for automobiles, home appliances such as LCD and washing machines, metal equipment, etc.



### Plates Products

Not manufactured into coils, but in forms of thick plates  
! Ships, bridges, structures used in construction, ship-building steel plates, etc.



### Wire Rod Products

Products manufactured in the form of slender and long wires  
! Automobiles, ships, bridges, structures used in construction, etc.



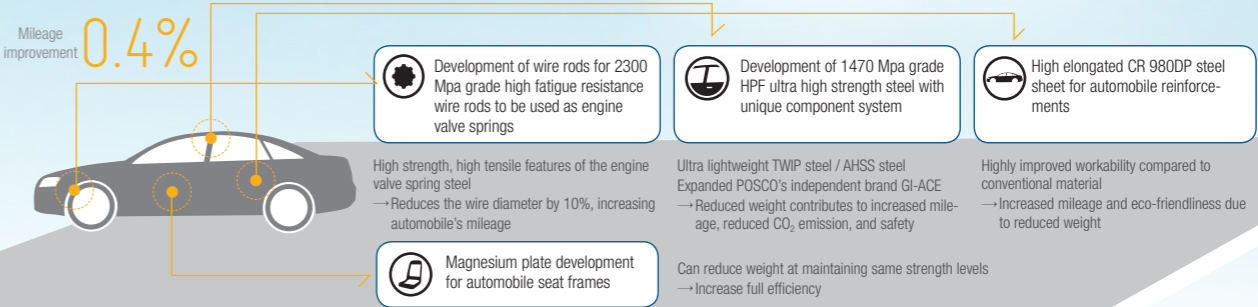
### Electrical Steel Products

Steel products that are electromagnetic can contribute in energy saving and preventing pollution  
! Converters, generators, various motors (industrial induction motors)



### Stainless Steel Products

Products are glossy and have less corrosion  
! Automobile exhaust system, kitchen utensils, electronic devices, structures used in construction, etc.



## FUEL CELLS FOR POWER GENERATION

Fuel cells use hydrogen and oxygen. Power generation efficiency is higher than steam power generation, while CO<sub>2</sub> emission is about 63%.

## SMART GRID

Next-generation electrical grid that integrate IT to the electrical grid, allowing the supplier and consumer to exchange information, optimizing energy efficiency

## WIND POWER GENERATION

Power generating system that uses medium-to-low temperature waste heat generated during processing

## LED

Environment-friendly light emitting diodes that reduces energy usage and CO<sub>2</sub> emission

Preventing environmental destruction from petroleum and gas leakage by preventing cracking of the steel sheet

Reducing GHG emission that cause global warming

Reducing CO<sub>2</sub> emission and improving working environment

# POSCO Creates Future

## THE CYCLE OF RESOURCES NEEDED TO PRODUCE 1 TON OF STEEL

POSCO strives to enhance its future value by developing eco-friendly technology and securing the basis for new-growth. POSCO practices creative management by continued advancement in its unique innovation activities. In addition, POSCO is preparing for another leap toward the future by identifying new-growth businesses. POSCO increases productivity through breakthrough production technologies, and puts its efforts to enhance customer value through the development and production of high quality products. Moreover, POSCO strengthens its future competitiveness by cultivating its steel business and new-growth businesses such as materials and energy.

HIGH PERFORMANCE WIRE RODS (Ocean rope used to be deep sea exploration facility (Poseidon))

ELECTRICAL STEEL SHEETS  
Used in electric and hybrid car motors

HIGH PERFORMANCE COLD-ROLLED STEEL  
Developed coated steel products using water-soluble eco-friendly black resin → water is used instead of organic solvents. The resin coating becomes thinner.

API\* STEEL PRODUCTS Used for transporting petroleum and gas that contain toxic gases such as hydrogen sulfide. Prior development of 41mmt thick steel plates for underwater pipelines/fracture toughness API steel/Hot-rolled API-k55

TECHNOLOGY INNOVATION

Frontrunner in Steel Technology

Process Innovation

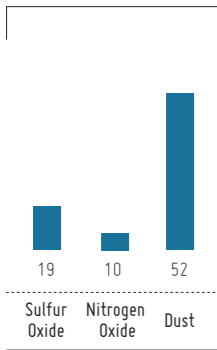
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In 2010, POSCO executed 43 challenging projects and developed 185 cases of innovative technology (90 tasks in heavy equipment development and 95 problem solving), securing its position as the frontrunner in steel technology. In addition, POSCO set the KPI for 92 technology indexes in 11 processes and surpassed the original goal, reaching 104%. POSCO focuses on developing core technology to develop “World Best, World First” products and advancing processing technology to maximize customer satisfaction, as well as enhancing cost competitiveness. POSCO also devoted its efforts to speed up technology development focusing on original technology development, identifying large-scale innovation tasks, and independent R&BDE (Research & Business Development and Engineering).

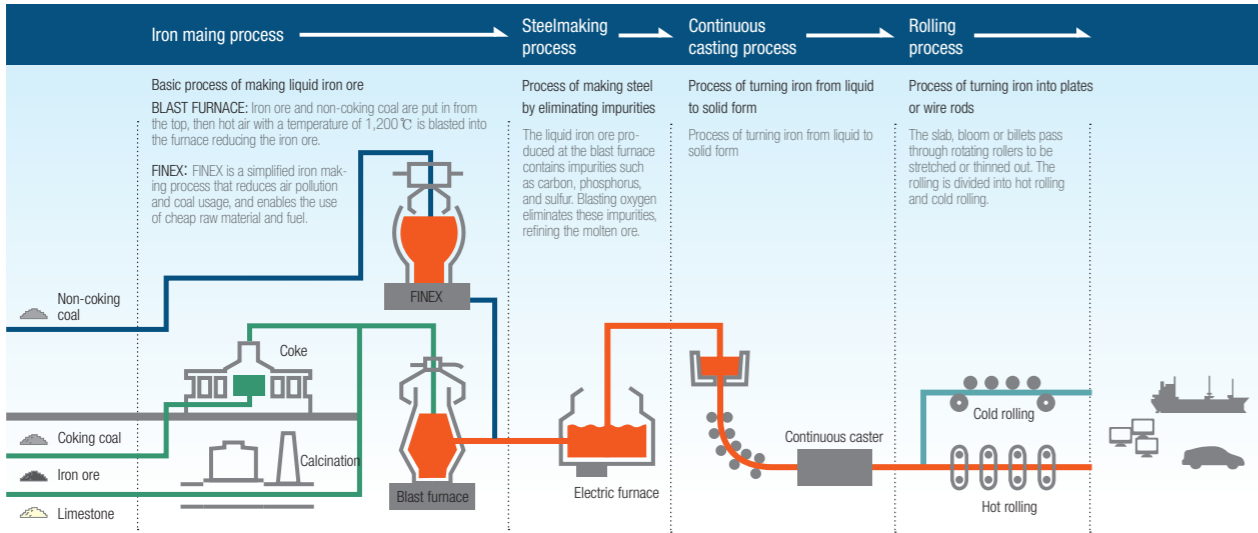
IRON MAKING	<div>FINEX Commercialization Technology</div> <ul style="list-style-type: none"><li>Established automatic FINEX operations control system in 2010: increased stability and convenience</li><li>In 2011, new FINEX plant with annual production capacity of 2 million tons will be built: The largest in the world</li><li>Thanks to simplified design and verification process of the FINEX plant, the construction material needed to build the 2 million-ton FINEX facility is expected to be 70% of the material that was needed for the 1.5 million ton facility</li></ul>
STEELMAKING	<div>Establishing high efficiency steelmaking process and level-up of high value-added steel production technology</div> <ul style="list-style-type: none"><li>Enhancing desulfurization efficiency at pretreatment, developing high-speed refining technology for the electric furnace and reducing T.Fe content in the slag: solving the problem of production neck point and improving molten steel cleanliness</li><li>Improving the Ca treatment method: improving the steel plate's HIC (Hydrogen Induced Cracking) resistance</li><li>Started operation of the Gwangyang steel plate plant in July, 2010: Highly efficient single process lay-out (electric furnace – refining – continuous casting)</li></ul>
CONTINUOUS CASTING & ROLLING	<div>Developing independent STS Strip Casting (=PoStrip, technology that can cast and roll at the same time) product, and HR thin slab casting commercialization technology</div> <ul style="list-style-type: none"><li>Developing high carbon martensite steel types for which assuring quality with continuous casting method is currently impossible, and the production technology for high alloy/duplex type STS that puts a high load when rolling because of its high strength</li><li>Developing HR thin slab (1.5t) production technology: expanding the scope of endless cold rolling pressed steel (change the current 1.0mmt to 0.35mmt), that will contribute to reducing processing costs</li><li>In 2011, POSCO installed the #2 IRM (In-line Rolling Mill, new roll that can control the shape and thickness of the sheet): it will greatly increase the PoStrip formability, yield and quality, laying the groundwork toward commercialization</li></ul>
ROLLING	<div>Developing plate production technology</div> <ul style="list-style-type: none"><li>Gwangyang plate plant with annual capacity of 2.5 million tons was completed at the end of September, 2010: The world's largest plate supplier at 7 million tons</li><li>Independent development of the PICO-II* accelerated cooling facility: Possible to produce POSCO's unique high strength, high efficiency steel sheets and plates</li></ul> <div>Building 750,000 ton production system for STS cold rolling products</div> <ul style="list-style-type: none"><li>Developed the continuous cold rolling technology in 2010: established 750,000 ton production system for STS cold rolling products</li><li>Reached target operation rate for the continuous cold rolling plant was completed in 2009</li><li>Developed the TRM (Z-Hi Mill of 4 stand) cold rolling technology, and APF (Annealing Pickling Finishing) technology.</li></ul> <div>Improving production technology of high performance hot rolled steel products</div> <ul style="list-style-type: none"><li>Continued production using our unique continuous rolling technology. Improved threading and width control</li><li>Development of high performance hot rolled steel materials such as shock absorbing high strength structural steel, and high carbon steel for industrial tools</li></ul>

\* PICO-II: POSCO Intelligent Cooling Optimization, which enables high efficiency cooling, even cooling, and cooling at over 40 ° of 25mm thickness, and the temperature control when cooling is significantly improved.

Comparison of pollutant emission to BAT furnace (%)



\* Numbers are in comparison to the emission levels of the furnace equipped with the latest preventive facility (BAT facility)



Developing Technologies for New Growth

In 2010 POSCO undertook a total of 98 R&D projects – 54 in materials sector including wide magnesium sheet and amorphous metal using molten iron; 9 in green energy sector including NaS battery and SOFC\*; 6 in marine sector including biodiesel; and 29 in future seed businesses such as Smart Grid and LED. POSCO also participated in 4 World Premier Materials national projects. POSCO's challenge to expand new growth businesses and maintain sustainable growth continues by securing generic technology in the new growth sector such as materials and energy.

\* SOFC (Solid Oxide Fuel Cell): a highly efficient and clean power generating system where chemical energy is converted directly to electricity through electrochemical reaction without going through heat or kinetic energy.

●**Ferro-amorphous alloy strip material for high efficiency converter** Unlike normal metals, the ferro-amorphous alloy's atomic arrangement is irregular, giving it a liquid-like form. In addition, its mechanic features (such as strength, hardness, and corrosion resistance) and magnetic features are superior, making them effective for use in transformer cores and electronic part cores. In 2010, POSCO secured the melt flow test equipment construction design and even spraying technology.

●**NaS battery** In 2010 POSCO succeeded in developing the NaS battery for the first time in Korea. The NaS (Sodium Sulfur) battery can store large amounts of energy, and is superior in terms of energy density and longevity compared to existing batteries. As it uses sodium and sulfur, it is superior to the lithium battery in terms of price competitiveness as well.

QUALITY MANAGEMENT

With the goals of achieving “Zero Claims,” POSCO pursues win-win quality management not only at the head office, the Works, and overseas production plants, but also the POSCO Family and suppliers. Under the supervision of the newly launched Quality Management Group, POSCO implements various strategies for the world's best steel products.

Declaration of the Quality Charter

In November 2011, 600 employees and executives gathered to witness POSCO's declaration of the POSCO Family Quality Charter that was established to accelerate POSCO global quality management. As is stated in the Charter, quality is the solemn pledge to the customer and is the irrefutable principal of all basics. POSCO will continue building its unique quality identity differentiated from competitors.

5 Strategies to Building “Global Prestige in Steel”

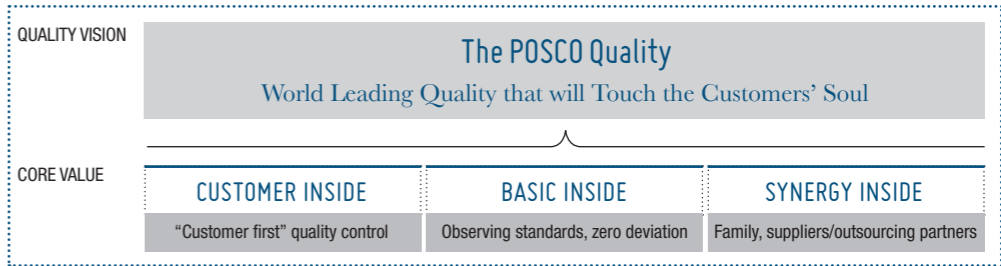
- Innovate the production mind, always thinking of the customer and opening the heart first
- Strengthen proactive management, identifying customers' needs before being asked
- Follow and determine the exact standards based on customers' demands to prevent shipment of unsuitable goods
- Revamp processes that affect quality to solve chronic/repeated defects at the source in order to realize 100% fair quality
- Establish the quality management structure that adjusts the overall work process to fit the customers' demand

Global Quality Management Manual

According to the CEO's quality policy in the expanding market, POSCO established and declared the Global Quality Management Manual on June 1, 2010, in order to assure the level of quality that customers' expect. In addition, 31 CFP (Cross Functional Process) that are the key in achieving the quality demanded by the customers were newly established as well. The CFP is POSCO's will and assurance system in the name of POSCO to supply equal quality to all the customers in the world.

POSCO Family Quality Management Exchange Meeting

To support POSCO Family's win-win growth through quality management, quality management exchanges are actively taking place among POSCO Family member companies. Starting from the exchange meeting held in 2010 between 5 POSCO Family member companies, POSCO held 4 exchanges such as the technology conference, sharing implementation performances, and strategy discussion. During that time, the participants increased to 32 Family member companies.



On the issue of global climate change, POSCO casts aside the passive stance of responding to regulations and takes the initiative to proactively prepare for green growth where environmental regulations and economic growth form a virtuous cycle. POSCO operates a Family level green growth management system to create synergy in the green businesses and identifies new growth engines for the future. In addition, POSCO reduces managerial risks by undertaking a variety of investments and technology development aimed at green growth. POSCO contributes to GHG emission reduction by investing in efficiency steel, light materials, turning by-products to resources, and green purchasing. It is also cultivating a green life brand to represent POSCO through activities such as the Green Walk campaign.



For details please refer to the POSCO Carbon Report 2010

### GLOBAL GREEN GROWTH LEADER

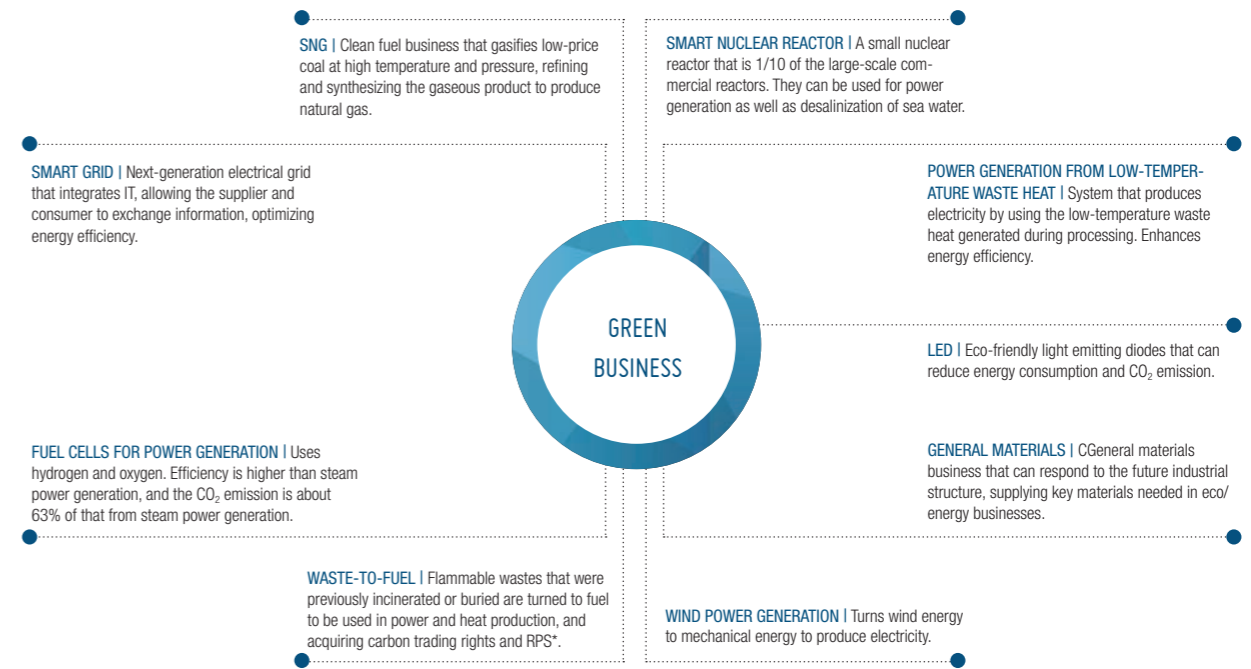
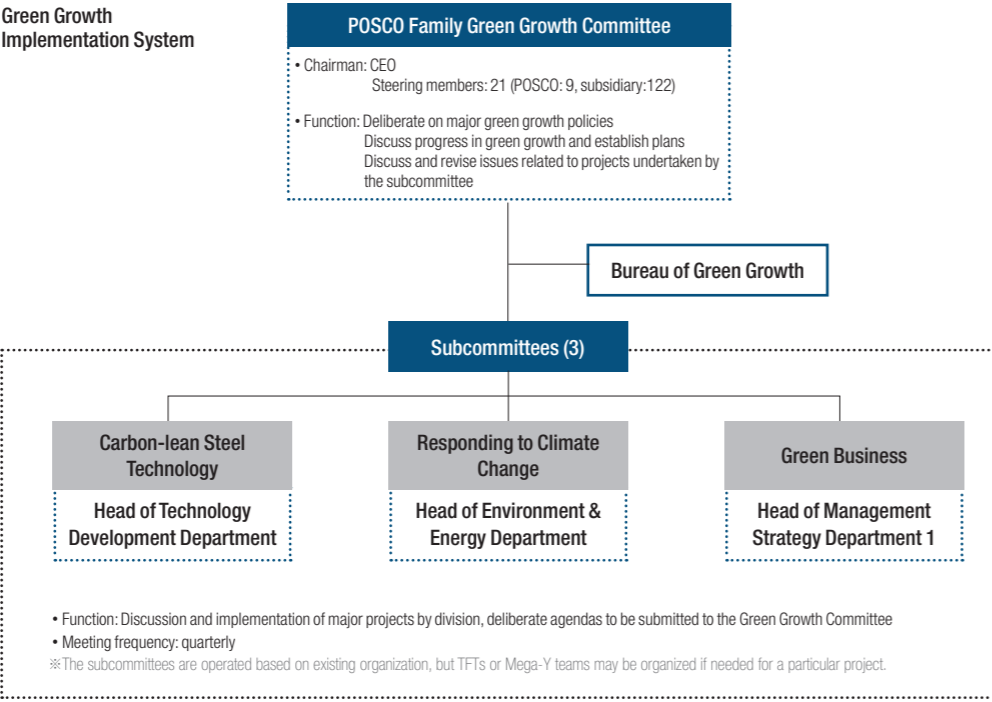
Achieve KRW 10 trillion in sales by investing KRW 7 trillion in low-carbon steel & green business, and create 87,000 jobs in green employment Reduce CO<sub>2</sub> emission intensity by 9% by 2020

GREEN STEEL	GREEN BUSINESS	GREEN LIFE	GREEN PARTNERSHIP
<ul style="list-style-type: none"><li>• Reduce CO<sub>2</sub> emission intensity</li><li>• Develop high strength steel sheets and ultra lightweight materials</li></ul>	<ul style="list-style-type: none"><li>• Tap into the POSCO Family's capacities to expand renewable energy</li><li>• Identify and cultivate new growth engines</li></ul>	<ul style="list-style-type: none"><li>• Green workplace</li><li>• Eco-friendly transportation</li><li>• Green everyday life of all employees</li><li>• GREEN Community</li></ul>	<ul style="list-style-type: none"><li>• External and internal cooperation on climate change policies (APP, WorldSteel)</li><li>• Enhance low-carbon social contribution activities (reducing socially emitted CO<sub>2</sub>)</li></ul>

- Create new growth momentum
- Minimize management risks
- Contribute to a green society

Implementing  
Green Growth

POSCO seeks new business opportunities in response to the demand for low-carbon, green growth. In 2009, the Bureau of Green Growth was launched to realize a green growth model at the POSCO Family level, achieving eco-friendliness and economic growth at the same time. With the goal of reaching KRW 10 trillion in sales in the green business sector and creating 87,000 jobs in green employment, POSCO has established the master plan for the POSCO Family's green growth, and is identifying and cultivating green businesses.



Project Achievements and Targets		
	Achievements in 2010	Plans andTargets
Fuel cells for power generation	<b>POSCO POWER</b> -Operates fuel cell power generation systems of 40MW in 16 locations throughout the country -In May 2009, completed construction of MCFC facility of 2.4MW in Nowongu, Seoul -In November 2009, completed construction of MCFC facility of 2.4MW in Incheon -In September 2009, completed the BOP (Balance of Plant) of 50MW in Pohang -In April 2010, broke ground for the fuel cell stack module production plant of 100MW annual capacity	<b>POSCO POWER</b> -Complete fuel cell stack module production plant by March, 2011 -Be the first to commercialize next-generation fuel cell by 2013
Wind power generation	<b>POSCO E&amp;C</b> -In December 2008, constructed a wind farm of 40MW capacity (20 turbines with 2MW capacity) in the Hoengseong/Pyeongchang areas (it has the effect of reducing 63,000 tons of CO <sub>2</sub> emission per year)	<b>POSCO E&amp;C</b> -Build 30MW onshore wind farm in Haenam by 2013 -Start offshore wind power business of more than 200MW in the seas of Wando/Shinan. <b>POSCO POWER</b> -Develop wind farms in Gangwondo and Jeollanamdo.
Waste-to-fuel	<b>POSCO</b> -In August 2009, established POSCO E&E (company specializing in the waste-to-energy business) -In July 2010, established BUSAN E&E (signed private investment project concession agreement) -In October 2010, broke ground for the construction of the waste-to-fuel power plant in Busan with hourly capacity of 25MW.	<b>POSCO</b> -Acquire the sludge-to-fuel facility in Suwon within 2011. -Expand domestic and overseas markets by stabilizing business and securing key technologies.
SNG (Synthetic Natural Gas)	<b>POSCO</b> -Signed plant design agreement in 2010	<b>POSCO</b> -Complete SNG production plant by 2013 (expected to save KRW 200 billion of fuel imports)
Smart Grid	<b>POSCO ICT</b> -Since December 2009, participated in the Jeju smart renewable test bed's grid connection, and the construction of the micro grid operation platform. -Since May 2010, acquired the smart industry standard model and reference for Gwangyang Works	<b>POSCO ICT</b> -Acquire core technology in renewable energy and smart industry, develop a fusion model with other industry sectors, and expand them to external business
LED	<b>POSCO ICT</b> -In September 2009, established "POSCO LED"	<b>POSCO ICT</b> -Begin operation of Pohang assembly plant by March 2011 -Provide LMS (Lighting Management System) solution (integration of IT to the industrial LED lighting sector, from production to design and construction)
Power generation from low-temperature waste heat	<b>POSCO</b> -Developed the Kalina** cycle and acquired related core technology	<b>POSCO</b> -Commercialize high efficiency, low cost module -Expand to domestic and international markets for industrial waste heat, geothermal heat, biomass, and ocean thermal energy conversion
General materials	<b>POSCO</b> -Mass production of magnesium and titanium products	<b>POSCO</b> -Develop materials that are the basis for green new growth businesses such as lithium and cathodes, which are the key materials for rechargeable batteries -Rare earth elements business development and urban mines business
SMART nuclear reactor		<b>POSCO</b> -On the occasion of participating in the national project, acquire core nuclear technologies and build related infrastructure. -Lay the ground stone for nuclear hydrogen reduction steelmaking technology that can respond to climate change

\* RPS: Renewable Portfolio Standard  
\*\* Kalina Cycle: Generation system using waste heat

## ECONOMIC PERFORMANCE

The global economy in 2010 seemed to be overcoming the financial crisis thanks to various policies of the world's governments to stimulate the economy, but the growth slowed down due to the financial crisis in southern Europe, delayed recovery of industrialized countries, and tight economic policies of newly industrializing countries. Despite these difficult business conditions, POSCO strongly drove the movement for global growth through business evolution (cultivating future core businesses), market expansion (global growth), system innovation (improving the way of working), and win-win growth with its business partners. As a result, POSCO achieved KRW 32 trillion in sales and KRW 5 trillion in operating income, which was the highest among all steelmaking companies for 2 consecutive years since 2009.

Sales Volume by Product (Unit: 1,000 tons)					
	2008	2009	2010		
	Total	Total	Total	Domestic	Export
Hot-rolled steel(including PO )	10,700	9,809	10,463	6,805	3,658
Plate	4,593	4,484	4,517	3,644	873
Wire Rod	2,020	1,960	2,020	1,623	397
Cold-rolled steel	10,416	8,834	10,367	5,618	4,749
Electrical steel	932	840	980	525	455
Stainless steel	1,306	1,368	1,694	817	876
Others	1,198	1,142	1,425	1,352	73
Total	31,166	28,437	31,465	20,384	11,081

Stock Information			
	2008	2009	201
Share price(KRW)	380,000	618,000	487,000
Market capitalization(KRW trillion)	33.1	53.9	42.5
EPS(KRW)	58,905	41,380	48,204
PER(x)	6.5	14.9	10.1

Key Financial Indicators			
	2008	2009	2010
Sales (KRW billion)	30,642	26,954	32,582
Operating Income (KRW billion)	6,540	3,147	5,047
Net Income(KRW billion)	4,447	3,172	4,203
Operating Margin (%)	21.3	11.7	15.5
ROE (%)	17.0	11.4	12.7
EBITDA (KRW billion)	8,448	5,207	7,350
EBITDA Margin (%)	27.6	19.3	22.6
Shareholders' Equity (KRW billion)	27,784	30,951	35,082
Debt-to-Equity Ratio (%)	33.3	29.2	37.4

Assets (Unit: KRW billion)			
	2008	2009	2010
Current Asset	13,693	12,918	13,009
Cash and cash equivalents	942	627	672
Trade accounts and notes receivable, net of allowance for doubtful accounts	3,229	2,684	3,328
Inventories	6,416	2,996	5,989
Non-current Asset	23,340	27,075	35,182
Investment securities, net	8,633	10,212	16,125
Property, plant and equipment, net	14,466	16,646	18,548
Total	37,033	39,993	48,191

## ECONOMIC ACTIVITIES BY STAKEHOLDER

As a responsible corporate citizen, POSCO is dedicated to win-win prosperity with its stakeholders. We create value throughout all our business activities, from purchasing to production and sales. We also contribute to our stakeholders in the form of taxes to the government, dividends and interests to our investors and contributions to the local communities.

### STOCKHOLDER & INVESTOR

Dividend Payout (Unit : KRW)			
	2008	2009	2010
Dividend per share (KRW)	10,000	8,000	10,000
interim Dividend per share (KRW)	2,500	1,500	2,500
Earnings per share (KRW)	58,905	41,380	54,558
Payout ratio (%)	17.2	19.4	18.3

### SUPPLIER

Purchasing & Outsourcing Costs (Unit: KRW billion)			
	2008	2009	2010
Raw material costs	16,772	13,887	18,425
Other material costs	1,648	1,569	17,770
Outsourcing costs	1,504	1,467	16,947
As % of revenue (%)	65.1	62.8	67.2

### CREDITOR

Interest Expenses (Unit: KRW billion)			
	2008	2009	2010
Interest expenses	1,432	2,886	3,186

### EMPLOYEE

Wages (Unit: KRW billion)			
	2008	2009	2010*
Fixed wages	848	812	1,083
Provisions for severance & retirement benefits	244	3	263
Variable wages	684	471	311

\* From this report, this indicator is calculated according to changed standards.

Pensions (Unit: KRW billion)			
	2008	2009	2010
National Pension premiums (company's contribution)	32.6	31.7	32.1
Subsidies to personal pensions	8.4	8.5	8.7
Number of beneficiaries to the personal pension subsidies (persons)	13,491	13,084	13,300

### GOVERNMENT / COMMUNITY

Total Taxes Paid (Unit: KRW billion)			
	2008	2009	2010
National taxes	5,276	11,456	-1,382
Local taxes	1,355	1,919	946
Customs duties	75	101	1,227

\* 2010 National tax shows (-) amount due to tax refund

\* Local taxes, expressed in cash basis

ENVIRONMENTAL  
MANAGEMENT

2010 AWARDS

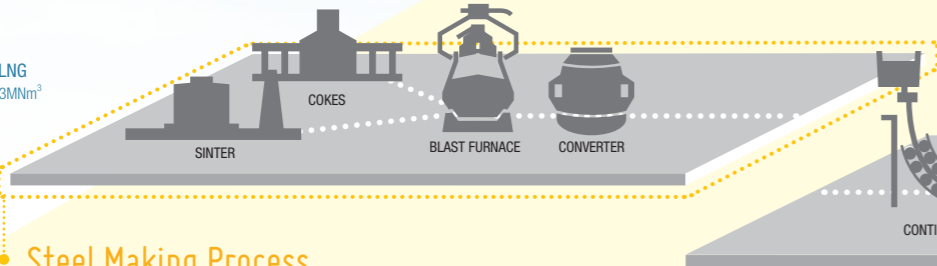
**2010 SAM DJSI** (Dow Jones Sustainability index)  
Listed in the Index for 6 consecutive years and nominated leader in the steel sector for 4 consecutive years

**2010 CDP** (Carbon Disclosure Project)  
Selected as one of the leading companies in carbon disclosure and carbon performance

**2010 Korea CDP Committee**  
Selected outstanding company to reduce GHG emissions



INPUT



Steel Making Process

POSCO imports raw materials to operate an integrated steel mill. The major processes include; Sinter, cokes, blast furnace, converter, continuous caster, and rolling.

2% sale (steam, electricity, btx etc.)

BY-PRODUCT GAS

98% reuse rate of blast furnace by-product gas

Eco-friendly Steel | The 1.3 billion tons of steel produced worldwide is used in most industries including automobiles, ships, construction, home appliances, and various machinery and parts. Steel is an eco-friendly material its production cost is relatively low and can be fully recycled, and the recycling rate of automobiles and cans is 76%.



RESOURCE  
RECYCLING RATE

98%

Through the activities of "By-product Profitability Improvement Mega-Y"—an organization established to improve usefulness of by-products—POSCO utilizes by-products containing iron and carbon within the steelmaking process, and extracts valuable metals from industrial by-products that used to be buried, using them in stainless steel production. POSCO has completed the iron-bearing by-product treatment facility (RHF), which can treat 280,000 tons of collected dust and sludge annually, retrieving valid resources from iron-bearing wastes.

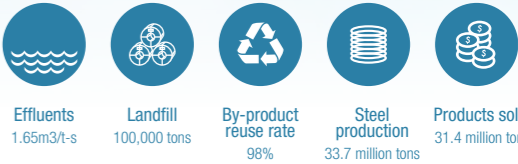
ENERGY  
RECYCLING RATE

70%



POSCO supplies most of the energy needed in plant operations from the by-product gases, and uses the remaining gas for independent power generation. Among the total energy used at the head office, Pohang Works, and Gwangyang Works in 2010, 70% was self-supplied through energy recovery facilities and LNG combined power plants such as independent generation using by-product gases, CDQ(Coke Dry Quenching), and TRT(Top Gas Pressure Recovery Turbines). The remaining 30% was procured externally.

OUTPUT



CO<sub>2</sub> emission while transporting raw materials in 2010 (Unit: 1,000 t-CO<sub>2</sub>)

992 | Amount of CO<sub>2</sub> emitted in transporting major raw materials (iron ore, limestone, coal)

29% in-house usage rate

BY-PRODUCTS

69% external usage rate

landfill, incineration 2%

WATER

98% water reuse rate

discharged water 2%



CO<sub>2</sub> reduction effect in society due to expanded supply and usage of energy efficiency steel products in 2010 (Unit: 1,000 t-CO<sub>2</sub>)

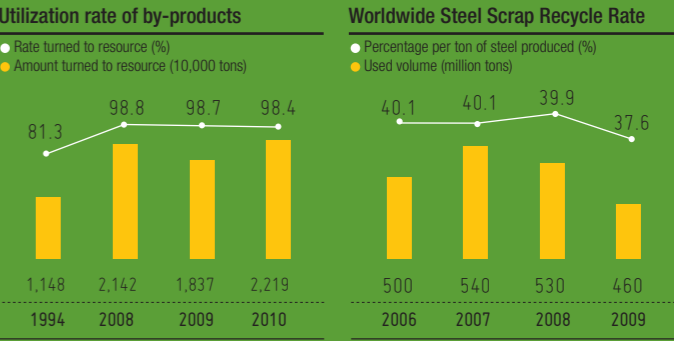


POSCO contributed to social CO<sub>2</sub> reduction by supplying energy efficiency steel, and granulated blast furnace slag that is an eco-friendly substitute for cement.

POSCO Steel Making Cycle & Recycling

THE RESOURCE CYCLE IN PRODUCING 1 TON OF STEEL

POSCO executes various activities to protect the environment and use energy more efficiently. In 2010, POSCO used 98% of by-product gases produced during steelmaking in its blast furnace, heat-treatment furnace and coke furnace. Water is first treated at the wastewater treatment facility at each plant, of which over 98% is reused, and the rest is treated again at the wastewater treatment plant, used for cleaning the roads within the plants and spray water to reduce dust, after which it is finally discharged to the sea. Slag, dust, and sludge generated during steelmaking are used as aggregate, fertilizers and cement. In 2010 a total of 22.5 million tons of by-products have been generated, of which 98% or 22.2 million tons have been reused.



\*source: World Steel

POSCO FAMILY'S GLOBAL ENVIRONMENTAL MANAGEMENT

POSCO Family's Environmental Management Policy

Vision of Global Environmental Management

As POSCO's business expanded to overseas markets and a comprehensive environmental management at the POSCO Family level including subsidiaries and suppliers grew more important, the POSCO Family declared the vision of "Realizing POSCO Family Global Environmental Management, Leading Low-carbon Green Growth" in December 2010. In order to establish an environmental management system at the POSCO Family level that includes subsidiaries, suppliers and outsourcing partners, the POSCO Family Environmental Management Directive was declared, where the CEO of POSCO and presidents of major Family companies participated, pledging active participation in POSCO's global environmental management.

Recognizing environment as the core element of its management strategy, POSCO Family established 3 key strategies (building an integrated environmental management system; environment risk management; and open communication) and 9 Implementation tasks. First, as part of establishing an integrated environmental management system, the POSCO Family Environmental Management Manual was published to provide a guideline to all Family companies. Based on the manual, it is POSCO Family's goal that all subsidiaries both domestic and abroad acquire the ISO 14001 certification by 2012. As for suppliers and outsourcing partners, the Green PCP certification\* system will be introduced to encourage them to establish environmental management systems of their own. The POSCO Family companies will provide environment education and consulting to overseas branches, subsidiaries and suppliers, and execute internal and external audits on their environmental management systems. In addition, an environment information system will be set up to enhance communication in the environment sector, sharing achievements and improvement cases, environment trends and information on regulation.

To check the detailed plans and progress in establishing the Global Environmental Management System, goals have been set for 4 criteria – ISO 14001 certification rate, Green PCP certification rate, cultivating ISO 14001 assistant auditors, and completion of environmental management e-learning program – for which the POSCO Family executives will be rated as major performance indicators.

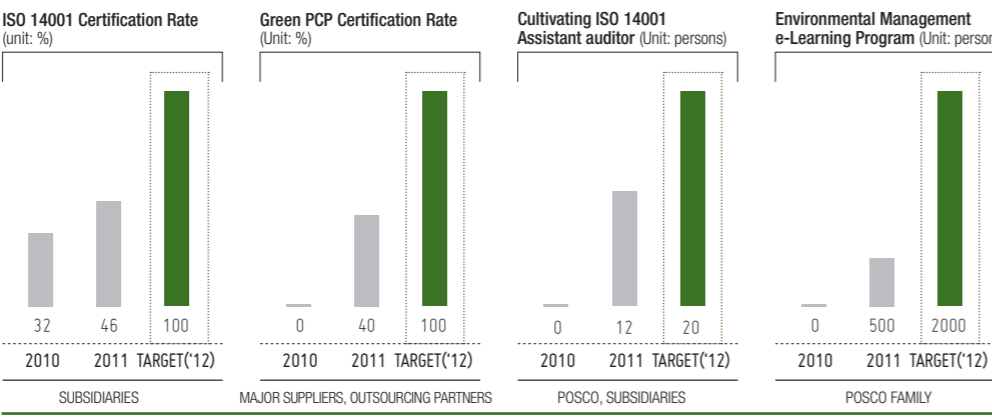
\*Green POSCO Certified Partner: POSCO's autonomous certification program for outsourcing partners and suppliers for adopting the environmental management system.

POSCO Family Environmental Management Directive (Revised in December 2010)

Recognizing environment as the core element of our management strategy, we will practice the following in order to spearhead low-carbon green growth, assuring environmental integrity based on technology development and open communication.

- Build a Family-wide environmental management system based on ISO14001 and secure global leadership.
- Comply with environmental regulations and continue to improve the entire processes in consideration of the environment.
- Minimize the discharge of contaminants by adopting cleaner production methods and implementing best available control technologies.
- Capitalize on natural resources and byproducts efficiently to establish a resource-circulating society and improve ecological efficiency.
- Lead low-carbon green growth by using cleaner energy sources and implementing green technology.
- Disclose our environmental management performance to secure management transparency and sustainability.

POSCO Family's Major Targets

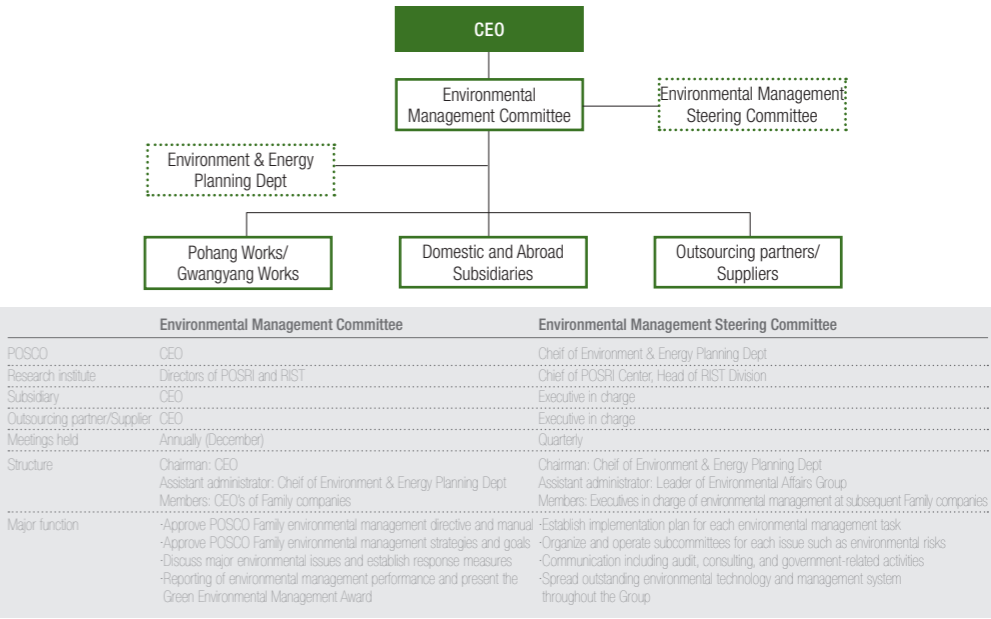


Governance

Managing Environmental Risk

Chaired by the CEO, POSCO operates the Environmental Management Committee, consisting of presidents from domestic and overseas subsidiaries, outsourcing partners, and suppliers. The Environmental Management Committee holds regular annual meetings to analyze domestic and international environmental trends and discuss issues to establish mid-term business strategies at the POSCO Family level. The draft mid-term plans discussed at the Committee are evaluated and decided upon together with the mid-to-long-term business strategy at the Management Committee (expert committee under the Board of Directors). At the monthly Enterprise Management Meeting and Executives' Meeting chaired by POSCO's CEO, environmental performance is examined with other management issues.

In order to minimize managerial risks caused by environmental issues and to maximize opportunities, POSCO has built an internal environmental risk management system to identify and analyze risks and opportunities. In addition, to understand the environmental impact of plant operations and domestic and abroad, environmental assessment of the areas surrounding the steel mills is conducted regularly and environmental data is managed through real-time monitoring systems. The fast-changing green market and global environmental regulations are thoroughly analyzed to identify their implications on corporate management. The environmental risk management process and the results are linked with the enterprise-wide risk management system, and the major environmental risks and opportunities are reported to the Environmental Management Committee.



Managing Environmental Performance

Environmental Accounting

POSCO's ERP\* based environmental management system (POEMS: POSCO Environment Management System) enables the systematic management of environmental data. POEMS was first developed in 1997, and after the enterprise-wide PI (Process Innovation) was carried out in 2001, an enterprise-wide management system was completed. The environmental data collected through the TMS at each plant is transmitted real-time to the local government and the Ministry of Environment, and employees with authority connected to the company environmental system can see the data individually. Major environmental indicators are displayed on the electronic display located outside the plant so that local residents can see them as well. As a means of verifying its environmental management system, POSCO acquired the ISO 14001 certification in 1996. Each year, it undergoes verification from an outside institution (LRQA), and the Environment Department conducts internal verification annually.

Beginning from the end of 2010, in order to enhance user convenience, usability, and security of the environmental management system, POSCO drew the big picture of global environmental management as part of the POSPIA 3.0 Mega-Y campaign, restructuring inefficient parts of the system and integrating scattered elements. Detailed action plans include web-based integration to improve user convenience in data usability and analysis, building a Family information sharing system, mobile-based Smartwork, and comprehensive health care system.

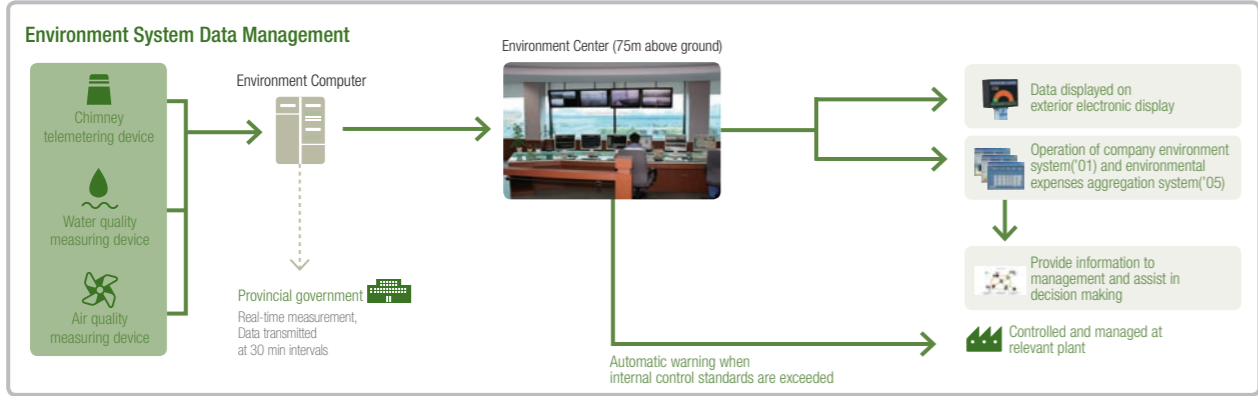
\* ERP(Enterprise Resource Planning): Integration system for enterprise resource management.

In 2003, POSCO completed the design for environmental activity costing system based on the ABM (Activity Based Management) method, and after the process of building and testing, started its operation since January 2005. It is designed to simultaneously analyze costs and environmental benefits from energy recovery and turning by-products to resources. It helps the departments do their jobs more efficiently, helps management's efficient decision making (such as equipment investment), and provides information to major stakeholders such as shareholders, investors, and local residents. As a result of continued investments in improving the environment, POSCO invested a total of KRW 4,594.9 billion since its establishment. This amounts to 9.4% of total equipment investment. Investment in environmental equipment in 2010 was KRW 636.3 billion, taking up 11.6% of total equipment investment. KRW 750.5 billion was spent in maintenance and operation of the environmental facilities.

Environmental Facility Investment in 2010 (Unit: KRW billion)			
	Investment details	Amount	
Air	Improvement of dust collector efficiency / Installation of dust collectors for the 5 new calcination facilities	298.1	
Water	Added reclaimed water supply pipes / Installation of four end-water treatment facilities	157.0	
Recycling and other	Improvement of furnace slag facilities / Expansion of slag treatment facility due to expanded steel plate production	181.2	
Total		636.3	

Environmental Expenses (Unit: KRW billion)				
	Details	2008	2009	2010
Environmental facility operating cost	Electricity, maintenance, labor costs, etc.	239.9	237.1	268.3
Recycling costs	By-product processing, delivery, incineration/landfill, outsourced treatment costs, etc.	197.5	215.8	220.8
Depreciation costs	Environmental facility depreciation costs	147.7	142.5	152.7
General administration costs	Environment-related department labor costs, water usage dues, etc.	39.9	33.8	40.7
Environmental R&D costs*	Environmental R&D costs	14.0	13.3	17.0
Energy recovery costs	By-product gas recovery, hot water/steam/electricity recovery costs	48.0	51.9	51.0
Total		687.0	694.4	750.5

\* Environmental R&D costs: Accounts for R&D in the environment sector and does not include energy.



ENVIRONMENT MANAGEMENT & PERFORMANCE

Improving Air Quality

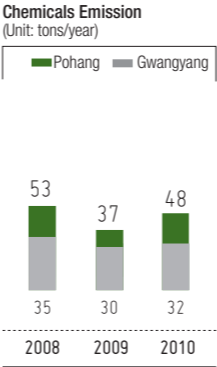


Sealed storage facility/Windbreak



Cleansys Center

- <sup>1</sup> Vortex: The swirling wind causes a vortex that offsets the speed.
- <sup>2</sup> Silo: cylinder-shaped raw material storage tower that can prevent fugitive dust (each unit can store 60,000 tons of raw materials)
- <sup>3</sup> LDAR (Leak Detection and Repair): a series of measure to reduce emissions of pollutants from fugitive emission sources (its purpose is to reduce BTX and ammonia generated during chemical processing)
- <sup>4</sup> BET (Biological Effluent Treatment): organic treatment of wastewater (method of utilizing microorganisms to treat wastewater to eliminate organic and inorganic substances)
- <sup>5</sup> VOC: Volatile Organic Compounds
- <sup>6</sup> MSDS: Material Safety Data Sheets
- <sup>7</sup> REACH: Registration, Evaluation and Authorization of Chemicals
- <sup>8</sup> RoHS (Restriction of Hazardous Substances): regulations set by the EU on the restriction of uses for certain hazardous substances
- <sup>9</sup> PFOS (Perfluorooctanoic Sulfonate): fluorosurfactant that contains persistent organic pollutants.



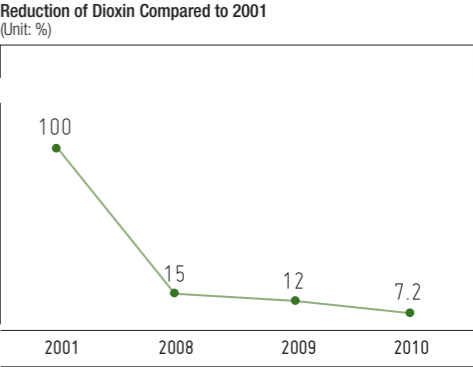
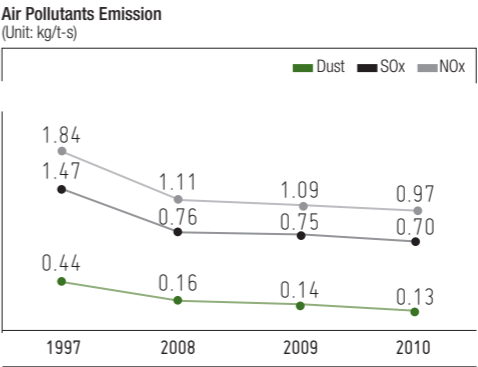
Since the latter half of 2007, Pohang Works has implemented the "Fine dust reduction task in steelmaking area" to reduce the generation of fine dust at the steelworks and the discomfort caused to the local residents. The key activities include reducing dust from the raw materials yard, roads, transportation equipment, as well as dusts from equipment and chimneys. POSCO installed the first vortex<sup>1</sup> type windscreen in Korea and water sprayers at major roads and installed water cleaning devices on the transportation equipment. POSCO installed additional dust collectors and controlled dust in a closed environment to prevent dust from scattering. As a result of the overall efforts that cost approximately KRW 120 billion, the fine dust concentration at the end of 2010 decreased by 69% at  $43\mu\text{g}/\text{m}^3$  compared to  $80\mu\text{g}/\text{m}^3$  before implementing the dust reduction task

In addition, since the second half of 2009, POSCO has been implementing air quality control tasks as well, based on communication with local residents with the goal of "completing fine dust reduction task" and "improving the real-life environment by reducing odor and noise." For this task, silos<sup>2</sup> were installed that can lock in coal dust that is easily blown by wind—15 units in Gwangyang Works and 6 units in Pohang Works. Sub-materials are stored indoors to prevent any dust at the yard, and secondary cleaning devices were added to the transportation equipment currently in operation. Transportation equipment to be installed in the future will be a sealed structure, complying with the fine dust reduction task.

●**Stench/Odors** POSCO examined facilities and open locations that may emanate odors. Thus, POSCO installed facilities that eliminate odor generating substances and allocated departments to closely monitor and take improvement measures. Nine fine dust measuring devices and 46 odor measuring devices installed at major sources monitor dust and odor concentration real-time. When concentration goes up preventive measures are taken so that dust and odors do not leak out, causing discomfort to residents living nearby. POSCO plans to invest approximately KRW 310 billion until 2013 in air quality control that includes dust and odors.

●**Chemicals** In December 2004, POSCO joined the government and civic-group led "Voluntary Agreement to Reduce Chemicals Emissions (30/50 Program: the target is to reduce chemicals discharge by 30% within 3 years, and by 50% within 5 years)." In suit, various efforts have been made to this end - emission reduction technologies were installed, including the an apparatus for processing the slag granulation of blast furnace without steam. chemical LDAR<sup>3</sup> system, sealing of the chemical BET<sup>4</sup> wastewater treatment facility, and VOC<sup>5</sup> collecting facility at chemical storage units, as well as process improvements. Since 2008, the chemicals control system has been in operation to control chemicals from purchase, usage and disposal for each type of chemical. As a result of these efforts, POSCO was selected as the best case at the Voluntary Agreement to Reduce Chemicals Emissions Gathering hosted by the Ministry of Environment.

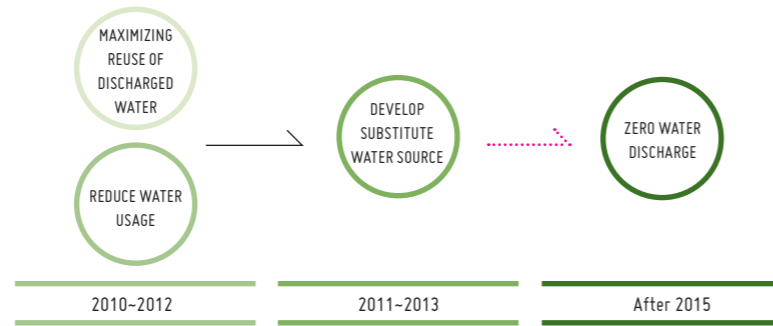
●**REACH** As regulations on hazardous chemicals contained in products become more stringent worldwide, POSCO registered testing certification such as MSDS<sup>6</sup>, REACH<sup>7</sup>, RoHS<sup>8</sup> and PFOS<sup>9</sup> for each product material in the POSCO e-commerce system (www.steel-n.com) so that customers can download and use them at their convenience. In addition, as the welding rod was classified as a mixture by REACH, the POSCO subsidiary that produces the chemical material for the welding rod and the rod manufacturer completed preliminary registration in 2008 after joint agreement, and completed initial registration in October, 2010.



\* Indexed dioxin emission levels where 2001=100

Recognizing the importance of water resources, POSCO conducted an analysis on risk factors water may have on business. As a result, POSCO established mid-to-long-term water management strategies to reduce the risk of water shortage, including increasing water reuse and reducing water usage, developing substitute water source, and ultimately, achieving zero water discharge.

#### POSCO's Mid-to-long-term Water Management Strategy



● **Maximizing Reuse of Discharged Water** In order to increase reuse of discharged water, Pohang Works plans to collect wastewater from rolling separately for low-chlorine and high-chlorine water, treat them separately, then reuse 6,000 tons daily beginning from the latter half of 2011. Improved rainwater and recycled water remaining at night-time will be stored in the water retaining facility to be used as spraying water during daytime. Meanwhile, Gwangyang Works expects to reuse 50,000 tons daily through activities to increase reuse rate of discharged water.

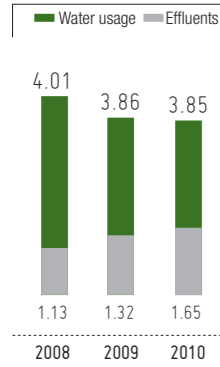
● **Reducing Water Usage** POSCO is putting its efforts in enhancing water saving awareness by various plant activities such as conducting campaigns and finding model cases among leading steel mills. The water usage and discharge data for each plant is analyzed and diagnosed by specialists to identify areas to be improved, and used as basic data in improvement activities to reach optimal water efficiency. The various efforts to reduce water usage is expected to bring 40,000 tons reduction daily.

● **Developing Substitute Water Source** As part of its plan to acquire substitute water sources, POSCO completed the desalinization pilot plant at Gwangyang Donghoan in December 2010. Studies on R/O<sup>8</sup> technology that enables optimal facility operation are currently under way, which will be used in building the zero discharge system in the future. As such, desalinization research implement is currently in progress for retrieval technology to minimize water usage and building the zero discharge system that doesn't discharge any concentrated water.

<sup>8</sup> R/O: Reverse osmosis

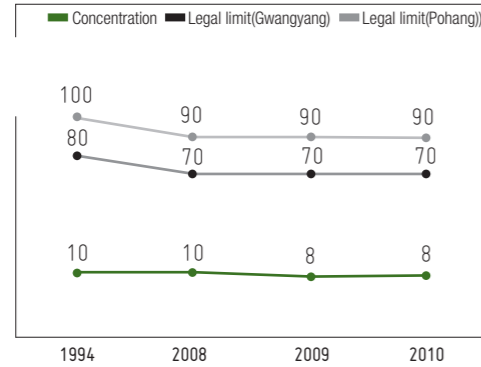


#### Water Intake for Operations and Effluents (Unit: m³/t-s)

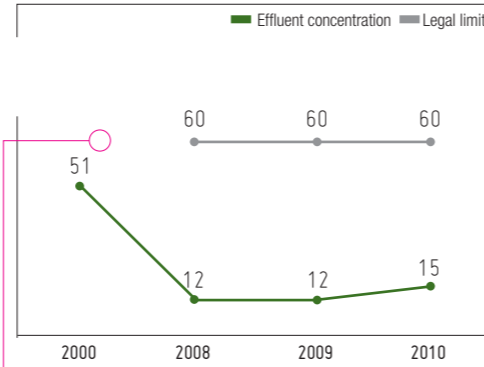


\* Water intake for operations: water used in steelmaking

#### Final COD Concentration in Effluents (Unit: mg/l)



#### Final T-N Concentration in Effluents (Unit: mg/l)



\* T-N regulation began since 2003

#### Details of recycled by-products in 2010 (Unit: %)

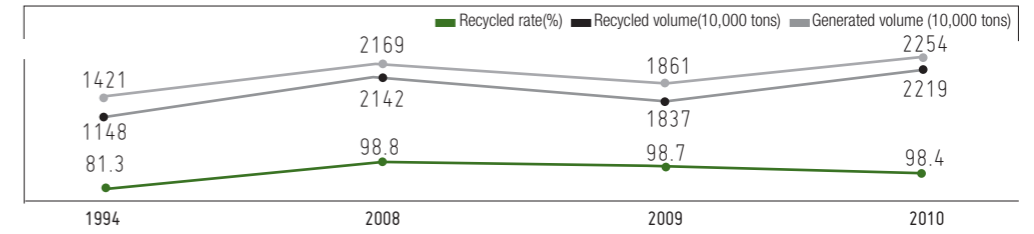


■ In-house use ■ External use  
■ Landfill ■ Incinerated

The total amount of by-products generated at Pohang and Gwangyang Works in 2010 was 22.54 million tons. Among the by-products, slag accounts for 71% (blast furnace slag 44%, steelmaking slag 27%), dust and sludge 14%, and others 15%. POSCO recycled 98.4% of the by-products and only 1.6% was treated safely through either incineration or solidification for landfill. All the blast furnace slag and steelmaking slag are recycle as cement material, aggregate substitute, or other. POSCO diversifies the use of by-products for more value. For example, over 65% of the blast furnace slag was turned into granulated slag, and steelmaking slag was transformed for marine ecosystem restoration purposes. Granulated slag is produced by spraying water on the slag from smelting which turns it into sand form, then finely ground into a powder and used as cement clinker. This can help prevent the exhaustion of mineral resources, reduce CO<sub>2</sub> emissions, and make high performance concretes. In October 2010, Pohang Works installed the steelmaking slag rapid stabilization facility that can increase slag treatment capacity, and significantly improve economic viability, the environment, and safety. This facility developed by Baoshan Iron and Steel charges the steel slag into a revolving drum, cooling and grinding simultaneously, which helps maintain a clean working environment without fugitive dusts. Meanwhile, POSCO also established a mid-to-long-term plan to utilize slag at the POSCO Family level. Continued R&D to find new high-value usage and various applications is part of POSCO's efforts to build a low-carbon resource cycling system.



#### Utilization rate of by-products



#### Activities of POSCO Family By-product Profitability Improvement Mega-Y

POSCO launched the organization "By-product Profitability Improvement Mega-Y" in 2007 to enhance the value of by-products by utilizing them in eco-friendly products, and has been operating the organization at the POSCO Family level ever since. POSCO, RIST, POSCO Specialty Steel, SNNC, and POSCO CHEMTECH are the POSCO Family companies that participate in the "By-product Profitability Improvement Mega-Y." R&D and information sharing among Family member companies have brought significant economic benefits and contributed to enhancing awareness on by-products. Economic benefits from improving by-product profitability amounted to KRW 133 billion in 2010, and the aggregate amount since 2007 is KRW 330 billion.



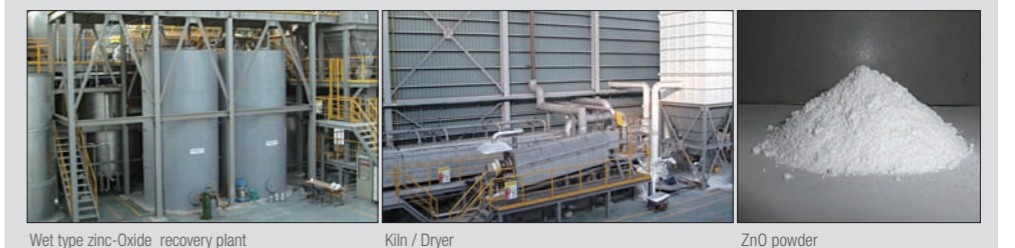
##### [Activity 1] Reusing steelmaking by-products as process materials

POSCO uses by-products containing valuable elements such as nickel (Ni), iron (Fe) and carbon (C) in the iron and steel making processes. Nickel-containing dusts collected at the stainless steel production line are treated and used as material in the stainless steel electric furnace. In addition, by-products that were recycled as cement material because of its low value, and carbon-containing coke dust that were sold at cheap prices as recarburizer are now granulated to be used in the sintering process. By-products are used within the plant in various ways, such as producing direct reduced iron from iron-containing by-products using the RHF<sup>5</sup> facility, or producing processed cokes from carbon-containing sludge generated in the cokes facility. In 2010, 1.06 million tons of processed products were recycled as production material, boosting income by KRW 25 billion. POSCO will continue research and development as well as increase treatment capacity to further expand by-product usage within the production process.



##### [Activity 2] By-product exchanges between POSCO Family companies to enhance synergy

POSCO fosters the exchange of by-products between Family companies to create more value. POSCO Specialty Steel's grinding chip<sup>6</sup> produced during grinding of stainless/carbon & alloy steel that was just stored in the past, SNNC's<sup>7</sup> slag generated from the refining furnace, and nickel-containing by-products from outside companies are refined and/or processed and used as nickel substitute in the stainless steel making process. In addition, the lime sludge generated at POSCO CHEMTECH is processed then used as high-quality raw material in the POSCO FINEX process. In 2010, 25,000 tons of by-products were exchanged, whose economic benefits amounted to approximately KRW 10 billion. In 2011, research in commercializing by-products will be pursued more actively, while also looking to enhance synergy effects through cooperation with cement companies and non-ferrous metal refining companies.



<sup>1</sup> CBP (Cold Bonded Pellet): The sludge is turned into hard bead-shaped material. It is mixed with iron ore into sintered ore, and can be used as a substitute for iron ore.

<sup>2</sup> STS Briquette: The sludge generated during stainless steel production is shaped into briquettes to be used as raw material.

<sup>3</sup> SPB (Sludge Processed Brick): It is sludge made into brick form and used as raw material in the steelmaking process.

<sup>4</sup> PNR (POSCO Nippon Steel RHF Joint Venture): A joint venture with Nippon Steel that produces reduced iron directly from iron-containing sludge and dust.

<sup>5</sup> RHF: Rotary Hearth Furnace

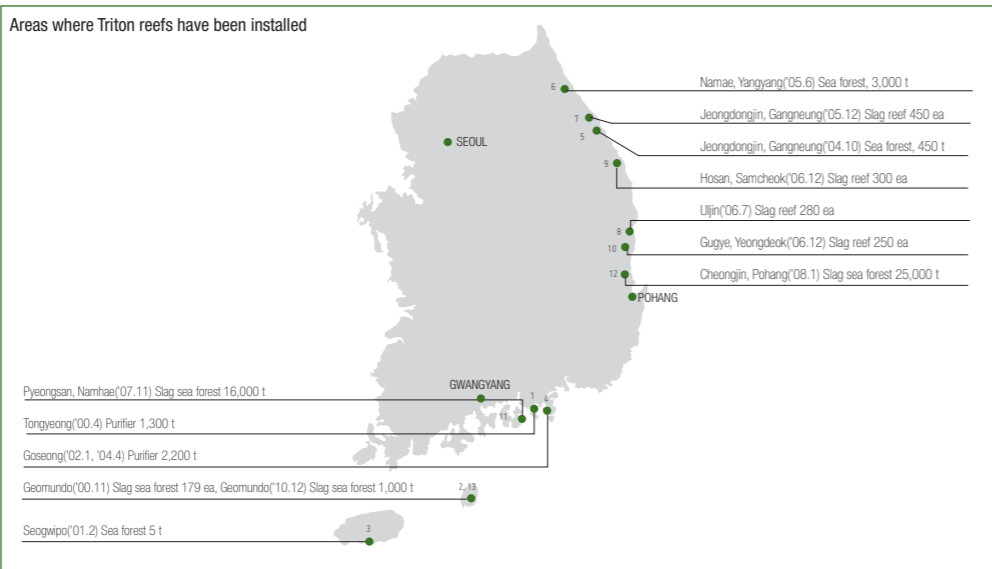
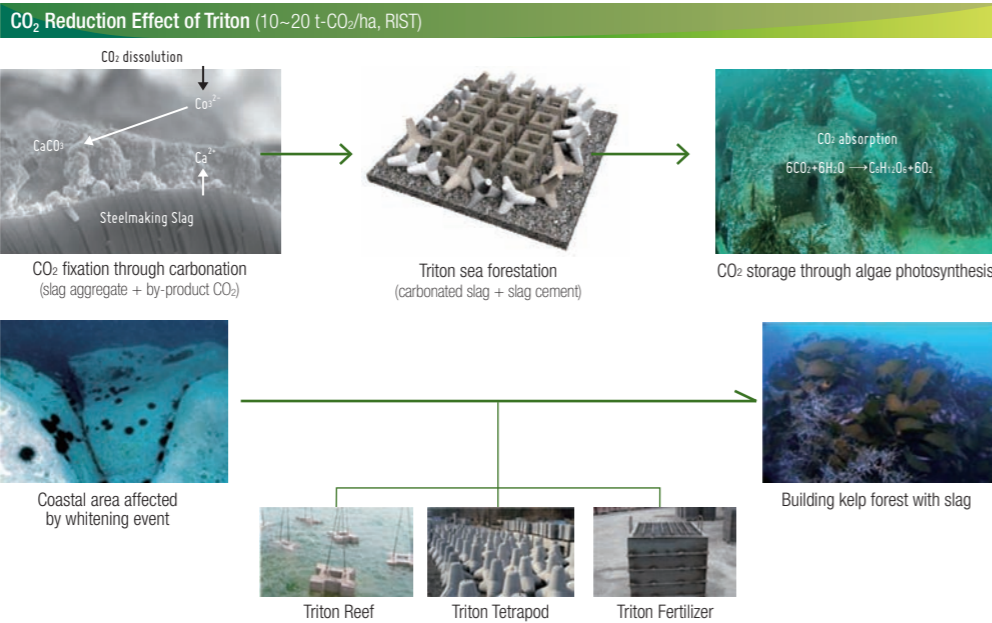
<sup>6</sup> Gring chip: Chips produced during the grinding process.

<sup>7</sup> SNNC: Société de nickel Nouvelle Calédonie et Corée

As part of its activities to preserve biological diversity, POSCO developed Triton<sup>1</sup> that is effective in restoring marine ecosystems. Triton is a steel slag marine structure that can restore within a short time period the fishery resources such as algae, fish and shellfish that have been damaged due to rising seawater temperature. Steel slag is a by-product of steelmaking and contains rich quantities of useful minerals such calcium and iron compared to normal aggregates, which helps the algae's growth and photosynthesis, and helps purify the seawater and polluted sediments. In addition, the marine forest formed by Triton has the effect of capturing CO<sub>2</sub> through slag carbonation and algae photosynthesis.

The Triton reforestation technology has been proven viable through a decade's collaborative research between POSCO, RIST, and other specialized research institutes in the East Sea and Namhae open seas. The Triton fishing reefs have high specific gravity and high strength characteristics, making them physically stable and resilient to typhoons and tidal waves. When built with the same budget as normal concrete, the Triton marine forest's algae adhesion surface is larger. In other words, Triton is a low-carbon material that reduces CO<sub>2</sub> through carbonation and photosynthesis of algae. Meanwhile, in November 2009, POSCO founded the "POSCO Volunteers for Clean Ocean" for the preservation and purification of the marine ecosystem, retrieving discarded fishing nets, tires and tents that are normally difficult to clear. The Volunteers for Clean Ocean was expanded from the scuba diving club comprised of about 100 members from POSCO employees and their families. They undertake sea surface and underwater cleaning volunteer work every month at Pohang and Gwangyang, and once every 6 months, they visit issue areas for large scale volunteer work.

<sup>1</sup> Triton: The god of the seas in Greek mythology. He blows a twisted conch to call upon dolphins and fish, and has the ability to restore forests.

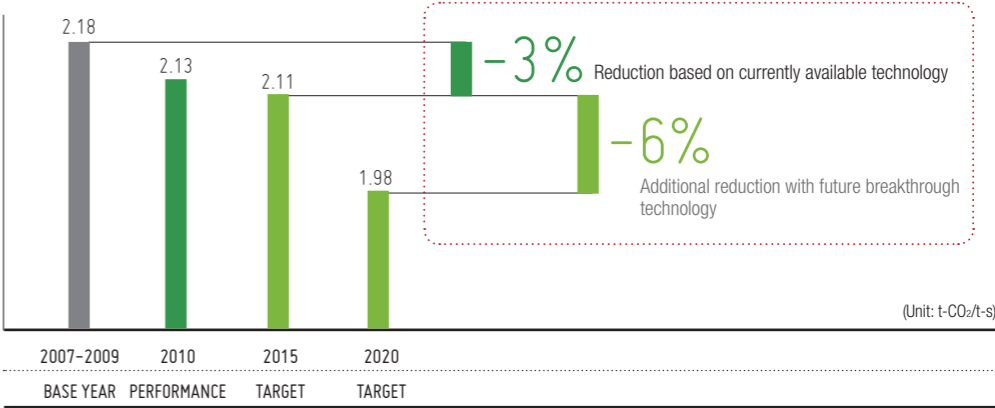


Carbon Report 2010

Please refer to the Carbon Report 2010 for details on POSCO's efforts to mitigate climate change. <http://www.posco.com/homepage/docs/eng2/jsp/sustain/report/s91d70500101.jsp>

At the Seventh Green Growth Committee held in February 2010 hosted by the Korean President, POSCO declared the 2020 Voluntary Greenhouse Gas Reduction Goal. POSCO will reduce CO<sub>2</sub> emission per each ton of crude steel from 2.18t-CO<sub>2</sub>/t-S (average emission level from 2007 to 2009) by 9%, to 1.98t-CO<sub>2</sub>/t-S by 2020. In order to meet this goal, coupled with efforts such as reducing coal usage and enhancing energy efficiency, POSCO will invest approximately KRW 1.5 trillion until 2018 targeted at breakthrough technology development. Meanwhile, POSCO will expand high efficiency steel products and recycling of by-products, such as high tension automobile steel plates which can reduce automobile weight and increase fuel efficiency, electric sheets which can increase the energy efficiency of motors and transformers, and granulated blast furnace slag which is an eco-friendly substitute for cement. POSCO will jointly invest KRW 5.5 trillion with the subsidiaries in the green growth business with the goal of reducing 14 million tons of socially emitted carbon dioxide, contributing to society as one of the leading green growth corporations. Based on the experience gained from building the wind power plant in Taegisan, POSCO is investing in large-scale marine wind power generation, developing next-generation fuel cell for energy, smart grids for energy guzzling sites, and turning waste to resources.

POSCO's Emission Intensity Reduction Goal



\* Emission goals were set according to POSCO's greenhouse gas calculation guideline tailored to the iron and steel industry, which was developed in reference to the IPCC Guideline for National Greenhouse Gas Inventories, WBCSD/WRI Greenhouse Gas Protocol, WorldSteel Association Guidelines, ISO TC 17/SC draft Calculation method of CO<sub>2</sub> emission intensity from Iron and Steel production (2010.8.27).

- Scope of calculation: Pohang and Gwangyang Works

- Direct emission(Scope 1): CO<sub>2</sub> emission from automobile operation on site were not included

- Indirect emission(Scope 2): Indirect CO<sub>2</sub> emission via use of purchased electricity

- CO<sub>2</sub> emissions figures follow the Corporate Greenhouse Gas Emission Reporting Guideline, and may differ from the calculation based on the "Greenhouse Gas & Energy Target Management Guideline" announced by the government in March, 2011.

\* May differ from calculations according to "Greenhouse Gas & Energy Target Management Guideline" announced in March, 2011.

CO<sub>2</sub> Emissions Intensity (Unit: t-CO<sub>2</sub>/t-s)

	2007	2008	2009	2010
Direct emission (Scope1)	2.12	2.13	2.05	2.04
Indirect emission (Scope2)	0.07	0.07	0.09	0.09

CO<sub>2</sub> Emissions from Other Sources (Unit: t-CO<sub>2</sub>)

	Transportation of purchased raw materials	Employee commuting	Overseas business trips
Other emissions (Scope3)	992,076	4,134	1,510

\* Calculations based on WBCSD/WRI Greenhouse Gas Protocol

\* The volume of purchased raw materials in 80.96 million tons

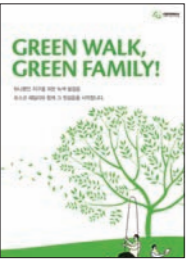
\* The number of employees as of end of 2010 is 16,898

Green Steel

During the period from 1999 to 2008, POSCO invested a total of KRW 1.4 trillion in energy efficiency improvement facilities such as CDQ(Coke Dry Quenching) and TRT(Top-gas Recovery Turbines), saving 2.91 million TOE<sup>1</sup> of energy. The amount of equipment investment in 2010 is KRW 80.3 billion, and these projects include building new heat recovery steam generators, installing high efficiency inverters, and reinforcing systems to raise heat efficiency during processes inside the steelworks. Innovative technologies are in development as well, such as extracting CO<sub>2</sub> from by-product gases generated during steelmaking, in-process heat energy retrieval & usage technology, and hydrogen steelmaking. POSCO strives to reduce emissions by enhancing energy efficiency and expanding the accumulated energy efficient production technology throughout the plants. POSCO operates an integrated management system for greenhouse gases and energy, analyzing the most reasonable method to reduce emissions and energy use. The system is being improved continuously so that it can be used as the actual basis of decision making regarding new businesses and processes by linking CO<sub>2</sub> emission and treatment with costs. POSCO has been operating the green-house gas control system since 2006. In November 2010, POSCO introduced the incentives system for the shop-floor departments for energy efficiency improvement activities and resulting greenhouse gas reduction, and started its operation in January 2011.

POSCO strives to reduce social CO<sub>2</sub> emissions by expanding the supply of energy efficiency steel. High tension automobile steel plates which can reduce automobile weight and increase fuel efficiency along with electric sheets which can increase the energy efficiency of motors and transformers has enabled POSCO to reduce social CO<sub>2</sub> emissions by approximately 2.5 million tons. The granulated blast furnace slag that can substitute cement helped reduce social CO<sub>2</sub> emissions by about 4.88 million tons in 2010. POSCO is undertaking CDM<sup>2</sup> projects to respond proactively to the UNFCCC and expand its green energy business. The forestation project in the east-central region of Uruguay was the first afforestation CDM registered in Korea, and 206,000 tons of CERs<sup>3</sup> will be obtained over the next 30 years.

POSCO launched the “Green Walk Campaign” that POSCO Family employees and their families can participate in. Employees can participate voluntarily in the four Green Actions – Walk, Switch Off, Reduce, Recycle) - activities and share them with other POSCO members by posting photos and essays on the Green Walk homepage. The Green Walk homepage not only provides the opportunity to share green living, but also provides diverse contents such as events, specialist columns and news related to the environment so that people of different age groups can join in the green activities. Employees and their family members subscribed to the website receive “green coins” depending on their activities that can be used to recharge transportation cards. The campaign was launched in 2011 in collaboration with POSCO work councils and local civic organization. Before the full time implementation of the campaign, the company held a kick off ceremony for the POSCO Family Green Frontier in 2010. The POSCO Family Green Frontier is comprised of 50 POSCO Family employees who are playing a vital role in improving and expanding the campaign.

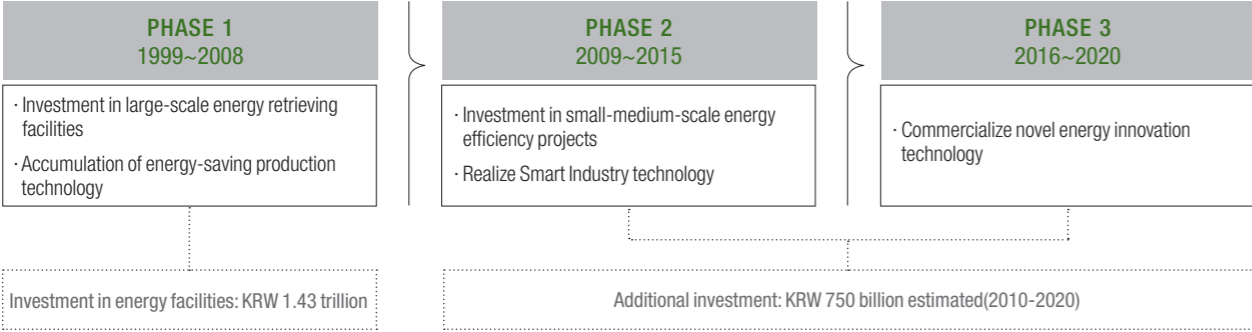


You can get information on POSCO Family's Green Walk Campaign through the webpage below.  
Webpage [www.greenwalk.co.kr](http://www.greenwalk.co.kr)  
Mobile page [m.greenwalk.co.kr](http://m.greenwalk.co.kr)

<sup>1</sup> TOE: tonnage of oil equivalent  
<sup>2</sup> CDM: Clean Development Mechanism  
<sup>3</sup> CER: Certified Emission Reduction

GHG Reduction Effect in Society (Based on supplied volume in 2010)			
	High-strength steel sheet for automobiles	Low-core-loss magnetic steel	Granulated blast furnace slag
CO <sub>2</sub> reduction in society (1,000t- CO <sub>2</sub> /yr)	502	2,047	4,875
Sales volume (1,000tons)	623	356	6,170

Roadmap for Establishing Carbon Accounting Guidelines



# GLOBAL POSCO FAMILY

POSCO implements win-win strategies for win-win growth of the whole POSCO Family, where all the Family member companies doing business in various parts of the world pursue the same vision. The core of POSCO's management lies in the successful achievement of the goals set in Vision 2020. In order to achieve this goal, POSCO is expanding the basis for global growth through an even upgrade in its competitiveness as well as its affiliates, outsourcing partners, suppliers, and overseas branches, and creating synergy while diversifying its business structure at the same time.

POSCO currently operates 82 subsidiaries domestically and abroad. If we include all the companies POSCO has invested in and subsidiaries of subsidiaries, 90 companies in Korea and 147 abroad are striving for one value under the POSCO Family's name. In particular, the coil processing centers were expanded from 41 to 49 in 2010. The 49 plants in 38 companies and 14 countries are spearheading POSCO's overseas business expansion. In 2011, POSCO will establish a comprehensive global marketing support system to win customers' trust and bring them success by strengthening the sales basis, operational efficiency, risk management, and quality improvement.

## BUSINESS EVOLUTION

Through the Family management, POSCO focused on business evolution. POSCO further strengthened its main business by expanding domestic steelmaking capacity, while broadening the scope of business through M&A, and cultivating new businesses for the future in order to become the global leader in general materials industry.

Secured world's largest plate production infrastructure with the operation of the Gwangyang plate plant  
Operates 4 blast furnaces at Pohang Works, the largest scale in Korea  
Acquired Daewoo International and Sungjin Geotec  
Signed joint research agreement for the lithium production  
Among the government-led 10 core materials program, POSCO was designated as supervising institution for magnesium

## MARKET EXPANSION

In order to secure POSCO Family's engine for global growth, POSCO expanded investment in overseas steel projects and raw materials development, and participated in overseas resources development as well, such as the Vietnam power generation project and petroleum exploration.

Joint venture in the integrated mill in Indonesia  
Construction of CGL and cold rolling mill in China, India, and Turkey  
Acquired stakes in the API iron ore project in Australia and Hume Coal project

## SYSTEM INNOVATION

POSCO pursued "system innovation," building a customer-oriented marketing system, strengthening technological leadership, focusing on Group management and cost reduction, cultivating a culture of trust and communication, and laying the groundwork for low-carbon green growth.

Strengthened marketing with the goal of creating customer value  
Secured sales base in the new South Asian market with the launching of POSCO-South Asia  
Completed the Global R&D Center in Songdo, Incheon  
Successfully developed 29 technologies through R&D&E strategy  
Reduced KRW 1.3 trillion in production costs through the whole POSCO Family's "system innovation"  
Realized the Smart Work system



July 7<sup>th</sup> The world's largest slab was produced at the Gwangyang plate plant.



November Completion of the Global R&D Center in Songdo, Incheon



July 27<sup>th</sup> Acquired shares of the API iron mine in Australia.  
December 13<sup>th</sup> Expanded the stainless steel cold rolling plant in Vietnam.



October 28<sup>th</sup> Broke ground for the integrated steel mill in Cilegon, Indonesia.

### Foreign Subsidiaries with Management Rights (49 companies)

1. POSCO-PWPC
2. POSCO-ESDC
3. POSCO-CWPC
4. POSCO-TNPC
5. POSCO-ASSAN TST
6. POSCO-CLPC
7. POSCO-CYPC
8. POSCO-CDPPC
9. DALIAN POSCO STEEL CO., LTD.
10. POSCO-CHINA
11. POSCO-CTPC
12. POSCO-CCPC
13. QINGDO POHANG STAINLESS STEEL CO., LTD.
14. POSCO-CSPC
15. POSCO-JAPAN
16. ZHANGJIAGANG POHANG STAINLESS
17. POSCO-CFPC
18. POSCO(GUANGDONG) STEEL CO., LTD.
19. POSCO-INDIA
20. POSCO-MAHARASHTRA STEEL PRIVATE LTD
21. POSCO-IDPC
22. POSCO-IPPC
23. POSCO-ICPC
24. MPSC
25. V P S
26. POSCO-VNPC
27. POSCO-ASIA
28. POSCO-INVESTMENT
29. POSCO-TBPC
30. POSVINA
31. POSCO-VIETNAM
32. POSCO-VHPC
33. POSCO-VST
34. POSCO-MKPC
35. POSCO-MALAYSIA
36. PT.MRI
37. POSCO-LJPC
38. POSCO-AUSTRALIA
39. POSCO-CANADA
40. POSCO-AMERICA
41. POSCO-MEXICO HUMAN TECH
42. POSCO-MEXICO
43. KOBRASCO
44. POSCO-URUGUAY
45. POSCO-SA
46. POSCO-WA
47. PT. KRAKATAU POSCO
48. XENESYS
49. POSUK TITANIUM B.V

### Domestic Subsidiaries with Management Rights (33 companies)

- |                      |                           |
|----------------------|---------------------------|
| DAEWOO INTERNATIONAL | POSCO E&E                 |
| BUSAN E&E            | POSCO CHEMTECH            |
| SUNGJIN GEOTEC       | POSCO TERMINAL            |
| SONGDO SE            | POSCO SPECIALTY STEEL CO. |
| SUNCHEON ECO TRANCE  | POSCO POWER               |
| SEUNGKWANG           | POSCO PLANTEC             |
| ENTOB                | POSCO P&S                 |
| POREKA               | POSCO AST                 |
| POSMATE              | POSCO ICT                 |
| POS ECO-HOUSING      | POSCO TMC                 |
| POSWITH              | POSTECH VENTURE CAPITAL   |
| POSCO C&C            | POSPATE                   |
| POSCO TMC            | POSHIMETAL                |
| POSRI                | POSPINE                   |
| POSCO A&C            | PNR                       |
| POSCO NST            | SNNC                      |
| POSCO M-TECH         |                           |

# POSCO Family's Global Operations

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POSCO puts its efforts in securing the basis for sustainable growth by further strengthening its position in the global market and expanding to new markets. In 2010, POSCO expanded its business in China, India and Mexico as well as increasing the number of SCMs to 49(as of March, 2011) in order to enhance marketing and sales capacities. In year 2011, we plan to increase the number of SCMs to 54, increasing its number by 5.

**CHINA** In year 2010, we broke ground for the construction of GGL plant to take proactive action to the over-supply of steel by producing high end products. The Gwangdong-Pohang CGL plant will enable us to expand sales of automobile galvanized steel sheets in China.

**INDONESIA** Southeast Asia imports over 30 million tons of steel products annually, and Indonesia's major steel consuming industries such as construction and shipbuilding are growing at an average of 7%. Thus, POSCO is expanding its sales capacity in the Southeast Asian region with the cooperation of Daewoo International, and is steering the steel mill construction in Indonesia for the early domination of the Southeast Asian market. Currently in Cilegon, Indonesia, land development to build POSCO's first overseas integrated steel mill in Joint Venture with Krakatau Steel is nearing completion. In the first phase, the blast furnace with annual capacity of 3 million tons will be built and then later expanded to 6 million tons.

**INDIA** Recognizing future growth potential of Inida, POSCO is planning various investements in order to meet the needs of steel products. In order to meet exploding needs of automobiles and home appliances, 450 thousand tons annual capacity CGL plant is under construction as well as 1.8 million tons capacity cold rolling mill and 300 thousand tons capacity electrical steel sheet plant. In addition, POSCO is currently looking into 3 seperate integrated mill projects such as 12 million tons capacity mill in Orissa, 3 million tons capacity Joint Venture mill with SAIL and Karnakata mill. Especially in Orissa, POSCO is looking forward to tangible results in terms of land acquision as the Indian governemnt made the final approval for converting forests into plant sites.

**MEXICO** Following the #1 CGL of 400 thousand, the #2 CGL is currently under construction which is to be completed by 2013. This will enable POSCO to actively respond to the market demand for automobile steel sheets.

CASE STUDY

STEEL MILL IN INDIA

Prior to starting an overseas business, POSCO strives to identify the environmental, social and economic impacts it could have on the region and to communicate with the local community. After signing an MOU with the Orissa state government for the construction of a 12 million ton integrated steel mill in 2005, POSCO continued to communicate and exchange opinions with the cential & state government and local residents . In May, 2011, POSCO finally acquired approval for converting forests into steel mill sites from the Indian Government. In 2007, POSCO acquired enviornmental approval from the Indian Government and prepared the "POSCO Compensation Package for Displaced Residents" through the Compensation Advisory Committee comprised of the state government and residents. In Jan. 2011, the Indian Government carried out reinvestigation and environmental re-approval was made under three conditions- invest 2% of profit in social contribution, avoid possible areas of coastal erosion and dedicate 25% of the steel sites to green lands. POSCO will continuously communicate with the local communities in terms of land acquisition and support the economic independence of local residents.

Table of Progress				
2005	2007	2009	2010	2011
Jun. MOU with the Orissa Gov.	May. Port environmental approval / cancellation for coastal preservation Jul. Environmental approval for mill construction	Dec. cancellation for forests preservation from the Indian Gov.	Jul. Compensation price decided at the Compensation Advisory Committee * Socio-Economic Survey carried out prior to establishment of the committee	May. Indian Gov. approves to the Orissa Gov. for forest conversion • 11.4.13 Orissa Gov. submits report on confirmation of Forest Regulations Implementation to the Central Ministry of Environment and Forest
Environmental Approval • Dedicate 25% of site into green land • Invest 2% of profit into social contribution	Port Counstruction Approval • Execute measures to prevent coastal erosion • Should further acquire approval for fishing boat Jetty and the use of coastlines for wastewater discharge pipelines	Converting forests • Submit official report proving that there has been no residents in the forests since year 1975 and people's livelihood will not be impacted from the conversion	Aug.~Jan. 2011 Indian Gov. reinvestigates and conditionally re-approves Environmental approval	

# POSCO Family's Sustainability Management

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## THE FAMILY SUSTAINABILITY MANAGEMENT SYSTEM

POSCO Family shares various sustainability issues through relevant councils. In November 2010, POSCO Family declared the Quality Charter, implementing core values such as customer first quality assurance, following standards/zero deviation, and enhancing synergy among Family companies, suppliers and partner companies. In December, the POSCO Family Safety Festival was held to heighten safety awareness of all POSCO Family companies, and in the same month, POSCO declared Global Environmental Management, integrating the environment system at the POSCO Family level and strengthening its ability to respond to environmental risks.

## SHARING VISION, VALUES AND WAY OF WORK AT THE POSCO FAMILY LEVEL

In a rapidly changing business environment, POSCO Family identifies the adhesive core in management through the mental model and behavioral principle integrated into the Global POSCO Way. POSCO established the code of ethics and the POSCO Group Supplier Code of Conduct that provides the basic rules that suppliers wanting to do business with POSCO should observe. Currently POSCO Family is drawing the big picture to establish means to implement its strategies and its unique way of doing business by building the POSPIA 3.0, which is the activity that integrates POSCO Family's business strategy, work process, and information system. In 2010 POSCO completed the CI for each Family company as a means to establish a united identity of the whole POSCO Family. The POSCO Family operates regional volunteer groups and implements localized social contribution activities at the POSCO Family level. Over 44,000 personnel from 202 POSCO Family companies in 19 countries participated in the Global Volunteer Week, spreading POSCO's culture of sharing throughout the world.

## HIGHLIGHTS AND ACHIEVEMENTS OF MAJOR SUBSIDIARIES

POSCO is strengthening its business capacity by expanding its core business which is steelmaking to materials in general, as well as nurturing growth businesses such E&C, energy, and ICT at the POSCO Group level. In particular, the cooperation system within the POSCO Family is being established to maximize synergy and competitiveness. In the long term, POSCO will develop seed businesses by actively identifying technologies of the future, and businesses with high growth potential. Year 2011 is the starting point of IFRS in POSCO. Through implementation, POSCO will devote itself to maximizing synergy in all areas of operation . In addition, for continued innovation in the way work is done, POSCO strives to build trust between all the stakeholders in the value chain, including executives and employees, customers, suppliers, and outsourcing partners.



POSCO E&C

www.poscoenc.com

POSCO E&C is a global engineering and construction company that taps into its human resources who have abundant experience in plant engineering technology and know-how accumulated from constructing the globally competitive POSCO’s integrated steel mill. Since its establishment in December 1994, it continued rapid growth in various areas and in 2010 entered the top 40 construction company of the world. POSCO E&C is committed to achieving its goal of entering the global top 10 by 2020.

MAJOR ACHIEVEMENTS AND MID-TO-LONG-TERM STRATEGY

● **2010 Business Performance and Analysis**  
In 2010, POSCO E&C won the greatest order amount in its history at KRW 11.37 trillion. Among the order amount, 43%, or KRW 4.9 trillion came from overseas, proving its global presence and competitiveness. Major overseas projects include the Santa Maria II coal-fired power plant in Chile amounting to USD 700 million; the Chilca Uno combined power plant in Peru amounting to USD 290 million; and the oil tank construction project in the Bahamas amounting to USD 250 million.

● **Goal and Strategy for 2011**  
The target for 2011 is KRW 14.2 trillion in order receipt and KRW 6.8 trillion in sales. Furthermore, POSCO E&C declared Vision 2020 to become the global top 10 engineering & construction company, reaching KRW 100 trillion in order receipt and KRW 60 trillion in sales with other E&C divisions within the POSCO Family. We plan to establish the foundation for becoming the world’s top 10 through technology development and PEPCOM\* system.  
\* PEPCOM(Project Planning, Engineering, Procurement, Construction, Operation & Maintenance): a system of collective execution from project planning, design, purchasing, construction, and operation.

SUSTAINABILITY MANAGEMENT PERFORMANCE

● **Corporate Ethics**  
Since declaring the Code of Conduct in 2003, POSCO E&C set up a system for its effective implementation. The Corporate Ethics Group established in 2005 implements policies and measures for ethical management, the Autonomous Observation of Fair Trade Regulation program, and the Cyber Complaint Report program. POSCO E&C also operates the “Ethics Class with the Executive” program where executives themselves give lectures to the employees. In addition, annual visits to suppliers across the country encourage participation in ethical management.

● **Employees**  
Under the vision “Building a global E&C company that leads the corporate culture of respect for human life and safety,” POSCO E&C established its safety & health system. In cooperation with Industrial Safety & Health Committee and Safety Evaluation Committee, POSCO E&C set up a standard for accident prevention and safety-related reward and punishment. With the goal of reducing the accident rate 0.05% in 2011, POSCO E&C established the Mega-Y implementation plan and is currently executing 17 focus tasks. Meanwhile, POSCO E&C is increasing the ratio of female employees every year, and grants employees with performance based differentiated annual salaries.

● **Win-win Growth/Fair Trade**  
POSCO E&C implemented the Autonomous Observation program and seeks win-win growth with SMEs. POSCO E&C provides the fair trade check list

to its electronic payment system, and in 2010, distributed the Autonomous Observation of Fair Trade Regulations guide to raise fair trade awareness. POSCO E&C received “AA” grade from the Fair Trade Commission. It also organized the Win-win Growth Support Group, actively pursuing mutual growth.

● **Environment Policies**  
POSCO E&C contributes in environmental preservation under the vision of “Build the Green.” It introduced the environmental management system in 1999, and acquired the ISO 14001 certification in 2003, and operates the POEMS. In addition, POSCO E&C requires eco-friendly pledge to all workers participating in construction work.  
\* POSCO Engineering & Construction Environment Management System

MAJOR SUSTAINABILITY MANAGEMENT INDEXES			
Major Indexes (unit)	2008	2009	2010
ECONOMIC			
Order receipt (KRW bil.)	10,004	9,597	11,373
Sales (KRW bil.)	4,517	6,676	6,238
Ratio of operating profit to net sales (%)	4.2	4.3	4.4
Tax payment (KRW bil.)	152.5	153.4	162.7
SOCIAL			
Number of employees	2,956	3,111	3,535
Number of female employees	129	138	163
Number of disabled employees	29	35	55
Employee average education time (hours)		49	68
Accidents	25	29	28
Accidents resulting in loss of life (cases)	4	4	9
Costs for social contribution activities (KRW bil.)	68	176	88
ENVIRONMENTAL			
Water usage			
Tap water (m³)			25,000
Heavy water (m³)			4,000
Energy usage			
Stationary combustion(LNG) (NM³)		176,385	188,959
Electricity (Kwh)		2,131,008	2,970,240
Waste generation			
Construction waste (t)	860,659.87	976,426	882,526.39
Waste from offices (t)	22,292.63	70,424	14,482.62
Greenhouse gas emission (tCO₂e)		1,422	1,827
Asbestos emission (kg)			33,250

※ Water usage is the water used at the office buildings from July to December 2010, and energy usage is the energy used at the office building during 1 year.

POSCO POWER

www.poscopower.com

POSCO Power was established in 1969 as KyungIn Energy, which was Korea’s first civilian power company. POSCO Power owns 14 power plants in Korea, including Incheon LNG Combined Power Plant and Gwangyang CCGT Power Plant. It also continues R&D and investment in fuel cell, the eco-friendly energy source of the future, while employing the strategy of selection and concentration in the green business such as wind, solar, and tidal power generation, with plans to become the core company in Korea’s green growth industry. In addition, with active overseas marketing, POSCO Power will advance as the “World Best GREEN Energy Company.”

MAJOR ACHIEVEMENTS AND MID-TO-LONG-TERM STRATEGY

● **2010 Business Performance and Analysis**  
POSCO Power constructed Korea’s first CCGT power plant within POSCO Gwangyang Steel Works in December 2010, and is currently proceeding with phase 1 investment of the LNG combined power plant with 1.2 million kW capacity near Incheon, with its completion date to be June 2011. After acquiring the MCFC (Molten Carbonate Fuel Cell) business from POSCO, POSCO Power entered into strategic partnership with FCE to lead the next generation energy business. Meanwhile, in March 2011, POSCO Power completed the fuel cell stack plant with annual capacity of 100 MW, completing the in-house production system for the fuel cell core technology.

● **Goal and Strategy for 2011**  
In order to achieve the vision “World Best GREEN Energy Company,” POSCO Power is expanding the power business both domestically and abroad. As part of this initiative, it is in executing the phase 2 expansion of Incheon LNG Combined Power Plant, and proceeding with the Pohang CCGT Power Plant project. As a means to secure the basis for overseas growth, POSCO Power is involved in the coal-fired power plant in Vietnam, integrated steel mill CCGT power plant in Indonesia, and solar power plant in Nevada, USA. In addition, POSCO Power leads the low-carbon, green growth industry through renewable energy such as fuel cell, solar power generation in Shinan, and wind power generation business.

SUSTAINABILITY MANAGEMENT PERFORMANCE

● **Corporate Ethics**  
Ever since the declaration of the Code of Conduct in 2007, POSCO Power has put its efforts to foster ethical management as part of its corporate culture. At the beginning of each year, it conducts the pledge ceremony for the Autonomous Observation of the Code of Conduct, and minimizes ethical risks through the Autonomous Practice of Corporate Ethics program, encouraging employees and executives to recognize the importance of ethical management and to participate in the movement.

● **Employees**  
The CEO personally partakes in open talks with employees and executives to share business performance and visions. Various activities such as Hanmaeum(meaning one mind, or harmony) Training and field days are organized for the harmony and communication of all the members. The Labor-management Hanmaeum Workshop, Labor-management council, inter-department meetings are the channels of communication where management can listen to the opinions of employees and reflect them in management policies. POSCO Power also operates policies in response to employees’ needs, such as Smart Workplace, 4 teams 2 shifts for Work & Life Balance, and flexible work hours.

● **Environment management, Safety & Health**  
POSCO Power has implemented the EMS(Environmental Management System) since 2001, to manage the environment and monitor/improve unsafe actions and conditions. As a result, POSCO Power was named the best fire prevention control company in Korea. POSCO Power plans to acquire the ISO 14001 by 2011. In accordance to the “Special Act on Metropolitan Air Quality Improvement,” POSCO Power observes and limit pollutant emission. The emission goal for 2012 is 1,700 tons, which is 50% less than in 2008.

MAJOR ACTIVITIES IN ENVIRONMENT/SAFETY/HEALTH	
Item	Major activities
Air pollution control	• Established internal control standard for nitrogen oxide emission that is stricter than legal requirements • Blue Sky Agreement (10 companies including power plants and oil refining companies to reduce air pollution)(Aug. 2010) - Nominated best company in the 2010 Pollutant Emission Improvement and Execution Evaluation (Mar. 2011)
Safety control	• Operation of the industrial accident prevention system - Near Miss program for the fundamental prevention of safety related accidents - Risk Top 10 campaign to identify potential risks in the facilities - ILS(Isolation Locking System), Safe Work Permit system - Safety reminder through the in-house broadcasting system
Employee health management	• peration of the health management system for employees' health - Nurse visitation (twice a month, health advice and follow up) - Providing various health related information on the notice board and education programs - Automatic sphygmomanometer, body fat analyzer installed

MAJOR SUSTAINABILITY MANAGEMENT INDEXES			
Major Indexes (unit)	2008	2009	2010
ECONOMIC			
Production volume (MWh)	3,409,247	1,909,236	4,390,290
Sales volume (MWh)	3,328,129	1,859,273	4,274,859
Fuel usage (Gcal)	7,669,589	4,470,090	10,258,784
Sales (KRW bil.)	744	508.6	881.7
Ratio of operating profit to net sales (%)	8.3	15.9	9.0
SOCIAL			
Number of employees	274	358	472
Number of female employees	16	26	34
Accidents (cases)	0	1	0
Accidents resulting in loss of life (cases)	0	0	0
Lost-time injury frequency rate	0	2.24	0
ENVIRONMENTAL			
Dust (tons)	0.62	0.76	0.45
Sulfioxides (tons)	0.0036	0.00429	0.00262
Nitrogen oxide (tons)	2,522	1,531	2,315
Water usage (1,000 m³)	909	637	1,120
Waste water discharge (1,000 m³)	332	176	360
COD of final water discharge (ppm)	2.7	2.8	3.6
Final water discharge T- (ppm)	5.1	3.1	3.4
Waste generation (1,00o tons)	0.35	0.24	0.39
CO₂ emission (tons)	1,641,603	973,109	3,170,598

POSCO ICT

www.poscoict.com

In 2010, POSDATA, an IT service company, and POSCON, a facility automation engineering company were merged into POSCO ICT, an IT/Engineering company. Core businesses include engineering, automation, system integration, and IT outsourcing, and the new growth engine for green growth include LED, smart grid, and U-Eco City businesses. POSCO ICT not only develops new technologies itself, but also actively pursues new technology and product development through the R&D network with leading Korean universities and research institutions.

MAJOR ACHIEVEMENTS AND MID-TO-LONG-TERM STRATEGY

● **2010 Business Performance and Analysis**  
During the year 2010, POSCO ICT proceeded with M&A and investment for its core businesses, and liquidated its marginal businesses. In the steelmaking business, foundations for BC-PC integration were laid to strengthen POSCO ICT's core capacity, and acquired in-house engineering technology to strengthen its outward business capacity. In the green business sector, POSCO ICT enhanced railway E&M technology and invested in waste recycling business to increase competitiveness. POSCO ICT also continued efforts to identify new growth businesses, launching POSCO LED and entering the smart grid market.

● **Goal and Strategy for 2011**  
POSCO ICT's business target for 2011 is to reach KRW 1.5 trillion in order receipt, KRW 1.1 trillion in sales, and KRW 35 billion in operating profit. POSCO ICT will put its efforts in expanding the green growth business. It will also foster a knowledge based working environment. Under three business portfolio categories - core, growth, and future - POSCO ICT will take big strides toward KRW 7 trillion in sales by 2020.

SUSTAINABILITY MANAGEMENT PERFORMANCE

● **Corporate Ethics**  
Since the declaration of the Ethical Management in June 2003, POSCO ICT operates various policies and systems, such as the Family Ethics Practice Program, Whistle Blowing Program, Cyber Reporting Center, Code of Conduct pledge, and autonomous ethics observance in connection to VP (Visual Planning). In 2010, POSCO ICT actively partook in activities to foster ethical management through education programs, such as "Ethics/Fair Trade Academy at Your Service," and "Ethics Class with the Executives" which was held 45 times.

● **Employees**  
POSCO ICT declared "Labor-management win-win cooperation" with the representative group, and operates labor-management communication channels. In 2011, the "Sharing Happiness 125 Campaign" (1 good deed in 1 week and 1 voluntary activity in a month, 2 books in a month, and 5 things to thank everyday) will be expanded as part of POSCO ICT's corporate culture. The safety & health system PSHS enables systemized safety & health control. Owing to these efforts, Pohang and Gwangyang maintenance division has achieved the nine-fold accident-free mark (3,955 days).

● **Win-win Growth/Fair Trade**  
POSCO ICT implemented the Autonomous Observation of Fair Trade Regulations program on July 10, 2003. The program reports the operation status to the board of directors each year, contributing to fostering fair trade customs. As a result, POSCO ICT won the Prime Minister's Award on April 1, 2010.

● **Environment Policies**  
POSCO ICT has entered the renewable energy, efficiency improvement, and environmental businesses to realize future oriented environmental management.

ENVIRONMENTAL MANAGEMENT(GREEN BUSINESS SECTOR)	
ALTERNATIVE ENERGY BUSINESS	
Renewable energy	· Participated in building the Shinan Wind Combined Power Co. and 9MW wind power plant · Early entry into solar power, including construction of the 20MW solar power plant in Gimcheon
Nuclear power and nuclear fusion	· Developed Korea's first nuclear power safety level control facility and installed unit 1 and 2 in Shinuljin · Participated in the standard design of medium sized nuclear reactor
EFFICIENCY IMPROVEMENT BUSINESS	
Smart grid	· Implemented the smart factory at the POSCO Gwangyang Works air separation plant · Participated as supervising company at the Jeju Smart Grid Test Bed
LED lighting	· Launched POSCO LED under the joint investment of POSCO, POSCO ICT, and Seoul Semiconductor
ENVIRONMENTAL BUSINESS	
Railway business	· Total solution in railway E&M · Launched the railway service brand "Unitrack" · Acquired Vectus, a company specializing in PRT, and signed a contract for the Suncheon Bay PRT project
Waste-to-resource business	· Installation of waste treatment facility at KyungDong Co., a food waste treatment company
Water treatment	· Won the contract to install sewer monitoring system in Cheonan City and Pan-gyo · Launched overseas business, including

MAJOR SUSTAINABILITY MANAGEMENT INDEXES			
Major Indexes (unit)	2008	2009	2010
ECONOMIC			
Sales (KRW bil.)	859.1	902.9	856.5
Operating profit (KRW bil.)	6.8	19.7	15.9
Ratio of operating profit to net sales (%)	0.8	2.2	1.9
EBITDA	422	573	389
Tax payment (KRW bil.)	16.1	19.8	24.6
SOCIAL			
Number of employees	2,590	2,304	2,253
Female employees (%)	256 (9.8)	227 (9.8)	212 (9.4)
Employee average education time (hours)	122	115	171
Accidents (cases)	0	0	0
Accidents resulting in loss of life (cases)	0	0	0
Lost-time injury frequency rate (%)	0	0	0
Costs for social contribution activities (KRW 1 mil.)	3,614	155	291

※ 2008 ~ 2009: data added for POSCON and POSDATA prior to merger. The cost for social contribution activities for 2008 includes POSCON's 2007 data that was not executed.

POSCO C&C

www.poscocnc.com

Since its establishment in 1988, POSCO C&C produces 1million tons of surface coated steel such as galvanized steel sheets, aluminized steel sheets, and color steel sheets used in cars, home appliances and construction. In particular, the independently developed AL-STC steel sheet, and AL steel sheets for fuel cells occupy 70% of the domestic market. POSCO C&C plans to expand its business scope to non-carbon steel surface treatment such as aluminum, stainless, and LED circuit board materials as well, to achieve KRW 4 trillion in sales by 2020.

MAJOR ACHIEVEMENTS AND MID-TO-LONG-TERM STRATEGY

● **2010 Business Performance and Analysis**  
In 2010, POSCO C&C established the production and sales capacity for 450,000 tons of aluminized steel sheets. It focused in expanding the sales of high-end non-carbon steel sheets such as stainless steel and aluminum, and products used in color home appliances and construction materials, and developed various new customers in new markets including Europe and the Middle East. In addition, POSCO C&C achieved KRW 1 trillion in sales for the first time in 2010. The increased sales were the result of enhanced marketing such as EVI, long-term MOUs, and utilizing the POSCO Family overseas network, as well as establishing the infrastructure for new product development by opening the R&D center.

● **Goal and Strategy for 2011**  
In 2011, POSCO C&C will strengthen its profit structure and enhance its market competitiveness by radically reducing production costs of its new products. In particular, POSCO C&C will lead the domestic and overseas market through production cost reduction thanks to the world's first MCCL\* seamless line which POSCO C&C developed and built independently. POSCO C&C will establish an overseas branch to enhance local marketing, focusing on creating more customer value. With the goal of reaching KRW 4 trillion in sales by 2020, POSCO C&C plans to produce high performance, specialized products, launch the secondary cell parts and materials business and organic thin-film solar cell circuit board business, while expanding the overseas market.

\* MCCL (Metal Copper Clad Laminate): is a material designed to reduce the problem of high heat generation of LED, using metals with high thermal conductivity and heat resistance. It is used in LED lights and TV back lights.

SUSTAINABILITY MANAGEMENT PERFORMANCE

● **Corporate Ethics**  
POSCO C&C participated in the quality diagnosis performed at the POSCO Group level, strengthened its mid-to-long-term core capacity through innovation and improvement activities, set up the human resources development plan and IT Master Plan, and systemized product delivery management to achieve custoer value enhancement. With the successful upgrade to the ERP system, we expect to meet the International Financial Reporting Standards that is expected to be fully implemented.

● **Employees**  
POSCO C&C pursues globalization of the way work is done and practices "smart work" through global human assets development, ERP, integrated document management system, and delivery schedule management system. Stable labor-management relations are maintained through the One Family Meeting (the employee representative group), and executes no-accident campaigns based on the firm commitment to safety and health and a systemized control system. Every month, safety specialists are invited

to give lectures to employees. Safety & health education on hazardous facilities within the plant and safety guidelines are the basic activities to protect the lives and safety of the employees.

\* PMI(Post-Merger Integration): integration management after corporate merger. The post-merger integration process in order to realize the increased corporate value after the merger and the shareholders' profit.

● **Win-win Growth/Fair Trade**  
POSCO C&C pursues win-win growth with small-and-medium sized companies by providing counseling support in expertise areas such as legal, taxes, and innovation activities. In 2010, POSCO C&C executed various activities that include shortening payment period, deposit exemption, and joint technology development, as well as operating the Win-win Growth Support Group to support the primary/secondary suppliers and customer companies. In particular, POSCO C&C received "AA" grade in the Autonomous Observation of Fair Trade Regulations evaluation.

● **Environment Policies**  
POSCO C&C actively implements the POSCO Family level green growth businesses, such as acquiring low-carbon production technology through optimizing energy facilities, developing new environment-friendly products, and unit reduction of CO<sub>2</sub> emission. For this end, POSCO C&C increased efficiency of the energy source by recovering all the exhaust waste heat and turning it to steam, improving the motor running efficiency, using high-performance lighting equipment, and roof renovation for natural lighting. In particular, the company is actively reducing CO<sub>2</sub> emission by the CO<sub>2</sub> recovery system generated from LNG combustion, and has installed the fuel cell power generator.

MAJOR SUSTAINABILITY MANAGEMENT INDEXES				
Major Indexes (unit )		2008	2009	2010
ECONOMIC				
Sales (KRW bil.)		956	703	1,002
Operating profit (KRW bil.)		90	-32	4.7
Tax payment (KRW bil.)		12.7	1.7	0.3
SOCIAL				
Number of employees		334	321	343
Number of female employees		10	11	15
Employee average education time (hours)		223	239	254
Accidents (cases)		-	1	0
Accidents resulting in loss of life (cases)		-	0	0
Lost-time injury frequency rate		0	1.4	0
ENVIRONMENTAL				
Dust	plating (tons)	2.2	5.1	6.2
	color (tons)	8.2	5.8	6.9
Water usage	plating (m³)	271,728	293,976	322,825
	color (m³)	223,789	206,007	203,866
Water discharge	plating (m³)	226,778	198,108	229,891
	color (m³)	109,003	97,025	129,254

## POSCO CHEMTECH

www.poscochemtech.com

Founded in 1971, POSCO CHEMTECH grew with Pohang and Gwangyang Steel Works, and is one of Korea’s leaders in the production, maintenance, and installation of refractory materials. After beginning production of quicklime as its new business in 2008, POSCO CHEMTECH changed to its current name to expand and strengthen its chemicals business division. POSCO CHEMTECH processes tar and light oil that are by-products from coke manufacture and creates high added value by turning them into isotropic/needle coke, graphite electrodes, carbon fiber, and secondary cells.

### MAJOR ACHIEVEMENTS AND MID-TO-LONG-TERM STRATEGY

#### ● 2010 Business Performance and Analysis

Despite a sluggish economy in 2010, sales in refractories and quicklime increased thanks to POSCO’s increased crude steel production and extreme cost reduction activities. In addition, the commissioned operation of the Gwangyang chemical plant, and acquiring the selling right of the chemical by-products resulted in the largest sales and operation profit in POSCO CHEMTECH’s history. POSCO CHEMTECH also acquired the secondary cell cathode business from LS Mtron and started on a joint venture for carbon material with a Japanese company, expanding its business to carbon materials.

#### ● Goal and Strategy for 2011

POSCO CHEMTECH established the vision for 2011 as becoming a top general chemicals/materials maker. POSCO CHEMTECH will improve the refractory and quicklime productivity by 30%, while improving the quality and developing new customers. In addition, it will stabilize plant operations and the quality of the chemical by-products. POSCO CHEMTECHH will be able to see early sales from the secondary cell business as a result of the prior investment in cathode related facilities, and enter the carbon materials business through the joint venture.

### SUSTAINABILITY MANAGEMENT PERFORMANCE

#### ● Corporate Ethics

Since the declaration of the Ethical Management in 2003, POSCO CHEMTECH has established the code of conduct and executed education programs. In 2009 the “Corporate Ethics Practice Program” was provided to 19 outsourcing partners to supoort implementing ethical management.

#### ● Employees

Every year open communication is held between employees and the CEO to share the company’s vision and business goals, and the fruits are distributed according to the company’s performance. As a result, POSCO CHEMTECH has reached wage agreements without bargaining for 15 consecutive years since 1997. The systemized safety activities are part of practicing respect for human rights. Through ILS implementation and the safety & health management system, POSCO CHEMTECH reached tenfold accident–free days in August 2010. In 2011 POSCO CHEMTECH is executing 18 strategies to achieve Zero Accident.

\* Tenfold accident-free days: safety certificated issued by KOSHA for achieving 3,800 days without accident.

#### ● Win-win Growth/Fair Trade

In 2006, POSCO CHEMTECH implemented the Autonomous Observation of Fair Trade Regulations program, an internal set of regulations to help employees abide by the law. POSCO CHEMTECH also operates a fair

trade website, signed the Fair Trade agreement, and set up the Win-win Growth Working-Level Meeting to strengthen its win-win growth activities with SMEs. As a result, POSCO CHEMTECH received grade “A” in the Autonomous Observation of Fair Trade Regulations evaluation.

#### ● Environment Policies

Since 2004, POSCO CHEMTECH has been setting pollution reduction plans by each division, and struck an Environment Protection Agreement with Pohang City. In addition, it changed the pollutant control measure from emission concentration to aggregate in volume. In 2008, POSCO CHEMTECH was able to reduce its pollutant emission by 42.5% compared to the previous year and continues its efforts to reduce 10% each year. In 2010, POSCO CHEMTECH installed the automated chimney measuring gauge and automatic water quality at all air combustion facilities.

MAJOR SUSTAINABILITY MANAGEMENT INDEXES			
Major Indexes (unit)	2008	2009	2010
<b>ECONOMIC</b>			
Sales (KRW bil.)	446.9	574.4	756
Operating profit (KRW bil.)	32	41.4	70.1
Net profit of current period (KRW bil.)	25	33	56
Ratio of operating profit to net sales (%)	7.2	7.2	9.3
Debt ratio (%)	50.9	40.6	51.5
<b>SOCIAL</b>			
Costs for social contribution activities (KRW mil.)	-	300	300
Number of employees	1,021	1,023	1,154
Number of female employees	23	28	31
Employee average education time (hours per capita)	129	151	174
Total education costs (KRW 1,000)	287,202	307,428	384,652
Accidents (cases)	4	2	2
Accidents resulting in loss of life (cases)	-	-	-
<b>ENVIRONMENTAL</b>			
Dust (tons)	26	17	18
Sulfoxides (tons)	79	48	56
Waste generation	72,056	89,404	91,094
Waste recycling rate	68,942	87,279	88,902
Waste recycling rate (%)	96	98	98
Energy consumption (toe)	38,566	35,201	36,251
Water usage (tons)	1,376,000	1,742,000	1,930,000
Installation of automated chimney air quality measuring gauge (KRW mil.)	362	287	21
Installation of automated chimney water quality measuring gauge (KRW mil.)	103	-	-
Investment in air quality control facilities improvement (KRW mil.)	122	370	185
Investment in water quality control facilities improvement (KRW mil.)	85	-	50
Operating costs of environmental facilities (KRW mil.)	1,225	1,356	1,525
Recycling costs (KRW mil.)	595	744	726

## POSCO M-TECH

www.poscomtech.com

POSCO M-TECH started as a steel product packaging company in 1973, and with its abundant experience in steel product finishing business, joined the POSCO Family in July 2005. In order to assure steady supply of foreign raw materials, POSCO M-TECH invests in the molybdenum mine in Mt. Hope, Nevada, and built a plant in Kazakhstan, as well as investing in urban mining, recycling of resources, and advanced materials business, in order to respond to the demand for low-carbon, green growth.

### MAJOR ACHIEVEMENTS AND MID-TO-LONG-TERM STRATEGY

#### ● 2010 Business Performance and Analysis

In tandem with POSCO’s strategic investments to expand its materials business, POSCO became POSCO M-TECH’s largest shareholder, increasing its share from 9% to 49%. POSCO M-TECH was able to secure KRW 100 billion through paid-in capital increase and selling treasury stocks, and changed its name to POSCO M-TECH, which signifies clearly the direction and vision as a company specializing in materials. The company’s growth potential was recognized in the stock market as well, with its prices going up by 3.3 times, and the market capitalization increasing 4.6 times.

#### ● Goal and Strategy for 2011

POSCO M-TECH is concentrating investments in materials business with the goal of achieving its new vision and reaching KRW 5 trillion in sales by 2020. POSCO M-TECH’s core businesses are ferroalloy and non-ferrous metals, such as the manufacture of FeSiAl(ferrosilicon aluminum) in Kazakhstan and operation of consignment smelting of magnesium. In addition, POSCO M-TECH will strengthen its rare earth metals extraction and resources recycling, and broaden its business spectrum to advanced materials such as high purity alumina and Fe powder, moving one step forward as a company specializing in materials.

### SUSTAINABILITY MANAGEMENT PERFORMANCE

#### ● Corporate Ethics

Since the declaration of the Ethical Management in 2003, POSCO M-TECH has established the code of conduct, behavioral rule and practice guideline and executed education programs, leading the way in fostering ethical corporate culture. The corporate ethics practice program was put in place since 2006, adjusting the ethics tasks to enhance the actual ethics level. In 2011, POSCO M-TECH will establish the foreign anti-corruption law observation guideline to strengthen preventive activities against ethical risks in a global business environment and advance its ethical management to international standards.

#### ● Employees

POSCO M-TECH holds regular channels of communication such as hiking with management executives, Jump-up discussions, Buzz Meetings, and Friday Tea Time to provide for open communication between the employees and management. In particular, communication media tailored to the characteristics of a particular division such as POSCO M-TECH Notice and “For Your Information,” help build consensus among all members. In 2011 the labor union entrusted its wage bargaining rights to management, reaching wage agreements without bargaining for 10 consecutive years – another result of active communication between employees and management.

#### ● Win-win Growth/Fair Trade

POSCO M-TECH practices win-win management through fair and transparent trading relations with stakeholders, with the long-term objective of enhancing competitiveness. POSCO M-TECH Win-win Growth Support Group supports suppliers for win-win management, providing QSS support, holding workshops to enhance competitiveness, and joint development of new technologies. As a result POSCO M-TECH received “Good” grade in the “Subcontracting Fair Trade and Win-win Growth Agreement” implementation evaluation, and “A” grade in the Autonomous Observation of Fair Trade Regulations evaluation, building a win-win model that is open to communication with the suppliers.

#### ● Environment Policies

POSCO M-TECH is planning to acquire ISO 14001 certification in line with POSCO Family’s integrated environment policy. Major pollutants are controlled by consumption unit according to the quantified environmental indexes established throughout POSCO M-TECH. POSCO M-TECH completed its carbon inventory on December 18, 2010 to reduce greenhouse gas emissions, and keeps monthly records of greenhouse gas emission, energy consumption, raw material usage, and waste generation. POSCO M-TECH has also set up the aluminum pre-treatment facility to maximize energy efficiency.

MAJOR SUSTAINABILITY MANAGEMENT INDEXES			
Major Indexes (unit)	2008	2009	2010
<b>ECONOMIC</b>			
Sales (KRW bil.)	373.7	303.3	524.6
Ratio of operating profit to net sales (%)	3.4	3.0	2.8
Tax payment (KRW bil.)	3	1	63
<b>SOCIAL</b>			
Employee average education time (hours per capita)	310.6	278.6	276.5
Volunteer activities (hours per capita)	15.3	26.4	40.3
Accidents (cases)	1	3	0
Lost-time injury frequency rate	2.31	0.98	-
<b>ENVIRONMENTAL</b>			
Air (dust, sulfoxide, nitrogen oxide) (kg/year)	26,622	33,361	32,982
Water usage (industrial+domestic) (m <sup>3</sup> /year)	18,822	17,499	17,400
Waste water discharge (m <sup>3</sup> /year)	2,725	2,715	2,700
Chemicals discharge (kg/year)	1,135	1,147	913
Waste generation (ton/year)	2,401.98	2,172.10	2,632.72
Waste recycling rate (%)	88.3	80.4	84.7
Energy consumption (toe/year)	3,308	3,124	3,040
CO <sub>2</sub> emission (tCO <sub>2</sub> /year)	9,250	8,706	8,334



We were engaged by POSCO Inc. (‘POSCO’) to provide assurance on the information presented in the 2010 Sustainability Report (‘the Report’).  
POSCO is responsible for preparing the Report, including the identification of stakeholders and material issues. Our responsibility is to provide an opinion on the Report.

CONTEXT AND SCOPE

Our engagement was designed to provide limited assurance on whether.  
1.POSCO has applied the “AA1000 AccountAbility Principles Standard (2008)”  
2.The information in the Report is fairly stated in all material respects, based on the reporting criteria set out on “About This Report” (The Green House Gas Emissions verified separately).

The scope of our engagement conforms to the requirements of a Type 2 assurance engagement as set out in the AA1000AS (2008) of AccountAbility, including the aspect of “reliability”. With regard to the financial data included in the key figures on page 4, 56, our procedures were limited to verifying that they were correctly derived from POSCO’s audited financial statements. To obtain a thorough understanding of POSCO’s financial results and financial position, the audited financial statements of POSCO for the year ended 31 December 2010 should be consulted.

CRITERIA

POSCO applies the criteria set out in the AA1000APS (2008) for the three principles of inclusivity, materiality and responsiveness. In preparing the report, POSCO applies the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative as set out on “About This Report”.

ASSURANCE STANDARDS

We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board, and with the AccountAbility ‘AA1000 Assurance Standard (2008)’.  
Readers should note that limited assurance in ISAE 3000 is consistent with a moderate level of assurance as defined by AA1000AS (2008).  
Among other things, these standards contain requirements regarding the independence and competency of the assurance team.

INDEPENDENCE, IMPARTIALITY AND COMPETENCE

We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants which requires, among others, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence, due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.  
We conducted our engagement with a multidisciplinary team including specialists in AA1000APS/AS, stakeholder engagement, auditing, environmental, social and financial aspects, with experience in similar engagements in the sector.

WORK UNDERTAKEN

Our work included the following activities.

- An evaluation of the results of POSCO’s stakeholder consultation processes
- An evaluation of POSCO’s processes for determining the material issues for key stakeholder groups
- A media analysis and an internet search for references to POSCO during the reporting period
- Interviews with a selection of POSCO senior managers and key stakeholders to understand the current status of sustainability activities and progress made during the reporting period
- An evaluation of the design, existence and operation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the Report
- Reviewing the internal documentation and intranet sources
- With regard to the financial data included in the key figures on page 4, 56, verifying that they were correctly derived from POSCO’s 2010 audited financial statements

During our investigation, we discussed the necessary changes to the Report with POSCO and verified that these changes were adequately incorporated into the final version.

CONCLUSIONS

On the AA1000APS principles of Inclusivity, Materiality and Responsiveness.

- In relation to the principle of inclusivity.
  - POSCO has developed a variety of participating channels that include environment, shareholders/investors, local communities, employees, and customers.
  - We are not aware of any key stakeholder groups which have been excluded from dialogue in the Report.
  
- In relation to the principle of materiality.
  - POSCO has conducted a well-established materiality evaluation process to define what should be considered in stakeholders’ priorities. The result is reported internally and the process is monitored by third parties regularly.
  - We are not aware of any material aspects concerning its sustainability performance which have been excluded from the Report.
  
- In relation to the principle of responsiveness.
  - POSCO has outstanding communication on materiality issues and performance to stakeholders.
  - With the exception of the issues highlighted in the Report in relation to materiality, we are not aware of any additional issues of stakeholder interest that are not currently being managed by POSCO.

On the content of the Report.

Based on the above work, we conclude that the information in the Report does not appear to be unfairly stated.

COMMENTS

Without prejudice to our conclusions presented above, we believe the following matters require attention.

- In order to take POSCO’s sustainability management to the next level, it requires the foreign workplace to introduce sustainability management (business ethic, Social contribution, environmental management, etc) of POSCO according to the development of the global management.
- POSCO is currently conducting a wide variety of stakeholder engagements. There is a need for POSCO to develop strategic approaches in order to support the decision-making related to business as usual.
- We recommend POSCO to make clear in the sustainability report over which subsidiaries it exercises managerial rights, include the performance for these subsidiaries and report the issue related to supply-chain in the scope of the sustainability performance of POSCO.


We have discussed our observations regarding the reporting process and reported outside the scope of our assignment with POSCO management. They were receptive to our comments.

Seoul, June 2011  
KPMG Samjong  
*KPMG SAMJONG*

EXTERNAL RECOGNITION ON POSCO’S SUSTAINABILITY MANAGEMENT

POSCO published the Sustainability Report since 2003 to report in a transparent manner its sustainability performance to the stakeholders. POSCO implements sustainability management activities while continuously communicating with the stakeholders despite rapidly changing domestic and international business conditions. As a result, POSCO has received positive recognition from stakeholders both domestic and abroad on its sustainability management in general, the Sustainability Report, and its reputation as a corporation.

Awards	
Jan. 2010	First Korean corporation to be included in the Global Top 100 Company in the Davos Forum.
Feb. 2010	Named Korea's Most Respected Company by the Korea Management Association
Mar. 2010	Selected as one of World's Most Admired Company by Fortune Magazine
Apr. 2010	Korea's Best Managed Company by Finance Asia / Forbes Global 200 Companies
Jun. 2010	Knowledge Management Award by Knowledge Management Society of Korea
Sep. 2010	CDP Committee, Carbon Disclosure Leadership Index 2010, Carbon Performance Leadership Index 2010
Oct. 2010	2010 World Knowledge Forum MAKE (Most Admired Knowledge Enterprise) Award
Nov. 2010	Asia's 200 Most Admired Companies, Wall Street Journal
Feb. 2011	Korea's Most Respected Company by the Korea Management Association for 8 consecutive years
Mar. 2011	World's Most Admired Company in 2011 by Fortune, ranked first in the metals industry

Sustainability Management Partnership	
WBCSD*	<div>wbcsd</div> <div>Global association of companies with the objective of being a leading business advocate on sustainable development</div> <div>- Collecting CEOs' opinions on issues related to sustainability management</div> <div>POSCO joined in February 2005 and attends regular meetings held twice a year, and decides its future direction for sustainability management.</div>
SAM DJSI	<div>sam</div> <div>The Dow Jones and SAM publish and license the Dow Jones Sustainability Index. Socially Responsible Investment Fund</div> <div>POSCO listed in the Index for 6 consecutive years and nominated leader in the steel sector for 4 consecutive years</div>
Worldsteel	<div>worldsteel</div> <div>An international association that supports the development of the steel industry. It gathers and distributes economic, social, and environmental sustainability data related to the steel industry</div> <div>POSCO participates in the subcommittees including the Sustainability Forum</div>

\* WBCSD: World Business Council for Sustainable Development.

POSCO’S PREVIOUS REPORTS

**Environmental Report**  
POSCO has published Environmental Reports from 1994 to 2003, describing the activities and performances of its environmental management initiatives, which were put into place since its foundation. Through these reports, environmental information on POSCO's head office, Pohang and Gwangyang Works was provided to our stakeholders, and their feedback has been reflected in our environmental management policies and practices.

**Carbon Report**  
To share POSCO's awareness and measures on climate change with the stakeholders, POSCO has published the Carbon Report since 2009. In particular, the Carbon Report undergoes third-party verification to ensure the integrity of the data contained within.

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

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



The POSCO website [www.posco.com](http://www.posco.com) provides various information on POSCO as well as the downloadable PDF version of this Report. For opinions and inquiries regarding the Sustainability Report, please refer to the following contacts.

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