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.

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 Environmental 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 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, POSCO ICT, POSCO C&C, POSCO CHEMTECH and POSCO M-TECH will be introduced.

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 GRI’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 performances of individual POSCO Family companies were included as well. The performances details of POSCO E&C, POSCO POWER, POSCO ICT, POSCO C&C, POSCO CHEMTECH and POSCO M-TECH will be introduced.

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 independently, materially, and comprehensively are reflected in the Report in addition to the existing principles of consistency, accuracy, and completeness.
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.

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 CO2 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 in developing 29 technologies through the R&DIE (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.

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.
**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.

<table>
<thead>
<tr>
<th>Key Financial Indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (KRW billion)</td>
<td>30,642</td>
<td>26,954</td>
<td>32,582</td>
</tr>
<tr>
<td>Operating Income (KRW billion)</td>
<td>6,540</td>
<td>3,147</td>
<td>5,047</td>
</tr>
</tbody>
</table>

**R&D Expenses**

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

**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.

**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.

**Crude Steel Production Volume in 2010**

- Domestic: 20,384 thousand ton
- Export: 11,081 thousand ton
- Total: 31,465 thousand ton

**Customer Satisfaction**

- Domestic customers: 89
- Overseas customers: 75.5

**Byproduct recycling rate**

- 98%

**Water reuse rate**

- 98%

**Investment in environmental facilities**

POSCO continues investments to improve the environment. In 2010, 11.6% of total capital expenditure was allocated to environmental facilities.

**Benefit Sharing**

POSCO pursues win-win prosperity with SMEs based on trust. Through the Benefit Sharing through Purchasing Cooperation program that was started in 2004, POSCO compensated a total of KRW 40.2 billion until 2010.

**POSCO Family’s Sales Target by 2020**

- 200 trillion KRW

**Average hours of volunteering per employee**

- 2008: 278hr
- 2009: 297hr
- 2010: 244hr

**Training Hours per Capita (Shift hours)**

- 2008: 577
- 2009: 234 (171)
- 2010: 234

**Customer Satisfaction**

- Domestic customers: 89
- Overseas customers: 75.5

**Investment in environmental facilities**

POSCO continues investments to improve the environment. In 2010, 11.6% of total capital expenditure was allocated to environmental facilities. 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.

**Training Hours per Capita (Shift hours)**

- 2008: 278hr
- 2009: 297hr
- 2010: 244hr

**Average hours of volunteering per employee**

- 2008: 278hr
- 2009: 297hr
- 2010: 244hr

**Customer Satisfaction**

- Domestic customers: 89
- Overseas customers: 75.5

**Investment in environmental facilities**

POSCO continues investments to improve the environment. In 2010, 11.6% of total capital expenditure was allocated to environmental facilities. 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.
Prior to publishing the 2010 Sustainability Report, POSCO conducted a experts’ interviews 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.

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.

What do you think of POSCO’s corporate governance?

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.

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.

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.

NOH • 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 simply 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.

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.

What do you think of POSCO’s corporate governance?

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.

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.

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.

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?

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.

What do you think of POSCO’s corporate governance?

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.
COMMUNICATION WITH STAKEHOLDERS

PURSING BALANCE BETWEEN HUMAN AND NATURE
POSCO projects its planet through low carbon driven growth. Through its Environmental Digital Monitoring System, we manage our pollution levels real time and the POSCO Police activity 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 shareholders’ profit to maintain sustainable growth. By utilizing KOSA, civic organizations, and environmental organizations, POSCO can actually contribute to solving social issues.

CONTRIBUTING TO THE SOCIETY AS A CORPORATE CITIZEN
POSCO has to be a firm of embodiment and the pride of local communities in which we operate. At Pyeong and Geumgang works, we actively communicate with local communities and engage in continuous dialogues through our Community Cooperation Team in order to give together. In addition, we held NGO Day every year so that POSCO can lead feedback from NGO's on social contributions. Moreover, Blacksheep helps us improve and manage our social contribution portfolios.

Issues of High Interest by Stakeholders

<table>
<thead>
<tr>
<th>GENERAL</th>
<th>ECONOMIC</th>
<th>ENVIRONMENTAL</th>
<th>SOCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers/Suppliers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NGOs &amp; other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Issues of High Interest by Stakeholders

<table>
<thead>
<tr>
<th>GENERAL</th>
<th>ECONOMIC</th>
<th>ENVIRONMENTAL</th>
<th>SOCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers/Suppliers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NGOs &amp; other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RESPECT FOR HUMAN RIGHTS AND SELF REALIZATION
POSCO supports its employees with the environment in which they can develop their social competitiveness and better the quality of their lives as well as they can make social contributions. Employees are active in the union labor representation and through the labor-management council, discuss pay and labor relations with the company. In year 2015, Open Communication with the CEO was held across 8 sessions to enhance communication with the CEO and the employees in order to build stronger relationships with our business partners.

BRINGING SUCCESS TO OUR CUSTOMERS
With customer centric marketing, POSCO has to satisfy customers through building trust and enhancing customer value. Customer Relations Management enables us to manage customer’s 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 our 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.

Jeon Eunicehak

Issues of Interest by Stakeholders

<table>
<thead>
<tr>
<th>Issues of Interest by Stakeholders</th>
<th>GENERAL</th>
<th>ECONOMIC</th>
<th>ENVIRONMENTAL</th>
<th>SOCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate strategy &amp; performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market strategy &amp; performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What do you think of POSCO’s social contribution activities?

If I feel POSCO’s social contribution learns to the past paradigm. While maintaining the keynoter and strategic positioning on local community and overseas social contribution, POSCO should sign 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 Hankyun

Due to the nature of social contribution programs, it has to call out started. If POSCO’s continued support is assumed, the recipient grows dependent, making it difficult to operate the program. It is necessary to introduce the sustain timeline to foster self-support and independence.

RA

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.

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 and tasks and performance targets should be presented together to show POSCO’s commitment in order to gain more trust.

RA

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.

Kim Geomin

—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.

Kim Geomin

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

Ryu Youngjeong

—Jeon Eunicehak —stakeholders should feel included 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.

Ryu Youngjeong

—Kim Geomin

—Ryu Youngjeong

—Ryu Youngjeong

—Ryu Youngjeong

—Ryu Youngjeong

—Ryu Youngjeong

—Ryu Youngjeong

—Ryu Youngjeong

—Ryu Youngjeong

—Ryu Youngjeong

—Ryu Youngjeong
IDENTIFYING KEY ISSUES

Media Analysis
POSCO has conducted media analysis since 2005 in order to identify issues of interest to its 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 new 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 delay in steel production 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.

Media Analysis Results

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall</th>
<th>General</th>
<th>Economic</th>
<th>Social</th>
<th>Environmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>84</td>
<td>86</td>
<td>83</td>
<td>86</td>
<td>84</td>
</tr>
<tr>
<td>2009</td>
<td>81</td>
<td>84</td>
<td>83</td>
<td>87</td>
<td>84</td>
</tr>
<tr>
<td>2010</td>
<td>85</td>
<td>84</td>
<td>84</td>
<td>83</td>
<td>85</td>
</tr>
</tbody>
</table>

Exposure for each Sector in 2010 (Unit: %)

- Economic: 33%
- Social: 33%
- Environmental: 14%

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 improvement 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, SRA 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.

1. Identifying internal/external issues
   - Stakeholder analysis
   - Internal risk analysis
   - Sustainability Report

2. Materiality Matrix
   - Identification of material issues
   - Identification of non-material issues
   - Identification of high potential impact issues

3. Identifying and reflecting major issues
   - Identifying and reflecting major issues
   - Materiality matrix

4. Assurance
   - Assurance of data and privacy
   - Assurance of report

5. Report publishing process
   - Report publishing process

Ranking of Major Issues in 2010

1. Climate Change
2. Corporate Governance
3. Human Rights
4. Customers
5. Employees
6. Stakeholders/NGOs/other institutions
7. Sustainability Management
8. Management
9. Social Contribution
10. New Business
11. Risk Management
12. Innovation
13. Environmental Protection
14. Corporate Ethics
15. R&D
16. Management
17. Management
18. Management
19. Management
20. Management
21. Management
22. Management
23. Management
24. Management
25. Management
26. Management
27. Management
28. Management
29. Management
30. Management
31. Management
32. Management
33. Management

Stakeholder On-line Survey Results

<table>
<thead>
<tr>
<th>Satisfaction on Sustainability Report</th>
<th>Overall</th>
<th>General</th>
<th>Economic</th>
<th>Social</th>
<th>Environmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information usefulness</td>
<td>3.8</td>
<td>3.9</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Appropriateness of the volume</td>
<td>3.8</td>
<td>3.9</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Reliability of the Report</td>
<td>3.9</td>
<td>3.9</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Survey Recipients (Unit: %)

- Local residents: 16%
- Media/government: 11%
- NGO/other: 9%
- CSR reporters: 5%
- Local residents: 16%
- Students: 5%
- Employees/subsidiaries: 5%
- Customers/suppliers: 5%
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,
In a workplace full of trust, communication and innovation,
With a management principle to foster the best human asset,
The great innovations in Business, Market, System, and People will
complete POSCO’s tomorrow.

POSCO that leads a sustainable society is completed through great challenge.
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 strove 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 performance 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 produces sustainable growth.

The Four Greats – Great Challenge (business evolution), Great Voyage (market expansion), Great Harmony (market innovation), and Great People (fostering growth of people) – are POSCO’s ultimate goals to become the company that is loved by all the stakeholders. In order to be sustainable in the 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 Harmony (market expansion), Great Voyage (market 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

<table>
<thead>
<tr>
<th>Sustainability Management Work Function</th>
<th>Committee Name</th>
<th>Chairman</th>
<th>Participants</th>
<th>Achievements in 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Program</td>
<td>Strategy Dept. 1</td>
<td>CEO</td>
<td>11 department heads related to fair trade</td>
<td></td>
</tr>
<tr>
<td>Compliance Program</td>
<td>Change Subcommittee</td>
<td>President</td>
<td>11 department heads related to fair trade</td>
<td></td>
</tr>
<tr>
<td>Financial Reporting &amp; Internal Control</td>
<td>RMS</td>
<td>CEO</td>
<td>11 department heads related to fair trade</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>ERM</td>
<td>President</td>
<td>11 department heads related to fair trade</td>
<td></td>
</tr>
<tr>
<td>Environmental Management</td>
<td>ER</td>
<td>President</td>
<td>11 department heads related to fair trade</td>
<td></td>
</tr>
<tr>
<td>Social Contribution</td>
<td>CSR</td>
<td>President</td>
<td>11 department heads related to fair trade</td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td>Audit Committee</td>
<td>President</td>
<td>11 department heads related to fair trade</td>
<td></td>
</tr>
</tbody>
</table>

**Sustainability Management Related Committees**

- **Green Growth Committee**: Responsible for environmental management and social contribution activities.
- **Win-Win Growth Committee**: Focuses on social responsibility activities.
- **POSCO Family Safety Committee**: Ensures workplace safety.
- **POSCO Family Vision Committee**: Develops and implements the POSCO Family Vision 2020.
- **Green Growth Subcommittee**: Focuses on environmental management.
- **Win-Win Growth Subcommittee**: Focuses on social responsibility activities.
- **Green Growth Committee**: Responsible for environmental management.
- **Win-Win Growth Committee**: Focuses on social responsibility activities.
- **POSCO Family Safety Committee**: Ensures workplace safety.
- **POSCO Family Vision Committee**: Develops and implements the POSCO Family Vision 2020.
- **Green Growth Subcommittee**: Focuses on environmental management.
- **Win-Win Growth Subcommittee**: Focuses on social responsibility activities.
- **POSCO Family Safety Committee**: Ensures workplace safety.
- **POSCO Family Vision Committee**: Develops and implements the POSCO Family Vision 2020.
- **Green Growth Subcommittee**: Focuses on environmental management.
- **Win-Win Growth Subcommittee**: Focuses on social responsibility activities.
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.

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 steelmakers 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 leapin of 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 institutionalize 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.
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 enhances 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. POSCO’s BOD 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 thorough list of candidates, the Director Candidate Recommendation Committee evaluates the candidates, and the final decision is made at the General Shareholders’ Meeting.

Board Composition

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.

Subcommittees

POSCO BOD 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 enhances 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.

POSCO’s BOD 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 thorough list 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.

<table>
<thead>
<tr>
<th>BOD Profiles as of March 2010</th>
<th>Board Composition</th>
<th>Subcommittees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Experience</td>
<td>Subcommittees Activities</td>
</tr>
<tr>
<td>Director</td>
<td>Standing Directors</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>Non-Japanese President of East Asian Economic Association</td>
<td>Former vice-president of Korea University &amp; Kongju University</td>
<td>Chief of Audit Committee</td>
</tr>
<tr>
<td>Asian President of Korea University</td>
<td>President of Sogang University</td>
<td>Member of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Director of Stock Exchange</td>
<td>Former director of Korea Exchange</td>
<td>Member of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Director of POSCO</td>
<td>Former CEO of POSCO</td>
<td>Member of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Lee Youngjin</td>
<td>President of Hallym University</td>
<td>Member of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Director of POSCO</td>
<td>Former president of POSCO University</td>
<td>Member of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Park Young Sik</td>
<td>Former head of POSCO University Management Office</td>
<td>Chief of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Park Young Sik</td>
<td>Former head of POSCO University Management Office</td>
<td>Chief of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Park Young Sik</td>
<td>Former president of POSCO University Management Office</td>
<td>Chief of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Park Young Sik</td>
<td>Former president of POSCO University Management Office</td>
<td>Chief of Evaluation and Compensation Committee</td>
</tr>
<tr>
<td>Standing Directors</td>
<td>Standing Directors</td>
<td>Chief Financial and Planning Officer</td>
</tr>
<tr>
<td>Chung Ikhyung</td>
<td>Director of POSCO</td>
<td>Member of Audit Committee and Internal Transactions Committee</td>
</tr>
<tr>
<td>Park Hanhyo</td>
<td>Executive Vice President</td>
<td>Member of Audit Committee and Internal Transactions Committee</td>
</tr>
<tr>
<td>Oh Changmin</td>
<td>Executive Vice President</td>
<td>Member of Audit Committee and Internal Transactions Committee</td>
</tr>
<tr>
<td>Oh Changmin</td>
<td>Executive Vice President</td>
<td>Member of Audit Committee and Internal Transactions Committee</td>
</tr>
</tbody>
</table>

**Subcommittees**

- **Audit Committee**: Board of Directors, Evaluation & Compensation Committee, and Internal Transactions Committee.
- **Evaluation and Compensation Committee**: Standing Directors and Executive Officers.
- **Internal Transactions Committee**: Standing Directors and Executive Officers.

**Board Composition**

**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.

**Subcommittees**

- **Audit Committee**: Board of Directors, Evaluation & Compensation Committee, and Internal Transactions Committee.
- **Evaluation and Compensation Committee**: Standing Directors and Executive Officers.
- **Internal Transactions Committee**: Standing Directors and Executive Officers.

**Board Composition**

**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.
POSCO upholds its principle of protecting human rights and respecting human dignity through ethical practices. The key wisdom for ethical practices - consideration for others, win-win, and trust - are reflected in the basic clauses of the Code of Conduct, to which all stakeholders are subject. We go to great lengths and work closely 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 Ethics 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. The Ethical Dilemma Casebook was published as well, which introduces solutions when faced with ethical dilemmas.

**Ethical Practice Infrastructure**

- **Online**
  - Corporate Ethics e-Learning (2004 – 2010): mandatory course for all POSCO employees
  - Corporate Ethics pop-up window, screen saver

- **Offline**
  - Self-checklist of the task of the Do’s and Don’ts, and education of corporate ethics vehicles (2010)
  - Ethics counseling education (2000 – 2010): 5,000 people yearly
  - Ethics Center (Code of Conduct)
  - Ethics Inspectors by division heads

**Corporate Ethics Practices Leader Program**
- **Leader for each department and 10% of employees are exposed to an ethics instructor**

**Foreign Comupct Practices Act Guideline (in Brief)**

**ABRIDGING THE FCPA**: POSCO employees and associates will abide by the laws and regulations including the Foreign Corrupt Practices Act. In cases of violations, complete immunity will not be granted even if the act of the employee was accepted as customary or in terms of international ethics.

**PROHIBITIONS AND EXCEPTIONS**: No provision shall be made to be an official, whether monetary or other, that is beneficial to that official, except when provisions are made to facilitate business proceedings which 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 shall be observed.

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

**EDUCATION**: Employees and executives who must officially be on a regular basis must take a course in the Foreign Corrupt Practices Act (FCPA) and the FCPA Guideline such as legal and ethical restrictions while doing transactions with an official.

**REPORTING AND PROTECTION OF INTERNAL WHISTLE-BLOWING**: When a person has become aware of violations or has suspicions of possible violations, he/she must report it to his/her superior, Compliance Committee, or Corporate Ethics Team. The whistleblower who reported an act of violation or possible act of violation shall be completely protected and is not to receive any disadvantage in relation to employment in 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 amendments, as any employee or executive who has committed an act of violation is not subject to the laws of foreign countries. In cases of violations, the FCPA's or Guideline’s, the FCPA shall be observed.

**Ethics Practice Campaigns**

- **Business Level**
  - Risk Prevention
  - Sustainability
  - Business Ethics

**In 2011, over 8,000 local employees in 60 branches and 25 countries read the Code of Conduct. 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 imposed 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.**

**Chronology of Business Ethics**

- **2004**
  - Dec. 14: POSCO Code of Conduct enacted

- **2006**
  - Feb.: Conducted national seminar for whistle blowing

- **2007**
  - Jul. 27: Published the first issue of online business ethics website, "Ethics Digest"

- **2008**
  - Jul. 27: Published the third issue of online business ethics website, "Ethics Digest"

- **2009**
  - Mar. 07: Selected as one of Global Most Respected Companies by the Wall Street Journal

- **2010**
  - Jun. 05: Published social contribution monthly corporate ethics magazine, "Ethics Digest - Admired Companies and CEO Awards – Promotion"
POSGO 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, POSGO has organized 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, POSGO upgraded the Audit Portal System in 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 notices 110 types of risk signs related to purchasing, sales, investments, maintenance, and production. POSGO 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.

POSGO 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. POSGO provides an online audit guidebook that can be used as education material for preventing unethical actions. POSGO’s continued efforts at risk prevention include operating the web-related schema counseling center, discussion groups, and on-site consulting. With the declaration of Vision 2020 in 2011, POSGO 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. POSGO is listed in the Korean and New York stock exchanges. 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, POSGO completed the internal control evaluation system in March 2006 for the POSGO 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 16 sectors, evaluate job risk factors and design control activities. In addition, since POSGO must evaluate its internal control system annually, a web partial evaluation system was made that makes it possible to log in to all the divisions at once to execute internal control evaluation.

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

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

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.
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.

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

• Patient Consulting Center: POSCO has opened a patient 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, and IT consulting/services supply contract spanning up to 5 years if item development is completed. 2011 Result: 138 items selected, including large, energy saving, and industrial research and development contract roles.

**Number of new product development projects by year under purchasing condition**

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>13</td>
<td>24</td>
<td>11</td>
<td>16</td>
<td>14</td>
<td>6</td>
<td>84</td>
</tr>
</tbody>
</table>

**Expenditure coverage in joint patenting**

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure (Won)</td>
<td>0 cases, 7 companies</td>
<td>20 cases, 22 companies</td>
<td>22 cases, 22 companies</td>
</tr>
</tbody>
</table>

**Operation status of Techno Partnership Program**

- **Partnership**
  - POSCO (Pohang, POSCO, Pohang Technopark, IFMW, POSCO Family), 543 partners
- **Consulting Service**
  - 4,000 items
- **Test Analysis**
  - 20 items

- **Participating Firms**
  - POSCO (Pohang, POSCO, Pohang Technopark, IFMW, POSCO Family)
In order to help SMEs with funding issues in the aftermath of the global financial crisis, POSCO entered into an agreement with Shinhwa Bank and Woori Bank in November 2008 to provide KRW 200 billion special fund to start extending loans from December 2008. POSCO opened a low-interest rate deposit account with the aforementioned banks, in which it 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 Cooperative Special Fund amounted to KRW 96.4 billion.

Under a 1:1 matching with IBK, Shinhan Bank, and Woori Bank, POSCO has subscribed a total of KRW 20 billion to launch the Win-Winer Family Network Loan program in September 2009 to help SMEs with low credit ratings to acquire loans based on their supply contracts. This program provides up to 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. POSCO supports outsourcing partners who lack funds for facility investment. This program provides up to 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.

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 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, surface treatment, 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 preliminary phase. 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 billions)

<table>
<thead>
<tr>
<th>Funding Support (KRW billions)</th>
<th>Root Industry Performance Bond Fund</th>
<th>Joint R&amp;D fund by private and public sectors/Facilities investment support</th>
<th>POSCO Family Network Loan</th>
<th>Win-Win Guarantee</th>
<th>Suppliers support fund</th>
<th>Win-Win Cooperative Special Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
<td>2010</td>
<td>2010</td>
<td>2010</td>
<td>2010</td>
<td>1,360</td>
</tr>
</tbody>
</table>
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’ site innovation projects. POSCO’s QSS consultants help suppliers reduce waste 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

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 2006, and was designated as PUP 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 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. Loses 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 diversified win-win cooperation program. I think the best of them all is the 5-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 employers’ work capacities, we are participating in the SME Job Training Consortium supervised by the POSCO Human Resources Development Centre, putting our efforts in making the world’s best products.

Support in Overseas Market with Overseas Markets and Facility Suppliers

SME Promotion at Overseas Processing Centers

Supporting SME exports through Daewoo International

MARKET SUPPORT SECTOR

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 and grow into global corporations with world-class quality and technology. In addition, when meeting with overseas steelmakers, POSCO introduces outstanding suppliers, providing them an opportunity to make a presentation. Outstanding suppliers can also accompany POSCO in overseas benchmarking or market surveys. 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.

Supportive etc. for SMEs.

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 Intersteel 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.
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.

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.

Marketing 1.0
Marketing 2.0
Marketing 3.0

Product Sales
Customer Satisfaction
Creating Customer Value

Vision Statement

Your Trust and Success, Our Tomorrow

Customer-orientation Marketing

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 82.7, and overseas customers 71.6. 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. 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.

Vision Statement

Your Trust and Success, Our Tomorrow

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 the idea to “POSCO style EVI (Expanded Value Initiative for Customer)” that identifies the needs not only for 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 supplied. In the shipbuilding sector, we plan to provide support in the hull structure optimization technology. In the new business area that has high growth potential such as renewable energy, construction material, and marine parts, 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 pipes will protect us from cheap substitute materials in the market.

These EVI activities were started in 2004 from the automobile sector then expanded to home appliances and construction. As the CRT TV is being replaced with the LCD and LED monitors, POSCO successfully developed a back-casting related steel sheet to replace the thick plastic material, in cooperation with the home appliance customer reducing 20% in production cost. At the Incheon Cheongri District underground roadway, the high performance steel pipe strut was used instead of the conventional H strut.

These EVI activities were started in 2004 from the automobile sector then expanded to home appliances and construction. As the CRT TV is being replaced with the LCD and LED monitors, POSCO successfully developed a back-casting related steel sheet to replace the thick plastic material, in cooperation with the home appliance customer reducing 20% in production cost. At the Incheon Cheongri District underground roadway, the high performance steel pipe strut was used instead of the conventional H strut.

Customer Satisfaction (unit: points)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Customers</th>
<th>Foreign Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>82.3</td>
<td>68.9</td>
</tr>
<tr>
<td>2008</td>
<td>89.0</td>
<td>75.5</td>
</tr>
<tr>
<td>2009</td>
<td>82.7</td>
<td>71.6</td>
</tr>
<tr>
<td>2010</td>
<td>80.2</td>
<td>71.8</td>
</tr>
</tbody>
</table>

Case Study

Marketing Division Practice Guideline
Individual Promises to put into Practice

Core Values

Customer Centricity
Global Mind
Open & Flexible
Professionalism

Putting Vision into Practice

2010 Sustainability Report
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.

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 capabilities.

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.

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.
- SAG (Safety Acts Observation) The SAG 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.
- Innovation in Education and Training POSCO revamped the safety education system with the goal of cultivating conscience 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 POSCO Family companies and outsourcing partners.

Office of Safety Innovation Expanded

POSCO Family Safety System

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.

Employee Engagement Trend (unit: %)

- 2007: 80
- 2008: 83
- 2009: 74
- 2010: 82

Trust and Communication

- Open Communication with the CEO
- Labor-Management Council
- Department level voluntary trust/communication programs
- Young Board
- Junior Board
- Others

$\text{\textcopyright 2010 SUSTAINABILITY REPORT}$
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.

## HUMAN RESOURCES DEVELOPMENT

### Recruiting Talent

- 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, married away from the conventional one-way recruiting procedure to one that applicants and the company can exchange information.

- Recruitment Activities. In 2010 POSCO actively recruited consilience, global, and expert human assets. First, POSCO selected “POSGUDE 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 more applicants by applying new recruitment methods such as long-distance interviews, and online communities/SNS.

### New Employee Self-development Support System

#### Before joining

<table>
<thead>
<tr>
<th>Stage</th>
<th>Duration</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>[1 week]</td>
<td>Group training (1 week)</td>
</tr>
<tr>
<td>2</td>
<td>[2 days]</td>
<td>Understanding technology/Equipment/Environment</td>
</tr>
</tbody>
</table>

#### After joining

<table>
<thead>
<tr>
<th>Stage</th>
<th>Duration</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>[3 months]</td>
<td>Technical knowledge training (8 weeks)</td>
</tr>
<tr>
<td>2</td>
<td>[2 days]</td>
<td>Orientation (1 day)</td>
</tr>
<tr>
<td>3</td>
<td>[1 year]</td>
<td>On-the-job training (6 months)</td>
</tr>
</tbody>
</table>

### Health Activities

- 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 markers (4 markers) and external commissioned medical 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 checks, POSCO practices respect for human life through the health management system, health enhancement campaigns, and industrial hygiene management.

### Health Management System

- Health Management System: Health check-up and on-site health care service for employees
- Health Education: Health education and regular check-ups
- Physiotherapy and counseling, Fitness center, physical therapy center

### Health Enhancement Campaign

- Health Enhancement Campaign: Family care
- Health management: Health promotion, preventive health care, healthy lifestyle, regular health check-up
- Industrial hygiene management: Induction training, personal protective equipment, chemical management program

### Industrial Hygiene Management

- Health Promotion: Personal protective equipment, health management program for chemicals
- POSCO industrial hygiene management system: Personal protective equipment, health-related chemicals, chemical management program, on-the-job training

### POSCO Workforce (As of end of 2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>18,107</td>
</tr>
<tr>
<td>2009</td>
<td>18,455</td>
</tr>
<tr>
<td>2010</td>
<td>18,836</td>
</tr>
</tbody>
</table>

### POSCO Family

- POSCO Family: POSCO pursues “Open Recruitment” that abolished limits in education, age and nationality.

### Nurturing Talent

- 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.

---

### 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.

### 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

### SUSTAINBILITY

- POSCO strives to assure everyone’s safety and achieve zero safety accidents through a scientific safety control base

### Respect for Human Life

- 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 striving 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, hazards and areas facilities such as hazard points will be shown in the form of a navigation system to inform personnel before entering.

### AKT-based Facility Hazard Point Tracking

- Prevents safety accidents by prior hazard point monitoring, using the smartphone image (AR) after a person enters the plant

### Voluntary retirement

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,003</td>
</tr>
<tr>
<td>2009</td>
<td>1,045</td>
</tr>
<tr>
<td>2010</td>
<td>923</td>
</tr>
</tbody>
</table>

### Hired

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>455</td>
</tr>
<tr>
<td>2009</td>
<td>665</td>
</tr>
<tr>
<td>2010</td>
<td>913</td>
</tr>
</tbody>
</table>

### Office workers (male/female)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,426(1,149 / 276)</td>
</tr>
<tr>
<td>2009</td>
<td>1,553(1,256 / 297)</td>
</tr>
<tr>
<td>2010</td>
<td>1,671(1,318/353)</td>
</tr>
</tbody>
</table>

### Head Office/Technology Research Lab/Offices/Others

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>4,383</td>
</tr>
<tr>
<td>2009</td>
<td>4,584</td>
</tr>
<tr>
<td>2010</td>
<td>4,413</td>
</tr>
</tbody>
</table>

### Pohang Works

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6,249</td>
</tr>
<tr>
<td>2009</td>
<td>5,851</td>
</tr>
<tr>
<td>2010</td>
<td>6,415</td>
</tr>
</tbody>
</table>

### Industrial hygiene Management

<table>
<thead>
<tr>
<th>Stage</th>
<th>Duration</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>[7 weeks]</td>
<td>Understanding products</td>
</tr>
<tr>
<td>2</td>
<td>[7 weeks]</td>
<td>Health education and regular check-ups</td>
</tr>
<tr>
<td>3</td>
<td>[1 year]</td>
<td>“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 more applicants by adopting new recruitment methods such as long-distance interviews, and online communities/SNS.</td>
</tr>
<tr>
<td>4</td>
<td>[2 days]</td>
<td>Orientation (1 day)</td>
</tr>
<tr>
<td>5</td>
<td>[1 year]</td>
<td>On-the-job training (6 months)</td>
</tr>
</tbody>
</table>
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 conscience 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
- Global Mini-MBA: intercultural negotiation process: cultivating talent for global business

Cultivating creative conscience 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 the values and management philosophy through new appointers/enhancement courses by rank, and orientation education for new employees. POSCO supports employees at outsourcing partners by providing courses in leadership, QIS, 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.

- PSVC : POSCO Self Leader Shared Value Course
- PWVC : POSCO Work Leader Shared Value Course
- PTVC : POSCO Team Leader Shared Value Course

Leadership Education System

<table>
<thead>
<tr>
<th>VALUE MANAGEMENT</th>
<th>FUTURE-ORIENTED MANAGEMENT</th>
<th>GLOBAL MANAGEMENT</th>
<th>POSCO function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>Leadership</td>
<td>Innovation</td>
<td>FDC</td>
</tr>
<tr>
<td>Department/Group manager</td>
<td>Executive</td>
<td>Leadership</td>
<td>FDC</td>
</tr>
<tr>
<td>Team leader/Plant manager</td>
<td>Leadership</td>
<td>Innovation</td>
<td>FDC</td>
</tr>
<tr>
<td>Manager</td>
<td>Leadership</td>
<td>Innovation</td>
<td>FDC</td>
</tr>
<tr>
<td>Assistant manager</td>
<td>Leadership</td>
<td>Innovation</td>
<td>FDC</td>
</tr>
<tr>
<td>New employee</td>
<td>Leadership</td>
<td>Innovation</td>
<td>FDC</td>
</tr>
<tr>
<td>Part leader/Foreman</td>
<td>Leadership</td>
<td>Innovation</td>
<td>FDC</td>
</tr>
</tbody>
</table>

smart work

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

In February 2011, the offices were remodeled into the Smart Offices. 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 to reporting, monitoring through innovation activities, it is true that some old ways 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 Offices. 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 is a variety of working rooms to choose from as needed, such as the Focus Room where all that can interface 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 (Post, Galaxy Tab) naturally leads to a paperless office. Since the Smart Office was opened, POSCO also established (1) Executive Rules to build a Smart Office, and (2) a T-FIT was organized for the early adaptation to the new offices, distributing an operation manual for the public office equipment. POSCO posted infrareds to be observed in the working space, reflecting the VOD (voice of customer) of the employees. The Smart Office is currently in operation in one floor of the Seoul POSCO Center. After adjustments and improvements are made, it will be expanded to the rest of the POSCO Center.

Interview

Kim Jeonghae (POSCO Innovation Department)
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 follows the Standards of Human Rights and Compulsory Labor Standards 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.

The retirement extension program with the wage peak that POSCO launched in 2011 enables capable employees to continue a valuable life through work. POSCO implemented the 4-team-2-shift system that doubles the days off, and provides self-development programs and supports leisure activities to cultivate knowledge-employees and improve their quality of life. POSCO implements an annually regulated salary system for senior level and above, and early promotion system for outstanding employees in order to enforce a merit-and-competence based compensation system. The merit-and-competence system that shares the company’s success with the employees is another important part of talent development. In order to motivate employees to become more actively involved in their duties and promote productivity, POSCO channeled part of its profits to operate the Welfare Labor Fund since 1991. This fund is used in providing employees with a choice-based benefit plan, celebration/grievance payments, and scholarships to employees’ children, medical subsidies, housing loans, and secure livelihood loans.

### 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 safer about their child until they are finished for the day, and in need, they can visit any time to check on their child. The classrooms are designed into “butterflies” for 3 to 7-year-olds and “butterflies” for 3 to 4-year-olds, with activities to fit their age. Pohang and Geumgang Works already opened daycare centers in 2006 to aid the dual-income employees. The daycare centers built in the residential area in Pohang and Geumgang can accommodate 99 children, and is furnished with an interior activities room, special sleep-room, cafeteria, and outdoor playground. The Pohang and Geumgang 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 aren’t many working moms at the private daycare centers where I work. I worked in the development department and thought of my child waiting for me alone. This problem was made more visible when the Childcare center is open. The happiest thing is that now I can bring my youngest child home from my parent’s house.

Lee Sukja (STS Strategy Group)

<table>
<thead>
<tr>
<th>Disabled and Female Workers (full person)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human activity enjoyment (%)</td>
<td>94.9%</td>
<td>95.8%</td>
<td>97.7%</td>
</tr>
<tr>
<td>Temporary and permanent (%)</td>
<td>8%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Disability (%)</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Age at retirement (%)</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Local Employees HR Development System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding POSCO</td>
</tr>
<tr>
<td>Core values/Innovation</td>
</tr>
<tr>
<td>Cultivating Global Leaders</td>
</tr>
<tr>
<td>Enhancement of Global Capacity</td>
</tr>
<tr>
<td>Global Leadership</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regional Education Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding POSCO</td>
</tr>
<tr>
<td>Core values/Innovation</td>
</tr>
<tr>
<td>Cultivating Global Leaders</td>
</tr>
<tr>
<td>Enhancement of Global Capacity</td>
</tr>
<tr>
<td>Global Leadership</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enterprise Education Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding POSCO</td>
</tr>
<tr>
<td>Core values/Innovation</td>
</tr>
<tr>
<td>Cultivating Global Leaders</td>
</tr>
<tr>
<td>Enhancement of Global Capacity</td>
</tr>
<tr>
<td>Global Leadership</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and Welfare</td>
</tr>
<tr>
<td>Yearly Contributions In Labor Welfare Fund (KRW billion)</td>
</tr>
<tr>
<td>2008</td>
</tr>
<tr>
<td>50.8</td>
</tr>
<tr>
<td>592.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disability and Female Workers (full person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human activity enjoyment (%)</td>
</tr>
<tr>
<td>Temporary and permanent (%)</td>
</tr>
<tr>
<td>Disability (%)</td>
</tr>
<tr>
<td>Age at retirement (%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compensation and Welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Education Program</td>
</tr>
<tr>
<td>Local Employees HR Development System</td>
</tr>
<tr>
<td>Human Rights</td>
</tr>
<tr>
<td>CASE STUDY</td>
</tr>
<tr>
<td>POSCO CHILDCARE CENTER — an infrastructure to expand female employment</td>
</tr>
<tr>
<td>Work &amp; Life Balance</td>
</tr>
</tbody>
</table>
SOCIAL CONTRIBUTION

Ever since its foundation in 1960, 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.

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.

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.

CENTRITY
Fostering Talent  Local Community  Social Welfare  Building Global Hope

POSCO T.J. Park Foundation

The POSCO T.J. Park 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. Even since its establishment, the Foundation has actively recruited able teachers, and implemented specialized aptitude curriculums, providing students with holistic education. In October 2010, POSCO Jipmyeol Elementary School and POSCO Middleschool were the best School Award at the 20th National English and Math Competition hosted by Sung Kyun Kwan University. POSCO Elementary School took home its 28th consecutive Best School Award, while POSCO Middleschool won the award for 13th consecutive time. The POSCO Education Foundation held the third Nobel Aspire Science Camp in collaboration with POSTECH to nurture the dreams of future scientists and continues to operate high-grade science programs.

Social Contribution Expenses in 2010 (Unit: KRW billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>760 billion</td>
</tr>
</tbody>
</table>

POSCO Family Donations (Unit: KRW million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>7</td>
</tr>
<tr>
<td>2005</td>
<td>7</td>
</tr>
<tr>
<td>2006</td>
<td>10</td>
</tr>
<tr>
<td>2007</td>
<td>10</td>
</tr>
<tr>
<td>2008</td>
<td>10</td>
</tr>
<tr>
<td>2009</td>
<td>10</td>
</tr>
<tr>
<td>2010</td>
<td>10</td>
</tr>
</tbody>
</table>

Total Donations to Community (KRW billions)

2004-2010: 65.95

POSCO T.J. Park Foundation

<table>
<thead>
<tr>
<th>Title</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>Provides support for the athletes’ accomplishments and promotion of the entrepreneurship. Award ceremony presented around KRW 200 billion, Science, Education, and Culture. Award winners in 2010: Science Park Jeong (professor of Mathematics, Taejon University), Education: Jung Yong-rook (principal of Cheonho Elementary School), Social welfare: Shin Hyun-joon (president of Global Village).</td>
</tr>
<tr>
<td>Asia Fellowship</td>
<td>Scholarships for Asian students studying in Korea. Supporting Asian, neglected countries. University programs in prominent Asian universities. Supporting research and events in Asian culture and society. Supporting quarterly publication “Yeo”.</td>
</tr>
<tr>
<td>Asia Science Fellowship</td>
<td>Scholars from East Asia and門 scientific researchers of mathematics, physics, chemistry, and the sciences in order to achieve the global goal. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
</tbody>
</table>

POSCO T.J. Park Education Foundation

<table>
<thead>
<tr>
<th>Title</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science Foundation</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
<tr>
<td>Science Scholarship</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
<tr>
<td>Science Scholarship</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
</tbody>
</table>

POSCO T.J. Park Science Fellowship

<table>
<thead>
<tr>
<th>Title</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science Scholarship</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
<tr>
<td>Science Scholarship</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
<tr>
<td>Science Scholarship</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
</tbody>
</table>

POSCO T.J. Park Education Authority

<table>
<thead>
<tr>
<th>Title</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science Scholarship</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
<tr>
<td>Science Scholarship</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
<tr>
<td>Science Scholarship</td>
<td>Provides support in the life science, research, and development for universities in Korea. Award amount: Doctor’s course: KRW 25 million/year, support for 2 years after selection / Post-doc: KRW 35 million/year, support for 2 years after selection / Newly appointed professors: KRW 55 million/year, support for 2 years after selection.</td>
</tr>
</tbody>
</table>
**MERCENAT**  
([Image 56x341 to 528x354])

**2010**

underprivileged

Sustainable

Creating

Microcredit Bank branches and one moving branch to assist self-sufficiency of low-income groups.

Societal contribution: Focus on the construction of social capital of the poor and brings the construction ability to be realized into which a social and economic partnership is driven.

The Smile-Microcredit Bank supports self-sufficiency of those whose income or credit ratings prevent them from getting access to normal bank loans. Amidst where it gets more difficult for low-income groups to achieve economic independence, POSCO opened branch no. 1 in Gwangju, Gyeongnam in 2009, which was followed suit by branches in Pohang, Gwangyang, and Sogdo. 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 multi-cultural 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 social convergence.

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 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 sustainable growth.

**POSCO’s Social Enterprises**

- **POSMIT**  
  - Established on: Jan 1, 2008  
  - Business area: POSCO’s management services  
  - Expected sales: KRW 2.5 bil. / KRW 2.5 bil.  
  - Employee Target for 2011: 181/330 (55%)  
  - Certification as social enterprise: Dec. 2010

- **POSA Eco Housing**  
  - Established on: Oct 1, 2008  
  - Business area: POSCO Eco Housing, operation and construction management, support for social enterprise project and public facilities, construction of POSCO’s Green House  
  - Employee Target for 2011: 45/60 (75%) +12%  
  - Certification as social enterprise: 2010. 1. 10

- **POC-Multi**  
  - Established on: Dec 22, 2010  
  - Business area: POSCO Multi Housing, POSCO’s Multi Housing, POSCO Multi Housing, POSCO Multi Housing  
  - Employee Target for 2011: 55/136 (40%) +3%  
  - Certification as social enterprise: 2010. 10. 10

- **Sample SE**  
  - Established on: Dec 31, 2010  
  - Business area: POSCO’s Social Enterprise, POSCO’s Social Enterprise, POSCO’s Social Enterprise, POSCO’s Social Enterprise  
  - Employee Target for 2011: 150/170 (54%) +3%  
  - Certification as social enterprise: 2011. 10. 30

**MULTICULTURAL PROJECTS 2010 CALENDAR**

**2009 May**

- Information for Vietnamese Women Immigrants: 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)

**2009 June**

- Multicultural Forum and Job Fair: POSCO’s CEO Chung Jungjoong 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-lateral, 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 Multicultural 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 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 Gungnori-gu district. Their stories were compiled into a storyboard, 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 Guangphou Asian Games as supporters.
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 as 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 denoting 30 hours annually.

Impact of the POSCO Family Volunteer Group

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 Daegu Works, and presidents of the subsidiaries)

POSCO Family Global Volunteer Week POSCO Family member companies are tougher for global volunteer activities.

Social Contribution Event 3,108 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.

Volunteer Service Mileage Certification Phase 4, including family membership, unit: persons

2008 2009 2010

- flood Indonesia - earthquake China, Pakistan
- flood India - flood Jeonnam, Busan - flood Haiti - earthquake

In 2010, over 200 POSCO employees 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 respond more quickly to natural disasters in Southeast Asia.

LOCATIONS WHERE RELIEF KITS WERE SENT

2005 2006 2007 2008 2009 2010

Uleungdo - typhoon Indonesia - earthquake North Korea - flood India - flood

Emergency Relief Center in Indonesia in order to responding more quickly to natural disasters in Southeast Asia.

INTERVIEW

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. 23 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.”

INTERVIEW

I’d like to bring hope to more people!

I visited orphansages 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.”

INTERVIEW

Building Global Hope

● University Student Volunteer Group (Beyond) / Youth 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 140 PCs and computer equipment to give items of use to students, 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 respond more quickly to natural disasters in Southeast Asia.

● University Student Volunteer Group (Beyond) / Youth 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 140 PCs and computer equipment to give items of use to students, 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.
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 40,000 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 pride 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 Hapyeong 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.

---

### Major Installations that Help the Local Economy

- Pohang Port
- POSCO Light Steel (KRW 60 billion)
- POSCO Steel Mill (KRW 10 billion)
- POSCO’s research and development investments (average annual expenditure, KRW 1,000 billion)

### Local Festivals

- Pohang International Fireworks Festival
- Gwangyang Sunshine Festival
- Gwangyang University Gugak Festival
- Gwangyang Community Center Festival
- Gwangyang Seoton Festival
- Gwangyang Hanwool Festival

### 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

POSCO helps families in need by providing free home repairs.

#### Soup Kitchens

POSCO operates soup kitchens in Pohang and Gwangyang to provide meals for those in need.

#### Children’s Steel Camp

POSCO provides educational programs for children in Pohang and Gwangyang.

---

### 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. Thank you for the Steel Camp, POSCO!
POSRepeatable the CKTIEFE products

POsCo Creats 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 strengthens its future competitiveness by cultivating its steel business and new-growth businesses such as materials and energy. 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 strengthens its future competitiveness by cultivating its steel business and new-growth businesses such as materials and energy.
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.

In 2010, POSCO executed 43 challenging projects and developed 185 cases of innovative technology (98 tasks in heavy equipment development and 85 problem solving), securing its position as the frontrunner in steel technology. In addition, POSCO set the KPI for 92 technology indices in 11 processes and surpassed the original goal, reaching 104%. POSCO focuses on developing core technology to develop “World Best, First 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&D&E (Research & Business Development and Engineering).

**Developing Technologies for New Growth**

In 2010 POSCO undertook a total of 96 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 treatment, and 26 in future steel 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.

- **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 mechanical 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 first 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 largely compared to existing batteries. As it uses sodium and sulfur, it is superior to the lithium battery in terms of price competitiveness as well.

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 steels.

**QUALITY MANAGEMENT Manual**

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’s 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.

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 treatment, and 26 in future steel 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.

- **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 mechanical 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 first 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 largely compared to existing batteries. As it uses sodium and sulfur, it is superior to the lithium battery in terms of price competitiveness as well.

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 steels.

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 unsellable goods**
- **Pursue processes that affect quality to achieve continuous improvement and control**
- **Establish the quality management structure that adjusts the overall work process to fit the customers’ demand**

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 GSP Cross Functional Process that are the key in achieving the quality demanded by the customers were newly established as well. The GSP is POSCO’s will and assurance system in the name of POSCO to supply equal quality to all the customers in the world.

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 systems 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.

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 KR₩ 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 Family green growth, and is identifying and cultivating growing green businesses.

Achieve KR₩ 10 trillion in sales by investing KR₩ 7 trillion in low-carbon steel & green business, and create 87,000 jobs in green employment Reduce CO2 emission intensity by 9% by 2020

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

GREEN BUSINESSES

- Reduce CO2 emission intensity
- Create low height steel slabs and ultra lightweight materials
- Top the list of the POSCO Family’s capacities to expand renewable energy
- Identify and cultivate new growth engines
- Green workspace
- Eco-friendly incorporation
- Green everyday life of all employees
- GREENbury
- External and internal cooperation on climate change policies (IPCC, CDP)
- Enrich marine life, sea, coastal social contribution activities (reducing socially affected CO2)

GLOBAL GREEN GROWTH LEADER

Achievements in 2010

- RPS: Renewable Portfolio Standard
- In July 2010, established BUSAN E&E (signed private investment project concession agreement) with hourly capacity of 25MW.
- In September 2009, completed the BOP (Balance of Plant) of 50MW in Pohang
- In November 2009, completed construction of MCFC facility of 2.4MW in Incheon
- 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 CO2 emissions per year)
- On the occasion of participating in the national project, acquire core nuclear technology from Korea, France, USA. Develop a small nuclear reactor to contribute to climate change
- POSCO ICT
- In August 2010, established LG POSCO (jointly develops 3G/4G technology with LG)
- Smart Grid
- In September 2009, participated in the EU’s smart energy community projects.
- LED
- In September 2009, established new "POSCO LEDs"
- Power generation from low-temperature waste heat
- POSCO
- Developed the Kalina** cycle and acquired related core technology
- General materials
- POSCO
- "Tailored" multifunctional cathodes for the future industrial heat exchanger for improved local temperature uniformity on the exhaust side business development and future materials research
- SMART nuclear reactor
- POSCO
- On the occasion of participating in the national project, acquire core nuclear technology for high temperature molten salt reactors. Launch the project aim for nuclear hydrogen production using existing technology that can respond to climate change
- LED
- in the future, IEC-friendly lighting devices that can replace energy consumption and CO2 emissions.
- SMART GRID
- I-Smart generation electrical grid (IT integrated IT, allowing the supplier and consumer to exchange information, optimizing energy efficiency.
- FUEL CELLS FOR POWER GENERATION
- Posco ICT
- In September 2008, completed the plan for fuel cell power generation systems of 40MW in 19 locations throughout the country (in May 2009, completed construction of 3,779MW (11.3MW) of power generation, Seoul area, Incheon, Busan, etc.)
- POSCO
- In September 2009, completed the BOP (Balance of Plant) of 50MW in Pohang
- In April 2009, broke ground for the fuel cell stack module production plant of 100MW annual capacity.
- 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 CO2 emissions per year)
- In April 2009, broke ground for the construction of the fuel cell stack module production plant of 100MW annual capacity.

GREEN BUSINESS

- SMART NUCLEAR REACTOR
- I-A small nuclear reactor that fits the scale large scale commercialization. They can serve as small power generation as well as desalination of sea water.
- POWER GENERATION FROM LOW-TEMPERATURE WASTE HEAT
- System that produces electricity by using the low temperatures available for heat generation during processing. Enhances energy efficiency.
- LED
- I-EC friendly lighting devices that can replace energy consumption and CO2 emissions.
- SMART GRID
- I-Smart generation electrical grid (IT integrated IT, allowing the supplier and consumer to exchange information, optimizing energy efficiency.
- FUEL CELLS FOR POWER GENERATION
- Posco ICT
- In September 2008, completed the plan for fuel cell power generation systems of 40MW in 19 locations throughout the country (in May 2009, completed construction of 3,779MW (11.3MW) of power generation, Seoul area, Incheon, Busan, etc.)
- POSCO
- In September 2009, completed the BOP (Balance of Plant) of 50MW in Pohang
- In April 2009, broke ground for the fuel cell stack module production plant of 100MW annual capacity.
- 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 CO2 emissions per year)
- In April 2009, broke ground for the construction of the fuel cell stack module production plant of 100MW annual capacity.

- SMART GRID
- I-Smart generation electrical grid (IT integrated IT, allowing the supplier and consumer to exchange information, optimizing energy efficiency.
- FUEL CELLS FOR POWER GENERATION
- Posco ICT
- In September 2008, completed the plan for fuel cell power generation systems of 40MW in 19 locations throughout the country (in May 2009, completed construction of 3,779MW (11.3MW) of power generation, Seoul area, Incheon, Busan, etc.)
- POSCO
- In September 2009, completed the BOP (Balance of Plant) of 50MW in Pohang
- In April 2009, broke ground for the fuel cell stack module production plant of 100MW annual capacity.
- 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 CO2 emissions per year)
- In April 2009, broke ground for the construction of the fuel cell stack module production plant of 100MW annual capacity.
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.

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 (as % of net income)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per share (KRW)</td>
<td>10,000</td>
<td>8,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Intercept Dividends per share (KRW)</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Dividend yield (%)</td>
<td>17.2</td>
<td>19.6</td>
<td>19.3</td>
</tr>
</tbody>
</table>

SUPPLIER

Purchasing & Outsourcing Costs (unit: KRW billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material costs</td>
<td>16,772</td>
<td>13,887</td>
<td>18,425</td>
</tr>
<tr>
<td>Labor costs</td>
<td>2,886</td>
<td>3,147</td>
<td>5,047</td>
</tr>
<tr>
<td>Outsourcing costs</td>
<td>7,342</td>
<td>7,497</td>
<td>10,952</td>
</tr>
<tr>
<td>As % of revenue (%)</td>
<td>65.1</td>
<td>62.8</td>
<td>67.2</td>
</tr>
</tbody>
</table>

CREDITOR

Interest Expenses (unit: KRW billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses (KRW)</td>
<td>1,452</td>
<td>2,866</td>
<td>3,188</td>
</tr>
</tbody>
</table>

EMPLOYEE

Wages (unit: KRW billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed wages</td>
<td>848</td>
<td>812</td>
<td>1,083</td>
</tr>
<tr>
<td>Provisions for severance &amp; retirement benefits</td>
<td>244</td>
<td>3</td>
<td>263</td>
</tr>
<tr>
<td>Variable wages</td>
<td>684</td>
<td>471</td>
<td>311</td>
</tr>
<tr>
<td>Total wages (KRW billion)</td>
<td>2,023</td>
<td>1,313</td>
<td>1,657</td>
</tr>
</tbody>
</table>

GOVERNMENT / COMMUNITY

Total Taxes Paid (unit: KRW billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>National tax</td>
<td>5,276</td>
<td>11,456</td>
<td>1,382</td>
</tr>
<tr>
<td>Local tax</td>
<td>1,219</td>
<td>1,339</td>
<td>246</td>
</tr>
<tr>
<td>Other taxes</td>
<td>70</td>
<td>103</td>
<td>227</td>
</tr>
<tr>
<td>Total taxes paid (KRW billion)</td>
<td>6,565</td>
<td>13,944</td>
<td>1,695</td>
</tr>
</tbody>
</table>

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

...
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.

**Steel Making Process**
POSCO imports raw materials to operate an integrated steel mill. The major processes include; sinter, coke, blast furnace, converter, continuous caster, and rolling.

**Environmental Management**
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-making by-product treatment facility (IPM), which can treat 390,000 tons of collected dust and sludge annually, achieving valid resources from iron-making wastes.

**By-product Profitability Improvement Mega Y**
POSCO imports raw materials to operate an integrated steel mill. The major processes include; sinter, coke, blast furnace, converter, continuous caster, and rolling.

**Energy Recycling Rate**
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.

**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.
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.

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 Enterprises Management Meeting chaired by POSCO’s CEO, environmental performance is examined with other management issues.

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 to 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 reported with the enterprise-wide risk management system, and the major environmental risks and opportunities are linked to the Environmental Management Committee.
In 2003, POSCO completed the design for environmental activity costing system based on the AOBM (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)

<table>
<thead>
<tr>
<th>Investment details</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement of dust collector efficiency / installation of dust collectors for the 5 new calciner facilities</td>
<td>298.1</td>
</tr>
<tr>
<td>Water</td>
<td></td>
</tr>
<tr>
<td>Added reclamation water supply pipes / installation of four end water treatment facilities</td>
<td>157.0</td>
</tr>
<tr>
<td>Recycling and recovery</td>
<td></td>
</tr>
<tr>
<td>Improvement of furnace slag facilities / Expansion of slag treatment facility due to expanded steel plate production</td>
<td>181.2</td>
</tr>
<tr>
<td>Total</td>
<td>636.3</td>
</tr>
</tbody>
</table>

Environmental Expenses (Unit: KRW billion)

<table>
<thead>
<tr>
<th>Details</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental facility operating cost</td>
<td>239.9</td>
<td>257.1</td>
<td>286.3</td>
</tr>
<tr>
<td>Recycling costs</td>
<td>197.5</td>
<td>215.8</td>
<td>228.8</td>
</tr>
<tr>
<td>Deposition costs</td>
<td>147.2</td>
<td>142.5</td>
<td>152.7</td>
</tr>
<tr>
<td>General administration costs</td>
<td>39.9</td>
<td>33.9</td>
<td>40.7</td>
</tr>
<tr>
<td>Environmental R&amp;D costs</td>
<td>14.0</td>
<td>13.3</td>
<td>17.9</td>
</tr>
<tr>
<td>Energy recovery costs</td>
<td>46.0</td>
<td>51.6</td>
<td>51.0</td>
</tr>
<tr>
<td>Total</td>
<td>686.1</td>
<td>694.4</td>
<td>736.5</td>
</tr>
</tbody>
</table>

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 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 mg/m³ compared to 90 mg/m³ 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 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.

Ventilation: The existing wind needs a vent hole which the elevator. Site cylinder topped raw material storage tank that can prevent top dust and can keep LEV (less than 0.1 mg/m³) at the workplace.

LUMA (Lump Detection and Repair) is a series of measures to reduce emissions of pollutants from higher emission materials. By purpose to reduce LEV (less than 0.1 mg/m³) after treatment generated during chemical processing.

STFT (Surface Finish Treatment): organic treatment of wastewater (method of applying microporous to surface water to eliminate organic and inorganic substances).

VOC: Volatile Organic Compounds

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

General administration costs: General administration costs, etc.

Chemicals: In December 2004, POSCO joined the government and civic group led “Voluntary Agreement to Reduce Chemical Emissions (30/50 Program) the target is to reduce chemicals discharge by 36% 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 apparatus for processing the slag granulation of blast furnace without steam. chemical LDAR system, sealing of the chemical BET wastewater treatment facility, and VOC 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, REACH, RoHS and POPS for each product material in the POSCO e-commerce system (www.steel-nam.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.

**Environmental Accounting**

POSOCO’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 H (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, POSOCO acquired the ISO 14001 certification in 1996. Each year, it undergoes verification from an outside institution (URQA), 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 POSPA 3.0 Mega-Y campaign, re-structuring 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.

In 2009, POSCO released a list of environmental expenses containing 126 items in the Environmental Management System (Eco-MS) in order to ensure transparency of costs, and through user training and seminars conducted for environmental staff, awareness of environmental issues was raised. In addition, a computerized system of data management and statistics was developed, which controls and manages 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, POSOCO acquired the ISO 14001 certification in 1996. Each year, it undergoes verification from an outside institution (URQA), and the Environment Department conducts internal verification annually.

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 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 mg/m³ compared to 90 mg/m³ 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 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.

**Managing Environmental Performance**

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 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 mg/m³ compared to 90 mg/m³ 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 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.

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

**General administration costs**: General administration costs, etc.

**Chemicals**: In December 2004, POSCO joined the government and civic group led “Voluntary Agreement to Reduce Chemical Emissions (30/50 Program) the target is to reduce chemicals discharge by 36% 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 apparatus for processing the slag granulation of blast furnace without steam. chemical LDAR system, sealing of the chemical BET wastewater treatment facility, and VOC 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, REACH, RoHS and POPS for each product material in the POSCO e-commerce system (www.steel-nam.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.
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 nighttime 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 desalination pilot plant at Gwangyang Dongsan in December 2010. Studies on RO 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, desalination research implementation is currently in progress for retrofit solution to minimize water usage and building the zero discharge system that doesn’t discharge any concentrated water.

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 10%. 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 recycled 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 CO2 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 steelmaking slag into a revolving drum, cool and grinds 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 circulation system.
As part of its activities to preserve biological diversity, POSCO developed Triton\(^1\) 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 as calcium and iron compared to normal aggregates, which helps the algae’s growth and photosynthesis, and helps purify the seawater and polluted sediments. In addition, the marine forest formed by Triton has the effect of capturing CO\(_2\) 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 aggregates, which helps the algae’s growth and photosynthesis, and helps purify the seawater and polluted sediments.

POS CO, RIST, and other specialized research institutes in the East Sea and Namhae open seas. The Triton fish-

Coastal area affected by oilspilling event

- The goal of this area in general is to contain the oil on open waters and fish, and to set a recovery area.

Building help forest with slag

- The impact of this area in general is that it can help clean up the area.

Triton forest

- The impact of this area in general is that it can help sequester CO\(_2\).
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/Exe Dry Quenching and TR/TiO$_2$ (op-gas Recovery Turbine), saving 2.91 million TUE of energy. The amount of equipment investment in 2010 is KRW 60.3 billion. In 2010, POSCO has been the largest operator of combined cycle steam power plants in the world.

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 in the actual basis of decision making regarding new businesses and processes by linking CO2 emission and treatment with costs. POSCO has been operating the greenhouse 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 CO2 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 CO2 emissions by approximately 2.5 million tons. The granulated blast furnace slag that can substitute cement helped reduce social CO2 emissions by about 4.88 million tons in 2010. POSCO is undertaking CDM 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 CO2 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.

Green Business

The Green Business section is divided into the following five categories: Cooperative Activities, Green School with POSCO, Communication, Environmental Management, and Environmental Activities.

Cooperative Activities

POSCO shares new environmental technologies with domestic and overseas associations such as WorldSteel as well as academic and implements win-win environmental management with small-medium-sized companies. Every year, POSCO conducts exchanges with global steelmakers for mutual advancement, invites environmental specialists and scientists to the Steel Conference, and shares model cases in environment improvement through the environmental technology meetings - all in effort to understand domestic and international trends and find ways to cooperate in environmental technology. We opened the first “Green School with POSCO” on January 1, 2011, which provides junior, middle and high school students with tailor-made education on climate change. POSCO and civic organizations began preparing for the program in 2010. The School helps raise awareness on the global issue of climate change as well as introduces day-to-day activities to protect the environment such as turning off lights and reducing water usage, encouraging students to participate in environmental protection voluntarily. The Green School has partnered with a dedicated research institute to develop the climate change curriculum, providing students at different age levels with customised learning materials and educational trips. Students who complete the course receive a certificate. Three sessions have been held and 128 students completed the course to date. We also are planning an essay contest among the School graduates.

Green School with POSCO

POSCO discloses its environmental objectives, related activities and performance information through the Sustainability Report, Annual Report, and the POSCO website. In response to stakeholders’ heightened interest in climate change, POSCO has published the 2010 Carbon Report in February 2010, the first in the global steel industry, and published the second Carbon Report in April 2011. The Carbon Report relates POSCO Family’s system built to respond to climate change, GHG reduction performance, and Family companies’ GHG mitigation activities. POSCO participated in the SAM DJSI as well as the CDP in order to obtain external evaluation for its efforts to mitigate climate change.

Communication

POSCO conducts exchanges with global steelmakers for mutual advancement, invites environmental specialists and scientists to the Steel Conference, and shares model cases in environment improvement through the environmental technology meetings - all in effort to understand domestic and international trends and find ways to cooperate in environmental technology. The School helps raise awareness on the global issue of climate change as well as introduces day-to-day activities to protect the environment such as turning off lights and reducing water usage, encouraging students to participate in environmental protection voluntarily. The Green School has partnered with a dedicated research institute to develop the climate change curriculum, providing students at different age levels with customised learning materials and educational trips. Students who complete the course receive a certificate. Three sessions have been held and 128 students completed the course to date. We also are planning an essay contest among the School graduates.

Domestic and International Cooperative Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>- KCOSA Environmental Policy Conference - Responding to changes in environmental policies and finding ways of voluntary environment improvement activities</td>
</tr>
<tr>
<td></td>
<td>- Korea Business Council for Sustainable Development - Sharing and discussing issues on corporate sustainability management</td>
</tr>
<tr>
<td></td>
<td>- Business Institute for Sustainable Development - Building partnerships for sustainable development</td>
</tr>
<tr>
<td></td>
<td>- Korea Green Foundation - Developing energy-related technology and building international cooperation</td>
</tr>
<tr>
<td></td>
<td>- FKI Business Council for Green Growth - Discussing technology and policy for green growth</td>
</tr>
<tr>
<td>International</td>
<td>- Mutual Cooperation Committee for Korean Resources Affinity for Food, Agriculture, Fishing and Forestry - Cooperation for restoring marine ecosystems and replenishing marine resources</td>
</tr>
<tr>
<td></td>
<td>- World Steel Environmental Policy Council - Committee established to facilitate information sharing and cooperation of global steelmakers on climate change and environmental issues</td>
</tr>
<tr>
<td></td>
<td>- World Steel Water Management Project - Benchmarking of major water management indexes and sharing of water management best practices</td>
</tr>
<tr>
<td></td>
<td>- World Steel CO2 Breakthrough Programme - Collaborative CO2 breakthrough technology development and information sharing program among major steelmakers</td>
</tr>
<tr>
<td></td>
<td>- Asia-Pacific Partnership - Task force of 7 Asia-Pacific countries to respond to clean development and climate change issues</td>
</tr>
<tr>
<td></td>
<td>- World Business Council for Sustainable Development - Identifying and sharing business cases for sustainable development, advocating sustainable development of businesses</td>
</tr>
</tbody>
</table>

Roadmap for Establishing Carbon Accounting Guidelines

<table>
<thead>
<tr>
<th>Phase</th>
<th>Year</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>1999-2008</td>
<td>Investment in large-scale energy-reducing facilities, Accumulation of energy-saving production technology</td>
</tr>
<tr>
<td>Phase 2</td>
<td>2009-2015</td>
<td>Investment in small-medium-scale energy efficiency projects, Commercialize new energy innovation technology</td>
</tr>
<tr>
<td>Phase 3</td>
<td>2016-2020</td>
<td>Additional investment: KRW 750 billion estimated (2010-2020)</td>
</tr>
</tbody>
</table>

Sustainable Development Committee and Board of Directors (2012)
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.

**Market Expansion**

To ensure POSCO Family’s engine for global growth, POSCO expanded investment in overseas slab projects and non-steel material development, and participated in overseas resources development as well, such as the Vietnam power generation project and petroleum exploration.

**System Innovation**

POSCO pursues “system innovation,” building a customer-oriented management system, strengthening technological leadership, focusing on Group management and cost reduction, cultivating a culture of trust and communication, and laying the groundwork for future carbon growth.

**Global POSCO Family**

POSCO currently operates 62 subsidiaries domestically and abroad. If we include all the companies POSCO has invested in and subsidiaries of subsidiaries, 300 companies in Korea and 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 customer’s 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 its scope of business through M&A, and cultivating new businesses for the future in order to become the global leader in general materials industry.

**Market Expansion**

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

**System Innovation**

POSCO pursues “system innovation,” building a customer-oriented management system, strengthening technological leadership, focusing on Group management and cost reduction, cultivating a culture of trust and communication, and laying the groundwork for future carbon growth.

**Global POSCO Family**

POSCO currently operates 62 subsidiaries domestically and abroad. If we include all the companies POSCO has invested in and subsidiaries of subsidiaries, 300 companies in Korea and 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 customer’s trust and bring them success by strengthening the sales basis, operational efficiency, risk management, and quality improvement.
POSCO Family’s global Operations

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 Glegeon, 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 India, POSCO is planning various investments 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 separate integrated mill projects such as 12 million tons capacity mill in Orissa, 3 million tons capacity Joint Venture mill with SAIL and Karimnagar mill. Especially in Orissa, POSCO is looking forward to tangible results in terms of land acquisition as the Indian government 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.

STEEL MILL IN INDIA

Prior to starting an overseas business, POSCO always identifies 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 1.2 million ton integrated steel mill in 2005, POSCO continued to communicate and exchange opinions with the central & 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 environmental 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 re-investigation 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>MOU with the Orissa Gov.</td>
</tr>
<tr>
<td>2007</td>
<td>May 1st environmental approval stand-</td>
</tr>
<tr>
<td></td>
<td>ard for coastal preservation.</td>
</tr>
<tr>
<td>2009</td>
<td>July 1st environmental approval for mill</td>
</tr>
<tr>
<td></td>
<td>construction.</td>
</tr>
<tr>
<td>2010</td>
<td>Dec. 1st, environmental approval for steel</td>
</tr>
<tr>
<td></td>
<td>mill construction.</td>
</tr>
<tr>
<td>2011</td>
<td>Aug. 1st, Environmental approval for steel</td>
</tr>
<tr>
<td></td>
<td>mill construction.</td>
</tr>
<tr>
<td>May</td>
<td>Tender Issued for GGL Plant</td>
</tr>
<tr>
<td>May</td>
<td>POSCO, agreement of government</td>
</tr>
<tr>
<td></td>
<td>&amp; local community.</td>
</tr>
<tr>
<td>Aug.</td>
<td>Tender Issued for GGL Plant</td>
</tr>
<tr>
<td>Jan.</td>
<td>Tender Issued for GGL Plant</td>
</tr>
<tr>
<td>Jan.</td>
<td>Tender Issued for GGL Plant</td>
</tr>
</tbody>
</table>

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 C1 for each Family company as a means to establish a unified 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 as 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
POSCO POWER
POSCO ICT
POSCO C&C
POSCO CHEMTECH
POSCO M-TECH

2010 SUSTAINABILITY REPORT
MAJOR ACHIEVEMENTS AND MID-TO-LONG-TERM STRATEGY

- 2010 Business Performance and Analysis

In 2010, POSCO E&C was 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 Oil-fired power plant in Chile amounting to USD 710 million, the Chica Uno combined power plant in Peru amounting to USD 290 million, and oil & gas 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. POSCO E&C plan to establish the foundation for becoming the world’s top 10 through technology development and POSCON system.

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 Executives 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 excellence,” POSCO E&C has organized for the harmony and communication of all the members. The 360-degree survey (self-study, group study, and field day) is one of the major activities. The 2011 Mega-Y Implementation Plan is the Mega-Y implementation plan and is currently executing 17 focus tasks. In 2011, POSCO E&C established the in-house broadcasting system for the fuel cell core technology.

- Win-win Growth/Fair Trade

POSCO E&C implemented the Autonomous Observation of Fair Trade Regulation program and seeks a system of collective execution from project planning, design, purchasing, construction, and operation.

MAJOR ACHIEVEMENTS AND MID-TO-LONG-TERM STRATEGY

- 2010 Business Performance and Analysis

In 2010, POSCO Power was established in 1969 as KyungIn Energy, which was Korea’s first civilian power company. POSCO Power now has 16 power plants in Korea, including Incheon LNG Combined Power Plant and Omangangang LNG Combined Power Plant. It is currently receiving KRW 60 trillion in electricity cost, 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’s Best GREEN Energy Company.”

- Environment management, Safety & Health

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

SUSTAINABILITY MANAGEMENT PERFORMANCE

- Corporate Ethics

Every year in 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 promotion of the Autonomous Observation of the Code of Conduct, and minimizes ethical risks through the Autonomous Practice of Corporate Ethics program, encouraging employees to recognize the importance of ethical management and to participate in the movement.

- Employees

The CEO personally participates in open talks with employees and executives to share business performance and visions. Various activities such as Harrammeunming (one mind, or harmony) Training and field days are organized for the harmony and communication of all the members. The Labor-management Harrammeun 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 days 2 shifts for Work & Life Balance, and flexible working hours.
In 2010, POSDATA, an IT service company, and POSCON, a facility automation engineering company were merged into POSCO ICT, an E&I Engineering Company. Core businesses include engineering, automation, systems integration, and IT outsourcing, and the new growth engine for green growth include LED, smart grid, and U-Eco City business. 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 EPC-IG 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 business. It will also foster 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 System, Code of Conduct, and autonomous ethics observance in connection to VP Practice Program (Visual Planning). In 2010, POSCO ICT actively partook in activities to foster ethical management through education programs, such as Ethics/Fair Trade Academy at Four Season,” 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 everyday) will be expanded as part of POSCO ICT’s corporate culture. 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.

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

- **Sustainability Management Performance**
  - Since its establishment in 1988, POSCO C&C produces millions tons of surface coated steel such as galvanized steel sheets, color coated steel sheets, and color steel sheets used in cars, home appliances and construction materials. In particular, the independently developed AL-STG sheet steel, 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.

- **Win-win Growth/Fair Trade**
  - POSCO C&C pursues win-win growth with small- and medium-sized 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/suppliers and customer companies. In particular, POSCO C&C received “A” grade in the Autonomous Operation 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 operating energy facilities, developing new environmentally friendly products, and unit reduction of CO2 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 CO2 emission by the CO2 recovery system generated from LNG combustion, and invested in the fuel cell power generator.

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 development management to achieve customer 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 the 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-layoff strategies. As a result, POSCO ICT won the Prime Minister’s Award on April 1, 2010.
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 (Gangyang chemical) plant, and acquiring the retorting right of the chemical by-products resulted in the largest sales and operating profit in POSCO CHEMTECH's history. POSCO CHEMTECH also acquired the secondary cell cathode business from LS Minn and entered on a joint venture for carbon materials 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 chemical/materials maker. POSCO CHEMTECH will improve the refractory and quicklime productivity by 30%, while improving the quality and productiveness. In addition, it will stabilize plant operations and the quality of the chemical by-products. POSCO CHEMTECH 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 180 outsourcing partners to support implementing ethical management.

Employees

Every year open communication is held between employees and the CEO to share the company’s and business goals, and the results 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 according to the company’s performance. 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 strived 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 analysis at all air combustion facilities.

MAJOR SUSTAINABILITY MANAGEMENT INDICES

<table>
<thead>
<tr>
<th>Major Indices</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECONOMIC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales turnover</td>
<td>104.3</td>
<td>104.4</td>
<td>105</td>
</tr>
<tr>
<td>Operating profit (KRW mil.)</td>
<td>41</td>
<td>41.4</td>
<td>70.1</td>
</tr>
<tr>
<td>Ratio of operating profit to net sales (%)</td>
<td>7.3</td>
<td>7.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Total debt (KRW mil.)</td>
<td>972.4</td>
<td>926</td>
<td>917.9</td>
</tr>
<tr>
<td>SOCIAL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of social contribution activities (KRW mil.)</td>
<td>-</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Number of employees</td>
<td>1,042</td>
<td>1,062</td>
<td>1,179</td>
</tr>
<tr>
<td>Number of fatalities</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Employee average education time (hours per capita)</td>
<td>9.31</td>
<td>10.5</td>
<td>11.4</td>
</tr>
<tr>
<td>Accident rate (in ten thousand)</td>
<td>4.5</td>
<td>4.8</td>
<td>5.4</td>
</tr>
<tr>
<td>ENVIRONMENTAL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste generation</td>
<td>72,056</td>
<td>82,451</td>
<td>91,084</td>
</tr>
<tr>
<td>Waste recycling rate (%)</td>
<td>9.6</td>
<td>9.2</td>
<td>9.9</td>
</tr>
<tr>
<td>Waste incineration rate (%)</td>
<td>17.7</td>
<td>18.3</td>
<td>19.7</td>
</tr>
<tr>
<td>Emission concentration (KRW 1,000)</td>
<td>38,049</td>
<td>39,201</td>
<td>36,251</td>
</tr>
<tr>
<td>Adulteration control</td>
<td>1,077,000</td>
<td>1,040,000</td>
<td>810,000</td>
</tr>
<tr>
<td>Installation of automated chimney air quality measuring gauge (KRW mil.)</td>
<td>863</td>
<td>307</td>
<td>20</td>
</tr>
<tr>
<td>Installation of automated chimney water quality measuring gauge (KRW mil.)</td>
<td>103</td>
<td>89</td>
<td>36</td>
</tr>
<tr>
<td>Investment in air quality control facilities improvement (KRW mil.)</td>
<td>122</td>
<td>194</td>
<td>164</td>
</tr>
<tr>
<td>Investment in water quality control facilities improvement (KRW mil.)</td>
<td>85</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Operating costs of environmental facilities (KRW mil.)</td>
<td>2,255</td>
<td>1,356</td>
<td>1,525</td>
</tr>
<tr>
<td>Recycling rate (%)</td>
<td>196</td>
<td>194</td>
<td>254</td>
</tr>
</tbody>
</table>

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 with management executives, Jump-up discussions, Buzz Meetings, and risk assessments in a global business environment and advance its ethical management forward as a company specializing in materials.

Employees

POSCO M-TECH holds regular channels of communication such as workshops for communication with 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 emphasized 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-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-management, providing DDI 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 monitoring and reducing CO2 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.

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 ferroalloys and non-ferrous metals, such as the manufacture of FeSiAl(Refloam) aluminum in Korea. POSCO M-TECH’s long-term 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.

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 ferroalloys and non-ferrous metals, such as the manufacture of FeSiAl(Refloam) aluminum in Korea. POSCO M-TECH’s long-term 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.

WIN-WIN GROWTH/FAIR TRADE

POSCO M-TECH practices 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-management, providing DDI 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 monitoring and reducing CO2 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.

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 ferroalloys and non-ferrous metals, such as the manufacture of FeSiAl(Refloam) aluminum in Korea. POSCO M-TECH’s long-term 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.
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 Audit 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 AA1000AG (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 IIA's 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 interview 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 materially 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.
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.

**EXTERNAL RECOGNITION ON POSCO'S SUSTAINABILITY MANAGEMENT**

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.

**Sustainability Management Partnership**

- **WBCSD**: World Business Council for Sustainable Development
- **SAM dJSI**: An international association that supports the development of the steel industry. It gathers and distributes economic, social, and environmental data contained within.
- **Worldsteel**: Global association of companies with the objective of being a leading business advocate on 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 2003. 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. Social Contribution Report is a compilation of all the social contribution activities conducted since our establishment. The reports contain our efforts to mutual growth with society through our social 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 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.