

SECTION A - COMPANY STRUCTURE AND OPERATIONS

This section requests information relating to company details and financial reports.

A-1 IDENTITY AND COMMUNICATION

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head office:

- Name: *Kim, Jin Han*
- Position in the company: *Team Leader of Trade Affairs Team*
- Address: *POSCO Center, 892 Daechi 4-dong, Gangnam-gu, Seoul, 135-777 Korea*
- Telephone: *82-2-3457-0574*
- Facsimile number: *82-2-3457-1943*
- E-mail address of contact person: *harrykim@posco.com*

Factory:**a. Pohang Works**

- Address: *5 Dongchon-dong, Nam-gu, Pohang-si, Gyeongsangbuk-do, 790-360, Korea*
- Telephone: *82-54-220-0114*
- Facsimile number: *82-54-220-6000*
- E-mail address of contact person: *ssoy62@posco.com*

b. Kwangyang Works

- Address: *700 Geumho-dong, Kwangyang-si, Jeollanam-do, 545-711, Korea*
- Telephone: *82-61-790-0114*
- Facsimile number: *82-61-790-6000*
- E-mail address of contact person: *youlmac@posco.com*

A-2 REPRESENTATIVE OF THE COMPANY FOR THE PURPOSE OF INVESTIGATION

If you wish to appoint a representative to assist you in this investigation, provide the following details:

- Name: *Daniel Moulis*
- Organisation: *Moulis Legal*
- Position: *Principal Lawyear*
- Address: *Brindabella Business Park6/2 Brindabella Circuit, Canberra International Airport, ACT 2609 Australia*
- Telephone: *+61 2 6163 1000*
- Facsimile/Telex number: *+61 2 6162 0606*
- E-mail address of contact person: *Daniel.Moulis@moulislegal.com*

Note that in nominating a representative, Customs and Border Protection will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.

A-3 COMPANY INFORMATION

1. What is the legal name of your business? What kind of entity is it (e.g. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

ANSWER: *The company's legal name is "POSCO". POSCO is listed company (joint-stock corporation) in the Republic of Korea. Please note that POSCO does not use any other business name while it sells the product under investigation.*

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

ANSWER: *POSCO provides a list showing shareholders including the percentage of shareholding and the activities of the shareholders in Appendix A-1.*

3. If your company is a subsidiary of another company list the principal shareholders of that company.

ANSWER: This question is not applicable because POSCO is not a subsidiary of any other company.

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

ANSWER: This question is not applicable because POSCO is not a subsidiary of any other company.

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

ANSWER: POSCO provides a diagram of corporate structure showing all associated or affiliated companies in Appendix A-2.

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

ANSWER: This question is not applicable because there are no management fees/corporate allocations charged to POSCO by its related company.

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

ANSWER: POSCO is an integrated steel manufacturer founded in 1968 that produces a full range of steel products sold to Korea and various export markets, including Australia. Among the steel products produced by POSCO are hot-rolled coil and sheet, cold-rolled coil and sheet, electrical coil and sheet, galvanized coil and sheet, plate, wire rod, and stainless steel coil and sheet.

8. If your business does not perform all of the following functions in relation to GUC, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market

- export to Australia, and
- export to countries other than Australia.

ANSWER: POSCO itself performs the above functions in relation to GUC.

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

ANSWER: POSCO provides its organisation chart in Appendix A-3. POSCO owns and operates two integrated steel mills in Korea that produce zinc-coated (galvanized) steel subject to this investigation. One mill is located in Pohang and the second is located in Kwangyang. POSCO manufactures hot rolled plate steel products at both facilities. POSCO's corporate headquarters are located in Pohang, Korea. The company maintains [

] offices in Seoul, as well as administrative offices in Pohang. Sales and marketing teams are organized along major product groups. Functions and activities performed at the Seoul and Pohang offices relate to sales in all markets.

10. Provide a list of your business' Board of Directors, Managing Director (or CEO) and Senior Executives.

ANSWER: POSCO provides a list of its board of directors, managing director and senior executives in Appendix A-4.

11. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

ANSWER: POSCO provides its most recent annual report in Appendix A-5.

12. Provide details of all transactions between your company and all related parties. For example:

- Supplying/selling completed or partially completed products.
- Supplying/selling raw materials.
- Performing management functions (including any financial functions).

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- Processing (including toll processing) of any raw materials, intermediary or completed products.
- Trading in products/materials supplied by related parties.

ANSWER: POSCO made export sales of subject merchandise to Australia through related trading companies such as [] and []. The details of these transactions are provided in POSCO's section B response.

In domestic market, POSCO made some portion of domestic sales of subject merchandise to the customer through related company, []. The details of these transactions are provided in POSCO's Section D response.

Regarding the supply of the input associated with the subject merchandise, POSCO purchased its input (raw material) through related suppliers as the followings:

- ***Coal:***
- ***Iron ore:***

A-4 GENERAL ACCOUNTING/ADMINISTRATION INFORMATION

1. Indicate your accounting period.

ANSWER: POSCO's fiscal year is the calendar year, January 1 to December 31.

2. Indicate the address where the financial records are held.

ANSWER: POSCO's financial records are held in Seoul office.

3. Provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:
 - chart of accounts;
 - audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);

- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under investigation.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under investigation, and
- the company overall.

ANSWER: POSCO provides chart of accounts in Appendix A-6. POSCO also provides its audited consolidated and unconsolidated financial statements in Appendix A-7.

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your relevant taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

ANSWER: Since POSCO has the accounts audited, this question is not applicable.

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

ANSWER: POSCO's financial accounting practices are in accordance with generally accepted accounting principles (GAAP) in Korea.

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (e.g. last in first out –LIFO, first in first out- FIFO, weighted average);

ANSWER: All relevant practices pertaining to POSCO's inventory valuation methodologies are detailed in POSCO's financial statements submitted in this response.

Inventories are measured at the lower of cost and net realizable value. Costs are determined by using the moving-weighted average method. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized.

Inventories are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

- costing methods, including the method (e.g. by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

ANSWER: *Please refer to POSCO's response of cost accounting system in Section G.*

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

ANSWER: *Damaged or sub-standard goods are valued and recorded at the net realizable value.*

- valuation methods for scrap, by products, or joint products;

ANSWER: *Scrap is generated during the production process and is reintroduced in the production process. POSCO distinguishes between scrap and by-products in its accounting system.*

Specifically, scrap is recycled material that is reintroduced into the production process. By-products refer to recycled material sold to outside parties.

POSCO accounts for scrap and by-products in the same manner in that the value of the scrap or by-product is recognized as a reduction to the cost of manufacture at the stage of production in which the scrap or by-product is generated. Reused scrap or Recycled scrap is recorded as an input at market value.

- valuation and revaluation methods for fixed assets;

ANSWER: Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life. Lease assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

- average useful life for each class of production equipment and depreciation method and rate used for each;

ANSWER: As described above, fixed assets are amortized over their useful lives. POSCO generally depreciates its assets based upon the straight-line method.

A summary of POSCO's applicable useful lives is provided below.

Useful Lives	Years
Building	20~40
Structure	20~40
Machinery	15
Lease Assets	18
Vehicles	4~9
Tools	4
Supplies	4

- treatment of foreign exchange gains and losses arising from transactions;

ANSWER: Foreign exchange transaction gains or losses are recognized in the year incurred on the basis of the exchange rate declared by the Central Bank of Korea. Foreign exchange transaction gains and losses are incurred by comparing the rate of sales date or purchase date to the settlement date and classified as financial income and expenses on POSCO' financial statement.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the exchange rates prevailing at the balance sheet date, and resulting unrealized exchange translation gains or losses are recorded as non-operating income and expenses on POSCO' financial statement.

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

ANSWER: Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the exchange rates prevailing at the balance sheet date, and resulting unrealized exchange translation gains or losses are recorded as financial income and expenses on POSCO' financial statement.

- inclusion of general expenses and/or interest;

ANSWER: *POSCO recognizes general and interest expenses as current expenses. However, POSCO capitalizes those amounts which are directly related to construction in progress in accordance with Korean GAAP.*

Financing expense on borrowing associated with certain qualifying assets during the construction period that meet certain criteria for capitalization can be either capitalized or expensed as incurred. POSCO has chosen to expense as a financing expense the cost of manufacturing, acquisition, and construction of property, plant, and equipment that require more than one year for the initial date of manufacture, acquisition, and construction to the date of the estimated completion of the manufacture, acquisition and construction.

- provisions for bad or doubtful debts, and treatment thereof in your accounts;

ANSWER: *POSCO provides an allowance for doubtful accounts based on management's estimate of the collectability of individual accounts and historical collection experience.*

- expenses for idle equipment and/or plant shut-downs;

ANSWER: *During the investigation period, POSCO did not idle any significant assets nor shut down any plants.*

- costs of plant closure;

ANSWER: *Not applicable because POSCO has not experienced any plant closures during the investigation period (IP) or prior to the IP with residual effects during the IP.*

- restructuring costs;

ANSWER: *Not applicable because POSCO has not experienced any restructuring during the investigation period (IP) or prior to the IP with residual effects during the IP.*

- by-products and scrap materials resulting from your company's production process; and

ANSWER: Please refer to the response with respect to scrap and by-products above.

- effects of inflation on financial statement information.

ANSWER: There is no effect inflation on financial statement information during the investigation period.

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

ANSWER: POSCO has not changed any of the accounting methods used by the company over the last two financial years.

A-5 INCOME STATEMENT

Complete the spreadsheet entitled '**Income statement**' within the *Exporter questionnaire – Hot Rolled Plate Steel – Taiwan, Japan, Indonesia & Korea* - accompanying spreadsheet provided alongside this questionnaire.

Provide the completed spreadsheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

Explain how costs have been allocated between all products and the GUC within these calculations.

This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.

Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

ANSWER: POSCO provides the requested information concerning income statement in Appendix A-8.

A-6 SALES

Complete the spreadsheet entitled '**Turnover**' within the *Hot Rolled Plate Steel Exporter questionnaire – Taiwan, Japan, Indonesia & Korea* – accompanying spreadsheet provided alongside this questionnaire.

Provide the completed spreadsheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

In completing the sheet, use the currency in which your accounts are kept.

This information will be used to verify the cost allocations to the GUC in Section G.

Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.

ANSWER: POSCO provides the requested information concerning company's turnover in Appendix A-9.

A-7 PRODUCTION PROCESS AND CAPACITY

1. In addition to manufacturing hot rolled plate steel, does your company manufacture any of the raw materials used in the production of the plate steel? (e.g. HRC or steel slab) Please list all raw materials manufactured by your company.

ANSWER: POSCO manufactures slab which is input used in the production of heavy plate steel. The inputs are various types of Iron Ore and Coal are used as the raw materials. The details of input used to produce plate steel, please refer to POSCO's response to question G-8 and G-9 of Section G.

2. Describe the production process for the GUC. If there is more than one production process, describe each production process. Provide a flowchart of the process/es. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

ANSWER: POSCO manufactures a full range of carbon steel products, including hot-rolled coil and sheet, wire rod, alloy steel, cold-rolled coil and sheet, electrical coil, and galvanized coil and sheet, plate, as well as numerous stainless steel coil and sheet products at production facilities located in Pohang and Kwangyang.

POSCO's production facilities are organized along []. The hot-rolled Plate steel is produced at each of POSCO's facilities at Pohang and Kwangyang. POSCO provides a flowchart to show the production process in Appendix A-10.

A general description of the production process is also provided below:

The production process for heavy plate product begins at the steel making stage. Each production facility is fully integrated and contains steel-making operations. The crude steel produced at each facility is transferred to a continuous caster for the production of steel slab. Steel slab is the basic input material for the manufacturing of the GUC. The steel slab is rolled to the desired dimension and processed in heat treatment facilities.

- 1. Iron making: Iron ore and coke are first fed into a blast furnace. Inside the furnace, a steady blast of super-heated air at temperatures up to 1,200 Celsius is blown up through the raw materials creating a reaction in which the burning coke pushes the furnace temperature to the melting point for iron (1,535Celsius). During this reaction, the carbon monoxide released from the burning coke reacts with the iron ore to remove the oxygen while the heat melts the remaining iron.*

[

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- 2. Steel making: The molten iron tapped from the blast furnace has a carbon content of between [] and [] as well as impurities such as phosphorous and sulfur that negatively impacts the strength and durability of the metal. The hot metal is charged into a basic oxygen furnace or "converter" along with scrap.*

[

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3. **Continuous Casting:** *This process involves transforming liquid iron into solid iron. The molten steel is poured into molds and passed through a casting machine whereupon it coagulates and becomes a middle material such as slabs, blooms, or billets. These materials are then processed through rolling mills where different shapes (e.g., slabs, blooms, or billets).*
4. **Rolling:** *The rolling process involves taking semi-finished steel products and running them through a series of roller stands to improve strength or reduce their thickness. Depending on the desired characteristics of the final product, rolling can be done either at ambient temperature-cold rolling or at hot rolling temperatures of over 1,000 Celsius.*

The detailed explanation of manufacturing processes and equipments for rolling process is provided in Appendix A-10.

As is normal in the steel industry, product scrap is both used and generated in the manufacture of the various carbon steel products. In addition, energy by-products, such as electricity may be generated during the production process. Although the terms “ ” and “ ” are generally interchangeable because the impact on the production cost calculations is the same, POSCO distinguishes between them in its accounting treatment. [

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3. Complete the spreadsheet entitled '**Production**' within the *Hot Rolled Plate Steel Exporter Questionnaire – Taiwan, Japan, Indonesia & Korea* – accompanying spreadsheet provided alongside this questionnaire.'

Provide the completed spreadsheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

ANSWER: POSCO provides the production information as requested in Appendix A-11, named as "Production" and also included in the CD-ROM to be submitted.

SECTION B - SALES TO AUSTRALIA (EXPORT PRICE)
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This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory.

Export prices are usually assessed at FOB point, but Customs and Border Protection may also compare prices at another level (e.g. ex factory).

*You should report prices of **all GUC shipped to Australia during the investigation period.***

The invoice date will normally be taken to be the date of sale. If you consider:

- *the sale date is not the invoice date (see 'date of sale' column explanation in question B4 below) and;*
- *an alternative date should be used when comparing export and domestic prices*

*you **must** provide information in section D on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

In addition, if you have reported that the date of sale is not the invoice date, you should provide information on the lead times for domestic and export sales (from order confirmation to fulfilment), lead-time differences in raw material purchasing and delivery and/or in the production rolling schedules, so far as those differ between export and domestic sales.

B-1 For each customer in Australia to whom you shipped goods in the investigation period list:

- name;
- address;
- contact name and phone/fax number where known; and
- trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

ANSWER: POSCO has provided the requested information concerning each customer to whom POSCO made export sales of subject merchandise to Australia in Appendix B-1.

B-2 For each customer identified in B1 please provide the following information.

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.
- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.
- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of delivered duty paid (DDP) sales, explain who retains ownership when the goods enter Australia.

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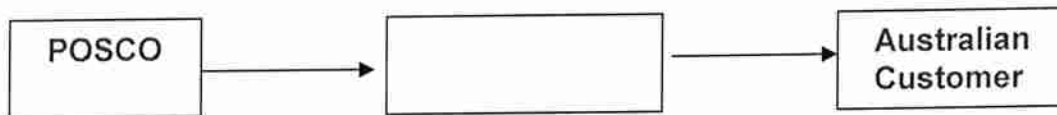
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- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).
- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.
- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (e.g. free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).
- (g) Details of the forward orders of the GUC (include quantities, values and scheduled shipping dates).

ANSWER: For export sales of the goods under consideration to Australia, POSCO has “ ” channels of distribution.

1) Channel 1

: POSCO made its export sales of the goods under consideration through its related trading company in Australia, [] (hereinafter “ ”) to the final end-user during the investigation period.



All sales by POSCO to [Company A] are made on a [] basis while most of sales by [Company A] to the unrelated Australian customers are made on [] basis.

[Company A] is responsible for [

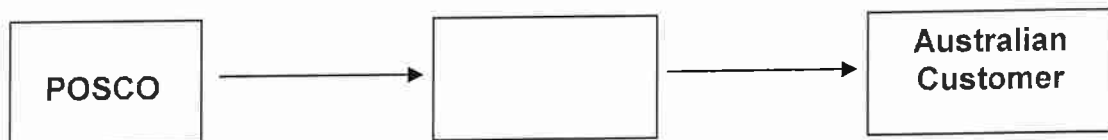
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2) Channel 2

: POSCO carries out its export sales of the goods under consideration to Australia through unrelated [] companies (“ ” and “ ”) and related [] company (“ ”) during the investigation period.



All sales made by POSCO to both [] are made on a [] basis. The negotiation process starts with Korean trading companies contacting POSCO to negotiate sales terms (i.e., price, quantity, specification, delivery terms and payment schedule). Further to the negotiation, the parties agree on the terms for export sales. Once this process is concluded, POSCO generates an order sheet to initiate the production of the goods. POSCO carries out the production of the goods, which are shipped to the destination by indicated by the customer. POSCO issues the tax invoice approximately on the date of shipment to [] companies.

- B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

ANSWER: *The export selling prices do not vary [] Rather, the selling prices are determined through [] depending upon the market situation (e.g. supply and demand).*

- B-4** Complete the spreadsheet entitled 'Australian sales' within the *Hot Rolled Plate Steel Exporter Questionnaire – Taiwan, Japan, Indonesia & Korea* – accompanying spreadsheet provided alongside this questionnaire.

This spreadsheet is to list **all** shipments (i.e. transaction by transaction) to Australia of the **GUC** (do not include non-GUC items) in the investigation period.

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Provide the completed spreadsheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

The below table provides information as to what is meant by each column heading within the spreadsheet.

ANSWER: POSCO submits the requested information concerning Australian sales with computerized file separately. The printouts of this export sales file are provided in Appendix B-2.

POSCO also submits the requested information concerning both [Company A]'s and [Company B]'s Australian sales with computerized file. The printouts of these export sales file are also provided in Appendix B-3 and B-4 respectively.

- B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column within the 'Australian sales' spreadsheet (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

ANSWER: In accordance with the instruction of this questionnaire, POSCO has reported "credit expense" for export sales to Australia in the field "Other factors" in question B-4.

- B-6** For each type of discount, rebate, or allowance offered on export sales to Australia:
- provide a description; and
 - explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

ANSWER: This question is not applicable because POSCO did not offer any discount, rebate or other allowances to its customers for export sales to Australia during the investigation period.

- B-7** If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

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ANSWER: *This question is not applicable because POSCO did not issue any credit notes to its customers for export sales of subject merchandise to Australia during the investigation period.*

- B-8** If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (e.g. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price
Other costs	Customs and Border Protection brokers, port and other costs incurred (itemise)

ANSWER: *This question is not applicable because the delivery terms for export sales to Australia between POSCO and its customers are all [].*

- B-9** Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer's purchase order, order confirmation, and contract of sale;
- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

Customs and Border Protection will select additional shipments for payment verification at the time of the visit.

ANSWER: *POSCO provides its sample documentation for two export sales to Australia during the investigation period in Appendix B-5.*

SECTION C – EXPORTED GOODS & LIKE GOODS
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- C-1** Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

ANSWER: *POSCO exported hot-rolled plate steel to Australia during the investigation period.*

POSCO uses the ERP accounting system which defines products using an “ ” consisting of []. A key to these codes is provided in Appendix C-1. The [] codes have a corresponding [] product group code. A list of these product group codes are also provided in Appendix C-1. The [] codes are used by POSCO in the ordinary course of business and are recorded on [], in the []. The same product coding system is used for both the Korean market and the export markets including Australia.

Concerning the details of the goods under consideration including product specification, please refer to POSCO’s product brochure provided in Appendix C-2.

- C-2** List each model/type of the good exported to Australia (these models should cover all models listed in spreadsheet “**Australian Sales**” – See section B of this questionnaire).

ANSWER: *A list showing each type of goods export to Australia during the investigation period is provided in Appendix C-3.*

Please note that POSCO creates individual product model for each unique type and possible combination of product characteristics for all the goods under consideration exported to Australia as well as for those sold domestically by using the following criteria:

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1) Product Type

- ' ' – Plate
- ' ' – Hot-rolled Plate

2) Specification

: The international standard to determine material specification for plate steel products is “ASTM (American Standard), JIS (Japanese International Standard), EN (European Standard) and AS (Australian Standard)”. POSCO also produced plate steel products according to its own standard as well as KS (Korean Standard). The details of each specification defined by international standard as well as POSCO’s standard are described in POSCO’s product brochure in Appendix C-2.

In addition, POSCO has reported the standard for each specification in the sales files. The list of reported standard for each specification is provided in Appendix C-4.

3) Thickness Range

: The category of thickness code described below is in accordance with POSCO’s internal “actual item code” classification. Please refer to the details of “actual item code” in Appendix G-6.

The category is different by product code like the followings.

[

]

4) **Width Range**

: The category of thickness code described below is in accordance with POSCO's internal "actual item code" classification. Please refer to the details of "actual item code" in Appendix G-6. The category is different by product code like the followings.

5) **Length Range**

: POSCO has reported its length by using the following ranges.

6) Edge

7) Plate Surface

C-3 If you sell like goods on the domestic market, for each model/type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to the goods exported to Australia.

This should be done by completing the spreadsheet entitled '**Like goods**' within the *Hot Rolled Plate Steel Exporter Questionnaire – Taiwan, Japan, Indonesia & Korea* – accompanying spreadsheet provided alongside this questionnaire, detailing as follows:

EXPORTED MODEL	DOMESTIC MODEL	IDENTICAL?	DIFFERENCES
Product code of each model of the goods exported to Australia	Product code of comparable model sold on the domestic market of the country of export	If goods are identical indicate "YES". Otherwise "NO"	Where the good exported to Australia is not identical to the like goods, describe the specification differences. If it is impractical to detail specification differences in this table refer to documents which outline differences

ANSWER: POSCO submits the requested information concerning exported goods and like goods with computerized file named "Like goods" separately. The printout of this file is provided in Appendix C-5.

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During the POI, POSCO exported [] specifications for exported goods as follows:

As for specifications, [] and [], POSCO thinks [] and [] are most comparable with those of export goods to Australia. For Australian Customs' convenience, POSCO also submits a computer file of domestic sales including identical specifications [

] (as well as computer files of all domestic sales listing covering all specifications of POSCO's plate made during the POI).

- C-4** Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

ANSWER: Concerning any technical and illustrative material in identifying or classifying the goods, please refer to the product brochure provided in Appendix C-2.

SECTION D - DOMESTIC SALES

This section seeks information about the sales arrangements and prices in the domestic market of the country of export.

*All domestic sales **of like goods to the GUC** made during the investigation period must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the Case Manager **before** completing the questionnaire.*

If the Case Manager agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets Customs and Border Protection requirements. If agreement cannot be reached as to the appropriate method Customs and Border Protection may not visit your company.

Customs and Border Protection will normally take the invoice date as being the date of sale in order to determine which sales fall within the investigation period.

*If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices you **must** provide information on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

If you do not have any domestic sales of like goods you must contact the Case Manager who will explain the information Customs and Border Protection requires for determining a normal value using alternative methods.

In addition, if you have reported that the date of sale is not the invoice date, you should provide information on the lead times for domestic and export sales (from order confirmation to fulfilment), lead-time differences in raw material purchasing and delivery and/or in the production rolling schedules, so far as those differ between export and domestic sales.

D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

ANSWER: In domestic market, POSCO has [] channels of distribution.

(1) Channel 1 (

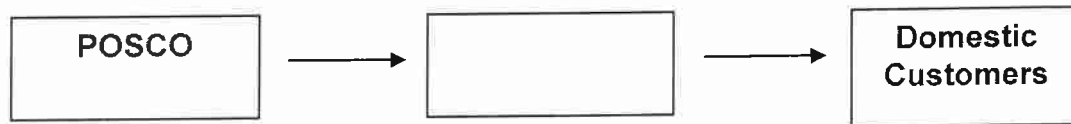


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(2) Channel 2 (

)



POSCO sold most of like goods directly to its domestic customers (end-user or distributors) during the investigation period while it sold a small volume of sales in the domestic market through [

] to domestic

customers during the investigation period.

[Company P] acts as [] and [] in domestic market. Please note that [Company P] did not take physical possession of like goods.

The terms of sales made by POSCO to its customers are on a [] or [] basis.

D-2 Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

ANSWER: POSCO's selling prices do not vary [

] Rather, the prices are established through

[

] in the domestic market.

D-3 Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

If sales are in accordance with price lists, provide copies of the price lists.

ANSWER: In the domestic market, customers who wish to purchase like goods contact POSCO to place an order. POSCO collects all of the relevant sales information from the customer and generates an order sheet listing specification, quantity and price of the merchandise concerned. POSCO's personnel also then transfer the order sheet to the factory and generate production request.

POSCO subsequently produces like goods and makes arrangements for shipping them to the customer. Also, POSCO generally issues a shipping invoice and a tax invoice to the customer. And then, Customers make payments to POSCO.

Unlike the typical sales stated above, POSCO made a small portion of domestic sales through Internet. The bidding procedure and sales negotiation process for POSCO's cyber transactions incurred. POSCO announces an auction over the Internet to customers that have registered on POSCO's website (www.steel-n.com). At the end of the auction, POSCO prepares an order sheet based on the successful bidder's order. Once manufactured, POSCO then creates shipping and tax invoices and ships the order.

[

] After shipping,

POSCO issued tax invoice to [Company P] and [Company P] also issued tax invoice to its customer.

- D-4** Complete the spreadsheet entitled '**Domestic sales**' within the Hot Rolled Plate Steel Exporter Questionnaire – Taiwan, Japan, Indonesia & Korea' – accompanying spreadsheet provided alongside this questionnaire.

This spreadsheet is to list **all domestic sales of like goods** (i.e. transaction by transaction) in the investigation period (do not include non-GUC items).

Provide the completed spreadsheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

The below table provides information as to what is meant by each column heading within the spreadsheet.

ANSWER: POSCO submits the requested information listing all sales of like goods made by POSCO during the investigation period with a CD-ROM separately. The sample printout of this "Domestic sales" file is provided in Appendix D-1.

- D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see "other factors"). For example, certain other selling expenses incurred.

ANSWER: In accordance with the instruction of this questionnaire, POSCO has reported three other adjustments such as (1) credit expense, (2) duty drawback, and (3) interest revenue for domestic sales in the field "Other factors" in question D-4.

- D-6** For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

ANSWER: This question is not applicable because POSCO did not offer any discount, rebate or other allowances to its domestic customers during the investigation period.

- D-7** Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales.

Provide a complete set of documentation for those two sales. Include, for example:

- purchase order
- order acceptance
- commercial invoice
- discounts or rebates applicable
- credit/debit notes
- long or short term contract of sale
- inland freight contract

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- bank documentation showing proof of payment

Customs and Border Protection will select additional sales for verification at the time of our visit.

ANSWER: POSCO provides its sample documentation for two domestic sales during the investigation period in Appendix D-2.

SECTION E - FAIR COMPARISON

Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (i.e. the normal value).

Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.

As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.

To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. Customs and Border Protection must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.

Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence Customs and Border Protection may disallow the adjustment.

Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.

A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.

The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. Customs and Border Protection will not consider new claims made after the verification visit.

E-1 COSTS ASSOCIATED WITH EXPORT SALES

(These cost adjustments will relate to your responses made at question B-4, 'Australian Sales')

1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale ("**Inland transportation costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

ANSWER: POSCO has reported in this field the []
freight expense incurred to transport the goods from the factory to the port of export. POSCO used unaffiliated trucking companies to transport the goods. This inland-freight expense is recorded in "Transportation Expense" account (Account Code:) under POSCO's accounting system.

2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified ("**Handling, loading & ancillary expenses**"). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

ANSWER: POSCO has reported in this field the []
loading fee incurred at the port of export. This loading fee is recorded in "Transportation Expense" account (Account Code:) under POSCO's accounting system.

3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, Customs and Border Protection will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales e.g. short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

ANSWER: *POSCO has reported credit expense on export sales in the field "Other factors" in question B4. The reported credit expenses were calculated on a transaction-specific basis using the following formula:*

$$\text{Credit Expense} = \text{Net Invoice Value (KRW)} \times (\text{Payment date} - \text{Invoice date}) / 365 \times \text{Short-term Interest Rate}$$

The calculation of POSCO's short-term borrowing rate during the investigation period is provided in Appendix E-1.

4. Packing costs

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed 'Packing'.

ANSWER: *Not applicable because POSCO does not package the heavy plate steel when shipping to customers.*

5. Commissions

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed "Commissions". Identify the general ledger account where the expense is located.

ANSWER: [] *in relation to the export sales to Australia, this question is not applicable.*

6. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & guarantee expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

ANSWER: [

] in relation to the export sales to Australia, this question is not applicable.

7. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. For example, other variable or fixed selling expenses, including salesmen’s salaries, salesmen’s travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

ANSWER: *As explained above, POSCO has reported “credit expense” in this field. See POSCO’s response to question E-1.3.*

8. Currency conversions

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a ‘sustained’ movement during the investigation period (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect ‘sustained’ movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

ANSWER: *POSCO does not think a currency conversion is required due to the fluctuations in exchange rates for the investigation period in this proceeding.*

E-2 COSTS ASSOCIATED WITH DOMESTIC SALES

(These cost adjustments will relate to your responses made at question D-4, “**domestic sales**”)

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

ANSWER: Since POSCO does not claim any adjustment for the difference of physical characteristics, this question is not applicable.

2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;

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- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: "Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs"

If such a scheme operates in the country of export please provide **full** details about the operation of the scheme as well as providing the information requested above.

ANSWER: POSCO received duty drawback refunds associated with the exports of the subject merchandise to Australia during the investigation period. POSCO applied to the Korean Customs authorities for duty drawback on its exports to Australia using an individual application system. A copy of the Korean law governing the duty drawback scheme is provided at Appendix E-2.

POSCO pays the customs duties when importing raw materials from foreign suppliers. Prior to importation, POSCO is required to obtain an import permit. At the time of entry and duty collection, the Korean Customs authorities record the amount of duties paid on POSCO's import permit. Imported inputs on which import duties are paid are eligible to receive a full refund of the import duties paid if the finished product in which the input was used is exported.

Prior to exporting the merchandise, POSCO is required to obtain an export permit. After exportation, POSCO applies for the duty drawback by first documenting the use of the materials in the production of the merchandise that was exported. Korean Customs reviews the documentation and if approved, issues POSCO a notification that its application for duty drawback has been granted.

POSCO provides in Appendix E-3 a sample calculation and supporting documentation demonstrating how the reported duty drawback amount was calculated. This refund was received in Korean Won and, therefore, the duty drawback has been reported in Korean Won per MT.

POSCO also provides in Appendix E-4 a worksheet showing import duties paid and duty drawback refunded by POSCO during the investigation period.

3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment manufacturer.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions:* the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;

- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

ANSWER: Since POSCO does not claim any level of trade adjustment, this question is not applicable.

4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, Customs and Border Protection will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system,¹ the average credit period may be determined as follows:

1. *Calculate an accounts receivable turnover ratio*

This ratio equals the total credit sales divided by average accounts receivable. (It is a measure of how many times the average receivables balance is converted into cash during the year).

¹ Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. *Calculate the average credit period*

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

The following items are identified in the amounts quantified at question D-4:

ANSWER: For domestic sales of like goods, POSCO has reported in the field "Other factors" its credit expenses which were calculated on a transaction-specific basis using the following formula:

$$\text{Credit Expense} = \text{Net Invoice Value (KRW)} \times (\text{Payment date} - \text{Invoice date}) / 365 \times \text{Short-term Interest Rate}$$

POSCO's payment terms are stated on the order sheet. The payment terms granted to customers in the Korean home market are [

]. POSCO provides in

Appendix E-5 a sample of the various payment terms offered to it domestic customers.

And, the calculation of POSCO's short-term borrowing rate during the investigation period is provided in Appendix E-1.

5. Transportation

Explain how you have quantified the amount of inland transportation associated with the domestic sales ("**Inland transportation Costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

ANSWER: POSCO has three types of transportation costs for domestic sales, as follows:

1) **Inland Freight – Factory to Distribution Warehouse**

For domestic sales, POSCO has reported the cost of inland freight from the factory to the distribution warehouse in the “INLFTWH” field. POSCO transports like goods from its factories to the distribution warehouse by ship or train.

The freight charges for shipping the goods from the factory to the distribution warehouse are reported on a transaction-by-transaction basis.

2) **Warehousing Expense**

For domestic sales, POSCO incurs in certain warehouse/movement expenses in two locations-[]- to assist in the distribution of the goods to the customer. The warehouses are used to consolidate shipments and are necessary element in the chain of transport from the factories to the customer and, therefore, are part of movement expenses.

The worksheet showing the calculation of the unit cost for warehousing activities is provided in Appendix E-6.

The reported warehousing cost in the “WAREHSH” field is calculated by multiplying the unit warehousing cost by sales quantity for each transaction.

3) **Inland Freight- Factory/Warehouse to Customer**

a. **Freight from the Factory to Customer**

- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

ANSWER: [] *in relation to the domestic sales, this question is not applicable.*

9. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & Guarantee expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

ANSWER: *If a customer claims to have received defective merchandise, POSCO will conduct an investigation to determine whether the claim is well founded. Immediately after receiving the customer’s claim, POSCO will investigate the sample received from the customer, or POSCO send its personnel to the customer’s site to investigate. Further, POSCO negotiates with the customer for appropriate compensation, if any.*

POSCO has reported the cost of warranty expense on [] basis in the domestic sales file.

The warranty cost is recorded in the “ ” account (Account code:).

10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost:* describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;

- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

ANSWER: As stated above, POSCO has reported “credit expense” in the “Other factors (1)” field. Concerning the calculation of credit expense for domestic sales, please refer to POSCO’s response to question E-1.4

POSCO also has reported “duty drawback” in the “Other factors (2)” field. Concerning the calculation of duty drawback, please refer to POSCO’s response to question E-2.2.

Finally, POSCO has reported the “interest revenue” collected during the investigation period on a customer-specific basis in the “Other factors (3)” field. POSCO charges its customers in the Korean home market interest for late payments and in certain situations where the customer requested an extension of the payment date. POSCO provides in Appendix E-7 the calculation of the customer-specific interest ratios.

E-3 DUPLICATION

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson’s salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

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ANSWER: *Since there is no duplication in POSCO's reported adjustments for sales in both markets, this question is not applicable.*

SECTION F - EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA

Your response to this part of the questionnaire may be used by Customs and Border Protection to select sales to a third country that may be suitable for comparison with exports to Australia.

Sales to third countries may be used as the basis for normal value in certain circumstances. Customs and Border Protection may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.

- F-1** Complete the spreadsheet entitled '**Third country sales**' within the *Hot Rolled Plate Steel Exporter Questionnaire – Taiwan, Japan, Indonesia & Korea* – accompanying spreadsheet provided alongside this questionnaire.

This spreadsheet is to list **all export sales of like goods** (i.e. transaction by transaction) to countries other than Australia in the investigation period (do not include non-GUC items).

Provide the completed spreadsheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

The below table provides information as to what is meant by each column heading within the spreadsheet.

Column heading	Explanation
Country	Name of the country that you exported like goods to over the investigation period.
Number of customers	The number of different customers that your company has sold like goods to in the third country over the investigation period.
Level of trade	The level of trade that you export like goods to in the third country.
Model/grade/type	Commercial model/grade or type
Thickness (mm)	Thickness measured in millimetres of the steel plate
Width (mm)	Width measured in millimetres of the steel plate
Length (mm)	Length of the steel plate
Trimmed edge or untrimmed edge	Identify if the edges of the steel plate are trimmed or untrimmed
Grade	Identify the grade of the steel plate, e.g. 250/350/450 MPA
Prime or non-prime	Identify if the steel plate is prime product or non-prime
Standard	Identify the standard that the steel plate has been produced to (e.g. Australian Standard, Japanese Standard, British Standard)
Quantity	Indicate quantity, in units, exported to the third country over the investigation period.
Unit of quantity	Show unit of quantity e.g. kg

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Value of sales	Show net sales value to all customers in third country over the investigation period
Currency	Currency in which you have expressed data in column SALES
Payment terms	Typical payment terms with customer(s) in the country e.g. 60 days=60 etc
Shipment terms	Typical shipment terms to customers in the third country e.g. CIF, FOB, ex-factory, DDP etc.

ANSWER: POSCO exported the goods under consideration to over [] countries during the investigation period. Therefore, POSCO provides the requested table indicating export sales to [] largest countries (other than Australia) with a computerized file separately. The printouts of this file are provided in Appendix F-1.

Please note that the export sales of the goods under consideration to this ten largest countries accounts for approximately [] of POSCO's total export sales to third country sales.

F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.

ANSWER: The terms of sales for export sales to third countries are varying on a transaction-specific basis which may affect the comparison to export sales to Australia.

SECTION G - COSTING INFORMATION AND CONSTRUCTED VALUE
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The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- testing the profitability of sales of like goods on the domestic market;
- determining a constructed normal value of the GUC - i.e. of the goods exported to Australia; and
- making certain adjustments to the normal value.

You will need to provide the cost of production of both the exported goods (GUC) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (e.g. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

If, in response to question B4 (Sales to Australia, Export Price) you:

- reported that the date of sale is not the invoice date and consider that this alternative date should be used when comparing domestic and export prices, and
- provided information on domestic selling prices for a matching period as required in the introduction to Section D (Domestic Sales)

you must provide cost data over the same period as these sales even if doing so means that such cost data predates the commencement of the investigation period.

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

G-2. COST ACCOUNTING PRACTICES

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

ANSWER: POSCO's ERP systems fully integrate the financial and cost accounting functions. [

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POSCO provides a flowchart of the financial accounting records maintained in the ERP accounting system and also a flowchart detailing its cost accounting system in Appendix G-1 and Appendix G-2, respectively.

As shown in Appendix G-2, the cost accounting component of the ERP system is comprised of a number of modules. These modules collect the requisite information needed to calculate the [] production costs on a [] basis. A description of these modules and how they are used to derive and record the [] production costs is provided below.

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Thus, in the normal course of business, POSCO calculates manufacturing costs based upon a [] cost methodology and records this information in its inventory ledgers. However, as described in detail at response to question below, for purposes of reporting production code-specific product costs for the cost POI, POSCO has allocated all the relevant [] to the [] manufacturing cost of each product.

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2. Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (i.e. differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

ANSWER: The cost of manufacture reported in "Domestic CTMS" and "Australian CTMS" of this response is taken directly from the production costs recorded in the ERP system detailed above. As explained, POSCO records product-specific manufacturing costs only at [] cost in its inventory ledger. All cost [] are directly transferred to the general ledger in total. For financial reporting purposes, the total cost [] are allocated to the cost of sales and ending inventory balances on a [] basis in order to reflect the actual cost of sales.

For purposes of reporting the product-specific manufacturing costs, POSCO relied on the product-specific [] costs recorded in its inventory ledger and adjusted these values based on the relevant cost []. The cost [] were allocated to the inventory values using the method applied in POSCO's financial reporting. POSCO also relied on production data recorded in the [] module in order to define the product based on the physical characteristics that are used to construct the Model by the instruction in this questionnaire.

A full description of the cost reporting methodology used by POSCO is provided below. A flowchart summarizing this methodology is provided in Appendix G-3.

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3. Provide details of any significant or unusual cost variances that occurred during the investigation period.

ANSWER: During investigation period, there are no significant or unusual cost variances.

4. Describe the profit/cost centres in your company's cost accounting system.

ANSWER: POSCO provides a list of cost center in the cost accounting system in Appendix G-5.

5. For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the GUC. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

ANSWER: Please refer to the response to question G-3.1 above.

6. Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

ANSWER: As described above, POSCO utilizes a computer system, ERP, which defines products by “ ” () for budgeting purposes and “actual item” () for accounting purposes. POSCO’s “ ” includes information on [] and other relevant product characteristics

These product codes are used in the sales system as well as in POSCO's cost accounting and inventory records. Appendix G-6 contains a comprehensive key to POSCO's internal product codes.

7. List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

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ANSWER: POSCO maintains complete cost accounting systems, fully integrated with the respective financial accounting systems and, thus, with the audited financial statements. Although POSCO's cost accounting system relies on [] costs, it computes actual costs by adding the relevant portion of cost [] to the [] costs. Thus, POSCO's actual costs reported in its financial statements submitted with this Section response can be reconciled to the standard costs and relevant cost variances. The [] costs can be reconciled to the standard cost in POSCO's inventory ledgers, and cost [] can be reconciled to its general ledgers.

8. State whether your company engaged in any start-up operations in relation to the GUC. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

ANSWER: Not applicable because POSCO did not engaged in any start-up operation.

9. State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

ANSWER: Not applicable because POSCO did not engaged in any start-up operation.

G-3 COST TO MAKE AND SELL ON DOMESTIC MARKET

This information is relevant to testing whether domestic sales are in the ordinary course of trade.¹

1. Complete the spreadsheet entitled '**Domestic CTMS**' within the *Hot Rolled Plate Steel Exporter Questionnaire – Taiwan, Japan, Indonesia & Korea* – accompanying spreadsheet provided alongside this questionnaire.

Provide the completed spreadsheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

¹ Customs and Border Protection applies the tests set out in s.269TAA of the *Customs Act 1901* to determine whether goods are in ordinary course of trade. These provisions reflect the WTO Anti-Dumping Agreement – see Article 2.2.1.

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In doing so, provide the actual unit cost to make and sell each model/type (identified in Section C) of the like goods sold on the domestic market.

Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.

Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

If you are unable to supply this information in this format, please contact the Case Manager for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

ANSWER: As instructed, POSCO provides the actual unit cost to make and sell each model sold on the domestic market in the spreadsheet named as "Domestic CTMS", as included in the CD. The cost data in the spreadsheet is reported by each quarter basis over the investigation period because POSCO's ERP system collects the requisite information needed to calculate the [] production costs on a [] basis, as explained in the response to question G-3.1.

POSCO provides the standard cost information for a sample product extracted from its cost accounting system in Appendix G-7.

For unit cost of selling, administration and financing, POSCO provides the table to show the calculation of unit cost of selling, administration and financing in Appendix G-8.

G-4 COST TO MAKE AND SELL GOODS UNDER CONSIDERATION (GOODS EXPORTED TO AUSTRALIA)

Complete the spreadsheet entitled 'Australian CTMS' within the *Hot Rolled Plate Steel Exporter Questionnaire – Taiwan, Japan, Indonesia & Korea* – accompanying spreadsheet provided alongside this questionnaire.

Provide the completed spreadsheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

In doing so, provide the actual unit cost to make and sell each model/type (identified in Section C) of the like goods sold on the domestic market.

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Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.

Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

If you are unable to supply this information in this format, please contact the Case Manager for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

ANSWER: POSCO provides the actual unit cost to make and sell each model exported to Australia in the spreadsheet named as "Australian CTMS", as included in the CD. As the same way in reporting "Domestic CTMS", the cost data in the spreadsheet is reported by each quarter basis over the investigation period and also reported in Korean Won(KRW).

The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.

G-5 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

ANSWER: There is no difference in unit cost of manufacturing for the same model sold in both domestic market and Australian market because there is no separate classification between the production for exporting market and for domestic market.

However, for reporting cost of production, unit selling cost is different between goods sold to the domestic market and those sold for export to Australia because the direct selling expense related the sales to each market such as freight is different in sales to each market. Please refer to the calculation of unit selling cost in Appendix G-8.

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- G-6** Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

ANSWER: Not applicable because there is no any difference between the production cost data supplied in reply to this question and costs normally determined by POSCO's accounting system.

- G-7** In calculating the unit cost to make and sell, provide an explanation if the allocation method used (e.g. number, or weight etc) to determine the unit cost differs from the prior practice of your company.

ANSWER: Not applicable because there is no any difference for allocation method between the production cost data supplied in reply to this question and costs normally determined by POSCO's accounting system.

- G-8** List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (e.g. market prices, transfer prices, or actual cost of production).

Where the major input is produced by an associate of your company Customs and Border Protection will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the Act. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

If the major input is purchased or supplied from an integrated production process you should provide detailed information on the full costs of production of that input.

ANSWER: For production of the goods under consideration, various types of Iron Ore and Coal are used as the raw materials.

[

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POSCO provides the table to show the portion of purchase from affiliated companies in Appendix G-9.

- G-9** Complete the attached spreadsheet entitled '**Raw Material Purchases**' within the *Hot Rolled Plate Steel Exporter Questionnaire – Taiwan, Japan, Indonesia & Korea* – accompanying spreadsheet provided alongside this questionnaire (i.e. transaction by transaction) for all purchases of hot rolled coil, steel slab, coking coal and coke. Provide the completed spreadsheet in electronic format with your response.

(NB if your company is purchasing more than one material type (HRC, steel slab, coking coal and coke), please provide your responses in separate spreadsheets).

ANSWER: POSCO provides the table to show raw material purchases in Appendix G-10.

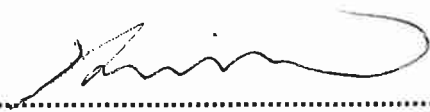
SECTION H – EXPORTER/PRODUCER’S DECLARATION

I hereby declare that. **POSCO**(company) did, during the investigation period export the GUC and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

or

I hereby declare that.....(company) did, during the investigation period, produce the GUC which were exported to Australia by another company and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

Name : **KIM, JIN HAN**

Signature : 

Position in Company : **Team Leader**
/ Trade Affairs Team, Overseas
Marketing Department, POSCO

Date : **March 28, 2013**

SECTION I - CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

Section	Please tick if you have responded to all questions
Section A – general information	✓
Section B – export price	✓
Section C – like goods	✓
Section D – domestic price	✓
Section E – fair comparison	✓
Section F – exports to third countries	✓
Section G – costing information	✓
Section H – declaration	✓

Electronic Data	Please tick if you have provided spreadsheet
HRC & STEEL SLAB PURCHASES – purchase cost of Hot Rolled Coil and Steel Slab during the investigation period	N/A
RAW MATERIAL PURCHASES – purchase cost of raw materials during the investigation period	✓
INCOME STATEMENT	✓
TURNOVER – sales summary	✓
AUSTRALIAN SALES – list of sales to Australia	✓
DOMESTIC SALES – list of all domestic sales of like goods	✓
THIRD COUNTRY – third country sales	✓
PRODUCTION – production figures	✓
DOMESTIC COST TO MAKE & SELL – costs of goods sold domestically	✓
AUSTRALIAN COST TO MAKE & SELL – costs of goods sold to Australia	✓

Appendix A-1

Shareholder List

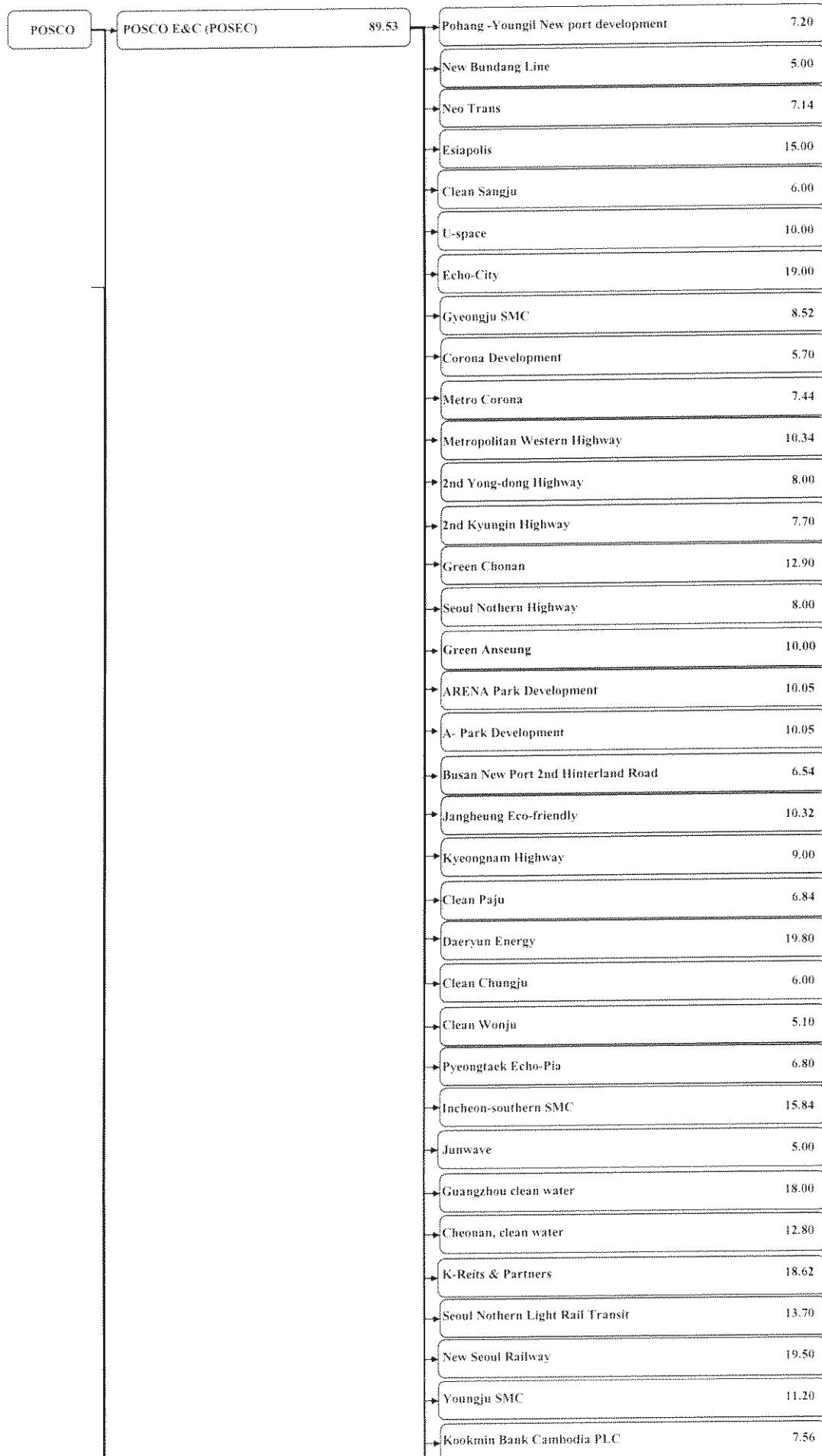
Shareholder List (POSCO)**- As of December 31, 2012**

No.	Name of Shareholder	Activity of Shareholder	Percentage of Shareholding
1	National Pension Fund	Pension Fund	5.99%
2	Nippon Steel Corporation	Steel Maker in Japan	5.04%

Appendix A-2

Corporate Structure

POSCO's Subsidiary Structure
(As of December 31, 2012)



Sungjin Geotec	10.35
Universal Studio Resort Development	16.24
Universal Studio Resort Asset Management	19.19
POSCO Family Strategy Fund	7.00
NroB	12.19
Korea Solar Park	15.00
Daeryun Energy	19.20
Chuncheon Clean water	15.40
Seung Kwang	30.62
MIDAS IT	23.72
Songdo New City Development Inc.	29.90
Metapolis	40.05
Gail International Korea Ltd.	29.90
PHP	100.00
Taegi-mountain Wind-Power Corporation	50.00
Chungju industrial City	22.00
Mega Asset	100.00
POSCO Engineering	94.14
PSIB	49.00
Pohang Fuel Cell Generation	25.00
Garolim Tidal Power Generation	32.13
Cheongna IBT	18.58
Plant EST	100.00
Pohang Techno Vally	29.00
Mapo Highroad Parking	67.00
Paju Enbiro	40.00
Clean Iksan	23.50
Green Kimpo	31.84
Clean Kimpo	28.79
Suwon Green-Enviroment	27.50
Wooyi Trans	28.31
Busan-Kimhae Light Rail Transit	25.00
Green Jangryang	25.00
Incheon-Kimpo Highway	23.57
Pohang Techno Vally PFV	28.65
Tongyoung Green-Enviroment	20.40
Blue O&M	100.00

(POSCO)
(Continued)

POSCO P&S 95.31

(Continued)

I.B.C. Corp.	60.00
POSEC - Hawaii Inc.	100.00
POSCO E&C VIETNAM	100.00
POSCO E&C CHINA co. Ltd.	100.00
An Khanh New City Development	50.00
POSCO E&C India Private Ltd	100.00
POSCO E&C SMART	100.00
POSCO E&C VENEZUELA C.A.	100.00
POSCO E&C-UZ	100.00
PT. POSCO E&C INDONESIA	67.00
Santos CMI S.A.	50.00
EPC Equities LLP	50.00
POSCO E&C Brazil Ltd.	100.00
Daesan Cambodia	49.00
DKC Corp.	15.36
Korea Nickel	14.00
AJ Steel	19.00
ENK	8.40
Dangjin SPFC	19.00
KC Chemical	18.99
POSCTECH B/D	99.00
ZHANGJIAGANG	17.50
CSC Electronic (Qingdao)	8.30
GULFINTERNATIONALPI	15.00
POSCO Canada Ltd. (POSCAN)	100.00
POS-HYUNDAI	19.50
DALIAN POSCO-CFM Coated Steel	15.00
POSCO-TBPC	14.38
POSCO-CORE(SZ)	15.15
Asia Specialty Steel	18.00
VSC-POSCO	5.00
POSCO - CTPC	43.35
POSCO - CQPC	100.00
POSMI	27.52
POSCO - MKPC	25.31
POSCO-PMPC	100.00
POS - GSFC	43.46
POS-SEA PTE.LTD	51.00

	SEBANG STEEL	49.00
	USA-SRDC	100.00
	POSCO TMC	33.56
	Pohang SPCFC	90.00
	Gwangyang SPCFC	65.84
	Gunsan SPCFC	70.00
	Pohang SDRCD	51.00
	New Altec	60.10
	POSCO Investment Co., Ltd	99.99
	PT. KRAKATAU STEEL POSCO	70.00
	POSCO WA Pty. Ltd	100.00
	POSCO Specialty Steel	94.74
	Guangdong Pohang Coated Steel Co., Ltd	87.04
	POSCO -URUGUA Y.S.A	98.00
	POSMATE Co., Ltd	45.15
	POSCO Energy	89.02
	SNNC	49.00
	POSCO ESM	50.00
	ROY HILL HOLDINGS PTY LTD.	10.00
	POSCO AST	100.00
	POSHIMETAL	65.00
	POSCO Family Strategy Fund	60.79
	POSCO-NPS Niobium LLC.	50.00
	Busan E&E	70.00
	KOBRA SCO	50.00
	POSCO-China Holding Corp.	100.00
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	58.60
	Qingdao Pohang Stainless Steel Co., Ltd.	70.00
	Guangdong Pohang Coated Steel Co., Ltd.	87.04
	POSCO Malaysia Sdn. Bhd	80.07
	POSCO America Corporation	99.45
	POSCO-Japan Co., Ltd.	100.00
	POSCO Asia Co., Ltd.	100.00
	POSCO Australia Pty. Ltd.	99.99
	POSCO Investment Co., Ltd.	100.00
	POSCO-India Private Ltd.	99.99
	POSCO-Vietnam Co., Ltd.	85.00

(POSCO)
(Continued)

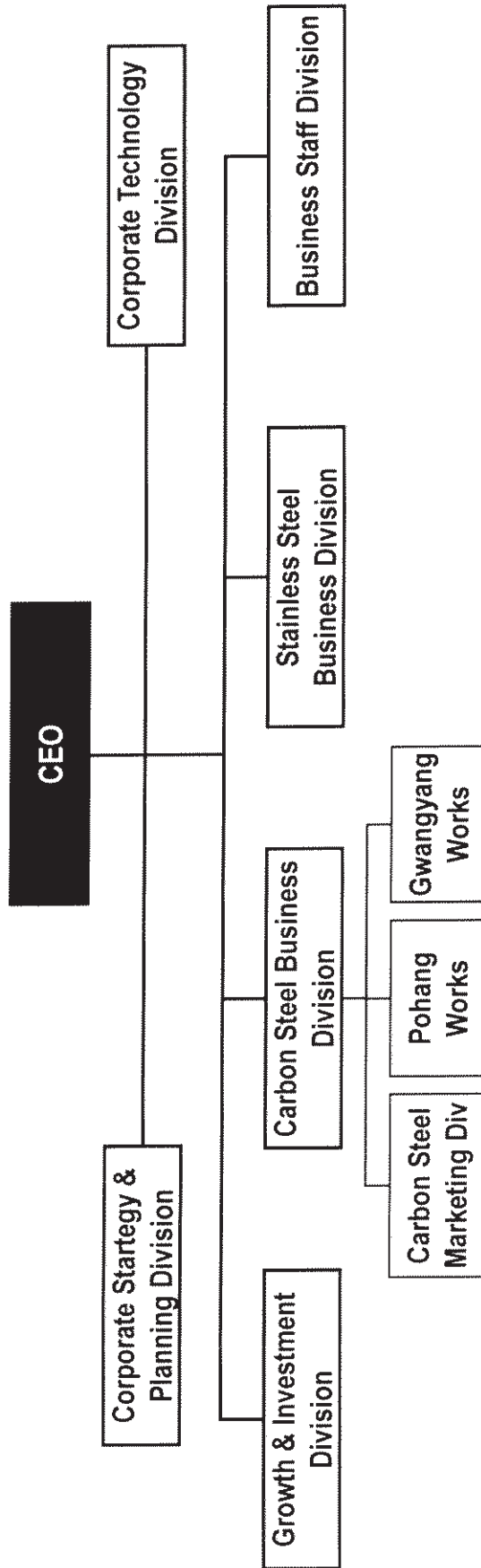
POSCO-Mexico Co., Ltd.	84.84
NMC	49.00
POSCO Chemtee Company Ltd.	60.00
BX STEEL POSCO Cold Rolled Sheet Co.,Ltd.	25.00
POSCO (Thailand) Co., Ltd	85.62
Dongbu Metal Co., Ltd	10.00
The Siam United Steel	12.30
POSCO Turkey Nilufer Processing Center Co., Ltd.	100.00
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	90.00
POSCO-VST	95.65
POSCO Maharashtra Steel PRIVATE Ltd.	100.00
POSCO ELECTRICAL STEEL INDIA PRIVATE Limited	100.00
Nippon Steel & Sumitomo Metal Corporation	2.38
SK Telecom Co., Ltd	2.84
KB Financial Group Inc.	3.00
Hyundai Heavy Industries Co., Ltd	1.94
Shinhan Financial Group Inc	0.92
Hana Financial Group Inc	1.00
POSCO ASSAN TST	60.00
Nacional Minerios S.A	6.48
COMPANHIA SIDERURGICA DO PECÉM (CSP)	20.00
POSCO-THAINOX	84.93
POSCO Coated & Color Steel Co., Ltd	56.87
POSCO China Dalian Plate Processing Center Co., Ltd.	80.00
POSCO ICT	72.54
POSCO M-TECH	48.85
SUNGJIN GEOTECH	23.71
Daewoo International	60.31

Appendix A-3

Organisation Chart

POSCO Organization Chart

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Appendix A-4

List of Board of Directors

POSCO*'s Board of Directors

No	Position	Name	Responsibility
1	CEO	Chung, Joon Yang	
2	President	Park, Han Young	
3	Vice President	Cho, Nye Ha	
4	Vice President	Park, Gi Hong	
5	Vice President	Kim, Jun Sik	
6	Outside Director	Han, Jun Ho	
7	Outside Director	Lee, Young Sun	
8	Outside Director	Lee, Chang Hee	
9	Outside Director	Nam, Young	
10	Outside Director	Park, Sang Gil	
11	Outside Director	Byun, Dae Gyu	
12	Outside Director	James B. Bemowski	

Appendix A-5

Annual Report

GLOBAL MOVEMENT

2011 POSCO Report

Key Figures 2011

FINANCIAL PERFORMANCE

(1,000 ton, unless stated)

	2011	2010
Production (Crude Steel)	37,523	33,716
Production (Finished Products)	35,188	32,129
Sales Volume (Finished Production)	34,493	31,465
Sales	39,171,780	32,882,036
Operating Profit	4,196,028	4,784,518
Net Income for the year	3,188,845	3,784,361
Assets	52,717,676	49,086,727
Liabilities	15,129,966	13,662,731
Shareholders' Equity	37,587,710	35,423,996

NON-FINANCIAL PERFORMANCE

	2011	2010
Number of employees	17,562	16,698
Ratio of female employees (%)	3.6	3.4
Lost-time Injury Frequency Rate	0.23	0.19
Employee average volunteering time (hours)	38	33
Customer (domestic) satisfaction (points)	91	80
Energy saving (t/d, accumulation)	81	72
Water usage (t/d)	82.6	48.2
Amount of byproducts recycled (t/10,000 ton)	3.63	3.85
CO ₂ Emissions Intensity (tCO ₂ -e/\$)	2,469	2,219
	2.10	2.13

About This Report

In 2011, POSCO continued its efforts to grow together with its stakeholders. In this regard, we tried to make the 2011 POSCO Sustainability Report ("The 2011 Report") as easy accessible as possible. Based on the principle, some highlights of the 2011 Report include:

First, the report is redesigned as an integrated report, containing both the financial and non-financial performance of the company with the year 2010. POSCO released another two independent performance in its Annual Report and Sustainability Report respectively. The integration of the two reports enabled stakeholders to get information they needed more easily. We intend to deliver a unified set of values, both financial and non-financial, through the report and to expand the social responsibilities of the company in the economy, society, and environment.

Second, this report is designed to be reader-friendly by organizing its contents into each group of documents: society, business, business, stakeholders and investors, workers, employees, and environment. Previous reports classified stakeholders into just three categories of the society, the environment, and society, which made it difficult for readers to find the information they wanted. This has been improved to give stakeholders easier and easier access to the needed information.

Third, this report adopted alternative evaluation across the board process. We increased the number of external evaluators with two in the previous year to get to evaluate operators from a more diverse group of stakeholders. In addition, a panel of university students has been formed to reflect the creative ideas and suggestions from the next-generation of leaders about the report and sustainable management in general. To make the materiality test more forward, the social data has been supplemented to reflect the latest trends through the reviews of product survey, analysis of assets addressed at the company's operational findings and research of the KPIs of our competitors.

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 CEO Message
 The Board of Directors
 Executive Interview
 2011 Operational Performance
 2012 Management Goals
 Identifying Major Issues

02 Sustainability Management System
 Global POSCO Way
 Vision 2020
 POSCO's Sustainability Management System
 Assessment of POSCO Family's Sustainability Management
 Corporate Governance
 Business Ethics
 Human Rights Management
 Risk Management System
 Stakeholder Engagement

04 Environment
 Global POSCO Family Environmental Management
 Environment Management Performance
 Preserve Biological Diversity
 Response to Climate Change
 Environmental Communication

05 Processes
 Fair Trade
 Vendor Support Program
 Win-Win Growth
 Supplier Evaluation Analysis System

07 Employees
 Safety and Health
 Making a Happy Workplace
 Global HR System

08 Customer
 Products and Technology
 Development of Eco-Friendly Automotive Materials
 Create Customer Value
 Quality Management
 Win-Win Programs for SME Customers

06 Society
 Fostering Talent
 Employee Sharing Activity
 Social Welfare
 Community Development

09 Investor
 Corporate Value and External Evaluation
 Technological Innovation
 Performance by Sector
 Financial Statements

106 Appendix
 Global Networks
 Independent Assurance Report

CEO Message



The Report reflects POSCO's aspiration and dedication to realizing the vision of "making a better world with dreams and hope, materials and energy" and to become a "Firm of Endearment" by all the stakeholders.

We are dedicated to providing customer-oriented services such as EVI (Early Vendor Involvement) and CRM as we firmly believe the growth of a company lies in the growth of its customers. Also, we declared quality management to deliver differentiated value through quality improvement.

For our employees, we aim to create a "happy workplace," which is safe, healthy, and improves the quality of life for those working there. POSCO established a Global Safety Center and introduced a 4 teams, 2 shift system and flexible work hours to help strike a balance between life and work. Also, we are committed to supporting our employees by enhancing their capabilities on their way to becoming global talents.

The environment is another important stakeholder. POSCO has been working very hard to hand down a fresh green planet to the next generation through byproduct management, biodiversity conservation, and proper response to climate change. Such multi-faceted efforts earned POSCO the honor of ranking 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos. Also, POSCO was selected as the leading company in sustainable management by SAM (Sustainability Asset Management) Research Inc. of Switzerland, and the Dow Jones of the United States for the seventh year in a row.

Working with the vision of "making a better world with dreams and hope, materials and energy," POSCO will continue its pursuit of sustainable management to create a healthy and vibrant market, win-win relationship at the corporate ecosystem, and finally to make the world a better place. We hope for your continued interest and support in our efforts in sustainability management.

Thank you

June 2012 CEO Joon-Yang Chung

POSCO set forth the vision of becoming a firm of endearment despite a challenging business environment due to the global financial crisis in 2011 and has been working diligently to realize it.

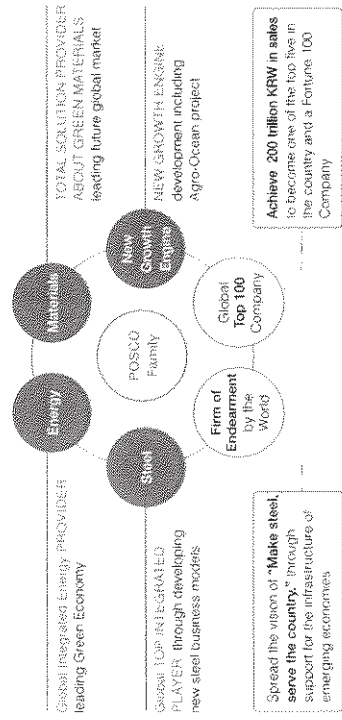
The "Firm of Endearment" POSCO is striving for is not just a global leader with high profits and high growth but a company committed to making the world a better place by creating values for and sharing them with all stakeholders, who the company was born and grew with: society, partners, shareholders and investors, customers, employees, and the environment. This Report examines POSCO's efforts to become a "Firm of Endearment" and the direction it should be going.

POSCO has worked on a variety of social contribution initiatives to fulfill its responsibilities as a corporate citizen, social enterprise benefiting minorities, multi-cultural family support, and the POSCO Family one-percent sharing campaign. Also, we extended the scope of social contribution activities globally, including Africa and Mongolia.

At the same time, POSCO expanded the compliance program for fair trade to our second-tier partners in addition to our first-tier partners to help establish a fair trade practice in the market. We also have been operating 67 programs including the Benefit Sharing and financial support for SMEs to grow together.

Not only that, POSCO is dedicated to raising the values of shareholders and investors. Despite a deep recession, POSCO achieved 39.2 trillion KRW in sales and 4.5 trillion KRW in operating profits, through cost-cutting, technological innovation for creating high-added values, global investment and group management to enhance future growth potential.

Achieved 200 trillion KRW in sales in of steel, energy, materials, and new growth engines, joining the ranks of the World's Top 100 Companies



The Board of Directors

Outside Directors



Min, Ji-Hee

- CEO & Chair of Samsung
- Former CEO of KEPCO
- Member of the Board of Directors
- Seoul National University
- Doctor of Science in Law
- Member of Public Administration
- Korea Basic University, PhD
- Member of Director Candidate Commission



Yoon, Young-Sun

- Former President of Hanyang University
- Professor of Business Administration
- Graduate School of International Studies
- Seoul National University
- Doctor of Science in Economics
- Member of Science, Technology & Innovation Commission
- Member of Director Candidate Commission



Lee, Chang-Ho

- Professor at Seoul University
- Department of Law
- Law Society
- Professor at Seoul Law School
- Seoul National University
- Doctor of Science in Law
- Member of Science, Technology & Innovation Commission
- Member of Director Candidate Commission



Nam, Yong

- Former CEO of LG Electronics
- CEO of LG Telecom
- Seoul National University
- Doctor of Science in Economics
- Chair of Finance and Operations
- Member of Science, Technology & Innovation Commission
- Member of Director Candidate Commission



Park, Sang-Ho

- Lawyer at Park & Lee Firm
- Former High School Teacher
- Seoul National University
- Bachelor of Science in Law
- Graduate School of Law
- Member of Director Candidate Commission
- Member of National Headquarters
- Member of Audit Committee



Eyun, Dae-Gyu

- CEO of Korea Electronics
- Professor of Engineering
- Graduate School of Engineering
- Seoul National University, PhD
- Doctor of Science in Engineering
- Member of Director Candidate Commission



James B. Blomowski

- Senior Vice Chairman of Visa
- President of Southern Bank, Bedford, Massachusetts
- Quality Council of Manufacturing Producers
- American Enterprise Institute
- Member of Director Candidate Commission



Park, Ki-Hong

- Vice President
- President of POSCO Research Institute
- Seoul National University
- Doctor of Science in Economics
- Member of Director Candidate Commission



Chung, Jooh-Yang

- Chair of CEO
- Former President of POSCO
- Seoul National University
- Doctor of Science in Economics
- Member of Director Candidate Commission



Cho, Hee-Ha

- Vice President
- Former Senior Director
- Seoul National University
- Doctor of Science in Economics
- Member of Director Candidate Commission



Park, Heon-Yong

- President of CEO
- Former Director Candidate
- President of POSCO A&S
- Seoul National University
- Doctor of Science in Economics



Kim, Jooh-Sik

- Vice President
- Former Senior Director
- Seoul National University
- Doctor of Science in Economics
- Member of Director Candidate Commission

Executive Interviews

INTERVIEW

Choi Jeong-woo, Executive Vice President, Corporate Ethics Practice Bureau • POSCO has placed an emphasis on ethics management since its foundation. We are continually looking for ways to make ethics management part of our corporate culture and have our employees put its principles into action in their daily work to create fair and transparent relationships where all stakeholders happily coexist. In the future, we will expand the scope of ethics management to embrace our 50,000 POSCO family members to foster an even healthier business atmosphere.

Yoo Jaehyeon, Senior Vice President, Labor and Outsourcing Department • POSCO strives to make labor-management relations more stable through trust and communication based on respect for humanity. Sticking to our management principles of respect for human rights, transparency in management, and open organization, we will continue to pursue a sustainable labor policy by implementing the POSCO's unique "Smart Labor Culture," to improve the working conditions and quality of life of the employees. POSCO will become a firm of endeavor by its employees through a win-win labor-management partnership.

Kim Kwanyoung, Senior Vice President, Human Resources Innovation Department • POSCO's innovative activities and its employees, along with management have always valued trust and communication. Based on those values, POSCO is maximizing the synergy effect of communication, collaboration, and creativity through open recruitment. Our project, "Smart Work" - is about changing the way we do business, and our systematic support for employees. POSCO endeavors to create a "Great Work Place," where our employees can perform their duties efficiently and happily.

Sung Gaewoong, Senior Vice President, Environment and Energy Planning Department • For POSCO employees, sustainability management is not an unfamiliar expression any more. Now it's time to take another step forward. Environmental investment may not create wealth directly but it cuts cost and also is an investment for the future. We double our effort to reach consensus on the necessity of environmental management. All the POSCO employees will listen to stakeholders to make POSCO a global leading corporation.

Cho Yongsoo, Senior Vice President, Management Evaluation Department • Based on its corporate vision of becoming a "Firm of Endearment" POSCO continuously monitors political and social changes that could pose major and/or financial risks. We work tirelessly to make sustainable development for all the POSCO Family a reality by proactively responding to risks related to global changes as we expand our business scope from steel-making to new growth engines and embrace the global POSCO Family in implementing its vision.

Lee Myungho, Senior Vice President, Social Contribution Department • Since its inception, POSCO has valued contributing to the nation and society more than profit making, considering social contribution as an important mission. POSCO employees have a firm belief that fulfilling responsibilities as a corporate citizen leads to the long-term growth of the company. We are actively involved in global social contribution activities to help those in need overseas stand firm, and finally to create a society where everyone can grow together.

Ha Youngsoo, Senior Vice President, Purchase Support Center • POSCO is committed to helping its partner companies maximize their competence and create synergy to "increase the size of the pie." We continue to look for ways to grow together by establishing the fair trade order and building mutual trust through various initiatives such as the Win-win growth program. POSCO strives to become a firm of endearment by its partners, one of the major stakeholders of the company, based on the interdependent relationship with its suppliers.

2011 Operational Performance

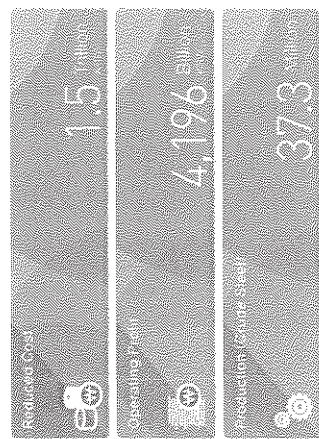
Economic Performance

In 2011, the world steel industry suffered more than ever before due to lowered demand in the wake of the recession at home and abroad and the resulting price slump and heightened competition in the market along with high raw material cost reflecting the lag effect. Despite these difficult business conditions, POSCO strived to enhance future competitiveness by cutting cost, expanding high value-added product technologies and services, increasing global investment and raising the synergy effect of the corporation. As a result, POSCO achieved 39.2 trillion KRW in sales and 4.2 million KRW in operating income.

Our cost reduction actions saved us 1.5 trillion KRW. The domestic production capacity of crude steel has been expanded to 37 million tons with the completion of the No. 3 Steel Making Plant in Pohang Works, the No. 5 Coke Plant and No. 5 Sinter Plant in Gwangyang. POSCO developed and began mass production of "POSCOTECH," POSCO Smart Coating Technology-Ultraviolet, for the first time in the world, and an ultra-light eco-friendly future steel vehicle, the FSV. POSCO also secured a contract from the multi-national oil company Shell, which makes it the sole provider of steel plates for Shell offshore projects through 2015 in an effort to increase its market share.

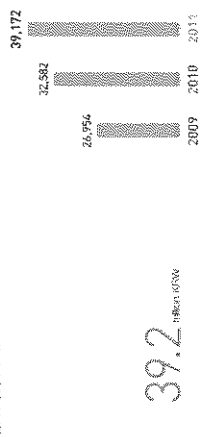
POSCO started the construction of an integrated steel mill with an annual capacity of 3 million tons in Indonesia, an emerging economy with great growth potential, and has been carrying out similar projects in India and Brazil as well. POSCO is able to produce one million tons of crude stainless steel a year with the completion of the NO. 4 plant at ZPSS (Zhangjiagang Rollring Stainless Steel), POSCO's Chinese joint venture. Also, its first overseas steel plate processing center was completed in Dalian.

Other projects include an electrical steel mill in India, a cold-rolled stainless steel plant in Turkey, and an automobile steel plate factory in Guangdong, China. In addition, POSCO laid the groundwork for overseas investment, closely linked with the region, by buying out 95% shares of Thanoz, the largest stainless steel maker in Turkey. For stable procurement, POSCO acquired shares of coal mines in Mt. Klappan, Canada and NGR in the United States to raise its self-sufficiency rate of raw materials.



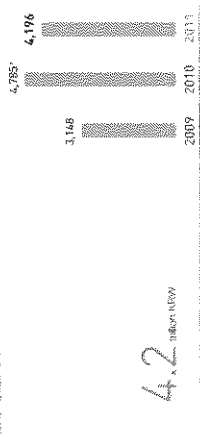
Sales

(Billion KRW)



Operating Profit

(Billion KRW)



* This figure has adjusted as operating profit according to the current auditing standards.

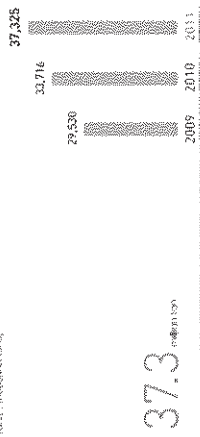
Reduced Cost

(Billion KRW)



Production (Crude Steel)

(Million tons)

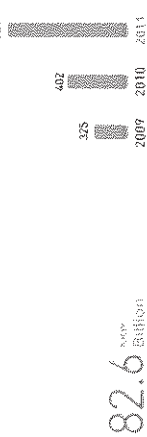


Social Performance

POSCO has declared its vision of becoming a firm of environment by all the stakeholders. We strive to grow together with SMEs through financial support, technological cooperation, and consulting. POSCO compensated a total of 82.6 billion KRW for 459 SMEs from 2004 through 2011 through its Bennett Sharing initiative.

The Amount Compensated Through Bennett Sharing

(Billion KRW, Accumulative since 2004)



Multi-cultural support and social enterprises are just part of POSCO's diverse CSR efforts. Also, POSCO fulfills its social responsibilities as a global leader in overseas operations being actively involved in social contribution initiatives. In 2011, an average POSCO employee provided 35 hours of their time to volunteering activities.

Average Hours of Volunteering Per Employee

(Per Employee)



The 4-team, 2-shift schedule and flexible work hours helped raise the quality of life for employees. With increased days off, employees have more time to spend on leisure and self-development, keeping their professional and personal lives in balance. "Smart Work," an initiative to change the ways of working, enabled POSCO employees to work more efficiently and safely using their smart phones, receiving facility maintenance and safety information regularly. We made strides toward our goal of Smart Office, and Paper-Free Office, for employees to concentrate on their job by eliminating redundant work. Recently, POSCO opened a U-campus, a smart-phone based learning system, through which every member of the POSCO Family can view educational programs anytime, anywhere, becoming knowledge workers.

Employee Engagement

(Score, %)



POSCO Training Hours Per Capita

(Per Employee)



Lost Time Injury Frequency Rate

(Number of Lost-time Injury Cases per 1,000,000 Man-Hours)



Environmental Performance

POSCO is on a journey to help improve the health of the planet by developing a range of green production technologies and products. In 2012, POSCO poured a total of 482.8 billion KRW into environmental facilities. As a manufacturer with high water usage, we have been working on more effective water management, conducting a research project to complete a desalination pilot plant in December 2012 and establishing a system to stop the discharge of waste water. We have worked diligently to minimize the pollutant emissions by recycling 95% of byproduct gases and slag generated from steel making process.

Investment in Environmental Facilities



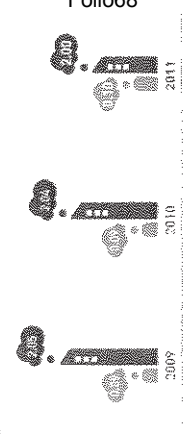
The Ratio of Environmental Investment to Total Capital Investment



POSCO is at the forefront in preserving biological diversity. We created an ecological habitat on the Seongsong Waterway for all sea life. Steel slag, a byproduct of steelmaking has been used to build marine structures for algae, fish and shellfish in many parts of the country. We have launched marine pollution control vessels in the waters around our business sites to remove pollutants and prevent red tide. Also, we are eliminating risks by proactively responding to climate change. Working diligently to cut CO₂ emissions by improving energy efficiency, POSCO recently submitted a GHG emission reduction plan in accordance with the Korean government's GHG & Energy Target Management Scheme. We are planning to invest roughly 1.5 trillion KRW in developing innovative CO₂ technologies of the future with the goal of reducing CO₂ intensity to about 1.96 t-CO₂/t-Steel in 2020. POSCO is also carrying out next-generation environmental projects in collaboration with POSCO subsidiaries: fuel cells for power generation, wind power generation, LNG, smart grid, and LEDs.

CO₂ Emissions Intensity

(t-CO₂/t-Steel)



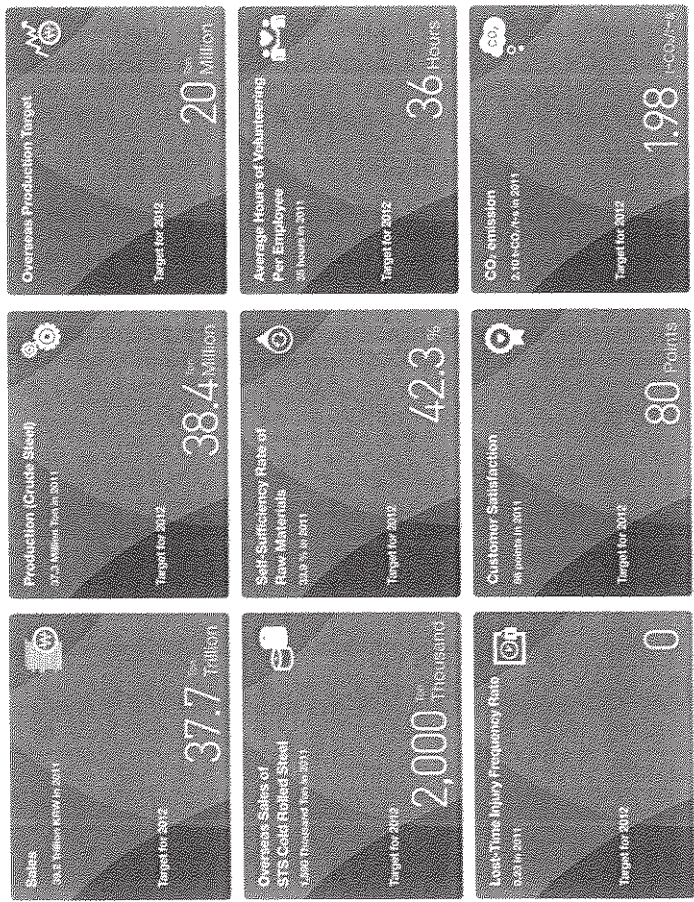
2012 Management Goals

With more uncertainties surrounding the economic environment and the steel business in 2012, POSCO leads a "holistic" approach to each situation through proactive scenario planning. We will enhance productivity by making "every square inch" of our operational and improving work processes while developing "Value Best World Best" high added-value products. POSCO will pursue customer-oriented marketing strategies to focus on our core customers and is creating new demand to strengthen our marketing capabilities. Internationally, we will continue our commitment to global steel projects while at the same time raising our self-sufficiency rate by developing new sources of raw materials.

Management Goals

POSCO will increase the synergy among POSCO Family members by optimizing its business models at the enterprise level. While expanding our capabilities accumulated in the steel industry to those of new future materials, we will pursue an integrated POSCO Family business model consisting of the four big divisions including steel, materials, energy, and new growth engines by connecting businesses of E&C, energy, and ICT.

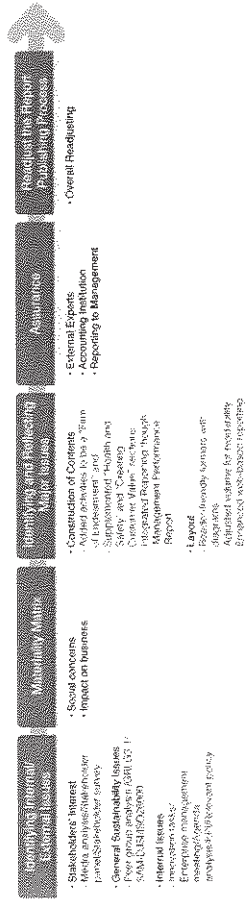
POSCO will promote a commitment to become a firm of endorsement through better communication based on mutual respect and consideration as well as win-win growth. We will build trust with all the stakeholders including customers, suppliers, and outsourcing partners as well as between management and employees of the company. POSCO will make its best effort to become a firm of endorsement which meets its social responsibilities by expanding activities for mutual growth and social contribution and responding to climate change responsibly.



Identifying Major Issues

Materiality Test

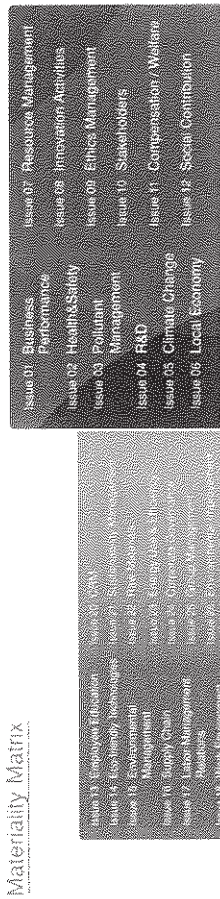
POSCO identifies material concerns of the stakeholders and the impact they have on corporate performance, which is included in the Sustainability Report. In 2008, POSCO revised its own materiality test process, which is updated every year by reflecting improvements and feedback. POSCO has used the materiality test scheme to identify issues of common interest to its stakeholders and those issues with a high potential impact on its business activities, and has prepared the Report based on these findings. An issue score was formed with three main categories: general sustainability management issues such as international regulatory standards, legal evaluation, safety, and peer group analysis; issues of interest to stakeholders identified through media analysis and Stakeholder & Risk surveys; and POSCO business issues such as management strategy, RPI, innovation, tasks, and issues addressed at the company's operational meetings. POSCO selected 33 issues from the pool and conducted an analysis of social concerns and impact on its business in accordance with POSCO's materiality test process. The materiality test process is as follows:



Top 10 Issues in 2010 and 2011 Identified Through the Materiality Test

Rank	2011 Report	Changed	2010 Report
1	Business Performance	Business Performance/Sales/Production/Market Share	Business Performance
2	Health & Safety	Climate Change/Global Warming/CHG/CO ₂ /Energy	R&D/Investment
3	Pollutants Management	Customer's Quality/CRM	R&D
4	R&D	Educator/Talent nurturing/Career Management	Response to Climate Change
5	Response to Climate Change	Sustainable Management/Corporate Responsibility (CSM) CSR	Response to Climate Change
6	Expand Local Economy	Sustainable Management/Corporate Responsibility (CSM) CSR	Expand Local Economy
7	Resource Management	Safety/Health/Disaster/Accident	Resource Management
8	Prevention Activities	Corporate Governance/Board of Director	Prevention Activities
9	Ethics Management	Risk Management	Ethics Management
10	Stakeholders		Stakeholders

Materiality Matrix



Global POSCO Way

In April 2007, POSCO established the Global POSCO Way by surveying POSCO's various philosophies, which were revised (added, amended, and deleted) elements related to leaders in the global iron and steel industry. The Global POSCO Way was revised in December 2010 reflecting recent KPO and its management principles. The Global POSCO Way is the strategic vision and code of conduct that all POSCO family members must follow, and is composed of vision, and core values, and action principles. The Global POSCO Way represents the way of working and corporate culture that all POSCO family members should follow, always a global iron and steel POSCO members in a mutually strategic management environment and operating the inter-connection between various management activities.

Global POSCO Way

Making a Better World with Dreams and Hopes,
Materials and Energy!

Vision	Open Management	Creative Management	Efficient Management	Integrity
Management Philosophy	Customer	Challenge	Execution	People
Core Values	Customer	Challenge	Execution	People
How to implement	Core Values Practice Principle			

Customer
Principle 1. Listen closely to customers and think from the customer's perspective.
Principle 2. Value the customer's trust and promote growth together with the customer.

Challenge
Principle 3. Do not fear failure and always pursue a challenging goal.
Principle 4. Shed away from tired ideas and find creative solutions.

Execution
Principle 5. Be open about tasks and eliminate waste through correct management.
Principle 6. Continuously improve and standardize processes and company.
Principle 7. Value the field and execution and increase results through mutual cooperation.

People
Principle 8. Research a person's individuality and diversity with an open mind.
Principle 9. Develop oneself through proactive self-improvement and strive for growth together with work.

Integrity
Principle 11. Carry out all tasks transparently and fairly and strive for benefits for all stakeholders.

Visions and Core Values

POSCO's vision of "making a better world with dreams and hopes, materials and energy" represents its future dream, management principles, and the efforts of the POSCO Family. "Dreams and hope" stands for our enthusiasm and positive energy toward the goal of becoming a "Firm of Endearment", "materials and energy" for the way we contribute to the well-being of mankind in the future, and "a better world" for the results of our efforts. The POSCO Family will expand its business scope to materials and energy around steel, and pursue integrated business including infrastructure, trade, and resource development in addition to manufacturing. We will retain our competitive edge by concentrating resources and competence on steel materials and energy and realize our vision of becoming a firm of endearment by the world through sustainable management with profits and growth in balance.

Core values are the standards of judgment and behavior for every employee to comply with in the process of turning tomorrow's vision into today's reality. POSCO summed up the directions the company and employees should be going as five core values. Customer, Challenge, Execution, People, and Integrity. The core values represents our determination to grow together with our customers by inheriting the traditional values of POSCO passed down for the past 40 years and implementing the principles of human respect and business ethics. Also, we have formulated the spiritual assets which made POSCO what it is today so that the global POSCO Family can share them as the company globally expands.

Core Values Practice Principle

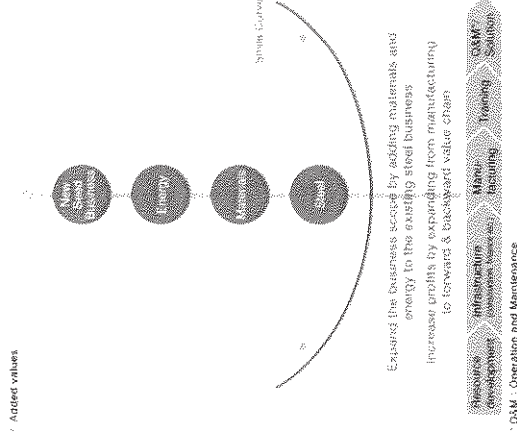
To create another success story, POSCO set the Core Values Practice Principle which is designed to help employees put them into action in their everyday work beyond simply understanding the concept. We picked out keywords related to each core value after listening to employees' opinion, formulated them into 12 principles and announced in December 2009. The principles reflect general ideas of management policy and innovation activities and can serve as the guide for decision making while performing tasks.

Vision 2020

The global environment is undergoing a new trend, growth led by emerging markets and a new economy. By advent of green technology and the emergence of an open and collaborative business ecosystem, with increasing uncertainties, such as - climate issue, resource depletion, and natural disasters, choices of oil and other raw materials are soaring and carbon resources are running out as new emerging markets grow and spread their influence. Extensive technological innovation has increased productivity, the environment demands the green industry in the strength. Extensive technological innovation has increased the synergistic between energy industry, knowledge, and culture, ushering in a new era where a business model emphasizing cooperation and collaboration is gaining ground. Consistently such a business environment in the future and international cooperation, POSCO has chosen "integrated materials" and infrastructure as its primary business domain.

Vision 2020

Accomplishment of 200 trillion KRW sales goal and rank on the world's top 100 companies through steel, material, energy and new seed business



POSCO will expand its operations into the integrated materials sector based on its world-class competence in the steel industry, and explore new markets in emerging economies in the infrastructure sector by commercializing operational know-how of steel infrastructure. In the future, POSCO will follow an integrated business model of the extended steel - materials - energy value chain. We will establish a high profit-making business model with increased added values, and accumulate competence for the new business in preparation for the future after 2020-2030 period.

Also, POSCO is going to continue its investment in overseas steel projects - construction and operation of steel mills - using our

eco-friendly steelmaking process including its original technology, FINEX, to absorb growing demand around emerging economies such as India and China. This is expected to push up our global production capacity to 70 million tons and our market share to 6% by 2020. Building on those achievements, we aim to become the world's top steel company in infrastructure (including steel plant construction) as well as steel making.

POSCO's materials sector has accumulated know-how in material technology for a long time as it has recycled byproducts to produce carbon materials such as anode material for secondary batteries and graphite. In addition, POSCO boasts top researchers in RIST and Pohang University of Science and Technology as well as R&D experience of over 20 years and infrastructure. Building on this, POSCO will nurture strategically our eco-friendly material sector such as Lithium and Magnesium as well as steel-based materials. POSCO has its own original technology to shorten the time of lithium mass production. Magnesium, a green material harmless to the human body, can be produced utilizing the steelmaking process with materials procured domestically. POSCO aims to become a major global player in the materials industry by focusing its energy on nurturing steel-based and environment-friendly materials by 2020.

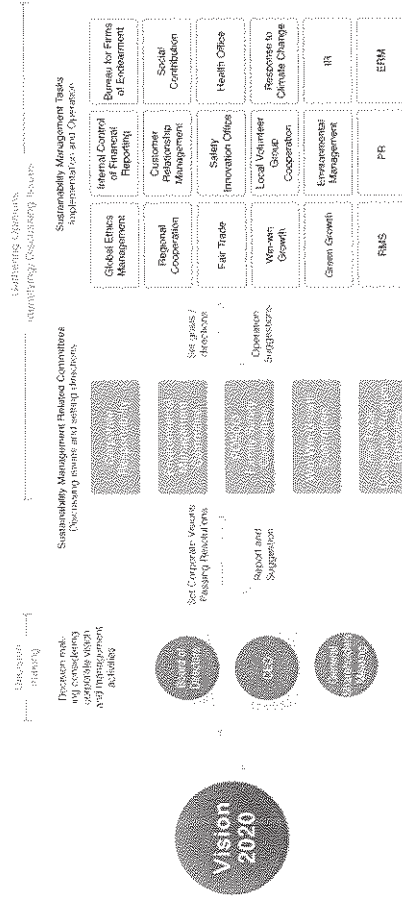
POSCO's energy sector is turning its own plant to supply energy using by-product gases from its steel works. As the demand of emerging countries for fossil fuels, finite energy source, is increasing, POSCO is at the forefront of developing renewable energy sources through green industries such as fuel cells as well as continuing its effort to develop the existing natural resources, including a gas project in Myanmar. At the same time, POSCO is advancing with the world's energy industry based on its knowledge and experience built from construction and operation and maintenance of the energy plants in Chile and Peru.

Our goal is to become a global top steel producer with the capacity of 70 million ton and one of the global leaders in materials industry around green materials as well as steel-based materials. In the energy sector as well, POSCO will become a global general energy corporation through nurturing global Independent Power Producers (IPP) and new renewable energy sources with an aim of Asia's Number one energy provider. Ultimately, POSCO will become a loved company and join the rank of the world's top 100 companies, realizing the sales of 200 trillion KRW until 2020.

POSCO's Sustainability Management System

Consuming a vast amount of resources and energy in the process, steel-making industry has a significant economic, social and environmental impact. Heavy loads of the reputation POSCO has, its sustainability strategy to meet its environmental and social targets, and its management philosophy serve to support. In 2003, we introduced our sustainability committee that integrates economic, variety, environmental, social, 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.

Sustainability Management System



Sustainability Management Related Committees

Committee	Frequency	Chair	Members	Key Activities
Environmental Management Committee	Once a Year	CEO	POSCO subsidiaries, CEOs	Establish mid-term environment and energy strategy at the POSCO family level
Environmental Management Steering Committee	Quarterly	Chief of Environment & Energy Planning Dept	Executives in charge of environmental management at subsequent subsidiaries	Establish implementation plan for each environmental management task, Environmental Risk Management
Win-Win Growth Committee	Twice a year	CEO/Presidents of SMEs	POSCO executives, CEOs from subsidiaries and SMEs	Establish win-win growth strategies, Review and Share results
CSR Committee	Once a year	CSO	POSCO Executives and outside experts	Discuss ways to improve CSR programs, (Strategic CSR, Communication between stakeholders, CSR of the Affiliates)
Family Safety Committee	Twice a year	Head of Carbon Steel Business Division	POSCO executives, CEOs of subsidiaries	Establish strategies and plans for Zero Safety / Facility Accident
Green Growth Committee	Twice a Year	CEO	POSCO executives, CEOs of subsidiaries	Review and establish the master plan for POSCO Family green growth
Fair Trade Corporate Compliance Program Committee	Twice a Year	Head of External Relations Department	12 department heads related to fair trade	Share fair trade trends and establish plans, Evaluate activities of fair trade practice leader

Assessment of POSCO Family's Sustainability Management

POSCO seeks sustainable development for all POSCO Family members. We are enhancing sustainability competence of these companies and developing sustainability management system to further a sound corporate performance for all its value chain as well as subsidiaries. To this end, POSCO performed an evaluation of the Subsidiaries' competence and a variety of ways to help each company practice sustainable management initiatives.

Assessment Results and Future Plans

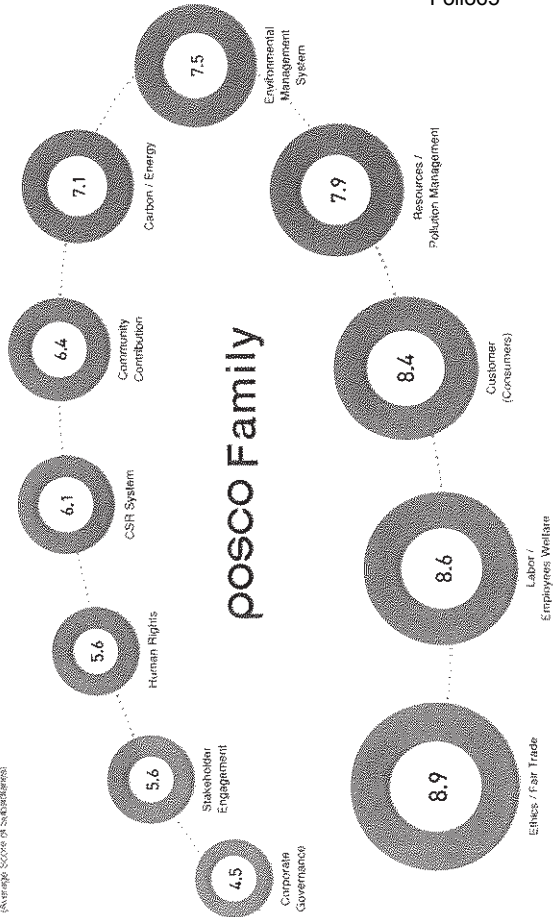
Since 2011, POSCO has performed sustainability competence assessments of Subsidiaries in collaboration with the POSCO Research Institute to establish a company-side sustainability management system and enhance subsidiaries' competence. We developed a sustainability assessment model based on domestic and international standards and indicators for sustainability management including the SAM-DJSI criteria and GRI guideline. The model contains 60 indicators in 11 domains such as stakeholders, environmental management, climate change, human rights, and social contribution and gives a sustainability figure, between 0 and 10, for the indicators with weight values pre-determined through expert interviews.

In 2011, we performed an assessment of eight Subsidiaries, POSCO E&C, POSCO SS, POSCO ENERGY, POSCO ICT, POSCO C&C, POSCO CHEMTECH, POSCO M-TECH, and POSCO plantEC. We evaluated the current status of each company through self-evaluation, assessment visits, and

interviews of employees and suggested ways to improve sustainability competence according to each company's current situation, size, and business sector. As a result of the assessment, we were able to recognize weaknesses in the category of stakeholder participation and human rights, shared by all POSCO Subsidiaries.

Against this backdrop, POSCO is going to promote stakeholder participation and management by spreading the corporate vision of a "Firm of Encouragement" throughout its Family and prepare action principles for respecting human rights to be applied in subsidiaries. In 2012, POSCO will expand the assessment list to include a total of 10 companies, sophisticate the assessment indicators, and prepare measures to address common issues. Also, we will continue to support subsidiaries to enhance their sustainability competence by providing counseling and education on a regular basis.

Assessment Results of Sustainability Competence of POSCO Subsidiaries (Average Score of Subsidiaries)



Corporate Governance

POSCO continues to refine its corporate governance to protect the independence of its board of directors (BOD) and the rights of its shareholders under the "Corporate Governance Charter". As part of the efforts to enhance its transparency, 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. In addition, outside directors convene exclusive meetings on a regular basis, which institutionally secures the opportunity to make independent decisions on important issues of the BOD. Also, POSCO has adopted cumulative and absentee voting system to significantly enhance the rights of shareholders, and operates the Internal Transactions Committee to ensure transparent and fair transactions with those parties who hold a special relationship with POSCO, such as its affiliates.

In 2008 the CEO position was separated from the Board's chairmanship in order to secure the independence of the BOD and its audit function over the company's management. The CEO Candidate Recommendation Committee was organized in 2010, the BOD and Expert Committee Activity Evaluation System (BOD Self-Evaluation System) was introduced to enhance external credibility, and announced the Outside Director Code of Ethics to ensure responsible and transparent activities of outside directors. In 2011, the operating rules of the Director Candidate Recommendation Committee were established for fair and transparent operation and the BOD operating rules were revised for more than one Expert Committee to review matters related to inside transactions to secure expertise and fairness, ultimately, to strengthen the roles and rights of outside directors as well as expert committees.

Board Composition

POSCO's Board of Directors is comprised of 5 standing directors and 7 independent outside directors. Standing director candidates recommended by the company are screened by the Director Candidate Recommendation Committee, which recommends the final candidates to the General Shareholders' Meeting for appointment decision. As for outside directors, the Outside Director Selection Consulting Group comprised of 5 reputable experts from various fields select a portfolio of candidates, the Director Candidate Recommendation Committee evaluates them, and the final decision is made at the General Shareholders' Meeting. In 2011, a total of 9 board meetings were held and the attendance rate of standing and outside directors was 100%. Major issues addressed include the 2012 management plan, mid-term strategic planning for the year 2014, purchase of additional stake in Brazilian iron ore miner Vale, a joint venture between Brazil's Vale SA, contribution to the POSCO Educational Foundation, and other charity donations.

Major activities of the BOD (January - December 2011)

No.	Date	Activities
1	01.13	Approval of the 43rd financial statements and closing of the Annual General Meeting (AGM) of shareholders
2	02.01	Decision of the 43rd AGM regarding name change of the company to POSCO E&E - Filing plan for the first half of 2011
3	02.22	Suggestions for improving the BOD operation
4	02.25	Appointment of the BOD Chair Appointment of the members of Subcommittees
5	03.25	Zincumche Titanium mine joint venture project Joint venture between Brazil's Vale SA Capital increase and payment guarantees for the extension of POSCO-MEXCO galvanized steel plant Investment plan for facility improvements for POSCO AST
6	05.13	Purchase plan of additional stake in Namisa Filing plan for the 2nd half of 2011 Filing plan for 2011 3rd quarter 2011 transaction plan of POSCO P&S
7	08.11	Disposal plan of stake in POSCO E&E Change in rental agreement with POSCO Chemtech for limestone calcination facility in Pohang and Gwangyang
8	11.04	Mid-term management strategy for 2014 2012 Management plan Disposal of shares in purchased financial sources Disposal of stake in Macarthur Coal, Australia
9	12.16	Acquisition of stake in KB Financial Group and disposal of treasury stock New investment in non-oriented electrical steel production facilities in India Recommendation for standing director candidates Appointment of the CEO and assignment of standing director Approval of appointment of the Executive Officers POSCO-National Pension investment (open) in global project fund Issuance of exchangeable bond (using SKT ADR) Contribution plan to the POSCO Educational Foundation Revision of the remuneration standards for the directors 2011 Transaction Plan of Daewoo International Improvement suggestions for long-term incentive system Donation for flood victims Adjustment of the Director Candidate Recommendation Committee members Year-end charity donations Operation (plan) of the CEO Candidate Recommendation Committee

Subcommittees

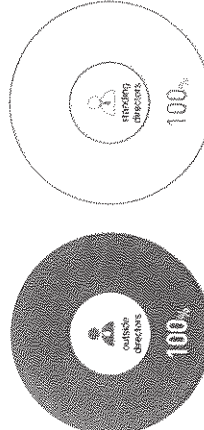
POSCO BOD has 6 subcommittees and 5 of these, excluding the Management Committee, are chaired by outside directors. The Management Committee is in charge of the review and discussion for steel investment decisions and chaired by standing directors. The Audit Committee, Evaluation & Compensation Committee and Internal Transactions Committee are comprised solely of outside directors to ensure independent decision-making.

Composition and Responsibilities of Subcommittees (As of Mar. 16, 2012. Major leaves addressed as of the end of 2011)

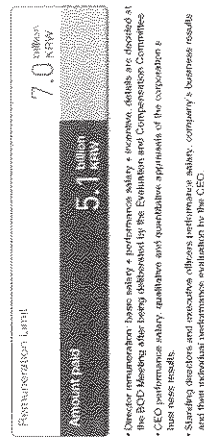
Subcommittee	Chairman	Members	2011 Meetings	Major Issues Addressed
Director Candidate Recommendation Committee	Chairman: Lee Youngsoo	Members: Kim Donghyun, Kim Seungmin, Kim Seungmin, Kim Seungmin, Kim Seungmin, Kim Seungmin	3 (6 times)	Qualification evaluation of standing director candidates, selection of subcommittee members, operation plan of outside director candidate advisory group
Director Candidate Recommendation Committee	Chairman: Lee Changhee	Members: Lee Changhee, Lee Changhee, Lee Changhee, Lee Changhee, Lee Changhee, Lee Changhee	3 (8 times)	Performance evaluation of the activities of the Audit Committee and 2011 internal audit results
Internal Transactions Committee	Chairman: Lee Chunghee	Members: Lee Chunghee, Lee Chunghee, Lee Chunghee, Lee Chunghee, Lee Chunghee, Lee Chunghee	3 (6 times)	Contribution to the POSCO Educational Foundation, Sale of POSCO E&E shares
Evaluation and Compensation Committee	Chairman: Byun Daegyul	Members: Byun Daegyul, Byun Daegyul, Byun Daegyul, Byun Daegyul, Byun Daegyul, Byun Daegyul	3 (3 times)	Evaluation of the corporation's business results Revision of criteria for director remuneration
Director Candidate Recommendation Committee	Chairman: Nam Yong	Members: Nam Yong, Nam Yong, Nam Yong, Nam Yong, Nam Yong, Nam Yong	3 (6 times)	Qualification evaluation of standing director candidates, Selection of subcommittee members, Operation plan of outside director candidate advisory group
Director Candidate Recommendation Committee	Chairman: Chung Jeonyang	Members: Chung Jeonyang, Chung Jeonyang, Chung Jeonyang, Chung Jeonyang, Chung Jeonyang, Chung Jeonyang	3 (4 times)	Major Issues Addressed: Plan of the 30th issuance of the public offering bond, increase of debt ceiling, capacity of business steel P2 steel making, New investment in non-oriented electrical steel production facilities of India, the Powder Project, and the Construction of Gwangyang Family Center

Attendance & Compensation

Attendance Rate



Compensation



Business Ethics

POSCO organizes various activities for the POSCO family that educates subsidiaries and overseas business sites. These activities include continued education and campaigns and temporary effective infrastructure so that employees can adhere to the basic and principles of corporate ethics in their day-to-day work.

Education and Campaigns for Employees

We believe it is the first priority to offer employee education to help them establish a strong set of values to make the business ethics part of our corporate culture. The Ethical Leadership Education is provided yearly for the leader group. Visiting Ethics Class is targeted at the employees working in the departments such as operation, purchase, and outsourcing who directly interact with stakeholders, and 'The Ethics Education with the Executives' is a program where executives themselves teach corporate ethics to employees.

Not only that, we provide ethics classes for those newly hired and promoted and Corporate Ethics e-Learning course for all the POSCO employees, which is a mandatory 5-hour course a year. Corporate ethics website 'Observeur' is published monthly for all the POSCO Family employees including outsourcing partners. Other than that, POSCO is utilizing various channels including pop-up window campaign, in-house journal and broadcasting system to enhance ethical awareness in the workplace.

Building and spreading Ethics Infrastructure

- Determination about ethical management, delivered at the beginning of each year and on June 2, when the Code of conduct was released
- Conducted online by all the POSCO Family employees around the world at the beginning of each year
- Non-ethical behaviors should be reported to executives not just to senior managers, starting from 2011
- Reflecting the results of ethics program in the evaluation for selecting heads of departments, adding ethical practice category to the criteria for appointing employees
- Bribery is reported to the police and disciplinary measures are published on the company's intranet
- Executives and the leaders are held accountable for non-ethical behaviors of an employee and disciplinary measures are taken for their failure of proper management when necessary.
- Achievements in 2011: 266 employees and 18 executives of POSCO and its subsidiary companies were submitted to disciplinary action
- Reports for ethical violations to the Ethical Counseling Center or the Cyber Ombudsman Center on POSCO's website by phone/web/intranet
- Achievements in 2011: award adjustment of compensation up to 1 billion KRW
- Gifts received during the traditional holidays that weren't returned are donated to charities, and those that cannot be donated are sold through internal online auctions and the proceeds are used for social contribution funds
- Achievements in 2011: 222 gifts were returned the proceeds of the material auction totaled 12 million KRW
- All proceeds were donated to charity
- Achievements in 2011: Total proceeds shared roughly at 5 million KRW
- The gift money from stakeholders or fees from lectures outside the company were donated to charities.
- Achievements in 2011: 141 cases, 16 cases of gift money (135 cases of lecture fees) were received and the total amount was over 70 million KRW
- 1 leader for each division (total 123 persons) is appointed to act as ethics ambassador

Reward for reporting non-ethical behaviors (2009~)

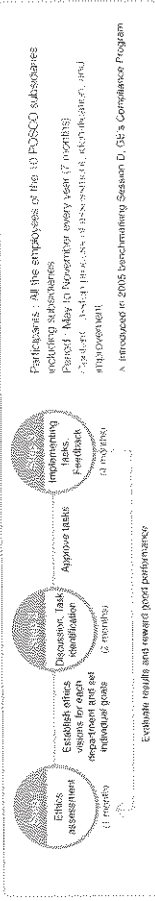
Gift Return Center (2003~)

Wealth sent to congratulate promotion were auctioned as well (2009~)

Donation of the Gift Money and Lecture Fees

Corporate Ethics Practice Leader Program

Process of the Ethics Practice Program



Ethics Management, Growth with POSCO Family

POSCO builds ethics infrastructure to spread ethical management throughout the POSCO Family including its subsidiaries, outsourcing partners, and suppliers. Under the "POSCO Family Ethics Practice Program", all the employees participate in identifying and improving ethical risks under the supervision of the division head. In 2011, POSCO and its 9 major subsidiaries formed the program. The departments and subsidiaries with outstanding results are rewarded and the results are also reflected in the employee evaluation.

POSCO encourages ethical management to outsourcing partners as well, spreading the values of ethical management and providing support. Since 2010, POSCO has provided guidelines for the basic system and infrastructure of ethical management to those outsourcing companies that do not have an internal auditing system yet. Presentations on ethics management have been delivered to suppliers as well as outsourcing partners, including the 2011's regional presentation for 1000 major suppliers and their management to promote POSCO's determination about ethics management and its system. In addition, a special clause on ethics is included when a contract is signed between POSCO and an outsourcing partner, under its consent. The clause institutes corresponding sanctions in case of unethical actions, such as bribery, that occur in the course of transactions.

Risk Prevention at the Global Business Level

Ethical management is an essential element in becoming a true global leader. POSCO supports overseas branches and offices to prevent ethical risks while offering ethics education tailored to the needs of the expatriate employees. The directors of overseas branches and employees to be dispatched overseas were called in to receive education on eight occasions in 2011. Also, programs to foster ethical management have been available for expatriates and locally hired employees. In 2011, staff from the Ethics Committee visited 26 overseas branches in Myanmar, Vietnam, and China, and performed ethics practice diagnosis and education as well as ethics coaching to 180 expatriate employees and local employees.

Moreover, POSCO established and started to execute the "Foreign Corrupt Practices Act Guideline" in 2011 in order to respond proactively to the FCPA (Foreign Corrupt Practices Act). The FCPA is a United States federal law to prohibit corruption and fraudulent accounting for the companies listed on a U.S. stock exchange and its 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 and the Employee's Pledge to honor the Code of Conduct. Exclusive FCPA law is in operation for reporting alleged cases of violation and counseling. In order to ensure FCPA compliance of domestic and overseas branches, intensive courses are provided for expatriates and locally hired employees, soon-to-be-dispatched employees, and subsidiaries and the Family FCPA Compliance Committee was established to review and monitor the results at its quarterly meetings.

Foreign Corrupt Practices Act Guideline (summary)

- **Abiding by the FCPAPA**
 - POSCO employees and executives will abide by the laws and regulations including the Foreign Corrupt Practices Act. In case of violations, complete immunity will not be granted even if the action of lesser wide acceptable as customary and generate accepted business practice
- **Education**
 - Employees and executives who meet officials on a regular basis must receive education on the basic regulations of the FCPA and/or the FCPA Guidelines such as legal and ethical restrictions accompanied when doing transactions with an official.
- **Reporting and Protection of Internal Whistleblowers**
 - When a person has become aware of violations or has suspicions of possible violation, he/she must report to his/her superior, Compliance Committee, or Corporate Ethics Team. The whistleblower who reported an act of violation or possible act of violation must be completely protected as not to be put at any disadvantage in relation to employment or any other matter
- **Penalties**
 - POSCO employees or executives who have violated the FCPA in their course of duties may be subject to penalties in accordance to employment regulations and award/punishment regulations, as can an employee or an executive who has not cooperated with the execution of the FCPA or Guideline. In case an employee or executive has been found for a civil or criminal offense, he/she will not be reimbursed from the company.
- **Prohibitions and Exceptions**
 - No money or anything of value shall be given to an official which benefits the official, except when convenience was offered to facilitate business proceedings that are commonly accepted as customary
- **Third Party Agent and Joint Investment**
 - Even in the cases where POSCO makes transactions with an official through a third party, the FCPA must be observed
- **Internal Control and Audit**
 - Books and records should be kept accurately and fairly to reflect business transactions. Any representations and/or asset dispositions not recorded in the books is strictly prohibited

Human Rights Management

POSCO is committed to protecting human rights across all its products of independent ownership. Our goals are to create work environment where no employees are discriminated against and to grow with all communities are benefit to.

Human rights' Provisions, ○ the Code of Conduct

Iss. of May 2012

Our commitment to our employees.

- We will respect the treatment of each individual and provide equal work opportunities to create an environment where no employees are discriminated against on the basis of their race, ethnicity, gender, age, religion or any other criteria unrelated to job qualifications.
- We will provide a safe and healthy work environment for all employees.

Our commitment to local, national and global communities

- We will adhere to all national laws and regulations as well as to the standards of the International Labor Organization (ILO) and the United Nations Declaration on the Rights of the Child.
- We will respect the traditions and culture of local communities as we work to recruit and grow with local talent.
- We will work with stakeholders to improve on human rights, the environment, safety and health as well as local laws and regulatory standards in every country we operate in.

Human Rights Management based on the Code of Conduct

POSCO upholds its principle of protecting human rights through ethical practices in compliance with its Code of Conduct. POSCO is trying to eliminate discrimination on the basis of alma mater, birthplace, gender, age, or religion and to create a competitive corporate culture where diversity is embraced. POSCO complies with international regulations and local laws and respect cultures and customs of different countries.

Protecting Human Rights through Ethical Practices

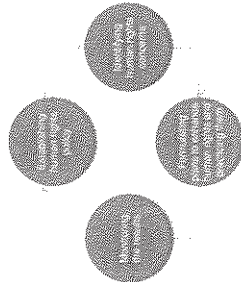
To prevent it from being a mere ideological declaration, POSCO implements the philosophy of respecting human rights through practical systems and campaigns in order to have it embedded in daily activities. The Ethics Counseling Center receives cases where human rights were violated and takes appropriate measures. In 2011, the Ethical Dilemma Casebook was published as well, which introduces possible solutions when faced with ethical dilemmas to help employees to practice ethics at work. POSCO is also actively involved in preventing sexual harassment by developing an e-learning education course and operating a Sexual Harassment Helpline. POSCO's Code of Conduct states, "The company shall not discriminate based on sex in the treatment of the employees including employment, assignment, promotion, compensation, education, and retirement." POSCO abides by the Standards of Child and Compulsory Labor and Discrimination Convention of ILO in all its business activities. Freedom of association is guaranteed at all workplaces in order to promote the employment of the disabled and members of other social minority groups. POSCO runs four social corporations, POS Eco Housing Co., POSPLATE, and Songkase as well as POSWITH, the first government-certified standard workplace for the disabled in the form of a subsidiary.

Human Rights among POSCO Family

POSCO Family employees around the world are at the forefront of realizing the values of respecting human rights in the workplace. POSCO included the aspect of "human rights" into the "Assessment of the POSCO Family's Sustainability Management Competence," implemented since 2011 to raise awareness on international human rights standards among POSCO Family employees and help them better understand the major human rights issues, domestic and overseas.

Major indicators were developed to assess human rights compliance: human rights policy, understanding of the present condition, human rights management of business partners, and the cases of human rights violation. The indicators were organized in a way to help promote human rights protection and evaluate the performance by establishing human rights policy, identifying human rights concerns, formulating plans to enhance human rights and practicing them, and monitoring the results, finally to integrate human rights into business management. POSCO supports subsidiaries through programs where they can share improvements and best practices at home and abroad to raise the overall human rights compliance of the POSCO Family. At the same time, the assessment results will be reflected in creating the POSCO Family Human Rights Code based on the international standards. In 2012, the application of performance indicators will be expanded to include more POSCO Family employees.

Human Rights Compliance Model



1 CASE STUDY

Orissa Project

Prior to starting an overseas business, POSCO strives to clarify the environmental, social and economic impacts it could have on the region and to communicate with the local community to minimize negative impact. After signing an MOU with the Orissa state government for the construction of a 12 million ton integrated steel mill in 2005, POSCO conducted their own evaluation of the environmental, social and economic impacts of the construction of the project. POSCO acquired environmental approval from the Minister of Environment and Forests of India after submitting a comprehensive evaluation report of environmental impact on the infrastructure including port with capacity for 12 million tons and roads, which were more extensive than legally required. Also, we held the National Council of Applied Economic Research of India performance evaluation of social and economic impact on the region.

POSCO strives to grow together with the local community by actively investing in the state of Orissa, which has a great growth potential but economically disadvantaged. POSCO invited the local residents to brief how the state would look like with the project and listen to what they had to say. While making efforts to raise their groundless anxiety POSCO asked the state government for help to keep security for the development project to benefit the local residents most. Also, POSCO organized RPOAC (Rehabilitation and Poverty Development Advisory Committee) comprised of the residents, politicians, NGOs, government officials, and POSCO-India on the basis of the state policy of resettlement.

POSCO finalized the RSR (Rehabilitation & Resettlement) through the resolution of the committee. POSCO's RSR Package is agreed upon by stakeholders of the project and considered offering far better terms than the guideline the Orissa state government suggested in its standard and scope of compensation. In January 2011, the Indian Government carried out investigation and environmental re-approval was made under these conditions: invest 2% of total in social contribution, invest possible areas of coastal erosion and dedicate 25% of the steel sites to green lands. POSCO has conducted an inspection to get a clear understanding about human rights, social and environmental issues around the project in collaboration with POSCO Research Institute in 2012. Based on its results, POSCO will continuously communicate with the stakeholders to carry out the project more effectively with the focus on mutual growth with the community by supporting the economic independence of local residents.

- RSR Package: Compensation Package for Displaced Residents

Table of Progress

Year	Key Events
2005 Jun.	MOU with the Orissa Gov. Compensation
2007 May.	Port environmental approval/cancellation for coastal preservation
2007 Jul.	Environmental approval for rail construction
2008 Dec.	Cancellation for forest preservation from the Indian Gov.
2010 Jul.	POSCO Gov. approves to the Orissa Gov. for forest conversion under the assurance of no person being in the forest area
2010 Aug. - 2011 Jan.	Indian Gov. estimates and conditionally re-approves Environmental approval
2011 May	Indian Gov. approves to the Orissa Gov. for forest conversion under the assurance of no person being in the forest area
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2 CASE STUDY

Family-Friendly Management (Creating Work Environment for Women)

In 2011, POSCO was authorized as a family friendly corporation by from the Ministry of the Gender Equality & Family, POSCO, as a family-friendly company, is trying its best to create a favorable work environment for female workers and to support their growth. POSCO believes it will bring out the fullest potential of female workers contributing to the competitiveness of the company as well as ensuring diversity of the organization. In particular, POSCO helps relieve some of the childcare burden of its employees through childcare centers, and contributes to increasing the birthrate.



- Childcare centers - The day-care centers in Pohang, Gwangju, and Seoul
- Family-friendly program - Supports for female workers to join firms and workshops to encourage networking with others and motivate by learning from each other
- Maternity Leave - Offers maternity leave of up to 2 years, twice the time legally guaranteed
- Monthly Leave for infant diagnosis - Offers a monthly day-off for diagnosis for the health of mother and infant



- 4 teams, 2 shifts per day, balancing work and life
- Allow to raise in "family-friendly" workers
- Create work atmosphere for women competition basis.

- Orissa Gov. submits opinion to Indian Gov. about the two positions (2011.4.14) from the local opposition group.
- Orissa Gov. submits opinion to Indian Gov. about the two positions (2011.4.14) from the local opposition group.

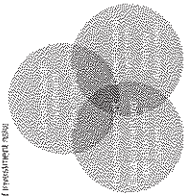
Risk Management System

Actual uncertainty uncertainties in the business environment, POSCO focuses on identifying potential risk factors and identifying them with the best risk managing risks as gaining competitiveness. Through these efforts, POSCO will maintain a friendly relationship with stakeholders and secure the engine for sustainable growth as well as preventing risks in activities.



Improving Growth Capital Investment Risk Management System

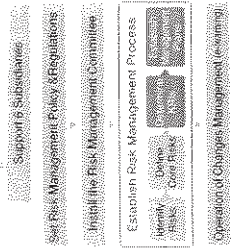
- Special Analysis of Core Business
- Review of investment risk



- Create the Guide for Risk Factors
- Set the standard for target profile of investment project
- Establish management plans for capital investment projects

Establish an Integrated Family Risks Management System

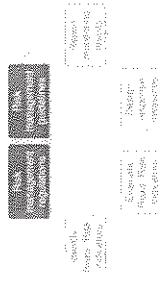
- 2011 ~ 2012
- Establish POSCO ERM System



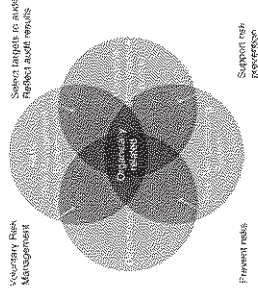
Develop Core Risks Management and Changes Management System (Review on 11/2012, 1/2013, 5/2013)

ISO31000 Certificate (2013)

Risk Management Policy



Organization Chart of Risk Management



Core Risk Monitoring and Management
POSCO categorized core risks into investment, financial, and operational risks, to establish a system where KRIs by each category are identified and reported to the management in a timely manner. At the same time, the evaluation results of risk management is reported to the Risk Management Committee, which can monitor the implementation of the risk management activities in compliance with the company's policy and regulations.

Change Management to Spread Risk Management
POSCO runs e-learning courses and other educational programs to help employees understand the importance of the risk management and actively promotes ERM via various internal and external media and meetings, where employees can exchange information on ERM. All our efforts are to spread atmosphere to manage risks in advance among the POSCO Family

RMS

Establish Risk Self-Controlling System

POSCO built the RMS, a company-wide risk management system in 2004 for efficient management of risks. The system classifies the work process systematically, determines risks by process, and evaluates them according to their grade. Well aware that risk management should start at the site, POSCO is putting the Risk Self-Controlling System in place so that each department can manage their own risks.

RSS helps prevent risks from expanding by immediately sending an e-mail notice as soon as a potential risk is detected. For two years from 2008, RSS reported a total of 110 risk signals in the fields of purchase, sales, investment, service, and operation, and in 2011, more than 40 risk signals in raw materials and outsourcing were reported.

Enhancing Risk Preventive Measures

POSCO accumulates auditing know-how through the audit management system and make systematic efforts to prevent the same risks from recurring. In 2011, POSCO assessed the management of 14 subsidiaries at home and abroad and took administrative measures for the 654 problem cases, worth 2.1 billion KRW. Also, we were able to reduce management risks by assessing and improving the process of new subsidiaries including Daewoo International. In 2012, POSCO plans to expand the management assessment of new subsidiaries and strengthen the prevention of the violation risk of the international anti-corrupt regulations for more effective risk management as it strives to accomplish its vision in 2020.

Internal Control of Financial Report

POSCO has been conducting self-evaluation of internal control since 2004 after establishing an evaluation system of financial reporting process including CEO/CFO approval procedure on internal control, and the operation of the Public Announcement Committee in December 2003.

Internal Control Evaluation System

Internal control and its effectiveness are to be evaluated by the third party to help the management make approval decisions. The management report on the operation of the internal control system every year to the BOD and the Audit Committee in accordance with the law on Corporations and External Audit revised in 2008.

Directions of the ERM System
POSCO built a system to manage growth capital investment-related risks in 2010 and plans to gradually phase in the ERM process to complete an integrated risk management system on the Family level till 2013. Firstly, we enhanced the delimitation process for the new investment to establish growth investment risk management system. Also a set of preventive measures were prepared including the Guide on Risk Factor, especially for investment. At the same time, risk monitoring and responses have been improved through in-depth analysis of the on-going projects and portfolio analysis. Secondly, we established risk management policy and instituted risk management regulations as the primary reference for compliance to set the direction of the 2011 ERM system and express the determination about risk management. Based on that, POSCO is currently establishing a risk management process to proactively responding to core risks.

Risk Management Organization
POSCO is operating the Risk Management Committee, ERM Group, and other departments to help manage risks of subsidiaries to ensure smooth operation and effective monitoring of risk management. The Risk Management Committee is a general consultative body in charge of managing entire business risks, whose responsibilities include deliberation of general directions, policy and regulations, limit and overall planning of risk management and other related issues. The ERM Group establishes an integrated monitor and response system to meet the ISO31000 standards, helps subsidiaries establish their own ERM system on a regular basis, and evaluates risk management activities on the Family level. Risk management organizations of related departments and subsidiaries are responsible for managing core risks unique to their own fields.

Risk Management Process

Focus on Core Risks

POSCO is enhancing its risk prevention by identifying core risk factors and create plans to manage those risks in connection with management strategies and yearly goals. We select core risk of the enterprise through risk pooling and evaluation, derive key Risk indicators from the causal analysis of selected risks, and minimize the occurrence of risks through monitoring and improvement efforts.

Stakeholder Engagement

POSCO's sustainability activities contribute with our stakeholders the leader that our people, that represent such, with stakeholders in 2011. POSCO announced its goal of becoming a Firm of Endearment to all from its management principle from the stakeholder's perspective. Based on this principle, POSCO will strive to achieve sustainable development, growth, together with all stakeholders of the company.

Firms of Endearment

In June 2011, POSCO expressed its determination to become a 'Firm of Endearment', going beyond being a great company to its stakeholders in and outside the company. To this end, POSCO divides stakeholders into six categories of society, partner, investor, customer, employee, and environment based on the "SPICE" model and looks for ways to be loved from each group. We identify action principles by each stakeholder group and practice them to become a firm of endearment.

* Firm of Endearment: A corporate model recognized by Professor Bernard Staudt, who focused five companies being to society, society, suppliers, partners, customers, employees, and environment - rather than just shareholders would have more and called them 'Firms of Endearment'.

POSCO Charter of Firm of Endearment (revised 2011, as of)

POSCO has grown and developed as a Korean national company with the aim of becoming a great, powerful and solid company with global competitiveness. Now POSCO will become a Firm of Endearment beyond being a great company contributing to the sustainable development of society and human welfare by practicing the principles and values of POSCO. We can be by all stakeholders through pursuing business, human, social, and environmental values harmoniously.

Environment

Create Harmony Between Man and Nature

- Believe low carbon green growth for sustainable environment protection
- Efficiency of resource and energy and office environment-friendly technology to take the initiative in the green industry
- Develop new materials and energy to improve the ecosystem and promote more eco-friendly lifestyle and culture

Employee

Practice Human Respect and Encourage Self-Realization

- Develop employees' ability and qualities to nurture them into the best talents
- Consider the balance to employees and help them strike a good work-life balance to improve quality of life
- Practice human respect based on autonomy and trust as well as encourage employees' growth and self-realization

Customer

Support Customers' Success

- Satisfy customers with customer-oriented marketing and trust-based relationship.
- Realize customer value by facilitating their competence and competitiveness.
- Advancing the ecosystem of the market and accomplish sustainable growth with customers.

Society

Serve as Responsible Corporate Citizen for Social Development

- Devotion the local society and fulfill social responsibility to contribute to the society.
- Lead a fair society in collaboration with civic groups and the government.
- Create social value and culture as a free corporate citizen

Partner

Attain Shared Growth as Family

- Ensure fair trade practice through healthy communication and mutual trust
- Foster competitiveness and growth potential of our partners and suppliers
- Establish a virtuous circle of sustainable and inclusive growth to enhance the competitiveness of the ecosystem

Investor

Make Shareholders Take Pride in Investing in POSCO

- Improve management transparency and communication to secure shareholder trust
- Protect interest of shareholders by increasing corporate value
- Raise future shareholder value for sustainable growth

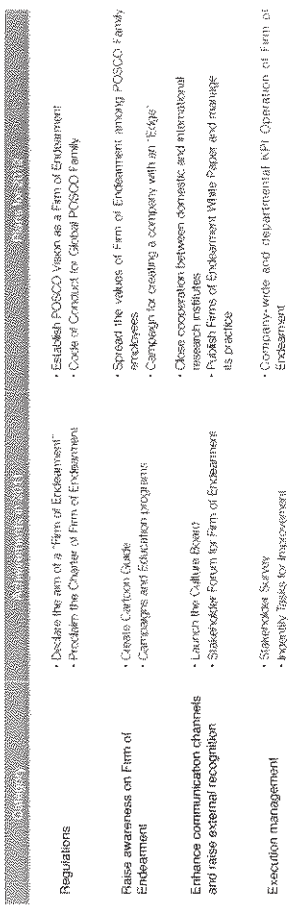
Employee Education and Practice for Stakeholder communication

POSCO established the Bureau for Firms of Endearment to provide systematic support and management of communication with stakeholders. Also, POSCO developed the Firm of Endearment Diagnosis Model and conducted a survey to listen to the voice of stakeholders. Based on its findings, POSCO identified 27 tasks and set action plans for each department. We offered various opportunities for our employees to understand what a 'Firm of Endearment' really means, from Professor Sisodia's lecture, to executive forum discussing strategies, and debate sessions for employees. We encourage gradual changes among employees through various campaigns, and use cartoons about a firm of endearment, which is more fun and easily accessible, to educate employees on ways to realize our vision.

Stakeholder's Network for Communication

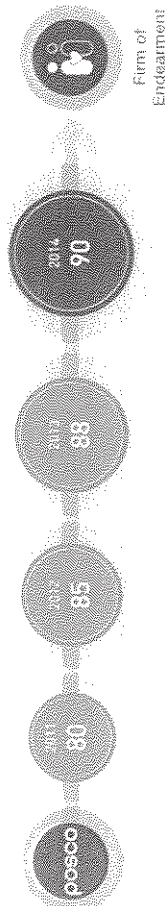
POSCO set up networks in and outside the company for smooth communication with stakeholders about a Firm of Endearment. We launched a "cultural board" to promote the values of a firm of endearment and are currently monitoring, finding best practices, and suggesting program ideas.

In January 2012, we held a stakeholder forum consisting of outside experts to gather opinions from stakeholders on how to become a Firm of Endearment. The forum will be held quarterly to discuss research results and create practice models to spread this concept.



Firm of Endearment Indicators

(Unit: points)



Media Analysis

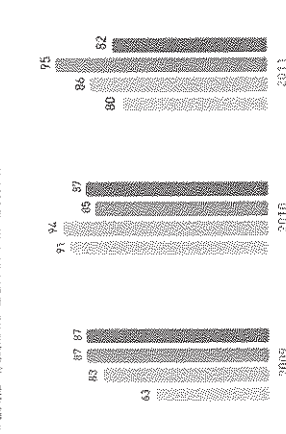
POSCO has conducted media analysis annually since 2005 in order to identify issues of interest to our stakeholders and sustainability management trends. In 2012, among the news articles reported by the domestic and international media from January 2011 to December 2011, 644 Korean articles and 185 foreign articles related to the company were the subject of analysis. They were classified again into four categories of general, economy, environment, and society for time series analysis for the three consecutive years.

After the analysis of the reports with sustainability management key words, we have found that news coverage related to general issues comprised 10%, economic performance 43%, environmental 12%, and social performance was at 29%. The company had a bigger exposure in the economic and social news than other sectors. In particular, there was a lot of coverage in the economy section as sagging market, M&A, and slump in the stocks. Overall, 85% of the news coverage was positive. Positive coverage dealt with expanding to non-steel business as a new growth engine, environment-friendly technologies, benefit sharing for win-win growth, expectations on the M&A, declaration of the vision of "Firm of Endowment," resource development to raise the self-sufficiency rate of raw materials. On the other hand, the delayed construction of the steel mill in India, POSCO being the heaviest energy consumer and lack of consideration of human rights of local residents, were the negative coverage POSCO received. POSCO is looking to take measures to address its weaknesses and minimize stakeholder's concerns based on the findings.

Results of Media Analysis

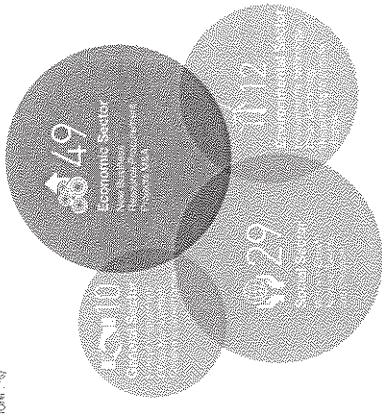
Positivity Level Trends

(General: ■ Economic: ■ Environmental: ■ Social: ■)



Exposure for Each Sector

(Unit: %)



Major Reports by Sector

Sector	Number of Reports	Key Points
General	95(79/16)	<ul style="list-style-type: none"> Firm of Endowment Declaration Focus on Ethics Management Excellent Corporate Governance
Economic	41(35/6/57)	<ul style="list-style-type: none"> Raise self-sufficiency of raw materials by securing resources Reorganize business portfolio by launching new business Develop overseas market Synergy from M&A
Environmental	9(7/2/5)	<ul style="list-style-type: none"> Develop new technologies Shift green business (new renewable energy sources)
Social	24(21/99/43)	<ul style="list-style-type: none"> CSR activities Win-win growth program Employment & social enterprises

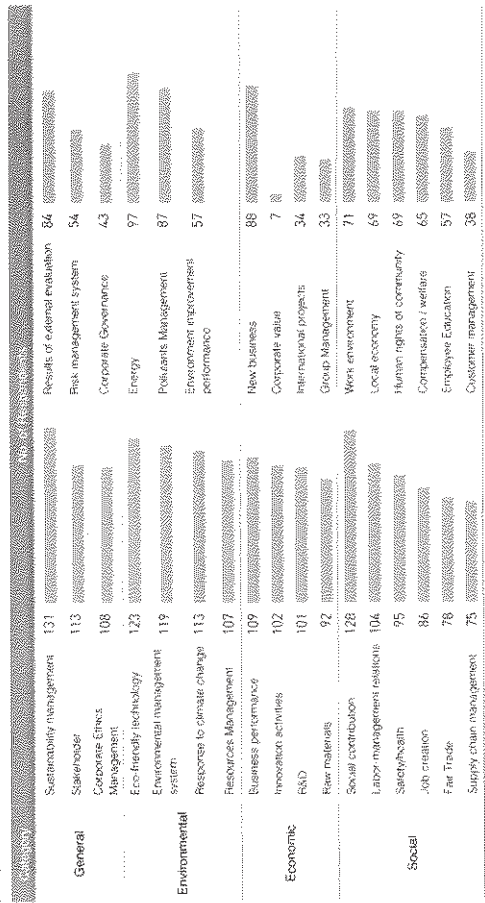
Stakeholder Survey

POSCO conducted a survey to identify major issues and stakeholders' needs. The survey was conducted with 2,500 persons including internal stakeholders - employees of POSCO and its subsidiaries - and our external stakeholders - customers, communities, business partners, shareholders, and the government. The survey consists of 14 questions including the overall satisfaction with the Report. POSCO's major issues for stakeholders, and improvement for POSCO's sustainability management POSCO picked 32 keywords by analyzing media, peer group KPIs, issues at the company's operational and executive meetings prior to the survey to identify stakeholder's interests. The keywords are classified into general sustainability management, economy, environment, and society to create more relevant survey questions, which will be refined through continuous internal and external trend analysis and advice from experts.

The survey showed that in the general sustainability management sector, stakeholders are highly interested in stakeholder engagement as the CEO revealed his firm determination to protect stakeholder's interest shown in the Firm of Endowment Declaration and Charter in the economy sector. They showed keen interest in business performance amid an unstable world economy and worsening market conditions, while eco-friendly technologies, as a potential growth engine in the future, attracted the most attention in the environmental sector. Stakeholders also show continuously high interest in CSR activities with labor-management relationship emerging as a major concern following the implementation of multiple labor union laws. When asked the ways to improve POSCO's sustainability management, one of the respondents suggested the company disclose honesty failures, accidents, and unfulfilled goals as well as successes. Other opinions include, publish how survey findings are reflected in management, and put substance before appearance in creating a report. POSCO will share the opinions gathered from the survey with related departments and be committed to making progress in sustainability management by reflecting every year's findings to the next year's report and promoting changes and improvement.

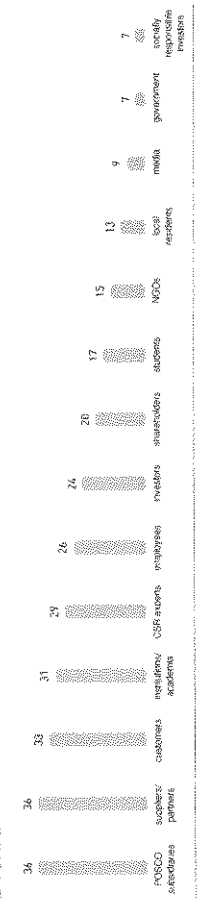
Issues of High Interest by Stakeholders

(Unit: persons)



Survey Recipients

(Unit: persons)



Stakeholder Engagement Activity (Outside Experts Interviews)

As the voluntary International Stakeholder ENG. GUIDE (2010) guidance for social responsibility was published, stakeholder engagement is considered a core activity of sustainability management. POSCO conducted interviews with 10 expert representatives of different areas to understand our stakeholder's perspectives on major subjects of the company and listen to the expert advice for improvement.



Angela Joo-Hyun Kang
CEO, Global Competitiveness
Empowerment Forum

POSCO, as a company with rich CSR activity experience and assets, needs communication with stakeholders through substantial reports.

POSCO has been involved in a wide range of CSR initiatives. In particular, it has set good examples for domestic and international corporations in the social contribution sector by carrying out programs to embrace ethnic, religious, and cultural diversities based on its principle of multicultural management. The current report will be an important indicator showing POSCO's efforts and activities.

However, I want to point out that it would be even better if POSCO can display its various activities in a more effective and systematic manner. POSCO's CSR activities are introduced around SPICEE but it is hard to grasp the point at a glance. Simply listing its activities is not enough. POSCO need to arrange activities and performance of each department more organically, and deliver a clear message through systematic framework and intuitive storytelling, and employ a more strategic and focused way of communication to be well received by each group of stakeholders.

What is most important is to present the possibility of creating new business opportunities beyond risk management in the social and environmental sector. It is ideal to contain the determination and strategies of the company toward sustainability management of the next generation. I sincerely hope POSCO complement these problems to enhance the internal and external strategies for CSR communication.



Kwon Youngsul
Yonsei University, Manager,
Eng. Director

It is time for changes and innovation for sustainability management through maximization of in-house resources with potential.

POSCO has a diversity of programs for stakeholders. However, it can be mistaken as those just for a region or the nation. In fact, a giant corporation like POSCO should have more things to give to the world through its R&D efforts. For example, how about developing a super-light folding wheel-chair as the population is aging fast? It would make more people's life easier. Or how about reducing the weight of plates for cars to cut CO₂ emission as a result? It would make the air we breathe cleaner. I believe these are true social responsibilities large corporations need to take seriously.

Now is the time to grab opportunities and prepare for risks. Companies need to be prudent but agile at the same time. In this era of rapid change, hesitate for a moment and POSCO is out of business. It is dangerous if POSCO does not optimize your potential resources. Maximizing profits and optimizing efficiency can not be achieved without thorough preparation.



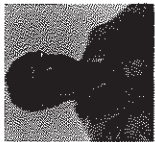
Professor Kim Gyeongmook
Daegu Women University,
Business Administration Dept.
Chairman

You need to turn the non-financial values of a Firm of Endearment to its social responsibility into financial ones.

First of all, the report offers excellent in-depth analysis in various fields. But I'd like to point out that the link between the company's vision, goals, and action principles with its business is rather weak. In particular, POSCO need to look for ways to connect CSR activities with business strategies. Simple donations or philanthropy is not enough to meet social responsibilities as a Firm of Endearment. Its CSR should be closely linked with business activities.

In this sense, it is critical to find CSR activities relevant to the company's business. One good example is POSCO's "benefit sharing." The system helps resolve negative images of Korean large conglomerates and establish Win-Win relationships with its partners. POSCO is able to present the system as a global standard.

In addition, there seems a lack of analysis on how POSCO's non-financial CSR activities are related to the company's profit-making. POSCO need to analyze how individual activities are linked to contribute to the ultimate financial performance. This is not an easy task. Still, I'd like POSCO to develop indicators which can quantify and objectively each activity. It is very significant to show the connection between a firm's social contribution and its stock price and financial statements.



Professor Rho Hanbyoung
Yonsei University, Business
Administration Department

CSR is a continued process, not completed. It is important to reach internal and external consensus around the vision.
POSCO's sustainability report is advanced as it is trying to look at changing social issues in a different perspective. However, you must not stop there. POSCO need to keep asking why the changes happened and how you would respond to them.

POSCO has released the Sustainability Report for 8 years and it is not enough to evaluate it by its contents only. What matters now is for whom POSCO create the report. It should be understood by the outside stakeholders while its findings are reflected to the company's policy and management decisions.

What penetrates all these is the corporate mission and vision. Corporate vision can vary depending on the business environment and policy changes. I believe the sympathy with internal and external stakeholders on a corporate mission and vision is the most important asset of a firm. This also is what CSR is all about. An organization can last in society through CSR activities based on a shared vision and mission with its stakeholders.

I want POSCO to reestablish itself as a company investors want it to be through multi-faceted efforts.

To like to talk about POSCO in several respects as an investor. First of all, in terms of corporate governance, POSCO is doing well. However, it seems that POSCO selected its outside directors mostly based on their names. I doubt that they can spend enough time to consider the BOD's agenda due to their busy schedule. Outside directors are key elements for investors to evaluate a company. Strategic arrangement of terms and a transparent payment system are also needed.

In the economic respect, POSCO has failed to predict market trends for many years. It is nothing more than a lame excuse to say one could not project the global recession. Stock prices slumping is not welcome news for shareholders. POSCO needs to respond more proactively. In the social respect, POSCO should adopt a new set of cultural values: non-authoritarian, flexible, soft, and transparent. Also, more efforts are needed for win-win growth. I think both fair trade and mutual cooperation are required to achieve win-win growth, and the former should come first. A successful business should be able to look 100 years ahead environmentally. POSCO also needs to cut CO₂ emissions during the production process by using the existing Finex technology as well as developing renewable energy sources and other eco-friendly technologies.

I ask POSCO to communicate with more precise facts and indicators for sustainability management.

POSCO's sustainability management activities have focused on the environment and CSR. However, POSCO should be able to make sustainable growth as a corporation in the market economy and create world-class products and services and gain market dominance and global competitiveness. These are key factors to determine a company's sustainability for which we need to prepare contents and indicators.

POSCO aims to become a Firm of Endearment and make a commitment to achieve the goals set in each department. I'd like to see these in the report. Also, Firm of Endearment indicators need to be presented by each group of SPICEE. Sustainability management of CSR activities should not just meet legal and institutional standards but go further to match ethical and moral standards. And the relevant activities should be dealt with in the report as well.

When it comes to the transparency of corporate governance, it would be better to provide facts about the independency and transparency of the BOD in its composition and operation. I think the RMS section is better organized than most other companies. But the general tone of the report is rather advocacy. It should be more about giving facts. POSCO need to think about who will read the report and what they would want from it. If you think it is just some chore you need to deal with every year to submit, it would not be easy to communicate effectively with society through the report.



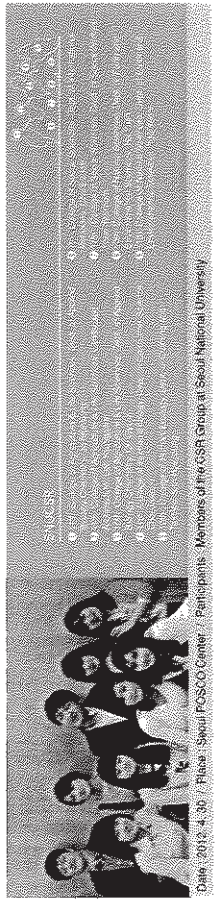
Ryu Youngjae
CEO, Samsung Co., Ltd.



Professor Park Ohsoo
Seoul National University, Col-
lege of Business Administration,
Dean

Stakeholder Engagement Activity (University Students Talks)

POSCO had stakeholder talks with university students to gather opinions from our next generation leaders. We will take our sustainability management a step forward by incorporating some fresh ideas of college students. The list below will university students was joined by the CSR Group of Seoul National University and many discussed feedback on POSCO's sustainability management report and ways to improve sustainability management activities.



66 Corporations aim to accumulate wealth. I think a business should add social values while making profits in order to accumulate wealth sustainably and effectively.

Suh Pyeonguk - As numerous outside evaluations show, POSCO has an excellent sustainability management system. However, POSCO does not seem to make enough effort to promote what it is doing. Will it reveal its strengths better if POSCO describes its advantages differentiated from other companies?

Yoon Yeongsun - In this sense, it is important what belief a company has when pursuing sustainability management. POSCO has many slogans such as Firm of Endearment or visions, but it is not enough to reveal its own characteristics. It just makes POSCO look like a stable company without any special feelings.

Lee Youngseon - Still, we cannot deny that its sustainability management report is more substantial than those of most other companies. I know that POSCO has many cases of best practices, but not all the programs can be successful. If POSCO is willing to share its failures as well, it will be able to truly join the ranks of global leaders.

Kim Yeonja - One thing I'd like to point out is that the report needs to be easier to understand for better communication. POSCO's sustainability management report contains technical terms in steel and environment making it difficult to read.

Choi Jaesun - It is hard to digest the environmental statistics to understand how it will impact our lives. Some numbers we can compare with will surely help.

A company with its management principles based on human respect and its employees, has limitless potential. Being a Firm of Endearment starts with the employees. A company, not loved by its employees, cannot be loved by anyone else. Merit would it be sustainable. Employee happiness comes before anything else. POSCO need to respect employees to realize the corporate values. The following conditions need to be met to become a company which respects human rights.

First, POSCO needs to admit performance is measured in more than one dimension. Just like you cannot compare the values of profitability with those of a person's happiness, performance of each stakeholder cannot offset each other. We need to understand the difference of each group of stakeholders and come up with different criteria to evaluate them. Second, we need to create the kind of corporate culture where employees can reach their full potential as well as providing employee education to help enhance individual capability. Individuals can only seek happiness at work by getting involved in the process of achieving something meaningful. To help everybody demonstrate their abilities is the first step to practicing human respect. Third, based on the previous two conditions, POSCO need to establish a healthy organization where employees are willing to work hard.

I wish POSCO to implement responsible human rights management through effective guidelines. I think POSCO's sustainability management report is relatively substantial compared to that of other domestic corporations. It means that it is more than a promotional pamphlet. In the report published several years ago, POSCO briefly mentioned relevant facts such as human rights issues of the subsidiaries made news. I was impressed with POSCO's effort to do what a sustainability management report is supposed to do. In this year's report, the "Media Analysis" matrix was getting attention. Classifying various corporate issues into positive and negative, POSCO seems to be committed to delivering facts as it is.

In early March of this year, the center for good corporations sent an opinion letter regarding POSCO's Onesa project, which unfortunately was not reflected very well in the report. It certainly has been upgraded from the previous ones; still details - as the center recommended to include - were not covered enough. It would have been better if more controversial points had been reported in detail. Also, I wish POSCO to prevent non-financial risks of overseas investment through more effective guidelines.

POSCO needs a new environmental communication strategy, easy for non-professionals to sympathize with and more than just delivering information. Most Korean corporation's sustainability management reports seem to have clear limits in communicating with stakeholders. In many cases, they look like no more than a pamphlet for advertising. POSCO apparently made efforts to go further than that. With expert interviews as well as substantial content, I think POSCO is doing pretty good with the content of the report and practice.

The environment section shows POSCO paying more attention to its partners than the previous year through various initiatives including Family environment management, which is well represented in the report. It is a remarkable progress even considering that POSCO has been creating sustainability management reports for many years. On the other hand, it tends to be difficult for non-professional readers to understand with all the technical terms and numbers. There are several ways to make environmental data more accessible: by using numbers average readers can relate to, or using story-telling to show improvement. For example, POSCO can describe the effect of greenhouse gas emissions in the number of trees POSCO'll save. Also, I suggest publishing a digest report of around 20 pages along with the main report.

Media is as important as content. You need to communicate the quintessential POSCO spirit sincerely. POSCO's sustainability management report is good in content but there is room for improvement in delivery. A good amount of information about the company has been presented in detail. I think you need to think harder about the format of the report to deliver the message more clearly. One of the important codes of the modern society is "sincerity." It is not working if stakeholders get an impression that its CSR is commercial. This is not about content, but about packaging. Some policies introduced in the report left something to be desired. In fact, Firm of Endearment or POSCO 3.0 is not a new concept, at all. It is popular concepts a group of scholars advocated before POSCO adopted them.

POSCO has its own "DNA" or slogans such as, "Right Turn spirit" and "Help the nation through steelmaking." The message is delivered more effectively when it is consistent. I think it should be applied to communication of its vision and policy directions. We are coming to the age of trans-media, via integrated media and cross media. I hope you will take a step closer to stakeholders, going beyond your CSR activities. Also, I recommend that POSCO keep looking for ways to promote sustainability management through SNS and other apps.



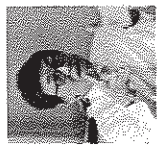
Professor Bae Joongsuk
Hanyang University, College of Business Administration



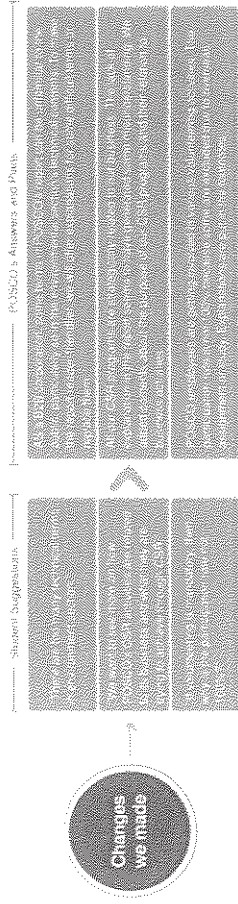
Yu Jung
Center for Good Corporations, Manager



Eun Jonghwan
Econim, CEO



Professor Chang Daeryun
Yonsei University, College of Business Administration

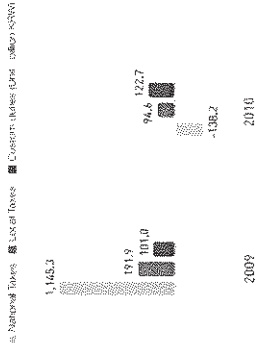


Activities and performances by Stakeholders (SPICEE)

Society

- CSR Committee
- Social Contribution Activities
- Policy/Gwangyang Community Cooperation Team
- Community engagement
- POSCO Newsletter
- Corporate image research
- RICO Day
- Sustainability Experts Forums

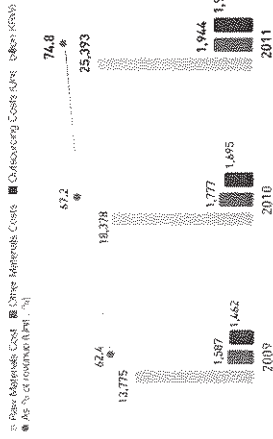
Total Taxes Paid



Partners

- Suppliers
- Suppliers Relationship Management (SRM)
- Win-Win Growth Committee Growth Committee
- POSCO Family Suppliers' Management Exchange Meeting
- Outsourcing Partners
- Inter-departmental face-to-face meetings
- Management exchange meetings

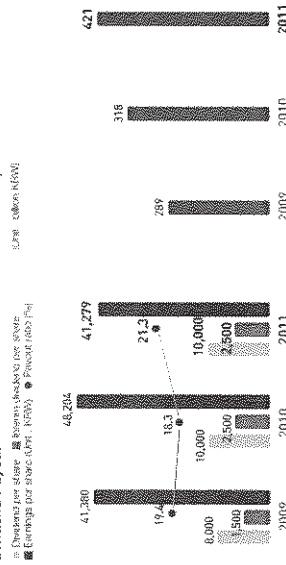
Purchase Cost



Investors

- CEO Forum (yearly)
- Earnings Release (quarterly)
- Disclosure (website)
- Face-to-Face Meeting
- Visiting Research for Credit Assessment

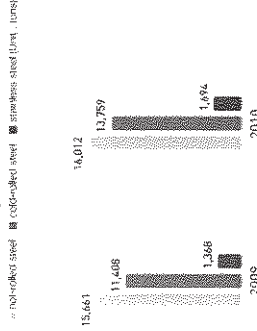
Dividend Payout



Customers

- Customer Relations Management System (CRM)
- Customer Satisfaction Research
- Joint Research/Early Vendor Involvement (EVI)
- EVI Forum
- Frequent Management Exchange Sessions

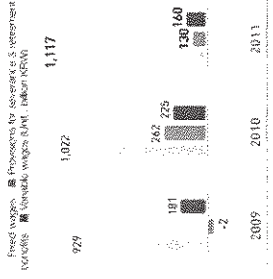
Sales Volume by Products



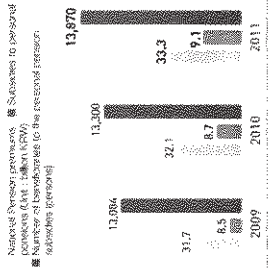
Employees

- Labor-Management Council
- Young Board - Labor Board: promote communication among employees
- Talk Channel for long-term (Suggestion Bulletin, POS-B, Policy Challenge)
- HR (POSCO's internal SNS)
- Internal blogs
- HR Business Forum
- Employee engagement surveys
- Occupation Meetings

Wages



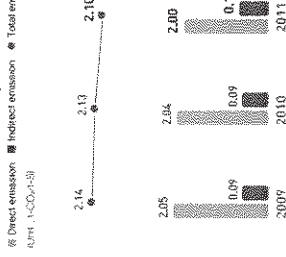
Pensions



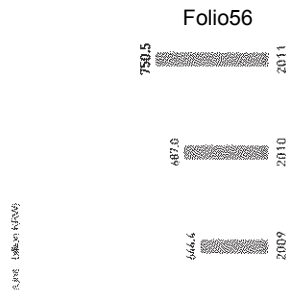
Environment

- Environmental Digital Monitoring System
- Environment Improvement Council (Gwangyang)
- Environmental Information System
- Steel Conference, Environmental Technology Forum
- POSCO Green School
- Carbon Report

CO₂ Emissions Intensity



Environmental Cost



Sustainable Management

We create the world where we grow with society, communicate with people, and become one with the nature. POSCO strives to fulfill its social responsibilities paying close attention to the effects of the steel industry on the economy, society, and the environment. We are pursuing sustainability management as a corporation in the transparent and ethical corporate culture and practicing the principles of environmental protection and respect for human rights. POSCO has a dream to become a "Firm of Endearment" by all the stakeholders, leading the green age as a global leader of infrastructure around the steel industry and contributing to humanity. Our journey will continue with our dreams close in sight.

Firm of Endearment
posco

Partners

Investors

Customers

Employees

Society

Environment



Green Movement

The environment is where people build a happy and beautiful world in harmony with nature. POSCO believe, the greatest value for the future generation lies in preserving our planet earth. POSCO constantly seeks to internalize environmental goals in its daily management activities. We declared POSCO Family Environmental Management Directive in December 2010 and proclaimed POSCO Charter of Firm of Endeavour in June 2011, spreading environmental management throughout the POSCO Family. We are creating the green future of the earth through various initiatives to minimize environmental impacts on community, preserve ecosystems, save energy, and increase energy efficiency.

About Environment

<p>Team</p>	<p>Environmental Management</p> <ul style="list-style-type: none"> Global POSCO Family Environmental Management <p>Global POSCO Family Environmental Management Activities</p> <ul style="list-style-type: none"> Held the 1st environmental Management Committee in December 2011. 18 Domestic subsidiaries acquired the ISO 14001 certification. Held the 1st POSCO Family Green Management Award Ceremony Developing Financial Performance indicators related to Environmental Management (to be applied after 2013) <p>Environmental Management Performance</p> <ul style="list-style-type: none"> Water Management : maximizing Reuse of Discharged Water (Recycled water : 9,000 tons per day at Pohang Works, 20,000 tons per day at Gwangyang Works) Air pollution : reduce fine dust emission at steelworks by 40%, those from the dust collector chimneys by 50% Resource Management <ul style="list-style-type: none"> Recycled 98.3% out of 26.83 tons of byproducts. Built a slag-powder factory, capacity 1ml. ton per year, at Gwangyang Works in July 2011 Exported 25,000 tons of granulated slag to Taiwan for the first time in July 2011 	<p>Preserve Biological Diversity</p> <ul style="list-style-type: none"> Awareness raised on the importance of preserving biodiversity at home and abroad. <p>Preserve Marine Biological Diversity</p> <ul style="list-style-type: none"> Developed steel slag marine forest, Triton to restore marine ecosystem. Artificial fishing reefs made of steel. Restored coral reefs using steel slag. Restored mangrove forests. <p>Cleaning the Ocean</p> <ul style="list-style-type: none"> Retrieved polluted sediments using steelmaking slag. Launched the 'POSCO Volunteers for Clean Ocean.'
<p>Performance</p>	<p>Response to Climate Change</p> <ul style="list-style-type: none"> GHG/Energy target management <p>Implement GHG/Energy Target Scheme</p> <ul style="list-style-type: none"> Submitted action plan to achieve the target, December 2011. <p>Green Steel</p> <ul style="list-style-type: none"> Offer incentives according to GHG emission reduction performance of the operational department at steelworks since January 2011. <p>Green Life</p> <ul style="list-style-type: none"> Staged Green Walk Campaign : participated by 5,562 families from 36 companies, 2011 <p>Green Business</p> <ul style="list-style-type: none"> POSCO Power completed a stack module plant, a core facility of the fuel cell production system (March 2011). POSCO CHEMTECH completed secondary battery anode material plant with annual production capacity of 2,400 tons. 	<p>Environmental Commitment</p> <ul style="list-style-type: none"> International cooperation and exchanges with the community <p>Environmental Activities</p> <ul style="list-style-type: none"> Signed an MOU with SMEs to support environmental management and conducted programs (since April 2011). Resident environment Monitoring Group at Pohang Steelworks (2nd term) in addn. External performance of the environmental management in 2011: <ul style="list-style-type: none"> Ranked 30th in the Global 100 Most Sustainable Corporations by the Doves Forum Selected as the leading company in sustainable management by S&M(JSI) for the seven straight years. Named as a top Asia-Pacific company and the best Korean company in Carbon ranking by the Environmental Investment Organization (EIO)

Circulation of Resources throughout the process producing one ton of steel

Steel is an eco-friendly material, both safe and innovative and can play a key role in resource recycling in the upcoming age of green economy. In this respect, the steel industry will become a core engine of the world's green economy.

Steel Industry, Infrastructure for the World's Green Growth and Core Engine for the Future

The steel and related industries create a great number of jobs and contribute to the stable growth of the global economy.

- **Core sustainable material in the green economy**
Steel is the best green material that fits the new global paradigm of "low-carbon green growth" toward the economic growth with less pollution.
- **Used everywhere in our daily lives**
Steel is a basic material, versatile and convenient and its use is expected to expand even further with its eco-friendliness and usefulness in the green future.
- **A Progressive Industry, safe and innovative**
The steel industry is an innovative and progressive industry pulling focus on the safety and health of its workers.
- **Life Cycle Assessment, New solution for the green economy**
In the green economy, life cycle assessment will determine the competitiveness of a material. Steel is an eco-friendly material throughout the life cycle including design, production, manufacturing, use & maintenance, recycling and discharge process.

Eco-Friendly Steel

Consumed over 1.3 billion tons a year throughout the world, steel is used in most industries including automobiles, ships, construction, semiconductors, home appliances, and various machinery and parts. Not only that, steel is used as basic material for the green environment such as high-efficient automotive steel sheets, renewable energy sources, smart grid, and high energy-efficient housing complexes. Steel is an eco-friendly material in which production cost is relatively low and can be fully recycled, and the recycling rate of steel products such as automobiles and cans is 76%.

Energy efficiency
The reduction rate of energy used to produce one ton of crude steel for the past 30 years

50%

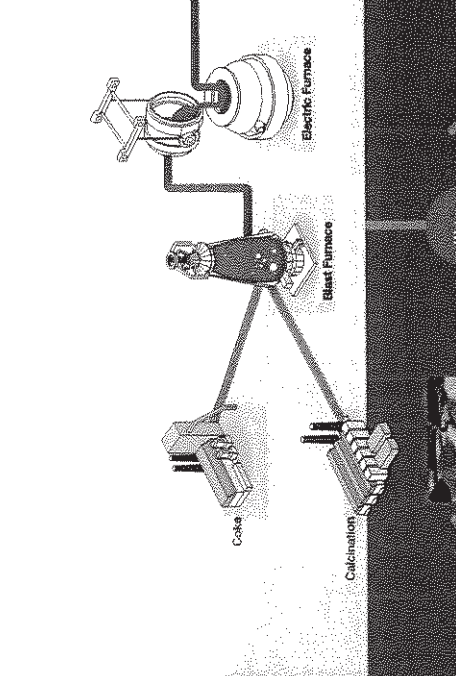
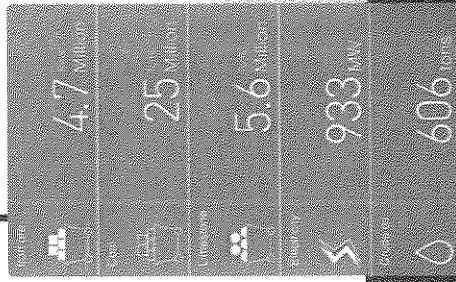
Use of by-products
Recycle by-products of steelmaking as materials for road and building construction

Recycling
The recycling rate of steel products such as automobiles and cans

76%

Use of finished steel
Utilized as green materials for new renewable energy sources and high-efficient buildings

Input



Output



98% Recycling rate of byproduct gases

29% Used in-house

69% Used outside

2% Incinerated

2% Discharged

CO₂ emission from transportation of purchased raw materials

1,070 thousand tons

CO₂ emission from E-employees commuting and Business Trip

8,078 thousand tons

CO₂ reduction effect in society due to expanded supply and usage of energy efficient steel products in 2011

High strength steel sheet for automobiles

631 thousand tons CO₂

Low carbon electrical steel sheet

2,600 thousand tons CO₂

Galvanized blast furnace slag

5,021 thousand tons CO₂

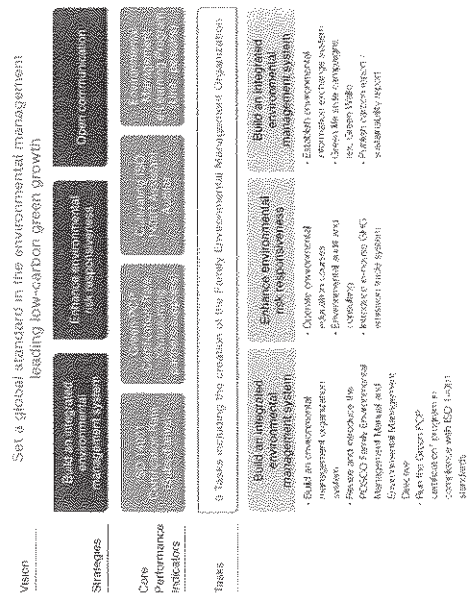
What are POSCO's strategy and plan to practice environmental management?

As POSCO's business expands a comprehensive environmental management and environmental risk management has been implemented at the POSCO Family level in order to establish an environmental management system that includes subsidiaries, suppliers and outsourcing partners, the POSCO Family Environmental Management Directive was issued with the CEO of POSCO and presidents of major Subsidiaries attending in December 2012. POSCO also established vision, strategy and action plans to implement the directive. Recognizing environment as the core element of its management strategy, the POSCO Family established three key strategies (building an integrated environmental management system, environmental risk management, and open communication) and nine implementation tasks including leading low-carbon green growth, and raising eco-efficiency.

POSCO Family Environmental Management Directive (Revised in December 2010)

- Recognizing the environment as the core element of our management strategy, we will create a business plan to implement the environmental management system, ensuring environmental integrity based on technology development and open communication.
- Build a family-wide environmental management system based on ISO 14001 and set clear global leadership.
- Comply with environmental regulations and continue to improve the entire process in coordination of the environment.
- Minimize the discharge of contaminants by adopting cleaner production methods and implementing the best available control technologies.
- Capitalize on natural resource and deploy it efficiently to establish a resource-circulating society and improve ecological efficiency.
- Lead low-carbon green growth by using clean and energy sources and implementing green technology.
- Discipline our environmental management performance to secure management transparency and sustainability.

POSCO Family Environmental Vision/Strategy/Action Plan

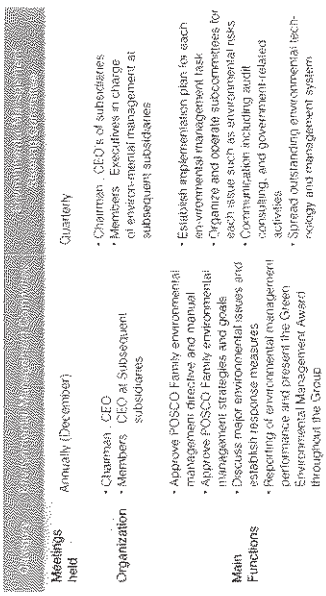


Organization

Chaired by the CEO, POSCO operates the Environmental Management Committee, consisting of presidents and executives 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 environmental and energy strategies at the POSCO Family level. The Committee oversees the whole process and shares detailed action plans and results of the activities to establish a global environmental management system at the Family level.

The draft mid-term plans discussed at the Committee are evaluated and decided upon together with the mid-to-long-term business strategy at the Management Committee (expert committee under the Board of Directors). At the monthly Enterprise Management Meeting and Executives Meeting chaired by POSCO's CEO, environmental performance is examined with other management issues.

Organization of Environmental Committees



Environmental Management Achievements and Plans

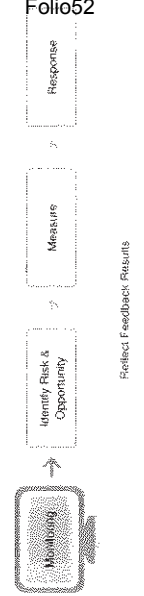
In December 2011, POSCO held the 1st Environmental Management Committee, chaired by the CEO, to share our progress and the achievements of Environmental Management in POSCO Family. As 18 out of 28 major subsidiaries acquired ISO 14001 certification by 2011, we plan 10 additional overseas operations to acquire certification until 2012. As for SMEs, POSCO developed Green POSCO Certified Partner (Green-PCP) program, a voluntary certification program, and 95 major outsourcing partners and suppliers are planning to acquire the certification until 2012. In order to enhance environmental risk responsiveness, POSCO supports subsidiaries with environmental education courses, training ISO 14001 experts, and conducting environmental audit and consulting programs.

In December 2011, POSCO announced 'Green Environmental Management Awards' for subsidiaries with outstanding environmental management performance. We hope this annual award will motivate employees and share best practices of the awardees with the rest of the POSCO Family. With the goal of applying financial performance indicators related to the Family environmental management activities after 2013, we are in the process of developing indicators and conducting researches to validate its applicability.

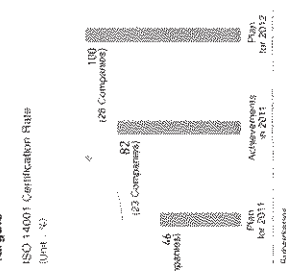
Environmental Risk Management

POSCO has an internal management system in place to identify, analyze, and manage environmental risks and opportunities. We follow closely rapidly changing international trends including global environmental regulations and understand its impact on business management while conducting regular inspection of air, water, and ecosystems around our steelworks to learn the environmental impact on POSCO's business activities - addition of domestic and overseas operations, production - and managing environmental data through a real-time monitoring system.

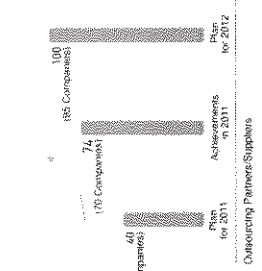
The findings of the analysis are reported to the Environmental Management Committee, chaired by the CEO, to be reflected in the mid-and-long term business strategies and investment decisions. We will resolve the risks and share the results in connection with environmental technology consulting, environmental risk IPT, and the Family Environmental Management community activities.



POSCO Family KPI Performance and Targets



Green-PCF Certification Rate



What are POSCO's environmental management activities and achievements?

POSCO is conducting a regular evaluation of the environmental water and other environmental activities and achievements. POSCO is conducting a regular evaluation of the environmental water and other environmental activities and achievements. POSCO is conducting a regular evaluation of the environmental water and other environmental activities and achievements.

Procedure of Environmental Impact Assessment (EIA)



Managing Environmental Performance

POSCO has been running an ERP-based environmental management system (POEMS; POSCO Environment Management System) for the systematic management of environmental data since 2001. The environmental data collected through the TMS at the Pohang and Gwangyang Works is transmitted in real-time to the local government and the Ministry of Environment. Major environmental indicators are displayed on the electronic display located outside the plant so that local residents can see them as well. POSCO acquired the ISO 14001 certificate in 1996, and internal and external audits are taken annually. Environmental management as part of the POSRIA 3.0 campaign is restructuring inefficient parts of the system and integrating scattered elements.

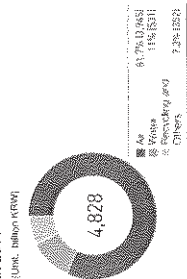
Environmental Accounting

Since 2005, POSCO has been operating an environmental activity costing system based on the ABM (Activity Based Management) method to simultaneously analyze costs and environmental benefits in accounting. It is designed to simultaneously analyze costs and environmental benefits from energy recovery and turn by-products to resources and provide information to major stakeholders as well as each department. Investment in environmental facilities in 2011 was 482.8 billion KRW, taking up 12.9% of total equipment investment. 701.8 billion KRW was spent in maintenance and operation of the environmental facilities. As a result of our continued focus on improving the environment, POSCO invested a total of 5,077.7 billion KRW since its establishment. This amounts to 9.7% of total equipment investment.

Environmental Cost

(Unit: billion KRW)	2011	2010	2009	2008	2007	2006	2005
Operation cost of environmental facilities	2,371	2,683	2,591	2,400	2,200	2,000	1,800
Processing, transportation, incineration/landfill, outsourcing treatment of byproducts	2,158	2,208	2,253	2,100	1,900	1,700	1,500
Depreciation	1,425	1,527	1,169	1,000	900	800	700
Duplication expense of environmental facilities	338	407	313	250	200	150	100
Environmental R&D expenses	133	170	119	100	90	80	70
Byproduct gas collection, Hot water, steam, energy collection and electricity collection expenses	519	510	314	250	200	150	100
Total	6,944	7,505	7,018	6,500	6,000	5,500	5,000

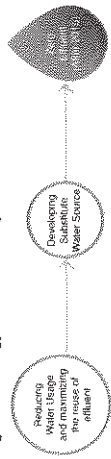
Environmental Facility Investment in 2011



Water Management

Stakeholders are getting more interested in the potential impact of business activities, especially from water usage. Recognizing the importance of water resources, POSCO conducted an analysis on risk factors that water may have on business. As a result, POSCO established mid-to-long-term water management strategies and has been practicing them to reduce the risk of water shortages and secure the stable supply of water. POSCO participated in the Water Management Project by the WSA from 2007 to 2011 to have a better understanding about the world-wide water usage trend, risk and opportunity, and to benchmark waste water treatment technologies of the global steel makers. Also, POSCO has been active in the WBCSD sharing useful information such as guideline on SCM water management and WBCSD Water Tool. We have been participating in the Water Disclosure program of the Carbon Disclosure Project with an aim of helping investment organizations, corporations, and governments to realize related risks by providing information about corporate responses to climate change for three years since it first started in 2010.

POSCO Mid-and-Long Term Strategy for Water Management



Reducing Water Usage

POSCO is committed to enhancing water saving awareness by various plant activities such as staging campaigns and sharing the best practices of leading steel mills. The water usage and discharge data for each plant is analyzed and assessed by specialists to identify areas that need improvement, and used as basic data in activities to reach optimal water efficiency. Gwangyang Works is committed to reducing more than 10% of its water usage by 2013 through water reclamation as well as decreasing water usage. We are looking for ideas and put them into practice to cut water consumption while improving the wastewater discharge process and installing a rainwater harvesting system.

Activities to Maximize the Reuse of Effluent

In order to increase the use of discharged water, Pohang Works plans to collect wastewater from rolling separately for low-chlorine and high-chlorine water, treat them separately, and then reuse 6,000 tons daily beginning from the latter half of 2011. Meanwhile, Gwangyang Works is recycling more than 20,000 tons daily after treating relatively clean wastewater including alkaline wastewater from cold rolled mills. With a goal of reusing more than 50,000 tons daily, the steelworks is committed to find ways to recycle water from Donghwan and discharged water from the sewage treatment plant through RIO treatment.

* RIO : Reverse Osmosis

Developing Substitute Water Source

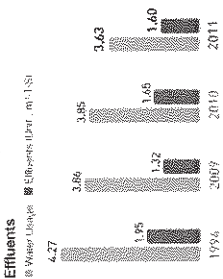
POSCO completed the desalination pilot plant at Gwangyang Donghwan in December 2010. Studies on RIO technology that enable optimal facility operation are currently under way, which will be used in building the zero discharge system in the future. Also, we have a plan to recycle sewage from Pohang City for industrial use in collaboration with the government. Due to the lack of wastewater recycling facilities in the nation, most of our treated wastewater is currently used to clean sewage plants or for agricultural use and river flow management. All these efforts are expected to resolve the water shortage issue of the steelworks.

Pohang Steel Works formed an eco-friendly habitat for marine life on the Seorungwon wastewater recycling plant. The ecological habitat, 1,800m in length, 10-15m in width, and placed in water 2-4m deep, is designed to restore fishery resources effectively. Construction began in October 2010 and finished in March 2011. In the habitat, two snag fish reefs and three snag bags, with transparent nurseries, nurturing marine life and purifying water. As a result, now a green variety of marine life such as the mullet and black porphy are being healthy.

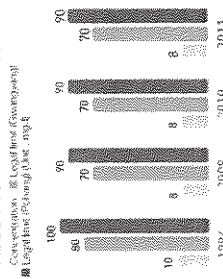


Water Treatment Facilities

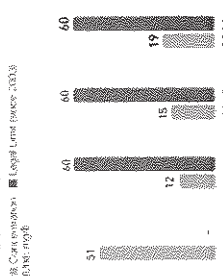
Water Intake for Operations and Effluents



Final COD Concentration in Effluents



Final T-N Concentration in Effluents



Air

Pohang Works is implementing the "fine dust reduction task in iron & steelmaking" to reduce the fine dust emission at the steel works. The key activities include reducing dust from the raw materials yard, roads, transportation equipment, as well as dust from equipment and chimneys, and installing the vortex type dust net for the first time as a domestic steel maker and pulling water sprinklers in place on major roads around the steel works. Also, POSCO installed additional dust collectors and controlled dust in a closed environment to prevent it from scattering. As a result of the entire project that cost approximately 150 billion KRW, fine dust concentration at the steel works decreased by about 50%, compared to that of 2007. By 2014, additional silos with a capacity of 180,000 tons will be added to the current fine dust reduction system.

17 industrial sites in the Gwangyang Bay region, including Gwangyang Steel Works, have been involved in the 1st Voluntary Agreement for Air Pollution Reduction in the Gwangyang Bay Region along with the Jeollanam-do Office and the Ministry of the Environment. As a result, POSCO has reduced air pollutants by 15% using the standard from 2003, surpassing the agreed reduction target of 13%.

* Vortex type windscreen: Provides better erosion against wind by 40% than the existing polycarbonate screen.

* Dust: Particulate matter in diameter of 10µm or less.

Stench/Odors

POSCO has established a system that monitors odor concentration in real-time to find the impact on the surrounding area of the steelworks emissions and climate change. When concentration goes up preventive measures are taken so that dust and odors do not leak out, impacting local residents. After thoroughly examining facilities and odor locations that may emanate odors, facilities have been installed to eliminate odor generating substances and on-site departments are assigned with the task to closely monitor and take improvement measures. POSCO plans to invest approximately 310 billion KRW by 2013 in air quality control that includes stench and odors.

Chemicals/Dioxin

POSCO completed the 1st round of projects for the government and civic-group led "Voluntary Agreement to Reduce Chemicals Emissions" (2005-2011). The company has been working with other industries in various programs, information exchanges and application of emission reduction technology. POSCO's consistent effort was rewarded with a significant reduction of chemicals discharge: by 69% in 2011 compared to the year 2004.

Also, POSCO concluded a voluntary agreement with the government to reduce Persistent Organic Pollutants (POPs). Through a series of efforts from the installation of a dioxin removal system and improvement of facilities and process, in 2011 POSCO was able to reduce dioxin levels by 14% less than 2001 levels, surpassing the reduction target by 40%.

* Voluntary Agreement: (R2SO Program, the target is to reduce chemicals discharge by 30% within 3 years, and by 50% within 5 years).

Chemical Control Framework

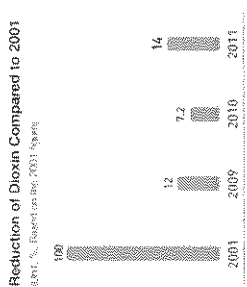
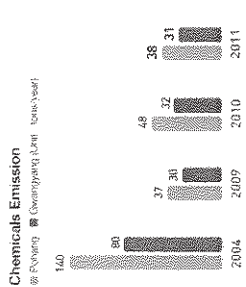
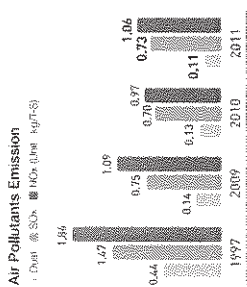
Chemical substances contained in products are increasingly controlled by strict regulations around the world. Against this backdrop, POSCO posted the results of the certified tests (ex MSDS * REACH * RoHS * PFOS*) by materials in reference to the EU RoHS and the latest candidate list of SVHC at POSCO's e-business site (www.steel.com), available to the public. Packaging materials are considered finished products in the REACH framework and generally create no intentional discharge. However POSCO M-TECH, responsible for packaging by materials, had an independent certifying organization to conduct an SVHC* investigation to confirm its safety to prevent accidental discharge of substances.

* SVHC (Substances of Very High Concern): The producer or importer of the articles shall submit SVHC notifications to ECHA when the substance has been included on the candidate list as discussed above and the substance is present in the articles above a concentration of 0.1% (weight by weight) and the total amount of the substance in the articles exceeds one ton per producer or importer per year.

* REACH (Registration, Evaluation and Authorization of Chemicals): the European Union Regulation on chemicals

* RoHS (Restriction of Hazardous Substances): regulations set by the EU on the restriction of uses for certain hazardous substances.

* PFOS (Perfluorooctane Sulfonate): manufactured that contains persistent organic pollutants.



Resource Management

The total amount of by-products produced at Pohang and Gwangyang Steel Works in 2011 was 27.09 million tons. Among the by-products, slag* accounts for 65% (blast furnace slag 40%, steelmaking slag 23%), dust and sludge 13%, and others 24%. POSCO recycled 98.3% of the by-products and the rest 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 others. POSCO found diverse ways to reuse its by-products to create high-additional value.

* Slag: A byproduct of the process of smelting iron. There is blast furnace slag, produced in the process of iron making and steelmaking slag, generated from the steelmaking process.

Eco-Friendly Use of Slag as Cement

Granulated blast furnace slag is obtained by quenching molten iron slag from a blast furnace with water spray, then dried and ground into a fine powder. It is used as cement clinker, saving exhaustive mineral resources and reducing CO₂ emissions. In 2011, POSCO substituted 6.39 million tons of slag for cement, which is estimated to reduce total emissions of GHG by 5.0 million tons.

POSCO developed a new cement material, PosMent, which is of better quality and eco-friendlier than the existing slag cement. PosMent, can help preserve natural resources such as limestone and reduce carbon emissions by roughly 70% compared to the conventional cement production process.

* Cement clinker: A nodular material made by heating ground limestone and clay at a high temperature. The nodules are ground up in a mill powder to produce cement.

* Slag cement: A mixture of Portland cement and slag powder at a specific ratio.

Slag Powder Production

In July 2011, POSCO completed a slag powder plant with an annual capacity of 1 million tons to produce greener slag cement (mixing 40% of slag powder and 60% of cement) at Gwangyang Works. Slag powder is a high-strength cement material, produced by cooling molten iron slag from a blast furnace with water spray, and then grinding at a roller mill into a fine powder. POSCO plans to nurture slag cement industry as a high-added value industry as it develops stronger cement substitutes and other new materials while contributing to the green growth by reducing fossil fuel consumption.

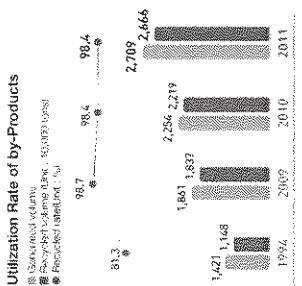
Export of Granulated Slag

POSCO made its first export of granulated slag based on an annual contract. Working together with Daewoo International, we successfully developed a new overseas market and exported 25,000 tons of granulated slag to Taiwan for the first time on 29 July 2011. We are going to expand our overseas market to Southeast Asia and build infrastructure for the stable export of slag. We will conduct research to diversify slag use and raise its added values and develop an eco-friendly cement material with the POSCO brand.

Developing Technology to Utilize Byproducts

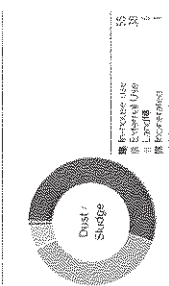
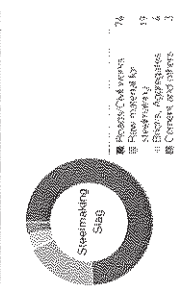
Considering byproducts of steel making process as valuable green resources, POSCO has been conducting the activities of "By-product Profitability Improvement Mega-Y" at the Family level. Economic benefits from improving by-product profitability increased by 164 billion KRW over the previous year, and the aggregate amount is 500 billion KRW.

POSCO processes and uses SHNC's slag generated from the refining furnace, and nickel-containing by-products from outside companies as nickel substitute as part of its effort to foster collaboration between related industries, as well as subsidiaries. POSCO will continue to expand the resource circulation within the Family, one example is expanding the sourcing network for non-steel materials in connection with the POSCO Mtech urban mining project.



Details of Recycled by-Products in 2011

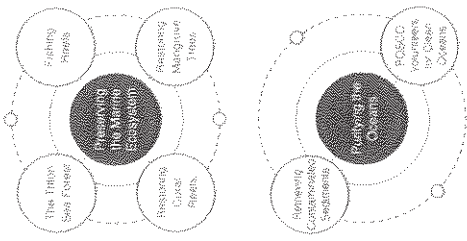
(Unit: %)



What is POSCO doing to preserve biological diversity?

POSCO is keenly aware of the growing importance of protecting biodiversity. It has been right on the agenda of global environmental organizations including UNESCO and Rio+20 and the Korean government set related regulations. POSCO established a set of strategies working together with domestic and overseas organizations. The government and local residents to carry out diverse activities to preserve our ecosystem. With special focus on protecting the sea, we are involved in marine ecosystem restoration and ocean cleaning programs.

Ocean Preservation Activities



Creating an eco-friendly coral reefs

Restoring Coral Reefs

The technology POSCO used to restore coral reefs by forming eco-friendly reefs using steel slag is low-carbon technology adaptive to the ocean climate change. POSCO invested 4.5 billion KRW from 1998 to 2009 in R&D to commercialize the technology. Now the company is working on restoring coral reefs and the marine ecosystem in the waters off the POSCO steel mill in Indonesia.

Coral reefs attract diverse sea creatures and serve as natural breakwater protecting the coastal area from tidal waves due to tsunami and typhoons. However, they are gradually deteriorating due to rising water temperatures and discharged pollutants. Restoring coral reefs is one way in which POSCO preserves marine ecosystems.

Restoring Mangroves in Thailand

In April 2010, POSCO Thailand held a special event to plant 2,000 mangrove seedlings in a wetland in Chonburi Province, near Bangkok. This was an opportunity to communicate with the community as well as discuss ways to prevent the loss of oceanic soil, global warming and climate change including tsunamis. Mangrove trees, whose leaves are known to store and secrete salts, grow in swamp areas between the land and sea and capture twice the amount of carbon dioxide rainforests do. In addition, they reduce the number of tsunami occurrences by 75% and create an important habitat for birds.

The mangrove has 54 varieties around the world occupying a quarter of the earth's coastline. Its importance as a natural coastal breakwater is growing but, unfortunately, reckless development has made a fifth of the mangrove forests since 1980. At a pace more than three times faster than average forests on land, POSCO will double its effort to recover biological species abroad.

Cleaning the Oceans

Recovering Contaminated Sediments

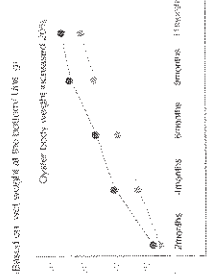
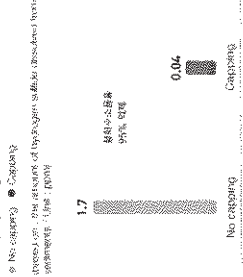
POSCO uses steelmaking slag as "sand capping" for seafloor sediment. The slag capping covers seafloor sediment to absorb the contaminants and prevent them from dissolving. This eco-friendly technology helps the marine ecosystem restore itself and nurture sea life living on the sediment without generating suspended particles by adjusting the size of slag particles. Heavily polluted shores or freshwater lakes often have more contaminants on the seafloor than in the water itself. This is because sea water does not circulate freely accumulating contaminants at the bottom. This increases nutrients in the marine system causing red tide, green tide, or blue tide, disturbing the growth of sea life.

Recovering polluted sediment is effective in such areas. POSCO put a layer of sand capping made of 1,300 tons of steelmaking slag in the oyster farm in Gosung Bay, Tongyeong. This reduced the amount of dissolved contaminants by more than 95% increasing the phytoplankton population and oyster production.

POSCO Volunteers for Clean Ocean

Meanwhile, we founded the "POSCO Volunteers for Clean Ocean" in November 2009, for the preservation and purification of the marine ecosystem, retrieving discarded fishing nets, tires and tents which are difficult to clear. The Volunteers for Clean Ocean started with the in-house scuba diving club comprised of about 300 members of POSCO employees and their families. They undertake sea surface and underwater cleaning programs every month at Pohang and Gwangyang. Their volunteering activities include the elimination of starfish that disturb the underwater ecosystem and damaging fishery including abalone. The scuba diver-volunteers conduct marine education for local residents in coastal villages, with which each department forms a special one-to-one relationship. The volunteering group will continue its efforts to win the sympathy of the public by staging environmental campaigns with underwater filming of the marine environment as well as its garbage removal.

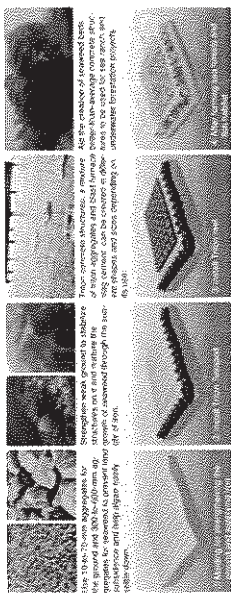
Test results of Tongyeong's Oyster Farm, Gyeongnam Province



Triton Sea Forest

POSCO developed a steel slag marine structure, Triton, which is effective in restoring marine ecosystems. Triton can restore fishery resources such as algae, fish and shellfish within a short time period. Steel slag is richer in calcium and iron-beneficial to a marine ecosystem than normal aggregates, which helps growth and photosynthesis of algae and purification of the seawater by eliminating contaminants. In addition, the underwater forests have the effect of capturing CO₂ through slag carbonation and algae photosynthesis. POSCO created Triton forest in an 8 to 13-meter-deep fishery in the waters off Yeosu's Geomun Island to help restore the crippled local marine ecosystem. Artificial forests were formed in the waters off Ulsan and Tongyeong, as well. In particular, the slag sea forest in Pyeongsan, Namhae, in line with an MOU signed with the Ministry for Food, Agriculture, Forestry and Fisheries, was inhabited by 10 times as many sea creatures than natural rock formations nearby. The success was realized after just 18 months, leading to a higher quality of life for residents.

Triton: The spot of the seas in Greek mythology. He blew into a twisted conch to call upon dolphins and fish, and has the ability to restore forests.



Artificial Fishing Reefs

As the first Korean company to develop artificial fishing reefs in 1988, POSCO has improved and supplied fishing reefs with outstanding performance of nurturing fishery resources. POSCO's new fishing reefs are in the shape of octagonal hemispheres in three sizes: small, medium and large for different types of seas. The new reefs can be plunged into the deep sea and are much more stable than conventional concrete structures. Also, they are light and easy to transport and install and can be placed on the seafloor. Sea creatures, food for fish and shells, can easily attach themselves to the steel surface of the reefs and the iron contained in the slag reefs nurtures phytoplankton. POSCO also created a sea ranch off Tongyeong placing a large number of fishing reefs, where one can see various fish such as black porgy and Korean rockfish swimming around. As such, fishing reefs are designed to suit the sea environment and provide optimum living conditions for marine creatures.



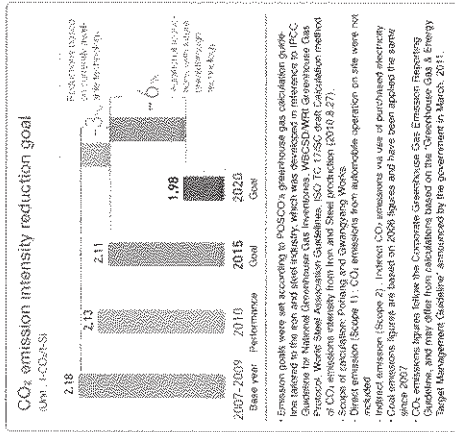
How is POSCO responding to Climate Change?

At the Seventh Green Growth Committee held in February 2010 chaired by the Korean President, POSCO declared the 2020 voluntary greenhouse gas reduction goal to respond proactively to climate change and sustainable growth. POSCO will reduce CO₂ emissions per each ton of crude steel by 9% from 2.18-2.00t/t-CO₂e (average emission level from 2007 to 2009) to 1.98t-CO₂e/t by 2020 in order to meet this goal. Coupled with efforts such as reducing coal usage and enhancing energy efficiency, POSCO will invest approximately 1.5 trillion KRW by 2016.

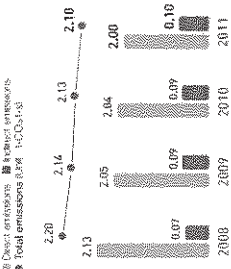
Global Green Growth Leader

Cut CO₂ emissions energy by 9% by 2020 (over the average of two past three years)
 Reduce indirect GHG emissions by 14 million tons
 (high-efficient steel material supply & green business)

100% GREEN STEEL PRODUCTION WITH ZERO CO₂ EMISSIONS BY 2020
 Create 83,000 NEW GREEN JOBS (EMPLOYMENT)



CO₂ Emissions Intensity



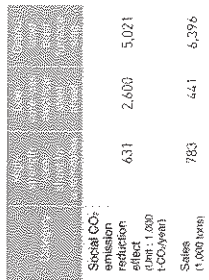
Green Steel

During the period from 1999 to 2008, POSCO invested a total of 1.4 trillion KRW in energy efficiency improvement facilities such as CDQ(Coke Dry Quenching) and TRT(Top-gas Recovery Turbine), saving 2.91 million TOE of energy. Innovative technologies are under development: extracting CO₂ from steelmaking by-product gases, in-process heat energy removal & usage technology, and hydrogen steelmaking. POSCO strives to reduce emissions by enhancing energy efficiency and expanding the accumulated energy efficient production technology throughout the plants. POSCO operates an integrated management system for greenhouse gases and energy, looking for effective methods to reduce emissions and energy use through analysis and evaluation of alternatives. The findings are reflected in the decision making regarding CO₂ emissions and energy use of the new businesses and processes in connection with costs. In November 2010, POSCO

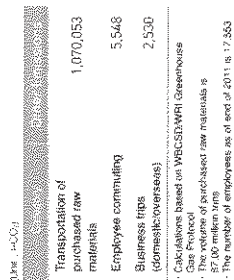
Implementing the Greenhouse Gas and Energy Target Management System (TMS)

Under the government's TMS, 458 companies with factories producing at least 25,000 metric tons of carbon dioxide a year must set energy-saving and greenhouse gas reduction goals. POSCO had the third party verify the amount of GHG emissions and energy usage of a total of 10 sites including Pohang and Gwangyang and submitted a report to the government. According to the government-announced reduction target for 2012, POSCO is required to reduce 963,000 tons, the biggest amount to the projected emission for 2012, among the companies on the list. POSCO submitted its emissions reduction plan to the government in December 2011.

Social GHG Emissions Reduction Effect (Based on the Supply in 2011)



CO₂ Emissions Other Sources



GREEN 100 BOOK

For further information on the POSCO Family's Green Walk, Campaign, please visit our Website: www.greenwalk.co.kr
 Mobile paper: m.greenwalk.co.kr

introduced an incentives system for the shop floor departments for their energy efficiency improvement efforts and performance, which has been in operation since January 2011. In addition, POSCO is the leading supplier of energy-efficient steel materials: high-strength steel sheets for automobiles, which improves a car's fuel efficiency by decreasing its weight, and low-core-loss electrical steel sheets, which contributes to enhancing efficiency of motors and transformers. These efforts have reduced approximately 3.23 million tons of CO₂ emissions in 2011.

Green Life

POSCO runs a carbon neutral program, which publicly collects ideas about carbon neutrality projects and supports them. Marking the third year of the program in 2012, a category of "response to climate change" has been newly added and a carbon neutrality reporter group has been launched to lead the campaign to spread awareness about the significance of carbon neutrality. POSCO launched the "Green Walk Campaign" that POSCO Family employees and their families can participate in. Employees can take part voluntarily in the four Green Actions (Walk, Switch Off, Reduce, Recycle). 5,562 families from 36 companies have participated as of December 2011 and will be expanded to major partners and suppliers to include over 10,000 families.

Green Partnership

POSCO is actively involved in domestic and international collaborative initiatives such as the Global Superior Energy Performance Partnership (GSEPP) as well as the climate change response activities taken by the World Steel Association. The purpose of the GSEPP, launched at the Clean Energy Ministerial (CEM), is to accelerate energy efficiency improvements throughout industrial facilities and large buildings to enhance energy security and cut GHG emissions. Within GSEPP, there are six working groups, including Power and Cement and POSCO is a member of the Steel Working Group.

Green Business

Fuel Cells for Power Generation

- POSCO Energy
 - Constructed a 50MW per year fuel cell 20th manufacturing plant in the Pohang Young 4 by year industrial complex.
 - Expanded investment to develop highly efficient next-generation SOFC technology
 - Currently operating 50MW fuel cells in 18 regions nationwide
 - Completed a stack module production plant, fuel cell core facilities, in March, 2011
 - Developed 100MW fuel cell for buildings - fresh installation in SeonK, Hospital and Chokseong Park in January 2012, conducting a five-year pilot project in collaboration with the city of Seoul
 - ROF: Balance of Plant, An auxiliary system in charge of fuel distribution and power conversion

Wind Power Generation

As dramatic growth is projected in the world's offshore wind power market, POSCO Energy is building its competence getting ready for going global beyond the domestic market.

- Tamra Offshore Wind Farm: started construction of a wind farm of 30MW capacity in Gumo-ri and Gumsung-ri, Jeju Province (to be completed in September 2013)

Waste-to-Fuel

POSCO established POSCO E&E in August 2009 to have it focus on waste to energy business and transferred its shares to POSCO Energy (formerly POSCO Power) in December 2011

- Municipal Solid Waste (MSW) power generation project: generating power by combusting MSW as refuse-derived fuel (RDF)
- Boon-RDF and power generation facilities: construction started in October 2010 and will finish in 2013.
- Yudon's first RDF power plant using MSW: Generated 25MWh electricity.
- Waste-to-energy facility in Pohang: Negotiation closed in December and construction to be started in late 2013. Will use RDF to produce 12MWh of electricity.
- Sludge-to-power business: process sludge to be used as auxiliary fuel for power plant

What is POSCO doing to promote internal and external environmental communication?

POSCO actively participates in domestic and overseas associations such as the World Steel Association, as well as seminars and conferences for international cooperation and information exchanges on their issues of the environment and energy. The steel environmental technologies with global competitiveness in its effort to practice environmental management and energy growth with partners, POSCO has been carrying out various programs since April 2011 under an MOU between POSCO and SMEA.

Domestic and International Cooperative Activities

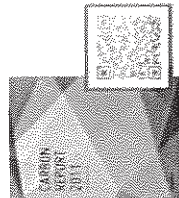
Domestic	International
<ul style="list-style-type: none"> Korea Environmental Policy Consensus Korea Business Council for Sustainable Development Business Institute for Sustainable Development Fit Business Council for Green Growth Mutual Cooperation Committee for Marine Resources (Industry of Food, Agriculture, Forestry and Fisheries) Cooperation for Environmental Education with Environmental Foundation World Steel Environmental Policy Committee of WSA Global Superior Energy Performance Partnership (GSERP) 2012 World Conservation Congress 	<ul style="list-style-type: none"> According to changes in environmental policies and living ways of voluntary environment improvement activities Sharing and discussing issues on corporate sustainability management Building partnerships for sustainable development Discussing technology and policy for green growth Cooperation for restoring marine ecosystems and replenishing marine resources *Green School with POSCO, *Environmental Education for elementary, middle and high school students Committee established to facilitate information exchange and cooperation of global steelmakers on climate change and environmental issues An Initiative of the Clean Energy Ministerial (CEM) to save energy in industrial process and commercial buildings Global environmental conferences held by the IUCN every 4 years. To be held on Bali Island in September 2012 Identifying and sharing business cases for sustainable development, advocating sustainable development of businesses World Steel Water Management Project

Consultation with the Community

Since 2009, Pohang Works has been operating an environmental watch group, consisting of local residents to monitor the surrounding environment of steelworks and the industrial complexes and to reflect the voices of the residents in improving the steelworks environment. Currently, the monitoring group in its 2nd term has 15 members, residents from five areas (Songdo near steelworks, Haedo 1-dong, Haedo 2-dong, Jacheol-dong) and serves as a communication channel connecting the company and community. GW Works is actively promoting the company's environmental improvement efforts to residents at local environmental events. They invited civic groups, environmental groups, resident representatives (Taem-dong, Gwangyoung-dong), and local lawmakers to a tour of the steel mill and listened to their opinions. In October 2011, Gwangyoung Works gave a presentation on the company's environmental management activities for local public officials in environmental departments in South Jeolla.

Disclosing Environmental Information and Receiving Awards

Well aware of the importance of communication with stakeholders in practicing environmental management, POSCO discloses its environmental objectives, related activities and performance information through the Sustainability Report, Annual Report, and the POSCO website, since the first environmental report in 1994. In response to stakeholders' heightened interest in climate change, POSCO published the 2010 Carbon Report in February 2010, the first in the global steel industry. Also, POSCO has been active in disclosing environmental information through the Carbon Disclosure Project as well as SAM DJSI, an evaluating organization of sustainable management indexes. Such efforts were rewarded with ranking 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos, and being selected as the leading company in sustainable management by SAM DJSI for seven years in a row, the best performance by a Korean company.



Disclosing environmental information
POSCO has been reporting its responses to climate change through the Carbon Report since 2010.

- Sewage sludge-to-power facility - Produce fuel through drying and processing of sewage sludge as auxiliary fuel for thermal power plant. Planning to acquire business right of Sewage sludge-to-power business by the end of 2012.
- Sewage-powered energy business - thermal energy of sanitary sewage used to power households.
- Designated as a priority supplier of the Sewage-to-power project of Tardickon Water Reclamation Center, Seoul in August 2011. Construction to start in late 2012. Projected to produce 200,000 Gcal of heat a year from the waste heat from sewage.

Solar Power Generation

- POSCO Energy
- Shanxi Solar Power Plant in Pingliang and Anyue Island, South Jeolla Province, 1st round of project (12MW capacity) under way. Started from a 2MW pilot in an abandoned saltfield in 2012. Scheduled to complete construction of power plants with a total capacity of 2,600MW in a year, equivalent to power 600 households.
- Solar Power Generation in Nevada, US: Construction of a solar power plant with capacity of 300 megawatts, with a goal to be operational by October 2014.

Power Generation from Low-Temperature Waste Heat

POSCO is in the process of developing "Kalina" power plant technology to take advantage of low-to-medium temperature waste heat, untapped resources to date. Kalina is highly efficient in generating power from low temperatures, below 200 degrees Celsius. This method saves raw material cost significantly by using waste heat from the plant and can be installed anywhere geothermal power generation is possible.

- Develop power generation from low-temperature waste heat technology - test bed (with goal of 600KW capacity) under construction at the Gwangyang solar plant, to be completed in July 2010.

Smart Grid

- POSCO ICT
- Grid connection and Micro-Grid operational platform making Energy Storage System test and EMS performance evaluation in progress
- Working to set the standard model and reference for the Smart Industry with RIST (a research institute wholly owned by POSCO) at oxygen plant in GW, since May 2010.

LED

- POSCO ICT
- LED groundwork for becoming a leader in the LED lighting market, start construction of Pohang assembly plant, develop a full lineup of products, explore new markets at home and abroad.
- Plan to provide the LMS (Lighting Management System) solution, installing design, installation, and IT, right from the manufacturing stage of LED lighting.

General Materials

Working with POSTECH and RIST, POSCO is conducting a future-oriented general material business, supplying core materials for green energy industry

- Magnesium, Titanium - light metals
- Lithium - core material for secondary battery, cathode/anode
- Carbon material, recycled from coal tar, a byproduct of steelmaking, to substitute imports
- Rare-earth metal - core materials for high-efficient electric materials
- Urban Mining, recycling resources

Secondary Battery Material - Anode Material

- POSCO CHEMTECH (Acquired Negamix Active Material Division of LS MIOT, formerly Carbonix Inc.)
- Completed production facility with 2,400 ton per year capacity in Yeong-gun, South Chungcheong in 2011, to start commercial production in late 2012.
- Working with natural graphite anode material, artificial graphite, and VPPA(World Premier Material) businesses

For more details on climate change, refer to the POSCO Carbon Report.



The ceremony for the completion of Shanxi Solar Power Plant complex



LED lightings applied in POSCO



Win-Win Movement



Partners are members of the POSCO Family with which the company grow together based on overall competence and trust. POSCO is at the forefront of establishing a fair trade order through its Fair Trade Corporate Compliance Program and balanced growth of business ecosystem as it supports ventures through a variety of measures. We are working hard to give real benefits to our partners by offering SME financial support and other competence-building programs as well as POSCO's own support initiatives. POSCO will continue its effort to fulfill its responsibilities as a leading company in key industries contributing to fair and healthy industrial development.

About Partners

Issue	Fair Trade	Venture Support Programs	Win-Win Growth
<p>Performance</p>	<p>Spreading voluntary fair trade compliance among POSCO Subsidiaries</p> <ul style="list-style-type: none"> • Initiated CP operation among the POSCO Family, 64 companies in 2011 • Support subsidiaries with the CP program : 18 subsidiaries implementing the CP • Promoting fair trade culture : posting articles to online business ethics website, sending weekly trends, publishing/distributing a guidebook for partners' responses to the Fair Trade Act, Fair Trade Academy <p>POSCO subsidiaries get a grade A in the CP evaluation</p> <ul style="list-style-type: none"> • Achieved a great result at the 2011 CP evaluation of the Fair Trade Commission (Grade A for two subsidiaries) 	<p>Launching Event of Idea Marketplace</p> <ul style="list-style-type: none"> • Launched October 27, 2011, in an effort to establish venture support platform : other programs include SarcFO Forum, angel investor lectures, and venture capitalist mentoring. <p>The 1st POSCO contest for New Business Ideas</p> <ul style="list-style-type: none"> • Collected 1,357 ideas in late 2011 and giving awards to the 13 best ideas <p>The 1st Membership Program</p> <ul style="list-style-type: none"> • In Jan 2012, a 6-week mentoring program joined to the 9 selected companies. • In Feb 2012, the Idea marketplace business presentation held to attract investment (POSCO invested 3 billion KRW) 	<p>Expanding Unique POSCO Programs</p> <ul style="list-style-type: none"> • Benefit sharing : compensated 82.6 billion KRW between 2004 and 2011 • Techno-partnership : offered technological consulting to 222 SMEs between 2006 and 2011 • Cash payment to SMEs : within 3 business days of delivery, twice a week • More executives participating in the POSCO Family Executives Win-Win Growth Support Group (from 196 in 2010 to 271 in 2011) <p>Financial Support for SMEs</p> <ul style="list-style-type: none"> • Set up a fund of 1,380 billion KRW • Set up a 200 billion KRW fund for shared growth between large and smaller companies <p>Technological Cooperation to Enhance R&D Capability</p> <ul style="list-style-type: none"> • Private & Public Sector Joint R&D Fund Agreement : with the SMOA (Small & Medium Business Administration), raised 10 billion KRW in R&D Fund • Management Doctor Program : since May 2011(26 companies including KC Coltreff) • Win-Win Supply Chain Research Group : performed 16 tasks in 2011 (joined by 30 SMEs) <p>Enhancing SME Competitiveness and Partnership</p> <ul style="list-style-type: none"> • Increased the number of POSCO-certified suppliers and items : 42 in 2011 • Certified suppliers : from 38 in 2010 to 70 in 2011 • Support SMEs in the global market : Great Growing Center in operation since June 2011

What is POSCO doing for fair trade order and in what direction?

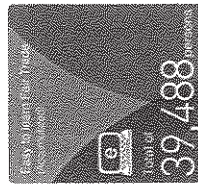
Since POSCO adopted the Compliance Program (CP) in 2002 to conform to a fair market order and promote liberal competition among businesses, it has continued its efforts to foster the culture of voluntary compliance ever since. POSCO declared the Code of Conduct in June 2003 to express the determination of the CEO and all employees in the pledge to honor the Code of Conduct at the beginning of the year since 2005. Since 2004, POSCO's BOD nominates the CP Director who is in charge of the overall supervision of the Compliance Program and reports the operation status to the Board on a regular basis. The Internal Transactions Committee installed under the BOD for more transparent transactions with subsidiaries in 2004, has deliberated on 66 agendas up to 2011, and the Fair Trade Support Team was installed in 2004 to oversee fair trade related tasks. Renamed the 'Fair Trade Group', it has worked to ensure compliance with fair trade standards within the company.

The Compliance Committee

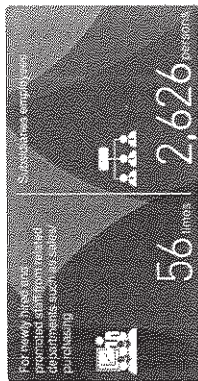
The Compliance Committee is comprised of the heads of those departments most relevant to fair trade, such as marketing, purchasing, and outsourcing. Important issues related to the Compliance Program are discussed at regular meetings. The organization under the Compliance Committee appoints the Compliance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

2011 Education Programs

E-learning Fair Trade Courses



Gathering Classes



Self-Audit System

The self-audit system has been enhanced by designating 7 key departments such as sales, purchasing, and outsourcing as mandatory self-audit departments. The website's main role is to provide a department-level self-audit and consulting system, which is an internal monitoring system. Fair trade-related departments conduct self-audits by referring to the checklist, and if possible breaches are identified, must consult with the company's compliance department. For an even upgrade of fair trade practices throughout the Group, POSCO has expanded its Fair Trade website to subsidiaries integrated fair trade websites since 2009. In 2011, POSCO improved some of the features to make it easier for the Subsidiaries to use

2011 Performance

In 2011, POSCO helped 5 subsidiaries and 45 partners adopt the CP and currently 64 companies have the program in operation. In addition, we conducted an internal audit on our subsidiaries regarding compliance of the Subcontracting Law to further support mutual growth. At the same time, we heightened our employees and management's awareness on fair trade through articles on the website, e-mailing weekly trends and publishing/distributing a guidebook that reflects revisions to the Fair Trade Act.

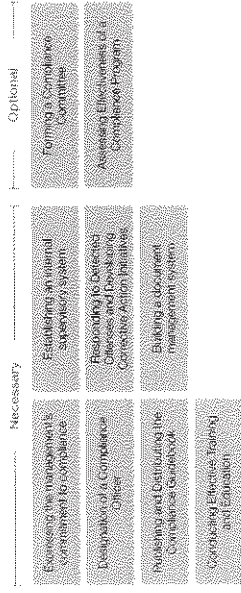
POSCO supports subsidiaries to implement the CP as well to spread the fair trade culture through the Family. As of 2011, 18 Family member companies operate the CP. Also, we run the "Fair Trade Academy" to enhance the capacities of the fair trade personnel, and fair trade study groups from subsidiaries located in Seoul to help to disseminate the culture of voluntary compliance at the POSCO Family level. As a result of these efforts, POSCO Family member companies received excellent grades (2 A grades) at the 2011 CP evaluation by the FTC.

Future Direction

In 2012, POSCO will dedicate itself to enhance the culture of voluntary compliance and reinforce the implementation of the CP on a POSCO Family level. In order to embed compliance processes into our business, POSCO will institute procedures such as, monitoring, support of win-win growth activities, customized CP education, developing educational content, revising the guidebook, and supporting subsidiaries with the CP operation.

Also, we will actively prevent and deter non-compliance of competition law by our overseas corporations through various measures, offering education on international cartel for overseas corporations and business sites, providing materials on regulations of competition law of each nation.

CP Components



* Numbers in the parentheses completed the merger of POSCO and POSCO Machinery Co., Ltd.

What is POSCO doing to create a healthy venture ecosystem?

POSCO is playing the roles of both an angel investor and business incubator at the same time. With the venture support initiative called "POSCO Venture Partners," the company focuses its support on start-ups and ideas, which were neglected in the existing venture capital market. POSCO's investment goes well beyond the IT industry - popular among other angel investors - as well as its traditional steel industry, to reach the entertainment industry.

POSCO established a venture support system to strengthen mutual growth, where ideas are selected through contests and evaluation, and then developed through unique POSCO venture support programs such as an idea camp, etc. membership program. Finally, the business ideas are introduced to potential investors at the idea marketplace.

POSCO's Unique Venture Support Programs

In the latter half of 2011, POSCO held the 1st POSCO contest for New Business Ideas and collected 1,367 ideas, the 13 best ideas of which were given awards. On October 2011, POSCO hosted a launching event of the Idea Marketplace, with VIPs including the vice minister of the Ministry of Knowledge Economy. The event was a great success featuring various programs such as StarCEO Forum, angel investor lectures, and venture capitalist mentoring.

In January 2012, POSCO launched the 1st Membership Program for the 9 selected companies at the idea contest, which were offered a 6-week mentoring program from professional mentors to complete their business plans. They were introduced to over 100 venture capitalists and angel investors interested in start-ups at the 2nd Idea Marketplace Business Presentation on February 23rd. The 7 ventures, which gave presentations at the event, received direct investment of more than 3 billion KRW from POSCO. POSCO is also making joint investments with other investors.

To give a second chance to the venture hopefuls, who failed to attract investment, POSCO held an idea camp. The 1st camp was set up in the POSCO Global Leadership Center in Songdo for three days from February 3rd 2012, with 18 teams participating. The camp provided the participants with one-to-one mentoring services to assess the business model and directions to advance their ideas. Some of the best ideas were offered an opportunity to join the POSCO membership program.

The 2nd year of the POSCO Membership Program was used as the final step of evaluating ideas. The 20 candidates, selected after the documentation and experts review, joined the camp for three days starting from April 13th, receiving advice on their business plans while at the same time, examined for the access to the membership program. The final eight companies joined the membership program, which started on April 30th and completed business plans during the 10-week intensive mentoring. Later, they will receive feedback on their business plan at a workshop and participate in the 3rd Idea Marketplace to be scheduled on 19 July to present their ideas for investors.

Future membership programs and an idea marketplace will be conducted under the theme, "addressing youth unemployment" or "support for female CEOs of ventures." For example, POSCO will continue its support of venture businesses as one of its CSR activities to create a healthy venture ecosystem in the nation.



Idea Camp



Idea Marketplace

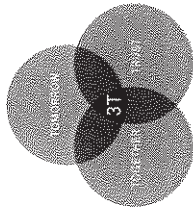


Membership Programs

What is POSCO doing for win-win throughout the supply chain?

POSCO's "win-win growth" policy is made up of 3 Ts: Trust, Together, Tomorrow. Based on its principle of mutual trust, POSCO has exerted much effort into establishing a future-oriented (Tomorrow) win-win growth (Together) with its 1st as well as 2nd, 3rd and 4th tier SME partners. POSCO is currently operating a total of 67 programs in seven different categories to foster joint growth, including its branding program, financial support to solve financial problems and technical cooperation to boost its R&D capabilities. In 2011, in an effort to solidify its win-win growth policy as a company identity, to boost growth among SMEs, POSCO's focus was directed in various fields. POSCO will continue to strive to push for joint growth by actively seeking mutual interests with related SMEs, supporting their key capabilities and sustaining growth through initiatives to enhance mutual growth with stakeholders.

POSCO's "win-win growth" policy, a part of the company identity, is based on 3Ts: based on mutual trust (Trust), it will push for a future-oriented (Tomorrow) joint growth (Together) with its first and second through fourth partner companies.



POSCO's Joint Growth Program

<p>POSCO's Unique Branding Program</p> <ul style="list-style-type: none"> • Benefit-sharing policies • Technology-oriented partnerships • Create a fund worth 1.35 trillion KRW 	<ul style="list-style-type: none"> • Full cash settlement of purchases by SMEs • A Joint Growth Support Group of POSCO Family, executives • Win-win growth assessment fund
<p>Provide financial support to small and medium-sized businesses to solve financial difficulties</p>	<ul style="list-style-type: none"> • Technology development project via joint venture investment • Breakdown of their products into conditional purchase • Supporting small and medium-sized businesses with patent development
<p>Technology cooperation to boost R&D capabilities</p>	<ul style="list-style-type: none"> • In case of changes made to delivery costs, 1st-tier partner company will adjust the cost of 2nd, 3rd and 4th tier partner companies • Management doctor program • Supply chain win-win research group
<p>Strengthening the competitiveness and partnerships of small and medium-sized businesses</p>	<ul style="list-style-type: none"> • Nurturing the world's best and the world's first products (POSCO 7-partner system) • Nurturing medium-sized export-oriented global businesses • Supporting SMEs through settlement of their orders • Formulate code of conduct for suppliers of POSCO Group
<p>Training / Consulting to boost business skills</p>	<ul style="list-style-type: none"> • Training seminars, literary arts and cultural lectures for small and medium-sized business • Providing consulting for small and medium-sized businesses
<p>Job creating and strengthening communication</p>	<ul style="list-style-type: none"> • Operating a POSCO membership enterprise recruitment center • Create a website where users can voice their complaints
<p>Joint Growth with Clients Program</p>	<ul style="list-style-type: none"> • Clients - Joint Growth program refers to page 85

POSCO Win-Win Growth Organization



POSCO's Unique Branding Program

Benefit Sharing System

POSCO's Benefit Sharing Program, which was launched in July, 2004, strives to achieve joint improvements together with its suppliers and to mutually share the outcome of the performance. Small- and medium-sized enterprises, through autonomous reforms, can improve their industrial structure as well as familiarize themselves with technological developments while POSCO, in the long run, can secure its competitive edge in the market and improve the quality of its products. POSCO compensates 50% of the performance-based revenue raised as a result of assignments over a period of three years. Signs long-term contracts (3 years), awards extra points to suppliers during evaluation and provides various incentives including joint patents. Since its inception until 2011, POSCO has awarded a total of 62.6 billion KRW in performance-based compensation to 459 small- and medium-sized enterprises that successfully completed 920 different assignments.

Techno Partnership

In September, 2006, POSCO formed a technology advisory group together with Postech, Research Institute of Industrial Science & Technology to provide free technological support to small- and medium-sized enterprises. The advisory group entered into the Techno Partnership (customized technological support for small- and medium-sized enterprises) with small- and medium-sized businesses in Pohang and Gwangyang as of late 2011. It provided technology-related consulting to a total of 222 companies. Currently, seven support groups are regular members of the technology advisory group and 861 PhD-level advisors are offering their expertise.

Techno Partnership agreement, which received positive feedback for providing much-needed human resources, facilities and technological support for small- and medium-sized businesses, expanded into a company with five subsidiaries.

Techno Partnership Management Status (as of late 2011)

Companies	Times	Number	Subsidiary
222	1,086	556	POSCO, POSCO Engineering & Construction, POSCO SS, POSCO ICT, POSCO CHEMTECH, POSCO CSC, SANG

Cash-Out of All Payments to Small- and Medium-Sized Enterprises

To foster the stable business management of its partner small- and medium-sized enterprises, POSCO has been cashing out to all suppliers registered as a small- and medium-sized enterprise for its payments regardless of the sum within three working days following delivery, twice a week. In addition, during national holidays when capital flow is concentrated, POSCO conducts a daily cash-out starting one week before the holiday to ensure

Joint Growth Support Group of POSCO Family Executives

The joint growth support group, which began with 136 executives from 13 POSCO group companies as of the end of 2010, supports 141 small- and medium-sized businesses as of late 2011, by 271 executives from 27 POSCO Group companies.

Current Status of POSCO's SME Financial Support

Unit: 100 million KRW



Category	Amount
Family Network Loan	3,427,550,000
Small Business Program	229,133,000
Partner Company Support Fund	156,122,000
Win-Win Cooperation Special Fund	155,127,000
Administrative Fee Subsidy	18,110,000
Joint Private R&D Investment Project	45,150,000

Financial Support to SMEs

Creating Funds Worth 1.38 trillion KRW

In a bid to support small- and medium-sized enterprises that have difficulties procuring business capital, POSCO began operating six financial support programs and raised a fund worth 1.38 trillion KRW. They include the joint private R&D fund (50 billion KRW), POSCO Family network loan (800 billion KRW), win-win guarantee program (330 billion KRW), win-win cooperation special fund (200 billion KRW), POSCO partner assistance fund (200 billion KRW) that allow small- and medium-sized enterprises to take out loans at low interest rates. In addition, POSCO is also taking part in a project being implemented by the Machinery Financial Cooperative that aims to support the local manufacturing industries that form the basis of Korea's industrial sector (including metal casting, welding, plastic working, etc.) by raising funds worth 100 billion KRW.

Joint Growth Investment Fund

In a bid to sustain continuous partnerships, POSCO invests in shares of partner small- and medium-sized enterprises, key client businesses and new enterprises. Together with KB Financial Group and Hanhwa Group, POSCO created a joint growth investment fund for small, medium and large enterprises worth 200 billion KRW.

Technological Cooperation to Boost R&D Capabilities

Joint R&D Investment Project / New Product Dev. Purchasing Program

The joint private R&D investment project POSCO, along with Small and Medium Business Administration provides SMEs with cash grants for R&D under the condition that POSCO will guarantee the purchase of goods. SMEs can receive up to 75% of the total R&D expenditures or one billion KRW in cash. A successful R&D project will guarantee an SME a 3-year long-term contract rights. Following 2008, in December, 2011, POSCO signed an agreement with the Small and Medium Business Administration and, together with the government, created an R&D fund worth 100 billion KRW. Since 2008 until now, POSCO has funded a total of 18 SME R&D projects. Meanwhile, POSCO is also involved in projects for product development under conditional purchase. When an SME develops a product needed by a large enterprise, the Small and Medium Business Administration supports development costs (up to 500 million KRW within 55% of total development cost) under the condition that POSCO guarantees purchase for a certain period of time.

Number of Projects by Year

Year	2008	2009	2010	2011
Joint R&D Fund	-	-	5	6
Purchasing Condition	1	13	24	11
Projects	1	13	24	17

Patent Support Programs for SMEs

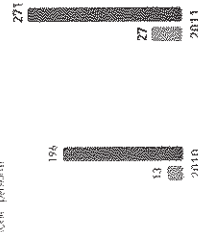
To boost technological competitiveness, POSCO offers patent support via diverse channels to SMEs. POSCO shares its patents via a website (www.sibein.com) so SMEs can conveniently use POSCO patents. POSCO also provides full financial support for patenting costs for POSCO-SME joint patent application. In addition, when delivering goods produced by using POSCO patents to POSCO SMEs are exempt from license fees to cut costs and to increase the application of patents. POSCO also operates a SME Patent Consulting Center to offer consultations on patents transferred by POSCO.



POSCO sibein.com Website

Joint Growth Support Group of POSCO Family Executives (October, 2010-)

■ Number of Participating POSCO Executives
■ Number of Participating Companies
Unit: person



Technology Escrows system

POSCO introduced Technology Escrows system run by the Large & Small Business Cooperation Foundation and signed 12 Technology Escrows agreements in 2011. It is designed to guard the technological assets from large corporations by depositing SME's intellectual properties such as technological know-how to the Foundation.

Management Doctor Program

In a bid to solve technological difficulties of SMEs that have been chosen to be nurtured into independent medium-sized enterprises, POSCO has been operating a management doctor program (business mentoring program) since May, 2011. Through the program, POSCO offers support in all fields related to technology and business management, including machinery, metal, electricity/electronics, materials, control/instrumentation, environment and energy. The program also offers technology consulting in the areas of diagnosis, consulting and training to solve problems related to production process and technological difficulties. In addition, POSCO's management doctor system also offers support in the analysis of the use of R&D facilities. As of 2011, 26 companies including KCC Colteel are participating in the program.

Supply Chain Win-Win Research Group

In order to address chronic problems of on-site divisions at the steel mill, POSCO together with its partner SMEs is striving to seek solutions to comprehensively revamp its systems in the areas of application and purchases divisions. SMEs and on-location engineers come up with solutions through discussions about technological development and ideas for improvement while frequently sharing information via monthly technological exchange meetings. The research group also holds quarterly technology seminars to analyze and share the outcome of divisional activities as well as links new ideas for improvement with benefit-sharing assignments. The organization of the research group and details of operations are decided through the steering committee's vote. As of 2011, a total 30 SMEs, together with POSCO, have been involved in 16 assignments.

Strengthening partnerships and the competitiveness of SMEs

Fostering World Best World First Items

Outstanding SMEs that have secured global competitiveness with their world best world first items are invited to be a part of POSCO's joint growth program which includes technological support, consulting and a guaranteed 3-year supply rights. In 2011, POSCO selected 12 new world best world first items. So far, a total of 25 items have been certified as world best world first products.

* Support Program for World Best World First Items: POSCO, as well as technological support through various activities, business management consulting, management status program, O&S consulting and a guaranteed 3-year supply rights until the completion of product development.

POSCO's PCP System

POSCO's PCP system aims to foster certified partner suppliers into suppliers with world-class quality and technical competitiveness. POSCO offers a diverse range of benefit programs to certified suppliers (exemption from various subsidy payments, negotiation priority when signing a contract for key materials, etc.).

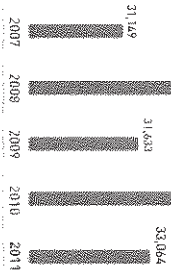
* Selection Standard: Positive Small Supplier Relationship Management evaluation or the performing scoring group for two consecutive years, supplier that surpassed set figures in terms of attached points.

Fostering Independent Medium-Sized Enterprises

POSCO announced that over a period of ten years from 2011 to 2020, it would foster 30 globally-competitive independent medium-sized enterprises in a bid to establish a positive business ecosystem where SMEs would eventually grow into large enterprises and to create more jobs in order to boost Korea's competitiveness in the global market. As of 2011, POSCO has selected 28 suppliers and client companies and signed an MCOU and has been offering comprehensive support in the areas of finance, R&D, professional human resources and overseas marketing.

Order Placement of SMEs

(Unit: '100 million KRW)



POSCO Group Supplier Code of Conduct

- Respect for Basic Human Rights
Voluntary employment, no obligation to discrimination, business hours, safety, fundamental human rights
- Safety and Health Care
Welfare government, industrial safety, hazardous substances, wastewater/SWC waste and air pollution, prevention of pollution and reduction of use of resources
- Environment
Ethics and Fair Trade
Business integrity, compliance with special terms and conditions for ethical activities and fair trade practice, establishment of trust culture
- Protection of Trade Secret and Intellectual Property
Management and protection of confidential information, protection of intellectual property
- Quality Management
Quality management, change management, quality management between suppliers
- Social Contribution of shared growth, social contribution

Supporting SMEs with Facilities

POSCO supports local SMEs by transferring steel-manufacturing facilities intended for large Korean companies and overseas companies to help Korean SMEs overcome difficulties that arise from a lack of global competitiveness and to establish a stable foundation for growth. In addition, POSCO is presently allowing local SMEs to partially purchase facilities originally intended for large-scale projects such as the construction of new factories and expansion of existing factories during the business feasibility review stage.

1st Tier Companies' Rights in Case of Changes in Delivery Cost

POSCO encourages 1st tier companies to help adjust the costs of 2nd, 3rd and 4th tier companies so that the overall principle of fair growth reaches out to 2nd, 3rd and 4th tier SMEs in case of changes in raw material costs based on Shared Growth and Fair Trade Agreement and General provisions.

Shared Growth and Fair Trade Agreement

* Article 4(b) Adjustment of unit price for products to be supplied according to the changes in the price of raw materials.
In the event that the contract price is increased or decreased by 5/100 of the total contract price due to the changes in the raw material prices, the contract price may be adjusted by mutual agreement.

General provisions

* Article 18(7) (Modification)
When it is found that the quantity, unit price or costs and expenses applied to the calculation of the contract price has been underestimated or overestimated in comparison with its value in the general market transaction, or the standard price of the Buyer or when the contract price is increased or decreased by 5/100 of the total contract price in comparison with its price at the time of the execution of agreement, an application for adjustment of the contract price may be filed in this case. Upon approval thereof, the contract price may be revised within 30 days from the application date and the contract price may be reduced within 30 days. In the event that the contract price is adjusted due to the foregoing reason, the Buyer first sub-contracted company shall be, in particular, obliged to adjust such contract price by discussion with its assigned company selected sub-contracted company in a reasonable manner.

Interim Payment for Purchase of Facility

POSCO has been giving support to SMEs for their production and operation by making advance payments for facility purchase to the extent of 20% of the total contract price, and making interim payments for facility purchase since 2010. Interim payments for purchase of facility refer to the system where POSCO makes interim payments in order for its counterparty-a small and medium-sized company-to reduce its preparatory period and the burden of financing as well as to obtain the fund liquidity. Any SMEs that has entered into a contract with POSCO, which amounts to more than 100 million KRW and has more than 180 day-term of contract is eligible. In such case, an interim payment is made after a half of the contract period elapses and to the extent of not exceeding 30% of the total contract price less the advance payment.

POSCO Group Supplier Code of Conduct

POSCO set up the POSCO group supplier code of conduct in June 2010 so that all of SMEs engaging in a business with POSCO may perform their duties as global corporate citizens. The all suppliers can visit a business with POSCO after registering its electronic signature on "e-procurement (www.steeln.com)", which is an electronic commerce system of POSCO.

Support for Small and Medium-sized Company's Overseas Market Extension

POSCO is providing overseas market information to the companies through extensive overseas networks in Korea, International, a group member and one of the leading trading companies in Korea. In addition, it offers various opportunities for the companies to build relationship with local buyers.

Education and Consulting for SMEs

SME Vocational Training Consortium and Refinement/Culture Workshop
 In 2011, 43,758 professionals completed the SME Training Consortium Workshop. In addition, POSCO held a total of 38 Refinement/Culture Workshops in Pohang and Gwangyang with officials and families of both POSCO and other operational partners.

Customized Consulting for SME

POSCO provides customized consulting to the first round and subsequent second through fourth rounds of Hope collaborative SMEs and POSCO-group-recommended SMEs. POSCO provides consulting to meet SME's needs for quality, environment, energy, raw material management, organizational management, and more. SMEs can apply for the consulting program by visiting the "SME Professional Support" Portal.

Productivity Innovation Partnership

POSCO has worked with The Ministry of Knowledge Economy to raise 1 billion KRW to pursue "Productivity Innovation Partnership". During the first two rounds, POSCO has consulted 20 operational partners.

"Management Doctor" Policy

POSCO works with partner SMEs, and the Federation of Korean Industries Advisory Group, to form a three-sided support system to improve SME management environment in a practical way. The Management Doctor System effectively utilizes the knowledge and expertise of former CEOs of major corporations and executives, including former POSCO CEOs to effectively guide SME management. As of 2011, 18 SMEs have participated in this program.

Programs for Job Creation and Communication

Operation of POSCO Partner Recruitment Center

In March 2008, POSCO became the first major Korean conglomerate to open a Partner Recruitment Center to assist SMEs in finding the best talent by providing pertinent information. The opportunity is open to all POSCO outsourcing service SME partners. They just have to visit the recruitment portal, www.job.job.co.kr/jw (Job World) and post an opening. If the SME ends up making the hire through the Job World site, they would have the service fees at Industrial Bank of Korea waived, or receive discounts in interest payments (1 million KRW per 1 new hire through Job World). The Job World site can be used by our partners, free of charge.

The POSCO Family Shared Growth Council

POSCO pursues sustainable and systematic support of SMEs working with them like a family, and in order to support that goal, the POSCO Family Shared Growth Council has been in place. As of 2011, POSCO and 12 other subsidiaries are participating in the initiative. Shared Growth and Fair Trade agreement results along with activities of the Family Shared Growth Council and "Excellent Growth Goal" are used as evaluation criteria. The POSCO Family Shared Growth Council meets to discuss, review, and coordinate annual projects on shared growth at a group level, and to decide on its systems and policies. The council not only looks for the shared growth business opportunities, but, announces the tasks to realize "excellent shared growth goal" for the members of the council. The Council meeting is held semi-annually.

The Results of Shared Growth Activities and its Inclusion in Performance Evaluations

POSCO has established shared growth with SMEs as one of the core management values and incorporated it into the business culture. Building confidence in the shared growth activities between large enterprises and SMEs is also important. That is why it was included as evaluation criteria in the executives review process. As of 2011, POSCO and 12 other subsidiaries are participating in the initiative. Shared Growth and Fair Trade agreement results along with activities of the Family Shared Growth Council and "Excellent Growth Goal" are used as evaluation criteria.

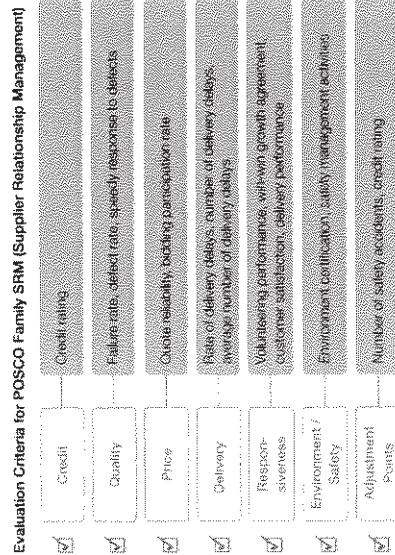
How does POSCO analyze the achievements of Subsidiaries?

POSCO has an analysis system in place to assess the performance of its suppliers to enhance its supply chain competitiveness. The suppliers of the 10 POSCO Subsidiaries including POSCO, POSCO E&C, POSCO SS, POSCO C&C, POSCO ENERGY, POSCO plants, POSCO ICT, POSCO CHEMTECH, POSCO M&TECH, and others are evaluated in the category of CSR activities as well as by general performance indicators such as credit, quality, and delivery. The evaluation is designed to eliminate potential CSR risks related to supply chain.

SRM Evaluation for the CSR of Supply Chain

The SRM Evaluation System covers CSR elements as well as economic, social, and environmental aspects. CSR activities are reflected in the evaluation with 100 points given to the companies allocating more than 50 hours to voluntary service. Donation and CSR-related awards are also included in the evaluation, after being converted into the number of hours dedicated to volunteering. Not only that, socially unacceptable companies are deterred from doing business with POSCO by subtracting points from the total evaluation score every time a company does something socially irresponsible or provokes complaints. Unethical practices of suppliers are monitored on a regular basis for earlier detection and its results are reflected in their evaluation.

POSCO is encouraging its first-tier suppliers to help second and third-tier suppliers gain competitive edge in the market benefiting from POSCO's Win-Win growth policy. Additional points (from 0.25 to 3) are granted for financial support for the second and third-tier suppliers to maximize the synergy effect of the POSCO Family value chain. POSCO encourages the first-tier suppliers to help second and third-tier suppliers grow along with them to realize a healthy corporate ecosystem. Safety and environment are also important criteria in the SRM Evaluation. One of the safety indicators is the number of certificates of safety health management system including KOSH-18001. Also, safety training, safety management activities, safety regulations compliance are evaluated to promote the establishment of the supplier safety system. On the other hand, points are deducted as to the number of safety incidents and the cases of safety rules violation at the steel mill in the environmental category, certification of ISO14001 and other environmental standards, the amount of green buying, eco-friendly products suggestion and carbon emission control are considered in the evaluation to promote environmentally friendly supply chain.





Happy Movement



Employees are POSCO's most valuable asset as well as the source of its competitiveness. POSCO's first priority is the safety and health of its employees based on the principles of respect for human rights. We cultivate an open corporate culture through active communication between employees and always listen to their voices. POSCO is sharpening its competitive edge as it helps its employees grow creatively through a human resources development system and program, Right Reward, and an employee welfare system.

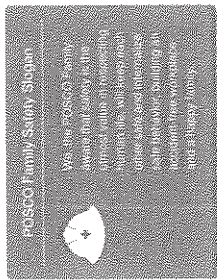
About Employees

Issue	Safety and Health	Making a Happy Workplace	Global HR System												
	<ul style="list-style-type: none"> • Safe work environment • Promoting employees health <p>Activities to Enhancing Safety</p> <ul style="list-style-type: none"> • Implementing the company-wide Safety Injuries Zero Mega-Y campaign • Establishing a cutting-edge infrastructure for safety education • Built POSCO Global Safety Center in October 2011 <p>Promoting Health of the Employees</p> <ul style="list-style-type: none"> • Expand Health Promotion Center • Focusing in September 2011, Gwangju in January 2012 • Continuous improvement of workplace environment • Designated by the Ministry of Labor as an "Self-evaluating Organization of Work Environment" <p>Expand Safety Injuries Zero Mega-Y Campaigns</p> <ul style="list-style-type: none"> • 26 Tasks in 9 sectors in 2011 • 35 Tasks in 10 sectors in 2012 <p>The Number of Mega-Y Tasks</p> <table border="1"> <tr><th>Year</th><th>Number of Mega-Y Tasks</th></tr> <tr><td>2011</td><td>26</td></tr> <tr><td>2012</td><td>35</td></tr> </table>	Year	Number of Mega-Y Tasks	2011	26	2012	35	<ul style="list-style-type: none"> • Employee Communication • Compensation and Welfare <p>Promoting Communication</p> <ul style="list-style-type: none"> • Diversifying employee communication channel • Spread the culture of trust and communication by Labor Management Council, Young Board, Junior Board, Talk Channel Tong Tong, and PIRI (POSCO in Real-time interaction, POSCO's Internal SNS) • Created "Happiness Index" to measure the happiness of employees and conducted a survey • Happiness Index Survey conducted for 26,000 employees from 34 POSCO Subsidiaries from September to November 2011. <p>Work & Life Balance Score in Happiness Index (Unit : points)</p> <table border="1"> <tr><th>Year</th><th>Happiness Index</th></tr> <tr><td>2010</td><td>76</td></tr> <tr><td>2011</td><td>81</td></tr> </table> <p>Compensation and Welfare</p> <ul style="list-style-type: none"> • Expanding the Labor Welfare Fund • 582 billion KRW in 2010 • 621 billion KRW in 2011 <ul style="list-style-type: none"> • Seek Balance between Life and Work • Introduced the 4 team-2-shift schedule and flexible work hour in 2011 • "Balance between Life and Work" scores improved in the 2011 Happiness Index Survey <p>62.1 billion</p> <p>Employees Award in Lucky Welfare Fund of the Company in 2011</p>	Year	Happiness Index	2010	76	2011	81	<ul style="list-style-type: none"> • Securing talents • Nurturing talents • HR system for locally hired employees <p>Securing Domestic and International Talents</p> <ul style="list-style-type: none"> • Selected POSCO Undergraduate Scholarship Students, cultivating them into "consilience talents" • Nurture charge agents consisting of global employees <p>Nurture Domestic and International Talents</p> <ul style="list-style-type: none"> • Establish a self-directed lifelong learning system by ranks • Expanding education opportunity to include all the POSCO Family employees • Change Leader System launched at the global major business locations (7 selected as Change Leaders)
Year	Number of Mega-Y Tasks														
2011	26														
2012	35														
Year	Happiness Index														
2010	76														
2011	81														
Performances															



How can we create a safe and healthy workplace?

POSCO puts safety first and considers it as one of our core values based on the principle of human rights. Keeping in mind that our safety management influences not only the life of all the employees but also their families, POSCO is committed to making the workplace safe as we take care of our own family. By putting priority on safety in everyday work, POSCO practices its core values, respect for human life.

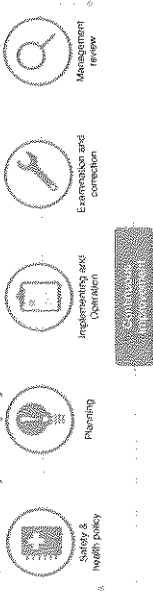


Safety

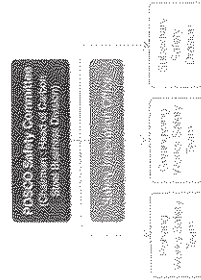
Implementing Safety Injuria Zero Mega-Y

POSCO expanded and revamped the Office of Safety Innovation in September 2010 and has been implementing the company-wide Safety Injuries Zero Mega-Y campaign to integrate and optimize safety and health activities at the POSCO family level, which were conducted at the division and regional level. In 2011, POSCO paved the way for zero safety accidents by implementing 28 tasks in 9 sectors. In 2012, POSCO is working on 35 tasks in the newly found 10 sectors, continuing its efforts to achieve the goal of zero safety injuries by offering essential safety training to all employees utilizing its educational infrastructure, detecting and eliminating safety risks, and establishing a global safety management system.

POSCO Safety Activity System



Organization of POSCO's Office of Safety Innovation



SAO (Safety Acts Observation)

The SAO program is designed to urge position holders to compliment workers at the site and ask questions to help employees realize their unsafe practices and correct them for themselves. This enables the company to learn the overall atmosphere of the site including site changes and worker's interests as well as unsafe practices on site.

ILS (Isolation Locking System)

Analysis on injuries that occurred at POSCO revealed that a large portion of material injuries* occurred because the energy source was not appropriately 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.

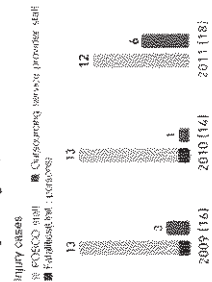
The "ILS on dead equipment" program shuts down the energy source which can harm workers during operation on site, before operation starts. The "ILS on live equipment" program stops people from entering/exiting facilities in operation. Such risk elements at steelworks are collected and stored in a systematic database system. Risk elements are classified into Levels one to three according to its degree of danger, and a set of actions needed to be taken is specified for each level to keep workers from being exposed to risk factors.

- * Material injuries
- 1. accidents of 1 or more fatalities
- 2. accidents where 2 or more have been injured simultaneously that require 3 months or more of treatment
- 3. accidents where 10 or more have been injured or fallen simultaneously

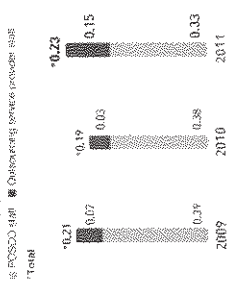


POSCO Global Safety Center

Safety Management Performance



Last-time Injury Frequency Rate



Innovation in Education and Training

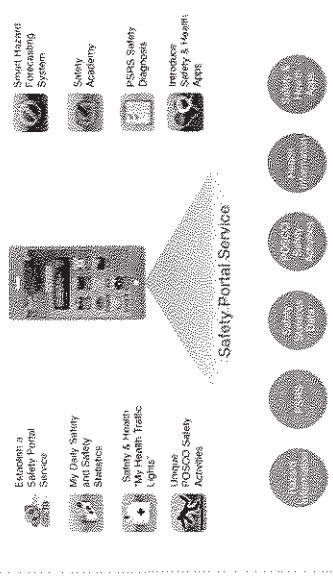
POSCO established an education and training matrix for 36 courses of different levels including beginner, leadership, and professional course. It is designed to help employees build essential safety-related capacities to meet their responsibilities more effectively and expand communication between ranks and change management. The POSCO Global Safety Center, equipped with a lecture hall, exhibition room, 4D theater and laboratory, opened in September 2011 laying the groundwork for systematic and continuous safety training, in both theory and practice. The center operates safety education programs for students and the general public as well as POSCO Family members.

1 CASE STUDY

Smart & Fun Safety System

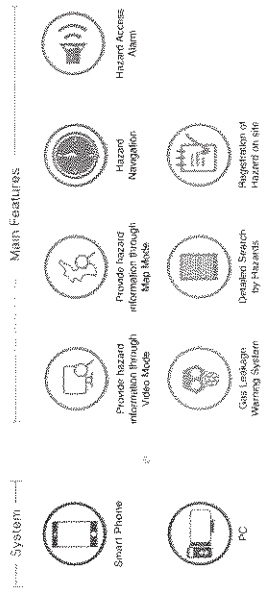
POSCO strives to achieve zero safety accidents through the "Smart & Fun Safety" initiative, where safety information is provided anytime, anywhere and risk-related information at the site is shared utilizing smartphone mobile technology.

Implementation of the Fun Safety Smart System



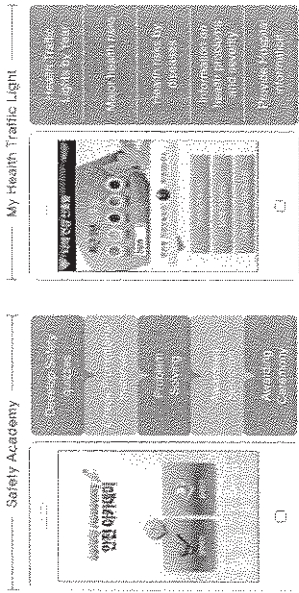
Hazard Forecasting System

POSCO tries its utmost to secure worker safety in advance by providing real-time risk information within the factory through a hazard forecasting system based on augmented reality technology and location-based technology, and a gas leakage warning system and access to hazard points.



Development of the Fun Safety Smart System

POSCO will contribute to fostering the culture of safety and a positive image about safety through fun and easy smartphone applications that provide daily safety information.



Health

Employee Health Management System

POSCO conducts health examination on all employees every year to maintain and enhance their health. For more reliable test results, high-performance equipment such as compound blood analyzer and digital radiation equipment were revamped. For employees with health problems, regular tracking/treatment is provided to prevent them from worsening.

Besides these basic health care activities, POSCO has prepared independent tumor marker tests (4 markers) and external commissioned tests (6 tests) to find cancer, a leading cause of death in modern society. Employees can choose which test to take every year.

Health Management System

Checkup results are recorded and saved to provide systematic and customized healthcare services for employees. Based on the data, health consultations with industrial medicine specialists is offered and customized diet and exercise routines are prescribed. Afterwards, health information and education are provided and, when necessary, it is recommended employees join counseling sessions and the fitness center of the company. In order to help employees keep in shape and prevent musculoskeletal disorders (MSDs), the Physical Therapy Clinic is available and fully equipped with a body analyzer, disc decompression system, and disk rehabilitation machine.

Health Enhancement Campaign

POSCO is giving its full support for lifestyle changes of individual employees. As all of the employees have succeeded in quitting smoking beginning in 2009, POSCO declared its steel works "smoke-free." The no-smoking campaign - of love for colleagues and for family - has been expanded to all POSCO Subsidiaries encouraging them to pay more attention to employee health. In order to fight obesity, a known cause for numerous diseases, POSCO has implemented a range of obesity control programs for its employees. 8-week weight loss program, healthy walking campaign, and the development of healthy diet. These programs are designed to encourage employees to adopt a healthy life style such as regular exercises and proper eating habits.

Industrial Hygiene Management

In order to keep in the best shape, the internal and external environment surrounding workers need to be pleasant. POSCO manages harmful factors generated at the workplace consistently and distributes good quality hygiene and protective gear to protect its workers from potential injury. Not only that, we keep reporting the protective gear's inconveniences to the manufacturer to improve the quality and performance.

Also, POSCO developed health standards such as "Protecting hearing" and "Healthy work program for closed areas" to protect those working in the confined or noisy areas. Also, we follow a Material Safety Data Sheet (MSDS) strictly for appropriate use of chemical substances. Thanks to such consistent efforts, POSCO showed an outstanding performance at the "Work Environment Evaluation Management" program, hosted by the Ministry of Labor every year, and designated by the Ministry as a "Self-evaluating Organization of Work Environment."

Expand Health Promotion Center Access to Subsidiaries

POSCO has expanded the medical service provided to POSCO Family members from Pohang (Sep 2011) to include Gwangyang (Jan 2012). Establishing infrastructure - personnel and facilities - to provide additional service, 66 Subsidiaries employees working in steelworks can access the same medical service benefits as POSCO's employees free of charge. This service gives the Subsidiaries employees not only easy access to medical services but also a sense of belonging as a member of the POSCO Family.



Checkup



Health Promotion Center - "Varing Medical Service"

2 CASE STUDY

POSCO Safety Rating System

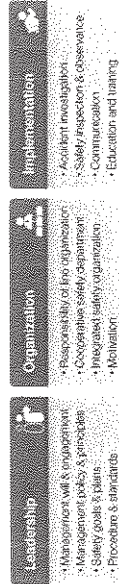
POSCO developed the POSCO Safety Rating System, or PSRS, to recognize risk factors as a main task for securing safety. PSRS is designed to provide assessment and consulting to measure the level of safety management and set directions for improvement. Each department and affiliate conducts a quantitative safety control assessment using the PSRS assessment tool. Based on the results, commendable cases are cultivated as model cases, and areas that need improvement undergo consulting and customized improvement plans. POSCO will create the culture of safety by recognizing root causes through the assessment of core safety requirements and deriving customized solutions and follow-up measures.

Assessment tools are divided into four categories of Leadership, Structure, Process & Action, and Facility Safety. A specialist is assigned to each category to conduct interviews, analysis of the processes, and on-site inspections. The results are measured on a scale of Level 0 to five and the level of safety culture is presented. Improvement suggestions are made in the three categories of leadership, organization, and implementation.

The first step of PSRS is to understand the current safety level of each department based on the assessment results, and the second step is helping to create and implement action plans. The third step is reassessment of the implementation results to provide systematic support to improve safety practices. POSCO scored 2.7 points out of 5.

POSCO plans to spread its Safety Rating System to other companies as well as POSCO Subsidiaries to contribute to the global safety management.

Main Components of PSRS



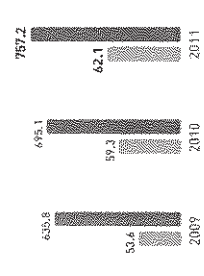
PSRS Assessment Order

PSRS Audit Main Activities



Employee Welfare Fund by Year

8 Total amount based on company profits
 9 Total appropriation for benefits from company profits (not one benefit)



Compensation and Welfare Benefits

Korea already has entered an aging society back in 2000. In addition, due to construction of steel mills and investment expansions overseas, the demand for highly-trained workers within POSCO increased. In order to solve such internal and external problems, POSCO adopted the Salary Peak System and extended the retirement age helping its employees find meaning in life through work.

POSCO strives to nurture "knowledge workers" and improve employees' quality of life. With the introduction of the system of "4-teams 2-shifts", the number of off days for employees have doubled. The company also expanded support for workers to take self-improvement programs and to fully enjoy the extra holidays as leisure time. Merit-based personnel management is being strengthened by offering annual salary to employees who reached a certain rank and presenting early promotion opportunities to employees with high performance. Compensation for good management is in place to share management profits.

Employee welfare fund has been established from some of company profits to boost the employees' motivation to work and maximize productivity. The fund is used for individually chosen welfare benefit packages, expenditure for congratulations and condolences, expenditure for morale boosting, scholarship for employees' children, support for medical expenses, home loans and stabilization of livelihood.

3 CASE STUDY

The '4-Teams 2-Shift' Schedule and Flexible Working Hours.

POSCO adopted the "4-teams, 2-shifts" schedule and flexible working hours policy to help employees find a balance between work and life. The "4-teams, 2-shifts" refers to a system, where 4 teams are assigned to the day and night shifts, with two teams working 12 hours each day while the other two teams have the day off. In opposition to the 4-teams 3-shifts schedule, the day work hour increases from 8 to 12 hours, but the total annual work hours remain the same while, days off increase by 87 days and employees up to 4 consecutive off-days. With the increased number of off-days, employees are presented with more opportunities to immerse themselves in self-development and can enjoy recreational activities such as travel, take up hobbies and learn. At POSCO we support our employees with recreational and sports facilities while providing various educational cultural courses as well. As a result, for the first time in 2011, the shift workers' organizational engagement was higher than that of regular full-time workers, and shift workers in particular were satisfied with being able to strike a work-life balance.

POSCO is implementing the "flexible working hours" policy to improve the working conditions for its workers. The institutional foundation of the system was created with the test operation in 2011, and now is fully operational. The policy includes home working, free working hours and holiday-working of which the last two are the most favored by employees. Free working hours refer to allowing employees to choose when they start and finish work based on the nature of their work and personal needs, maximizing engagement during work hours while helping employees to balance work and life. In opposition to taking the whole day off, half day-work is a system that allows employees to take a half day off, so that they can freely work and also have some rest at the same time. Thanks to continuous efforts to improve the quality of life for our employees at POSCO, including the adaptation of the "4-teams 2-shifts" schedule and the flexible working system, the "balance between work and life" score on the 2011 Happiness Index jumped to 81 points in 2011 from 76 the previous year. POSCO is planning to reflect the opinions and improvements in its policies to sustain the positive trend and improve the quality of life for its employees.

Progress of the "4-Teams 2-Shift" Schedule

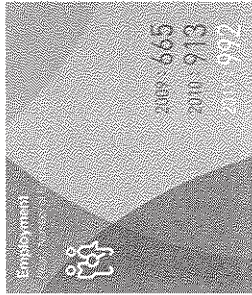
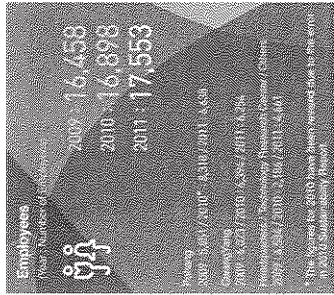
Department	2010.7.1	2010.10.16	2011.2.26	2011.4.17
Departments under test operation	15	27	27	15
Full implementation	2011.1.1	2011.4.6	2011.6.26	2011.10.17

* Starting from April 17th, all employees will switch over to the "4-teams 2-shifts" schedule (trial operation excluded)

What kind of POSCO's support makes its employees realize their dream?

POSCO always guarantees the best kind of support to its employees who are in pursuit of their dreams. Our company strives to effort to foster its new employees into creative, challenging, global professionals. We also create an environment where a vision of an individual is turned into reality, leading to the success of the company and competitiveness of the nation.

Personnel Status



Hiring Talents

POSCO pursues "Open Hiring", where candidates can apply regardless of academic background, age, nationality, etc. We are pushing forward the "Structural Screening Process", an advanced hiring evaluation system to scout for talents. The "Structural Screening Process" is a capability evaluation process based on the "Assessment Center", utilizing various interview techniques to evaluate analytical, planning, communication skills and leadership of applicants in a comprehensive manner.

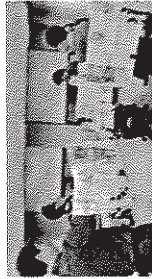
Hiring was one of our priorities in 2011 to hunt out global and professional talents of consilience, who will be at the very center of POSCO's future success. Under the "POSCO's undergraduate industry and academia collaboration scholarship" we selected sophomores and juniors and provided various programs, such as liberal arts and engineering consilience courses, internships and overseas studying opportunities, cultivating exactly the kind of talent the company needs, talents with consilience.

Nurturing Talents

POSCO fosters creative individuals that together turn the company's vision into reality. That's why we are establishing a lifelong, self-learning education system to allow all of our members at the company to be empowered and contribute to the organization. Customized education is provided to all employees from new employees and management, supporting everyone to become a professional in what they do through work-specific, professional training. We are also practicing consistent growth by empowering employees at subcontracting partnering companies under the "HRD Consortium training project".



POSCO Strategy University



A program at the Creativity Camp

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.

- Learning roadmap for potential leader : establish an education system to develop the leadership of core talents
- Cultivating managers through problem-solving action learning method: nurture senior position holders, business model-developing problem solving
- POSCO Executive MBA: enhance the management's expertise, management skills, and consilience competence
- Strategy University: cultivate strategic talents with mid and long-term outlook, with knowledge in humanities, mental studies, and art of war/tactics
- Global Mini-MBA: intercultural negotiation process, language courses for leaders, cultivating talent for global business
- Employee training before international assignment: Cross-cultural training and language courses

Cultivating Creative Consilience Talent

POSCO employs the TRIZ University and operates the Creativity Camp to foster employees' creative problem-solving capacities.

- TRIZ University: enhances employees' creative problem-solving capacities. The program has multilevel (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.
- Others : Saturday Learning (for the Family leaders), Monthly Learning, Wednesday Humanities Lecture to cultivate insight and creativity

Expanding Education at the POSCO Family Level

POSCO is gradually expanding education opportunity to include all the POSCO Family employees. From newcomers to the top management, all employees at the POSCO Family share core values and management philosophy through new appointee/enhancement courses by rank, and orientation courses for new employees. POSCO supports employees at outsourcing partners by providing courses in leadership, QSS, and 6 Sigma. The e-learning system has also been expanded to the Integrated Global e-Learning System open to the POSCO Family, outsourcing partners and overseas local employees.

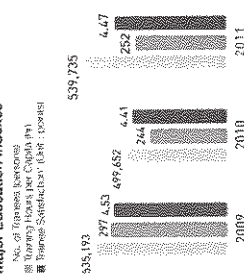
Self-Directed Learning System

As the education paradigm changes with the advancement of the 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. In 2011, POSCO opened the HRD portal to help employees to make a yearly study plan and take courses themselves. At the same time, we established a channel to listen to the educational needs of the employees and the performance of the trainees are reflected in their competence evaluation through PCS (Personal Score Card).

Strengthening Innovation Education to Accelerate Innovation

POSCO continues its training courses to nurture MB, BB, and GB, the innovative leaders who will drive successful management innovation, the POSCO way. In order to nurture operators, who can maintain their own facilities themselves, training courses are provided for QSS Improvement Leader and QSS Master. Consultants for improving work sites. Recently, change management education programs have been enhanced by integrating POSCO's core values and the advantages of other training methods to motivate more employees to lead innovation at the company.

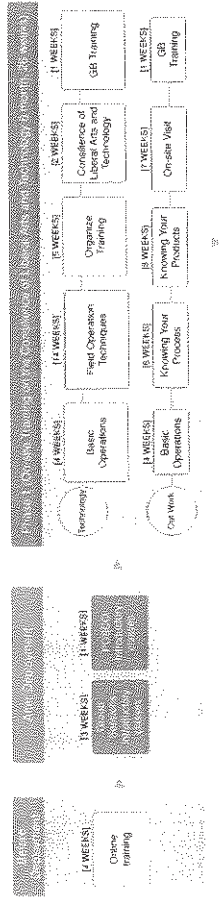
Major Education Indexes



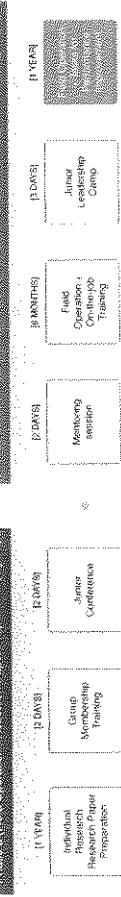
Note: Data is based on training classes (POSCO Future Creation Academy, on-site training, lifelong learning, commissioned training) and e-learning courses

* Overseas partner education survey conducted for the offshore classes and e-learning courses at the POSCO Future Creation Academy, in terms of the contents, method, and the lecturing skills

New Employee Self-Department



Phase 2 (New Growth)



Global HR(Managing and Nurturing Local Employees)

Global HR System

In order to ensure that POSCO's core values and work ethics are properly communicated and practiced at the overseas business sites, the Change Agent program, which consists of locally recruited employees, was launched in 2010.

The Change Agent(CA), who completed a 3-week course at the head office and local implementation tasks, have laid the groundwork for the local management and employees to follow POSCO's core values and Code of Conduct in their daily work. In 2011, POSCO trained additional 50 agents from 30 corporations in 9 countries, bringing the total number of agents to 105. In addition, 7 new Culture Leaders were cultivated, who monitor and support the Change Agents' activities at the major business locations. In 2011, POSCO granted awards to some CAs for their outstanding performance and shared their achievements with other POSCO Family at the Innovation Festival, an opportunity to discuss ways to grow together.

One of our efforts to become a true global corporation is hire more and recruit more local employees. We train local employees as leaders, potential position holder, managers or higher level, who integrated the values and work ethics of POSCO into everyday business management. We commissioned the Seoul National University to run Korean language classes for local employees in 2007 and help them learn the POSCO values by offering short-term delegation to the head office and job-rotation programs. Also the Global Leadership Center in Songdo, Incheon, offers various courses for overseas local employees to nurture model employees and managers. For the employees dispatched to overseas branches, we have a "Select & Nurture" program, where training is offered "before, during, and after" the delegation to ensure continuous development of the employees.

Meanwhile, POSCO is implementing global standards in HR in general, including employment, evaluation, promotion, and other workforce management. We take various policies and measures to protect the rights of every employee including female workers and local employees; minimum wage guarantee, maternity protection, and foreign worker recruitment, among others. POSCO puts its efforts to eliminating human resources-related risks and to protect human rights at the global POSCO Family level.

In 2010, POSCO established an operation system to minimize local HR risks in China, Southeast and Southwest Asia (Indonesia, Malaysia, and India), which was implemented in Japan, Indonesia, and India in 2011.

In November 2010, POSCO held the Global HR Forum. At this forum, the HR personnel shared best practices of the Code of Conduct compliance and core values implementation, and set a direction toward the future to heighten consciousness of the POSCO Family. POSCO will hold the Global HR Forum every other year to make its HR system more effective.

Foreign Talent Development

POSCO cultivates core local talents who will be the key agents for the overseas branches in realizing Global POSCO. These local employees are offered various programs to better understand the vision, core values, innovation activities and other important aspects of POSCOs. At the same time, we provide basic on-the-job training as well to help them grow as global leaders and proud members of the POSCO Family.

Education of Model Employees at Overseas Corporations

The course is offered to junior and senior employees recommended by the head of overseas corporations, in order to raise understanding about Korea as well as POSCO Education about the history of POSCO, its core values, and Vision 2020 and a still mill tour are designed to inspire pride as a member of the POSCO Family. In addition, there are various programs in place to help understand cross-cultural differences - Korean culture experience and interviews about the intercultural conflicts - to promote more effective communication between dispatched Korean employees and locally hired ones.

Change Agent Enrichment Education and Change Leader System

POSCO has been providing Change Agent Enrichment Education at the requests of follow-up training-sharing CA activities examples, education of the latest management policy and innovation methods - as well as the enhancement of CA competence as a consultant. The course is designed to help CAs enhance their competence and lead innovation at overseas branches as a consultant, beyond just delivering the innovation activities of POSCO.

The Change Leader System was launched at the major business locations to manage and support CA activities of individual branches and to promote communications with the head office. In 2011, a total of 39 CAs joined the enrichment Education and 7 Change Leaders were selected to operate the course.

Culturally Diverse Class for New Team Leaders at Home and Local Managers

In 2011, POSCO started Culturally Diverse Class, a leadership training course where new team leaders at home and local managers of overseas corporations team together. This integrated session was an opportunity for Korean team leaders to cultivate a global mindset, and for local managers to refresh a sense of belonging as a proud member of the POSCO Family.

In 2011, 20 local managers from 15 corporations in 8 countries and 20 team leaders at home attended leadership training course, which was conducted exclusively in English and a good opportunity to learn cross-cultural varieties of the POSCO Family around the world.



INTERVIEW

Enhancing the Family Mindset Course Participant Interview



POSCO-THAI

Rodjaroen Parat

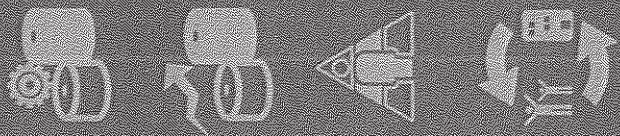
I was so glad to be chosen as a model employee and to take training in Korea. I had a chance to experience Korean culture and try Korean dishes during the training. What impressed me more than anything else was the still mill tour. As I only saw it from photos when working in Thailand, I had never realized how big a corporation POSCO really is.

I was so proud of being a member of POSCO as I learned the production process of steel and took a tour of the factory. I am happy to have such an opportunity as a model employee and will share with my colleagues what I've seen and learned, the spirit and vision of POSCO.



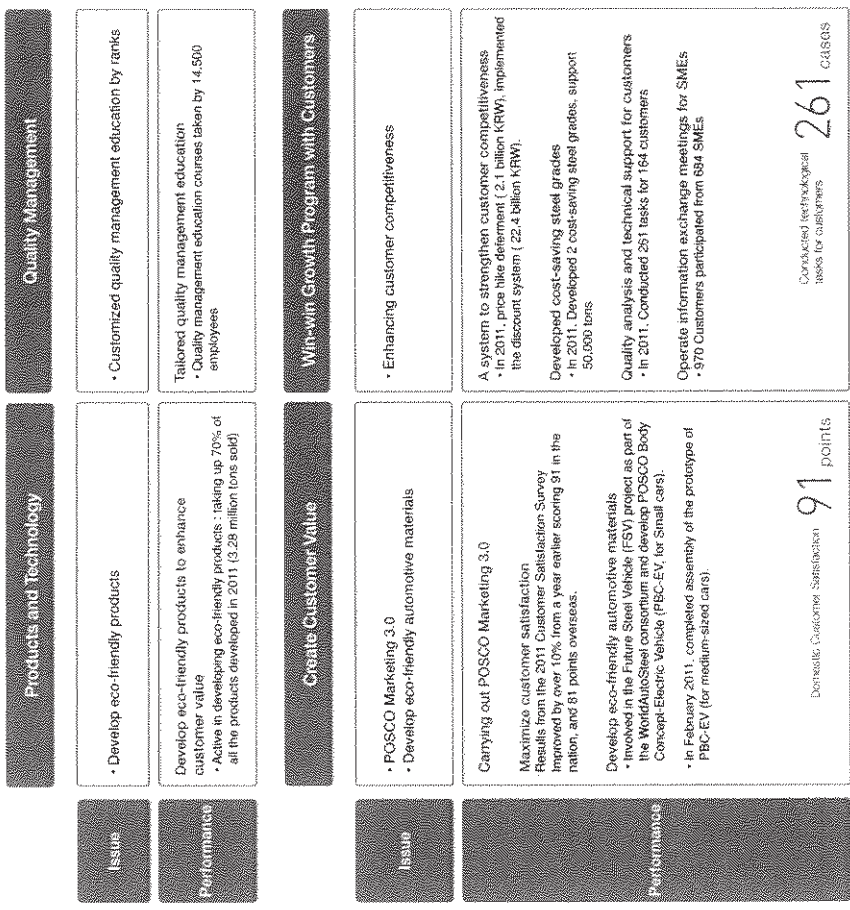


Valuable Movement



Customers are the beginning of POSCO's growth and the greatest value. We create customer value and present a new future by developing products and technology through continuous innovation and creating a new marketing paradigm focused on customers. POSCO completed a global quality management system to establish a world-class quality system, which it believes is the first step to win customer trust. We will continue to grow with our customers through various Win-Win growth initiatives.

About Customer



What kind of values are POSCO products and technologies providing customers?

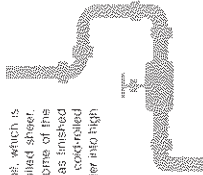
There are customers at the heart of POSCO. We raise customer value through continuous and innovative product development. We strive to make the world's best products for the new as well as our global customers. POSCO is trying its utmost to develop high-performing new products that are trusted and safe.

Products

Hot-Rolled Steel

Hot-rolled products include the hot-rolled coil, which is formed out of hot strip mills, and the hot-rolled sheet, which is made by cooling hot-rolled coil. Some of the hot-rolled coils from hot strip mills are sold as finished products or used as intermediate materials for cold-rolled coils and electrical steel to be reprocessed later into high value-added products.

- Major Applications: Pipes, beams, automobile frames/sheets, containers, etc.



Steel Plates

Plate products generally refer to steel plates with a thickness of 5mm or more. While they are mainly used for vessels, bridges, large structures, and special applications, usage also includes a wide variety of special applications such as extremely low temperature containers, industrial machinery, and military equipment. More investment is underway in developing plate manufacturing technologies for welding and offshore structures, pressure containers and products under severely cold weather conditions to respond to sophisticated industrial needs.

- Major Applications: Ships, large structures, and bridges, etc.



Magnesium Products

Magnesium is a metal with the highest strength-to-weight ratio and mainly used for automotive parts, cell phones, and aluminum alloy. It is emerging as a popular material for the 3Cs (Consumer, Communication, and Content) and car de-coating parts along with aluminum alloy.



Stainless Steel

Being highly corrosion-resistant with its glossy surface, stainless steel products are made from high value-added special steel that can be used in various applications without extra surface treatment. Stainless steel is mainly used in kitchenware, automobile parts, and chemical facilities. Ever since it was used in the construction of the iconic International Airport and the Seoul World Cup Stadium, in particular, its popularity as a material for building exterior walls and roofs has been rising.

- Major Applications: Kitchenware, medical devices, building interiors/exterior, car parts, etc.



Cold Rolled Steel

Cold-rolled steel is produced by rolling hot-rolled materials at a low temperature. Its high quality surface finish and formability make cold-rolled steel ideal materials for a wide range of products, from home appliances such as refrigerators and washing machines to coils, industrial machinery and various construction materials.

- Major Applications: Automobile parts, high-end home appliances, metal equipment, etc.



Wire Rods

Wire rod products are materials from "wire," produced in the thin and long shapes, instead of coils or plates. They are divided into general and special steel. General steel can also be classified into general wire rods that are used in daily life, like screws and nails, and special wire rods which are used in the manufacturing of cars, bridges, machinery, submarine cables, etc. Special steel is used to manufacture automotive bolts/nuts, high-tensile architectural bolts, bearings, springs, piano wire, etc.

- Major Applications: Bridge wire, tire cords, architectural structures, springs, etc.



Titanium Products

Titanium is a non-toxic eco-friendly metal with laminar excellent strength-to-weight ratio and high corrosion resistance. In many applications, titanium offers opportunities for reducing operating costs by: 1) Better fuel economy through weight savings 2) Improved energy conservation by efficient heat transfer 3) Resistance to aggressive materials such as crude oil with high levels of hydrogen sulfide, and 4) Reduction in environmental cost caused by corrosion leakage.

- Major Applications: Interconnector power plant, petrochemical plant, sports and medical products, etc.



Electrical Steel Plates

Being highly electromagnetic, electrical steel is in ever greater demand as the need for clean energy grows and to support continued efforts to conserve energy and environmental protection. This steel is also called silicon steel due to its high silicon content and is divided into grain-oriented and non-oriented steel sheets according to its magnetic property. Electrical steel is mainly used as iron core material for current transformer, power generators, motors, etc.

- Major Applications: Transformer, motors, power generators, etc.



Eco-Friendly New Products

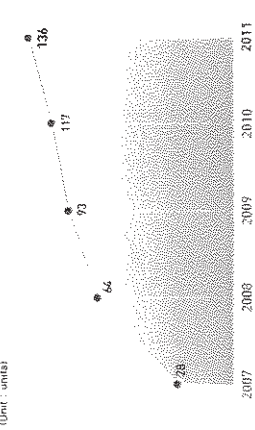
POSCO leads the future of customers through future-oriented products. We consistently develop eco-friendly products to make the world a better place.

Types of POSCO Eco-Friendly products



- Environmental Protection**
 - Not containing environmentally hazardous substances/Blocks elements harmful to the human body
 - Reduces noise or vibration/Enhances off-gas cleaning performance
- Energy saving**
 - Lighter automobiles/Products that can skip a process or heat treatment
 - Enhances energy efficiency and processability
- Recyclability**
 - Enhances corrosion resistance and life cycle/Enhances durability

Number of Eco-Friendly Steel Products (Unit: unit)



High Corrosion Resistance Steel of YS 450 MPa Grade or Higher for Line Pipes of Petroleum and Gas

Despite the environmental concerns due to global warming and fossil fuel exhaustion, the world economy is still heavily dependent on fossil fuels such as petroleum and natural gas, with demand on the rise. As a result, the diameter of line pipes for transportation is getting bigger and more piping work is done in poorer environments with more harmful gases.

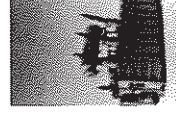
Development of PB-Free Cutting Steel

Recently, as environmental degradation is getting serious due to rapid economic growth, more attention is paid to eco-friendly materials. Until now, cutting steel was mainly composed of lead due to its excellent processability, but there were opinions that the lead accumulated in the body during processing can be fatal requiring steel makers in the developed nations - Europe, the United States, and Japan - to focus on the development of PB-free free cutting steel.



High-Efficient Grain-Oriented Electrical Steel 27PHD085

POSCO has been working diligently to develop high-end grain-oriented electrical steel used for transformers, to accommodate to the world's transformer market looking for low noise and energy-saving products. As a result of our efforts, we have successfully developed 27PHD085 steel product with lower core loss. The product shows an average core loss of 0.83W/kg, lowered by roughly 4.1% compared to previous 27PHD090 products. Also, it reduced no-load loss and noise, contributing to the development of eco-friendly transformer.



High Performance Hot-Rolled Steel

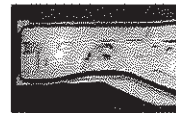
- High-carbon steel for engine valve tappets
- High-grade high-carbon steel for nail
- Tappets, a part used to open and close the valve by pushing it up

Wire Rods

- Ultra fine steel wires for cutting silicon
- Deep sea exploration basket ropes (GSR-1000)
- High-tensile grade ultra high strength wire rods for tire cords (POSCORED)

High Elongated GA 980DP Steel Sheet for Automobile Reinforcements

POSCO makes constant efforts to develop high-strength and high-elongation steel plates to match the need for lighter automobiles. The market demand for car parts of 980DP is gradually increasing with the carbon emission control, popularity of lighter cars, and stricter safety regulations in the automotive industry. Securing strength and workability at the same time, unlike the conventional materials, we are able to minimize the part manufacturing process to save more energy.



High Performance Cold-Rolled Steel

- Maxee resin-coated steel sheet with high heat resistance
- High-Strength Top Clear UV-steel plate - applied to the exterior of home electronics, eco-friendly without generating VOCs during the process
- The world-leading high-strength and high-elongation TWIP steel plate

Electrical Steel Sheet

- Developed HGO products with low core loss and high magnetic flux density
- Developed premium hyper products for motors of electric and hybrid vehicles

Steel Plate

- High strength E44.7 product for large container vessels of 16,000 TEU or bigger
- Steel for marine structural uses in extreme cold
- TEU - Twenty-foot equivalent unit, 1 TEU equals a 20-foot-long (6.1 m) container.

STS Products

- High performance materials for car gaslines/pillows
- High corrosion-resistant steel for desalination facilities



What eco-friendly automotive materials is POSCO developing?

POSCO creates customer values while enhancing corporate value through innovation and also contributes to industry social values. POSCO produces green materials to save the way for the development of eco-friendly cars. POSCO creates customer value while enhancing corporate value through innovation and contributing to the increase of social values.

Developing Eco-Friendly Automotive Materials

POSCO has focused on R&D and production of steel precuts to make automobiles lighter by supplying eco-friendly vehicle materials such as TWIP and AHSS steel. POSCO mass produced the ultra high-strength automotive steel plate of 1180MPa grade (1180 eco-friendly CP steel), enduring up to 120kgs per 1sq. for the first time in the world. And in 2009, we developed the YS 1180CP steel, upgraded in processability, yield strength, and weldability from 1180CP steel. The new steel product enables car manufacturers to process them more easily and make their vehicles lighter and more fuel-efficient. POSCO high-elongated 980DP steel plate has far better processability than the previous materials and easier to apply to automotive parts like the B-pillar. It also increased mileage and eco-friendliness as it has the same strength with thickness of just 20 to 40% of the conventional high-strength steel such as S900DP and 780DP, and, as a result, makes a lighter car.

In addition, POSCO is making lighter tire cords, part for absorbing external shock to lengthen the lifespan of the tire. In 2010, POSCO succeeded in the commercialization of ultra high-strength wire rods of 4000MPa grade for tire cords, and now the development of wire rods of 4700MPa grade is in-process. Also, we have developed wire rod product for high-end engine valve springs with a decreased diameter to reduce the total volume of the vehicles engine, contributing to the production of lighter automobiles.

The wire rod steel of 2300MPa grade is the world's first high-stress material, decreasing the diameter of safety valve by 10% and increasing fuel-efficiency by 0.4%. Another way to make vehicles lighter is using an important POSCO new material: magnesium. POSCO developed magnesium plates for automobile seat frames, which is expected to make cars more fuel-efficient and comfortable by decreasing weight while maintaining the same strength.

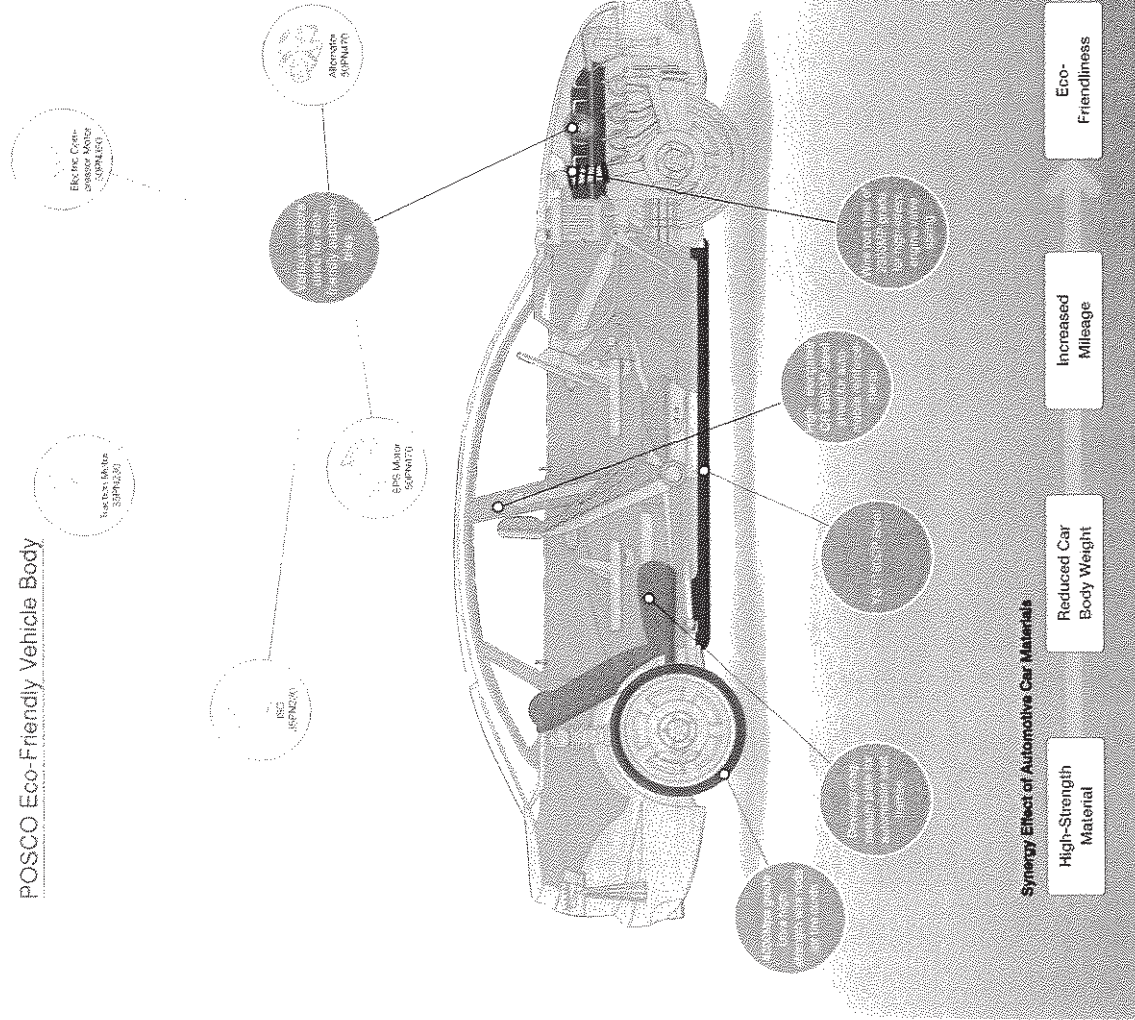
More than anything else, POSCO focuses on developing light bodies for electric vehicles as they are gaining popularity. In May 2011, the world's 17 steelmakers announced the result of the Future Steel Vehicle (FSV) project as part of the WorldAutoSteel consortium. POSCO joined the project with the development of lightweight car body panels for small electric vehicles.

Now, POSCO is in the process of developing the POSCO Body Concept-Electric Vehicle (PBC-EV). In February 2011, the company completed the prototype after a series of steps from review of styling package, design, analysis, part manufacturing and assembling. PBC-EV uses about 40% more of the Ultra-High Strength Steel (UHSS) than average car materials, and employs cutting-edge technologies including hot press-forming and a multi-directional roll-forming process. This has proved to reduce the automobile weight by 26% and reduce GHG emission about 50% compared to conventional vehicles in terms of the Life Cycle Assessment.

POSCO's effort to make green cars includes the development of electrical steel sheets for electric vehicles. POSCO created a project team called "the Eco Motor-Electrical Steel" at POSCO Technical Research Laboratories to develop EF-car plates consuming less energy, and working on the Early Vendor Involvement initiative with over 10 carmakers at home and abroad.

Material	Development Status	Weight Reduction	GHG Emission Reduction
World Auto Steel FSV (participated by the world's 17 steelmakers including POSCO)	Commercial production goal for 2020	reduces 70%	reduces 70%
POSCO Body Concept Electric Vehicle	Commercial production goal for 2015	reduces 50%	reduces 50%

POSCO Eco-Friendly Vehicle Body



What vision is POSCO going to achieve through customer value?

We need a new strategic alternative for sustainable growth in the current business environment as domestic and international competition gets more severe, approaching to the limit of creating added values due to rising raw material cost. POSCO is creating new values with customers under the CEO's firm belief in customer-oriented marketing, serving the customer with win-win with the customer, and gaining the customer's trust. POSCO has upgraded its marketing strategy, going beyond price competition, expanded in the fastest competitive business environment, to value differentiation. We believe the main pillar of sustainable growth is customer success through the creation of values. This will realize us to provide customized values for each customer and build long-term trust with customers. POSCO will realize win-win growth between customers and the company by making continuous technological innovation and sales increases.

Toward Customer-Oriented Marketing

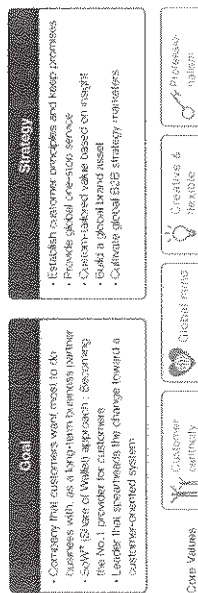
POSCO implemented a customer-oriented marketing program to realize Marketing 3.0. In the aspect of marketing strategy, POSCO established marketing strategies for each customer and region. The KAM (Key Account Management) department, set up to tend to customer's needs promptly, has been expanded to include global car makers. In a way to effectively deal with global sourcing from customers around the world, POSCO had assigned a KAM team to take care of both domestic demand and exports from the same customer so that they could make an integrated response with marketing programs tailored to changing environment of the industry. Through these programs, we were able to raise understanding about our customers and industry.

We are continuously working to satisfy hidden needs of customers as well as providing customized values for them. POSCO has expanded its scope of marketing activities, from satisfying customer's primary needs related to Quality, Cost, and Delivery, limited in the department of marketing and purchasing, to across-the-board marketing initiatives to care about all the departments -- purchasing, marketing, production, and R&D -- and even the customers of the customer by providing a wide range of services and solutions to meet the needs throughout the customer's value chain. To this end, POSCO is pursuing active customer lock-in strategies, buying shares of customer companies, and making investment in overseas operations and logistics centers and also contributing to the creation of the greatest values for customers.

Vision Statement

VISION

Your Trust and Success, Our Tomorrow



Putting Vision into Practice

* Saw (Share of Wealth): the percentage of a customer's spending that is captured by a given supplier out of the total spending.

Maximizing Customer Satisfaction

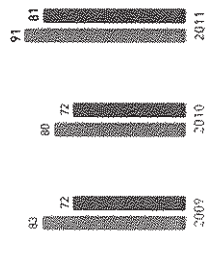
POSCO conducts annual customer satisfaction surveys to identify their reaction, complaints, and improvements to be made to its services and products in general. The survey consists of a questionnaire and in-depth interviews of domestic and international customers involving 6 categories including sales representatives, service, delivery, and product quality (5 categories for overseas), on a scale of one to seven. In the survey conducted on 237 domestic and 316 overseas customers in 2011, the satisfaction rate for domestic customers was 91, and overseas customers was at 81. The results showed a dramatic rise in the level of satisfaction by more than 10% over the previous year, which is believed to reflect POSCO's improved effort after the 2010 survey. Based on the survey results, POSCO analyzed elements of customer dissatisfaction, identified improvement tasks, and is currently implementing them at the POSCO level including the head office, overseas sales branches, processing centers and trading companies.

POSCO has established a systematic e-learning course to help point-of-contact sales staff to actively implement customer value creation activities with a customer-oriented mindset. The core human assets will be the driving force that will enable POSCO to be the global business leader in cut-throat markets both domestically and internationally.

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 their needs. Also, POSCO improved the level of customer service and the efficiency in sales and marketing.

Customer Satisfaction

Overseas (Scale: 1-7)



1 CASE STUDY

EVI Activities

EVI (Early Vendor Involvement) first started with automobile companies, where the core parts suppliers participated early in the new product development process to improve quality and reduce costs. POSCO expanded this to a "POSCO style EVI (Expanded Value Initiative for customer)" that identifies the needs not only of our customer, but also the customer of that customer, 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, we implemented the EVI program to suggest new materials first, a step further from the involvement in the development process of a new vehicle. In the shipbuilding sector, we shared the development of steel products for marine plants to respond quickly to the changing needs of shipbuilders, who are moving from the traditional bulk carrier business to the energy and plant sector. In the energy industry, we adopted the concept of the Total Sourcing Solution, which provides various materials for a project to accommodate the requirements of the energy industry as a new growth business. POSCO concentrated its competence -- and the whole Ferrell's -- to meet the needs of energy customers with huge growth potential. EVI teams were formed in other business sectors -- home electronics, wire rods, and pipes -- in addition to the automotive industry and the efforts are beginning to pay off in the sectors including home appliances and construction.

POSCO has been involved in the early stage of new vehicle development and applied high-strength steel. In the marine energy sector, it used to take more than four months to acquire certification before supplying steel products, but with the early involvement with the project of the major petroleum companies, from the design stage, we are able to get certification from the customer beforehand, securing the opportunity to provide materials and shorten production time. With home appliances, POSCO replaced the soaring expensive aluminum sink -- which was applied due to the heat generated from the source of light of the LED TV -- with POSCO EG heat resistant steel plate, saving 35% of the cost to the customer. To replace the conventional in-situ concrete (omegal) pile, POSCO successfully developed the top-embedded large-diameter steel pipe pile, in cooperation with the customer, reducing 10 to 20% in construction cost and 30% in time. This was a good example of creating value with the customer as we shared patents, created brands, strengthening the entrance barrier for our competitors and substitute goods. In the bridge building project, POSCO developed and applied 3,000mm wide steel plates for the steel box design, which traditionally used narrower steel plates - 141 in thickness and 4,485mm in width. This saved 260 million KRW in construction costs and 130 days in construction time by decreasing the number of connecting points from 6 to 4 locations. POSCO was able to achieve customer lock-in with these wide steel plates, provided exclusively by POSCO.

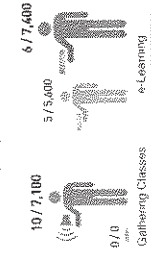
* Saw (Share of Wealth): the percentage of a customer's spending that is captured by a given supplier out of the total spending.

How are POSCO strategies for best quality implemented?

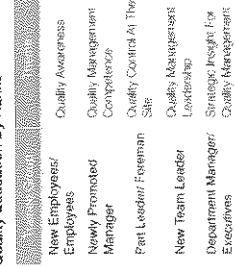
With the goals of achieving 'The POSCO Quality' which will touch the customers about POSCO business environment, quality management not only at the head office, the works, and overseas production plants, but also with the POSCO Family and suppliers. Under the supervision of the Quality Management Group, POSCO implements various strategies to complete the global quality management system and provide differentiated customer values.

Quality Courses Participation

By POSCO in 2011



Quality Education By Ranks



POSCO Quality Awards

POSCO Quality Awards (PQA) are granted to the companies with outstanding quality management innovation activities and local through annual POSCO Family Quality Diagnostic

Classified into five groups as to the size of the company, one company per group is given awards along with a trophy and cash prize. The Grand Prize is awarded to the company with the top performance in the Large Corporations category. The Innovation Prize, Top-Off Price, and Synergy Prize are given to Medium Corporations, Small Corporations, and Suppliers/Outsourcing Partners group, respectively. PQA motivates Family companies to implement the POSCO Family Quality vision, greatly contributing to the continuous upgrade of quality management and synergy creation between POSCO Family.

How can POSCO and SME customers grow together?

POSCO aims to create a value chain where the corporate ecosystem surrounding the company can grow harmoniously. We strive to enhance the competitiveness of our SME customers as well as the company working on the 10 support activities for the companies POSCO is doing business with.

Stable Supply and Flexible Pricing for SMEs

POSCO increased the supply of materials for SMEs and their smooth operation of factories. SMEs tend to have difficulty purchasing raw materials due to the unstable domestic supply of steel products. The SMEs receiving support include 11 steel plate makers, 61 automotive part manufacturers, and 4 re-rolling companies. In order to enhance competitiveness of the foundry pig-iron industry, POSCO postponed price hikes and offers discounts, and supplies substitute products to replace expensive imported products. As of 2011, the amount supported by postponing price increase amounts to 2.1 billion KRW, and discounts 22.4 billion KRW.

Optimization and Localization of Steel Materials

POSCO ceaselessly develops steel types that can shorten the steel material treatment process to help SMEs' cost competitiveness. The representative product is the hot-heat treated steel. As of 2011, POSCO developed 2 cost reduction types of steel selling 50 thousand tons.

Solution Providing for SMEs

Solution Providing for SMEs is an initiative that POSCO and its SME customers, which purchase a wide range of materials domestically and internationally, work together to solve problems taking place throughout the process from purchasing steel products to producing final products, by providing process technologies needed by the materials the customer deals with, for example, molding, welding, and coating.

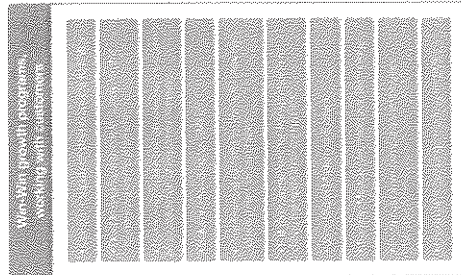
POSCO not only helps quality analysis with its testing and analyzing devices but also sent its experts to provide technological support for press working and welding. In 2011, 261 tasks from 164 customers were completed.

Joint Brand Marketing

POSCO provides high-strength steel products to small and medium-sized steel pipe manufacturers, which in turn produce final products to explore new markets together. We work hard to raise the value of SMEs as well as the company to achieve a real-win-win growth. POSCO selects partners for each brand, signs a joint brand marketing agreement, co-develop technology and transfer processing technology to create an environment where SMEs can enjoy sustainable growth. 10 SME partners are currently engaged in the program in the following segments: high-strength steel pipe pile, scaffold and strut.

Information Exchange for SME Customers

POSCO holds face-to-face meetings—organized for each product and industry—regularly to brief SME customers on POSCO's sales policy so that they can predict the steel price for the next quarter and have a better understanding about the industry. In 2011, 970 employees from 684 SMEs participated in our information exchange.



Declaration of the Quality Charter

In November 2010, 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.

The Charter is composed of the vision of The POSCO Quality and the three core values: in the vision of 'The POSCO Quality', POSCO is synonymous with World Leading quality, that will touch the customers' soul. The three core values are Customer Inside, Basic Inside, and Synergy Inside. The following is the code of conduct to practice each core value:

- Customer Inside: Create customer value reflecting potential needs of the customers
- Basic Inside: Value basics and principles and eliminate deficiencies and wastes
- Synergy Inside: Pursue win-win growth of the supply chain based on trust and communication

Customized Quality Education by Ranks

To raise awareness on quality among employees, and help them learn more about quality management, POSCO runs a customized education programs for each rank. In 2011, a total of 14,500 employees received quality education through 10 gathering classes and e-learning courses including an Executive MBA and quality course for new position holders. The educational opportunities will be expanded to global manufacturing operations and all the POSCO Family employees, to enhance employee's understanding of customer-oriented quality management through more practical and advanced programs.

Quality Management Assessment

With the goal of completing POSCO Family Quality Management system, the cornerstone of POSCO Vision 2020, POSCO runs the POSCO Family Quality Management Diagnosis System to conduct a quantitative quality control analysis, identify weaknesses, and make improvements.

The Diagnosis system is based on the core values and code of conduct of the subsidiaries Quality Charter, and consists of the 6 modules and 50 subsidiaries under the three main category of manufacturing, E&C, and service, reflecting the businesses of the POSCO Family. In 2011, the first assessment was conducted for 22 subsidiaries using the system. POSCO will expand the diagnosis system to maximize the synergy effect at the POSCO Family level and, finally, to achieve world-class quality to satisfy customers.

The POSCO Family Quality Management system

THE POSCO QUALITY

Customer Inside

Basic Inside

Synergy Inside



Responsible Movement



Society is where POSCO will create a healthy community through a wide range of 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. We will open a new era of POSCO 3.0, where we support global sustainable growth and enhance corporate value through social contribution at the POSCO Family level.

Issue	Fostering Talent	Employee Sharing Activity	Social Welfare	Community Development
Performance	Fostering Domestic and Global Talent <ul style="list-style-type: none"> • Run various scholarship programs to nurture domestic and overseas talents 	Enhance social contribution oriented to the local community <ul style="list-style-type: none"> • In-house volunteering activities • Create a culture of volunteering and sharing joined by all employees • 830 employees participated in the "1 Percent to Sharing Campaign" 	Support independence of the socially underprivileged <ul style="list-style-type: none"> • Social Welfare (domestic) <ul style="list-style-type: none"> • Subsidies supported Social Enterprises • Social Welfare (global) <ul style="list-style-type: none"> • Offer scholarships and foster technicians in 5 African nations starting 2011 • In May 2011, POSCO University Student Volunteer Group activities in Indonesia • Deliver relief kits to flood victims in Cambodia 	Implement social contribution localized to meet the needs of overseas business regions <ul style="list-style-type: none"> • Held the "POSCO Family Global Volunteer Week" in 2011 <ul style="list-style-type: none"> • More than 45,000 POSCO Family employees from 20 countries participated in the volunteering programs



Supporting continued global growth and enhancing corporate value by implementing social contributions at the POSCO Family level.

Vision

• 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 overseas business regions

Strategy for Social Contribution Activities

• Fostering Talent

• Local Community

• Social Welfare

• Global Social Contribution

Social Contribution Expense in 2011

69.7 USD billion

Total Donations to Community Chest of Korea (1996-2011)

75.95 USD billion

Donation to Community Chest of Korea

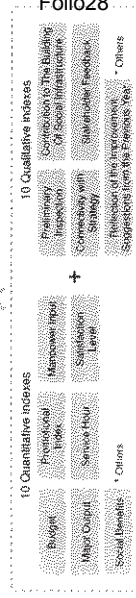
Year	2006	2007	2008	2009	2010	2011
Amount of Donation	7.0	7.0	8.0	10.0	10.0	10.0

Social Contribution Assessment

In 2011, POSCO created a Social Contribution Assessment system to operate and manage Social Contribution programs to establish mid-and-long term visions and models. We assessed 7 social contribution programs conducted for the mid-and-long term and in the future more programs will be assessed to find and nurture POSCO's representative social contribution programs, which can give real benefits to those in need

Developed POSCO social contribution assessment indexes

Derive social contribution program improvement ideas
Find representative social contribution programs



What talent fostering programs does POSCO have for our future?

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

POSCO TJ Park Foundation

The POSCO Scholarship Foundation established in 1971 was expanded and renamed to the POSCO TJ Park Foundation in 2005. The Foundation taps into its funds of 200 billion KRW to operate its 3 main strategic projects - The "Asia Fellowship", "Next-Generation Human Resources Development", and "Love and Sharing" programs. The foundation has a variety of programs to nurture the leaders of the next generation.

POSCO TJ Park Foundation Programs

Program	Description	Started in 2006
POSCO TJ Park Prize	<p>Commencement of the founder's accomplishments and promotion of his entrepreneurship introduced in 2006</p> <p>Award Categories (Award amount KRW 200 million): Science, Education, and Volunteering Awards</p> <p>Award winners in 2011: Science: Cheon Ilhwan (Instructor, Yonsei University) Education: Gwang Jongmin (Principal of Hangeyong Middle & High School) Volunteering: Sonmyeol Nam (The Sonmyeol Nam Foundation)</p> <p>Scholarships to Asian students studying in Korea: Subsidized 175 students from 24 countries since 2005. 125 graduates/2012 plan: 58 students - total of 1,310 million KRW</p> <p>Fostering Asian regional specialists: Selected 51 students from 17 countries since 2005/2012 plan: 32 persons - total of 460 million KRW</p> <p>Scholarship programs in prominent Asian universities: Succeeded 2,395 students from 31 universities in 10 countries since 2006 / 2012 plan: 306 students - total of 300 million KRW</p> <p>Supporting research and forums on Asian culture and society: Subsidized 141 tasks from 14 countries since 2006 / 2012 plan: 26 tasks - Total of 710 million KRW</p> <p>Supporting quarterly publication "Asia"</p> <p>Published 23 issues since 2006 (2012 plan: 4 issues) - Total of 200 million KRW</p> <p>Supporting specialists in the subjects of math, physics, chemistry, and life science</p> <p>Fellowship 30 recipients selected since Nov. 2009</p> <p>Award amount: Doctor's course: 35 million KRW/year, support for 3 years after selection / Post-Doc: 35 million KRW/year, support for 2 years / Newly appointed professors: 35 million KRW/year, support for 2 years</p> <p>Excellent high school students in Pohang and Gwangyang: Total of 406 students supported</p> <p>Selecting 60-11th graders in Pohang and Gwangyang in the top 4% in academic performance</p> <p>1.5 million KRW annually in scholarships for 2 years: 5 million KRW scholarship for entering prominent universities</p> <p>Assistant for high school and university students who are the head of their households, including those living with a handicapped person: Total of 231 students supported</p> <p>Support detail: 2.5 million KRW annually for 2 years in high school and 5.0 million KRW annually for 4 years in college</p>	Introduced in 2006 Every March
POSCO Asia Fellowship	<p>Since 2009</p> <p>Started in 2006</p>	Started in 2006
POSCO New Star Scholarships	<p>Since 2009</p> <p>Started in 2006</p>	Started in 2006

POSTECH

POSTECH (Pohang University of Science and Technology) is a research-oriented university of global standards founded in 1936. POSTECH built the first industry-academy-institute joint research model in Korea and advanced as the leading science and engineering university in POSTECH consists of 11 undergraduate, 18 graduate programs and 59 research units, and maintains partnership with 82 universities in 21 countries.

POSCO Education Foundation

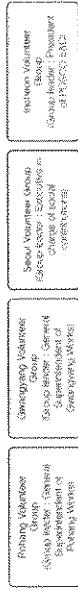
The POSCO education foundation was founded in 1971 with the goal of cultivating independent, ethical and creative human beings. It operates 12 schools from kindergartens to high schools. Gwangyang Jecheol Elementary School has produced the grand prize winner for 6 years (2004-2009) in a row at the world mathematics competition sponsored by the world mathematics educators association.

What efforts are POSCO people making as a member of a society?

POSCO fosters human resources who are global, creative and understand the power of education. POSCO mandates its employees to participate in volunteer activities in order to cultivate global talents who embrace diversity with an open mind, fulfilling their responsibilities to their neighbors and society in general. All employees and executives become members of the POSCO Volunteer Group launched in 2003 the moment they join POSCO. In 2011, the volunteering culture was expanded to the POSCO Family, and everyone participates in the activities devoting more than 30 hours annually, working to cultivate the corporate culture of service and sharing.

POSCO Family Volunteer Group

POSCO Family Volunteer Group (Group Leader: CEO)



POSCO Family Sharing Education

Sharing Schedule	Every third Saturday of the month
Donation of fees for external lectures or writing articles	Donated fees for external lectures or writing articles (earned from knowledge-sharing with employees. 2011's donation, 10.24 million KRW was used for "Giving Sharing" and helping folks, support for the disadvantaged)
Social contribution system	Departments register volunteer groups so that volunteer performance and information can be easily accessed

POSCO Family's Social Contribution

In November 2009, the POSCO Family Volunteer Group was launched, which is comprised of over 41,000 employees and executives from POSCO, 22 subsidiaries, 169 outsourcing partners and 31 PCPs (POSCO Certified Partners). In 2010, the volunteer group in Incheon was launched, in which 3 subsidiaries and 19 outsourcing partners participate.

POSCO Family's Social Contribution

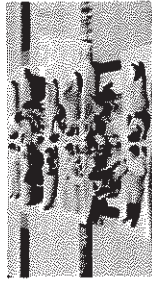
Week	POSCO Family Global Volunteer	POSCO Family member companies (join together for volunteer activities)
Blood Donation Event	27,356 people participated by 2011	

POSCO Employees' Lecture Fee Donations

Year	2009	2010	2011
Courses	121	86	53
Donations	65,746	46,425	35,517
			311,964

POSCO Family 1 Percent Sharing Campaign.

In 2011, 830 officers of POSCO and its affiliates department manager level and higher, including all the executives and outside directors donated one percent of their salaries. The donated money will be sent to Community Chest of Korea to be used for bilingual education programs for the children of multi-cultural families to enhance their global competence and construction of steel houses for welfare facilities. POSCO took the first step as it supports training of bilingual instructors and multi-lingual language education programs for multi-cultural families for 170 immigrants through marriage at the 200 multi-cultural family support centers across the country, in partnership with Hankuk University of Foreign Studies Center for Multicultural Education.

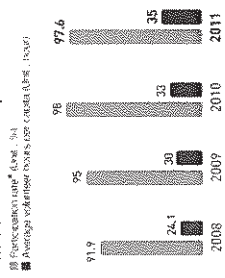


Blood Donation Event

Volunteer Service Mileage Certification

Year	2009	2010	2011
100 hours	7,672	11,051	13,478
300 hours	1,185	1,953	2,806
500 hours	587	878	1,221
1,000 hours	173	292	391

Volunteer Service Participation



* The participation rate is not 100% because some are excluded due to overseas assignment or study.

What are POSCO's domestic and global social contribution activities for a society where every member happily lives together?

POSCO is creating a society where people from different walks of life happily coexist. We are fulfilling our responsibilities as a global corporate citizen; we support the underprivileged including multi-cultural families in the nation, and carry out global social contribution activities, for example, an emergency relief program, to meet the different needs of overseas communities.

Domestic Social Contribution

- Steel House construction
 - Safety haven using the modular construction method for 300 battered women
 - Steel houses to support families who lost their homes in the 17 houses built since 2009
- Medical Support
 - Free treatment for foreign workers
 - Medical service in Mongolia and Nepal
 - Free treatment by Hospital Clinic (Korea) support to the medical volunteers

Domestic Social Contribution activities

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

Multi-cultural Family Support

POSCO is at the forefront of helping Korean society to embrace a diverse cultural mix due to increasing number of multi-cultural families. POSCO's multi-cultural family support programs are designed considering that the immigrants through marriage are mostly coming from South-East Asia one of a POSCO's overseas operations. In June 2010, POSCO signed an MOU with the Ministry of Gender Equality & Family, and will implement a variety of projects including improving the awareness of multicultural families, helping immigrants through marriage in employment, startup capital, and children's education to help them enhance their bilingual abilities. In 2011, the Dangun Call Center for immigrants through marriage will be opened to provide practical help to multicultural families.

Creating Sustainable Jobs for the Underprivileged

POSCO establishes and runs different kinds of social enterprises to contribute to the creation of a society where every member happily coexists and the underprivileged are empowered. POSCO will double its effort to help social enterprises take root in the society, and reinvest the profits and technological know-how into local communities to practice the value of social integration. Not only that, 17 POSCO Family companies have been engaged in support initiatives to buy products and services from social enterprises first since 2011 to build up the foundation of social enterprises and their sustainable growth.

POSCO's Social Enterprises (As of December 2011)

Established on	Business area	Employee Number (Target for 2012)	Revenue (KRW)
Jan. 1, 2009	POSCO's consignment services - Washing work clothes, call center - IT help center, dental assisting (Inc. labor, welfare, finance) - Socially disadvantaged total employees 173 (30,652,474) - Certified as standard workplace for the disabled (2006, 4,24)	187/340 (55%) (Disadvantaged total)	187/340 (55%)
Dec. 14, 2009	Construction of eco-friendly steel houses and conservation material - Socially disadvantaged total employees 89 (1,076,945) - Certified as social enterprise (2010, 110)	115/150 (76.7%) (Disadvantaged total)	115/150 (76.7%)
Jan. 22, 2010	Plate plant (Sachem) processing and wash house management - Socially disadvantaged total employees 89 (1,076,945) - Certified as social enterprise (2010, 110)	100/195 (51.2%) (Disadvantaged total)	100/195 (51.2%)
Mar. 29, 2010	Management of new buildings in the Semi-Industrial corridor that are owned by POSCO and related companies - Cleaning and painting - Socially disadvantaged / Total employees 151/164 (92%) - Certification as social enterprise Dec. 2010	166/186 (94%) (Employee Number Target for 2012 (Disadvantaged total))	166/186 (94%)

POSCO Smile Microcredit Bank

The Smile Microcredit Bank supports the self-sufficiency of those whose low income or bad credit rating prevents them from accessing bank loans. POSCO opened Branch No. 1 in Gangseo-gu, Seoul in December 2009, followed by branches in Pohang, Gwangyang, and Songdo. The Smile Microcredit Bank provides various loans and financial services to low-income groups working in traditional markets, small business owners, single-parent families, families with many children, and multi-cultural families.

Global Social Contribution activities

POSCO fulfills its social responsibilities as a global corporate citizen, actively undertaking overseas volunteer work as well. In particular, we provide opportunities for university students and youths who will play a leading role in the future society, to experience the world so that they may grow as global leaders in sharing POSCO's social contribution activities in strategic regions to foster win-win growth to develop together with local community.

Social Contribution Activities in Overseas Market

POSCO actively pursues global social contribution programs in the region it does and will do business with. Since 2011, POSCO has been working on various social contribution initiatives in five African countries of Ethiopia, Zimbabwe, Mozambique, the Democratic Republic of Congo, and Cameroon; the investment bases for the continent offering scholarships, creating a New Community Movement model village, tackling poverty through the supply of super-corns, operating local children development centers, and nurturing agricultural leaders. Also, POSCO is offering a 7 night-and-8-day education program for over 300 community leaders a year at the POSCO-GCS community development education center opened in 2010 in Jagajant, Mongolia.

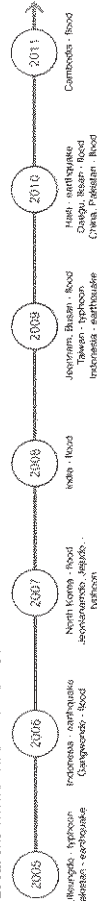
University Student Volunteer Group(Beyond)/Youths Volunteer Group

To spread the culture of sharing and to enhance the spirit of volunteerism in college students, POSCO launched the "POSCO University Student Volunteer Group - Beyond" in 2007. In May 2010, the 5th Beyond Group was formed, comprised of 100 students selected from 40 universities. After a preparation period, they completed 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 Ho Tay, Vietnam, and the International Development Center in Mongolia. The volunteers brought 40 PCs and computer equipment to give lessons in IT and the Korean language, and recreation activities.

Emergency Relief

POSCO offers a swift hand of relief in case of natural disasters such as earthquakes and floods. In particular, POSCO makes relief kits tailored to local customs and circumstances of the area. 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), China (2010), and Cambodia (2011). In addition, POSCO established the "Southeast Asia Emergency Relief Center" in Indonesia in 2010 in order to respond more quickly to natural disasters in the region and made 1,500 relief kits, part of which were sent to the Banten Province through the Indonesian Red Cross.

Locations Where Relief Kits Were Sent



Social Contribution in Africa

POSCO is launching its social contribution activities in earnest in African countries starting from the groundbreaking ceremony for the Children's Development Center in Zimbabwe on January 31, 2012. In addition, the construction of the Agricultural Training Institute was a success and it opened on February 2, 2012. POSCO is also planning to expand social contributions to Ethiopia by creating a New Community Movement model village, housing and tackling poverty through the supply of super-corns there.

- Zimbabwe**
The 360m Children's Development Center in Zimbabwe was built to provide free basic education to children aged between three and five and accommodate up to 80 children, 20 for the 3-year-old class, 30 for the 4-year-old class, and 50 for the 5-year-old class. The center established in partnership with Chest Community of Korea and Food for the Hungry, is already known as the best kindergarten in the neighborhood and 100 children are on the waiting list. POSCO is also planning to run the Agricultural Training Institute, a 1,000m complex with a lecture building, administrative building, and dormitory. The institute to be completed at the end of 2012 will teach young Zimbabwean students advanced agricultural skills. In addition, we will operate the collective farm to help AIDS patients improve their self-reliance and standard of living.
- Mozambique**
Working with UNICEF, POSCO is carrying out programs to fight poverty in Manica, near Maputo, the capital of Mozambique. Our goal is to help the development of the nation's agriculture through education at the agricultural training institute in Manica, to address poverty in the community, create 47 jobs, and nurture 90 agricultural experts in the first year. Starting from next year, the center will offer educational programs to about 100 future agricultural leaders.

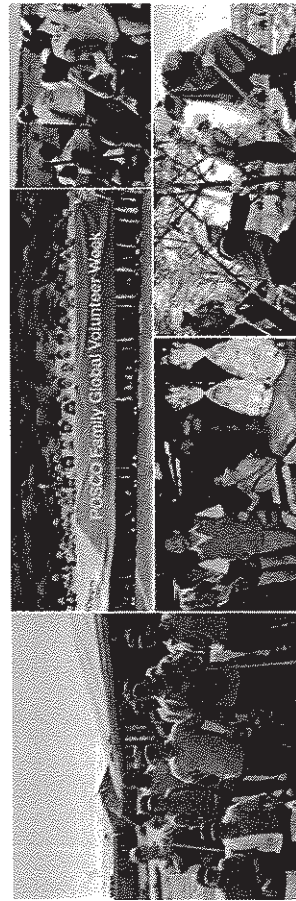
Participating in Overseas Local Communities

POSCO fulfills its social responsibilities as a global corporate citizen in operations across the world. Working with overseas SCM corporations, POSCO strives to become an enterprise which grows together with local communities. With the belief that POSCO employees serve the community and share with people wherever they work, we plan and implement CSR programs reflecting local needs and fostering win-win growth and enhance employees' pride and sense of belonging.

POSCO holds the "POSCO Family Global Volunteer Week" to instill volunteering the employees as well as carrying out social contribution activities. Over 45,000 POSCO Family employees from 20 countries - including Indonesia, Mexico, India, China, Malaysia and Thailand - participated in the "POSCO Family Global Volunteer Week" from June 7 to June 11, 2011. It was a week filled with various activities, such as providing relief kits, environmental cleanup, visiting welfare facilities, and home repair.

Overseas SCM Corporations : Global Community Participation Programs

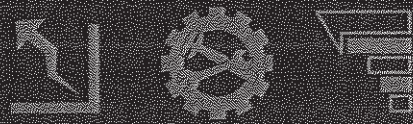
China	POSCO-COPC	[Chengde Charity General Meeting] Building water/supply systems installing wells, water supply facilities, repairing reservoir dykes, and erosion-control work in villages suffering from severe drought. Providing daily necessities to the underprivileged.
	POSCO-COPC	[China Yi Ge Special School] Visits, providing learning supplies and equipment, plant tree invitation.
	POSCO-COPC	[Chenhou Town Senior Home] Holiday visits and repairing facilities.
	POSCO-COPC	[Senior Home] Providing daily necessities and repairing buildings.
	POSCO-COPC	[Senior Home] Holiday Visits and installing mosquito nets.
	POSCO-COPC	[Dong Nai Nursery for the Disabled, Hoimar Nursery] Voluntary visits, food and medical support.
	POSCO-MNPC	[Children of Haihung Social Patronize Center] Repairing sanitary facilities.
Vietnam	POSCO-MNPC	[Huapong Living & Training Center and other 4 facilities]
	POSCO-MNPC	Providing daily necessities for the disabled, support science learning center.
Malaysia	POSCO-MNPC	[Siti, Ana - Sun, Jacque Sabay Antique Senior Home] Medical support and voluntary visits.
The Philippines	POSCO-MNPC	[Sriwidya elementary school] School remodeling and environmental improvement activities.
Indonesia	POSCO-TBPC	[World Vision Foundation of Thailand] Support hungry children and repairing libraries.
Thailand	POSCO-PPPC	[Happy Home] Composition contest, and factory tour for AIDS orphans.
India	POSCO-PPPC	[Good Life Center] Repairing canteen facilities, sewing service, factory tour.
Turkey	POSCO-TNPC	[Association of Poor Helping in TURKEY] Home visits and providing daily necessities for underprivileged families.
	POSCO-MPPPC	[Santa Ana Xalimilco Special School, Chicao Girls School]
Mexico	POSCO-MESPC	Providing medical devices and learning equipment and supplies for special schools.
	POSCO-MESPC	[Centro de Promoción y Regeneración de la Niña y el Niño] Flood protection works, and the improving of living environments including sanitary facilities, providing learning materials.
Poland	POSCO-PWPC	[Pazem z Dzielkiem] Remodeling night daycare and turning computer courses.



2011 POSCO Family Global Volunteer Week Volunteering Activities

	POSCO-CHINA	Planting trees in Wangfujing park (POSCO ESC, POSCO ICT, POSRI, Daewoo International)
	Zhejiangyang Poshang Stainless Steel	Support schools in the underprivileged district around the factory.
	Cheongde Poshang Stainless Steel	Creating Poshang Garden.
	Dallan POSCO-CFM Coated Steel	Construction support for Dahan Kocent International School Gym and Dahan Poshang Hope Elementary School.
China	Shanxi POSCO-CPM Coated Steel	Visiting schools in the underprivileged district, Gougangbyu Poshang, repairing facilities, cleaning pots.
	POSCO-COPC	Installing wells and water supply facilities, reservoir dykes, providing daily necessities to the underprivileged.
	POSCO-COPC	Volunteering visits to special schools (environmental cleanup, fitness).
	POSCO-COPC	Repairing Senior Homes.
	POSCO-MPPPC	Senior Homes: Providing daily necessities and repairing building.
	POSCO-COPC	Medical supplies and bed clothes support.
	POSCO-COPC	Holiday visits to senior homes, installing mosquito nets.
	POSCO-COPC	Volunteering in earthquake-stricken areas.
	POSCO-MNPC	Cleaning the KAWASAKI port area of Incheon, Gyeongju.
Japan	POSCO-MNPC	Daycare center for mentally-challenged children, cooking class for children from underprivileged families.
	POSCO-MNPC	Bumt Uchiyuki Festival, Environmental Cleanup at the Ser-butaki port, "Sunflower Operation".
	POSCO-MNPC	Coastal cleanup activity by employees and their families (near Northern Kyushu in Japan).
	POSCO-MNPC	Environmental cleanup, taking care of the disabled, Korean classes, sketch contest, book reading.
	POSCO-Vietnam	Visiting neighborhood orphanage, repairing and cleaning facilities.
	POSCO-MNPC	Environmental campaign and cleanup in the villages of Nhon Trach and Long Tan.
	POSCO-MNPC	Korea-Vietnam Cultural Exchange, Introducing facilities environment for the disabled.
	POSCO-ESC (Vietnam)	Reconstruction Ground/raising ceremony.
	POSCO-Malaysia	Ties-Flouring.
	POSCO-MNPC	Planting trees with family in Takau Geop, Selangor near the 2nd Factory.
	POSCO-MNPC	Medical support for senior homes and elderly visits.
	POSCO-TBPC	Housing and participating in local review contests.
Malaysia	MYANMAR-POSCO	Repairing roofs and facilities of senior homes in Yangon (50 employees participated).
	PT (BKA)TAU POSCO	Making relief kits.
	POSCO-MNPC	Environmental Cleanup at the Surabaya Elementary School.
	POSCO-South Asia	Seminar/Workshop (Hippil Mangrove 6/7).
	POSCO-TBPC	Volunteering activity for hungry children in partnership with Wooki Vaiken Thailand.
Thailand	POSCO-Maharashtra	Improving water quality for five schools in Wa Bhegud.
	POSCO-PPPC	Organizing a medical camp in the Zing Panshad Mahathi School.
	POSCO-PPPC	Repairing facilities and cleaning the surroundings.
	POSCO-PPPC	Repairing orphanage facilities and embankment in the village near the factory, blood donation.
India	UFI	Food Bank support (preparative food) for the disadvantaged in the community.
	POSCO-TNPC	Visits with daily necessities to underprivileged families in collaboration with Turkish charitable organizations.
The United States	POSCO-MEXICO	Repairing the orphanage and orphan's orphanage.
Turkey	POSCO-MEXICO	Rebuilding water-purifying and sanitary system of the buildings.
	POSCO-MPPPC	Voluntary visits to special schools, support for Chicao Girls School.
Mexico	POSCO-ESTPC	Environmental cleanup around the port.
	POSCO-SJPC	Participating in tree planting and children's day event / 20 employees.
	POSCO-MPPPC	Replacing old PCs and furniture of nursery.
Slovenia	Phygio-Phiso	Medical Institute (welfare organization), helping the disabled, making gloves.
Slovakia	POSCO-ESC	Delivering clothes to the disadvantaged.
Poland	Canio-Ofice	Cleaning and giving presents to the children of the Marine Theresa Orphanage in Mohandessan, Cairo.
The Czech Republic		
Penn		
Egypt		

Innovative Movement



Shareholders and investors are the reason for our existence, purpose, and responsibility as a corporation. POSCO, a leading company of the nation's key industry is recognized as a firm of endeavor by its shareholders and investors as it achieves great results in diverse areas and balanced growth despite the challenging global business environment in 2011. POSCO will continue its journey to sustainable growth through consistent technological innovation, customer satisfaction, management, and a synergy effect among subsidiaries.

About Investors

Issue	Corporate value and external evaluation	Technological Innovation	Performance by Sector
<p>Performance</p>	<ul style="list-style-type: none"> External recognition: financial and non-financial performance Named as the world's most competitive steelmaker by the World Steel Dynamics (WSD) 2nd straight year Included in the SAM-DJSI Index as a leading company <ul style="list-style-type: none"> Selected for the 7th straight year from 2005 Ranked 30th of the Global Top 100 Companies in the Davos Forum, in Jan. 2012 <ul style="list-style-type: none"> the highest among the steelmakers in Korea and the globe World's Most Admired Company in 2011 by Fortune, ranked first in the metals industry 	<ul style="list-style-type: none"> Secure the world's top technological competitiveness Develop new growth engine technology Secure the world's top technological competitiveness in the steel industry <ul style="list-style-type: none"> 103% achievement of World Top Technology Index Complete 5 new growth pilot plant technologies out of the candidates selected - Executed over 100 Genesis research tasks for discovering technologies systematically Apply Smart Grid to the Gwanggyang oxygen factory, saving 3,020 million KRW in electricity costs in 2011 	<ul style="list-style-type: none"> Balanced growth through synergy between POSCO Family Create synergy effects (Achieved 69 billion KRW in consolidated sales and 5.4 trillion KRW in operating profits in 2011) <ul style="list-style-type: none"> Steel <ul style="list-style-type: none"> POSCO: sold 29.76 million tons of carbon steel and 1.69 million tons of stainless steel POSCO SS: achieved record operating profits E&C <ul style="list-style-type: none"> POSCO E&C + Daewoo International: received 420 billion KRW order for combined cycle power plant in the Middle East POSCO E&C + POSCO Engineering: received 71.7 billion KRW order for metropolitan express railways POSCO E&C: received 4.3 billion KRW order for a steel mill in Brazil ICT <ul style="list-style-type: none"> POSCO ICT + Daewoo International: received order for establishing ERP system for shipyard in Russia Energy <ul style="list-style-type: none"> 7 POSCO Subsidiaries: selected as preferred companies for coal power plant development by Indonesian IEP Daewoo International: completed preliminary test of the 4 outlets for the Myanmar offshore gas field project POSCO Energy: started construction of a power plant using byproduct gases the integrated mill in Indonesia, and a power plant in Vietnam POSCO ICT: entered the atomic power plant business with the launching of PONUtech in Aug. 2011 Chemistry / Energy <ul style="list-style-type: none"> POSCO CHEMTECH: entered into the coal chemistry industry and completed second battery anode materials plant POSCO M-TECH: acquired Reco Metal in April, and started high-purity alumina joint venture in November

How was POSCO evaluated in 2011?

In 2011, POSCO exerted efforts to enhance its future competitiveness promptly responding to worsening internal and external business conditions. POSCO proved its global competitiveness again when selected as the world's most competitive steel maker and a leader of sustainable management despite the downgrade of credit rating and falling stock prices.

External Evaluation on Corporate Value

Although POSCO made swift responses to business challenges with emergency management system in 2011, global recession, rising raw material cost, price hike of our products, slower growth due to M&As and worsened financial health led to the downward adjustment of POSCO's credit rating. Standard and Poor's, the international credit rating agency, downgraded the company's credit rating from A(2011.5) with a stable outlook to A-(2011.10) with a negative outlook. Moody's as well lowered POSCO's credit rating and prospect a notch, from A3(2011.6) to A3(negative (2011.11)). The difficult environment influenced stock prices, pulling it down from 491,000(2011.1.1) to 380,000(2011.12.29) a -22.6% change.

However, POSCO was able to maintain its top credit rating in the steel industry. Aggregate market value was pretty stable compared to other steelmakers showing about a 30 to 40 % decrease. POSCO was selected as the world's most competitive steelmaker by the World Steel Dynamics (WSD) for two straight years. In the evaluation covering 23 categories - including technological competence, profitability, cost saving, financial health, and procuring raw materials - POSCO received good points in securing growth engines through active overseas investment and technological development such as FINEX technology in September 2011. POSCO was included in the SAM-DJSI as a leading company. POSCO is the first steelmaker which has been selected for 7 straight years even though the steel industry has higher environmental risks. It is noteworthy that POSCO has achieved such an outstanding sustainable management performance amid the continuing global recession since 2009.

In December 2012, POSCO placed 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos. Since POSCO became the first Korean company on the list in 2012, its sustainable management has been highly recognized especially shown in 2012, when it ranked the highest among the world's steelmakers.

The Competitiveness Ranking of the World's Steelmakers

Rank	Company	Score
1	POSCO (Korea)	8.12
2	Nippon Steel (Japan)	7.47
3	United States	7.23
4	NLMK (Russia)	7.15
5	Sewerell (Russia)	7.13
6	Arco/Metal (Luxembourg)	7.12
7	HSC (Spain)	7.11
8	JSW Steel (India)	7.10
9	CSH (Brazil)	7.09
10	SAIL (India)	7.09
	JFE (Japan)	7.08

SAM - Dow Jones Sustainability Index (SAM-DJSI)

DJSI is a set of indices provided by Dow Jones, the financial information organization that monitors changes in corporate values of business, with outstanding sustainability performance. The companies included are recommended as the preferred investment to the Social Responsibility Investing Fund, and are expected to attract stable and long-term investors.

Global 100 Most Sustainable Corporations by the Davos Forum

The World Economic Forum in Davos announced annually the 100 most sustainable corporations in the world since 2005, based on analysis of Corporate Knights with the 11 indices including carbon emission, diversity of management, R&D, and transparency.

2011 Awards

Year	Award
2011.03	World's Most Admired Company in 2011 by Fortune, ranked first in the metals industry
2011.05	Korea's Best Manager Company by Finance Asia, ranked 1st for 3rd year in a row
2011.06	World's most competitive steelmaker by the World Steel Dynamics (WSD) for two straight years
	Included in the SAM-DJSI Index as a leading company in the steel industry for 7 consecutive years
2011.09	Most Admired Knowledge Enterprises in Asia, by the World Knowledge Forum
2011.11	Ranked 1st in EEO and ETE (Environmental, Tactful and Social) Korea 500 names
2012.02	Included in the Global Top 100 Company in the Davos Forum (since '11) among Korean companies / the world's steelmakers
2011.02	Korea's Most Respected Company by the Korea Management Association for 5 consecutive years
2011.06	Corporate Governance Award, by Korea Corporate Governance Service
2011.07	Korea Win-Win Corporate Award, by Korea Win-Win Conference Awards
2011.10	The Best Multinational Family Support Company by the Ministry of Gender Equality and Family
2011.10	2011 Korea's Most Respected Company by the Korea Management Association
2011.11	2011 Korea Eco-Brand Award, in Eco-Friendly Management, by Korea Eco-Brand Award Committee
2011.12	Korea's Most Respected Business Awards, Presidential prize for large corporations

What competitiveness has POSCO secured through technological innovation?

With the aim of securing world-class competitiveness, POSCO set five technology strategies and implemented a systematic technology development program. POSCO surpassed its original goal, reaching 103% of the World Top Technology by commercializing its unique innovative steelmaking technologies. Also, we reduced CO₂ emissions and energy consumption significantly through the development of low-carbon green growth technology.

Steel Sector

Securing the World's Top Technological Competitiveness

We are actively pursuing the development of engineering technologies. In addition to the high-speed Air Kettle technology to improve productivity of finishing plates for automobiles and CEM rolling technology, POSCO is undertaking over 20 innovation projects to develop future original technologies.

- CEM Compact Endless casting and rolling Mill: Integration of separate steel production processes of steel making, continuous casting, and rolling.

Technological Performance

Iron Making

- FINEX Commercialization Technology
 - Diversification of raw materials, cost reduction
 - Increase the injection of pulverized coal, successfully increased the proportion of injected coal - conventionally not used for steel making - up to 30%
 - Developed technology for the electric furnace to reduce CO₂ content and oxygen in the slag and improving molten steel cleanliness
 - Completed the Pohang steel mill in March, 2011; Increased production capacity of high value-added products such as the coils and strip-rolling materials
- Increase the production of high quality steel

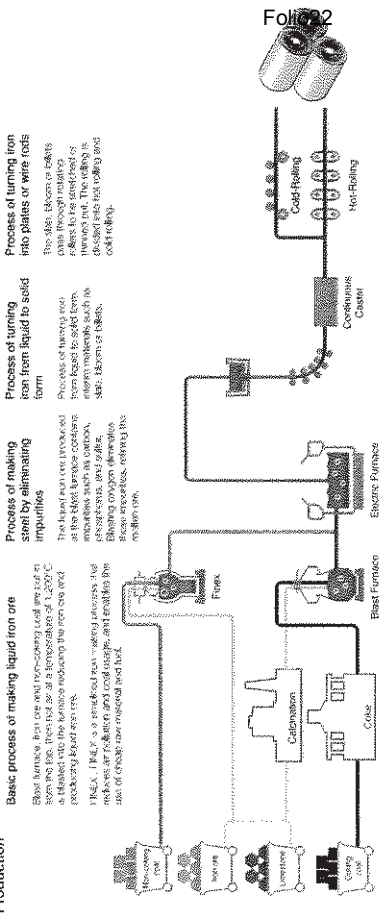
Steelmaking

- Establishing high efficiency and greener steelmaking process and technology
 - Improving slab quality
 - Developing technology for the electric furnace to reduce CO₂ content and oxygen in the slag and improving molten steel cleanliness
 - Completed the Pohang steel mill in March, 2011; Increased production capacity of high value-added products such as the coils and strip-rolling materials
- Increase the production of high quality steel

Rolling

- Improving production technology of high performance hot rolled steel products
 - Quality differentiation from competitors
 - Applying CEM technology to improve and with control
- Developed STS Endless Strip Cold-rolling low-carbon high-tensile steel manufacturing technology
- Building the 750,000 ton production system for STS cold-rolling products
- Developed a continuous cold-rolling technology for STS in early '10s and commercialized by the end of the year in 2010
- Developed a new process for 430 SS (TRIP) 2,340MPa in 2011

The Process of Steel Production



New Growth Technology

Developing Technologies for New Growth

In 2011, POSCO selected a number of FTI(Family Flagship Technology) and WFWB(World First/World Best) new growth technologies and pursued technological development. As a result, POSCO successfully completed the development of 5 new growth pilot projects including the technology to extract lithium out of seawater directly.

POSCO has been undertaking Genesis research assignments to develop new growth businesses for the next generation, and in 2011 conducted more than 100 tasks, through the 2nd and 3rd terms. POSCO is expanding the network of universities and research institutes at home and abroad and actively involving outside experts through forums, to check the direction of the projects and develop next-generation technologies in collaborative efforts.

Major Technological Achievements

New Nickel Smelting Technology

Nickel is a primary component of a secondary battery material and has been extracted from sulfide ores. However, as nickel resources are scarce, there remains an economic way of acquiring nickel. POSCO developed a new process to smelt nickel through a pilot research project using hydrogen reduction. With this technology, POSCO is able to retrieve more than 90% of nickel from nickel sulfide ores.

Magnesium Smelting Vertical Heat-Reduction Process Technology

POSCO developed an eco-friendly technology to smelt magnesium using green energy and adopted the 'heat-storage high-temperature air circulation technology.' This technology is applied to the commercial facility with a capacity of 10,000 tons per annum in its 3rd term. In Province, it is expected to meet roughly 50% of the domestic demand (20,000 tons/year) supplying exports.

Extraction of Lithium from Salt Water

The conventional method of extracting lithium, a rare material for secondary batteries, was problematic, as it took longer to produce lithium than aluminum and was difficult to make. POSCO developed a lithium extraction process technology through its research using the technology of membrane separation. This technology is able to extract lithium with a recovery rate of 39.9% and a removal rate of more than 90%.

Also, this technology enables the utilization of alternative resources such as the new mineral salt of opuntia. R&D efforts are under way to provide the 'Less Dirty' lithium salt production and to complete a demo plant by 2012.

Misc Magnesium Strip Casting

POSCO successfully developed the technology to cast 1,600 mm wide magnesium sheets using twin-roll strip casting and is currently working to sell magnesium sheets with 2,000 mm width. Once commercialized, this technology can be applied to automotive wheels.

Fuel Cell System for Buildings

A Solid Oxide Fuel Cell (SOFC) is a high-efficient and eco-friendly power-generation technology expected to be used in various fields from the heat-conversion system with heat of a waste heat for a building to MW-level system for ships. POSCO secured the world's top technology in high-pressure membrane, wide-area cell manufacturing, a core technology of SOFC, and is currently developing cell stacks and systems.

Synthetic Natural Gas Production and Process Technology Development

Synthetic Natural Gas (SNG) is a green energy source made of hydrogen components as natural gas. POSCO has developed a pilot-scale natural gas production and process technology. It is followed by a methanesis synthesis process to produce SNG. POSCO has been working on technology in methane synthesis technology. Compared to the existing process, it has many advantages: smaller facilities, higher performance in thermal efficiency, and more effective catalyst technology, core component of the methane synthesis process. Once the SNG plant is commercialized, it is expected to cost 1 to 1.50 billion KRW in cost annually.

To share SNG with a members' unity in excess of 98%, POSCO succeeded in Developing Core Technology in SNG, a key prerequisite for methane synthesis.

Offshore Wind Power Substructure

Construction of a substructure takes up about 40% of the total construction cost as turbines are getting larger and installed deeper in the sea. POSCO is working on the development of a new substructure to enhance economic efficiency and is conducting research for securing original technology related to a floating substructure for deep sea use.

Smart Industry - More Efficient Use of Energy

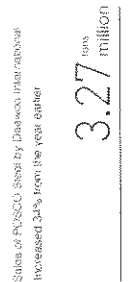
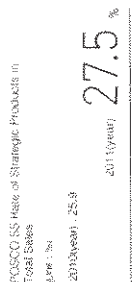
In 2010, POSCO introduced the first pilot of 'Smart Industry' in the Smart Grid field for the first time in the world and installed the smart meter at the POSCO Incheon Works, which plant is worth 3,000 million US\$. Electric bills are 2/3 of the 'Smart Industry' is going to be expanded to more processes of the sites.

Industrial LED Lighting

POSCO has been in developing the world's first LED lighting equipment specialized for industrial fields. LED lighting - currently under development - have high resistance against high temperature, humidity, and dust, common conditions in the industrial environment. They are also lighter, have a longer lifespan, and energy-efficient. POSCO original technology for greater heat-resistance and automatic temperature administration of panels. In 2012, the 230W-level industrial lighting system is going to be applied to Pohang Works.

What results has POSCO achieved amid the global recession?

For all the management challenges due to the global recession, POSCO continued to pursue balanced growth within the POSCO group by increasing synergy effect in strategic businesses through cooperation with Subsidiaries and expanding our overseas operation. By focusing on joint-project with Subsidiaries, for example, E&C and ICT, or subsidiaries in the Energy sector, and increasing added values of the chemical industry using byproducts from the steel mill, the number of Subsidiaries with annual sales of 1 trillion KRW or higher increased to ten. The POSCO Family achieved 69 trillion KRW in consolidated sales and 5.4 trillion KRW in operating profits thanks to the Win-Win cooperation between Subsidiaries in various sectors: steel, E&C, ICT, trade, energy, chemistry / materials.



In the steel sector, POSCO sold 29.76 million tons of carbon steel and 1.69 million tons of stainless steel through increased capacity and differentiation of products. POSCO SS increased the proportion of strategic products in total sales, from 25.9% to 27.5% while achieving a record high operating profit through enhanced profitability of main products, while stainless steel wire rods and steel pipes saw productivity increase by 5.1% and 13.2%, respectively.

POSCO E&C and Daewoo International received 420 billion KRW in orders for the combined cycle power plant in the Middle East, while POSCO E&C and POSCO Engineering received 71.7 billion KRW in orders for metropolitan express railways. In addition, POSCO ICT and Daewoo International received orders for establishing an ERP system for a shipyard in Russia. Not only that, 7 POSCO Subsidiaries (POSCO Energy, POSCO E&C, POSCO Engineering, POSCO PlantEC, Daewoo International, POSCO ICT, and Sungjin Geotech) have had the honor to be selected as preferred companies for coal power plant development by Indonesian Independent Power Producers (IPP).

Ranking fourth in Korea, in the Construction Capability Evaluation announced by the Ministry of Land, Transport and Maritime Affairs, POSCO E&C achieved the highest number of orders in its history, including the construction project for a 4.3 billion KRW order for an integrated steel mill in Brazil. In the ICT sector, POSCO ICT entered the atomic power plant business with the launch of FONUTECH in Aug. 2011 and started the operation of POSCO LED factory in March to lay the groundwork for new growth engines to lead future business.

Daewoo International, after completing the preliminary test of the 4 outlets for the Myanmar offshore gas field project, expects to start production in 2013. Also, Daewoo International increased the sales of POSCO steel products by 34% from the previous year, enhancing the synergy effect.

POSCO Energy completed the construction of No. 5 and 6 power plants (with a total capacity of 1,193MW) in Incheon in February and June in 2011, respectively, and started to build a 300MW power plant using byproduct gases in Pohang. On the global front, the company launched the construction project for another power plant in the integrated mill in Indonesia, and a power plant in Vietnam.

POSCO CHEMTECH jumped into the chemical materials industry to sign a joint venture with Mitsubishi, and completed a plant manufacturing anode materials for the secondary battery, expected to replace imported materials. POSCO M-TECH acquired RECO Metal, an urban mining company, in April and joined the venture project of high-purity alumina in November, paving the road for becoming a global leader in the materials industry.



Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and January 1, 2010

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Cash and cash equivalents	4,596,662	3,521,645	2,275,059
Trade accounts and notes receivable, net	11,450,815	9,219,011	5,300,233
Other short-term financial assets	3,666,270	4,380,302	7,221,923
Investments	12,283,444	9,559,206	4,918,413
Current income tax assets	10,821	17,654	11,980
Assets held for sale	329,937	24,851	-
Other current assets	1,220,142	972,159	690,186
Total current assets	30,556,911	27,672,377	20,429,863
Long-term trade accounts and notes receivable, net	183,661	273,622	522,775
Other long-term financial assets	6,125,872	6,417,038	5,369,660
Investments in associates	3,831,659	3,306,425	950,449
Investment property, net	57,533	493,365	538,207
Property, plant and equipment, net	28,453,184	25,437,740	22,842,747
Intangible assets, net	3,244,928	4,619,169	754,231
Deferred tax assets	865,603	538,876	609,748
Other long-term assets	600,287	659,814	250,475
Total non-current assets	46,861,927	41,746,069	31,097,222
Total assets	77,418,838	69,418,426	51,527,147

(Unit: million KRW)

Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and January 1, 2010

	December 31, 2011	December 31, 2010	January 1, 2010
Liabilities			
Trade accounts and notes payable	4,277,279	3,980,701	2,392,217
Short-term borrowings and current installments of long-term borrowings	10,791,510	10,476,300	3,998,097
Other short-term financial liabilities	1,011,190	1,320,877	1,056,714
Current income tax liabilities	569,709	775,018	369,675
Liabilities related assets held for sale	226,607	-	80
Provisions	49,432	69,989	63,205
Other current liabilities	1,709,431	1,456,072	1,153,441
Total current liabilities	19,005,388	18,276,777	9,013,631
Long-term trade accounts and notes payable	383	378	-
Long-term borrowings, excluding current installments	16,020,207	10,663,941	8,240,386
Other long-term financial liabilities	350,510	175,774	258,096
Defined benefits obligations	340,467	303,126	315,418
Deferred tax liabilities	11,666,097	1,028,728	377,539
Long-term provisions	109,343	152,149	12,069
Other long-term liabilities	94,300	80,386	28,371
Total non-current liabilities	18,073,560	12,404,482	9,179,835
Total liabilities	37,078,948	30,681,259	18,193,466
Equity			
Share capital	452,403	482,403	482,403
Capital surplus	1,150,452	1,101,561	1,199,666
Reserves	405,426	1,307,286	833,806
Treasury shares	(2,971,081)	(2,403,263)	(2,403,263)
Retained earnings	38,709,475	35,887,697	32,569,352
Equity attributable to owners of the controlling company	38,356,350	36,575,686	32,479,944
Non-controlling interests	2,073,570	1,961,481	653,717
Total equity	40,729,920	38,537,167	33,333,681
Total liabilities and equity	77,808,868	69,418,426	51,527,147

(in millions KRW)

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2011 and 2010

	2011	2010
Revenue	68,838,725	47,837,255
Cost of sales	(39,823,850)	(35,722,461)
Gross profit	9,114,875	8,114,794
Selling and administrative expenses		
Administrative expenses	(2,046,264)	(1,500,370)
Selling expenses	(1,612,128)	(1,120,340)
	(3,658,392)	(2,620,710)
Other operating income	337,078	231,387
Other operating expenses	(383,459)	(321,951)
Operating profit	3,608,102	5,603,520
Non-operating income and expenses		
Share of profit of equity-accounted investees	50,569	182,457
Finance income	3,190,419	1,738,806
Finance costs	(3,866,695)	(2,087,458)
	4,782,395	5,267,123
Profit before income tax	(1,038,199)	(1,081,672)
Income tax expense	3,714,286	4,185,651
Profit for the period		
Other comprehensive income (loss), net of tax		
Capital adjustment arising from investments in equity-accounted investees	(11,240)	(60,871)
Net changes in fair value of available-for-sale investments	(1,231,758)	589,601
Foreign currency translation adjustments	1,666	182,190
Defined benefit plan actuarial losses	(30,577)	(152,125)
Total comprehensive income for the period, net of tax	2,442,377	4,765,440
Profit attributable to:		
Owners of the controlling company	3,448,136	4,105,623
Non-controlling interests	66,158	80,028
	3,714,286	4,185,651
Profit for the period		
Total comprehensive income attributable to:		
Owners of the controlling company	2,530,672	4,639,571
Non-controlling interests	(88,600)	125,759
Total comprehensive income for the period	2,442,377	4,765,440
Basic and diluted earnings per share		
WSS	47,224	53,297

(Foot, million NGN except per share information)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

	Owners of the Controlling Company					Non-controlling interests	Total
	Share Capital	Capital Reserves	Reserves	Other Reserves	Retained Earnings		
Balance as of January 1, 2010	482,403	1,199,666	803,986	(2,403,243)	32,567,282	32,679,964	65,317,177
Comprehensive income:							
Profit for the period	-	-	-	-	4,105,623	4,105,623	4,105,623
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax	-	-	(37,656)	-	-	(37,656)	(37,656)
Net changes in fair value of available-for-sale securities, net of tax	-	-	574,950	-	-	574,950	574,950
Foreign currency translation adjustments, net of tax	-	-	136,669	-	-	136,669	136,669
Defined benefit plan actuarial losses, net of tax	-	-	-	(143,914)	-	(143,914)	(143,914)
Total comprehensive income	-	-	675,963	-	3,963,709	4,639,672	4,639,672
Transactions with owners of the Company, recognised directly in equity:							
Year-end dividends	-	-	-	(500,714)	-	(500,714)	(500,714)
Interest dividends	-	-	-	(192,582)	-	(192,582)	(192,582)
Acquisition of subsidiaries	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries of subsidiaries	-	(92,994)	-	-	-	(92,994)	(92,994)
Other	-	(5,111)	(2,481)	-	49,322	(2,600)	(2,600)
Total transactions with owners of the Company	-	(98,105)	(2,481)	-	(453,364)	(553,950)	(553,950)
Balance as of December 31, 2010	482,403	1,101,561	1,567,289	(2,403,243)	36,867,497	36,575,686	73,141,181

(Unit: million NGN)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

	Owners of the Controlling Company					
	Common Shares	Preferred Shares	Class B Shares	Class C Shares	Non-controlling Interests	Total
Balance as of January 1, 2011	652,403	1,101,561	3,507,286	12,403,763	35,807,697	36,575,696
Comprehensive income	-	-	-	-	3,648,136	3,648,136
Profit for the period	-	-	-	-	66,150	66,150
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax	-	-	(12,278)	-	1,036	(11,240)
Net changes in fair value of available-for-sale securities, net of tax	-	-	(1,227,050)	-	(6,708)	(1,231,750)
Foreign currency translation differences, net of tax	-	-	166,622	-	(144,556)	1,666
Defined benefit plan actuarial losses, net of tax	-	-	(24,995)	-	(5,582)	(30,577)
Total comprehensive income	-	-	(1,092,704)	-	(88,068)	(2,442,377)
Transactions with owners of the Company	-	-	(577,747)	(677,747)	(18,831)	(1,974,271)
Year-end dividends	-	-	(193,111)	-	-	(193,111)
Interim dividends	-	-	-	-	(247,493)	(247,493)
Acquisition of subsidiaries	-	-	-	(70,694)	(98,608)	(119,300)
Changes in owner's equity interests in subsidiaries	-	(20,694)	-	-	365,249	365,249
Paid in capital increase of subsidiaries	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	(61,296)	-	(61,296)
Disposal of treasury shares	-	-	73,153	-	-	73,153
Others	432	(9,158)	(30,858)	(39,231)	2,856	(86,371)
Total transactions with owners of the Company	-	-	(48,891)	(1,056)	(749,775)	(800,144)
Balance as of December 31, 2011	482,403	1,130,452	4,054,226	12,391,408	38,706,476	40,779,920

(Unit: million USD)

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
Cash flows from operating activities		
Profit for the period	3,714,286	4,185,650
Adjustments for:		
Depreciation	219,635	242,137
Amortization	135,289	75,344
Impairment loss on property, plant and equipment	99,072	128,083
Loss on disposal of property, plant and equipment	60,580	83,494
Finance income	(1,724,288)	(871,110)
Finance costs	2,243,957	1,278,630
Income tax expense	1,066,109	1,081,472
Share of profit or loss of equity-accounted investees	(50,699)	(82,457)
Accrual of severance benefits	236,999	173,971
Bad debt expenses	45,477	40,266
Others	(41,738)	(143,715)
	4,264,346	4,617,915
Changes in operating assets and liabilities		
Interest received	(6,850,427)	(4,633,478)
Interest paid	(745,111)	(322,659)
Dividends received	308,872	(680,020)
Income taxes paid	(1,219,402)	141,017
	(8,295,068)	(5,435,140)
Net cash provided by operating activities	3,969,278	3,882,005
Cash flows from investing activities		
Disposal of short-term financial investments	3,794,710	17,516,747
Decrease in loans	996,686	78,946
Disposal of available-for-sale investments	(411,061)	(28,945)
Disposal of other investment assets	-	27,257
Disposal of investments of equity-accounted investees	2,404	19,394
Disposal of property, plant and equipment	(140,221)	(65,794)
Disposal of intangible assets	(56,899)	6,964
Proceeds from disposal of business	-	6,747
Acquisition of short-term financial instruments	(4,586,310)	(14,546,301)
Increase in loans	(642,099)	(82,079)
Disposal of available-for-sale investments	(322,044)	(91,038)
Acquisition of other investment assets	(450)	(310,154)
Acquisition of investments of equity-accounted investees	(740,971)	(914,691)
Acquisition of property, plant and equipment	(5,330,948)	(5,791,764)
Acquisition of intangible assets	(574,753)	(266,444)
Payment for acquisition of business, net of cash acquired	(437,444)	(3,079,899)
Other, net	(107,214)	(531,569)
Net cash used in investing activities	(8,516,864)	(8,974,821)

(Unit: million USD)

INDEPENDENT ASSURANCE REPORT

To the management of POSCO

At POSCO's request, we have reviewed the information presented in the 2011 sustainability report (the "Report"). The management of POSCO is responsible for preparing the report. Our responsibility is to carry out a limited assurance engagement on the report and to provide opinions on it based on our review.

What we did to form our conclusions

We conducted our engagement in accordance with ISAE3000* and the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)**.

We performed the following procedures to form our conclusion on the report:

- Evaluated POSCO's processes for stakeholder engagement.
- Reviewed POSCO's processes for determining material issues of stakeholder groups.
- Searched the media coverage of POSCO's sustainability issues during the applicable reporting period.
- Reviewed recently reported sustainability issues of the POSCO's global competitors.
- Interviewed a selection of people in charge to understand the current status of sustainability performance and the reporting process during the reporting period.
- Reviewed selected data regarding POSCO's sustainability performance, supporting evidence for assertions, and information from corporate-wide systems.
- Interviewed several executives in charge of sustainability issues.
- Reviewed POSCO's process for collecting and consolidating sustainability performance data.
- Reviewed whether financial performance data has been extracted properly from the POSCO's audited financial statements.

* International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by International Federation of the Accountants

** AA1000AS(2008) – The second edition of the AA1000 Assurance Standard from the Institute of Social and Ethical Accountability

Level of assurance

We undertook a limited assurance engagement in accordance with ISAE3000. A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The limitations of our review

We excluded GHG(Greenhouse Gas) emissions in our limited assurance engagement. And, we did not review environmental and social performance data prior to 2010. However, we reviewed financial performance data based on POSCO's 2011 audited financial statements.

Our conclusions

The result of our review is outlined below.

Industry

Has POSCO been engaging with stakeholders across the business to develop its approach to sustainability?

• We are not aware of any key stakeholder groups that have been excluded from the stakeholder engagement process outlined in the report.

• We are not aware of any matters that would lead us to conclude that POSCO has not applied the inclusivity principle in developing its approach to sustainability.

Materiality

Has POSCO provided a balanced representation of material issues concerning POSCO's sustainability performance?

• We are not aware of any material aspects concerning POSCO's sustainability performance which have been excluded from the report.

• Nothing has come to our attention that causes us to believe that POSCO management has not applied its processes for determining material issues to be included in the report.

Responsiveness

Has POSCO responded to stakeholder concerns?

• We are not aware of any matters that would lead us to conclude that POSCO has not applied the responsiveness principle in considering the matters to be reported.

Completeness and accuracy of performance information

How complete and accurate is the economic, social, and environmental performance data in the report?

• We are not aware of any that have been excluded from the economic, social, and environmental performance data.

• Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from POSCO's reporting process.

How plausible are the statements and claims within the report?

• We are not aware of any misstatements of information or explanation used to support statements and claims on POSCO's sustainability activities presented in the report.

Observations and areas for improvement

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

• Considering the geographical scope and the amount of sales in the overseas market, the importance of the communication with the local stakeholders is increasing. In order to enhance engagements of the stakeholders, expanding the communication channels and a system to reflect the results to the decision-making process must be improved.

• In terms of providing the sustainability performance, it is necessary to maintain the balance between positive and negative information. In the case of some sustainability performance data, a system to generate, aggregate and report the data must be improved. Also, quantitative targets for the sustainable performance data need to be consolidated and a way to report the progress compared to the target should be considered.

Independence

We comply with the Ethical Standard issued by IFAC(International Federation of Accountants).

Our assurance team

The assurance engagement was performed by the engagement team with a long history of experience and expertise in sustainability area.



June 2012
Ernst & Young Hanyoung

Country Managing Partner

Seung Wha Gwaon

Ernst & Young Hanyoung

Folio16

Reporting Framework

The 2011 Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines, ISO26000 and with POSCO's internal sustainability reporting process. All financial information, standards and definitions used or made within the report follow Korea's generally accepted accounting principles.

Reporting Period

POSCO publishes a sustainability report every year. This report covers the calendar year from January 1 to December 31, 2011. Some sections include the period until May 2012. Please note that the section on corporate governance reflects decisions made at a board meeting held on March 16, 2012.

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. Please note that some sections including shareholders and investors, and green growth new business include information about the whole POSCO Family.

Distribution and Feedback on the Report

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

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e-mail : sustainability@posco.com



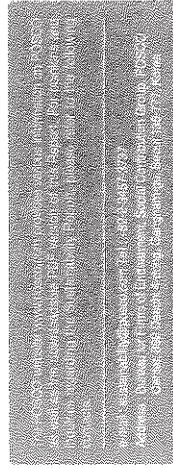
Survey Participation

Assurance of the 2011 Sustainability Report

Assurance on this Report was conducted by Ernst & Young Han Young, in accordance with the International Standard on Assurance Engagement (ISAE) 3000 and AA1000AS, thereby assuring that industry, materiality, and responsiveness are reflected in the report in addition to the existing principles of consistency, accuracy, and completeness.

Love toward Global Movement

As human history has evolved with the extension of thinking and space of life, POSCO has grown with the expansion of the corporate ecosystem beyond just growth in size. Now, POSCO is set to grow as a firm of endeavorment by every member of the organic ecosystem, where all the stakeholders coexist, including society, partners, investors, customers, employees, and environment. POSCO will become a global leader in the integrated materials and infrastructure based on the steel industry, contributing to the development of the humankind.



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2011 Sustainability Report



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Appendix A-6

Chart of Accounts

Chart of accounts

Account code	Account Name (Korean Name)	Account Name (English Name)
	자산	Assets
	당좌자산	Quick assets
	현금및현금성자산	Cash and cash equivalents
	보통예금_원지화	Passbook accounts_local currency
	보통예금_외화	Passbook accounts_foreign currency
	당좌예금_외화	Checking accounts_foreign currency
	당좌예금_원지화	Checking accounts_local currency
	금융상품현금자산_원지화	Cash equivalent financial instruments_local currency
	유가증권현금자산	Cash equivalent securities
	금융상품현금자산_외화	Cash equivalent financial instruments_foreign currency
	단기금융상품	Short term financial instruments
	단기금융상품_원지화	Short term financial instruments_local currency
	단기금융상품_외화	Short term financial instruments_foreign currency
	단기특정예금외환금	Short term special purpose cash and deposits
	단기매출증권	Trading securities
	단기매출증권_주식	Trading securities_stocks
	단기매출증권_채권	Trading securities_bonds
	단기매출증권_기타	Trading securities_other
	매출채권	Accounts receivable
	단기대여금	Short term loans
	미수금	Nontrade receivable
	세제미수금	Nontrade receivable_tax
	직원미수금	Nontrade receivable_employee
	미수이익	Accrued income
	금융상품미수이익_원지화	Financial instruments accrued income_local currency
	현금성자산미수이익_원지화	Cash equivalents accrued income_local currency
	현금성자산미수이익_외화	Cash equivalents accrued income_foreign currency
	금융상품미수이익_외화	Financial instruments accrued income_foreign currency
	유가증권미수이익	Securities accrued income
	선금금	Advance payments
	선금비용	Prepaid expenses
	선금지입이자	Prepaid interest expenses_borrowings
	선금보험료	Prepaid insurance expenses
	기타선금비용	Other prepaid expenses
	매입부가세	Value added tax_purchase
	해외계열사매입부가세	Value added tax_purchase_overseas subsidiaries
	가시금당	Suspense payments
	청도금	Advanced payments to offices
	단기매도가능증권	Short term available for sale securities
	단기매도가능증권_주식	Short term available for sale securities_stocks
	단기매도가능증권_채권	Short term available for sale securities_bonds
	단기매도가능증권_투자금	Short term available for sale securities_investments
	단기매도가능증권_기타	Short term available for sale securities_other securities
	유동성면기보유증권	Current portion of held to maturity securities
	유동성면기보유증권_채권	Current portion of held to maturity securities_bonds
	선금법인세	Prepaid income taxes
	해외계열사선금법인세	Prepaid income taxes_overseas subsidiaries
	파생상품자산	Financial derivative assets
	단기파생상품자산	Short term financial derivative assets
	유동성장기파생상품자산	Current portion of long term derivatives assets
	보증금	Guarantee deposits
	매각예정자산	Assets to be sold
	확정계약자산	Contract settled asset
	당지순이익지적정당금자산	Financial asset at Fair value through profit or loss
	기타당좌자산	Other quick assets
	재고자산	Inventories
	제품재고자산	Finished goods
	반제품재고자산	Semi finished goods

Account code	Account Name (Korean Name)	Account Name (English Name)
	급회충재고자산	Undergrade goods
	제조품 재고자산	Manufactured goods
	일기상품	Processed products
	부산물 재고자산	By products
	성품 재고자산	Merchandises
	건설재고자산	Construction inventories
	미착성품	Finished goods in transit
	원료 재고자산	Raw materials
	원료 재고자산_표준	Raw materials_standards
	연료및재료	Fuel and materials
	기타재료	Other materials
	미착원료	Raw materials in transit
	원료MOHAbsorption	Raw materials overhead absorption
	해외세열사관세	Incidental cost_tariff_overseas subsidiaries
	미착연료및재료	Fuel and materials in transit
	연료MOHAbsorption	Fuel and materials overhead absorption
	미착연구자재	Research materials in transit
	조립중작가계정	Work in process_temporary account
	기타재고자산	Other inventories
	WIP계정	WIP
	투자자산	Investments
	장기금융상품	Long term financial instruments_special purpose cash and deposits
	장기예금금융상품_원지회	Long term financial instruments_local currency
	장기예금금융상품_외화	Long term financial instruments_foreign currency
	장기특정영향의예금	Long term financial instruments_special purpose cash and deposits
	장기예도가능증권	Long term available for sale securities
	장기예도가능증권_채권	Long term available for sale securities_bonds
	장기예도가능증권_주식	Long term available for sale securities_stocks
	장기예도가능증권_출지금	Long term available for sale securities_investments
	장기예도가능증권_기타	Long term available for sale securities_other securities
	성숙면기보유증권	Long term held to maturity securities
	장기만기보유증권_채권	Held to maturity securities_bonds
	지분법적용투자주식	Investment stocks using equity method
	장기대여금	Long term loans
	장기매출채권	Long term trade receivable
	장기보증금	Long term guarantee deposits
	이연법인세자산	Deferred income tax assets
	회정계약자산	Contract settled asset
	장기미수수익	Long term accrued income
	장기선금금	Long term receivable_advance payments
	장기미수금	Long term receivable_nontrade receivable
	장기선금비용	Long term prepaid expenses
	투자부동산	Investment properties
	기타비유동자산	Other noncurrent assets
	장기파생상품자산	Long term financial derivative assets
	장기파생상품자산	Long term financial derivative assets
	유형자산	Property, Plant and Equipment
	토지	Land
	건물	Buildings
	구조물	Structures
	기계설비	Machinery and equipment
	건설용설비	Construction equipment
	차량운반구	Vehicles and transportation equipment
	공구와기구	Instrument and tools
	비품	Furniture and fixture
	리스자산	Lease assets
	미착기계	Machinery in transit
	리스개량자산	Leasehold improvements
	탐지평가유형자산	Natural resources exploration tangible asset
	건설중진자산	Construction in progress
	건설진건비	Construction in progress_wages and salaries
	건설경비	Construction in progress_expenses

Account code	Account Name (Korean Name)	Account Name (English Name)
	건설자금이자	Construction in progress _capitalization of Interest cost
	무형자산	Intangible assets
	영업권	Goodwill
	산업재산권	Industrial property rights
	임차권리금	Lease rights
	개발비	Development costs
	항만시설이용권	Port facility usage rights
	건설중원자산	Construction in progress
	탐사평가무형자산	Natural resources exploration intangible asset
	개발중무형자산	Mine development intangible asset
	기타무형자산	Other intangible assets
	무형자산기계설	Intangible assets _temporary account
	무형자산기계설_임건비	Intangible assets _temporary account _labor costs
	무형자산기계설_감비	Intangible assets _temporary account _expenses
	본지사계설_자산	Intercompany transaction code _assets
	본지사계설_채권채무상계	Intercompany transaction code _assets _receivable and payable offset
	본지사계설_채고자산소거	Intercompany transaction code _assets _elimination of unrealized gain on inventory
	본지사계설_고정자산소거	Intercompany transaction code _assets _elimination of unrealized gain on property, plant and equipment
	본지사투자	Intercompany transaction code _assets _investments
	부채	Liabilities
	유동부채	Current liabilities
	매입채무	Accounts payable
	단기차입금	Short term borrowings
	단기차입금_원지화	Short term borrowings _local currency
	단기차입금_외화	Short term borrowings _foreign currency
	당회차입	Bank overdraft
	미지급금	Nontrade payable
	선수금	Advance receipts
	예수금	Withholdings
	보험관련예수금	Withholdings _insurance premium
	소득세관련예수금	Withholdings _salaries income tax
	주민세관련예수금	Withholdings _resident tax
	급여관련예수금	Withholdings _salaries deduction
	해외계열사예수금	Withholdings _overseas subsidiaries
	채권압류관련예수금	Withholdings _attachment for receivable
	미지급비용	Accrued expenses
	지급이자미지급비용_원지화	Accrued interest expenses _local currency
	지급이자미지급비용_외화	Accrued interest expenses _foreign currency
	미지급법인세	Income tax payable
	해외계열사미지급법인세	Income tax payable _overseas subsidiaries
	미지급배당금	Dividend payable
	유동성질기부채	Current portion of long term liabilities
	유동성질기차입금_원지화	Current portion of long term borrowings _local currency
	유동성질기차입금_외화	Current portion of long term borrowings _foreign currency
	유동성지권	Current portion of overseas public borrowings
	선수수익	Unearned revenues
	유동성충당부채	Long term provision liability
	상여성충당부채	Provision for bonuses
	매출부가세	Value added tax _sales
	해외계열사매출부가세	Value added tax _sales _overseas subsidiaries
	기수금	Suspense payable
	파생상품부채	Derivatives liabilities
	단기파생상품부채	Short term derivatives liabilities
	유동성질파생상품부채	Current portion of long term derivative liabilities
	금융리스부채	Capital lease liabilities
	보증보증금	Guarantee deposit
	매지채결부채	Liabilities to be sold
	금융보증부채	Guaranteed liabilities
	이연수익	Deferred revenues
	차결제어부채	Contract settled debt
	당기손익인식지점금융부채	Financial liability at Fair value through profit or loss
	기타유동부채	Other current liabilities

Account code	Account Name (Korean Name)	Account Name (English Name)
	비유동부채	Noncurrent liabilities
	사채	Debentures
	장기차입금	Long term borrowings
	장기차입금_원적화	Long term borrowings in local currency
	장기차입금_외화	Long term borrowings in foreign currency
	차관	Loan from other country
	외관	Loan from other country
	장기매입채무	Long term accounts payable
	퇴직급여충당부채	Provision for severance benefits
	감가상각누계액	Accumulated depreciation
	미연법인채부채	Deferred liabilities
	장기미지급금	Long term nontrade payable
	장기전수수익	Long term unearned revenues
	장기미지급비용	Long term accrued expenses
	전환사채	Convertible debentures
	신용인수권부사채	Debentures with stock purchase warrant
	장기충당부채	Long term provision liabilities
	장기전수금	Long term advance received
	장기보증보통금	Long term guarantee deposits
	장기파생상품부채	Long term derivative liabilities
	장기파생상품부채	Long term derivative liabilities
	보증보통부채	Guaranteed liabilities
	장기미연수익	Long term deferred revenues
	비유동회정계외부채	Contract settled debt
	장기금융리스부채	Capital lease liabilities
	유형자산국고보조금	Government Subsidy _property, Plant and Equipment
	무형자산국고보조금	Government Subsidy _intangible asset
	투자자산국고보조금	Government subsidy _ Investment
	기타비유동부채	Other noncurrent liabilities
	대손충당금	Allowance for bad debt
	대손채권대손충당금	Allowance for bad debt _accounts receivable
	단기대어음대손충당금	Allowance for bad debt _short term loans
	미수금대손충당금	Allowance for bad debt _nontrade receivable
	미수수익대손충당금	Allowance for bad debt _accrued income
	선금금대손충당금	Allowance for bad debt _advance payments
	예치금대손충당금	Allowance for bad debt _general deposits
	기타의당회지산대손충당금	Allowance for bad debt _general deposits _other quick assets
	장기대어음대손충당금	Allowance for bad debt _long term loans
	장기신용채권대손충당금	Allowance for bad debt _long term accounts receivable
	장기보통금대손충당금	Allowance for bad debt _long term deposits
	장기미수수익대손충당금	Allowance for bad debt _long term accrued income
	장기선금금대손충당금	Allowance for bad debt _long term advance payments
	장기미수금대손충당금	Allowance for bad debt _long term nontrade receivable
	기타의비유동자산대손충당금	Allowance for bad debt _other noncurrent asset
	재고평가충당금	Allowance for inventories valuation
	제품평가충당금	Allowance for goods valuation
	상품평가충당금	Allowance for merchandises valuation
	건설재고자산평가충당금	Allowance for construction inventories valuation
	반제품평가충당금	Allowance for semi finished goods valuation
	급원제품평가충당금	Allowance for undergraded goods valuation
	부산물평가충당금	Allowance for by products valuation
	원료평가충당금	Allowance for raw materials valuation
	연료및재료평가충당금	Allowance for materials valuation
	기타재고자산평가충당금	Allowance for other inventories valuation
	손실차손누계액	Accumulated impairments
	유형자산_토지손실차손누계액	Accumulated impairments for land classified as tangible assets
	유형자산_건물손실차손누계액	Accumulated impairments for buildings classified as tangible assets
	유형자산_구조물손실차손누계액	Accumulated impairments for structures classified as tangible assets
	기계장비손실차손누계액	Accumulated impairments for machinery
	건설용설비손실차손누계액	Accumulated impairments for construction equipment
	차량운반수송장비손실차손누계액	Accumulated impairments for vehicles
	공구및기구손실차손누계액	Accumulated impairments for tools and fixture

Account code	Account Name (Korean Name)	Account Name (English Name)
	미집회상차손누계액	Accumulated impairments for equipment and furniture
	금융리스자산손상차손누계액	Accumulated impairments for financial lease assets
	리스개량자산손상차손누계액	Accumulated impairments for leasehold improvements
	건설중인자산손상차손누계액	Accumulated impairments for asset for construction
	단기매도가능증권손상차손누계액	Accumulated impairments for short term available for sale securities
	유동성면기모음증권손상차손누계액	Accumulated impairments for current portion of long term held to maturity securities
	매도가능증권손상차손누계액	Accumulated impairments for available for sale securities
	면기모음증권손상차손누계액	Accumulated impairments for held to maturity securities
	기타투자자산손상차손누계액	Accumulated impairments for other investment assets
	투자부동산_토지손상차손누계액	Accumulated impairments for land classified as investment properties
	투자부동산_건물손상차손누계액	Accumulated impairments for buildings classified as investment properties
	투자부동산_구조물손상차손누계액	Accumulated impairments for structures classified as investment properties
	투자부동산_기타손상차손누계액	Accumulated impairments for other investment properties
	탐사평가유형자산손상차손누계액	Accumulated impairments for Natural resources exploration tangible asset
	탐사평가무형자산손상차손누계액	Accumulated impairments for Natural resources exploration intangible asset
	지분법적용투자주식손상차손누계액	Accumulated impairments for Investment stocks using equity method
	선급수령금손상차손누계액	Accumulated impairments for advanced payments of purchase order
	진도매출채권손상차손누계액	Accumulated impairments for progressive accounts receivable
	개발권유무형자산손상차손누계액	Accumulated impairments for mine development intangible asset
	이연법인채지연평가충당금	Accumulated impairments for deferred assets
	이연법인채지연평가충당금	Accumulated impairments for deferred assets
	본회사채권_부채	Intercompany transaction code_liabilities
	본회사채무_계리채무청구액	Intercompany transaction code_liabilities_receivable and payable offset
	본회사채무_재고자산조각	Intercompany transaction code_liabilities_elimination of unrealized gain on inventory
	본회사채무_고정자산조각	Intercompany transaction code_liabilities_elimination of unrealized gain on PPandE
	지분	Equity
	자본금	Capital stock
	자본잉여금	Capital surplus
	주식발행초과금	Paid in capital in excess of par value
	재평가차익금	Asset reevaluation surplus
	합병차익	Gain on merge and acquisition
	감액차익	Gain from retirement of capital stock
	자기주식처분이익	Gain on disposal of treasury stock
	지분법자본잉여금변동	Adjustment capital surplus by equity method
	기타의자본잉여금	Other capital surplus
	이익잉여금	Retained earnings
	이익준비금	Legal reserve
	법정적립금	Legal reserve
	임의적립금	Voluntary reserve
	미처분이익잉여금	Unappropriated retained earning
	지분전이이익잉여금	Retained earnings before transfer
	기타포괄손익누계액	Accumulation of other comprehensive gain or loss
	지분법적분변동	Other comprehensive income or loss adjustment by equity method
	매도가능증권평가손익	Gain or loss on valuation of available for sale securities
	매도가능증권평가이익	Gain on valuation of available for sale securities
	매도가능증권평가손실	Loss on valuation of available for sale securities
	해외사업환산손익	Gain or loss on translation of overseas operations
	파생상품평가손익	Gain or loss on valuation of derivatives
	파생상품평가차손	Loss on valuation of derivatives
	파생상품평가차익	Gain on valuation of derivatives
	외국환성공외환환산손익	Foreign translation gain or loss on non-derivative financial instrument
	재평가적립금	Revaluation reserves
	지분조정	Capital adjustments
	자기주식	Treasury stock
	기타지분조정	Other capital adjustments
	매각예정자본	Equities to be sold
	비제재지분	Noncontrolling interests
	비제재지분_자본금	Noncontrolling interests_capital stock
	비제재지분_자본잉여금	Noncontrolling interests_capital surplus
	비제재지분_전기잉여금	Noncontrolling interests_prior year retained earning
	비제재지분_당기순이익	Noncontrolling interests_net income
	비제재지분_자기주식	Noncontrolling interests_treasury stock

Account code	Account Name (Korean Name)	Account Name (English Name)
	비지배지분_기타자본조정	Noncontrolling interests_other capital adjustments
	비지배지분_매도가능증권평가손익	Noncontrolling interests_gain or loss on valuation of available for sales securities
	비지배지분_지분법지분변동	Noncontrolling interests_other comprehensive income or loss_adjustment by equity method
	비지배지분_부의지분법지분변동	Noncontrolling interests_other comprehensive loss_adjustment loss on valuation by equity method
	비지배지분_해외사업환산차손익	Noncontrolling interests_gain or loss on translation of overseas operations
	비지배지분_파생상품평가차손익	Noncontrolling interests_gain or loss on valuation of derivatives
	비지배지분_비파생상품의환원차손익	Noncontrolling interests_gain or loss on valuation
	비지배지분_재평가적립금	Noncontrolling interests_revaluation reserves
	분지사개설_자본	Intercompany transaction_equities
	분지사개설_지분	Intercompany transaction_equities
	수익	Income
	매출액	Sales
	철강제품매출액	Sales_steel finished goods
	철강부산물매출액	Sales_steel by products
	철강반제품매출액	Sales_steel semi finished goods
	철강할증할인	Sales_discount_steel
	철강상품매출액	Sales_steel merchandises
	철강급외품매출액	Sales_steel undergraded goods
	철강제조품매출액	Sales_steel manufactures
	철강임의외하매출액	Sales_steel outsourcing goods
	에너지매출액	Sales_energy business
	ENG사업매출액	Sales_engineering business
	전산설비매출액	Sales_IT equipment
	전산소프트웨어매출액	Sales_IT equipment
	미철강소재매출액	Sales_nonsteel material business
	일반용역매출액	Sales_services
	공사매출액	Sales_construction business
	공사매출액_취정매출	Construction sales_fixed amount
	공사매출액_진도매출	Construction sales_progressive amount
	전산용역매출액	Sales_IT services
	전산용역매출액_취정매출	IT services sales_fixed amount
	전산용역매출액_진도매출	IT services sales_progressive amount
	설비사업매출액	Sales_facilities business
	기차운영매출액	Sales_station operating business
	임기공매출액	Sales_outsourcing products
	임대매출액	Sales_lease business
	분류매출액	Sales_distribution business
	분류매출액	Sales_distribution business
	자문용역매출액	Sales_consulting service
	자문용역매출액	Sales_consulting service
	광산사업매출액	Sales_mining business
	내화용사업매출액	Sales_refractoriness business
	내화용사업매출액	Sales_refractoriness business
	레저사업매출액	Sales_leisure business
	리스료수익	Lease sales
	항만이용수익	Revenue from port facility use
	상사매출액	Trading Sales
	상사매출액	Trading Sales
	수수료수익	Commission sales
	미철강할증할인	Sales_discount_nonsteel
	미철강할증할인	Sales_discount_nonsteel
	분지사매출	Intercompany transaction code_sales
	기타매출액	Other sales
	영업외수익	Non operating income
	이자수익	Interest Income
	현금성자산이자수익	Interest income_cash and cash equivalents
	금융상품이자수익	Financial instruments interest income
	단기투자증권이자수익	Interest income_short term investments securities
	장기투자증권이자수익	Interest income_long term investments securities
	배당금수익	Dividend income
	임대료	Rental income
	타기매출증권처분이익	Gain on disposal of trading securities

Account code	Account Name (Korean Name)	Account Name (English Name)
	단기매출증권처분이익	Gain on disposal of trading securities
	단기매출증권평가이익	Gain on valuation of trading securities
	단기매출증권평가이익	Gain on valuation of trading securities
	외환차익	Foreign transaction gain
	외국성자산환차익	Foreign transaction gain
	단기차입금환차익	Foreign transaction gain on short term borrowings
	장기차입금환차익	Foreign transaction gain on long term borrowings
	차관환차익	Foreign transaction gain on loans from other country
	SPOT 거래환차익	Foreign transaction gain on spot transaction
	금융상품환차익	Foreign transaction gain on financial instruments
	외화매도가능증권환차익	Foreign transaction gain on available for sale securities
	외화환산이익	Foreign translation gain
	현금성자산환산이익	Foreign translation gain on cash and cash equivalents
	단기차입금환산이익	Foreign translation gain on short term borrowings
	장기차입금환산이익	Foreign translation gain on long term borrowings
	차관환산이익	Foreign translation gain on loans from other country
	금융상품환산이익	Foreign translation gain on financial instruments
	외화매도가능증권환산이익	Foreign translation gain on available for sale securities
	지분법이익	Gain on valuation by equity method
	매도가능증권손실치손환입	Reversal of available for sale securities impairment loss
	매도가능증권손실치손환입	Reversal of available for sale securities impairment loss
	단기매도가능증권처분이익	Gain on disposal of short term available for sale securities
	단기매도가능증권처분이익	Gain on disposal of short term available for sale securities
	유형자산처분이익	Gain on disposal of tangible assets
	시계상환이익	Gain on redemption of debentures
	파생상품거래이익	Gain on transactions of derivatives
	파생상품거래이익	Gain on transactions of derivatives
	파생상품평가이익	Gain on valuation of derivatives
	파생상품평가이익	Gain on valuation of derivatives
	대손충당금환입	Reverse of bad debt allowance
	기타비유형자산처분이익	Gain on disposal of other noncurrent assets
	유형자산손상차손환입	Reversal of tangible assets impairment loss
	장기매도가능증권처분이익	Gain on disposal of long term available for sale securities
	장기매도가능증권처분이익	Gain on disposal of long term available for sale securities
	면기보유증권처분이익	Gain on disposal of held to maturity securities
	면기보유증권처분이익	Gain on disposal of held to maturity securities
	재고자산처분이익	Gain on disposal of inventories
	지분법주식처분이익	Gain on disposal of equity investments
	면기보유증권손상차손환입	Reversal of held to maturities securities Impairment Loss
	면기보유증권손상차손환입	Reversal of held to maturities securities Impairment Loss
	기타비유형자산손상차손환입	Reversal of other noncurrent assets Impairment Loss
	무형자산처분이익	Gain on disposal of intangible assets
	무형자산손상차손환입	Reversal of intangible assets Impairment loss
	부회기업권환입	Reverse of negative goodwill
	충당부채환입	Reverse of allowance liabilities
	전기오류수정이익	Gain on prior period error correction
	투자부동산손상차손환입	Reversal of investment properties Impairment loss
	투자부동산처분이익	Gain on disposal of intangible assets
	매각예정자산손상차손환입	Reversal of impairment loss of assets to be sold
	매각예정자산처분이익	Gain on disposal of assets to be sold
	금융보증이익	Gain on guaranteed liabilities
	보조금수익	Government subsidy sales
	주식보상비용 환입	Reversal of stock compensation expense
	화장계약평가이익	Revenue from settled contract optionevaluation
	당기손익인식지정금융상품처분이익	Gain on disposal of financial instrument at fair value through profit or loss
	당기손익인식지정금융상품평가이익	Gain on valuation of financial instrument at fair value through profit or loss
	선급주문상환차손환입	Reversal of impairment loss on advanced payments of purchase order
	진도매출채권손상차손환입	Reversal of impairment loss on progressive accounts receivable
	분지사수익	Intercompany transaction code_income
	잡이익	Miscellaneous Income
	잡이익	Miscellaneous Income
	중단사업이익	Discontinued operation income

Account code	Account Name (Korean Name)	Account Name (English Name)
	중단사업이익	Discontinued operation income
	지분법적용투자주식손상차손환입	Reversal of Impairment loss on Investment stocks using equity method
	종속회사의 배후일전순이익	Net income of consolidated subsidiaries before acquisition
	종속회사의 배후일전순이익	Net income of consolidated subsidiaries before acquisition
	연결당기순이익	Consolidating net income
	비용	Expenses
	매출원가	Cost of sales
	철강제품매출원가	Cost of goods sold
	무산물매출원가	Cost of by products sold
	반제품매출원가	Cost of semi finished goods sold
	철강매출원가차이	Cost variances of steel sales
	철강매출원가차감	Deduction of steel cost of sales
	원가차이	Cost variances
	급역품매출원가	Cost of undergraded goods sold
	제조품매출원가	Cost of manufactures sold
	철강상품매출원가	Cost of steel merchandises sold
	철강실가공품매출원가	Cost of steel outsourcing goods sold
	철강재고지산평가손실	Loss on steel inventory valuation
	에너지매출원가	Cost of energy business
	지역난방매출원가	Cost of district heating business
	ENG사업매출원가	Cost of engineering facilities business
	컴퓨터매출원가	Cost of IT equipments sold
	전산설비매출원가	Cost of IT equipments sold
	비철강소재매출원가	Cost of nonsteel material business
	일반용역매출원가	Cost of services sales
	공시매출원가	Cost of construction sales
	공시매출원가	Cost of construction sales
	전신용역매출원가	Cost of IT services sales
	전신용역매출원가	Cost of IT services sales
	정비용역매출원가	Cost of facilities services business
	기지운영매출원가	Cost of sales_station operating business
	CTS기지운영매출원가	Cost of sales_central transshipment station operating business
	LNG기지운영매출원가	Cost of sales_LNG station operating business
	임가공매출원가	Cost of outsourcing sales
	임대매출원가	Cost of rental revenue
	임대매출원가_임건비	Cost of rental revenue_labor costs
	임대매출원가_절비	Cost of rental revenue_overhead costs
	분류매출원가	Cost of distribution sales
	분류매출원가	Cost of distribution sales
	자문용역매출원가	Cost of consulting services sales
	광산사업매출원가	Cost of mining business sales
	내화분사업매출원가	Cost of refractoriness business sales
	내화분사업매출원가	Cost of refractoriness business sales
	레저사업매출원가	Cost of leisure business sales
	리스업수익매출원가	Cost of merchandise sales_lease business
	항만시설이용원가	Cost of port facility use
	상시매출원가	Cost of trading sales
	상시매출원가	Cost of trading business
	수수료수익매출원가	Cost of commission sales
	기타매출원가	Other cost of sales
	비철강매출원가차이	Cost variances of nonsteel sold
	비철강매출원가차감	Deduction of cost of nonsteel sold
	비철강재고지산평가손실	Loss on nonsteel inventory valuation
	분사시매입	Intercompany transaction code_purchasing
	판매비와관리비	Selling and administrative expenses
	급여	Salaries
	회원비_임원급여	Selling and administrative expenses_salary and wage of directors
	회원비_직원급여	Selling and administrative expenses_salary and wage
	회원비_계약직급여	Selling and administrative expenses_salary and wage of part timers
	회원비_임시직급여	Selling and administrative expenses_salary and wage of temporary employees
	퇴직급여	Severance benefits
	회원비_퇴직급여충당금전입액	Selling and administrative expenses_contribution to provision for severance benefits

Account code	Account Name (Korean Name)	Account Name (English Name)
	관공비_퇴직금	Selling and administrative expenses_severance benefits
	관공비_확정기여형퇴직급여	Selling and administrative expenses_defined contribution retirement pension
	복리후생비	Welfare expenses
	관공비_복리후생비	Selling and administrative expenses_welfare expenses
	여행교통비	Travel expenses
	관공비_여행교통비	Selling and administrative expenses_travel expenses
	통신비	Communication expenses
	관공비_통신비	Selling and administrative expenses_communication expenses
	전력비	Electricity expenses
	관공비_전력비	Selling and administrative expenses_electricity expenses
	물수비	Water expenses
	관공비_물수비	Selling and administrative expenses_water expenses
	연료유소비	Heating expenses
	관공비_연료유소비	Selling and administrative expenses_heating expenses
	세금과공과	Taxes and dues
	관공비_세금과공과	Selling and administrative expenses_taxes and dues
	상기상차비	Depreciation expenses
	관공비_유형자산감가상차비	Selling and administrative expenses_depreciation
	관공비_무형자산감가상차비	Selling and administrative expenses_amortization
	관공비_투자부동산감가상차비	Selling and administrative expenses_depreciation_investment properties
	전임임차료	Rental expenses
	관공비_차임임차료	Selling and administrative expenses_rental expenses
	수선비	Repairs expenses
	관공비_수선비	Selling and administrative expenses_repairs expenses
	보험료	Insurance premium
	관공비_보험료	Selling and administrative expenses_insurance premium
	업무추진비	Entertainment expenses
	관공비_업무추진비	Selling and administrative expenses_entertainment expenses
	광고선전비	Advertising expenses
	관공비_광고선전비	Selling and administrative expenses_advertising expenses
	정상연구개발비	Ordinary research and development expenses
	관공비_정상연구개발비	Selling and administrative expenses_ordinary research and development expenses
	관공비_정상연구_6시그마	Selling and administrative expenses_ordinary research and development expenses six sigma
	지급수수료	Service fees
	관공비_지급수수료	Selling and administrative expenses_service fees
	포상비	Rewards expenses
	관공비_포상비	Selling and administrative expenses_rewards expenses
	사무용품비	Supplies expenses
	관공비_사무용품비	Selling and administrative expenses_supplies expenses
	의복비	Clothes expenses
	관공비_의복비	Selling and administrative expenses_clothes expenses
	도서인쇄비	Publication expenses
	관공비_도서인쇄비	Selling and administrative expenses_publication expenses
	차량유지비	Vehicles maintenance expenses
	관공비_차량유지비	Selling and administrative expenses_vehicles maintenance expenses
	협회비	Industry association fees
	관공비_협회비	Selling and administrative expenses_industry association fees
	교육훈련비	Training expenses
	관공비_교육훈련비	Selling and administrative expenses_training expenses
	회의비	Conference expenses
	관공비_회의비	Selling and administrative expenses_conference expenses
	피해보상비	Compensation expenses for casualties
	관공비_피해보상비	Selling and administrative expenses_compensation expenses for casualties
	주식보상비용	Stock compensation expenses
	관공비_주식보상비용	Selling and administrative expenses_stock compensation expenses
	자료수집비	Material collection expenses
	관공비_자료수집비	Selling and administrative expenses_material collection expenses
	잡비	Miscellaneous expenses
	관공비_잡비	Selling and administrative expenses_miscellaneous expenses
	운반보관비	Freight expenses
	관공비_운반보관비	Selling and administrative expenses_freight expenses
	중계시설운영비	Operating expenses for distribution center

Account code	Account Name (Korean Name)	Account Name (English Name)
	판매비_중계거처운영비	Selling and administrative expenses_operating expenses for distribution center
	판매수수료	Sales commissions
	판매비_판매수수료	Selling and administrative expenses_sales commissions
	판매선전비	Sales advertising expenses
	판매비_판매선전비	Selling and administrative expenses_sales advertising expenses
	판매촉진비	Sales promotion expenses
	판매비_판매촉진비	Selling and administrative expenses_sales promotion expenses
	검분비	Sample expenses
	판매비_검분비	Selling and administrative expenses_sample expenses
	판매보험료	Sales insurance premium
	판매비_판매보험료	Selling and administrative expenses_sales insurance premium
	종량부채선입액	Contribution to allowance of doubtful accounts
	판매비_종량부채선입액	Selling and administrative expenses_contribution to allowance of doubtful accounts
	대손실각비	Bad debt expenses
	판매수수비	Expenses for receiving orders
	판매비_판매수수비	Selling and administrative expenses_expenses for receiving orders
	기타판매비	Other selling expenses
	판매비_기타판매비	Selling and administrative expenses_other selling expenses
	영업외비용	Nonoperating expenses
	차입이자	Interest expenses
	차입이자	Interest expenses_foreign loans
	외국외국차입금이자	Interest expenses_local borrowings
	외화차입금이자	Interest expenses_foreign borrowings
	무역관련이자	Interest expenses_trade
	기타외대손상각비	Other bad debt expenses
	단기매출증권처분손실	Loss on disposal of trading securities
	단기매출증권처분손실	Loss on disposal of trading securities
	단기매출증권평가손실	Loss on valuation of trading securities
	단기매출증권평가손실	Loss on valuation of trading securities
	보증보증료	Guarantee expenses
	외국외손	Foreign transaction loss
	외화현금및현금성자산손	Foreign transaction loss_cash and cash equivalents
	단기차입금외손	Foreign transaction loss_short term borrowings
	장기차입금외손	Foreign transaction loss_long term borrowings
	외국외손	Foreign transaction loss_loans from foreign country
	SPOT 거래외손	Foreign transaction loss_SPOT transaction
	금융상품외손	Foreign transaction loss_financial instruments
	외화매도가능증권외손	Foreign transaction loss_available for sale securities
	외화환전손실	Foreign translation loss
	외화현금및현금성자산외손	Foreign translation loss on cash and cash equivalents
	단기차입금외손	Foreign translation loss on short term borrowings
	장기차입금외손	Foreign translation loss on long term borrowings
	외국외손	Foreign translation loss on loans from other country
	금융상품외손	Foreign translation loss on financial instruments
	외화매도가능증권외손	Foreign translation loss on available for sale securities in foreign currency
	기부금	Donations
	현금기부금	Donations_cash
	현물기부금	Donations_goods
	지분법손실	Loss on valuation by equity method
	매도가능증권손실차손	Impairment loss on available for sale securities
	매도가능증권손실차손	Impairment loss on available for sale securities
	지분법주식처분손실	Loss on disposal of equity investments
	유형자산처분손실	Loss on disposal of tangible assets
	식채취환손실	Loss on redemption of debentures
	무형자산처분손실	Loss on disposal of intangible assets
	파생상품거래손실	Loss on transactions of derivatives
	파생상품거래손실	Loss on transactions of derivatives
	파생상품평가손실	Loss on valuation of derivatives
	파생상품평가손실	Loss on valuation of derivatives
	유휴자산비용	Idle tangible assets expenses
	유형자산손상차손	Impairment loss on tangible assets
	매출채권처분손실	Loss on disposal of accounts receivable

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	기타비유물 자산처분손실	Loss on disposal of other noncurrent assets
	기타비유물 자산손상차손	Impairment loss on other noncurrent assets
	금융수수료	Financial service charges
	금융수수료	Financial service charges
	지급할임료	Payment discount charges
	만기보유증권손상차손	Impairment loss on held to maturity securities
	만기보유증권손상차손	Impairment loss on held to maturity securities
	단기매도가능증권처분손실	Loss on disposal of short term available for sales securities
	단기매도가능증권처분손실	Loss on disposal of short term available for sales securities
	투자부동산손상차손	Impairment loss on investment properties
	무형자산손상차손	Impairment loss on intangible assets
	선기요율수정손실	Loss on prior period error correction
	장기매도가능증권처분손실	Loss on disposal of long term available for sales securities
	장기매도가능증권처분손실	Loss on disposal of long term available for sales securities
	만기보유증권처분손실	Loss on disposal of held to maturity securities
	만기보유증권처분손실	Loss on disposal of held to maturity securities
	재고자산처분손실	Loss on disposal of inventories
	재고자산감모손실	Depletion losses on Inventories
	재해손실	Loss on casualties
	투자부동산처분손실	Loss on disposal of investment properties
	매각예정자산처분손실	Loss on disposal of assets to be sold
	매각예정자산손상차손	Impairment loss on assets to be sold
	금융보증손실	Loss on guaranteed liabilities
	확정계약평기손실	Loss on settled contract optionevaluation
	당기손익인식지정금융상품처분손실	Loss on disposal of financial instrument at fair value through profit or loss
	당기손익인식지정금융상품평가손실	Loss on valuation of financial instrument at fair value through profit or loss
	지분법적용투자주식손상차손	Impairment loss on Investment stocks using equity method
	선급수수료손상차손	Impairment loss on advanced payments of purchase order
	신도매출채권손상차손	Impairment loss on progressive accounts receivable
	분사시비용	Intercompany transaction code_expenses
	잡손실	Miscellaneous expenses
	잡손실	Miscellaneous expenses
	계속사업손익법인세비용	Continuing business income tax expenses
	법인세	Income tax expenses
	주거세	Inhabitant tax expenses
	중단사업손실	Discontinued business loss
	중단사업손실	Discontinued business loss
	중속회사의 매수일전손실	Net loss of consolidated subsidiaries before acquisition
	중속회사의 매수일전손실	Net loss of consolidated subsidiaries before acquisition
	제조비용	Manufacturing expenses
	원료비	Raw material costs
	연료비	Fuel and material costs
	노동비	Labor costs
	제조비용_직원급여	Manufacturing expenses_salary and wage
	제조비용_계약직급여	Manufacturing expenses_salary and wage of part timers
	제조비용_일시직급여	Manufacturing expenses_salary and wage of temporary employees
	제조비용_퇴직급여충당금전입액	Manufacturing expenses_contribution to provision for severance benefits
	제조비용_퇴직금	Manufacturing expenses_severance benefits
	제조비용_임원급여	Manufacturing expenses_salary and wage of directors
	제조비용_확정기여형퇴직급여	Manufacturing expenses_defined contribution retirement pension
	외주비	Outsourcing costs
	제조비용_외주수선비	Manufacturing expenses_outsourcing_repair costs
	제조비용_외주용역비	Manufacturing expenses_outsourcing_service fees
	감가상각비	Depreciation and amortization
	제조비용_유형자산감가상각비	Manufacturing expenses_depreciation
	제조비용_무형자산상각비	Manufacturing expenses_amortization
	제조비용_투자부동산감가상각비	Manufacturing expenses_depreciation_investment properties
	경비	General manufacturing expenses
	제조비용_복리후생비	Manufacturing expenses_welfare expenses
	제조비용_여비교통비	Manufacturing expenses_travel expenses
	제조비용_통신비	Manufacturing expenses_communication expenses
	제조비용_전력비(변동비)	Manufacturing expenses_electricity expenses_variable cost

Account code	Account Name (Korean Name)	Account Name (English Name)
	제조비용_전력비(고정비)	Manufacturing expenses_electricity expenses_fixed cost
	제조비용_용수비(변동비)	Manufacturing expenses_water expenses_variable cost
	제조비용_용수비(고정비)	Manufacturing expenses_water expenses_fixed cost
	제조비용_연료유지비	Manufacturing expenses_heating expenses
	제조비용_세금과공과	Manufacturing expenses_taxes and dues
	제조비용_자금임차료	Manufacturing expenses_rental expenses
	제조비용_수선비	Manufacturing expenses_repairs expenses
	제조비용_보험료	Manufacturing expenses_insurance premium
	제조비용_업무추진비	Manufacturing expenses_entertainment expenses
	제조비용_광고선전비	Manufacturing expenses_advertising expenses
	제조비용_일반연구개발비	Manufacturing expenses_ordinary research and development expenses
	제조비용_Finex Demo Plant	Manufacturing expenses_Finex demo plant
	제조비용_일반연구개발비_6시그마	Manufacturing expenses_ordinary research and development expenses_six sigma
	제조비용_지급수수료	Manufacturing expenses_service fees
	제조비용_포상비	Manufacturing expenses_rewards expenses
	제조비용_소모품비	Manufacturing expenses_supplies expenses
	제조비용_의복비	Manufacturing expenses_clothes expenses
	제조비용_도서인쇄비	Manufacturing expenses_publication expenses
	제조비용_차량유지비	Manufacturing expenses_vehicles maintenance expenses
	제조비용_협회비	Manufacturing expenses_industry association fees
	제조비용_교육훈련비	Manufacturing expenses_training expenses
	제조비용_회차비	Manufacturing expenses_conference expenses
	제조비용_피해보상비	Manufacturing expenses_compensation expenses for casualties
	제조비용_종당부채직입액	Manufacturing expenses_contribution to allowance of doubtful accounts
	제조비용_주식보상비용	Manufacturing expenses_stock compensation expenses
	제조비용_환경관리비	Manufacturing expenses_environmental management expenses
	제조비용_안전관리비	Manufacturing expenses_safety supervision expenses
	제조비용_운반보관비	Manufacturing expenses_freight expenses
	제조비용_자료수집비	Manufacturing expenses_material collection expenses
	제조비용_품질관리비	Manufacturing expenses_quality control expenses
	제조비용_잡비	Manufacturing expenses_miscellaneous expenses
	대체계정	Transfer account_self control accounts
	대체계정	Transfer account_self control accounts
	대체계정	Transfer account_self control accounts
	기타포괄손익	Other comprehensive income
	기타포괄이익	Other comprehensive income
	기타포괄손실	Other comprehensive loss
	이연법인세면동	Deferred tax adjustments_other comprehensive income or loss
	연결기타포괄손익누계액	Consolidating accumulated other comprehensive income