



HYUNDAI
STEEL



ONE STEP FOR TOMORROW

HYUNDAI STEEL Sustainability Report 2012

ONE STEP FOR TOMORROW
HYUNDAI STEEL Sustainability Report 2012

공감
그리고
동행



About This Report

One Step for Tomorrow

Cover Story



The cover design takes its motif from pure water, symbolizing Hyundai Steel's commitment to prospering in harmony with Nature as a resource circulation business. The dissipating water symbolizes the spread and influence of Hyundai Steel's value throughout the world.

Reporting Standards

This report uses GRI Guidelines, ISO 26000, and UNGC as the guidelines for preparing the content.

Reporting Scope

This report includes our headquarters as well as our Seoul Office, Incheon Works, Pohang Works, and Dangjin Works

Reporting Period

January 2011 ~ March 2012

Report Assurance

Independent assurance

Report Features

Departing from the conventional content structure based on the triple bottom line (economics, the environment and society), this report consists of six parts represented by the alphabet letters H. S. T. E. E. L. indicating H-STEEL.

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A friendly world made of steel

That is our vision

Steel has been an integral part of the lives of human beings for a long time, used in everything from industry to art.

Like steel, Hyundai Steel is committed in its efforts to build a better society for all.



& Contents 2011 in Figures

H

ighlights



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5th

Fifth publication of Hyundai Steel sustainability report

S

trong Sustainability



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24 million tons

Hyundai Steel's annual production forecast

24 million tons total of combined production between our electric arc and blast furnaces, upon the completion of our third blast furnace

T

hinking Smart



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2.5 times

Iron ore warehousing efficiency

Enclosed dome warehousing
(2.5 times as efficient as open-type warehousing with 1/3 the land size)

E

levating Corporate Value



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+50%

2011 sales

KRW 10,198.2 billion in 2010 → 15,259.9 billion in 2011

Hyundai Steel implements sustainability management activities, while securing stability in its business operations through the airtight management of any and all risks

E

co-Energetic



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Environmental facilities investment

KRW 229.8 billion

Byproduct recycling

95%

No. of partners participating in CFM
(Carbon Footprint Management)

40 partners

Water recycling

16,915 million m³

Energy consumption reduction over the past two years 8.2%
Greenhouse gas emissions reduction 3.8%

L

istening to the World



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No. of employees
(as of the end of 2011)

8,551

No. of partners who signed the mutual growth agreement with Hyundai Steel

70 partners

Prepayment in the run-up to Korean traditional holidays

KRW 365.0 billion

Volunteer man-hours

100,008 hours:

Employee participation rate 82%, Matching Grant participation rate 48%

2011 Hyundai Steel Key Sustainability Issues



Commencing the construction of the third blast furnace at our Dangjin Works

P39

The full operation of our two blast furnaces has resulted in an annual production volume of 8 million tons at Dangjin Works. In 2011 we launched the construction of the third blast furnace. With a total investment of KRW 3.25 trillion, we are constructing a third blast furnace that has an annual capacity to process four million tons of crude steel. When the third blast furnace is completed in 2013, the total annual capacity of the three blast furnaces combined at our integrated steel mill will be 12 million tons. When we include the existing electric arc furnace, upon the completion of the third blast furnace, the company's annual capacity will surge to 24 million tons of crude steel.

24million tons per year

Crude steel production capacity upon the completion of our third blast furnace



Energy Management System Certification

P71

Hyundai Steel's Incheon Works participated in the Energy Management System certification project instituted by the Korea Energy Management Corporation (KEMCO) and became the first in the Korean steel industry to win the energy management system certificate in December 2011.

December 2011

Korea's first steelmaker to win the energy management system certificate



Mutual Growth System

P87

Hyundai Steel offers various programs to our partners, including financial aid, technical partnerships, and education and training to assure continual mutually beneficial growth. We aim to become the industry-leading model for mutual-growth programs.

1,585companies

No. of partners who signed the mutual growth agreement with Hyundai Motor Group (as of March 29, 2011)



Expanding the House Remodeling for Hope to housing weatherization

P95

Launched as the House Remodeling for Hope in 2009, the program expanded its scope to include enhancing the energy efficiency of houses in 2011, thereby reducing their CO₂ emissions. As a result, the project contributed to reducing CO₂ emissions on average of 1.11 tons per house—the equivalent of planting 190,000 Korean pine trees.

190,000Korean pine trees

CO₂ emissions reduction from each house through the project



Message from the Chairman

Together for a better future

Distinguished stakeholders,

It is my great pleasure to report on our activities and achievements in sustainability management over the past year in this Hyundai Steel 2012 Sustainability Report.

In retrospect, 2011 was a significant year for Hyundai Motor Group. Following the unprecedented success of blast furnaces No. 1 and 2 in 2010, Hyundai Steel is currently constructing a third blast furnace. When completed, the third blast furnace will allow for an annual production capacity of 24 million tons, laying the foundation for the company to become one of the world’s top 10 steelmakers. With its more diversified product portfolio, ranging from steel sheets for automobiles and heavy plates for shipbuilding to reinforcing bars for construction and H-beams, Hyundai’s domestic production will replace the import of such products, thereby contributing to the national economy. Additionally, Hyundai Steel plays a critical role in realizing the Group’s ambitious plan to create the world’s first eco-friendly resource circulation business structure. This creation of perpendicular systems will allow Hyundai Motor Group to become self-sufficient by manufacturing and forging steel products used by its car manufacturers.

Along with this, Hyundai Motor Group has also acquired Hyundai Engineering & Construction and is thus gaining momentum towards maximizing synergy among the group affiliates. Hyundai and Kia Motors, for their part, have sold 6.6 million cars to the world, consolidating their position among the world’s top 5 carmakers.

Most economic forecasts indicate another challenging year ahead. The European financial crisis and global economic recession are expected to spread to the sluggish end-use industries’ economies while global competition intensifies. Undaunted by these unfavorable market conditions, Hyundai Steel plans to push forward with its management policies-sustaining solid growth, enhancing customer value, and expediting organizational innovation-and continue endeavoring towards our vision of “leading a new era of steel.” To this end, the confidence of our stakeholders is critical to our efforts to enhance our global competitiveness.

Following our 2020 vision of “together for a better future,” Hyundai Motor Group will remain attentive to our stakeholders’ voices. To that end, every employee will internalize and practice our five core values-customers, challenge, collaboration, people, and globalism.

responsibility as a leading global company respected for its contribution to the national economy and social development.

Chairman Hyundai Motor Group
Mong-koo Chung



H-STEEL

+ Highlights +

Hyundai Steel is continuing to invest in its future and working towards the creation of a resource circulation business structure. This resource circulation structure encompasses the entire value chain, from steel-making and car-making to recycling steel scrap as construction aggregates. Our commitment to upholding mutual growth and making social contributions has remained steadfast throughout 2011. By providing upgraded products and services to our customers, we will take the lead in the new era of steel as a ‘globally competent, eco-friendly resource circulation business’.



Message from the CEO



“Hyundai Steel is
paving the road towards
a better world for all.”

Distinguished stakeholders,

I am proud to present to you the fifth sustainability report of Hyundai Steel.

The year 2011 witnessed severe exacerbation in the overall stagnating business environment, with the European financial crisis contributing to the global economic slowdown. In 2012, uncertainty is still lingering in the overall global economy. Sluggish demands by the end-use industries will intensify competition in the steelmaking business and likely lower profitability.

Despite this, by looking back at past successes Hyundai Steel has created the slogan: “Vision 2020: leading a new era of steel,” with the aim of the creating a better tomorrow over the next ten years. This is also to demonstrate the determination of Hyundai Steel towards providing better products, services, and global competitiveness.

Through all of these efforts, Hyundai Steel remains steadfast in its commitment to sustainability management. As a prospective

global steelmaker, Hyundai Steel is paving the road towards a better world for all.

Steel resembles the passion of youth.

Even during the global economic crisis Hyundai Steel continued to make investments and completed the construction of the second blast furnace with an annual capacity of 4 million tons in 2010. Adding that to the previous 12 million ton-capacity electric arc furnace, the gross annual production currently totals 20 million tons per year. When the third blast furnace that we began constructing in 2011 is completed in 2013, the figure will reach 24 million tons per year, a capacity that will enable us to become a globally competitive steel company.

The completion of the integrated steel mill has enabled us to create a comprehensive product portfolio, ranging from reinforcing bars to flat steels. Backed by these achievements, sales

and operating profit grew by 49.6% and 24.0% each to reach KRW 15,259.9 billion and KRW 1,306.7 billion, respectively.

Behind all of these phenomenal achievements were our dedicated, hard-working employees, who strove diligently to succeed in the face of an unfavorable business environment. We increased the proportion of strategic products such as steel sheets for automobiles, heavy plates for shipbuilding, thick H-beams and very low temperature-resistant products in our product portfolio. Synergy between the products from electric arc furnace and those from blast furnace strengthened our overall profitability. Cost reduction efforts include the process innovation that established the technology of minimal basic unit operations and the enhancement of raw materials mixing ratio.

Completed in May 2011, the new research center continues to advance research activities for customized new steel products and steel sheets for future automobiles, significantly reinforcing our global competitiveness as a manufacturer of steel sheets for automobiles.

Steel is in harmony with the environment.

Hyundai Steel also practices environmental management. As Korea's largest steel recycling company, Hyundai Steel instituted the world's first eco-friendly resource circulation business value chain. The hot-rolled plates that we manufacture follow the life cycle of cold-rolled plates, acting as a valuable component in automobile production and being recycled when the automobile is scrapped.

The steel scrap from this process is used to make construction materials, and the waste from these construction materials is recycled as steel scrap. In addition, Hyundai Steel has adopted an enclosed raw material processing system, which has succeeded in the successful creation of an eco-friendly steel mill with minimal impact on the environment.

At each of our steelworks in Incheon, Pohang and Dangjin, Hyundai Steel has environmental & energy departments, which are in charge of environmental management strategy-building, environmental facility maintenance, maintaining compliance with environmental regulations and technical R&D. They also formulate and implement long-term development plans for technologies to reduce greenhouse gas (GHG) through the accurate measuring of GHG emissions, while simultaneously proactively responding to climate change schemes such as the GHG energy target management and carbon trading scheme and playing an active role within the industrial response to climate change.

The company also operates a program known as "Green Guardians," who are child environmental guards, and maintains a "paper cup-free office" campaign in the everyday office.

Steel shares its warmth with the world.

Another important mission is to contribute to society by sharing the warmth of both our steel and our commitment to community. To that end, Hyundai Steel both works to maintain trust-based relations with local communities and translates this commitment into action through a variety of activities.

For instance, the "House Remodeling for Hope" is our signature CSR program, where our employees have been chipping in matching grant funds to cover the expenses for weatherizing houses for the low-income bracket since 2009. In 2011, we expanded the scope of these activities to include enhancing the energy efficiency of these houses, renaming it "House Remodeling for Hope—Energy Efficiency."

The number of beneficiaries of this project will surpass 1,000 houses in just ten years, realizing a CO₂ emission reduction effect equivalent to 1,800 tons of CO₂ emissions, by 2020. The program will not only help reduce energy expenses but also have the additional benefit of creating jobs for the community.

Furthermore, Hyundai Steel has been cooperating with university student volunteer corps "Happy Yes" in a number of community engagement programs since 2009. We also sponsor scholarships and provide equipment to our allied schools, fostering steel-making technology masters and creating jobs for qualified students.

Distinguished stakeholders,

Hyundai Steel's endeavors towards sustainability management also include co-prosperity and cooperation with our stakeholders. We strongly believe this will also contribute towards creating and maintaining a sustainable business. With clear recognition that benefiting our customers is the ultimate goal of our corporate activities, we practice customer-oriented management across the board, while working in order to prosper together with our partners through relationships based on trust and collaboration.

Hyundai Steel will continue its efforts to realize growth together along with all of our stakeholders. I ask for your continued support in these endeavors.

Thank you.

CEO & Vice President Hyundai Steel

Seung-ha Park

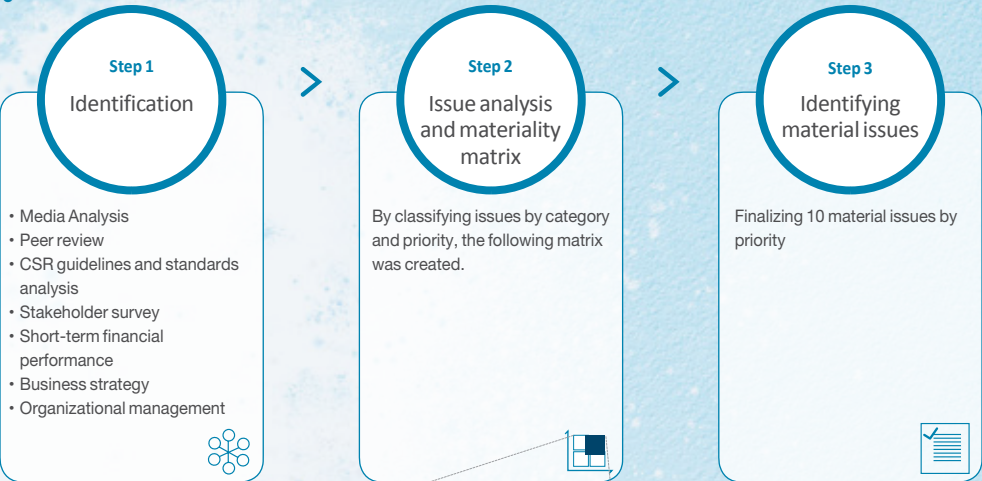
Materiality Test

Materiality Test Process

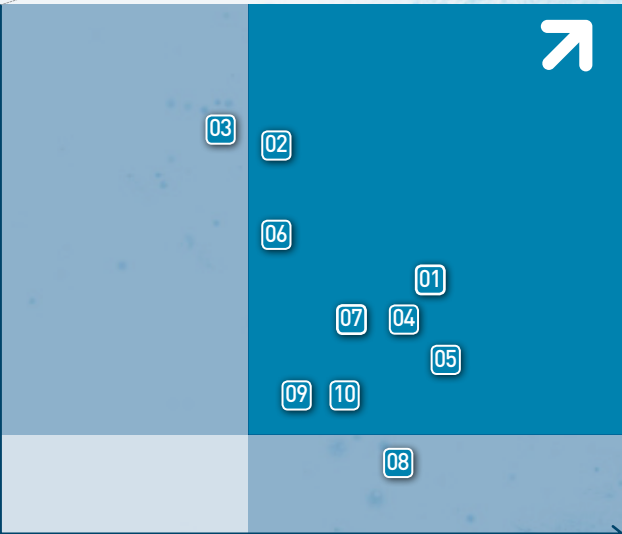
Hyundai Steel has been conducting materiality tests since 2010. This is instrumental in identifying and keeping track of the sustainability issues that are of great concern to our stakeholders and that heavily impact our business. Hyundai Steel is sophisticating the process of the materiality test based on our external and internal experts' opinions and recommendations. The report content was compiled based on the materiality test results.

For this report, we categorized sustainability issues into 100 small groups under 32 sub-groups and 8 general groups. To measure the level of stakeholder interest with regard to each issue, we added a global CSR standards analysis and peer review process to the previous media analysis and surveys. For a more accurate measurement of their impact on our business, in addition we analyzed our organizational operations such as our company-wide committee operations and discussions.

Materiality Test Process



Finalizing 10 material issues by priority

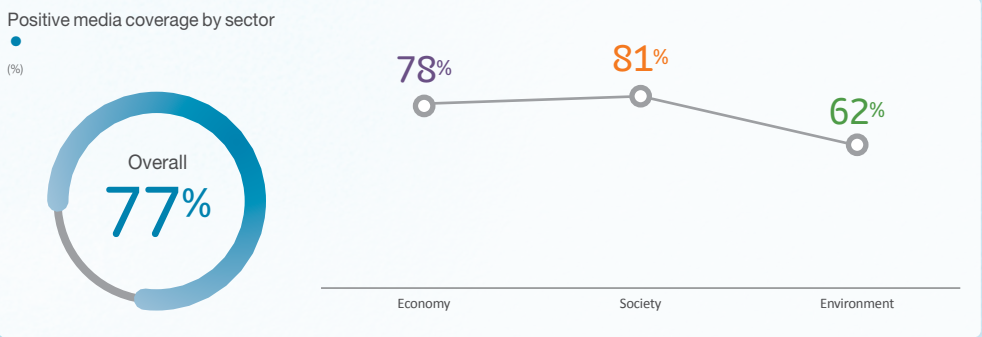
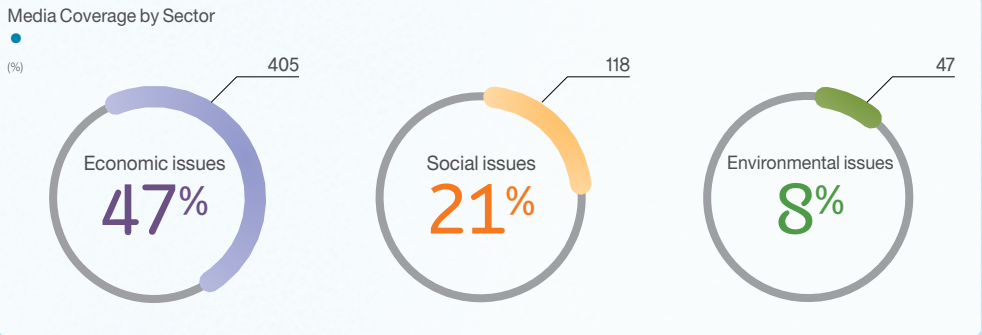


10 Material Issues

- 01 Social Contribution
- 02 Risk Management
- 03 Ethical Business Practices
- 04 Environmental Management
- 05 Business Results
- 06 Technology R&D
- 07 Fair Competition
- 08 Health and Safety
- 09 Sustainable use of resources
- 10 Labor-management relations

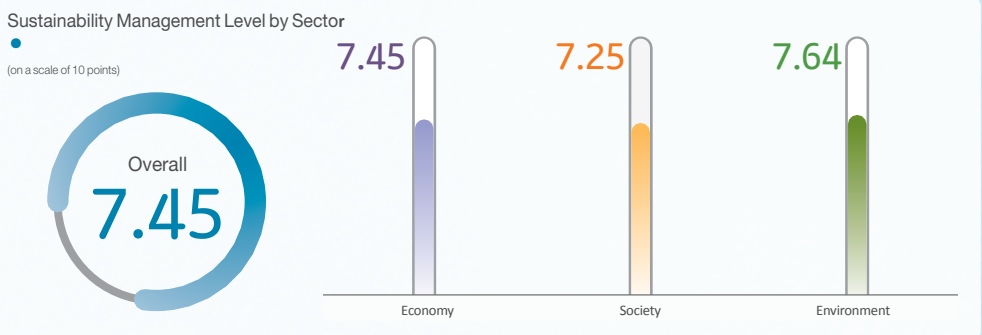
Media Analysis

Hyundai Steel analyzed 570 news articles (overlapping) on the company's sustainability management practices from January to December 2011 in order to identify material sustainability issues in each sector.



Stakeholder Survey

Hyundai Steel surveyed 2,300 internal and external stakeholders in March 2012 on its sustainability management activities. Based on the survey results, we identified the external recognition of Hyundai Steel's sustainability management practices and material issues.



Stakeholder Analysis

Hyundai Steel classifies its stakeholder groups into employees, customers, business partners, community, shareholders & investors, NGOs, media and government. We have an established channel to communicate with all of our stakeholder groups regarding various sustainability issues.

Living up to the expectations of our stakeholders is a critical part of achieving sustainable growth.

In the future, we will continue actively communicating with our stakeholders and promoting inter-organizational collaboration to improve our sustainability management practices.



- Material Issues
- Communication Channels
- Department in Charge
- Significance of Stakeholders
- Expected Value from Stakeholders

+ Strong + Sustainability +

We see a brighter future in steel.

Steel generates infinite value.

Hyundai Steel is laying the
foundation for sustainable growth
with creative thinking

Our future will be as strong and
sustainable as steel.



2011
Hyundai
Steel

Strong Sustainability

STRONG SUSTAINABILITY

Disclosures on Management Approach

01. Our Sustainability Value

Hyundai Steel was established in 1953 as the first steel manufacturer in Korea. Celebrating its 60th anniversary, Hyundai Steel continues to harness the infinite potential of steel to promote a sustainable future for all. Boasting advanced steel-making technology, we have created a comprehensive product portfolio. In the future, we aim to lead a new era of steel through our creative thinking and enterprising spirit.



02. Our Sustainability Strategy

Hyundai Steel has proclaimed its commitment to corporate social responsibility management and created a CSR Committee with the CEO acting as chairperson. In order to fulfill our commitment to CSR, we joined the UN Global Compact, announced our CSR Charter, and developed CSR strategies. In the future, we will continue to fulfill our roles and responsibilities as a corporate citizen, while creating economic prosperity and upholding social values.

03. Our Key Issues

Under the vision of “leading a new era of steel,” we promote and internalize the core values—customers (a customer-driven corporate culture), challenge (unwavering passion and creative thinking), collaboration (mutual communication and cooperation), people (respect for talent), and globalism (acting as a global corporate citizen). Our practices of transparent corporate governance and accountability management will create a foundation for sustainable growth, while systematic risk management will help us deal efficiently with any uncertainties in the business environment.

04. Our 2011 Activities

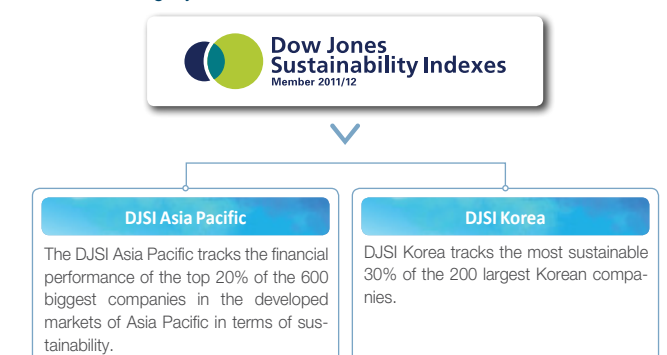
Hyundai Steel was listed on the Dow Jones Sustainability Index (DJSI) Asia Pacific and DJSI Korea for three consecutive years by the SAM, a Switzerland-based renowned sustainability management rating agency.

*DJSI: a global sustainability index that evaluates corporate future value and sustainability

05. Our Organization

From top to bottom, every single employee of Hyundai Steel is an invaluable partner in our tireless effort towards sustainable growth. We constantly make a concentrated effort towards maintaining trustworthy management, transparent management and quality management. Our management is based on a strong organizational scheme that commands expertise along the entire value chain from production and technology to management and sales. Our ardent passion to achieve quality products, organizational competitiveness and a better world is what drives us forward towards a sustainable future.

DJSI for 3 straight years






Strong Sustainability

01

What does Hyundai Steel envision for its future?

Hyundai Steel envisions becoming the leader of a new era of steel. The vision also takes into account the role of Hyundai Steel as a main driver of future growth for Hyundai Motor Group. As an eco-friendly company that operates on a resource circulation system, Hyundai Steel provides comprehensive products and services based on organic collaboration within its internal and external parties. As Korea's leading steel recycling company, Hyundai Steel is ready to take the lead in a new era of steel. 



About Hyundai Steel

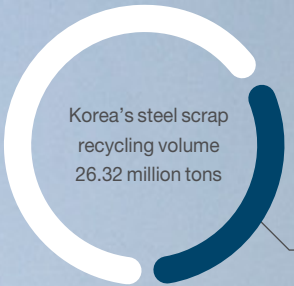
With the blow-in of its first blast furnace, Hyundai Steel successfully completed the creation of the world's first eco-friendly resource circulation business structure, which encompasses steel products at every part of the process, ranging from iron ore to finished steel products and recycled steel scrap. As Korea's largest steel recycling company, Hyundai Steel is building its global competitiveness on the strength of the stable operation of its blast furnaces.

Steel scrap recycling rate

36.5%

Korea's steel scrap recycling volume
26.32 million tons

Hyundai Steel's steel scrap purchase
9.61 million tons



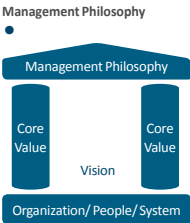
Covering the world in the warmth of steel

Hyundai Steel's steel products- a skyscraper, a lighter car, a stronger bridge, safer roads and express railroads- are an integral part of our daily lives. Steel is in musical instruments, sports facilities and protective gear, and plays a huge role in cultural activities and sports, warming the world we live in today and tomorrow. Through the making of steel that has countless applications and immeasurable usefulness, Hyundai Steel is a good companion to the world.





Management Principles



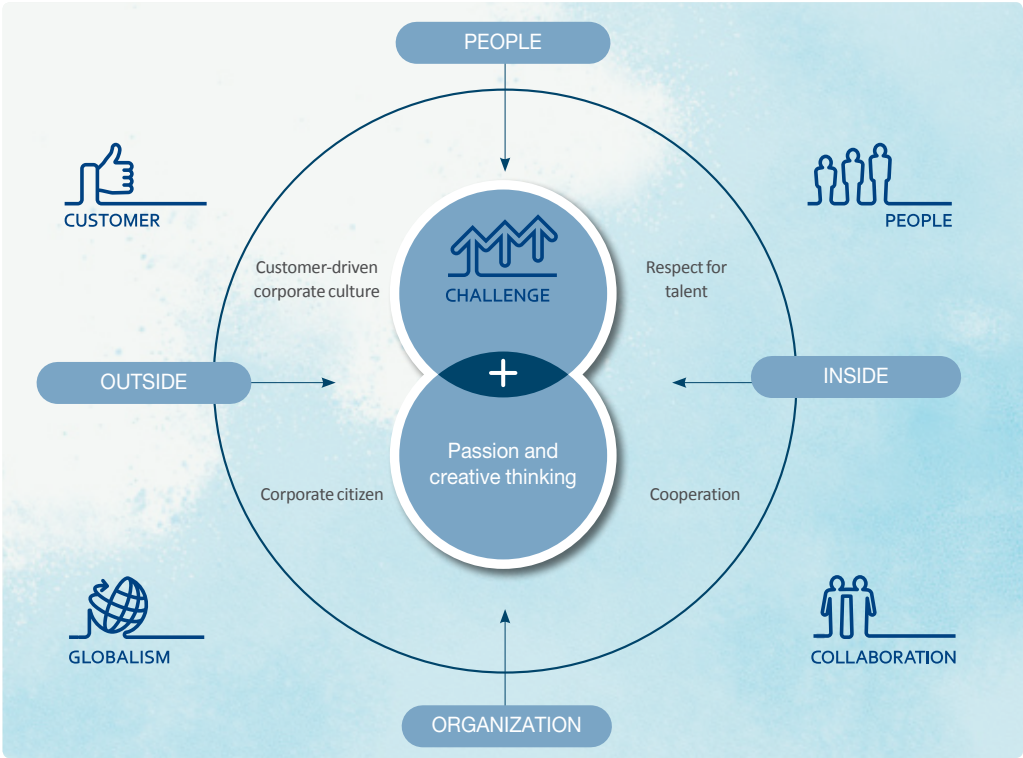
Management Philosophy

The underlying principles of business



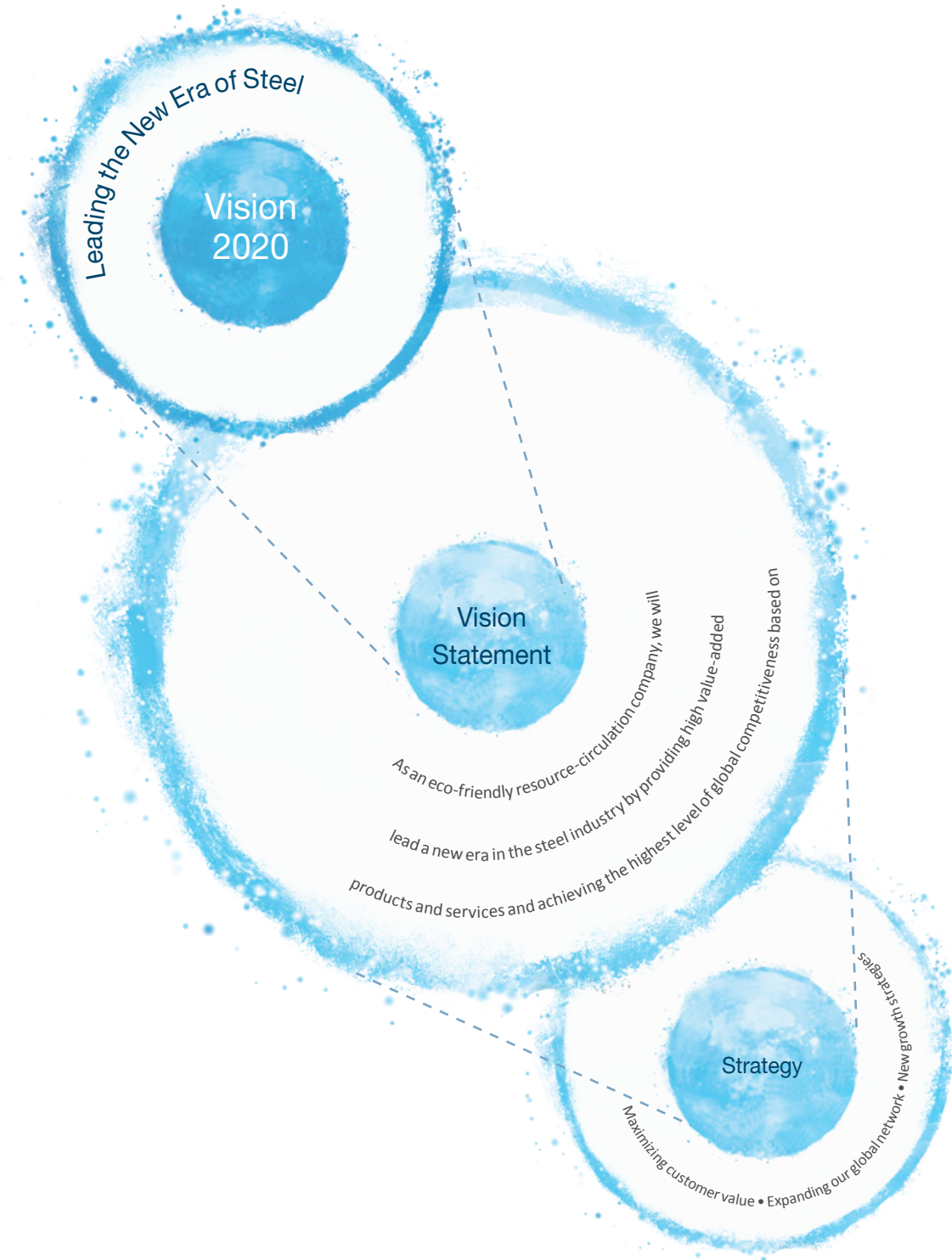
Core Values

The core values provide the basic values that employees should internalize in order to realize our business philosophy and vision.



Vision 2020

Hyundai Steel is the starting point of Hyundai Motor Group’s eco-friendly resource circulation business structure, playing a pivotal role as an engine of future growth. With the aim of “leading a new era of steel,” Hyundai Steel practices environmental management principles and makes strong continual efforts to develop new re-source circulation technology.



Hyundai Motor Group announced management philosophy

March **2011**

Developing and Spreading a New Management Philosophy

Hyundai Motor Group announced a new management philosophy in March 2011. Afterwards, the Group mounted a variety of campaigns to spread this new philosophy to all of its affiliates and to help their employees internalize the new philosophy into their thinking and behavior. In line with this new philosophy, Hyundai Steel also devised a new vision and strategies for sustainable growth.

Management philosophy development process



Spreading the new Management Philosophy



Changes after the New Management Philosophy

Our goal of leading a new era of steel requires organic growth and customer-oriented management practices. An established organizational infrastructure is also required. Therefore, our new management policies for 2012 are organic growth, customer value creation, and organizational innovation. **H**

Management Policy for 2012

Organic Growth	Customer Value Creation	Organizational Innovation
<ul style="list-style-type: none">Globally competitive costStable quality managementAdvanced operation and facility technologies	<ul style="list-style-type: none">Customer-oriented management systemCompany-wide effort to improve customer serviceEnhanced marketing activities for key client companies	<ul style="list-style-type: none">Internalization of group core valuesEfficient work processEmployee skill development for change



Core Values at Hyundai Steel

Hyundai Steel’s core values are at the center of all of our management activities. Our employees integrate them into all of our management activities and day-to-day activities.



Vice Chairman Seung-ha Park in his 2012 New Year’s Greeting

Customers

“Customers constitute the fundamentals of our business. Therefore, we need to create a company-wide integrated approach to customer relationship management. This means a customer-oriented management system and across-the-board rigorous endeavors to further enhance our customer service.”



Vice Chairman Seung-ha Park, in his celebration speech at the ground-breaking for blast furnace No. 3 in Dangjin, 2011

Challenge

“In 2010, Hyundai Steel successfully carried out the blow-in of two large blast furnaces, which went into full operation shortly thereafter, constituting an unprecedented step in the history of the world’s steel-making industry. Furthermore, our innovative enclosed raw material processing system earned us the title of eco-friendly steelworks, suggesting a new paradigm for all steelworks operations. At this moment, we are about to set a new record. To achieve this challenging task of building a third blast furnace, we should mobilize every resource available to make it a success.”



Vice Chairman Seung-ha Park, in a keynote speech during the New Year’s first meeting with partners in 2012

Collaboration

“Hyundai Steel and its partners are jointly consolidating their resources to become a competitive leading global steelmaker. Hyundai Steel will share the fruits of its success through win-win partnerships with our suppliers.”



People

Chairman Mong-koo Chung, New Year’s Greeting, 2012

“We have passion and ambition for our future. We see infinite potential to boldly turn this crisis into opportunity.

Vice Chairman Seung-ha Park, New Year’s Greeting, 2012

“People constitute the fundamentals of corporate competitiveness. Positive and proactive response to crisis and change will therefore help reinforce the competitive advantage of the individual and, thereby, our corporate competitiveness”



Globality

Vice Chairman Seung-ha Park, New Year’s Greeting, 2011

“We will solidify our global business platform by improving our cost competitiveness, sales networks, global expertise and putting our growth engines on par with global standards.”

Core values seminar






Strong Sustainability

02

What does Hyundai Steel do to ensure sound corporate governance?

Hyundai Steel aims to become a company respected by its stakeholders where both internal and external experts lead and monitor corporate management. Its efficient risk management system helps and aids in the preemptive prevention of and response to various risks. Hyundai Steel advocates fair competition in the market. By remaining vigilant to Its corporate social responsibilities, Hyundai Steel aims to set a good example of transparent and ethical management practices. 



Corporate Governance

Good corporate governance is the foundation upon which we build and achieve our goals. Hyundai Steel actively consults with external experts on its management to realize transparent management and sustainable growth.

Board of Directors

The board of directors of Hyundai Steel consists of four inside and five outside directors. Assigned from each sector of construction, metal, taxation, business administration, and environment, outside directors contribute their expertise to management decisions by providing professional advice regarding basic management policies and strategies. They also help management by acting as a check to assure transparency and ethical management practices with the goal of maximizing shareholder value in the long term. Hyundai Steel BOD members are appointed at the general shareholders meeting under Korean Commercial Law and the Articles of Incorporation of Hyundai Steel. Outside directors are appointed at the general shareholders meeting from the candidates recommended by the Outside Director Recommendation Committee based on their qualifications. Under the BOD are the subcommittees, chaired by and participated in by outside directors. Comprised exclusively of outside directors, both the Ethics Committee and the Audit Committee regularly meet to fulfill their duties independent of the BOD.

The Audit Committee may request reports on management activities from the directors and inspect financial conditions and business practices when necessary. The Korean Commercial Law prescribes that outside directors comprise two thirds of the Audit Committee. However, Hyundai Steel’s audit committee consists of all outside members to ensure independence of the committee from the management board.

Directors	Name	Position & Career	Audit Committee	Ethics Committee	Outside Director Candidate Recommendation Committee
Inside	Mong-koo Chung	Chairman, Hyundai Motor Group			
	Eui-sun Chung	Vice chairman, Hyundai Motor Company			
	Seung-ha Park	Vice chairman & CEO, Hyundai Steel Company			◎
	Yu-cheol Woo	President & CEO, Hyundai Steel Company			
Outside	Dong-joon Min	Professor, College of Engineering, Yonsei University (Metallurgy)	○	◎	○
	Hyung-soo Chon	Advisor to Kim & Jang law firm (taxation expert)	◎	○	○
	Jeong-seok Oh	Professor, College of Business Administration, Seoul National University (business administration)	○	○	
	Seung-do Kim	Professor, Department of Environmental Science & Biotechnology, Hallym University	○	○	
	Nak-il Sung	Professor, School of Economics, University of Seoul (Industrial Organization)		○	

◎ Chairman ○ Committee Member (as of March 2012)


General Shareholders’ Meeting



4 regular and 7 ad hoc BOD meetings were held in 2011

11 BOD meetings

BOD Activities

In 2011, the board of directors held a total of eleven meetings, consisting of four regular and seven special meetings, to discuss and approve matters such as the issuance of corporate bonds and new infrastructure investment. The board also reviewed management’s performance in terms of sustainability based on reports on the current status of the internal accounting control and compliance program. The attendance rate of outside directors at all meetings was 89%. Passing a resolution requires the presence of more than half of the BOD members, with a majority of those present voting in favor. Any member of the BOD facing a conflict of interest on a particular issue is not allowed to cast a vote on the issue. While a cap on annual compensation for the nine directors was set at KRW 10 billion, the total remuneration actually paid out to directors for fiscal 2011 stood at KRW 6.95 billion. 

Composition and functions of subcommittees



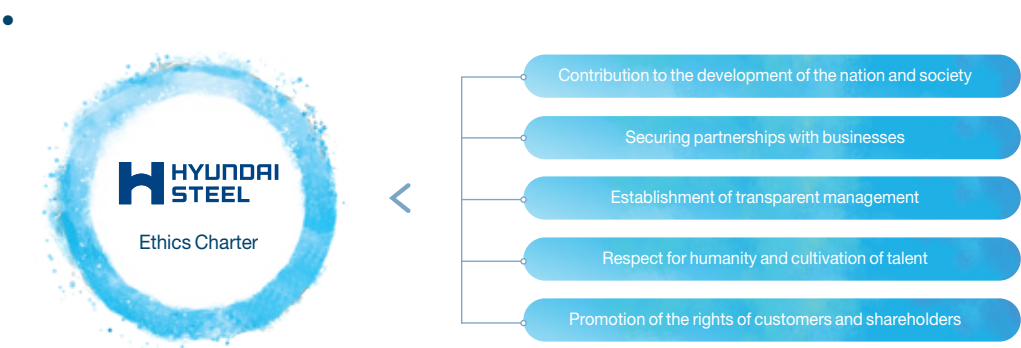
Ethical Management

In order for a company to grow sustainably for more than 100 years, it must not only be equipped with high technological competitiveness but must also practice ethical management that is worthy of social respect. Under the belief that maintaining the confidence of all stakeholders as well as executives, employees and customers through ethical management practices that adhere to fundamental principles is essential, Hyundai Steel regularly holds ethical management training and campaigns. Moreover, having created a company management policy that focuses on the implementation of transparent and trustworthy management as its basis, the company is set on a path towards sustainable growth. Upon declaring our adoption of ethical management practices in 2002, we instituted both an Ethics Charter and a Code of Ethics and posted them on our company website. Additionally, in order to increase the ethical awareness of our executives and employees and to establish an ethical organizational culture, we have been engaging in a variety of activities including the publication of our “Business Ethics Guidebook”.

Chronological list of Business Ethics at Hyundai Steel



Ethics Charter



Training & Campaigns

In order to promote ethical management, Hyundai Steel hosts training sessions provided to both new employees and members of related departments via on and offline media. This training cover subjects such as “Understanding Ethical Management” and “Fair Trade Law”. In addition, we also hold mandatory training for the employees of our partner companies that covers the prevention of bribery and corruption, the protection of confidential material from competitors, fair trade practices, and ethics/human rights issues. Moreover, Hyundai Steel publishes the column “Let’s Play Ethics” (once per month, 12 times per year) in Hyundai Steel news, which discusses issues related to ethical management and shares examples of ethical practices.

Efforts to Practice Ethical Management

In April 2003, Hyundai Steel adopted the “Fair Trade Self-Compliance Regulations” as its bylaws, and as of 2010 has amended them three times. The objective of these “Fair Trade Self-Compliance Regulations” is to determine the criteria for adherence to laws related to fair trade in order to facilitate the development of Hyundai Steel into a company that simultaneously engages in trustworthy management practices while offering penalties and rewards based on our regulations. These penalties and rewards are meted out through human resources management and include suspension and reductions in salary for violations, and bonuses for strict compliance. Additionally, in September 2002, internal audit regulations were added to the corporate bylaws to form a basis for the prevention of any illegal actions. Hyundai Steel operates a Cyber Auditor page on its website, through which any of our stakeholders, including company executives and employees, customers, or partners, may report unethical behavior by executives or employees. Reporting may be done through a variety of channels such as phone, internet, e-mail. An informant’s information is strictly protected under several laws, including the Public Informant Protection Law., All matters that are reported via the Cyber Auditor page are thoroughly investigated in accordance with internal regulations and protocol, and necessary steps are taken in line with regulations and company bylaws that pertain to the incident reported. 

Adoption of the Compliance Program (HMS A 106)	<ul style="list-style-type: none">Enactment on April 21, 2003 / Third amendment on July 30, 2010Establish criteria for adhering to laws related to fair trade and to develop into a company that engages in trustworthy managementViolations are sanctioned and instances of compliance are rewarded under the governing bylaws (duty suspension, punitive wage cut, rewards, etc.)
Internal Audit Regulations	<ul style="list-style-type: none">First amendment on September 10, 2002Determine internal audit standards and guidelines to preempt instances of error or corruption
Cyber Auditor	<ul style="list-style-type: none">Accessible to all stakeholders including company executives and employees, customers, and business partnersCompany website/ sustainable management/ trustworthy management/ cyber auditor pageReports are investigated and countermeasures are carried out under internal regulations and protocols.

Publication of examples of ethical management in Hyundai Steel news



Enactment of the bylaws governing the Compliance Program

2003



Risk Management

International security certification

ISO 27001

Hyundai Steel established a risk management system in 2006. The system classifies our companywide working process and applies different risk indicators to each sector in order to define and evaluate risk factors appropriately. The risk profiles are updated and managed on a regular basis by taking into consideration feedback from each department and changing business environments. In addition, the working-level departments regularly check and monitor for any risk factors, enabling instant response in the event of a risk.

Preventing Risks

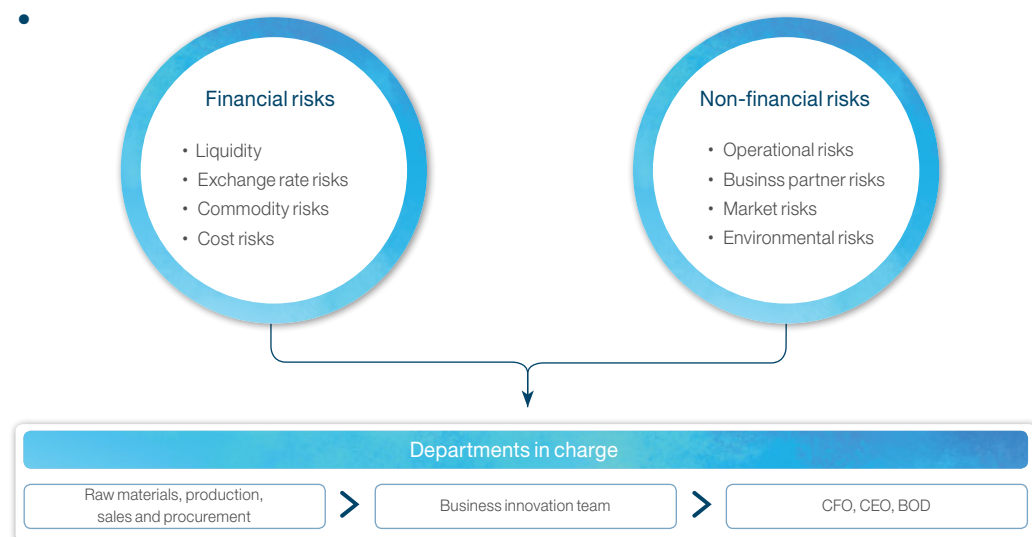
Hyundai Steel operates its audit and inspection system for the purpose of preemptively detecting and removing risk factors, as well as preventing the recurring of risks through enhanced post-control of instances in which risks occur. By improving the both the procurement and examination systems, we have reinforced our risk prevention control while also providing a self-reflection checklist to staff members who are exposed to the risks of any conflict of interests by the nature of their duties.

In a bid to protect its tangible and intangible technological rights and intellectual properties, Hyundai Steel goes through the ISO27001 review conducted by an external agency, BSI Korea, once every six months. Additionally we have established a company-wide security check index for quarterly information security checks, designed to encourage employees' voluntary participation in the management of information security. We also run various information security training sessions and campaigns to raise employees' awareness of information security.

Financial Risks

At Hyundai Steel, we run sensitivity analysis to control for financial risks, such as risks associated with foreign exchange or interest rates. Sensitivity analysis entails analyzing the potential risk scenarios in foreign-currency transactions that arise from fluctuations in foreign exchange rates. The results are reported to the top management. We manage potential interest rate risks by striking a balance between fixed rate loans and variable rate loans through interest rate swap agreements. We strategically avert risks on a regular basis by adjusting the interest rates and risk profiles or altering the positions of accounts in the financial statements, and by preventing changes to interest charges by adjusting different interest rates. 

Risk Management



Compliance Program (CP)

2011 CP organizations at department level


GP Council

To advocate for market integrity and fair competition, Hyundai Steel adopted the Compliance Program (CP) in 2002 and has made consistent efforts to incorporate the CP into our day-to-day business activities.

Efforts towards fair trade

Hyundai Steel gives regular trainings on the CP and fair trade act to its employees through either online courses or outsourced training, and special lectures by external fair trade experts. Cartoon manuals on fair trade were also published and distributed to employees.

Hyundai Steel checks and monitors fair trade practices throughout the sales, purchasing and other departments vulnerable to unfair trading practices in order to prevent any violations of the Fair Trade Act. In 2011, the Growth Potential (GP) Council was launched as a self-directed CP unit. In addition, the CP Day and online CP tests help promote CP practices within the organization.


In 2012, we are planning more activities to support CP, such as holding GP Council meetings and special lectures given by external experts, in an effort to raise our employees' CP awareness. In addition, we are planning to conduct monthly self-checks of fair trade practices at the team level with a focus on some of our major departments. Additionally, we will distribute promotional items to encourage employees' spontaneous compliance with fair trade. 

Fair Trade Spontaneous Compliance Organization




Compliance Program





+ Thinking + Smart +



We are willing to push the envelope and take challenges.

In order to successfully push forward, we are continually innovating and researching so that we will be able to improve our technology and capabilities.

Our innovative ideas are our key strengths that enable us to develop customer-oriented technologies and eco-friendly technologies.

2011 Hyundai Steel

Thinking Smart

THINKING SMART

Disclosures on Management Approach

01. Our Technology Value

Hyundai Steel completed the building of an integrated steel mill, suggesting a new paradigm for an eco-friendly steelworks while simultaneously creating a stepping-stone along the path toward becoming a global leader as an aggregate steelmaker. The further enhancement of our corporate value is bolstered by our comprehensive product portfolio and R&D center. Our comprehensive product portfolio is comprised of everything from flat steels to long steels, and the R&D Center encompasses all automotive steel product R&D activities ranging from material technology and component processing technology to car body designing technology.



02. Our Technology Strategy

Hyundai Steel's R&D Center provides total solutions ranging from the research and development of high-tech steel plates to automobile production strategy building for the Hyundai Motor Group. Additionally, it lends its technical expertise to developing methods of energy conservation, recycling and other eco-friendly technologies as part of its corporate social responsibility.

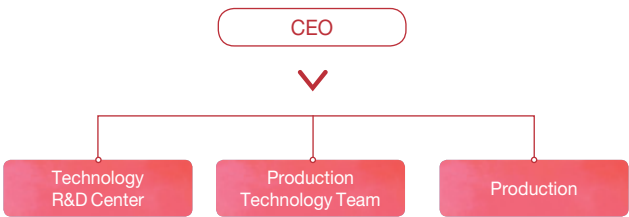
03. Our Key Issues

In addition to our two blast furnaces, which currently operate at a combined annual production capacity of 8 million tons of steel, we began construction on a third blast furnace with a 4 million ton capacity in 2011. When the new furnace is completed in 2013, the three furnaces will have a total production capacity of 12 million tons of steel annually. If we incorporate the electric arc furnace, the gross annual capacity of Hyundai Steel amounts to 24 million tons of steel. In accordance with this sizeable growth, we strive to create competitive products and technologies.

04. Our 2011 Activities

In 2011, Hyundai Steel completed an Integrated R&D Center, setting the stage to maximize synergy in R&D with Hyundai Motor Group. The new center will develop products for our client companies in car making, shipbuilding and plant engineering businesses, as well as provide customized total solutions and suggest production strategies. This will also contribute to the reinforcement of our customer-oriented product portfolio. In the meantime, the center will pursue cost competitiveness strategies through R&D projects for operational optimization technologies and mid- to long-term process technologies.

05. Our Organization



Integrated R&D Center






Thinking Smart

03

Innovative ideas drive corporate development. What is the best practice of innovation at Hyundai Steel?

The culmination of Hyundai Steel’s creative and innovative thinking has been realized in our Dangjin Steelworks. Equipped with 8 million tons of steel and two blast furnaces, Dangjin steel mill will complete the building of its third blast furnace in 2013, resulting in a growth to a combined annual capacity of 12 million tons. In addition, Dangjin steel mill is remarkable in that it utilizes the world’s first eco-friendly enclosed raw material processing system. 



Dangjin Works

Hyundai Steel completed two cutting-edge blast furnaces with a combined production capacity of 8 million tons in 2010, and began constructing the third furnace in 2011. With a total investment of KRW 3.25 trillion, the completion of this four million-ton blast furnace will result in a 12 million ton annual capacity at Dangjin Works. Including the electric arc furnace, total annual production capacity of Hyundai Steel amounts to 24 million tons.

Hyundai Steel was able to commence the construction of the third blast furnace only four months after the completion of its two first blast furnaces, as a result of gaining confidence in operating integrated steel mills through the successful full-scale operation of the first two blast furnaces ahead of schedule.

Upon completion, the third blast furnace will achieve economy of scale, strengthening the company’s cost competitiveness and replacing steel imports worth USD12.0 billion per year. Moreover, the third blast furnace will further diversify our product portfolio in regards to both size and type of steels. Through the development of numerous new steel types through the use of the two blast furnaces, Hyundai Steel will continue to expand the production of new highly profitable products such as automobile exterior steel sheets and heavy plates for shipbuilding. Equipped with a comprehensive product portfolio that ranges from flat steels to long steels, Hyundai Steel is emerging as a leading global steelmaker catering to the different needs of diverse clients in the automobile, shipbuilding and construction businesses.

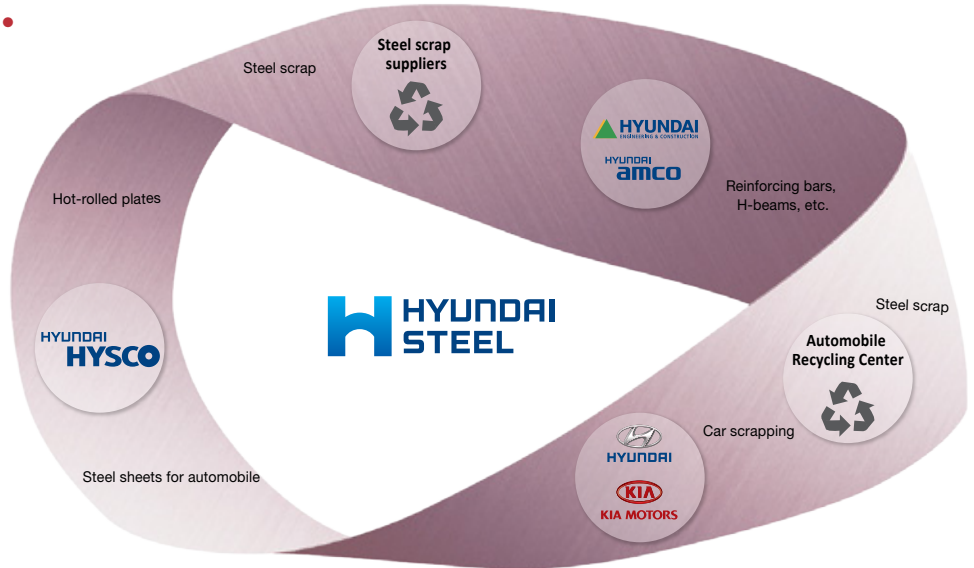
Resource circulation value chain

Dangjin Steelworks has adopted cutting-edge environmental technologies and facilities, bringing major changes to Hyundai Motor Group’s value chain. With the full-scale operation of the blast furnaces at the integrated steel mills in Dangjin, Hyundai Motor Group has successfully completed the creation of a resource circulation value chain. Hyundai Steel has adopted innovative enclosed raw material process facilities, significantly reducing fugitive dusts and loss of raw materials and building its reputation as an eco-friendly steel works. The hot-rolled plates produced from the blast furnaces are supplied to Hyundai Hysco, which processes and supplies steel sheets for automobiles to the Group’s car making subsidiaries, Hyundai Motor and Kia Motor. The scrap cars are sent to the Automobile Recycling Center, where steel scraps are produced from the scrap cars to feed the Hyundai Steel’s electric arc furnaces. As such, Hyundai Steel plays the critical role at the center of the resource circulation value chain of Hyundai Motor Group.



“Change & Innovation Leaders Grand Prize”
Hyundai Motor Group awarded the grand prize at the “2011 Change & Innovation Leaders Forum Seminar”

Resource Circulation Value Chain





Example of Instance

The World's First Integrated Steel Mill Enclosed Raw Material Processing System

The world's first steel maker to adopt the enclosed raw material processing system that prevents fugitive dusts and the loss of raw materials

Enclosed Raw Material Processing System

Hyundai Steel's raw material processing system is not an open one, but an enclosed one. Consisting of an enclosed dome-roofed storage for iron ores and an enclosed warehouse for iron ores, soft coals and sub raw materials, its high efficiency in warehousing and weatherproofing saves costs usually associated with controlling raw materials.

Enclosed loader and belt conveyor

Hyundai Steel transports raw materials such as iron ores and soft coals from pier to its enclosed raw material processing system using an enclosed continuous ship unloader (CSU) and enclosed belt conveyor. The CSU unloads and transfers the raw materials to the belt conveyor through its internal structure. It demonstrates a higher efficiency of unloading than the conventional grab-type unloader. The enclosed belt conveyor transfers the raw materials unloaded on the port to the raw material processing system, and then again from the raw material storage to the sinter and coke plants. Dangjin Works is equipped with an enclosed belt conveyor that can transport raw materials between 400 and 7,000 tons per hour at a speed of 20 to 270 meters per minute.

Open vs. Enclosed Raw Material Processing System


	Enclosed	Open	Comparison
Iron ore warehousing efficiency	32 tons/m ²	13 tons/m ²	661,157m ²
Raw material storage size	264,462m ²	661,157m ²	1/3
Opportunity cost	<ul style="list-style-type: none">Controlling moist content of the air at 6 to 8%No need for wastewater treatment system	<ul style="list-style-type: none">Expensive dust-proof net and regular spraying of surface hardener is required.Wastewater treatment system is required to treat dirty rainwater	<ul style="list-style-type: none">Weather-proofPrevention of fugitive dust or wastewaterEnhanced efficiencyMaximal use of land site thanks to the high warehousing efficiency




Thinking Smart

04

How is Hyundai Steel developing competitive technology for the future?

Technology is the core competency and ultimate goal of the drive for innovation at Hyundai Steel. Hyundai Steel has completed the construction of an integrated R&D Center that provides technical solutions to client companies’ issues through comprehensive R&D efforts on application technologies, as well as process and product technologies. The Center provides total solutions ranging from cutting-edge steel R&D to automobile production strategy-building in synergy with Hyundai Motor Group affiliates. 



Technological Competitiveness

In an effort to increase its core competencies while simultaneously valuing innovation, Hyundai Steel established an integrated R&D Center that develops and supports customer-oriented technologies. The center provides total solutions to the technical issues of its client companies. Hyundai Steel is also committed to developing eco-friendly technologies, such as energy conservation technologies and integrated recycling systems, as part of its corporate social responsibility.

Process Technology

Hyundai Steel strives to attain cost and quality competitiveness through both operational optimization technology and long-term R&D initiatives for process innovation. In dealing with major issues at worksites, we also channel our resources into developing process innovation technologies and eco-friendly process technologies.

High-efficiency iron-making process	<ul style="list-style-type: none">Developed optimization technology for the production of sinter ore/quick lime, reducing fuel consumption and CO₂ emissionsDeveloped new nickel slag sub raw materials, reducing environmental pollution
Steelmaking and continuous casting technologies for high value-added steel products	<ul style="list-style-type: none">Developed technologies that control minute ingredients to produce eco-friendly high-end steel products (ultra-low phosphorous steel/low-sulfur steel)Developed technologies for producing automobile exteriors
Enhanced the quality and productivity of high value-added steel products	<ul style="list-style-type: none">Improved automated operational process technology to reduce defects in hot-rolled coilsDeveloped rolling and cooling technologies to enhance productivity of high value-added TMCP steel plates


Product Technology

Automobile exterior panels

In 2010, Hyundai Steel developed various types of steel products for automobile exterior panels, contributing to the creation of a lighter car. As a result, we have cemented our position as a steelmaker specializing in steel plates for automobile.

Hood 35 kg	Roof 28 kg	Fender 35 kg
Trunk 28 kg	Door 35 kg	Outer side 28 kg

Earthquake-resistant steels

Hyundai Steel has been involved in R&D activities to create earthquake-resistant steels since as early as 2005, when few recognized the need for such products. Hyundai Steel had the foresight to recognize the importance of earthquake-resistant construction materials and thus devote its resources to designing seismic long steels. The US has legislated regulations mandating seismic design for all construction. In Korea, new seismic design standards have become mandatory by law for all new buildings with two stories or fewer in the wake of the Japan Earthquake of 2011. In response to the regulatory changes, Hyundai Steel is developing earthquake-proof and fireproof products and expanding the size of products—making them thicker, broader and larger— and new production processes for these new products to sharpen its technical advantage as an electric arc furnace operator. 



Development of high strength steels for automobile exterior panels

9 types

Product R&D

Steel products for nuclear power plants

Because they are usually located on the shore, nuclear power plants require steel with a highly corrosion-resistant performance. An increased power generation capacity and lifespan requires a higher performance of fracture toughness. Related technologies are currently under development.

Steels for offshore plant engineering

- Increasing offshore oil development has given rise to growing demand for offshore drilling plants
- Floating on a deep sea or in a polar region, offshore plants require anticorrosive materials that can withstand low temperatures.
- Developed the QST technology application and reinforced the low-temperature resistance (warranty -30°C → -40°C)
- High strength, high toughness and enhanced weldability on normal rolling sheets → TMCP steels

Steels for skyscrapers

- High rise buildings require quenching & self-tempering (QST) technology and low yield point technologies
- Developing ultra-strength reinforcing bars and heavy plates

Technology R&D

Forming technology

- Instituted the utilization of a servo press to expand molding areas, developed component-forming technologies for plates of different thicknesses
- Developing the optimal press motion curve for forming technologies
- Developing new forming process technologies

Welding technology

- With the growing demand for high strength steel sheets, market demand has also grown for highly alloyed steel sheets.
- Developing new technology that allows for the easy welding of highly alloyed steel sheets because highly alloyed steel sheets show bad performance in terms of weldability.

Steel sheets for automobiles and special steels for engines

- Developing high strength, highly durable steel sheet materials required for high output, fuel-efficient, eco-friendly cars (R&D efforts are underway to create these types of steel products)
- Developing high-end steels for automobiles and improving product quality (special steels for automobiles)

Development of work rolls for wide flats

- Producing a 5.5m-long work roll (previously the longest was 4.6m)
- Producing 5.3m-wide heavy plates (previously the widest was 4.3 m) for wind power generation

Steels for wind power station

- Developing steel products for ultra-size floating offshore facilities and efficient use of land sites
- R&D for steels with high endurance to extremely low temperatures of deep sea locations (API 2W-60 TMCP steel, etc.)



Example of

Technology for the Future

Integrated R&D Center

-Providing customized total technical solutions

Hyundai Steel has collaborated with Hyundai Hysco and Hyundai-Kia Motors to create an integrated R&D network, generating synergies in its R&D activities. Hyundai Steel R&D Center focuses on developing and applying the technologies of steel sheets for automobile exterior panels that require lighter and thinner steel sheets of high strength for the safety of the body of the car. Identifying the best mix of steels in accordance with the different properties of each car component, the Center researches the weldability and strength of various types of steels while setting forth guidelines on the optimal type of steels for each automobile production line. Hyundai Steel R&D Center aims to provide total solutions for steel products through actively researching and developing high-tech steel products, as well as automobile production strategy building. To that effect, the entire affiliates of Hyundai Motor Group—Hyundai Steel, Hyundai Motors and Kia Motors and Hyundai Hysco—are involved in

the entirety of R&D activities for all steel sheets for automobiles produced at Dangjin Works. Becoming involved in the process early on allows us to reduce the number of trials and errors and to secure high value-added technologies. Under the early vendor involvement (EVI) program, Hyundai Steel cooperates with Hyundai E&C on overseas plant-engineering projects from beginning to end in order to produce and provide quality products customized to each plant engineering project, thus maximizing inter-affiliate synergies. At the same time, we are seeing more synergies from collaboration with Hyundai Heavy Industries in our planned R&D activities for TMCP (thermal mechanical control press) for ships and API heavy plates that are used for offshore structures.

* Total Solution
Providing all data and ideas required for the application of steel plates for automobile

Integrated R&D Center



Elevating Corporate Value

A sustainable business achieves the right balance between sales and growth, as well as distribution and investment, based on its competitive edge in cost, quality and technology. Not content to rest on its laurel of record-high sales and operating profit in 2011, Hyundai Steel is leveraging its competitive product portfolio in order to pursue global markets.

2011
Hyundai
Steel

Elevating Corporate Value

ELEVATING CORPORATE VALUE

Disclosures on Management Approach

01. Our Economic Value

Hyundai Steel spares no effort when it comes to maintaining its intrinsic value as a corporate citizen. Under the goal of enhancing our competitive edges in cost, quality and technology to be on par with global standards, we strive for mutual growth alongside all of our stakeholders in the global markets.



02. Our Economic Strategy

Hyundai Steel achieved record-high sales of KRW 15 trillion for 2011. We believe this is an accomplishment we made with the support of our stakeholders. Therefore, we will return our profits to our stakeholders through reasonable distribution and investment, which will, in turn, create greater value in the future. Hyundai Steel will continue in its efforts to satisfy diverse stakeholder needs and develop new growth engines to create economic value for all.

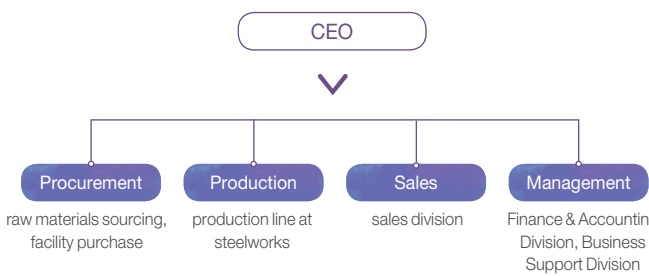
03. Our Key Issues

We will reach our sales goals and achieve substantial growth through the strengths of our diversified production line that is centered on high value-added steel products. To that end, we will strive for leadership in technology while working to reduce costs, and will endeavor to expand our export market through our competitive product portfolio.

04. Our 2011 Activities

In 2011, Hyundai Steel posted KRW 15,259.9 billion in sales, up 50% from the previous year, and KRW 1,306.7 billion in operating profits for 2011, up 24% from 2010. Production volume also expanded to 16.18 million tons, with 8.6 million in flat steels and 7.58 million tons in long steels. The full operation of blast furnace No. 1 and 2 increased the overall production and sales by 35% compared to 2010.

05. Our Organization



2011 Achievements





Elevating Corporate Value

05

Does Hyundai Steel return its profits to society?

At Hyundai Steel, all of our investments and business strategies are designed to achieve significant progress in our sales and operating profit so as to enhance our intrinsic value and fulfill our corporate social responsibilities. Returning interest profits to the investment of our shareholders and investors, paying taxes to the government, contributing to the development of local communities, cooperating with partners for higher sales and profits, and providing the best quality products to customers—all of these activities constitute the sustainable future of Hyundai Steel. H



Creation and Distribution of Economic Value

2011 Sales
KRW 15,259.9 billion

Hyundai Steel realized record-high sales and operating profits thanks to the full operation of blast furnaces No. 1 and 2. However, the operating profit margin dropped slightly from 10.3% in 2010 to 8.6% in 2011 due to the sluggish global steel market and rising commodity prices, specifically those of iron ores and coals. Hyundai Steel continued its technology R&D to develop hot-rolled steels (HR) and different types of heavy plates, as well as strategically designed new steel products. In addition, we realized the correct mix proportion of our blast furnaces early on, thus optimizing their operation and allowing us to create a planned profit-oriented budget to enhance our cost competitiveness. H

Key Financial Performance Indicators



Share prices

	2009	2010	2011
Share price (KRW)	86,500	124,500	95,700
Market capitalization (KRW trillion)	7.3	10.6	8.2

Credit ratings

Korea Ratings	Korea Investors Service	NICE	Standard & Poor's	Moody's
AA	AA	AA	BBB-	Baa3

Creating and distributing value for each stakeholder group

Hyundai Steel works to fulfill its corporate social responsibilities through consistent investments and through the creation and fair distribution of both direct and indirect economic value.



Global Markets



Export portion of 2011 overall sales volume

27%



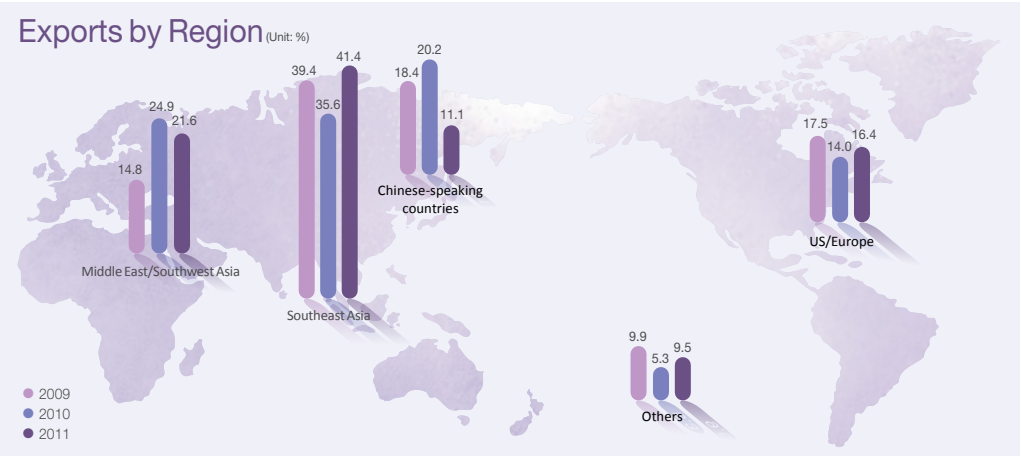
On the back of its competitive product portfolio, Hyundai Steel is expanding its export volume. We are expanding our exports with a focus on new markets for high value-added steel products.

Expanding exports

Hyundai Steel established its strategic points for global marketing in India and Japan and relocated its branches within China, reinforcing its overseas marketing capacity. In 2011, we exported 4.46 million tons, or 27% of our total sales volume, through our 11 overseas branches and sales offices. H

(Unit: 1,000 tons)

	2009	2010	2011
Domestic demand	7,250	8,692	11,825
Exports	2,676(27%)	3,353(28%)	4,456(27%)
Total	9,926	12,045	16,281



Stable Supply Chain

Strengthening partnerships with raw material partners



Hyundai Steel strives to maintain a stable long-term supply of quality iron ores, coals and steel scraps and other raw materials, which is the decisive factor in the quality and price of our steel products.

In a bid to hedge exchange risks arising from imported steel scrap, Hyundai Steel has secured domestic partners who produce quality steel scrap for its long-term supply line. This has led to enhanced domestic self-sufficiency and reduced mediator margins, thereby reinforcing our cost competitiveness. With iron ore and coal being the main raw materials of blast furnace steelmaking, Hyundai Steel has secured stable, long-term supply channels through several supply MOUs with global companies. In the future, Hyundai Steel will continue to seek new supply lines in order to secure the reserves required for the stable operation of our integrated steel mills.

H-STEEL

+ Eco- + Energetic +

E

Hyundai Steel operates the world's leading eco-friendly steel works using environmental management and green technologies. Committed to resource circulation throughout its entire value chain, Hyundai Steel also supports its partners' environmental management practices. Hyundai Steel is at the forefront of the low-carbon green-growth initiative.



2011
Hyundai
Steel

Eco-Energetic

Eco-ENERGETIC

Disclosures on Management Approach

01. Our Environment Value

Hyundai Steel always considers its potential environmental impact before making any decisions regarding business activities. We are operating the world’s first eco-friendly steelworks under our environmental management policy. Equipped with cutting-edge environmental technologies and facilities, we continually seek out new business opportunities that follow the trend towards environmentally friendly business practices, and rigorously practice low-carbon green growth initiatives. It is imperative that we minimize the environmental impact of our business activities. As an eco-friendly company, Hyundai Steel takes into consideration the environmental impact on its entire value chain, from raw materials sourcing and controlling to production, sales and distribution,



02. Our Environment Strategy

Hyundai Steel is consistently improving its environmental performance through our endeavors to qualify for the environmental management system (ISO 14001) certification and energy management system (ISO 50001) certification. We are also wielding our technological leadership towards mitigating climate change by adopting an GHG & Energy Target Management system, building a greenhouse gas inventory and developing technologies that reduce greenhouse gas emissions.

03. Our Key Issues

Hyundai Steel is working to respond to climate change and reduce energy consumption by utilizing environmental management and leveraging our resource-circulation system. Specifically, Hyundai Steel plays a key role in Hyundai Motor Group’s ambitious “eco-friendly resource circulation value chain,” by supplying the steel plates for automobiles, which are then in turn reduced down to steel scrap at the end of their life cycle and, finally, return to our steelworks to be remade into steel products once again.

04. Our 2011 Activities

In 2011, we recycled 95% of the total 7,180,000 tons of byproducts from our three steelworks. Byproducts-slag, sludge, dust, and waste refractory-are another type of resource to Hyundai Steel. By retrieving the digestive fluid from food treatment wastewater, we reuse it to replace methanol in our steel processing under the memorandum of understanding (MOU) with Dangjin City. In addition, we recycle steel slag into construction aggregates, and have sponsored 40 partners’ adop-

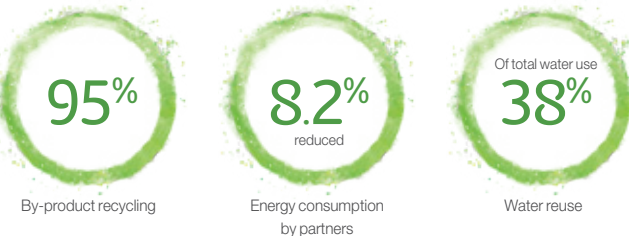
tion of carbon footprint management, which has resulted in a reduction of their energy consumption by 8.2%.

05. Our Organization



* Committed to a safe and environmental workplace, Hyundai Steel has a dedicated Safety & Environment Division led by the vice president. We also has an Environment & Energy Office at R&D Center.

2011 Achievements





Eco-Energetic

06

What plan is Hyundai Steel putting into action towards fostering the harmonious co-existence of human society and nature?

Hyundai Steel’s environmental management vision of “becoming the world’s leading eco-friendly steelworks” attests to the company’s commitment and dedication to environmental protection. This vision, which is based our environmental management system and resource circulation system, is instrumental in furthering our environmental endeavors. These endeavors include environmental management, addressing climate change and communicating with local communities. Launched in 2010, the Greenhouse Gas Energy Taskforce Team (TFT) oversees the company-wide practices of greenhouse and energy management. H



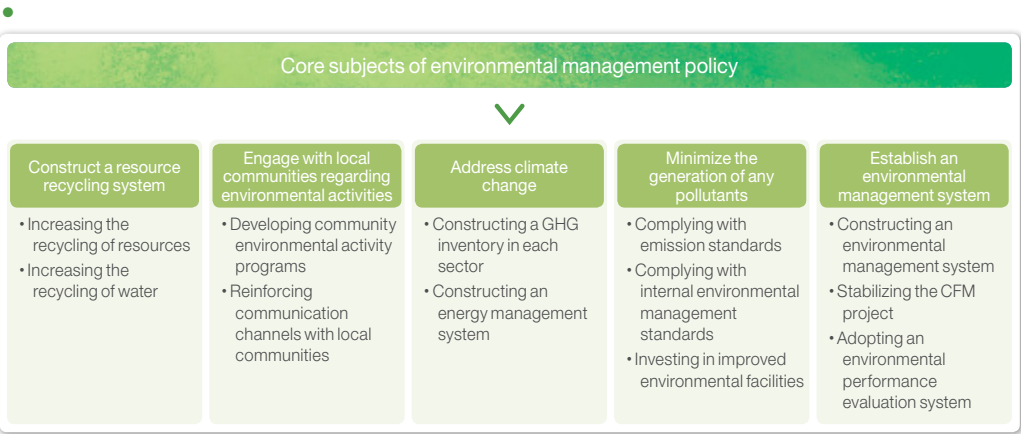
Environmental Policy

The need for environmental management has increased in tandem with our sizeable expansion that followed the completion of our integrated steel mill. Therefore, we have implemented a strict environmental management policy under the environmental management vision of being “the world’s leading eco-friendly steelworks.”

With environmental management forming the basis of our business strategies, we created environmental management and resource circulation systems, and we address the key tasks of working to mitigate climate change and communicating with local communities. The environmental management organization serves as the medium for company-wide communication on environmental management practices by sharing and following environmental management performance, establishing the best practices, and keeping up with market and regulation trends.

With the new integrated steel mill running at full operation, Hyundai Steel has renewed its ISO 14001 environmental management certification for the new mill and three other steelwork plants with the Korea Standards Association and the British Standards Institution. We became the first Korean steelmaker to obtain the energy management system ISO 50001 certificates provided by the Korea Energy Management Corporation in December 2011. In order to promote environmental management practices among our partners, we have been encouraging them to adopt the carbon footprint management project, established in 2009, to help reduce greenhouse gas emissions. We have also joined environmental civic groups as part of our proactive response to climate change. H

Environmental Management Policy




Phase-by-Phase Action Plan



Environmental Management Organization

Hyundai Steel’s environmental management organization consists of environmental and energy management teams at all major operation sites, and includes the business planning team at our Seoul office. They work closely with each other to create environmental and energy policies, manage legal compliance issues, production facilities and R&D for environmental and energy technologies.

Led by the CEO, the environmental officers hold quarterly meetings to discuss domestic and international trends regarding environmental issues, develop environmental & energy management strategies, and to review the TFT performances of current policies. 



Environment & Energy Workshop

Hyundai Steel has been holding an environmental & energy workshop every quarter since 2008 in order to discuss major environment and energy issues while sharing technologies. Featuring special lecturers from related fields, the workshop focuses on strengthening employees’ environmental and energy management practices while fostering organic cooperation among environmental officers at each plant.

Company-wide Greenhouse Gas (GHG) & Energy TFT


Hyundai Steel has been operating company-wide GHG & Energy TFT since 2010 with the advent of the GHG & energy target management system and the emissions trading scheme (ETS). This strategy was created as an effective response to the heightening regulations on GHG emissions and energy consumption. The company-wide TFT sets the company’s position with regards to the governmental regulations covering GHG emissions and energy consumption, prepares the specifications of GHG & energy consumption, builds strategy for negotiations on target management, and develops reduction targets.



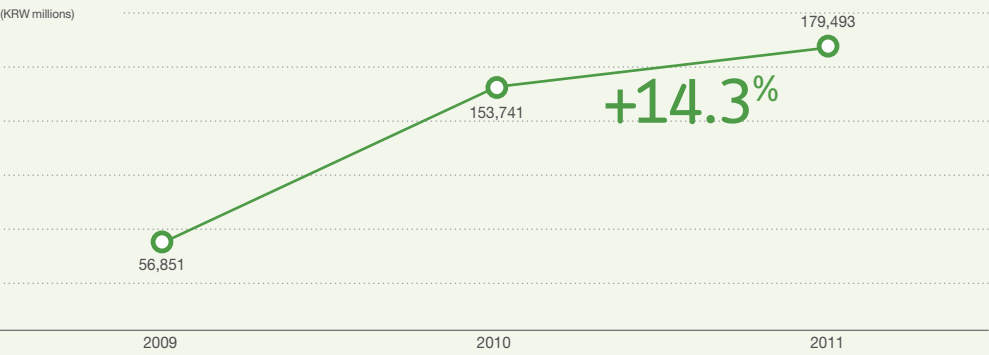
Environmental System

2011 Environmental Expenses
KRW 179.5 million

Hyundai Steel has put into place a GHG inventory system in order to allow for the systematic management of GHG emissions and energy use by source throughout its entire production process. Additionally, this inventory system helps to assure efficient response to the GHG & Energy target management system.

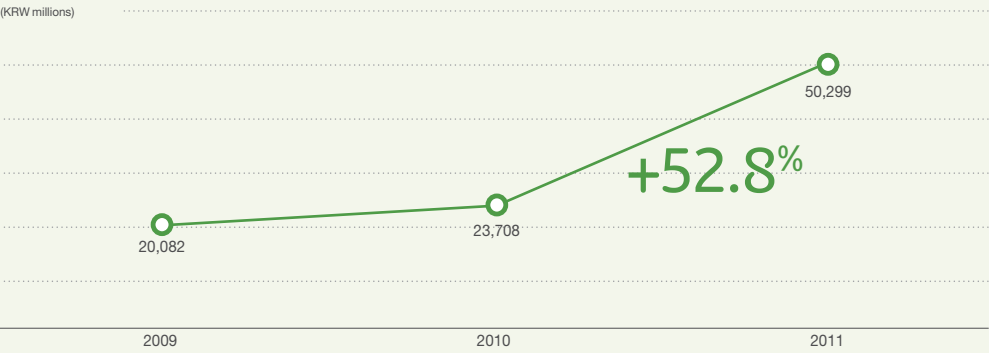
The GHG inventory system controls GHG emissions from each production line, as well as source-specific energy use, in compliance with the government’s GHG & Energy Target Management System. This guideline requires matching the specifications set on GHG emissions and energy consumption, as well as calculating any reduction potential. 

Environmental Accounting



Our environmental accounting consists of electricity bills, repair & maintenance expenses, labor expenses and other environmental facility operation costs, and R&D expenses for environmental impact surveys that are conducted with the goal of minimizing our impact on the environment of local communities.

Environmental Investment Expenses



Environmental investment expenses consist of facility improvements to enhance dust collection efficiency, prevent fugitive dusts, and improve wastewater treatment plants and the conditions of raw material yards.



07

What are the major achievements of Hyundai Steel's environmental management?

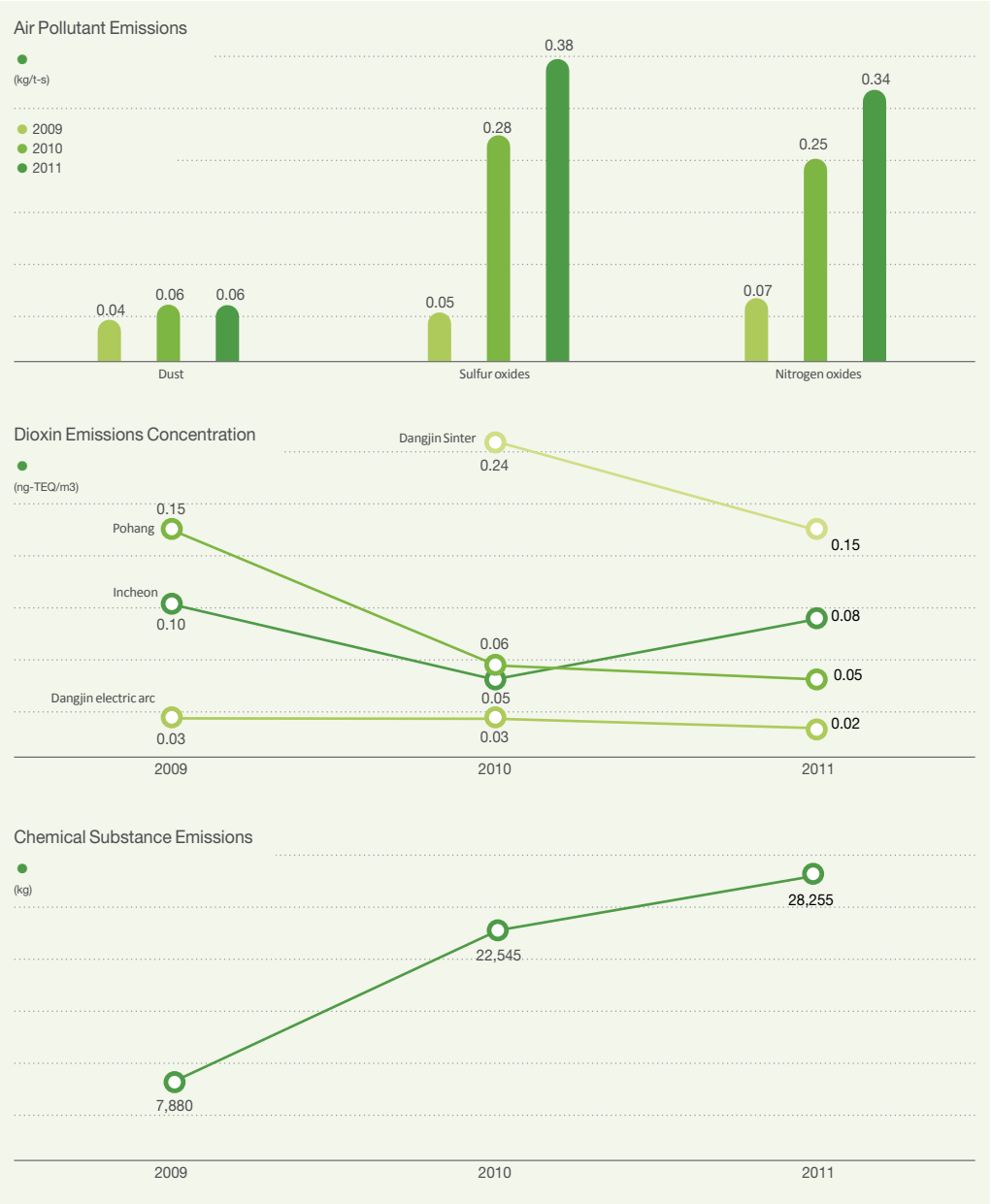
Hyundai Steel works continually to apply advanced technologies, invest in facilities and improve processes in order to achieve airtight control over various pollutants, such as wastewater and GHG. The company also reuses and recycles byproducts, such as slag, sludge and dust, thereby transforming waste into resources. In addition, the company strives to protect biodiversity and the surrounding environment near its operations.



Air Quality

Our dedication to protecting the environment and conserving resources translates into action through our endeavors to improve air quality, reuse water, and recycle wastewater along with steel production byproducts. Hyundai Steel will continue to make strenuous efforts towards building a sustainable resource circulation society where the interests of the economy are compatible with the environment.

Hyundai Steel monitors the emissions of exhaust gas from its operations using a tele-monitoring system (TMS). Exhaust gas from the sinter plant is particularly difficult to treat. Minute dusts and dioxins in particulate matters are collected using electric dust collectors or filters, and sulfur oxides, nitrogen oxides and dioxins in gas are treated at a dual activated carbon absorption facility. Dual absorption is high-tech equipment certified by a German authority. With the aid of this equipment, Hyundai Steel maintains its GHG emissions far below the legal minimums.





Water Management



Water recycling at Incheon Works

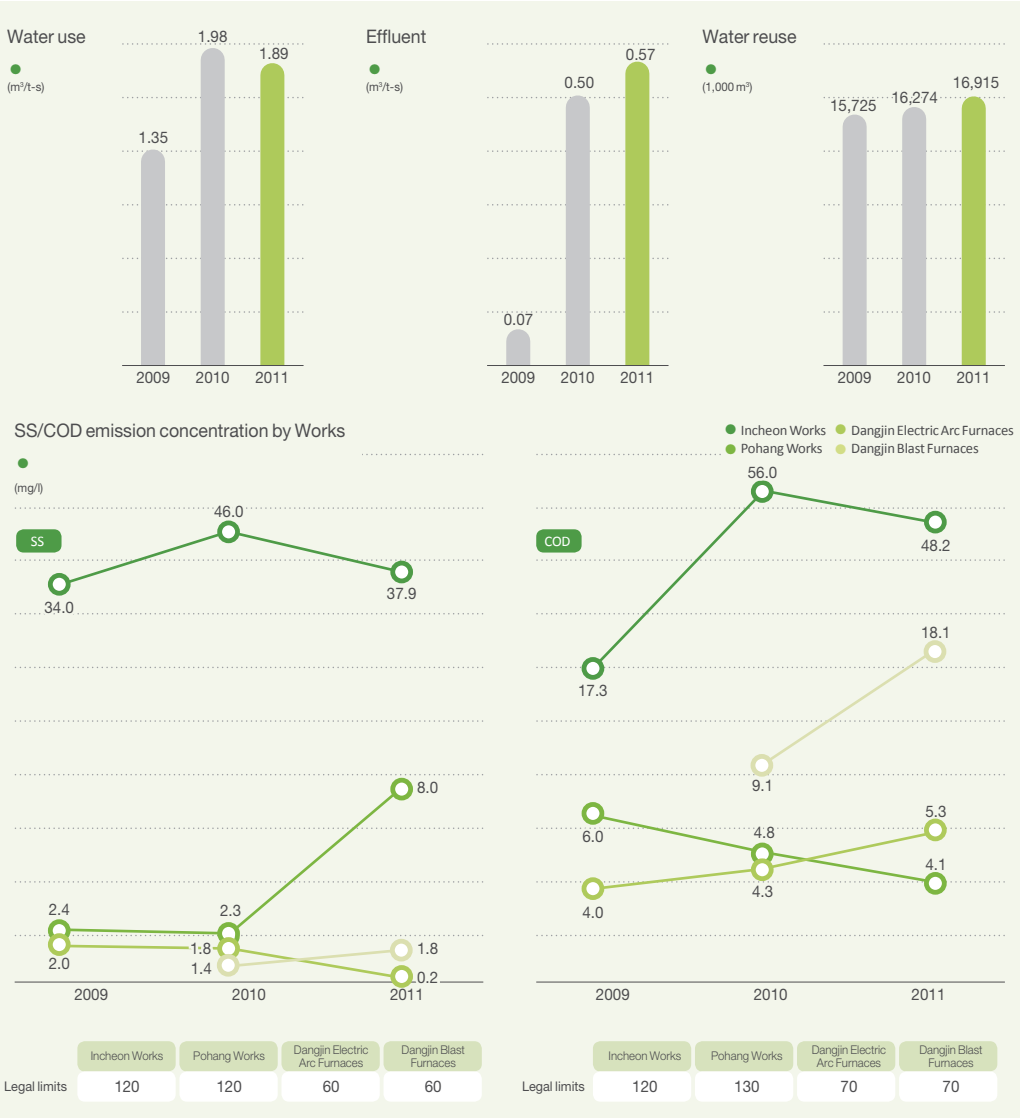
86%

Our planet’s surface water is limited, and the amount of usable water is shrinking. In an effort to prevent a scenario of escalating water scarcity and water pollution, Hyundai Steel is carefully monitoring its water use pattern.

Water use

In 2011, Hyundai Steel used a total of 32,207,000 m³ of water. Of this, Dangjin Works used 74%, or 23,791,000 m³. Incheon Works fulfilled 86% of its total water demand by using recycled water from the Gajwa Sewage Treatment Plant.

The ratio of total water use compared to crude steel production decreased from 1.98m³/t-s in 2010 to 1.89m³/t-s in 2011, despite the increase in the total water demand due to our blast furnace No. 2 entering into full operation. This significant accomplishment can be attributed to our consistent wastewater use reduction campaigns. In the future, Hyundai Steel will continue to manage water resources through the recycling of ef-fluents, reduction of water use, development of replacement water, and increasing the amount of water that is reused.



Example of Environmental Management

Wastewater Treatment & Water Quality Management

Bio toxicity control

Best practices within the private sector

Hyundai Steel continues efforts to improve its wastewater treatment plants and increase investment in new environmental facilities with the goal of enhancing efficiency in wastewater treatment and remaining below the legal limits for waste water effluent discharge. By monitoring the toxicity of its wastewater, Hyundai Steel established its own internal guidelines on the handling of toxic substances (applying stricter standards of TU1 than the legal limits of TU2, current measurement stands at TU0). Based on these guidelines, we have invested in process innovation and facility improvement while preparing an internal toxicity-monitoring plan. These efforts were widely recognized when we were selected as the best of the private sector at the Bio Toxicity Control contest by the Korea Environment Corporation. In order to maximize the reuse of sewage & wastewater, we prepress all sewage and wastewater at the chemical reactors and bioreactors, after which the water proceeds to advanced treatment facilities, such as the activated carbon absorption facility. After the treatment removes any pollutants, the treated water is discharged into the deep sea 300 meters offshore to prevent sea pollution.

Collaboration between our company and local governments

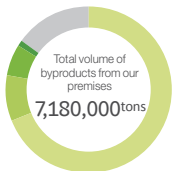
Food treatment wastewater recycling

Currently, wastewater containing digestive fluid from treating food wastes is discharged into the sea. However, starting in 2013, the Marine Environment Management Act will prohibit the release of digestive fluid into seawater. Therefore, Hyundai Steel has developed technology to replace methanol with digestive fluid as the agent providing carbon to the microbes that eliminate organisms in wastewater. In 2011, Hyundai Steel signed an MOUN with Dangjin City regarding supply-demand and technical support for recycling digestive fluids from food treatment wastewater. This agreement is expected to save Hyundai Steel KRW 600 million on the purchase of methanol and Dangjin City KRW 900 million annually on treating digestive fluid. This agreement marks the first case where a private company provided the solution to an environmental issue being faced by a local government, and serves as an example of a local government-company alliance contributing to the national low-carbon green growth initiative. Also currently under development is a technology that would reduce food waste by generating methane gas from food wastes.





Byproduct Recycling



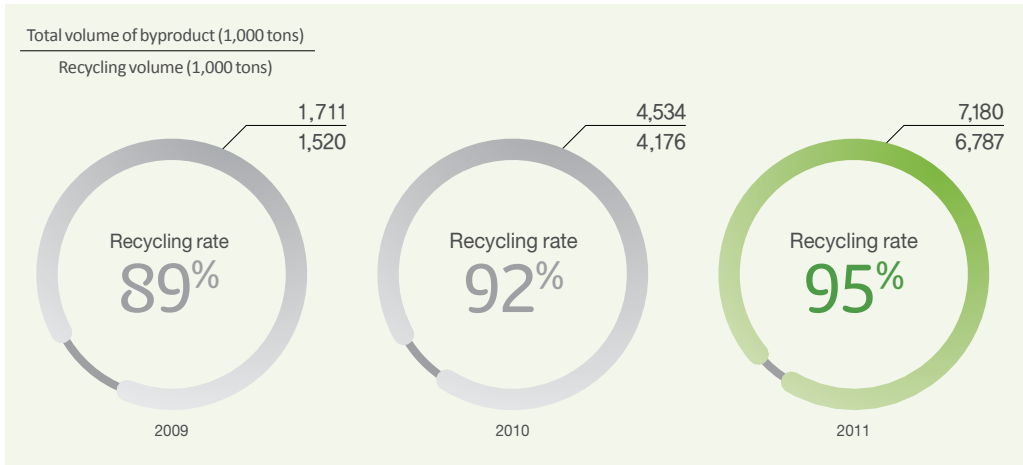
Slag 4,933,000 tons	69%
Sludge 627,000 tons	9%
Particulates 422,000 tons	6%
Refractory waste 98,000 tons	1%
Other 1,100,000 tons	15%

Cost reduction from recycling byproducts

KRW 4.61 billion

Byproducts

The total volume of byproducts generated by Hyundai Steel’s three steelworks amounted to 7,180,000 tons in 2011, with slag accounting for 69% (4,933,000 tons), followed by sludge (627,000 tons), dust (422,000 tons) and refractory waste (98,000 tons). Hyundai Steel reused 94.5% of these byproducts in 2011, up from 92.1% in 2010. We reuse and recycle byproducts from our steelworks and treat them as another resource, helping address the social issue of resource conservation.




Developing technology for recycling byproducts

Slag from the integrated steel mill is divided into blast furnace slag and converter slag. Blast furnace slag has properties similar to those of natural aggregates, suggesting high utility. The entire volume of this slag is used as raw materials in making cement and aggregates for civil engineering works and concrete.

By recycling the slag from the electric arc furnace and using it to pave roads, we have proven the excellent properties and environmental safety of slag. Based on the know-how resulting from this project, Hyundai Steel plans to develop and apply eco-friendly slag to various construction projects in collaboration with local communities and governments, and to promote slag’s excellent performance as aggregates.

Dust & Sludge Recycling Technology

Dust and sludge generated from the integrated steel mill is highly recyclable due to its high level of useful content. Hyundai Steel has installed recycling facilities, such as pellet & brick making facilities and mill scale treatment plants, and recycles the byproducts back into our production process. The byproducts with low recyclability are also reused as eco-labeled bricks for landfilling or the interlocking of the public bodies of water. We are also developing and inventing other uses for recycled byproducts, thus contributing to the circulation of resources throughout society. 



Example of Environmental Activities

Protecting Biodiversity

Hyundai Steel is actively involved in global biodiversity protection campaigns. Every year 25,000 to 50,000 species disappear from the planet. Protecting and preserving the ecosystem of our local communities is an important duty and responsibility that Hyundai Steel must fulfill as a corporate citizen.

Creating Ecological Parks

In 2008, Hyundai Steel’s Dangjin Works built an ecological park in Songsan-myun on an area of land spanning 6,000m², creating a forest, ponds and streams. Created with an aim towards making a natural environment where wildlife and nature can coexist, the ecological park has grown into a well-managed ecosystem that protects the wild growth of flora and fauna. In the forest within the park there are 4,500 living trees including privet, spiraea, and Japanese oak. The wildflower bed is planted with a variety of wild flowers such as plantain lily and iris. There are also shrubs and bushes that provide fruit for birds. The two ponds, which provide a habitat for fish and amphibians, have also been planted with a number of aquatic plants including fringed water lily, water lily and yellow iris. Additionally, Hyundai Steel created a valley above the pond as a habitat for fish and crawfish, and planted reeds and common reeds around the area in order to secure a habitat for green striped bitterlings, crucian carp, and morocco oxycephaluses. Hyundai Steel produces and processes steels under the natural providence to protect and preserve a clean and sustainable environment. Hyundai Steel is working to preserve the value of the environment so that it can remain pure and unchanged into the future.

Cleaning the underwater environment

Hyundai Steel’s Pohang Works scuba diving club and Meister’s council cleans Hyungsan River regularly. They dig up waste in the river such as tires, nets, and fish traps, and they also clean the riverbanks. In addition, the company participates in the One-Company One-River protection campaign created by local communities, which gathers people to clean the riverbanks and create flowerbeds along the riverside.





08

What is Hyundai Steel doing to address global warming and climate change?

The steel industry is by definition energy-intensive. Therefore, steelmakers are required to pay more attention to energy conservation and GHG emission reduction activities than other industries. Hyundai Steel established a company-wide GHG & energy TFT in order to set the company’s public position on GHG emissions and energy consumption, and to provide an efficient response to any related issues. In addition, the company actively participates in various activities to mitigate climate change including joining national projects and improving its internal systems, while simultaneously developing related technologies in collaboration with related associations and partners. H



Climate Change

Company-wide GHG & Energy TFT
2010

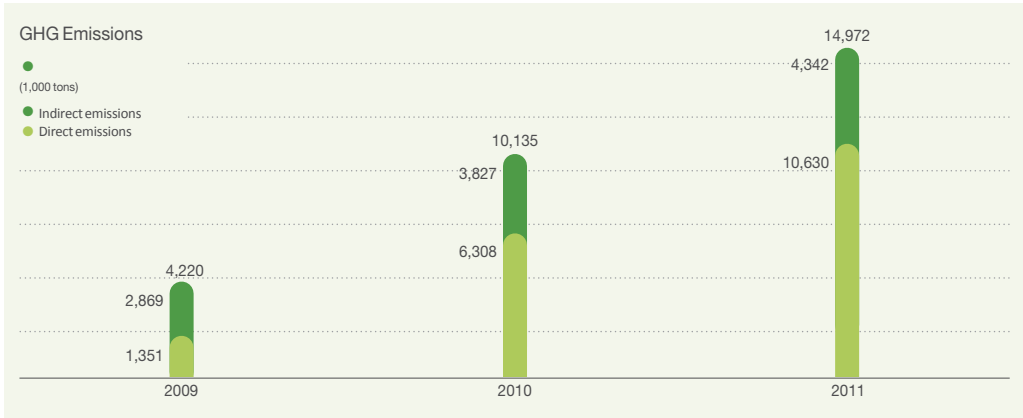
Hyundai Steel continues to make a constant effort to deal with climate change through diverse GHG emission reduction technologies and systems. The GHG & Energy TFT controls and supervises these activities, monitors the company-wide GHG emissions, and creates long-term plans for developing technologies to cut down on GHG emissions. In addition, we actively participate in international programs focused on addressing climate change and share technologies with global steelmakers.

Organization

Since 2010 Hyundai Steel has been operating a company-wide GHG & Energy TFT to efficiently address climate change. In collaboration with the Energy Conservation TFTs from each plant, a team oversees energy conservation activities on production processes. The GHG & Energy TFT implements the GHG & Energy Target Management System, responds to GHG regulations and policies, and promotes an energy management system. Supported by the planning, production and technology sectors of the company, the team sets the company’s public position on related issues.

GHG Emissions

Hyundai Steel runs a bipropellant system of steelmaking incorporating its electric arc furnace and the blast furnaces at the integrated steel mill, which has been in operation since 2010. Powered by electricity, the electric arc furnace uses steel scraps as raw materials for steelmaking, while the blast furnace that is fueled by hard coals and byproduct gases from production process makes steel from iron ores and soft coals. Consequently, the emissions from the two processes have very different properties. The total volume of GHG emissions from the premises of Hyundai Steel stood at 14,590,000 CO₂Tons in 2011, up from the previous year due to the addition of the second blast furnace. Hyundai Steel consistently improves the energy efficiency of its operation and facilities in order to reduce the intensity of any emissions. H

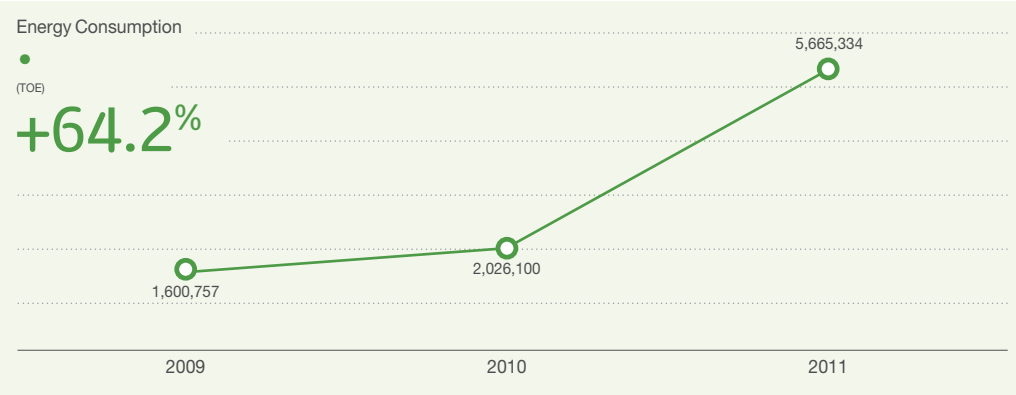




Addressing Climate Change

Improving energy efficiency

With our blast furnaces running at full operation, fuel and electricity expenses are surging. Consequently, it has become imperative for the company to enhance our energy efficiency and save on these expenses. In order to deal with this issue, Hyundai Steel commissioned an energy audit group of internal and external experts to discover potential sources of energy conservation within its entire range of processes. While some of the findings are currently being tested for feasibility, others were instantly applied to the work processes and have already contributed to enhancing energy efficiency. Most notably, an inverter circuit was installed to run rotators in accordance with the optimal combustion control of thermal plants, cooling water control and required operation loads. We have constructed an energy laboratory to test the feasibility of new energy conservation systems before applying them to the process. We believe this will be instrumental in our R&D efforts and experimental testing to find practical ways of reducing our energy use.



Recovering and Recycling Energy Sources

	Sinter	Steelmaking	Blast furnace
Recovered energy source	Steam	Steam	Electricity
Facility	Producing steam from hot air generated from cooling the sinter plant	Steam generated through cooling gas from the blowing process	Power generation facility powered by the high pressure of the blast furnace gas
Use	Steam for the steelmaking process	Steam for the steelmaking process	Blast furnace power supply
Remarks	Recovering heat from sinter plants No. 1 and 2	Steelmaking off gas (OG) boiler	No. 1 and 2 blast furnace top gas pressure recovery turbines (TRT)

Participation in the Energy Use Target Management Pilot Project

2009

Internal system


Hyundai Steel makes forceful efforts to diminish GHG emissions and energy consumption under the control of the company-wide GHG & Energy TFT, which collaborates with the Energy Conservation TFTs from each plant to achieve energy reduction throughout our steelworks. At the same time, the company has completed the GHG inventory system for the implementation of the GHG & Energy Target Management System, specifying the reduction potential for each production process in line with the company-wide reduction targets. We have developed a long-term roadmap for curtailing our GHG emissions and energy consumption based on our analysis of the goals to lower GHG emissions and reduction potential at each plant.

Energy Use Target Management Pilot Project

Beginning in 2009, Hyundai Steel's Incheon Works set and implemented targets for reducing energy use under the Energy Use Target Management Pilot Project by the Ministry of Knowledge Economy (MOKE) and Korea Energy Management Corporation (KEMCO). Led by its Energy Conservation TFT, Incheon Works has been improving its processes, replacing outworn facilities, and increasing its overall operational efficiency. We keenly anticipate that this will contribute to the reduction of GHG emissions from our Incheon Works surpassing the business as usual (BAU) estimate. The reduction record will be subject to document verification and due diligence by an independent assurance agency before being submitted for the government's approval. When all due courses are complete, a company-wide implementation of the GHG & Energy Target Management System will be applied.

Energy Management System Certification

In a bid to improve its corporate image as part of an industry that is energy-intensive by nature, Hyundai Steel participated in the Energy Management Pilot Project by KEMCO and adopted advanced energy management protocols. The Incheon Works has completed an internal system for energy management policy building along with organizational and work process management under the international standards on energy management systems (ISO 50001). In December 2011, Incheon Works became the first Korean steelmaker to win the energy management system certification. We plan to implement this energy management system on a company-wide scale to create an integrated, company-wide energy management system by the end of 2012.



ISO 50001 (International standards on energy management system)

International standards on energy management systems that specify requirements for establishing, implementing, maintaining and improving an energy management system, whose purpose is to enable an organization to follow a systematic approach in achieving a continual improvement in energy performance.

Carbon footprint project
Energy consumption

•
=8.2%


Carbon Footprint Management System on our Supply Chain

Being a recyclable resource, steel is the key factor to successfully realizing a resource circulation business structure. Hyundai Steel participated in the Large Corp-SME Carbon Partnership project by the Ministry of Knowledge Economy to establish a carbon footprint on its steelmaking supply chain.

Under this partnership, large corporations collaborate with their SME partners to calculate the carbon emissions on the entire production process and to subsequently reduce GHG emissions through technical R&D, process innovation and facility investments. Through the project, Hyundai Steel has supported 40 partners—raw material suppliers, scrap suppliers, and car component makers—in reducing and controlling their GHG emissions for a total of two years between June 2009 and May 2011.

Specifically, we supported their activities of establishing carbon footprints on their production processes and creating a GHG inventory and energy management system. Additionally, our internal experts were dispatched to help them conduct due diligence and set goals for reduction. As a result, the total energy consumption of the 40 partners declined by 8.2% and GHG emissions decreased by 3.8% over the past two years.

Verified Carbon Standard

In collaboration with Korea Midland Power (KOMIPO), Hyundai created the Verified Carbon Standard (VCS) on the byproduct gas power plant of Hyundai Green Power within its Dangjin Steelworks. The program uses the byproduct gas from the blast furnaces to fuel power generation in replacement of fossil fuels, contributing to the reduction of fossil fuel use and its resultant GHG emissions. Hyundai Steel successfully completed due process on the verification and certification of the VCS in May 2012, winning international authorization of its reduction of 1.98 million tons of annual GHG emissions—the largest reduction of GHG emissions in the given period among Korean companies. This achievement is fraught with significance as it marks Korea's first company to complete the entire process of VCS. Hyundai Steel was also the second in the world to complete the procedure among the 800 VCS projects worldwide. The 1.98 million tons of GHG emissions accounts for 13.6% of Hyundai Steel's annual GHG emissions, equivalent to planting 660 million Korean nut pine saplings on a 605km³-size land. One ton of GHG emission reduction amounts to the planting of 323 saplings. In the future, we will promote the recycling of waste energy sources to reduce social GHG emissions, while consistently discovering new methods of reduction both inside and outside the company. 

project on the byproduct-fueled
power plant

•
VCS

* VCS is the world's most popular certification of carbon emission reduction. It is a voluntary GHG reduction project endorsed by the World Economic Forum (WEF), International Emissions Trading Association (IETA) and the Climate Group.



Technology Development

Carbon Capture & Storage (CCS) Technology

The steelmaking industry is often cited as the major culprit of the greenhouse effect because of its high emission intensity of CO₂. Therefore, it is imperative for the industry to develop new technologies to meet the government-driven GHG reduction targets and international carbon regulations.


In response to this, Hyundai Steel is actively involved in R&D efforts to meet the national reduction target (reducing 30% of BAU by 2020) while simultaneously continuing efforts to reduce GHG emissions.

In particular, we are focusing on developing carbon capture and storage (CCS) technology, which involves capturing and recycling CO₂ from flue gas. In the future, we will continue to develop and commercialize competitive technologies in order to mitigate global warming.

Byproduct gas mixed combustion technology

Fuel for the integrated steel mill consists of byproduct gas from the steelmaking process and purchased LNG. Byproduct gases are collected from the blast furnaces (BFG), coke ovens (COG) and Linz-Donawitz converters (LDG) for use in the blast furnace, air heating furnace, cokes ovens, steelmaking and continuous casting heaters, rolling heaters, boilers and power plants.

We aim to maximize the use of byproduct gases in order to minimize the purchase of fuel gas, which will save on fuel expenses while also minimizing our environmental impact.


At the moment, the steelmaking process depends more on the coke oven gases due to their high heat value. In the long run, however, we aim to increase the use of low heat-valued byproduct gasses, such as BFG and LDG, at our steelworks. In addition to conventional combustion technology, we will develop new technology by integrating oxygen and flameless combustion, which will in turn further enhance the use of low-heat byproduct gases. To that effect, we are working to define the optimal balance of mixing byproduct gasses, which will result in the minimization of our fuel expenses. 



International Cooperation

Hyundai Steel is an active member of the World Steel Association (WSA) and involved participant in its environment & energy-related committee activities. Our Environment & Energy Management Team and the Environmental & Energy office of Technology R&D Center actively participate in the activities of WSA's Environmental Policy Committee and the Technology & Environment Committee, fostering exchange with global steelmakers.

Industry Climate Change Response Task Force

Hyundai Steel is also an active member of the Industry Climate Change Response Task Force, which was instituted by the Business Institute for Sustainable Development. The TF collects opinions throughout the industry on the GHG Energy Target Management System and Emissions Trading Scheme (ETS) and also communicates with the government regarding these matters. 

Hyundai Steel Resource Circulation Flowchart

Input

Energy

Water

32,207,000^{m²}

Electricity

1,917,017^{TOE}

LNG, B-C

254,142^{TOE}

Raw materials

Steel scrap

10,720,000^{tons}

Iron Ore

12,800,000^{tons}

Coal

5,850,000^{tons}

Output

production volume

16,180,000^{tons}

sales volume

16,280,000^{tons}

GHG emissions
(1,000 tons)

14,972

Indirect emissions 10,630

Direct emissions 4,342

Water recycling
(1,000 m³)

16,915

Water reuse 4,745

Wastewater recycling 12,170

Byproduct emissions
(Gcal)

18,505,374

44% External use 8,069,108

56% Internal use 10,436,266



Listening to the World

We consistently pursue technology and products that will benefit the world.

We are well aware that the growth of our partners is ultimately what constitutes the growth of Hyundai Steel.

We will open our ears to what our local communities have to say.

As a reliable and responsible corporate citizen, Hyundai Steel aims to consistently grow along with all of its stakeholders.



2011
Hyundai
Steel

Listening to the World

LISTENING TO THE WORLD

Disclosures on Management Approach

01. Our Social Value

Through trust-based mutual growth, advanced HRD, and social contributions, Hyundai Steel continually devotes itself to building a better society for all. We will engage directly with our employees, stakeholders and the local communities to create a better society where people play active roles in their communities, living and prospering together.



02. Our Social Strategy

Hyundai Steel has completed an HRD system to foster future leaders who positively embrace change and innovation. From our partners to our customers and investors, we promote a variety of mutual growth programs so that we are able to share profits and growth with all of our stakeholders. At the same time, we faithfully fulfill our corporate citizenship duties through practical community engagement programs.

03. Our Key Issues

Competent employees and competitive business partners are the origins of our sustainable growth and creation of value for our customers. As a responsible corporate citizen, Hyundai Steel contributes to the development of local economies and involves itself in a number of activities that contribute to both local communities and society at large.

04. Our 2011 Activities

In 2011, Hyundai Steel conducted special lectures, cultural exchange programs and education programs to help our employees build their skills. At the same time, we expanded our support to partners in terms of technical and financial aid, as well as business skills, thus helping our partners reinforce their own competitiveness for assured mutual growth. Our community engagement programs include House Remodeling for Hope, Green Guard and Happy Yes.

05. Our Organization



Social Contribution Programs






Listening to the World

09

What kind of programs does Hyundai Steel run for human resources development?

Hyundai Steel promotes diversity in its workforce and provides its employees with fair opportunities to realize their full potential. Hyundai Steel envisions talented experts in their respective fields who closely collaborate with colleagues resourcefully and creatively. At Hyundai Steel, we are building a competitive corporate culture through diverse customized programs designed to cultivate talented people. 



Human Resources Management

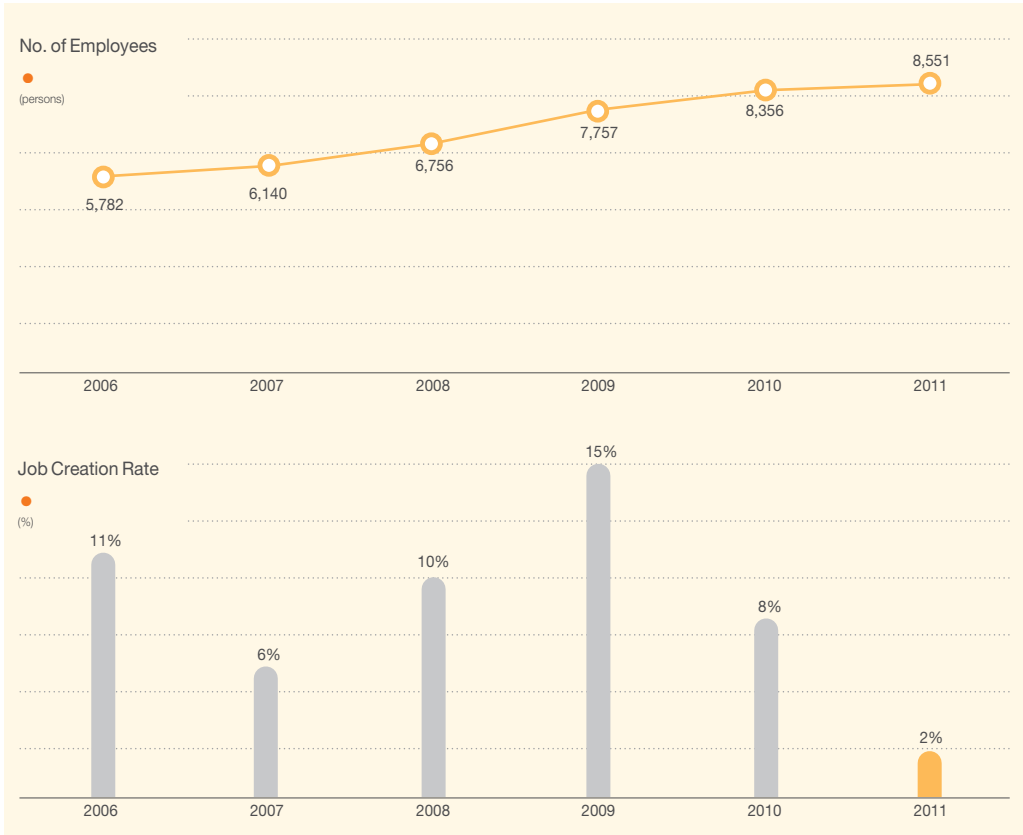
Hyundai Steel believes its people are very important in the respect that they actually run the business and determine the future of the company. Therefore, Hyundai Steel does not only do its best to achieve the technological, environmental and economic growth for its sustainable future, but also commits itself to developing its employees' capabilities. Furthermore, it promotes a co-living, collaborative corporate culture, reminding that communication is the best corporate strategy in the future with uncertainty.

Human Rights and Diversity

Hyundai Steel promotes diversity in its workforce. Our policies and systems are intended to assist our people in carrying out their job duties in a way that can best serve their talents and abilities. We prohibit any form of discrimination through systems and institutions based on gender, race, religion or regional origin. We offer equal opportunities to all of our people so that they can realize their full potential. Hyundai Steel prohibits child labor and forced labor for any reason. We fully comply with the Korean Labor Law and International Labor Organizations (ILO) conventions. As a result, we had no cases of violations of any of these laws and regulations in 2011.

Employment

Hyundai Steel regards talented people as invaluable asset and invests in people with long-term high potential. We make sure that everyone is provided with equal opportunities and fairly compensated for their performance.

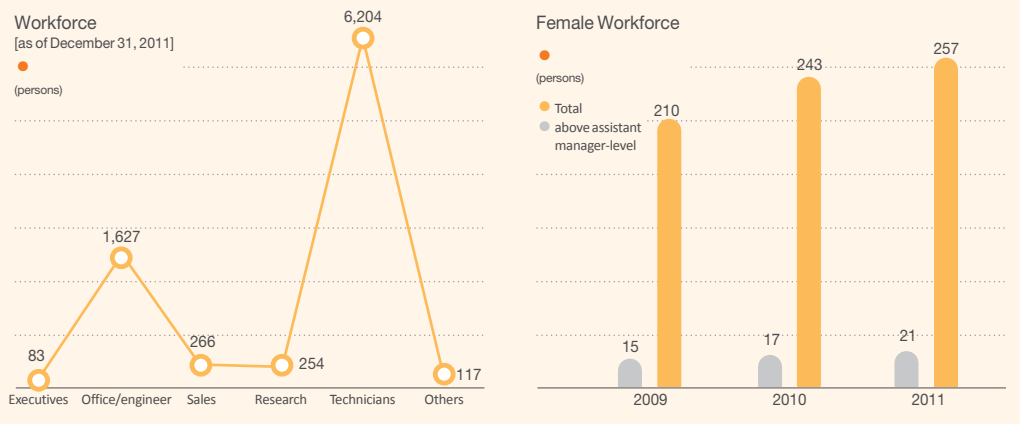


* (Current No. Of employees - No. Of employees as of previous year)/No. of employees as of the previous year

Fair Evaluation and Compensation

We ensure equal opportunities for all of our employees to help them realize their full potential, and we prohibit discrimination of any kind regarding fair compensation. This builds trust between the company and its employees and maximizes individual productivity, thereby enhancing corporate productivity as well.

Total No. Of employees
8,551



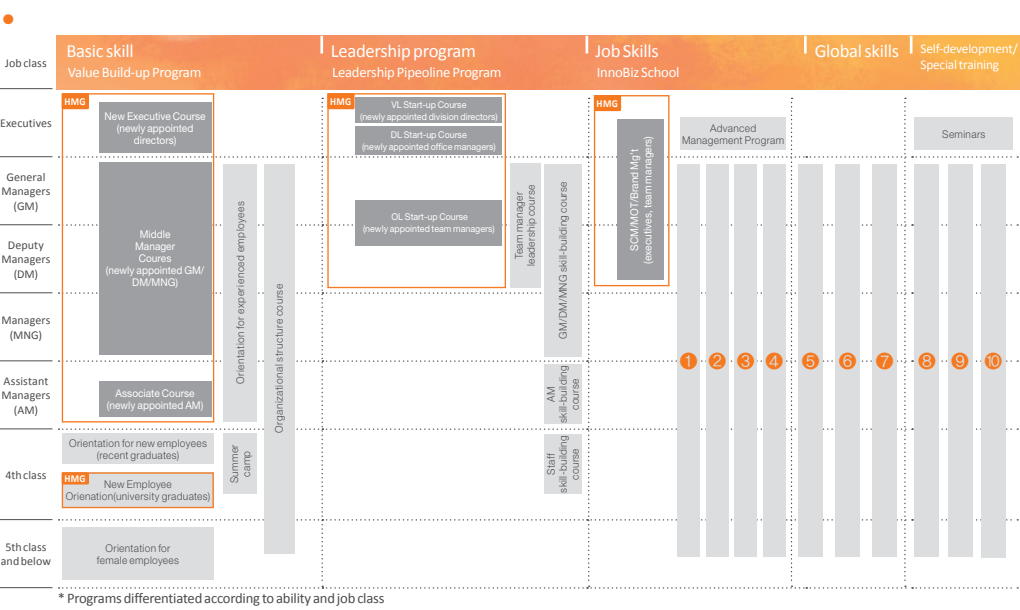
HRD

Total training costs
KRW 7,592,096,000

Total number of trainees
33,838

Training hours
2,390

HRD Training Scheme



- 1 Company-wide job skill training

2 Communication & Cooperation Workshop

3 Cultural exchange

4 Mandatory course by job function: quality, environment & safety, etc.

5 Culture course
- 6 Reader's Leader

7 In-house and outsourced language courses/ intensive language courses

8 Cyber language course (phone/video/cyber campus)

9 Sponsored job skill/cyber job skill training courses

10 Job Academy Marketing/Purchase/Production/ Steelmaking/R&D/Planning/Finance & Accounting/ HR



Communication

Dedicated to building an energetic and happy workplace, Hyundai Steel promotes company-wide communication by building job-oriented and emotional solidarity among employees and departments. It does this through GWP programs and the Communication & Cooperation Seminars, Smart Board and Labor-Management Council.

GWP (Great Workplace)

Hyundai Steel has been operating the “Great Workplace (GWP)” campaign since 2007 to foster an energetic and positive corporate culture. In 2011, the three GWP missions included “finding the value of one’s work,” “communicating openly,” and “working creatively.” In 2012, we plan to focus on enhancing employee engagement and promoting a communicative culture with an emphasis on promoting the GWP, enhancing employee engagement, and reinforcing trust-based relationships.

Communication & Cooperation Seminar

Every year, Hyundai Steel holds 2-day communication & cooperation seminar for managers and sophomore assistant managers from different departments within the company. The seminars provide a venue for discussion and open exchange amongst employees. In an effort to increase solidarity, not only business-related but also personal exchanges between employees are encouraged.

Smart Board

Hyundai Steel’s Smart Board stands for Self-determining, Motivated, Active, Revolutionary and Together. It is a junior board consisting of 32 staff members (ranging from general staff to managers) from four different local operations-Incheon, Pohang, Dangjin and Seoul offices.

Cultural Exchange

Hyundai Steel runs a cultural exchange program to cultivate a global mindset and enhance a broader perspective among our employees. A given number of employees selected through an annual recommendation process organize teams and plan their own trips. They use mission books related to their destinations to map out their itineraries, a process which assures they will enjoy a more meaningful and direct cultural experience.

Special Lectures

In an effort to inspire our employees to positively and creatively embrace change, we regularly provide special lectures featuring prominent experts in the field of humanities every year.



Safety & Health

Hyundai Steel has instituted and continues to implement safety & health regulations in order to create a safe and healthy working environment. The Safety & Health Guidelines prescribe detailed procedures and protocols for ensuring safety and health at work for both Hyundai Steel employees and its partners’ employees.

Industrial Safety & Health Committee

Hyundai Steel operates an Industrial Safety & Health Committee at each of its steelworks. Consisting of 20 members total (10 from labor and 10 from management), the committees hold quarterly meetings to benchmark the best possible practices for safety & health management and to monitor the status of hazardous substance management. In addition, each steelworks holds monthly safety meetings to check safety controls and constantly works to find better ways of safety control. All good ideas are fairly rewarded throughout this process.

Monthly Safety Meetings

Each steelworks holds monthly meetings to check safety issues and track improvements that need to be made at each particular worksite. Each plant also sets accident-free target periods and rewards departments according to their accomplishments. In addition, Hyundai Steel holds council meetings with its partners to ensure collaboration on safety control at each worksite by raising safety awareness among employees and the employees of our partner companies.


Safety Rallies and Related Safety Campaigns

Hyundai Steel holds regular meetings at each steel plant to share safety information, experiences and ideas to prevent accidents. The meetings are conducted in such a way that good ideas that are put forth during these meetings are actually applied to real operations. Safety rallies and various other safety campaigns remind employees of the safety mind-set that they need to put in place every day before they start work.

Safety Training Center

In addition to its safety training programs, Hyundai Steel has safety training centers at its Incheon, Pohang and Dangjin Works in order to more effectively educate employees on safety issues. Equipped with diverse safety devices and accident simulation programs, these centers are accessible to both our employees and outside visitors and provide effective, hands-on education programs.

Health Management

Hyundai Steel is committed to providing a safe and healthy workplace for all of its employees. Each plant has an infirmary and a fitness room to promote a healthy lifestyle for our employees. In addition, the company subsidizes various health expenses as well as provides regular health check-ups and medical subsidies. 

Fire Drills



Example of

Safety at Work

Safety Rainbow

"Stable operations begin with safe worksites"

The Forged Steel-making Department of Incheon Works (capacity of 50 tons) was established in August 2008, when the Forged Steel Mill resumed operation. Led by the department’s general manager Jae-hun Park, the 98 team members sweated to produce a half-finished steel product Ingot. Dedicated to higher quality and productivity, they always pay extra attention to safety at work due to the belief that stable operations begin with safe worksites.

In particular, they have developed their own “Safety Rainbow” campaign to raise safety awareness among their colleagues under the motto of “A safety campaign easy for everyone” and “A joyful safety campaign.” The Department manufactures Ingots (half-finished steel material that is cast into shapes suitable for further processing, such as rolling or forging). Ingots are used as the components of ships and wind/nuclear power plant facilities. They are enormous in size and weight, with one unit weighing 180 tons. Therefore, a slightest mistake can lead to a huge setback in the product quality. It is no wonder the manufacturers of these essential products are so focused on maintaining a safe workplace.

Since June 2010, the Department has customized the Incheon Work’s “Safety Rainbow” campaign to its own needs. The Safety Rainbow campaign is a weekly safety campaign, consisting of 7 slogans, each of which starts with the first letter of the seven colors of the rainbow in Korean. The Forged Steel-making Department of Incheon



Works has made it a rule to examine the seven prescribed items on the list daily—check roll call, neat maintenance, preemptive risk control, wire rope condition, gas check, handrails/hooks, and safety gears. Forming a two-man group, they wear different rainbow work belts every day to take turns patrolling the plant and keeping safety records. In addition to these onsite checks, the Department has created its own safety manuals while the other departments have not yet.

In June 2009, the Department held a photo exhibition under the theme of “Safety saves lives.” The Department is committed to maintaining the safest and healthiest workplace possible for its employees, and strives to meet the highest standards in a society that emphasizes safety awareness.






Listening to the World

10

What does mutual growth mean to Hyundai Steel?

A company cannot succeed by itself. It can only generate greater value when it actively cooperates and communicates with its stakeholders. Hyundai Steel continues to move forward in maintaining diverse relations with business partners, customers, investors, local communities, governments, and NGOs. Keenly aware that trust-based partnerships with business partners plays a key role in mutual growth, Hyundai Steel provides generous support to its business partners to help build their technological, financial, business management and educational skills. 



Mutual Growth

Financial aid to partners
• KRW 423.6 billion

Hyundai Steel shares its profits with all stakeholder groups including business partners, customers, and investors, and endeavors towards advancing the steel industry and creating a new growth engine which will stimulate the overall development of the steel industry.

Enhancing the competitiveness of our partners

At Hyundai Steel, we pursue mutual growth through trust-based partnerships with our partners. We believe the key to building trust in partnerships with our partners lies in technological support. Therefore, we have initiated various technology transfer programs and developed diverse channels for active communication. We also provide financial aid for various projects and investments.

Building Partnerships

Technical support	Active communication	Financial aid
<ul style="list-style-type: none">• Technical support for product design• Training on seismic design technology• Joint development of an eco-friendly steel slag production process, casting steel work rolls for rolling mills	<ul style="list-style-type: none">• Seminars and training for partners' employees• Technological exchange prior to adopting new technology• Regular meetings with outsourcers, such as steel scrap partners, to each works and facility engineering contractors, etc.• E-procurement system to publicly open bidding for procurements	<ul style="list-style-type: none">• KRW 16.5 billion of interest-free loans to steel scrap partners for investment in facilities• KRW 7.7 billion support in guarantee fees to partners• Payment to partners in cash in 2012• Shortening bill payment terms to steel scrap partners from 80 days to 55 days

Mutual Growth Support Scheme

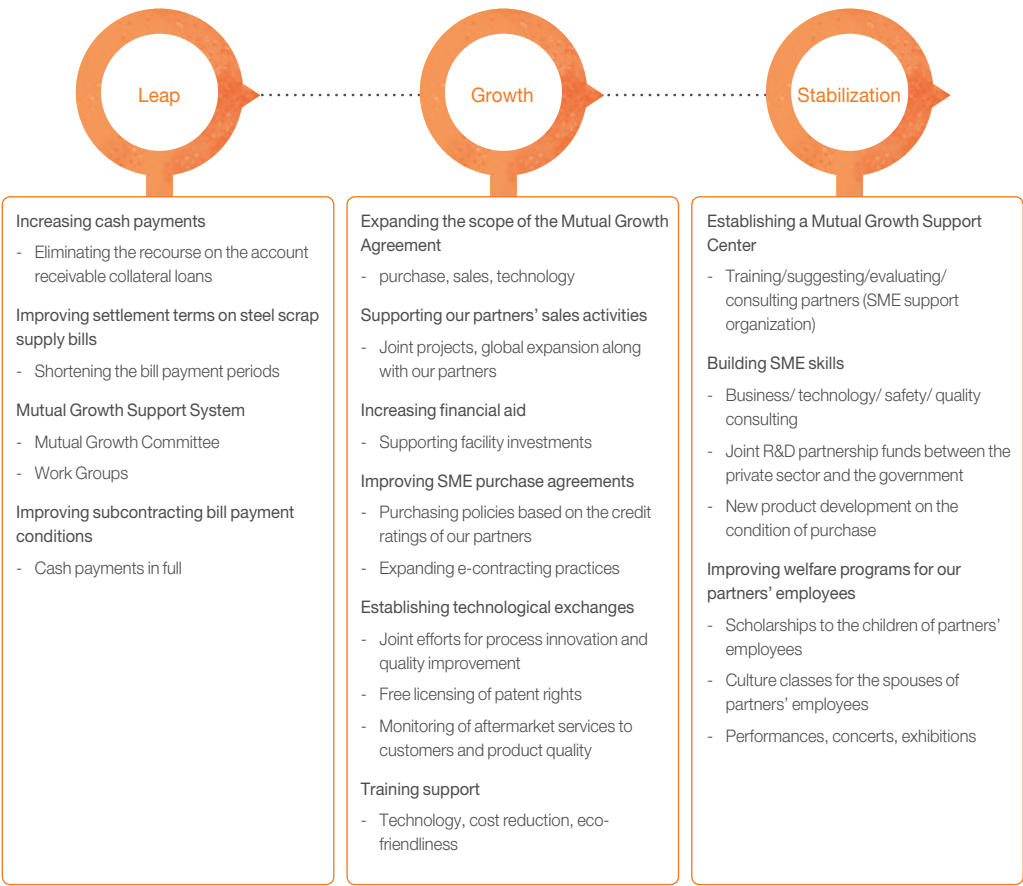
Hyundai Steel believes that Large Corp-SME win-win partnerships are the foundations of the competitiveness of the national economy. Therefore, in 2010 we expanded the Win-Win Cooperation Organization into a Win-Win Cooperation Committee, which consists of sale, purchase and production executives, in order to reinforce our company-wide win-win partnership. In 2011, the Win-Win Cooperation Committee renamed itself the “Mutual Prosperity Committee”, broadening the scope of its influence beyond simple mutual growth towards a more future-oriented relationship. Under this committee are several groups working for the actual implementation of initiatives. Hyundai Steel runs mutual growth programs in financial aid, technical partnerships, education and training.

On March 29, 2011, Hyundai Motor Group held a ceremony where it signed mutual growth agreements with 1,585 partners. Having been augmented from the previous win-win partnership agreement, the new agreement stipulates; the three guidelines of subcontracting will be reinforced and applied further to assure fair trade, financial aid will be provided for the continual growth of business, and various types of programs for mutual growth such as business support will be enacted. To provide technical support to our partners, the Group sends researchers to each business, runs an academy for quality control, and expands the scope of joint purchasing of raw materials. Hyundai Steel also contributed KRW 22.8 billion for its partners’ facility investment and Mutual Growth Fund. It improved its bill settlement conditions in favor of its partners by creating a cash paying system and shortening the payment period. The number of partners that signed the agreement has increased from 70 in 2011 to 87 in 2012. The support program has also been diversified.

No. of partners that signed the agreement with Hyundai Motor Group
• 1,585 companies

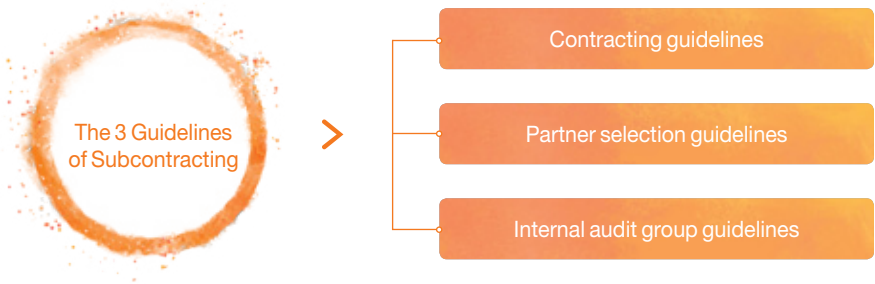
Long-Term Plan

Hyundai Steel has instituted and implements long-term plans for mutual growth with its partners. Originally developed in 2006, the mutual growth plans were upgraded in 2011 to provide the foundation for further co-operative partnerships between Hyundai Steel and its partners. Hyundai Steel plans to expand its partner support program in the future, and aims to become a leader in Korea in mutual growth practices.



Three Guidelines of Subcontracting

To promote mutual growth and fair trade compliance, Hyundai Steel's bylaws prescribe the following three guidelines of subcontracting

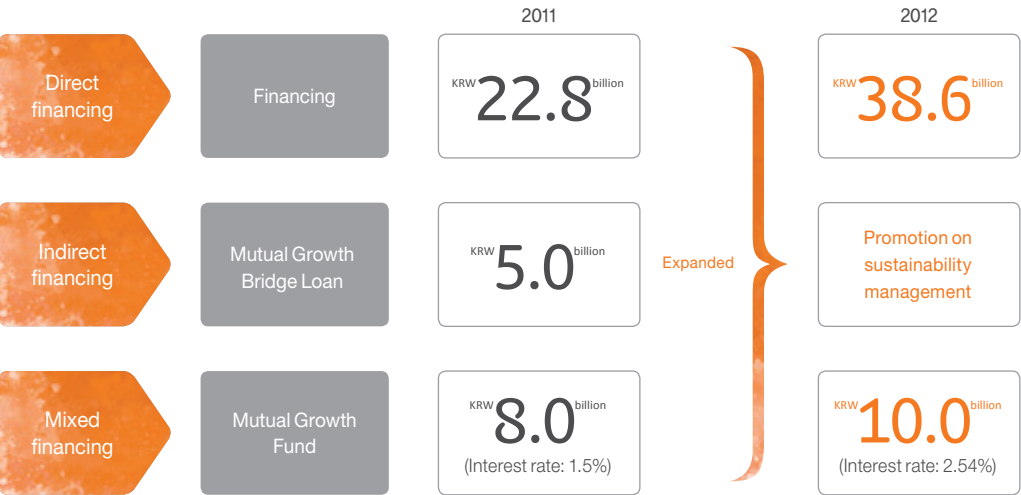


Financial Aid

Hyundai Steel expanded the amount of financial aid given to its partners, totaling KRW 22.8 billion in 2011, in an effort to provide its partners with higher actual benefits. Our steel scrap supply partners were provided with KRW 16.5 billion in interest-free loans as an investment in a storage yard facility. We also provided KRW 6.3 billion in guarantee fees to distributors, who are some of our most important customers. In 2012, we are planning to increase the amount of financial aid to KRW 38.6 billion.

Hyundai Steel provides bridge loans to its financially distressed SME partners, allowing them to get loans of up to 80% of the contract amount when they sign contracts to supply Hyundai Steel. The loan program offers loans at a 2.4% lower interest rate than ordinary credit loans to SME companies with credit ratings of BB+. In 2011, KRW 5.0 billion was extended in new loans.

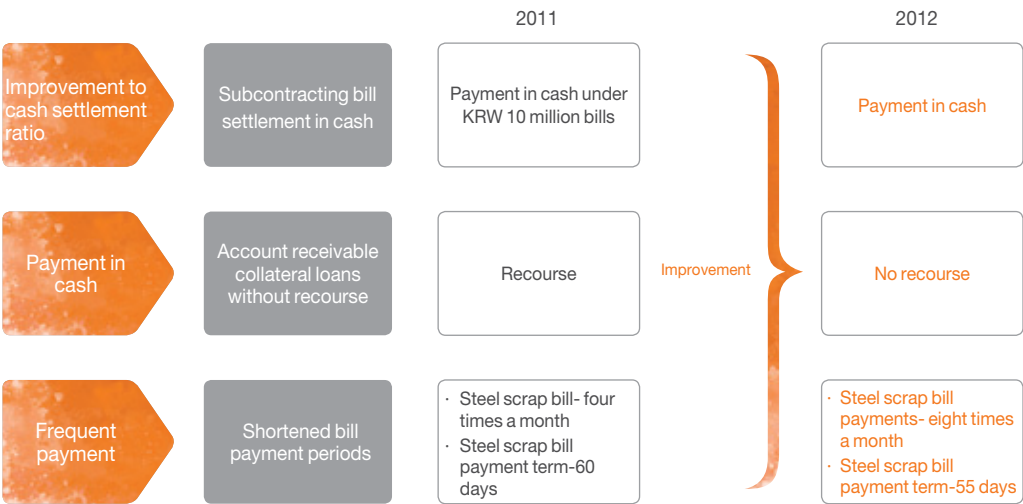
Furthermore, Hyundai Steel financed the Mutual Growth Fund with KRW 8.0 billion to support its financially distressed partners who find it difficult to get loans in excess of their existing credit line. This money provided support by supplying Hyundai Steel's partners with more working capital and cash to cover R&D expenses. When a business partner makes a request, Hyundai Steel writes a recommendation letter to Hyundai Commercial, which then evaluates the credit ratings of the applicant and extends loans to the partner with 1.5% of the given interest rates supported by Hyundai Steel. In 2012, our contribution to the fund was expanded to KRW 10.0 billion at an interest rate of 2.54% on new loans. In the run-up before national holidays, Hyundai Steel settles payments to its partners earlier than usual. We also contributed KRW 600 million to the construction of the Global Support Center under the Korea Federation of Small and Medium Businesses.



Improving payment terms

Hyundai Steel used to pay in cash for subcontracting bills worth under KRW 10 million. Now, we have improved our payment terms and pay all subcontracting bills in cash. We previously paid our steel scrap suppliers four times a month, but now we pay them eight times a month. We also shortened the bill payment term of steel scrap from 85 days to 60 days in 2011, and then shortened it again to 55 days as of January 2012.

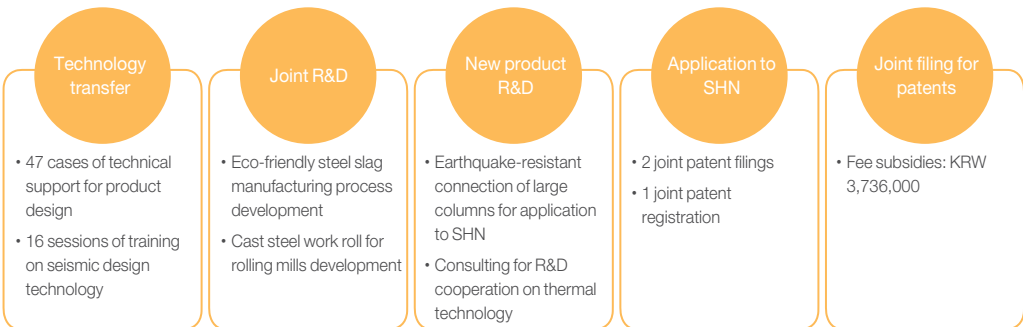
Contractors' bill
settlement frequency
8
times per month



Technical partnerships

The technological competitiveness of our partners plays a key role in our competitiveness. Therefore, we provide our partners with technical support and training. For instance, the Eco-Friendly Steel Slag Production Process R&D was a joint R&D project with our partners. It is part of a green process that reduces the production of steel slag from the steel-making process and increases the recovery rate of valuable metals to realize the creation of an eco-friendly steelmaking business.

A wide heavy plate work roll is required to manufacture a wide heavy plate of more than 5 meters in width. However, its development and production technology is so complex that only six companies around the world can manufacture it successfully. Korean heavy plate makers were previously importing the work rolls, as there was no domestic work roll manufacturing facility. The Korean steelmakers' rolling capacity significantly increased from 54 million tons in 2009 to 75 million tons in 2012. Consequently, the domestic demand for cast steel work rolls for rolling mills is expected to grow by 16% from 29,000 tons to 34,200 tons. Here, we seized upon an opportunity and began R&D efforts to localize wide-size heavy work roll technology in collaboration with SME, academic researchers, and industrial peers.

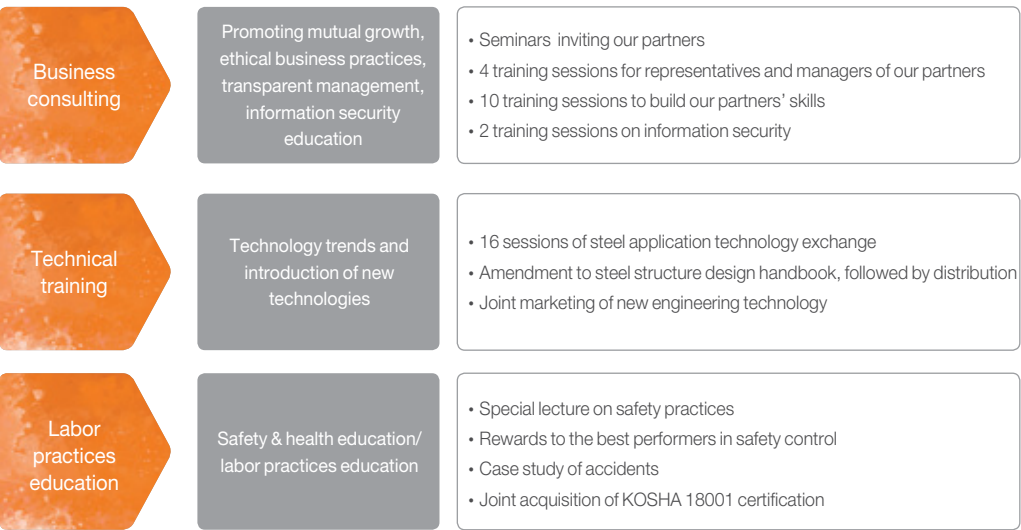


KOSHA 18001 (Korean safety & health management system)
a total management system to enhance safety and health management practices in organizations

Education & Training

In a bid to build relationships with our partners and communicate with them regarding mutual growth, Hyundai Steel holds regular seminars inviting our business partners to send representatives. We also reward the best performers in order to promote mutual growth. In 2011, we rewarded 27 of our partners with a total of KRW 480 million.

At the same time, we collaborate with our partners to maintain accident-free worksites as part of our safety management. As a result, Hyundai Steel and 16 of our partners received the KOSHA 18001 certification from the Korea Occupational Safety & Health Agency (KOSHA) on August 4, 2011.



Hyundai Steel's partner, CS Steel





Customer Value

Meetings with global buyers

• Every year since **2006**

Business thrives on the trust of customers that is given in return for the value provided by the business. Therefore, Hyundai Steel puts customer value at the top of its business activity priority list. Our customer-oriented management system facilitates customer-oriented and highly focused marketing. Through these efforts, we are able to enhance the quality of our products to meet the potential needs of our customers. To that effect, we created our 2012 management policies and core values with a focus on Customer Value Creation and Customer First Management. We aim to cultivate a customer-oriented corporate culture and build long-term, trust-based relationships with our customers.

Meetings with the global buyers

Hyundai Steel has been hosting meetings with global buyers every year since 2006 in order to maintain and solidify its business partnerships with global clients. Attended by 70 CEOs from 15 countries in Asia, the Americas and Africa, the meetings provide a venue for exchange and cooperation among global business partners. Hyundai Steel presented its vision of using the synergy achieved through the creation of its new blast furnaces and electric arc furnace, along with 50 years of technology, as the basis for continually providing its customers with top quality products. We also expressed heartfelt appreciation for their unwavering support and collaborative role in our remarkable accomplishments despite the unfavorable market conditions, and encouraged a sustainable cooperative partnership for mutual growth.

Customer-oriented organization

Hyundai Steel actively forayed into new markets by integrating its technology sales organization, developing customized steel products and enhancing the overall quality of its products. We reorganized our technology sales network, allowing our customers to tap directly into our advanced product technologies. While augmenting technology marketing by end-user industry, we employed different technology marketing strategies tailored to the needs of our customers. Through these activities, we anticipate the creation of customer service that can best serve the diverse needs of our customers while constantly adapting in step with a drastically changing world. In addition, we incorporated a quality monitoring process into our aftermarket service to deal more effectively with customer complaints about product quality. Quality control is a type of service performed before a product hits the market, as we preemptively identify potential customer complaints and address them promptly. This new quality monitoring process is the result of our extensive benchmarking of the global steelmakers' sales network and a reflection of our customers' voices.



2011 customer satisfaction survey on 235 client companies

• **68.2** points

Customer satisfaction survey

Hyundai Steel conducts an annual customer satisfaction survey (CSS) to enhance its customer satisfaction. Starting in 2011, we changed the CSS administration department to the Business Planning Team in an effort to enhance the reliability of the survey. The customer satisfaction survey consists of 70 questions in 11 different categories covering topics such as price, product, technology, quality and service claim handling. This survey provides us with opportunity for in-depth one-on-one interviews with client companies to hear any feedback or requests about products and services throughout the entire process, from sourcing and ordering to use. In 2011, we earned a rating of 68.2 points from 235 respondents. Based on these findings, we have developed plans for improvement in the areas of price and quality, which in our study proved to be the decisive factors in customers' purchasing decisions.

In an effort to cultivate a customer-oriented mindset within our sales force, we provide special training courses conducted by external experts on customer service. In addition, we offer technology presentations and product technology application seminars to strengthen our partnerships with our customers and to provide them with customized services.

Customer-oriented steel product development

Hyundai Steel's integrated R&D Center develops customized steel products that best serve our customers' needs. We have paid particular attention to expanding the R&D facility investments to build up our early vendor involvement (EVI) capabilities for car making client companies, allowing them to make their voices heard at the initial stage of product development so that we in turn can provide highly customized products. Furthermore, Hyundai Steel strategically focuses on making 28 steel products, such as the TMCP for offshore plant engineering and large vessels and anticorrosive steel products for oil drilling. Equipped with a comprehensive system that allows for the manufacture of a variety of steel products, we are able to efficiently fulfill the diverse demands of our client companies in the industries of construction, shipbuilding and plant engineering. In the future, we will also work to discover new uses for existing steel products so that we can continue providing our customers with competitive products. **H**



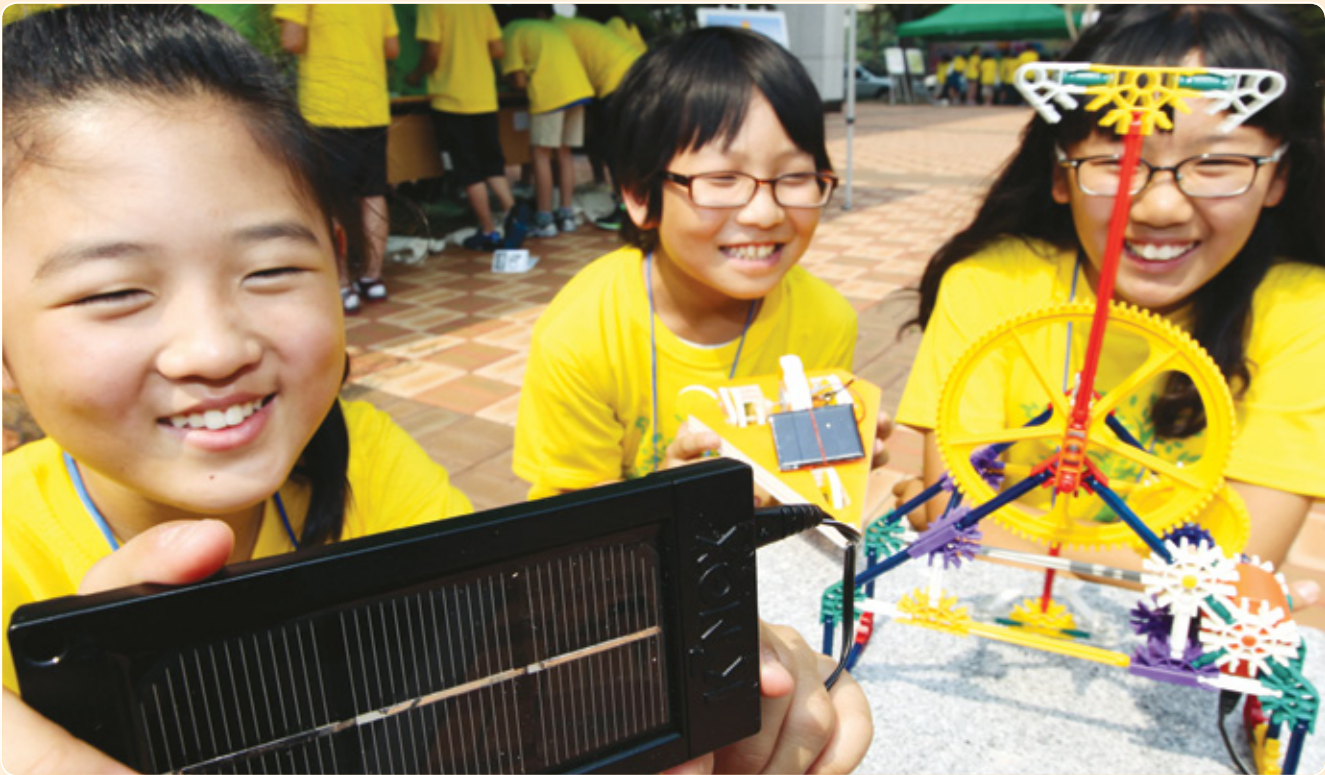


Listening to the World

11

How closely is Hyundai Steel engaged with local communities?

Corporate citizens play an important role in building a better society. As a responsible corporate citizen, Hyundai Steel strives for mutual growth with local communities by encouraging employees to voluntarily engage in activities that contribute towards society. Furthermore, it commits itself to protecting the environment, developing human resources and contributing to the economic development of each local community. H



Social Contribution Programs



No. Of beneficiaries of the House Remodeling for Hope program

214 households

Hyundai Steel contributes to the creation of a better society through its various community engagement programs that focus on community programs, employees’ volunteer works, environmental protection and HRD. Our employees’ volunteerism and our commitment to local communities help make us a sustainable corporate citizen that is respected by our stakeholders. Because local communities provide the premises for our operations, they are extremely important stakeholders in our business. As such, we regard cooperation and communication with them to be of the utmost importance. Our most notable community programs are House Remodeling for Hope, Green Guardians and Happy Yes.

House Remodeling for Hope

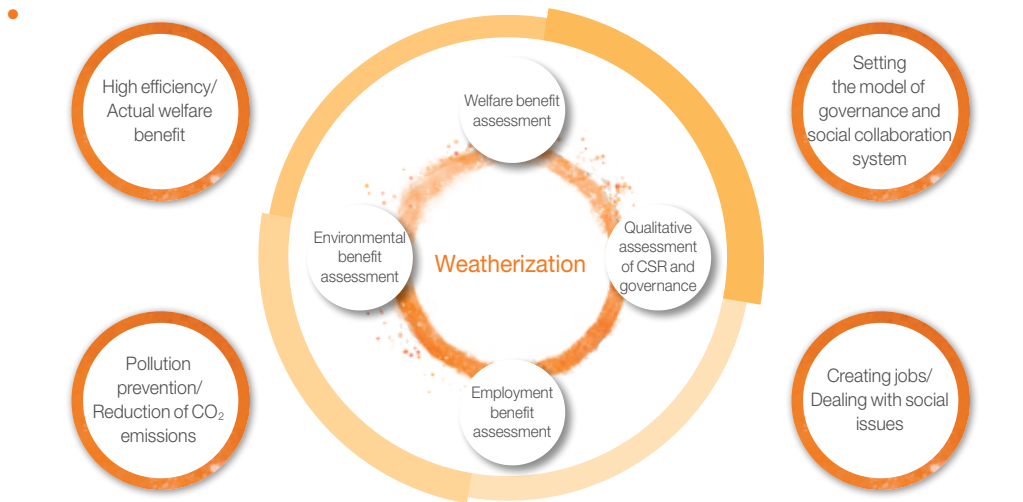
Houses are more than just residences to us. Each building contains the ordinary objects that make up a home—chairs, tables, walls— and serve as the background for happy family memories. Capturing the notion that the house is a home for our hopes, we launched the House Remodeling for Hope project in 2009. Now a number of our employees, Happy Yes volunteer corps and local volunteer corps are chipping in their resources and efforts to the cause. Through these efforts a lasting camaraderie has been formed among members of the company, the local community and the younger generation.

Sponsored by a matching grant program, the House Remodeling for Hope project had renovated 120 houses total by 2010. In 2011, we expanded the project to include a Housing Efficiency project, working to reduce the CO₂ emissions by improving residential conditions. As it requires a lot of labor and resources to repair houses, the projects not only improve the quality of living for people in low-income brackets but also create jobs for them, all the while reducing CO₂ emissions. As the saying goes, killing three birds with one stone.

The project, which is planned to span ten years and operate through 2020, also promotes the energy rights of people in low-income brackets. In 2011, the reduced amount of CO₂ emissions per house repaired added up to 1.11 tons—a savings equivalent to planting 190,000 Korean pine trees.

To Hyundai Steel, the project goes beyond repairing houses. We send energy coordinators once a month to the beneficiaries of our work to help them develop efficient energy use habits. Coordinators measure the standby power and provide energy-saving supplies, contributing to a reduction in electricity bills of KRW 12,000 per house. The Steering Committee, consisting of seven experts from welfare, environment and construction, administers and supervises the House Remodeling for Hope-Energy Efficiency project, finding new and various ways for houses to become more energy efficient.

Expected Benefits of the Housing Energy Efficiency Project






Green Guardians

Hyundai Steel has operated the Green Guardians, an environmental program for elementary students, since 2007. The program includes nature outings, camps and quiz contests for elementary students in Incheon, Pohang and Dangjin, to encourage them to conserve energy and practice eco-friendly habits in their daily lives. In 2011, Hyundai Steel and Seoul National University of Education offered a Green Guardians program on the subject of “Climate Change and Global Warming” for 1,000 students from 23 elementary schools.

Happy Yes

In 2009, Hyundai Steel launched an annual volunteer corps program consisting of 100 university students called Happy Yes. The name Happy Yes means “Volunteer activities make me happy. I always say yes to any requests.” In 2011, the third generation of Happy Yes participated in the House Remodeling for Hope and Summer Blue Santa event, and helped the disabled climb up the mountain during the Jiri Mountaineering event. 



Happy message after the mountain-climbing event

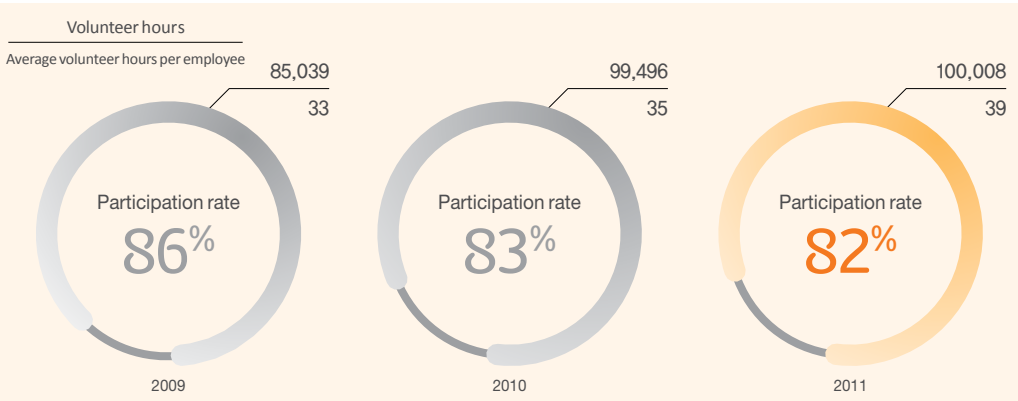
My name is Joon-keun, Oh. I am a rehabilitation teacher working at Miso village of Deoksu Welfare Foundation in Daegu. I am writing this letter to express my deepest gratitude to Hyundai Steel and Happy Yes volunteers for their kind care and help that they provided for our residents. This event inspired us with a dream—a dream of climbing a mountain. It was a great challenge for our disabled residents. Looking down at the magnificent sunrise at the top of Chotdaebong of Jiri Mountain, our residents were inspired with courage, confidence, hope and the energy to move forward.



Promoting Volunteerism Among Employees

Employee volunteerism

Hyundai Steel has systemized the voluntary activities of its employees. Office workers are obliged to volunteer for 8 hours every quarter, while the company-wide 12 volunteer corps, consisting of technicians and their spouses, participate in regular volunteer activities. The company also provides annual education to volunteer corps leaders to ensure that their activities are serving local needs.




* Managers

Blood drive

We have held an annual blood drive in March of every year since 2004 in order to address the social issue of blood shortages. The number of participants has grown year by year and reached 736 employees in 2011. We also hold a variety of events to promote blood donation within the local community. In 2008, we provided KRW 10,000 per blood donor to help child patients with leukemia. Afterwards, many of our employees voluntarily donated their blood.

Matching Grant campaign

To promote volunteerism among its workforce, the company launched a matching grant campaign in 2008. In 2011, 1,000 employees became new members of the campaign. The company matches employee contributions by contributing an equivalent amount of each donation to the fund. One employee can open up to 10 accounts worth KRW 2,000, with a ceiling of KRW 20,000. The fund is spent on the House Remodeling for Hope-Energy Efficiency project. 

Matching Grant Funds

	2009	2010	2011
No. of participants	2,590 persons	3,099 persons	4,092 persons
Participation rate	33%	37%	48%
Fund	KRW 171,284,000	KRW 192,959,000	KRW 227,861,000
Spent amount (employee donation + company contribution)	KRW 283,212,000	KRW 342,568,000	KRW 385,918,000
Expenditure	House Remodeling for Hope	House Remodeling for Hope	House Remodeling for Hope-Energy Efficiency
Beneficiaries	32 low-income families in Dangjin	80 families with low-income in Incheon and Pohang	94 families with low-income in Incheon, Pohang and Dangjin



No. of blood donors among Hyundai Steel employees

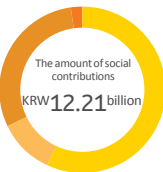
736 employees

Matching Grant Campaign



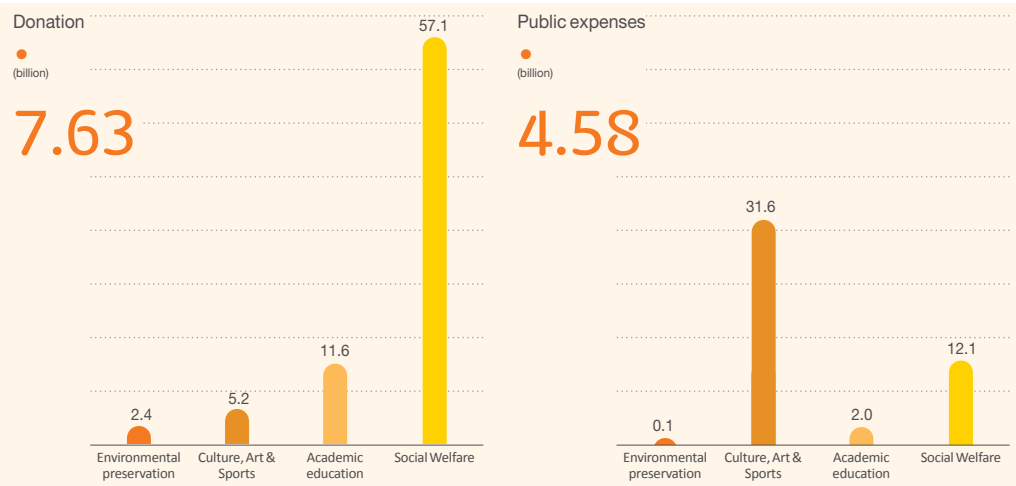


Community Engagement



- Social Welfare 57%
- Academic education 11%
- Culture, Art & Sports 30%
- Environmental preservation 2%

As a long-term companion to local communities, Hyundai Steel offers diverse support for welfare, culture & art, the environment and education.



Gifts for Festive days

In the run up to the two major festive days, New Year’s Day and Korean Thanksgiving, Hyundai Steel delivers gifts to local low-income families. Our employees visit 3,000 houses to deliver our gifts every year.

Revitalizing Traditional Markets

Since 2008, we have been conducting several campaigns to promote traditional markets, such as signing regular food supply agreements and encouraging our employees to shop for groceries at traditional markets. In 2010, we signed an agreement with Dangjin City and local market authorities in an effort to revitalize traditional markets. Under this agreement, we urge our employees to shop for groceries at traditional markets at least once a month and on national holidays, so that we can contribute to the development of local markets. In 2011, we purchased an Onnuri Gift coupon worth KRW 130 million and purchased supplies at local markets in Incheon, Pohang and Dangjin to donate to local charities. In addition, many of our employees participate in a Traditional Market Day campaign twice a year, which encourages shopping at nearby traditional markets.

One Team-One Village Sisterhood

Hyundai Steel entered into sister city relationships with nine villages in the vicinity of Dangjin Works in 2005. Organizing nine teams of our employees, the sister teams work as farmhands, clean up the environment of their sister villages, provide medical services, throw birthday parties for the elderly and supply oil fuels to local community centers for elderly.

Disaster Relief

Hyundai Steel actively becomes involved in disaster relief campaigns to help those damaged by floods and earthquakes. In the summer of 2011, 100 of our employees went to assist in the relief of flooded areas by cleaning up the surrounding area for a week, helping the victims of landslides, collapses and flooded houses. In addition, the company donated KRW 250 million to disaster relief efforts throughout the year.

Revitalizing Traditional Markets Campaign

Twice a year

Disaster relief activities



Protecting the Environment

Smile Microcredit Bank

Hyundai Steel agreed to contribute KRW 2 billion annually for ten years starting in 2009, to help people in low-income brackets and the financially distressed get back on their feet. Hyundai Motor Group Smile Microcredit Bank provides not only financial aid but also education and consulting programs to help the beneficiaries become economically independent.

No Disposable Cups at Work

Hyundai Steel declared a policy of “No Disposable Cups at Work” to curtail its greenhouse gas emissions. All employees are encouraged to use personal mugs and remove disposable cups from the office. This small change can contribute to the reduction of CO₂ emissions and the subsequent mitigation of climate change. The money saved by not purchasing disposable cups is donated to environmental civic groups to fund the Global Eco Leader program for elementary and middle school students.

Flea markets for charity

Hyundai Steel holds flea markets at its Incheon Works and Pohang Works in collaboration with the local governments. At these flea markets, employees sell things that they do not use anymore so that they can be recycled back within the community. The proceeds from the sales are then donated to charity causes, and the participants are able to learn the importance of the environment through the process of reuse. In the future, we plan to hold flea markets at least twice a year.

Cleaning up river, mountain, and oceanside environments



Flea market



No disposable cups at work

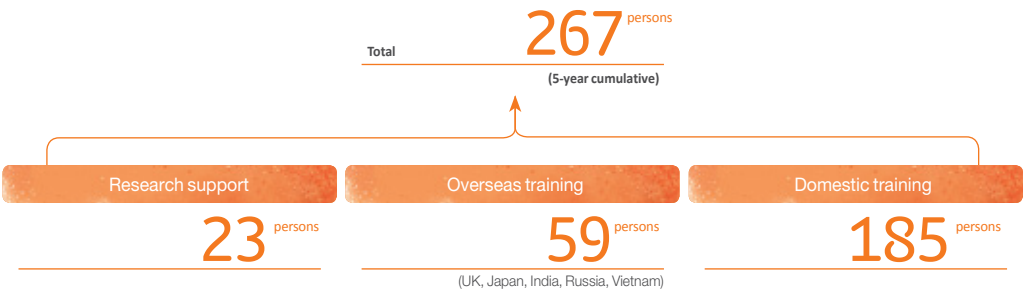




Educational Programs

Fostering social enterprise researchers

Hyundai Steel invests in training social enterprise experts in order to foster and promote the stable operation of social enterprises that create jobs for the underprivileged. After signing an agreement with the Graduate School of Sungkonghoe University Institute for Social Welfare in 2007, we provide domestic and overseas training opportunities to those aspiring to become social welfare experts working at social enterprise schools, social enterprise festivals or those who plan on establishing social enterprises. For the past five years till 2011, 267 beneficiaries have completed the training programs.

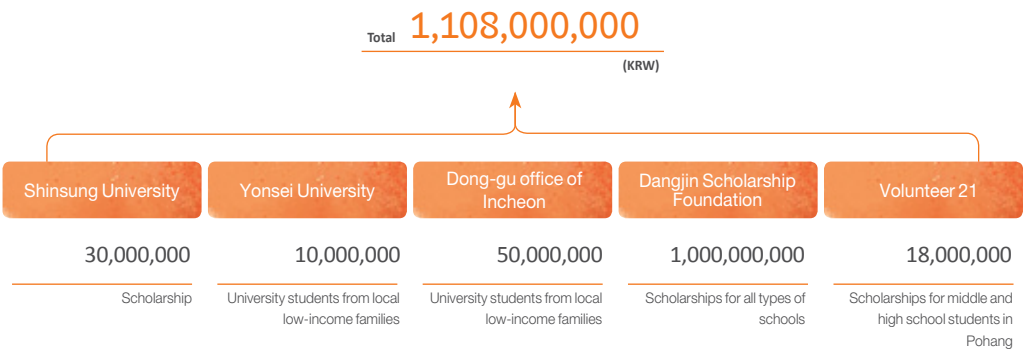


Junior Engineering Academy

Hyundai Steel runs a Junior Engineering Academy for elementary school students in Dangjin, inspiring them through science and technology. Developed by the Korean National Academy of Engineering, the courses involve performing various scientific experiments, such as seeing how an airplane flies, building a sun chaser, and making windup robots. In 2011, 85 of our employees volunteered to teach six classes at six elementary schools in Dangjin.

Scholarships

Hyundai Steel grants scholarships to students from the local communities where its works are located, helping them to continue their studies. **H**



Appendix

INDEPENDENT ASSURANCE REPORT _ 102
PAST SUSTAINABILITY REPORTS _ 104

Independent Assurance Report

Upon the request of Hyundai Steel (hereinafter referred to as the “Company”), the Business Institute for Sustainable Development (BISD) of the Korea Chamber of Commerce and Industry (hereinafter referred to as the “BISD”) presents the following Independent Assurance Statement on the “Hyundai Steel Sustainability Report 2011” (hereinafter referred to as the “Report”).

Objective

The objective of this assurance report is to provide the opinion of the Assurance Provider based on the independent assurance process regarding the sustainability management performances of Hyundai Steel.

Accountability and Independence

The Report delivers information on the activities, efforts, results and future plans throughout the year 2011 in terms of sustainability management, and Hyundai Steel is fully responsible for all the information and claims contained in the Report. The BISD only carries out the assurance procedures on the Report and provides its opinion as an independent assurance provider to the management of Hyundai Steel. The Assurance provider has no relations with Hyundai Steel regarding any of its for-profit operations and activities. In addition, the Assurance Provider has carried out its assurance process independently and autonomously, as it was not involved in the preparation of the Report except for offering comments in the assurance process.

Criteria for and Type of Assurance

The Assurance Provider assessed the Report against the standards of ISAE 3000^a and AA1000AS^b, and used the GRI Reporting Initiative (GRI) G 3.1 Sustainability Reporting Guidelines as its guideline. The limited criteria of ISAE 3000 correspond to the Moderate Level of AA1000AS (2008). The Assurance Provider conducted the assurance process for the Report in accordance with Type 2.

Scope and Subject of Assurance

The assurance scope is confined to the performance and activities of the Company during 2011. Data prior to the given year are not subject to assurance.

- Compliance with the three core principles of the AA1000 AccountAbility Principles Standard 2008 (hereinafter referred to as “AA1000APS”)—Inclusivity, Materiality, and Responsiveness.
- Whether the non-financial data (except for the greenhouse gas emission Scope 1, Scope 2 and energy use information, hereinafter referred to as “Sustainability Management Data”) were calculated and collected in accordance with the reporting standards as provided in the “About This Report” section of the Report.

The Assurance Provider also verified whether the financial data in the Report were properly quoted from the audited consolidated financial statements of the Company. The Assurance Provider also confirmed that the information and data contained in the Report are consistent with information subject to the assurance. In the case of detection of any obvious misstatement or material inconsistency of any information or data in the Report, the Assurance Provider considered the influence of the issue on the reliability of the assurance report.

Assurance Procedure

The BISD is not involved in any type of stakeholder activities, and the assurance process was conducted through interviews with the Company’s staff in charge and through review of the related documents provided by the Company. The assurance procedure includes;

1. Interview with the staff of the Company in charge of internal reporting and collection of sustainability management data to review the stakeholders’ approach to Inclusivity, Materiality, and Responsiveness
2. On-site inspection on the system and process of managing and reporting sustainability management data at the Headquarters of the Company
3. Review of the risk assessment process and results, sustainability management policies and guidelines, sustainability management materiality test matrix, and other documents related to stakeholder engagement
4. Assessment of the design and implementation of practices of the company with regards to the major processes and controls over the management and reporting of sustainability management data during the reporting period
5. A company-wide limited test of the calculation and collection data subject to assurance by the means of questionnaires and analytic review

Conclusion

The BISD did not find the Report to contain any material misstatement based on the procedures as described above. Based on the assurance results, the Assurance Provider presents the conclusion as follows;

Conclusion against the AA1000APS core principles is as follows;

- **Inclusivity:** Does the Report comply with the principles of stakeholder engagement for responsible and strategic response in its sustainability management practices?
 - The Company operates a variety of stakeholder communication channels with customers, business partners, shareholders & investors, governments & NGOs, and employees so that it may listen to their concerns and opinions.
 - The Company has conducted a stakeholder survey and has recently integrated the results into the materiality test process, expanding direct communication with stakeholders.
 - The BISD did not find any important stakeholder group left out of the Company’s procedures of collecting reports on sustainability issues through its communication channels.
- **Materiality:** Does the Report include all of the material issues with significant impact on stakeholder value?
 - The Company identified its material sustainability issues through the materiality test process.
 - Compared to the past, the BISD finds that the materiality test process has been upgraded and has improved accuracy in identifying material issues.
 - The Assurance Provider did not find any material issue excluded from the materiality test process.
- **Responsiveness:** Does the Report provide an adequate response to stakeholder issues?
 - The Company included its response measures and performance on the material issues of sustainability management that were identified from the materiality test process.
 - The Assurance Provider did not find any violation of the responsiveness principle in the Company’s responses and performances on material issues as provided in the Report.

The Assurance Provider did not find any non-conformity to the Company’s reporting standards by the 2011 date contained in the Report.

Recommendations

Without any influence on the assurance conclusion, the BISD presents its recommendation as follows;

- It is expected that the Company set long-term goals regarding its material sustainability issues and establish and improve the reporting scheme in line with the company-wide sustainability management strategy scheme.
- It is recommended that the Company improve its internal guidelines to further ensure that its sustainability report data and information are in perfect conformity with the reporting principles of consistency, accuracy and completeness.
- It is required that the company improves the Report data management and approval system and its control over the process.
- It is recommended that future reports publicly disclose the entire process of collecting and reflecting stakeholder opinions on the report and cover both positive and negative review of the Company in balance.

^a International Standard on Assurance Engagements 3000(Revised)—‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’ issued by the International Auditing and Assurance Standards Board

^b AA1000 Assurance Standard(2008), issued by AccountAbility

Past Sustainability Reports

Sustainability Reports

One Step for Tomorrow (2008~)



2008



2009



2010



2011



2012

CSR White Paper



2007

Environmental Report



2006



2007



Hyundai Steel supports the ten principles of UN Global Compact.

1) Human Rights

Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 : make sure that they are not complicit in human rights abuses.

2) Labour Standards

Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 : the elimination of all forms of forced and compulsory labour;

Principle 5 : the effective abolition of child labour; and

Principle 6 : the elimination of discrimination in respect of employment and occupation.

3) Environment

Principle 7 : Businesses should support a precautionary approach to environmental challenges;

Principle 8 : undertake initiatives to promote greater environmental responsibility; and

Principle 9 : encourage the development and diffusion of environmentally friendly technologies. .

4) Anti-Corruption

Principle 10 : Businesses should work against corruption in all its forms, including extortion and bribery.

