



ONE STEP FOR TOMORROW

HYUNDAI STEEL SUSTAINABILITY REPORT 2008



HYUNDAI STEEL  
SUSTAINABILITY REPORT 2008

## One Step For Tomorrow

Hyundai Steel has created a half century of history full of challenges and successes. Now, we are taking firm steps forward to rise even higher than we have ever been.

Hyundai Steel is striving to create a sustainable society in collaboration with our stakeholders.



※ This Report is printed in soy ink on eco-friendly papers.



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# HYUNDAI STEEL

## SUSTAINABILITY REPORT 2008

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# About the Report

As a part of the continuing effort to fulfill its corporate social responsibilities and respond to stakeholder demands, Hyundai Steel published its second Sustainability Report, following the publication of the first Sustainability Report published in September 2008. We hope this Sustainability Report provides a better understanding of our sustainability management system and achievements.

<b>Reporting Standard</b>	Hyundai Steel’s Sustainability Report 2008 was prepared in accordance with the Global Reporting Initiative’s (GRI) G3 Sustainability Reporting Guidelines and the BEST Sustainability Reporting Guideline.
<b>Organization of the Report</b>	This report consists of five chapters including corporate philosophy, economy, environment, society, and stakeholders. Recognizing the great interest of our stakeholders, we devoted a separate chapter to the Integrated Steel Mill project.
<b>Reporting Period and Cycle</b>	<p>This report covers the reporting period from January 1, 2008 to December 31, 2008, unless otherwise indicated. We will continue to publish Sustainability Report on an annual basis.</p> <p>※ Some of the information included in this report may concern activities pertaining to a period other than the reporting period. In such cases, specific dates are provided for clarity.</p>
<b>Reporting Scope and Coverage</b>	This report covers the sustainability management performance of Hyundai Steel’s head office, Incheon works, Pohang works, and Dangjin works, but does not include information on the sustainability performance of its overseas subsidiaries, production bases or associate companies in which it has a stake.
<b>Reporting Process</b>	<p>This report was prepared by Hyundai Steel’s CSR·EM Team, which assumes full responsibility for all corporate social responsibility programs and activities in the company.</p> <p>The information and data presented in the report was internally collected and reviewed by the sustainability task force consisting of employees and the organizations responsible for relevant activities and programs. A stakeholder survey was conducted in order to find ways to better respond to stakeholder demands for information and to identify issues of the highest interest.</p>
<b>Assurance</b>	All information included within the report has undergone a third-party review by the Institute for Industrial Policy Studies (IPS), whose independent assurance report is included in the appendix herein.

※ All monetary values in this report are in Korean won unless otherwise stated. The principal units of measurement used in this report include t (metric ton), km (kilometer), m² (square meters) and GJ (Giga-joule), and other units used in a few formulations are specified along with corresponding values.

※ All questions regarding this Sustainability Report should be directed to:

**Hyundai Steel Strategy & Planning Office, CSR·EM(Environmental Management) Team**  
: Tel. 82-2-3464-6212 / FAX 82-2-3464-6210

Sustainability management is a way of achieving progress while taking diverse interests of all stakeholders, including that of the government and society, into considerations



First of all, I would like to express my deepest gratitude toward all stakeholders who have expressed their sincere interest and affection for Hyundai Steel’s operation. This report marks the second consecutive publication of our Sustainability Report prepared in accordance with international reporting standards following our first report last year.

In addition to its primary contribution to the national economy through profit generation and job creation, Hyundai Steel is also striving to practice sustainability management by responding to various demands from stakeholders in areas including environmental management. This report is a means of creating an opportunity to listen to more opinions from our stakeholders as well as sharing our achievements.

Hyundai Steel has been a major supporter of South Korean industries and the national economy since our founding in 1953 as the first steelmaker in South Korea. Recently, a renowned global consulting company concluded in its assessment that Hyundai Steel is a steelmaker with the strongest product portfolio among electric arc furnace-based steelmakers. Its assessment is a clear proof of our competitiveness in the global steel market. Moreover, when the Integrated Steel Mill is completed at Dangjin, we expect to create a great synergy between the existing electric arc furnace and the blast furnace, currently under construction.

At Hyundai Steel, all our employees are determined to achieve competitive and sustainable growth in order to best respond to your continued support. Our efforts paid off handsomely last

year as we have made significant achievements including our first annual sales over 10 trillion KRW. We are also fully aware that these achievements were only made possible through the strong support and contribution of our stakeholders.

Despite last year’s great success, we are facing a difficult time as the global economy remains in a state of distress since it was hit by the international financial crisis starting from the second half of last year. However, great companies excel in times of great difficulty and we are ready to prove that Hyundai Steel is no exception. Hyundai Steel employees have faced numerous crises during more than a half century history of the company, and we have prevailed through all the difficulties with a strong teamwork and a great capacity. Today’s economic crisis presents a formidable challenge, yet I am confident that we will prevail once again and make a further development.

Despite expected hardships, we will continue our endeavor to fulfill corporate social responsibilities and become a respected company to all our stakeholders.

Our Sustainability Report is a commitment to our stakeholders and also our vision for a better future. I would like to ask for your continued support and advice to help make our achievements even greater in the future.

Thank you.

**Mong-koo Chung**  
Chairman  
Hyundai-Kia Motors Group



# Hyundai Steel is fulfilling its economic, environmental, and social responsibilities as a responsible corporate citizen



I'd like to express my heartfelt appreciation to all our stakeholders including shareholders, customers, and suppliers, for your continued support and interest in Hyundai Steel. As an important member of the modern society, companies have many responsibilities and obligations. For more than half a century, Hyundai Steel has made a strong effort to fulfill its social responsibilities.

For example, Hyundai Steel's electric arc furnaces can be considered as eco-friendly facilities because they are used to recycle steel scraps. In addition, the members of each steel works are striving to contribute to the development of local communities and to become a good neighbor to local citizens. On a national level, we are contributing to Korean industries, including construction, automobile, shipbuilding and manufacturing by supplying quality products.

In terms of economic achievement, we have achieved sales over 10 trillion KRW and more than 1 trillion KRW in operating profits for the first time in our history. Although it is an exciting achievement, we don't only concentrate on financial growth but also more concerned about fulfilling our social responsibilities that come with our greater presence in the society.

In fact, we established Corporate Social Responsibility Committee in 2008, in addition to a dedicated team responsible for Corporate Social Responsibility projects. We also joined the UN Global Compact and pledged our sincere intention to fully embrace its ten principles and fulfill our corporate social responsibilities.

Publication of <The Ethical Management Guidebook> ,

construction of eco-friendly Integrated Steel Mill by building closed-type eco-friendly raw materials handling facilities, and a provision of environmental education for children are examples of our increased efforts to promote environmental values and fulfill our corporate social responsibilities.

The year 2009 is expected to be a year of struggle for survival when all industries face an unprecedented global economic crisis. At Hyundai Steel, we are ready to face that challenge head-on utilizing employees with impeccable teamwork and 55 years of history with full of victories against hardships.

We are also on the verge of completion of our first blast furnace at the end of this year, and I envision Hyundai Steel standing strong, ready to make another leap forward with the completion of our Integrated Steel Mill.

Hyundai Steel will continue the effort to become a sustainable company that entirely fulfills its economic, environmental and social responsibilities as we have in the past.

Furthermore, we will continue to strive for stronger competitiveness and continue to make history in the next half century as a continuation of our legacy of the past half century. I ask for your continued interest and the cooperation of all our stakeholders to ensure our success in becoming a better company with greater success.

Thank you.

**Seung-ha Park**  
Vice Chairman & CEO  
Hyundai Steel



# 2008 Highlights



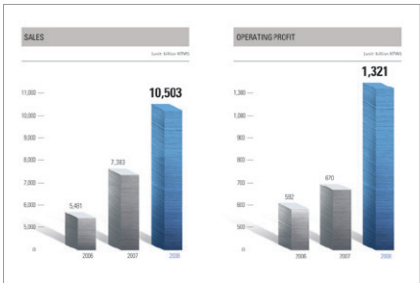
## Establishment of Corporate Social Responsibility Committee and Joining the UN Global Compact

In April 2008, Hyundai Steel made an official pledge to promote corporate social responsibility management and established Corporate Social Responsibility Committee. Additionally, in June 2008, Hyundai Steel joined the UN Global Compact which is a network of corporations with the intention of promoting corporate social responsibilities. By joining the UN Global Compact, Hyundai Steel declared its firm intention to promote CSR to both its internal and external stakeholders.



## Publication of <The Ethical Management Guidebook>

Hyundai Steel published <The Ethical Management Guidebook> in order to promote employee awareness on ethical management. The guidebook contains 50 cartoon episodes which illustrate common ethical dilemmas and solutions that employees might face during the course of their work. The 55 page-long guidebook is designed for easy portability to serve as a convenient reference for all Hyundai Steel employees.



## Economic Achievements

### More than 10 trillion KRW in Sales

Thanks to a vastly improved product mix which includes a significant portion of premium steel products, a robust steel market and a high market price, Hyundai Steel achieved 10.503 trillion KRW in annual sales, an operating profit of 1.321 trillion KRW and net profit of 822.5 billion KRW in 2008, for the first time in its history. Compared to the 2007 performance it is an increase of 42.3%, 97.4%, and 58.2% respectively.

## Environmental Achievements

### Construction of an Eco-friendly Closed-Type Raw Material Processing Unit

Hyundai Steel decided to eliminate fugitive dust problems associated with its Integrated Steel Mill by constructing an eco-friendly closed-type raw material processing unit for the Dangjin Integrated Steel Mill, currently under construction. It is a revolutionary solution to dust problems compared to traditional mitigation measures which aim to reduce dust from an open-air facility. With installation of an advanced raw material processing unit, Hyundai Steel's Integrated Steel Mill is bound to set a new epoch in environmental performance in steelmaking.



## Social Contribution

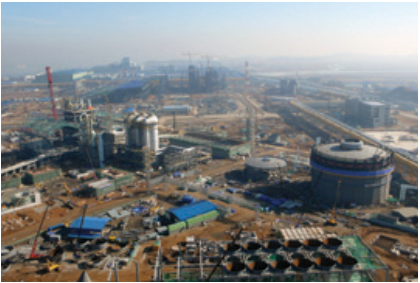
### Hyundai Steel won the Grand Prize in Corporate Social Responsibilities Award

The Corporate Social Responsibilities Award is an award created to promote sustainable corporate culture and social contribution activities by giving recognition for excellence to the corporation that has made the most exemplary achievement in the CSR area for a given year. In 2008, Hyundai Steel was given the honor of the Corporate Social Responsibilities Award, along with the Korea Tourism Organization for our social contribution activities including the Children's Green Academy, in addition to environmental protection activities and environmental management efforts.



## Smooth Progress on Construction of the Integrated Steel Mill

Hyundai Steel's Integrated Steel Mill construction is progressing smoothly with a total progress rate hitting the 50% mark as of the end of 2008, which is 105% fulfillment of the planned progress for 2008. The construction of the blast furnace unit is recording a 44% completion rate as well. The blast furnace units under construction are gigantic in scale, 110 meters tall and 17 meters in diameter, which gives 5,250m³ of capacity each. When completed, each blast furnace will produce more than four million tons of molten iron per year.







# Corporate Philosophy

Hyundai Steel is extremely proud of being Korea's first steelmaker and its half century of success powered by its unyielding spirit of challenge. Hyundai Steel will continue to contribute to the national economy, while fostering a win-win relationship with its stakeholders and continuing its growth as a global steelmaker.

**Hyundai Steel is preparing for another century of success with stakeholders, beyond its half century of successful history.**

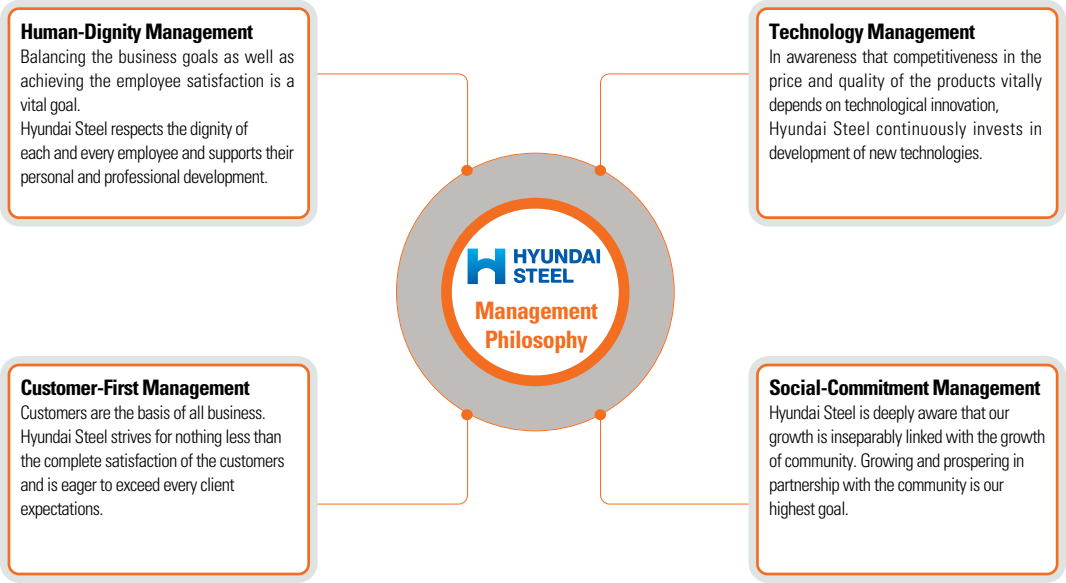
※ Left : Hyundai Steel's first blast furnace is under construction at the Dangjin Integrated Steel Mill.



# Management Philosophy

Respect for human dignity, society and customers as well as focus on technology are the four cornerstones of Hyundai Steel’s management philosophy, we aspire to grow and prosper together with our stakeholders.

- At Hyundai Steel, we understand the fundamental importance of harmony between the company and our employees, as well as the importance of technology which is the very core of the competitiveness.
- As a responsible member of society, we strive to contribute to the development of the society, and fulfill the needs of the customers who provide the very basis of our existence.



We have implemented measures to carry out business in a lawful and transparent manner, maintaining high ethical standards in our conduct, and trading fairly with partners in order to ensure continued sustainable business performance results. In order to ensure high standards of practice, we have set an official policy that clearly directs us not to take part in illegal lobbying or other political affairs, which include making financial contributions to any political parties or politicians.

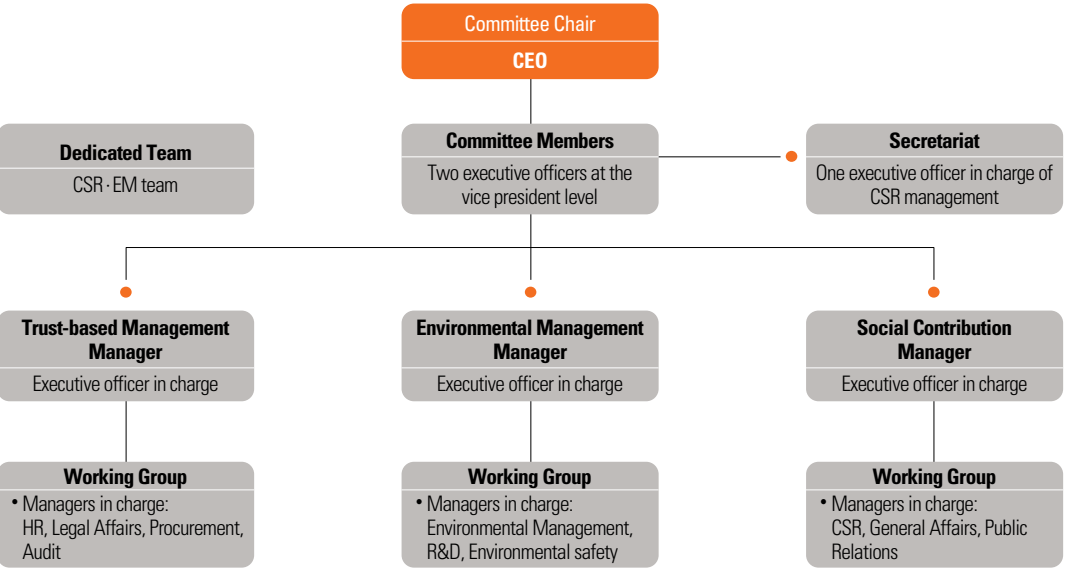


# Corporate Social Responsibility Management

In April 2008, Hyundai Steel established Corporate Social Responsibility Committee and made an official pledge to promote corporate social responsibility management.

In June 2008, Hyundai Steel also joined the UN Global Compact and declared its firm intention to fulfill its Corporate Social Responsibilities. In addition to fulfilling its natural duties of generating economic wealth, providing job opportunities and contributing to the domestic economy as a corporation, we will strive to embrace our management philosophy of pursuing common growth with our stakeholders by fulfilling our legal, ethical and social responsibilities.

## Corporate Social Responsibility Committee



## Key Achievements

Since our announcement to promote corporate social responsibility management, we have participated in the Hyundai-Kia Motors Group’s Global Youth Volunteers activities. More importantly, we also launched several social contribution initiatives of our own including publication of <The Ethical Management Guidebook>, construction of an eco-friendly, closed-type raw material processing unit; and the Children’s Green Academy classes in order to fulfill our corporate social responsibilities.





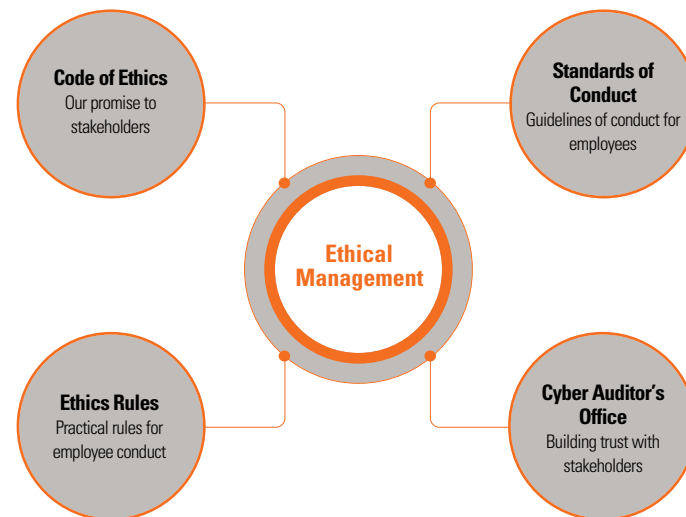
## Ethical Management

With a firm belief in ethical management as our management directive, we only value accomplishment achieved through ethical methods, and strive to become a company respected by our stakeholders for our ethical, fair and transparent business conduct.

We are endeavoring to promote ethical management to employees and stakeholders involved in procurement activities, where a higher ethical standard is needed due to the nature of the work. We have implemented a web-based integrated procurement system (eprocure.hyundai-steel.com) to achieve a higher degree of transparency in the procurement process, and have created a separate ethics committee within the procurement division.

A special series of 16 articles on ethical management in the Hyundai Steel newspaper is another important part of our effort to raise awareness about ethical management. We also published <The Ethical Management Guidebook> and distributed it to our employees to strengthen their ability to cope with their ethical problems.

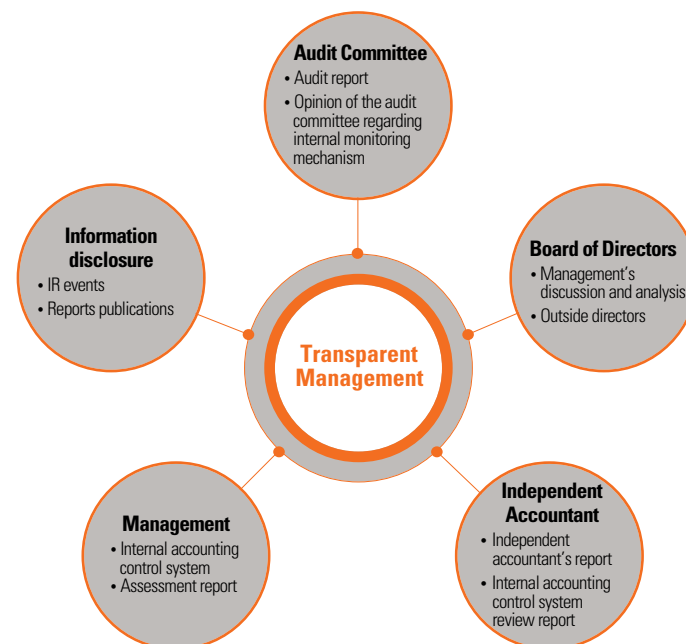
※ Refer to 2007 Sustainability Report (page 28, 29) for more detailed information on our Code of Ethics and Standards of Conduct.



## Transparent Management

Hyundai Steel has established various internal control programs in order to provide transparently reliable data on business outcomes to our stakeholders.

We are conducting internal audits and reviews via the audit committee and the board of directors. Independent accountants also conduct audits with objective standards to improve the reliability of our data. Our business results and financial data are disclosed in the most transparent manner possible via our quarterly, half-year, and annual business reports.



## Fair Trade

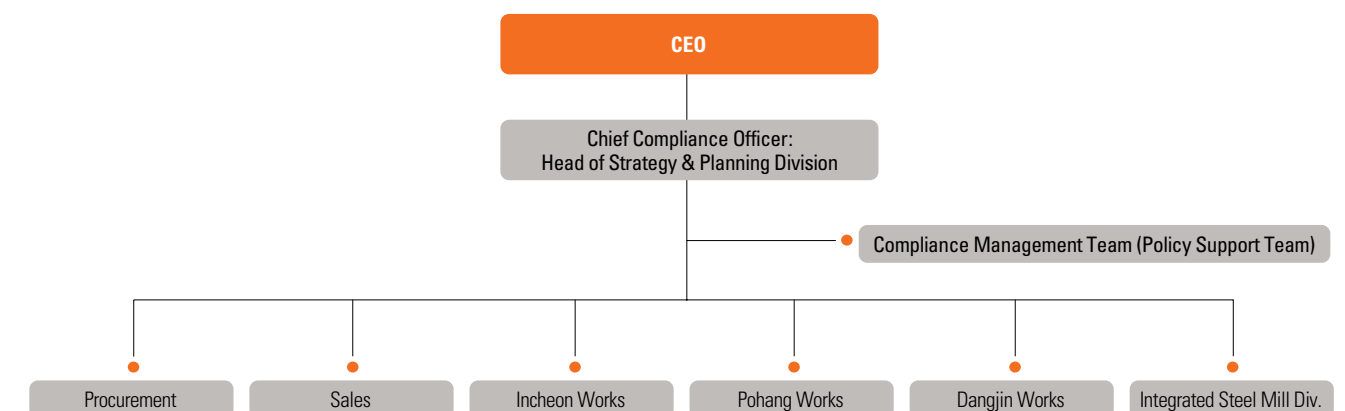
Hyundai Steel announced a declaration of compliance program in order to voluntarily promote fair trade principles, and has operated a fair trade Compliance Program since 2002. Our efforts have been recognized by the Fair Trade Commission, and Hyundai Steel was given an 'A' grade on January 7, 2009.

### Fair Trade Compliance System



※ Refer to 2007 Sustainability Report (page 32) for full detail on 'Declaration of CP.'

### Fair Trade Compliance Management Organization





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Compliance Program (CP) Activities

Compliance Education Result by Year									
	2006			2007			2008		
	No. of Sessions	No. of Participants	Duration (in hrs.)	No. of Sessions	No. of Participants	Duration (in hrs.)	No. of Sessions	No. of Participants	Duration (in hrs.)
Compliance Workshop	3	384	6	5	247	10	6	366	8
Online Compliance Education	-	-	-	1	126	20	-	-	-
External Training	2	4	18	3	5	48	6	10	48
Total	5	388	24	9	378	78	12	376	56

Internal Inspection

Hyundai Steel has identified operational areas where a stronger sense of compliance is needed, and conducts internal inspection on a regular basis. During the inspection, employees are given education on fair trade issues, which may arise in their work areas, in order to minimize possible breaches of compliance on fair trade.

	2006	2007	2008
Teams Subject to Internal Inspection	32	36	39

※ Penalty on violation of Fair Trade Act: Refer to Annual Report section II-1 B (1) (A) Other important Issues

In addition, Hyundai Steel has implemented all initiatives announced in the 2007 Sustainability Report to further strengthen compliance program including implementation of fair trade compliance education, recognizing and awarding compliance excellence through internal diagnostics, the establishment of a fair trade intranet system, and revision of the compliance manual.

Fair Trade Compliance Promotion Plan (2009)

1. Making fair trade compliance education a requirement

- A regular education on fair trade compliance is given to all employees on a regular basis. In the future, we plan to make the fair trade education program a basic part of the staff training curriculum as a mandatory subject for both newly employed and experienced members of Hyundai Steel.

2. Recognizing and awarding compliance excellence via internal inspection

- Teams and sections at Hyundai Steel who are exemplary in their compliance with fair trade requirements will be recognized and rewarded through a biannual award program to encourage others to follow their examples and improve the overall level of compliance within our organization.

3. Strengthening win-win cooperation with subcontractors

- A new clause allowing supply price adjustment at delivery, according to raw material price changes, will become a standard in our contracts with subcontractors in order to establish a win-win relationship.



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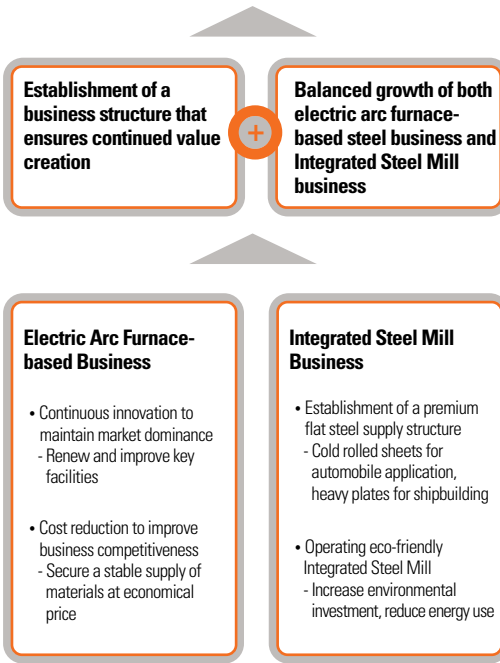
Vision and Core Values

With harmony and synergy between the most advanced Integrated Steel Mill and 55 years of electric arc furnace-based operation, Hyundai Steel is ready to become a steel company with a comprehensive line of steel products combining for an optimal product portfolio and exceptional competitiveness.

In order to meet our objective, we have identified unyielding spirit of challenge, respect for humanity, customer-oriented mindset, creative innovation and global mindset as the five core values that must be shared by all Hyundai Steel employees in conducting our business.

Vision

A steel company with an optimal product portfolio and exceptional competitiveness



Five Core Values

HYUNDAI STEEL  
Technology, Innovation, Future







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- Management Philosophy
- Corporate Social Responsibility Management
- Vision and Core Values
- Corporate Governance**
- Company Overview

# Corporate Governance

Hyundai Steel has a Board of Directors which consists of three executive directors and five outside directors. The Board of Directors deliberates and votes on major issues related to the fundamental policies of the company and business decisions, as well as agendas raised in general meetings of shareholders including issues related to laws and the company’s charter or bylaws. In 2008, the Board of Director met fifteen times for four regular meetings and eleven extra sessions. The attendance rate of outside directors was 93% during this twelve-month period. While the annual compensation cap for board directors at Hyundai Steel is set at 10 billion KRW, the total compensation paid out to board directors for the fiscal year 2008 amounted to 3.8 billion KRW.

Shareholder Composition			(as of Dec. 31 2008)
	No. of Shares	Ratio (%)	
Domestic Investors and Institutions	42,600,848	50.18	
Foreign Investors	12,098,025	14.25	
Kia Motors	18,159,517	21.39	
Mong-koo Chung	10,681,769	12.58	
Treasury Stocks	1,357,760	1.60	
Total	84,897,919	100	

## The Composition of Board of Directors

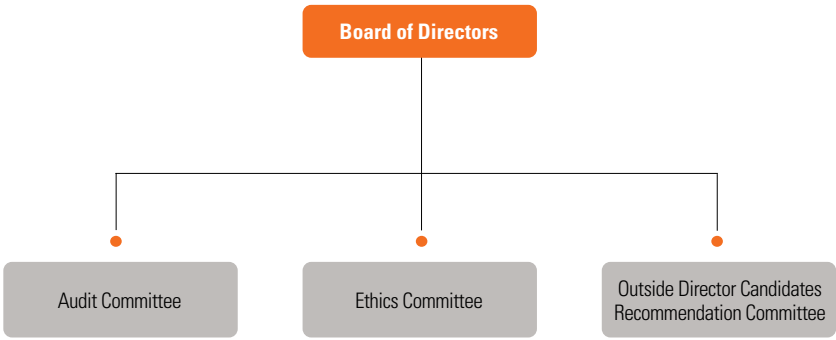
The board members are experienced experts in their fields, and all members strive to increase shareholder values and promote stakeholder interests. The board of directors also promotes ethical management, seeks to fulfill corporate social responsibilities, and manages the sustained growth of Hyundai Steel.

The Composition of Board of Directors			(as of Dec. 31 2008)
	Name	Board of Directors Committee Participation Status	
Executive Officers	Mong-koo Chung		
	Seung-ha Park	Board of Directors Chair, Outside Director Candidates Recommendation Committee	
	Young-gon Kim	Outside Director Candidates Recommendation Committee	
Outside Directors	Kyung-won Choi	Ethics Committee	
	Tae-sik Ahn	Ethics Committee, Audit Committee	
	Dong-joon Min	Ethics Committee, Audit Committee, Outside Director Candidates Recommendation Committee	
	Hyeong-soo Chon	Ethics Committee, Audit Committee	
	Sang-dae Kim	Ethics Committee, Audit Committee, Outside Director Candidates Recommendation Committee	

※ For information on the eligibility criteria for Board membership, Board agenda items and voting procedures, refer to Hyundai Steel Annual Report.



## The Composition of the Board of Directors Committees



## Audit Committee

The Audit Committee consists of four outside directors. The Audit Committee’s primary role is monitoring the company’s accounting, internal audits and financial reporting, in addition to investigating business processes and the company’s financial status. An internal mechanism is in place to provide access to information on all areas of the company’s business activities to ensure effective operation. During 2008, the Audit Committee convened five times to hear reports of operating results and deliberated on issues relating to the internal accounting management system.

Audit Committee Agenda Items	Items pertaining to general meeting of shareholders
	Items pertaining to Directors and Board of Directors
	Items Pertaining to Audit

## Ethics Committee

The Ethics Committee consists of five outside directors. The Ethics Committee is responsible for promoting and fostering an ethical corporate culture at Hyundai Steel and implementing transparent business practices company-wide. During 2008, the Ethics Committee convened seven times to review the status of the internal fair trade compliance program, as well as to discuss the status of social contribution activities and donations made by Hyundai Steel to public interest causes.

## Outside Director Candidates Recommendation Committee

The Outside Director Candidates Recommendation Committee is composed of the two executive directors and two outside directors. The Committee’s primary duty is nominating candidates for the seats of outside directors. In 2008, the Outside Director Candidates Recommendation Committee met once to nominate outside director candidates.

※For information on the board of directors and its decision on agenda items, refer to Section V-1 ‘Overview of Company Organizations including the Board of Directors’ in the Hyundai Steel Annual Report.



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# Company Overview

Established in 1953 as Korea’s first steelmaker, Hyundai Steel has played a prominent role in the development of the local steel industry and has contributed to domestic economy growth. With the completion of our first Integrated Steel Mill at the Dangjin works in the near future, and the existing electric arc furnace based operation, Hyundai Steel is transforming itself into a global steelmaker with a comprehensive product line.

## Our 55 Years of History



Hyundai Steel’s headquarter is located in Incheon with an additional office in Seoul. Three of our major manufacturing plants are located in Incheon, Pohang, Dangjin Korea. There are also five sales offices in major cities including Seoul, Busan, Deagu, Daejon, and Gwangju. We also have an overseas manufacturing plant in Qingdao, China. Our offices in Singapore, Los Angeles, Frankfurt, Beijing, Dubai, Tokyo, Hongkong, Hanoi and Vladivostok are engaged in sales and production-related activities in their respective regions.

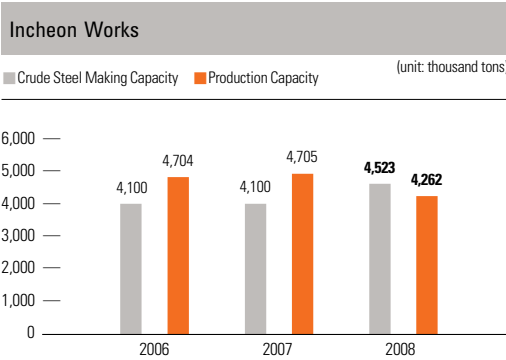
### Domestic Plant Status

**Location** 1-10, Songhyun-dong, Dong-gu, Incheon, Korea

**Site dimension** 920,000m<sup>2</sup>

**Annual production capacity** 4,262,000t

**Products** wide flange beams (H-beams), section steels, reinforcing bars, steel casting and forging, cold-rolled stainless steel plates, angles, channels

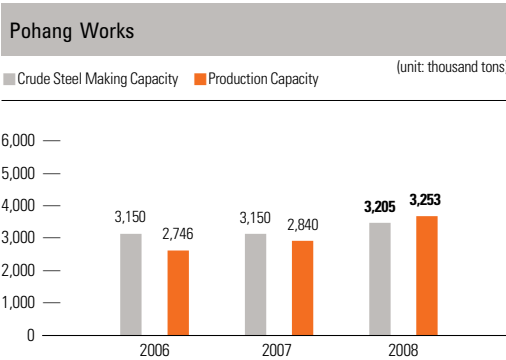


**Location** 444, Songnae-dong, Nam-gu, Pohang, Korea

**Site dimension** 660,000m<sup>2</sup>

**Annual production capacity** 3,253,000t

**Products** wide flange beams (H-beams), reinforcing bars, rails, round bars, centrifugal cast HSS rolls, track shoe assemblies

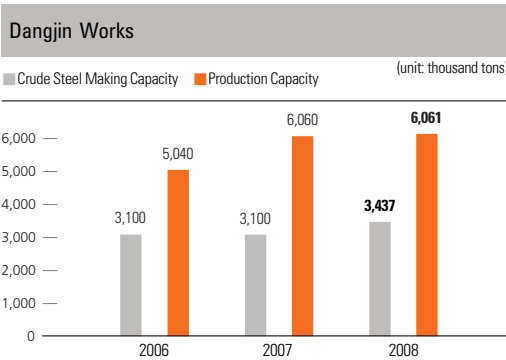


**Location** 167-32, Godae-ri, Songak-myeon, Dangjin-gun, Chungcheongnam-do, Korea

**Site dimension** 7,390,000m<sup>2</sup>

**Annual production capacity** 6,061,000t

**Products** reinforcing bars, hot-rolled coils



※ Steel Making Capacity: annual production capacity for molten iron  
※ Production Capacity: annual production capacity for finished steel products through rolling, casting and forging  
※ Location of Head Office: 1-10, Songhyun-dong, Dong-gu, Incheon, Korea  
※ For detailed information on the manufacturing process, refer to page 20 and 21 of 2007 Sustainability Report





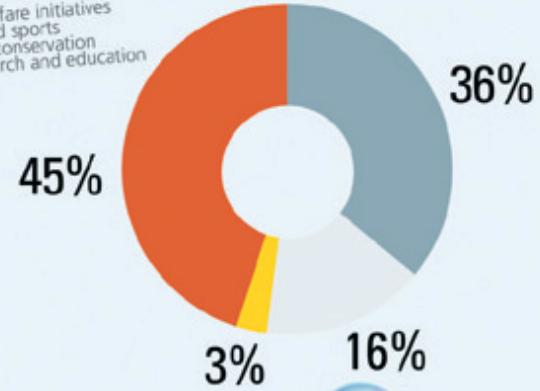


## HYUNDAI STEEL



Percentage Distribution of  
Social Contribution Expenditures by Type

Community welfare initiatives  
Arts, culture and sports  
Environmental conservation  
Academic research and education



# Sustainable Growth

Creating a stable and profitable business is a fundamental goal, as well as the natural responsibility of a corporation. With excellent personnel and technology as our core competitiveness, we are building a stable and profitable business structure, while achieving improved performance.

Utilizing our competitiveness at maximum efficiency, Hyundai Steel will strive for a sustainable growth.

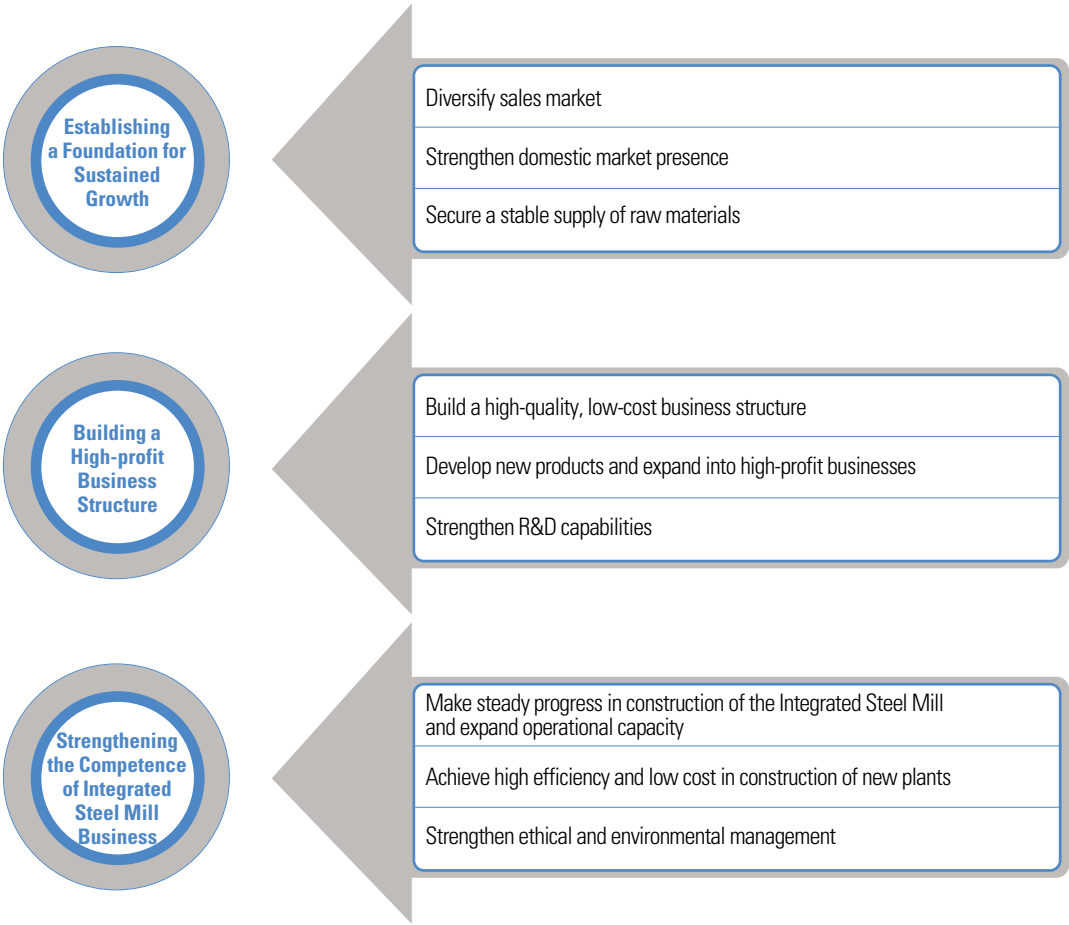




Economy  
Management Strategy  
Business Performance  
Competitiveness

# Management Strategy

In 2008, Hyundai Steel focused on the three strategic objectives of establishing a foundation for sustained growth, building a high-profit business structure, and strengthening the competence of Integrated Steel Mill business. As a result, we have established a robust and flexible sales-base, created a stable supply of raw materials, developed premium products, steadily progressed in developing the Integrated Steel Mill project, and expanded the operational capacity.



## Establishing a Foundation for Sustained Growth

In addition to further strengthening the domestic market presence with improved customer satisfaction, we pioneered new overseas markets and diversified sales channels, creating a more flexible sales base which can help us respond better to various changes in market situations. We have also strengthened the raw materials supply channels in order to better cope with rapid changes in the raw materials market.

## Building a High Profit Business Structure

We concentrated on building a high-quality, low-cost business structure and succeeded in the production of new products with the potential to lead the market, including rails for magnetic levitation propulsion trains, large-sized (400type) H-beams, extra-large 130-ton \*ingots, which is over the existing. The products contributed in generating higher profits for operating profit margin has reached to 12.6% in 2008 which is a 3.5%p increase from 2007. In order to further strengthen high-profit business model, we will strengthen research and development capacity through the Hyundai Steel Research Institute, founded in 2007, as the center of our research efforts.

## Strengthening the Competence of the Integrated Steel Mill Business

Much effort was made to attract talented employees and educate themselves about advanced technologies to make steady progress in the construction of the Integrated Steel Mill and to expand operational capacity. We are also striving to build the new plant while achieving high efficiency and low costs, using our past experience and knowledge in the steel industry. Creating an eco-friendly Integrated Steel Mill is another important objective, and promoting ethical management in its construction process is another strategic objective of the operation.

### 2009 Management Policy

- **Strengthen risk management capacity on a company level**
  - Improve information collection and market forecasting
  - Build management plans for more effective risk management
  - Fulfill corporate social responsibilities
- **Growth with stronger internal strength**
  - Secure high quality low cost production technologies
  - Pioneer new markets and identify new demands
  - Establish a stable financial structure
- **Build the Integrated Steel Mill and prepare for full operation**
  - Make progress on time and reduce costs
  - Take measures to start and stabilize operations
  - Establish capacity for technology leadership

\* Ingot : A product created by casting molten iron (iron in liquid form) from an electric arc furnace into a mold

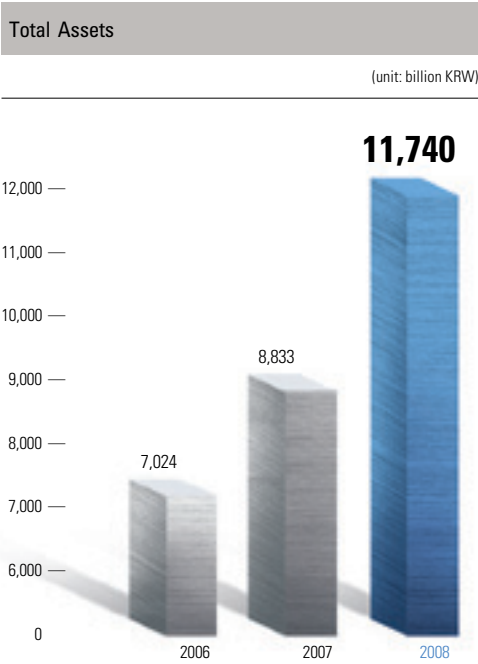
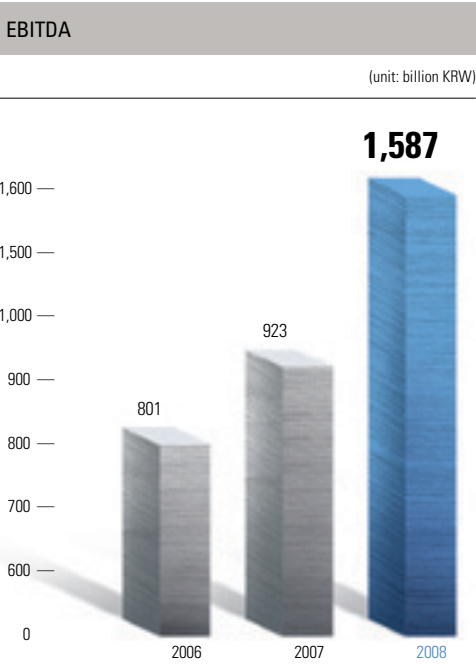
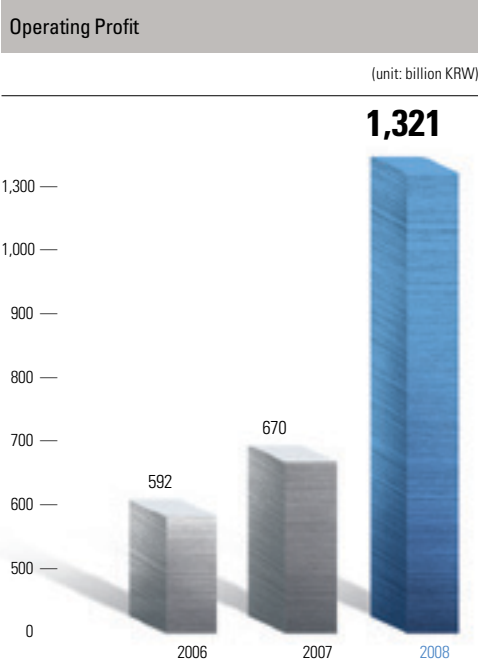
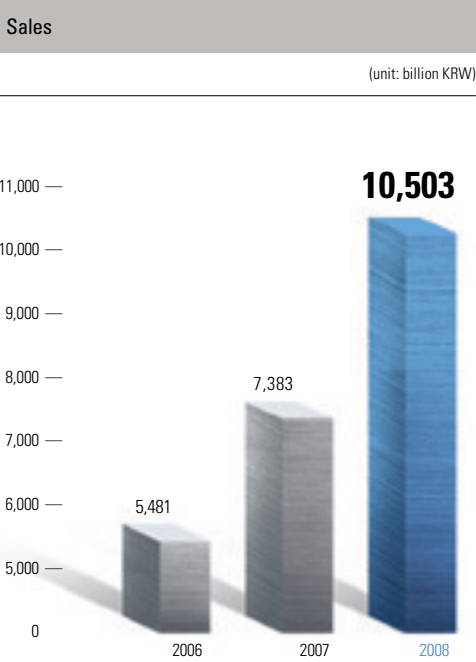


# Business Performance

Annual Sales of more than **10 trillion** KRW  
Operating Profit of more than **1 trillion** KRW

In 2008, we have achieved a stellar business performance backed by not only robust market situations, but an improved product mix with the successful development of premium products. Our total sales in 2008 was 10.503 trillion KRW, a 42.3% increase compared to 2007 sales. Operating profit was 1.321 trillion KRW and net profit was 822.5 billion KRW, a 97.4% and 58.2% increase compared to 2007, respectively. Excluding financial institutions, only 13 companies based in South Korea have achieved more than 10 trillion KRW in sales and more than 1 trillion KRW in operating profits. In addition to increases in sales and profits, important financial indicators of stability and profitability have all improved, signifying a sustainable growth with increasing sales and profits.

Key Business Performance Indicators			
Item	2006	2007	2008
Sales (billion KRW)	5,481	7,383	10,503
Operating Profit (billion KRW)	592	670	1,321
Current Ratio (%)	116.53	142.25	154.26
Interest Coverage Rate (times)	5.57	5.42	8.82
Operation Profit Margin (%)	10.80	9.07	12.58
Sales Growth Rate (%)	8.52	34.69	42.26





Economy  
Management Strategy  
Business Performance  
Competitiveness

# Competitiveness

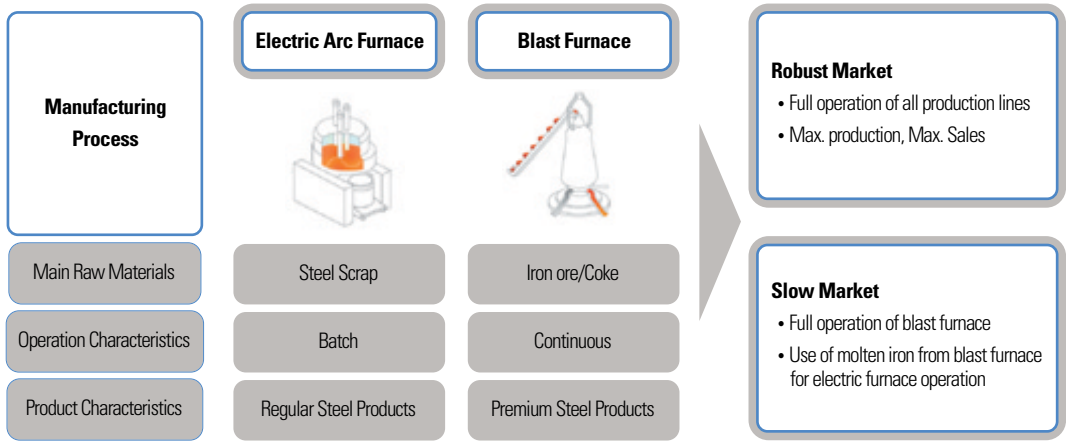
The global steel industry is heavily influenced by changes in price and the supply of raw materials, as well as related industries that consume steel products, which are in turn effected by the changing global economic situation. Thus, steelmakers are struggling as the global economic recession, which began at the end of 2008, has begun to cause a slow-down of steel-consuming industries driving all steelmakers into intense competition. Despite this situation, we are ready to overcome any crisis in challenging situations with a strong business foundation and a unique set of competitive strengths.

## Optimum Product Portfolio

For instance, we have an optimal portfolio, which includes reinforcing bars, section steel, hot-rolled coils, STS, and heavy machinery which is used by a wide range of industries, creating a synergy effect and a stable business structure. Once the Integrated Steel Mill is completed, we will start producing premium steel sheets, in addition to long products, growing as a global steelmaker with a comprehensive line-up for a greater number of customers.

## Synergy of Electric Arc Furnaces and Blast Furnace Operations

When the Integrated Steel Mill project is completed, Hyundai Steel will have both electric arc furnace and blast furnace which will create flexible production capabilities that can better respond to changing market situations.



## Quality and Technology

Hyundai Steel has already reached a high level of quality and productivity in electric arc furnace-based steel production with more than half a century of successful operations. The fact that six of our products are recognized by the Korea Ministry of Knowledge and Economy as the 'World First Class Goods' is proof of our success.

### An Interview with a Steel Expert



Jong-Heon Lee Seoul Bureau Chief, United Press International

Korean steelmakers are facing daunting challenges from rising energy costs to global regulations on greenhouse gas emissions and competition from Chinese rivals. Yet, Hyundai Steel seems to be overcoming the challenges with "think-outside-the-box" approaches, highlighted by the construction of a 450 billion KRW (\$357 million) closed-roof raw material handling facility in its Integrated Steel Mill in Dangjin.

By carrying and storing raw materials such as iron ore and coking coal inside the closed-type facility, the steelmaker can reduce pollution. It can provide a solution to the steel industry facing global environmental regulations. Such entrepreneurship that makes creative and bold investments for the future is the prime source of Hyundai Steel's competitiveness.

The Integrated Steel Mill under construction will help Hyundai Steel resolve difficulties in securing semi-finished steel products and scrap. The blast furnaces scheduled to open by early 2010 and existing electric arc furnaces are expected to create synergy, allowing reduction in production costs and achieving balanced growth. Competition between Posco and Hyundai Steel is also likely to upgrade Korea's steel industry as a whole.

Hyundai Steel is spending as much as over 5 trillion KRW (\$4 billion) for the Integrated Steel Mill, but expecting to fully recover the costs as the global economy is rebounding. There would be no problems in sales, given stable demand from local automakers and shipbuilders. Due to chronic shortages, Korean steelmakers have been forced to import some 20 million tons of semi-finished steel products every year. By increasing its share of premium products in its overall portfolio, Hyundai Steel will also be able to achieve a stable profit margin.

Hyundai Steel has already earned major certifications for many of its products to tap into premium markets of the Middle East and Europe. Most of all, its image as an eco-friendly steelmaker will lay its foundation as a forward-looking global corporation.





Economy

Management Strategy

Business Performance

Competitiveness

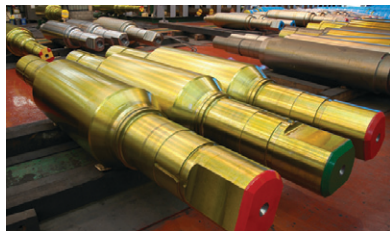
World First Class Goods

Six of our products made it to the list of the ‘World First Class Goods’ in 2008, proving our first class technological prowess and the competitiveness of our products. In order to qualify as a ‘World First Class Goods’, each product must meet strict qualifications designated by the Korea Ministry of Knowledge and Economy, which include a market share ranking of fifth or higher (with minimum of 10% market share) in a product market size of more than 50 million dollars (with a minimum of twice the size of the domestic market).



Wide Flange Beams (H-Beams)

Wid Flange Beams are developed for the first time in Korea by Hyundai Steel. The excellent quality of our Wide Flange Beams are widely recognized by customers at home and abroad. In particular, high-strength wide flange beams, weathering wide flange shapes and rolled wide flange shapes for structural construction are high value-added products that require high technologies and quality management. These products have a superior position in quality competitions in the global market. Wide flange beams are popularly used for structural frames, as they have an outstanding shock absorption capacity and are extremely easy to weld. They are widely used, for instance, as crossbeams or columns for buildings like steel-frame multi-story apartment buildings, industrial plants, warehouses, airplane hangers and gymnasiums. It is also used as foundation pile for subways and bridges.



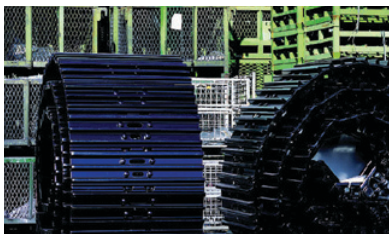
Centrifugal Cast High-Speed Steel Rolls (HSS Rolls)

Hyundai Steel is one of the leading suppliers of steel rolls in both domestic and overseas markets, with production of wide range of centrifugal cast HSS rolls to ADM rolls. Hyundai Steel’s centrifugal cast HSS rolls were selected as a ‘World First Class Goods’ in 2001. Hyundai Steel developed its first generation of HSS rolls back in 1993, and is currently producing fourth-generation HSS rolls with improved abrasion and heat resistance. Fifth-generation HSS rolls and carbide-reinforced thick plate rolls are currently under development. HSS rolls, as they are manufactured through a centrifugal casting process, are far superior to other steel rolls in abrasion resistance, and, as a result, also have a longer lifetime and better meet the desired product specifications including dimensions.



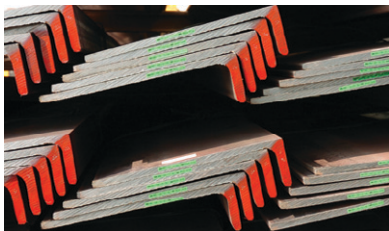
Steel Casting Products for Ship Parts

Steel casting products are used for ship parts such as the rudder horn or the stern boss. They are designed to resist corrosion, vibration and cavitations (the sudden formation and collapse of bubbles resulting from the rotation of a ships propeller), liable to occur while submersed. Manufacturing such products capable of withstanding these special environmental challenges at sea requires a high level of quality control, as well as advanced technology. Steel casting products are necessary for large ships such as containerships, and thus steel casting products are in high demand in domestic, Chinese and Japanese markets.



Track Shoe Assemblies

The track shoe assemblies are part of the undercarriage of excavators, and is considered an important part comparable to the engine. The track shoe assemblies disperse body mass efficiently and ensure good traction on unstable terrain including swamps, sand or gravel surfaces. Hyundai Steel has been consistently supplying track shoe assemblies to major Korean and Japanese construction and machinery manufacturers since 1985. Recognized for its high quality, Hyundai Steel is steadily increasing its market share in Chinese, Japanese, European and East Asian markets.



Inverted Angles

Inverted angles were developed to minimize actual tonnage of a vessel. Inverted angles also help disperse the shock of a collision. The inverted angles, which are used for the decks of large ships and important welding spots in ship structure, are made of high-strength carbon steel and Si-Mn alloys. Due to their excellent welding characteristics, they are ideal for use in the structural body of ships. Hyundai Steel developed its first line of inverted angles in 1982, at its Incheon Works, becoming the world’s second supplier of this product category. Hyundai Steel is continuously stepping up its investment in high-strength steel parts for high value-added ships, and is planning to expand markets for inverted angles to Japan and China in addition to the Korean market which is the largest market in the world.



Sheet Piles

Sheet piles are used to bear the vertical or horizontal load from an upper-structure to the foundation soil. They are also more eco-friendly because they can be reused, and thus do not generate construction waste and other types of pollutions. They are commonly used in permanent structures, water structures, and ground structures. The 600mm wide sheet pile, developed by Hyundai Steel for the first time, has excellent competitive strength in the global market.

※ Please refer to the product catalogue handbook for details on dimensions, performance characteristics and application areas of each product.







# Environmental Performance

The natural environment is the single, most valuable asset that we must preserve for future generations. As a company striving for superior environmental performance, Hyundai Steel is determined to manage every process of our operations, from raw material handling to production of finished products, by working with our suppliers, customers, and local communities.

**Hyundai Steel will take all due care to minimize the environmental impact associated with its production activities.**





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# Environmental Policy

In the wake of opening a new chapter of Hyundai Steel’s history as a global steelmaker with both electric arc furnaces and blast furnaces, we are concentrating on improving the energy efficiency of our electric arc furnace operation and establishing a greenhouse gas inventory for the Integrated Steel Mill in order to aggressively tackle climate change issues. Following our existing environmental strategy as a guideline, we will make a continued effort to reduce greenhouse gas emissions, as well as our energy usage in order to better prepare for blast furnace unit 1 operation, beginning in 2010.

In 2008, we started to make progress on generating economic value out of byproducts from Hyundai Steel plants. Previously, byproduct research conducted at Hyundai Steel focused on safe disposal. However, now we are finding ways to utilize steel slag from electric arc furnaces for wider applications and developing techniques to recover valuable resources from steelmaking dust, while creating profit and disposing byproducts in more eco-friendly ways.

The publication of our first environmental report in 2006 has led to a company wide change in perception creating a common understanding of the importance of environmental management. We are controlling pollutants, including water, air and chemical pollutants, inevitably generated during our production process, following strict internal guidelines. We will make every effort necessary to ensure our employees full abidance to our environmental guidelines, in preparation for the Integrated Steel Mill operation.

Hyundai Steel Environmental Policy

1

All environment-related laws and regulations must be strictly observed, and new legislation or regulatory rule-making or strengthening of existing rules must be anticipated and responded to in a timely manner.

2

The environment should be the utmost priority in the company’s business strategy, and efforts should be made to reconcile environmental stewardship and other performance goals so as to bring our environmental competitiveness up to the level of our competitiveness in other areas.

3

Continuous efforts should be made to prevent pollution and improve the environmental performance.

4

Byproducts of manufacturing activities must be efficiently recycled, and any waste not suitable for recovery or recycling, must be appropriately disposed of to prevent secondary pollution.

5

The company and its employees must take an active part in environmental improvement and conservation initiatives in local communities.



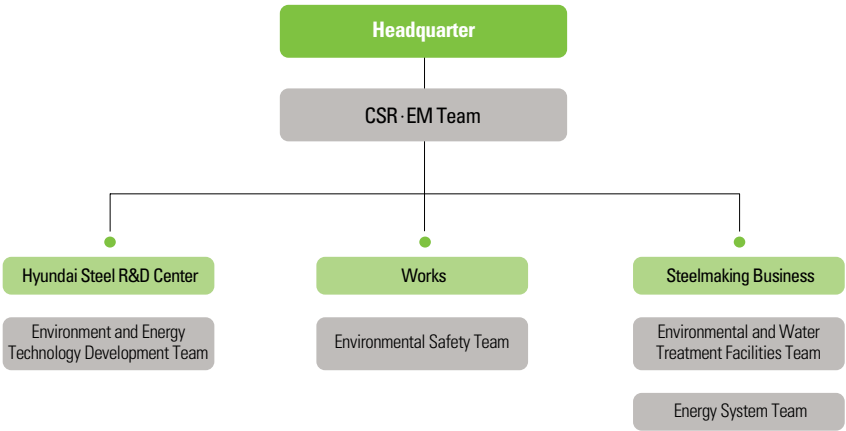
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# Environmental Management System

Hyundai Steel earned an ISO 14001 certification for its environmental management system in 2003, and the system has been strengthened with the establishment of dedicated environmental organizations and a high-level environmental committee. In addition, efforts have been made to strengthen environmental technology research and establish a more advanced environmental management system with measures including implementation of environmental accounting.

## Environmental Management Organization

The CSR·EM Team at the Headquarter establishes the basic direction and goals of Hyundai Steel’s environmental policies. Each of the three plants has its own Environmental Safety Team which handles general environmental affairs at each site. In the steelmaking business, Environmental and Water Treatment Facilities Teams and Energy System Teams have been established for water and energy-related environmental management tasks. Finally, the Environment and Energy Technology Development Team at the Hyundai Steel R&D Center is leading research on work needed to improve our environmental performance.



## Environmental Committee

The Environmental Committee was established in April 2007 to help Hyundai Steel to proactively respond to new domestic and overseas environmental regulations and international treaties, in addition to more efficiently coordinating its sustainability efforts. The committee consists of environmental and energy officers from our Seoul head office and three manufacturing plants, meeting on quarterly basis to discuss environmental agendas, as well as sharing information and know-how.







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## Environmental Accounting

Hyundai Steel is making continued investments in reducing pollution and improving environmental performance every year. Following the environmental accounting principles, the total pollution reduction cost is calculated by combining various expenses associated with the operation of environmental facilities including electricity costs, chemical purchasing costs, maintenance fees and waste disposal fees. The cost of upgrading and retrofitting facilities to improve their efficiency was treated as the cost of environmental protection investments.

In 2007, Hyundai Steel’s total expenditures for environmental initiatives to reduce pollution amounted to 64.7 billion KRW in all, and the total investments in environmental protection were 24.5 billion KRW. Investments made to improve the dust collection facility and water treatment system, and expenses spent on removal of dust at the plant has lead to increased efficiency in air and water pollution treatment and reduction of dioxin emissions.

Cost of Pollution Reduction (unit: million KRW)			
	2006	2007	2008
Incheon Works	17,454	21,835	23,234
Pohang Works	10,281	16,466	13,014
Dangjin Works	21,168	28,434	28,482
Total	48,903	66,735	64,730

※ A slight reduction in the cost of pollution reduction was a result of a decrease in production due to a slow-down in the economy. The Pohang works experienced a particularly large decrease in its production volume.

Cost of Environmental Improvement Investment (unit: million KRW)			
	2006	2007	2008
Incheon Works	5,971	9,866	11,411
Pohang Works	6,801	6,053	5,536
Dangjin Works	21,698	3,488	7,506
Total	34,470	19,407	24,453

※ The cost of environmental improvement investments at the Dangjin works decreased significantly since 2007. This is due to a major facility upgrade and repairing that began in 2004, with Hyundai Steel's acquisition of this Dangjin Steel Mill, and ended in 2006.



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## Climate Change Response

Recognizing energy-intensive characteristics of the steel manufacturing business, Hyundai Steel is actively responding to tackling climate change. We are focusing on areas including employee awareness-raising about the need to tackle climate change, establishment of a company-wide greenhouse gas inventory as preparation, and reducing energy usage by increasing productivity. We are also actively participating in industry consultation bodies to find ways to better respond to domestic and international policies on climate change.

We have taken a number of measures to reduce energy usage, introduce new facilities to reduce greenhouse gas emissions, and improve production processes. As a result, we succeeded in achieving a reduction of 27,058 TOE in energy usage in 2008, which is two times more than the reduction made in 2007. Equipment retrofit, the introduction of an intelligent LNG control system, and reduction of LNG usage via improving production processes made the most significant contribution to this year’s emission reduction result. Unlike the 2007 Sustainability Report, energy usage and greenhouse gas emissions were assessed on production activity-basis. As a result, hot rolling facility unit B at the Dangjin works was included in the 2008 report and only the energy usage in production processes was accounted for in 2008 data.

Energy Usage (unit: TOE)			
	2006	2007	2008
Primary Energy (LNG/bunker-C oil)	270,399	328,319	302,901
Second Energy (Electricity)	1,331,360	1,422,675	1,452,166
Total Energy Usage	1,601,759	1,750,994	1,755,067

Energy Saving Performance (following Korea Energy Management Corporation VA Methodology) (unit: TOE)			
	2006	2007	2008
Energy Saving Performance	9,843(413,406GJ)	12,498(524,916GJ)	27,058(1,136,436GJ)

※ VA(Voluntary Agreement): Agreement on Energy Saving





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Greenhouse Gas Emission				
(unit: thousand ton / year)				
		2006	2007	2008
CO <sub>2</sub> emission	Direct emission	654	778	720
	Indirect emission	2,626	2,806	2,863
	Total	3,280	3,584	3,583
CO <sub>2</sub> intensity (CO <sub>2</sub> /1 ton steel produced)		0.367	0.359	0.363

※ 1T0E = 42GJ, GJ(Giga Joule): 1GJ = 10<sup>9</sup>J, J is a unit of energy

Joint Policy Response

In addition to our internal efforts to reduce greenhouse gas emissions and energy use in manufacturing processes, we are also actively participating in joint climate change policy consultation activities on both domestic and international levels. Currently, steelmakers in seven Asia-Pacific regions are collaborating on a joint response by forming an Asia-Pacific Partnership. There is a separate initiative lead by the International Iron and Steel Institute. Hyundai Steel is participating in both initiatives.

Steel Taskforce of the Asia-Pacific Partnership (APP)

Since 2006, Hyundai Steel has actively participated in the Steel Taskforce of APP which aims to promote technological cooperation and joint efforts to reduce greenhouse gas emissions. In April 2008, Hyundai Steel made a special contribution in promoting international discussions on climate change by hosting the regular Steel Taskforce meeting in Busan, Korea in collaboration with the iron and steel industries.



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Development of Eco-friendly Products and Environmental Researches

Development of Eco-friendly Products

Steel products, produced using electric arc furnaces are eco-friendly products by nature, as they are produced using steel scraps which would have been disposed of otherwise. However, we are striving to further reduce environmental impacts associated with their entire life cycle, from production to use and disposal, to further reduce associated environmental impacts and to improve their quality and durability at the same time.

Unpainted Weathering Steel	Weathering steel is superior to regular steel in terms of its corrosion resistance and, for this reason, does not need to be painted, coated or treated through zinc plating, making it an eco-friendly product.
Parallel Flange Channels	Parallel flange channels, as their flanges have no slope, are significantly easier to join and work with than standard channels. In addition to its stronger structural performance, they are also more economical because it reduces the amount of steel to build a structure of the same size by 2-5% using parallel flange channels compared to standard channels.
Rolled Asymmetric Beams	These wide flange beams with lower flanges longer than the upper flanges, can reduce the height of each story in buildings by 25 to 40cm. A recent application of rolled asymmetric beams in construction of an underground parking complex resulted in decreased drilling and excavation of base rock by the amount of 5,000m <sup>3</sup> which in turn shortened construction period by two and half months.

Environmental Research

Many active research projects to improve manufacturing processes and advancement of environmental and energy technology related to existing electric arc furnace plant and the Integrated Steel Mill are under development at Hyundai Steel R&D Center. Projects under progress include utilization of byproducts, technology needed to improve environmental facilities, assessment of energy-using facilities, and energy conservation reduction technologies.



Research Projects	Details
Water Quality Impact Assessment	The project aims to assess annual water quality changes of coastal waters near the Integrated Steel Mill under construction. A simulation on water flow will be conducted in order to find the diffusion pattern of pollution and identify areas that require special attention to minimize environmental impact associated with waste water discharged from the Integrated Steel Mill.
Water Treatment Process Improvement Measures	An effort is being made to identify waste solvents which may replace methanol, currently used in the biological nitrogen control process. Identification of adequate replacements will lead to a reduction in treatment cost, and provide partnering companies an opportunity to reduce their waste effluent disposal, establishing a basis for a win-win solution.
Air Quality Impact Assessment	Both diffusion modeling and acceptance modeling will be used to predict and assess air flow in the area near plants. Contribution factors for each pollution source will then be calculated to be used to set air pollution reduction measures.
Coal Weathering Effect Research	For the first time in history, Hyundai Steel has constructed an eco-friendly closed roof raw material handling facility, which will store coal, used to produce coke, in an indoor environment. In this research, a comparison will be made on weathering and generated dust between coal stored in doors and open-air storage. The research results will be used to contribute to reducing pollution and improving quality of coke.

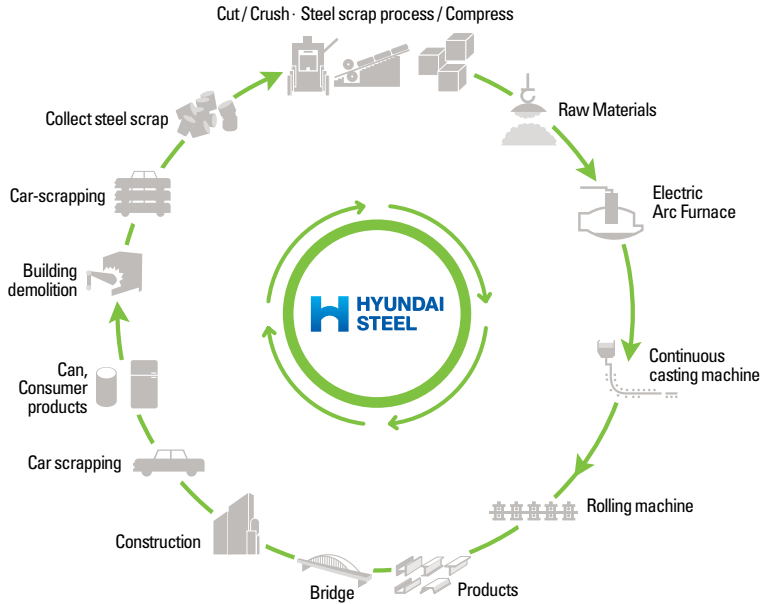




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# Recycling

Hyundai Steel has produced 9,863 thousand tons of steel by recycling 10,951 thousand tons of steel scrap. Additionally, 2,099 thousand tons of byproducts were produced. We are leading on recycling of steelmaking slag and production of construction aggregate using the slag.



## Electric Arc Furnace Dust Recycling

The greatest obstacle to increasing the waste recycling rate is electric arc furnace dust and waste soil which is land-filled. Steelmaking dust was produced in amount of 165 thousand tons and 130 thousand tons of dusts were land-filled, which accounts for 52 % of total waste. To address this issue, we began to research methods to recycle electric arc furnace dust starting in 2005 with other domestic steelmakers and a signed MOU for technological collaboration with ZincOx Resources plc of the UK. Starting in 2012, Hyundai Steel and domestic steelmakers will be able to retrieve zinc and iron from steelmaking dust, and will use remaining materials to replace aggregate excavated from natural environments for construction, leading to 100% recycling of dust generated in the steelmaking process.

## Development Research of Construction Aggregate Using Slag

Steelmaking slag from electric arc furnace operations takes the largest proportion among waste generated by Hyundai Steel operations. The steelmaking slag is a byproduct produced while removing impurities and changing the chemical composition of the steel product. In 2008, more than 1.5 million tons of steelmaking slag was produced and all of the dusts were recycled as aggregate for construction fills and road base. Hyundai Steel launched a research project with the Korea Institute of Construction Materials in October 2008, with a goal of finding steelmaking dust treatment methods to allow its use as aggregate for concrete. We expect to replace up to 1.2 million tons of aggregate extracted from the natural environment with treated slag from operations, starting in 2010, protecting the environment and creating added value.



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# Environmental Impact and Reduction Effort

**Byproducts** During 2008, the total amount of byproducts produced at Hyundai Steel’s three steel plants was approximately 2.1 million tons. Of that, 88.4% of the total byproducts were recycled and used as construction aggregate, base material for refractory cement, or fire bricks. The recycling rate slightly decreased from 90% in 2007 because of increased production of steelmaking dust and waste soil that are harder to recycle than slag.

**Water and Water Quality Control** Water supplied in the plants is used for cooling and cleaning processes, and it is supplied both externally from industrial water supply lines, and also internally using recycled waste water. For instance, the Incheon works treats effluents from the Gajwa Sewage Treatment Plant using reverse osmosis equipment, and supply treated water back to the plant. In 2008, combined water consumption at the three plants was 13.09 million tons, of which 4.75 million tons were supplied by recycling waste water after treatment, reducing municipal water use by an equivalent amount.

**Air & Dioxin** In order to manage air pollutants from the manufacturing process more effectively, Hyundai Steel has installed the Tele-Monitoring System (TMS) which continuously measures and reports concentrations of pollutants. We are also making consistent efforts to minimize pollutants including dust, NOx, and SOx. Quarterly reporting of dioxin concentrations from all of our facilities is an initiative to comply with the ‘Voluntary Agreement to Reduce Persistent Organic Pollutants’ that was made between Hyundai Steel and the Korean Ministry of Environment in 2007. Due to improved dust collection efficiency and quality control on scraps, dioxin concentrations have decreased since 2006.

**Chemical Substances** The total combined volume of chemical substances discharged from Hyundai Steel operations was 8,456kg in 2008. Chemical substances released from steelmaking processes include chrome (Cr) and aluminum (Al), used to adjust and balance the composition of molten steel, as well as nitrogen used in the cleaning process for stainless steel. At the Incheon works, nitrogen discharged from the stainless steel plant constitutes the major portion of the overall chemical substances released by its operation. In order to address this problem, Incheon works signed a ‘Voluntary Agreement to Reduce Chemical Substance Discharges’ with the ‘Han River Protection Group’ pledging to cut nitrogen discharges by 50% by the year 2009.

**Legal Compliance** In 2008, no fine or sanction was imposed on Hyundai Steel for noncompliance with environmental laws or regulations.

※ Refer to page 94 of this report for more detailed information on byproducts, water use, air and water pollution concentration, and chemical substances.







# Social Contribution

Corporate Social Responsibility is demanded by all stakeholders in today's world, and it is one of the most important parts of our business management. Hyundai Steel will identify and fulfill the needs of our neighbors and become a leader in the creation of a better society.

**As a responsible corporate citizen,  
Hyundai Steel will strive to  
become a respected member of our community.**



Society

Social Contribution Philosophy

Social Contribution Vision

Social Contribution Organization

Social Contribution Programs and Achievements

# Social Contribution Philosophy

In line with the Hyundai-Kia Motors Group’s management philosophy which pursues the happiness of mankind, Hyundai Steel pursues shared growth and prosperity with our stakeholders, based on its management philosophy with focus on human dignity, technology, society and customers. Social contributions are one of the most important programs to show the spirit of our management philosophy. Through employee involvement in local activities and creating volunteer efforts to serve the needs of local communities, we are making every effort to become a good corporate citizen.

Core Values in Social Contribution Activities
❶ Eco-friendly economic activities and active efforts for environmental protection
❷ Faithfully fulfilling social responsibilities that come with corporate citizenship
❸ Working together with civil society to build a sustainable world
❹ Active efforts to promote social values founded on respect for human dignity and contributing to human well-being
❺ Proactively responding to and meeting social demands in all communities we serve around the world



Society

Social Contribution Philosophy

Social Contribution Vision

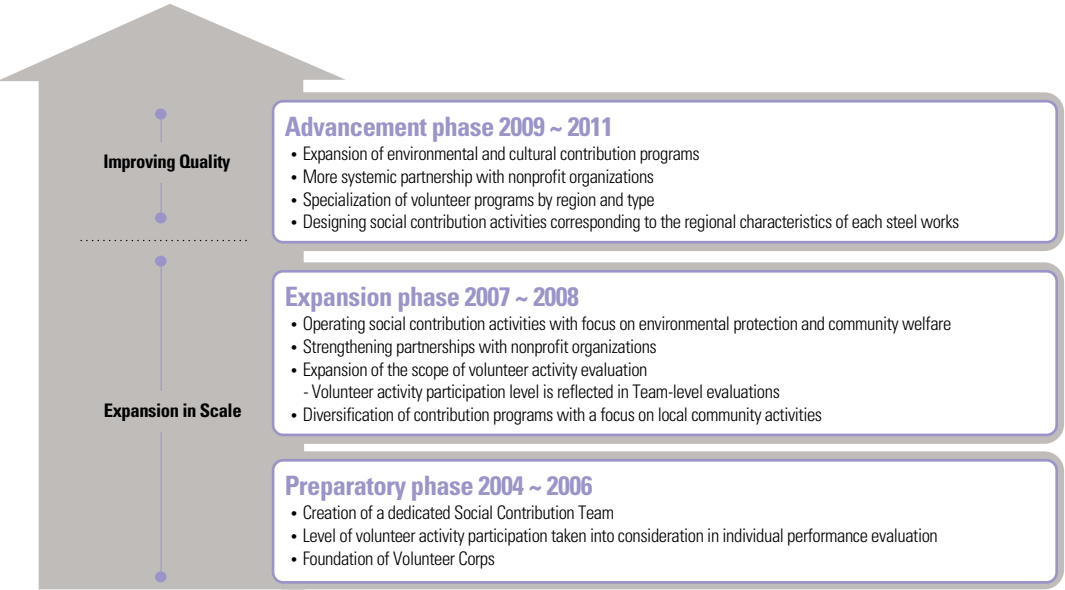
Social Contribution Organization

Social Contribution Programs and Achievements

# Social Contribution Vision

Hyundai Steel has set a strategy for each phase of implementation in order to promote social contribution activities in a systematic manner and expand the social contribution programs while improving the quality of each program.

Between 2004 and 2008, we focused on establishing a foundation for social contribution works including creation of a dedicated Social Contribution Team, inclusion of volunteer activity results in the appraisal of sub-organizations, and the launching of a volunteer corps. We have selected environmental protection, which is the most basic necessity for establishing a sustainable society, as the focus of our social contribution efforts and carried out relevant activities in partnership with nonprofit organizations. Starting in 2009, these activities will be complemented with volunteer programs that are tailored to the characteristics of each manufacturing facility and related community for more effective contribution of higher quality.



**Moving the World Together**

**HYUNDAI STEEL**

The circle created by two persons holding each other’s hands symbolizes the world and the wheels of the automobiles that drives the Hyundai-Kia Motors Group. The circular shape of the wheel expresses our commitment to give back the support and contributions to the society. The two people standing side-by-side symbolize coexistence with nature and cooperation between neighbors, joining hands for a sustainable future that is in harmony with nature. The two are shown running to communicate the Hyundai-Kia Motors Group’s readiness to run to those in need rather than remaining content with where we are now. The color blue stands for our hopeful blueprint of creating a better world via our social contribution activities, seeing hope in the smiles and hearts of the people.





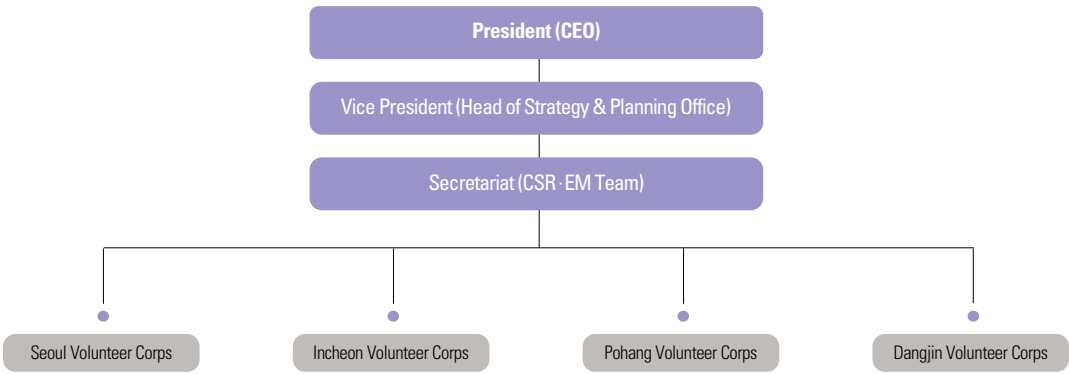


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# Social Contribution Organization

To operate social contribution and volunteer activities in a more systematic manner, we have established a dedicated team within the Strategy & Planning Office. The employee volunteer corps, which consists of more than 180 teams company-wide and headed by the CEO, is conducting various volunteer activities.

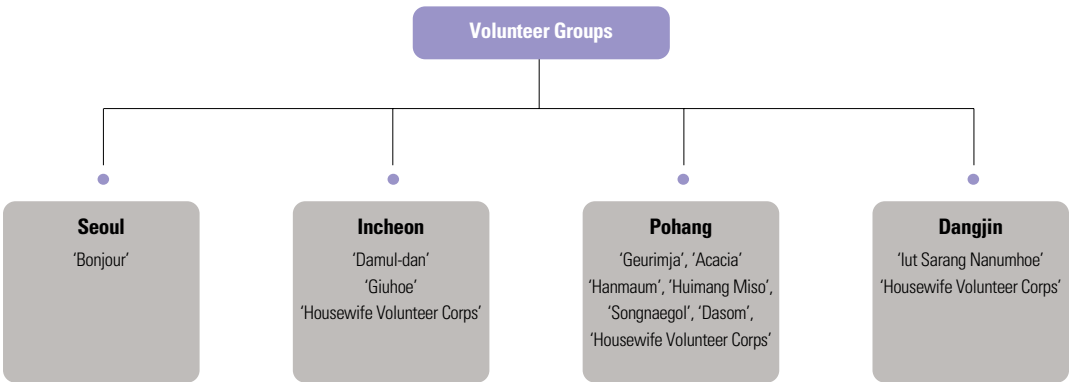
## Hyundai Steel Volunteer Corps



※ Hyundai Steel Volunteer Corps was founded in April 2005.

## Volunteer Groups

In addition to the Hyundai Steel Volunteer Corps, there are thirteen volunteer groups which are engaged in various volunteer activities.



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# Social Contribution Programs and Achievements

## Volunteer Corps

Starting in 2007, the level of participation in volunteer activities are reflected in team performance evaluations in order to promote increased participation in our effort to make social contributions and share our warm corporate culture with communities.

Volunteer Activity Participation Evaluation		
	2005~2006	2007~2008
Evaluation Scope	Individual performance evaluation (bonus point in promotion)	Team performance evaluation (directly reflected in individual performance evaluation)
Evaluation Standard	No. of hours participated	No. of hours participated, participation ratio
Evaluation Method	3 hours per month: +1 4 hours per month: +2	Min. hours: 3.2 hours / person per month Min. participation: over 75% of team members

Volunteer Corps Training & Education (scope: 2008)		
	Volunteer Team Leaders Education	New Employee Education
Time	Once a year (in April)	Twice a year (Jan. July) during new employee training sessions.
Participants	160 participated (out of 192 team leaders, 83% participated)	A total 104 participated
Program Contents	Lectures on volunteer activity guidelines for leaders and experience of volunteer activities	Lectures on volunteer activity guidelines and experience of volunteer activities

Support for Volunteer Corps	
	Details
Activity Expense	100,000 KRW paid to each volunteer team every month for purchasing of necessary supplies for activities
Uniform Vest	Uniform vest distributed to promote sense of unity and belongingness
Insurance for Personal injury	All volunteers are covered for possible personal injury during volunteer works
Recognition for Exemplary Volunteers (Dec. 2008)	Official recognition is given to three teams and five volunteers for their dedication in volunteer work

Volunteer Activity			
	2006	2007	2008
Participation Rate (Employee participated / Total management staffs)	70%	88.1%	80%
Volunteer Work Hour	35,657 hrs	60,475 hrs	83,886 hrs





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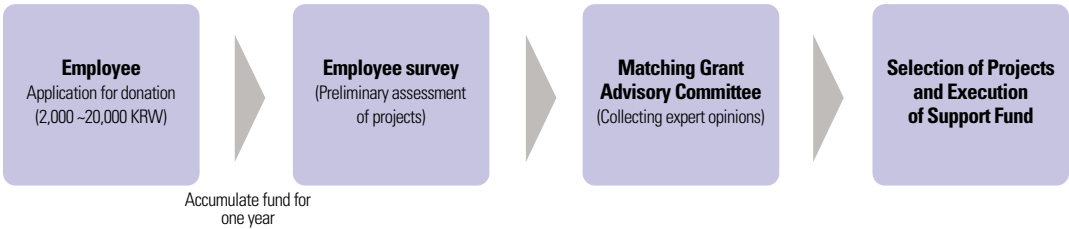
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Matching Grant

At Hyundai Steel, we are operating a matching grant program, in which the company donates the same amount of money to match contributions made by employees who have opted to donate a portion of their monthly wage. The matching grant donations are directed to causes that are selected through a survey of participating employees and expert opinions.

Employee Participation in Matching Grant Program			
	2006	2007	2008
No. of Participants	908	1,181	2,061
Participation Rate	16%	19%	31%
Combined Contribution (in thousand won)	87,210	109,608	141,606

● Matching Grant : Program Selection and Fund Execution Process



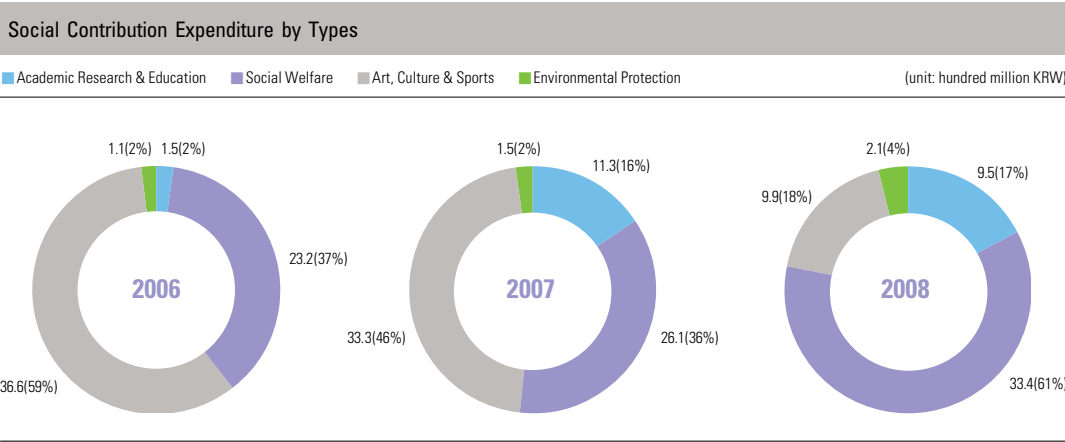
Matching Grant Fund Execution			
Category	2006	2007	2008
Selected Programs	Children's Green Academy	Provision of throw-type fire extinguishers	House repair work for low income families
Beneficiary	8 elementary schools in Incheon, Pohang, Dangjin	184 welfare institutes for disability	Low income families in Dangjin area
Funding Size	199.32 million KRW	219.21 million KRW	283.21 million KRW



Social Contribution Programs and Activities

In an effort to create a sustainable society, we are supporting various social contribution programs including academic research and education, art and culture, sports, low-income family support, and environmental protection programs. We consider resources used to promote these programs as an essential investment for co-development between Hyundai Steel and local communities.

In 2008, a total of 5,489 million KRW was spent on social contribution activities including 4,675 million KRW donated to local community initiatives. In its composition, the proportion of resources allocated for art and culture, as well as sports activities have decreased, while social welfare activities have increased significantly due to the expansion of low-income family support programs.



※ Numbers in parentheses indicate the proportion of expenditure for the corresponding activity.  
※ Refer to page 74~79 of this report for detailed information on social contribution activities.