



HYUNDAI STEEL SUSTAINABILITY REPORT 2007

ONE STEP FOR TOMORROW HYUNDAI STEEL SUSTAINABILITY REPORT 2007



One  
for Step  
Tomorrow

2007  
Hyundai Steel  
Sustainability  
Report



Hyundai Steel is pleased to publish its first sustainability report to share information about activities we carry out to secure a long-term future for our business, with stakeholders at large. As Hyundai Steel makes this important step forward in its sustainability policy, we are deeply grateful to all those who helped our organization grow and thrive with their dedication, hard work, support and encouragement, over the course of its 55 years of its history. In preparing this sustainability report, we drew strength from the lessons of the past to think constructively about the future and develop effective strategies to achieve our long-term goals.

We hope this report presenting our vision, sustainability goals and the concrete efforts engaged by our organization toward achieving these goals will help our shareholders, customers, staff, business partners and the community at large form a better understanding of Hyundai Steel, how it envisions the future, how it intends to move forward and the promises this future holds for all of us. As we submit this sustainability to our stakeholders, we wish to renew our pledge of continued commitment to our social responsibility as a corporation.

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# Message from Chairman

## A Sustainable Management that Creates Value and Shapes a Brighter Future for All

Dear Stakeholders and Friends:

It is my privilege to present this first sustainability report of Hyundai Steel. The report details some of the milestones thus far reached in Hyundai Steel’s effort to grow in harmony and balance, and outlines our future sustainability strategies.

Hyundai Steel was founded in 1953 as one of the pioneers of Korea’s post-war steel industry, spearheading the reconstruction efforts in our war-ravaged country. Over the half-century since then, we have made grave contributions to the growth of Korea’s infrastructure industries. By providing basic materials such as rebar, wide flange beams, railway rails, stainless steel sheets and casting products for shipbuilding, Hyundai Steel has vitally assisted the construction of industrial infrastructure for the nascent heavy and chemical industries of Korea, and in the process, has also helped improving the quality of life for all Korean people.

As you know, Hyundai Steel is currently constructing a new blast-furnace steel plant, to be known as the “Integrated Steel Mill.” Upon its completion, the new blast-furnace steel plant in Dangjin will be a major stepping stone in Hyundai Steel’s effort to grow beyond its current construction and civil engineering material-centered business model to become a manufacturer of a comprehensive line of steel products. The Integrated Steel Mill is being constructed to the same high environmental standards as those maintained in our current manufacturing processes. Its material handling plant, for example, will have, at its completion, the world’s first closed-loop system. Meanwhile,

the Children’s Green Academy, one of Hyundai Steel’s community programs, is providing experiential learning in environmental education to boys and girls in our local communities. At Hyundai Steel, we believe that caring for the environment and caring for our children are two facets of the same commitment to a sustainable future for everyone.

At Hyundai Steel, we understand that fulfilling our responsibilities as a corporate citizen, toward customers, employees, shareholders and the community for the mutual benefit of all stakeholders is just as important as performing the essential functions of a company, such as creating jobs and contributing to economic growth. Sustainability is indeed the new paradigm for business management and corporate success in the 21st century; the well-being of each of us, and our ability to continuously create new value, both depend on it.

As we present this sustainability report, we wish to renew our promise to all our stakeholders to keep an open ear to their input at all times, actively address suggestions for improvement and incorporate constructive ideas into the management process, so that, as a company, and as a society, we may make new strides in sustainability.

Your continuous support and interest as partners in mutual growth help us move forward in our effort to reach new levels of sustainability. Thank you.

**Mong-koo Chung**

Chairman  
Hyundai-Kia Motors Group



## Message from Vice Chairman & CEO

# A Sustainable world where all can prosper and live in peace and harmony

A company's business performance is influenced by various factors, and many of them are CSR(Corporate Social Responsibility) related factors. There is today a growing demand on companies, from customers, shareholders and partners alike, to faithfully fulfill their social responsibilities as corporate citizens. This means that companies and their business environments, as well as society at large, are increasingly interdependent, and that we live in a world in which success is defined by shared growth and prosperity.

Hyundai Steel has chosen the initial 'H' as its logo type, to communicate its vision and outlook for the future.

The two vertical axes of the letter 'H' stand for our existing and new business lines, and also our organization and customers, which are the solid pillars of Hyundai Steel. The horizontal bar linking the two vertical lines bridges these pillars of Hyundai Steel so that they may seamlessly communicate with each other and join forces with each other, to grow together in balance and harmony. Just as the two pillars provide balance and stability to the letter 'H', Hyundai Steel seeks to be a robust pillar for our society and grow together with its stakeholders, through communication, networking and cooperation so that all in our community and the world may prosper.

The steel industry is considered a highly resource- and energy-intensive industry. As a forward-looking member of the steel industry, Hyundai Steel is leading the effort to improve resource and energy efficiency in this sector. Recycling scrap steel and switching our fuel to LNG are some of the many eco-friendly initiatives carried out in our organization, at multiple levels of our operations. From our standpoint at Hyundai Steel, the steel industry is already an eco-friendly industry, and can and will be more so in the future. A proud corporate environmental leader, Hyundai Steel has already published two Environmental Reports in the past. Meanwhile, the Hyundai Steel

Community Relations White Paper, released last year, has served as an important milestone in our on-going partnership with communities across the country.

To take our social responsibility activities to the next level, in April 2008, we established a Corporate Social Responsibility Committee, putting it in charge of comprehensively overseeing our programs, which are designed to enhance our corporate social responsibility performance in economic, environmental and social areas. The Hyundai Steel Sustainability Report 2007 is intended to provide stakeholders with an overview of the progress and accomplishments made thus far at Hyundai Steel, in corporate social responsibility, and present plans and strategies for future action. We hope this Sustainability Report to demonstrate our commitment to an open, two-way dialog with them, which is crucial in making further progress in sustainable business practices.

Of the three areas where sustainability matters - the economy, environment and society - Hyundai Steel concentrates its efforts particularly on the environment, as it holds the key not only to the future of our company, but also to the future of our planet as a whole. Hyundai Steel's environmental policy is continuously integrated into our employee code of conduct so that it may be understood and supported by each and every member of our organization. At Hyundai Steel, we are committed to complete, fair and transparent disclosure of our sustainability performance and actively invite stakeholder comments and input, as we strive to more meaningfully contribute to building a better world for all of us. Thank you.

**Seung-ha Park**

Vice Chairman & CEO  
Hyundai Steel





Hyundai Steel actively communicates with its stakeholders and encourages their feedback.

Stakeholder feedback is used to constructively guide our management strategies and business activities.

The results of feedback are disclosed through official channels to let our stakeholders know that their opinion matters.

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# About the Report

As part of a continuing effort to promote communication with its stakeholders and better respond to their demand, Hyundai Steel published Environmental Reports in 2005 and 2006, and a Community Relations White Paper in 2007, comprehensively outlining its environmental and social responsibility accomplishments. This sustainability report merges the two above-mentioned publications and covers the progress we achieved thus far in all three key areas of sustainability: economic, social and environmental. We hope this sustainability report gives our stakeholders a measure of our progress, and helps them in their decision-making.

## Reporting Standard

Hyundai Steel’s 2007 Sustainability Report was prepared in accordance with the Global Reporting Initiative’s (GRI) G3 Sustainability Reporting Guidelines.

## Organization of the Report

This report consists of three chapters and an executive summary. Chapter one describes the operations of Hyundai Steel, Chapter Two details the company’s efforts toward sustainability, tracking progress and presenting accomplishments, and Chapter Three delineates how we interact with our key stakeholders. In this report, we have devoted a separate chapter to the Integrated Steel Mill project, on which we have been receiving numerous information requests from stakeholders, to outline the project in detail. The principal sustainability issues and concerns addressed in this report are the prominent issues and concerns of each of our various stakeholder groups.

## Reporting Period and Cycle

This report covers the reporting period January 1, 2007 to December 31, 2007, unless otherwise indicated. We will continue to report on the sustainability performance of Hyundai Steel on an annual basis.

※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 greater clarity.

## Reporting Scope and Coverage

This report covers economic, social and environmental sustainability activities at Hyundai Steel’s head office, regional offices and manufacturing facilities within South Korea, and does not include information on sustainability performance of its overseas subsidiaries, production bases or associate companies in which it has a stake.

## Reporting Process

This report was prepared by the CSR Team of Hyundai Steel, comprehensively responsible for corporate social responsibility programs and activities in the company. The information and data presented in the report were internally collected and verified by a sustainability report publication task force specially created for this purpose.

## Assurance

To improve accuracy and objectivity of this report, all information included within it 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), km, m² and GJ, and other units used in a few formulations are specified along with corresponding values.

※All questions regarding this sustainability report should be directed to:

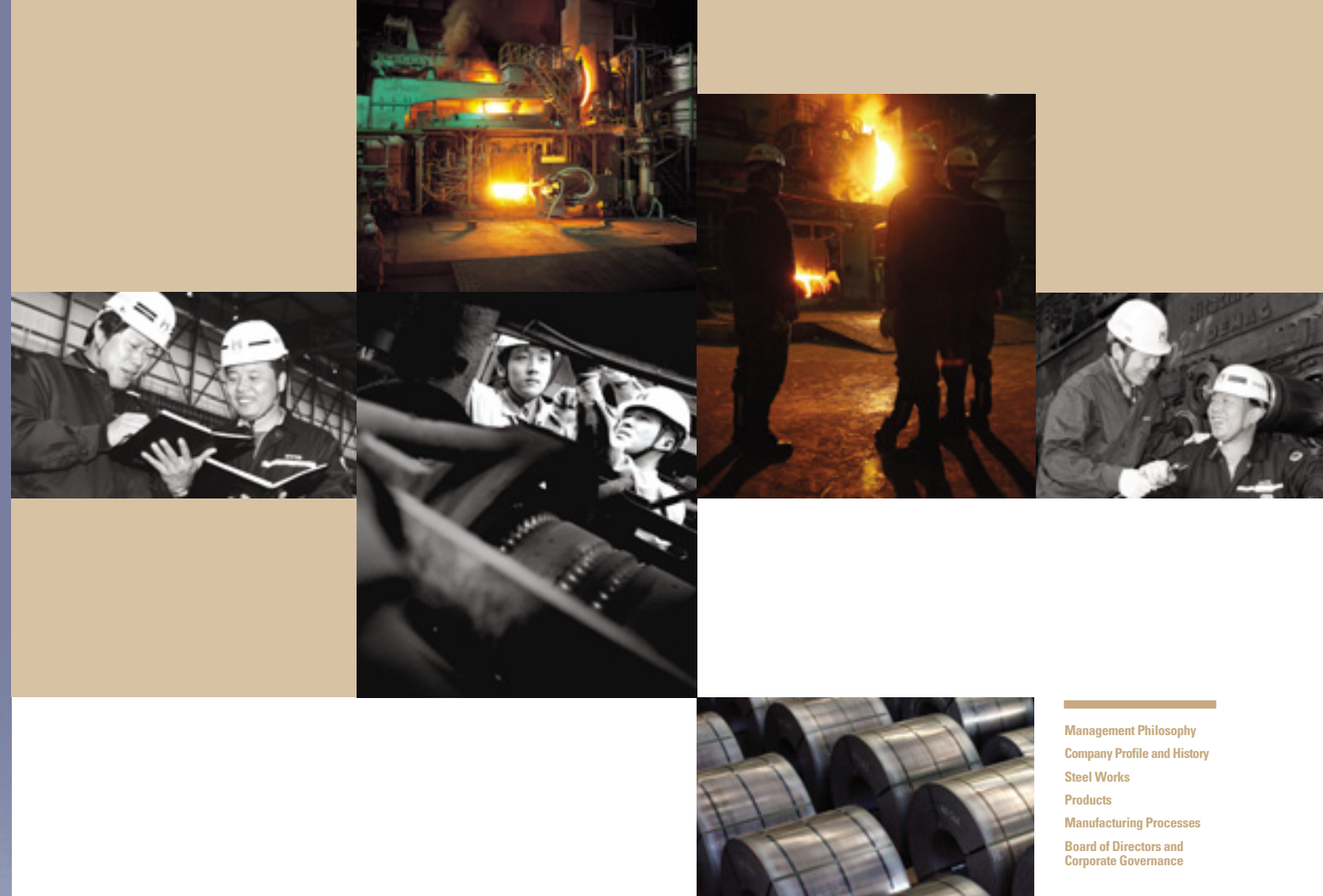
Hyundai Steel Strategy & Planning Office, CSR Team: Tel. 82-2-3464-6206 / FAX 82-2-3464-6210





# Company Overview

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## 50 Years of Amazing Success, But the Best is Yet to Come

### Company Overview

Hyundai Steel began operations in 1953, as Korea's first steel maker. After half a century of success and tradition, the pioneer steel maker has carved itself a place at the forefront of the global steel industry. Today, Hyundai Steel looks forward to the next 50 years of new business challenges and opportunities, with confidence that the best years are still ahead and the resolve to maintain its seal of excellence and prove worthy of the trust its customers have placed in it.

# Management Philosophy

Technology, society, customers and respect for human dignity are four values that are the fundamental cornerstones of Hyundai Steel’s management philosophy. The standard of success for us at Hyundai Steel is growing and prospering together with our stakeholders. At Hyundai Steel, we understand that there is no sustainable competitiveness without a genuine partnership with stakeholders, and remain attentive to their needs and demands at all times, striving to respect and embrace their various values.

This management philosophy underpins how we see our role and responsibility as a corporate citizen and continuously inspires us in our effort to contribute to the creation of a sustainable society.



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## Corporate Social Responsibility Management

In April 2008, Hyundai Steel adopted and proclaimed a resolution to reaffirm our commitment to corporate social responsibility. Fulfilling our legal, ethical and social obligations is as much an essential part of our effort to grow and prosper together with our stakeholders, as is stimulating investment or creating jobs.

### Hyundai Steel Corporate Social Responsibility Resolution

**At Hyundai Steel, we understand our responsibilities toward society, the economy of our nation and future generations, and solemnly pledge to faithfully fulfill the social obligations that come along with our role as a corporate citizen as follows:**

We shall never lose sight of the crucial importance of fulfilling our social responsibilities as a company, fully and sincerely, for our ability to achieve long-term and sustainable growth. By effectively performing our social obligations, in a manner consistent with global standards, we will strive to grow and prosper together with our shareholders, customers, employees, partners and the community at large.

We will build credibility and gain the trust of the public and stakeholders by maintaining the highest standards of transparency and fairness in our business activities and fostering a cooperative labor-management culture where mutual respect and understanding reign.

We will incorporate environmental care into all aspects of our operations, decision-making and planning processes to leave a green and healthy planet to future generations and continuously invest in R&D to develop clean production technology.

We will actively respond to issues affecting our society with a sense of responsibility and be always ready and eager to hold out a helping hand to those less fortunate so that we may be a source of hope and encouragement to all in the community.

We shall establish a Corporate Social Responsibility Committee to ensure that our social obligations are effectively performed. The Committee shall issue practical guidelines for each of the areas of corporate social responsibility and regularly monitor the status of compliance.

We shall further establish the ‘Socially Reponsibility Management Audit Panel,’ composed of external experts. The Panel will audit the status of corporate social responsibility practices in our organization on a yearly basis, and the results of the audit will be disclosed to all stakeholders in an accurate, timely and transparent manner.

By sincerely facing our social obligations as a corporate citizen and actively and continuously fulfilling them by virtue of the measures set forth above, we at Hyundai Steel will strive to become a company inspiring hope to Koreans all over and worthy of their trust.



# Company Profile and History

Once a pioneer of Korean steel-making and a backbone of the nation’s economy for the past fifty years, Hyundai Steel now looks forward to a new half century of dedicated service to customers and community.

The past half century since its inception in 1953 has been for Hyundai Steel an exciting period, during which it has made history in more than one way. Hyundai Steel contributed the development of foundations for infrastructure industries in newly-industrializing Korea, and fostered top-notch steel specialists who played a critical role in making Korea’s economic miracle possible.

Through continuous investment in technology and management innovation, Hyundai Steel has earned itself a reputation of bringing only the best products and services to the market. In an effort to build a high value-added business model, Hyundai Steel has restructured its operations, in recent years, massively decreasing low-profit products in the product mix. While practicing its long-standing principle of ‘selectivity and focus,’ Hyundai Steel has also successfully diversified its product lines. Its portfolio now expanded with wide flange beams(H-beams), casting and forging steel products, cold-rolled stainless steel sheets (STS C/R) is considered amongst the best provided by an electric arc furnace steel maker worldwide.

Meanwhile, Hyundai Steel took an active part in the recent restructuring of the Korean steel sector. In 2000, it merged with Kangwon Industries Ltd. and acquired Sammi Steel Company Ltd. and in 2004, acquired bankrupt Hanbo Iron & Steel’s Dangjin Steelworks, out of operation by then for seven years, helping to bring to a close the multi-year restructuring process in the steel market. These mergers and acquisitions have permitted Hyundai Steel to set up a nationwide warehousing and logistics network, spanning from Incheon to Pohang and Dangjin, and also given it a beachhead which will prove strategic when Korea enters into FTAs with China and Japan.

In its latest innovative move, Hyundai Steel has started to build a new steel mill in Dangjin. Integrated Steel Mill, at its completion in 2011, will boost not only the competitiveness of the Korean steel industry as a whole, through expanded output, but also that of other mainstay export sectors such as the automotive and shipbuilding industries, that are highly steel-intensive, by providing them with a stable and sufficient supply of their base material.

Hyundai Steel values the input of each and every client and understands that how crucially their input can assist its business in reaching the next level of competitiveness. To bring forth the greatest satisfaction of our customers, we are constantly introducing improvements and innovations in our products and services. The excellence of our ISO 9001 and TUV certified products, bearing also the KS and JIS marks, is recognized worldwide, and Hyundai Steel has received manufacturing approval from ten shipping registers including Lloyd’s Register for many of its shipbuilding steel shapes and plates.

As Hyundai Steel looks to the upcoming decades, we intend to serve our customers with the same dedication that has made us such a phenomenal success story in the past half century. In this exciting new chapter of our history that awaits us with the completion of the Integrated Steel Mill, we will continue to push horizons and remain creative to meet and exceed our customers’ expectations and to become the standard for the global steel industry, in the process.

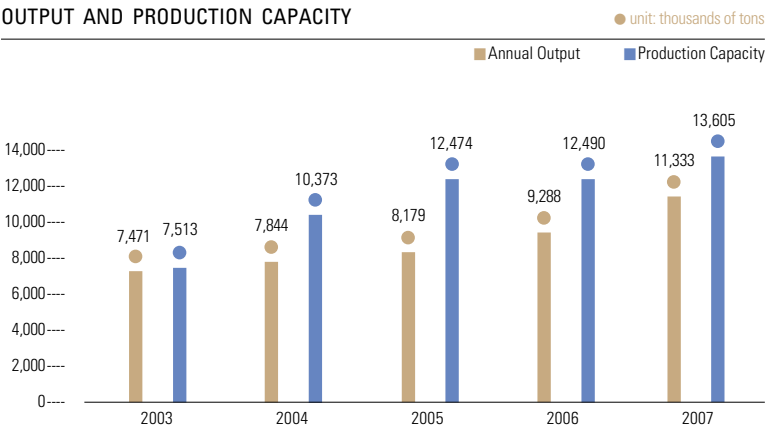
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|                      |               |   |
|----------------------|---------------|---|
| Founding Years       | Jun. 10, 1953 | Established as Korea Heavy Industry Corporation   |
|                      |               |   |
|                      |               |   |
| Development Period   | Nov. 10, 1962 | Privatized and renamed “Incheon Heavy Industry Company Ltd.”                                |
|                      | Sep. 1, 1964  | Established Incheon Iron & Steel Company  |
|                      | Apr. 1, 1970  | Merged with Incheon Heavy Industry Company Ltd.   |
| Early Growth Period  | May 31, 1972  | Commissioned a reinforcing bar plant  |
|                      | Jul. 5, 1973  | Commissioned a 40-ton electric arc furnace steel mill                                       |
|                      | Jun. 22, 1978 | Incorporated into the Hyundai Group   |
|                      | Mar. 27, 1979 | Commissioned a 60-ton electric arc furnace mill   |
| Growth Period        | Mar. 5, 1982  | Commissioned a heavy-section rolling mill   |
|                      | Feb. 2, 1983  | Commissioned a Casting mill   |
|                      | May 23, 1987  | Initial public offering   |
|                      | Mar. 15, 1990 | Commissioned a stainless cold-rolled steel mill (50,000 t/y)                                |
|                      | Sep. 15, 1990 | Stainless cold-rolled steel mill expanded to a production capacity of 120,000 t/y           |
| Stabilization Period | Jan. 30, 1992 | H-beam mill expanded to a production capacity of 1,100,000 t/y                              |
|                      | Oct. 4, 1992  | Joined the International Iron & Steel Institute as a full member                            |
|                      | Dec. 20, 1994 | Construction of a 90-ton electric arc furnace mill and reinforcing bar plant II             |
|                      | Mar. 20, 1998 | Construction of a 120-ton electric arc furnace mill and a new medium-section rolling mill   |
|                      | Mar. 15, 2000 | Merged with Kangwon Industries Ltd.   |
|                      | Dec. 5, 2000  | Acquired Sammi Steel Company Ltd.   |
|                      | Apr. 2, 2001  | Incorporated into the Hyundai Motors Group  |
| Second Growth Period | Jul. 27, 2001 | Renamed “INI Steel”   |
|                      |               |   |
|                      | Oct. 1, 2004  | Merged and Acquired Hanbo Iron - Steel’s Dangjin Steel Works                                |
|                      | May 2, 2005   | Commercial production began at Dangjin Hot Rolled Plant A                                   |
|                      | Mar. 10, 2006 | Renamed “Hyundai Steel”   |
|                      | Jun. 2, 2006  | Test run completed at Dangjin Hot Rolled Plant B  |
|                      | Oct. 27, 2006 | Ground broken for the new Integrated Steel Mill   |
|                      | Jul. 2, 2007  | Construction of a closed-loop material handling facility began at the Integrated Steel Mill |

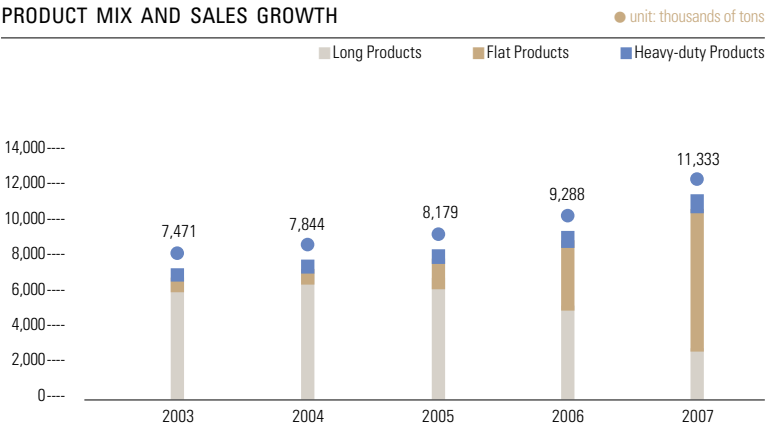
# Steel Works

Hyundai Steel has three Korean plants in Incheon, Pohang and Dangjin, and interacts with global clients through its regional offices all over the world, including Frankfurt and Singapore. To meet the steadily growing demand for Hyundai Steel products, we are increasing our production capacity every year.

OUTPUT AND PRODUCTION CAPACITY



PRODUCT MIX AND SALES GROWTH



■ Long Products: reinforcing bars, wide flange beams (H-beams), rails, sheet piles, angles, channels  
■ Flat Products: Hot-rolled steel, cold-rolled stainless steel  
■ Heavy-duty Products: Casting products for ship parts, track shoe assemblies, centrifugal cast HSS rolls

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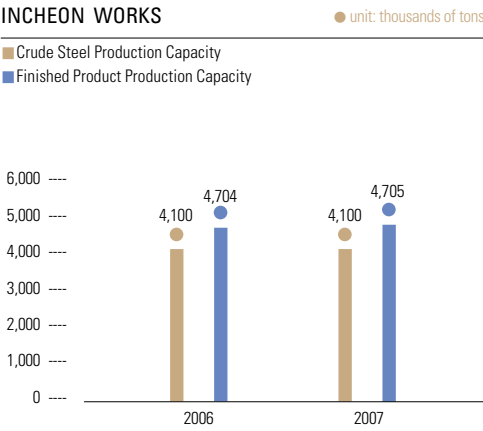
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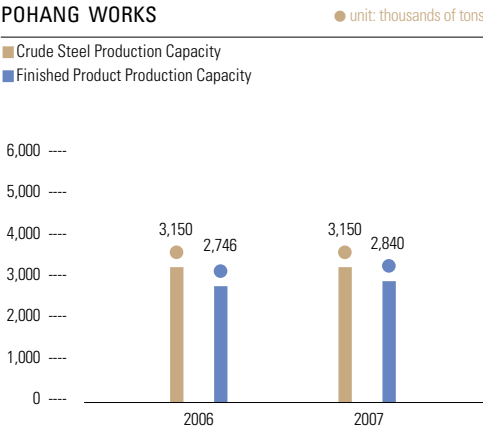
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INCHEON WORKS



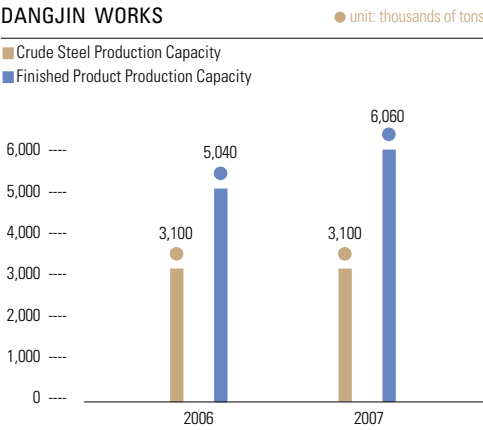
Sales 3,118.7 billion won  
Area 920,000m²  
Annual production capacity 4,705,000t  
Products wide flange beams (H-beams), reinforcing bars, steel casting and forging, cold-rolled stainless steel plates, angles, channels

POHANG WORKS



Sales 2,021.9 billion won  
Area 660,000m²  
Annual production capacity 2,840,000t  
Products wide flange beams (H-beams), rails, round bars, centrifugal cast HSS rolls, track shoe assemblies, reinforcing bars

DANGJIN WORKS



Sales 2,242.2 billion won  
Area 6,530,000m²  
Annual production capacity 6,060,000t  
Products reinforcing bars, hot-rolled steel bars

※ Crude Steel Production Capacity: annual production capacity for molten iron  
※ Finished Product Production Capacity: annual production capacity for finished steel products through rolling, casting and forging

Founded in the ruins of postwar Korea, Hyundai Steel has today grown into one of the world's heavyweights in the steel-making industry. Since its establishment in 1953, Hyundai Steel has continuously reinvented itself to remain relevant in

Hyundai Steel is the Korean steel company with the highest cumulative number of products making the envied annual list of

Leading the growth of the overall steel industry and spearheading environmental management in this sector are also among important priorities of Hyundai Steel's sustainability strategy.



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# Manufacturing Processes

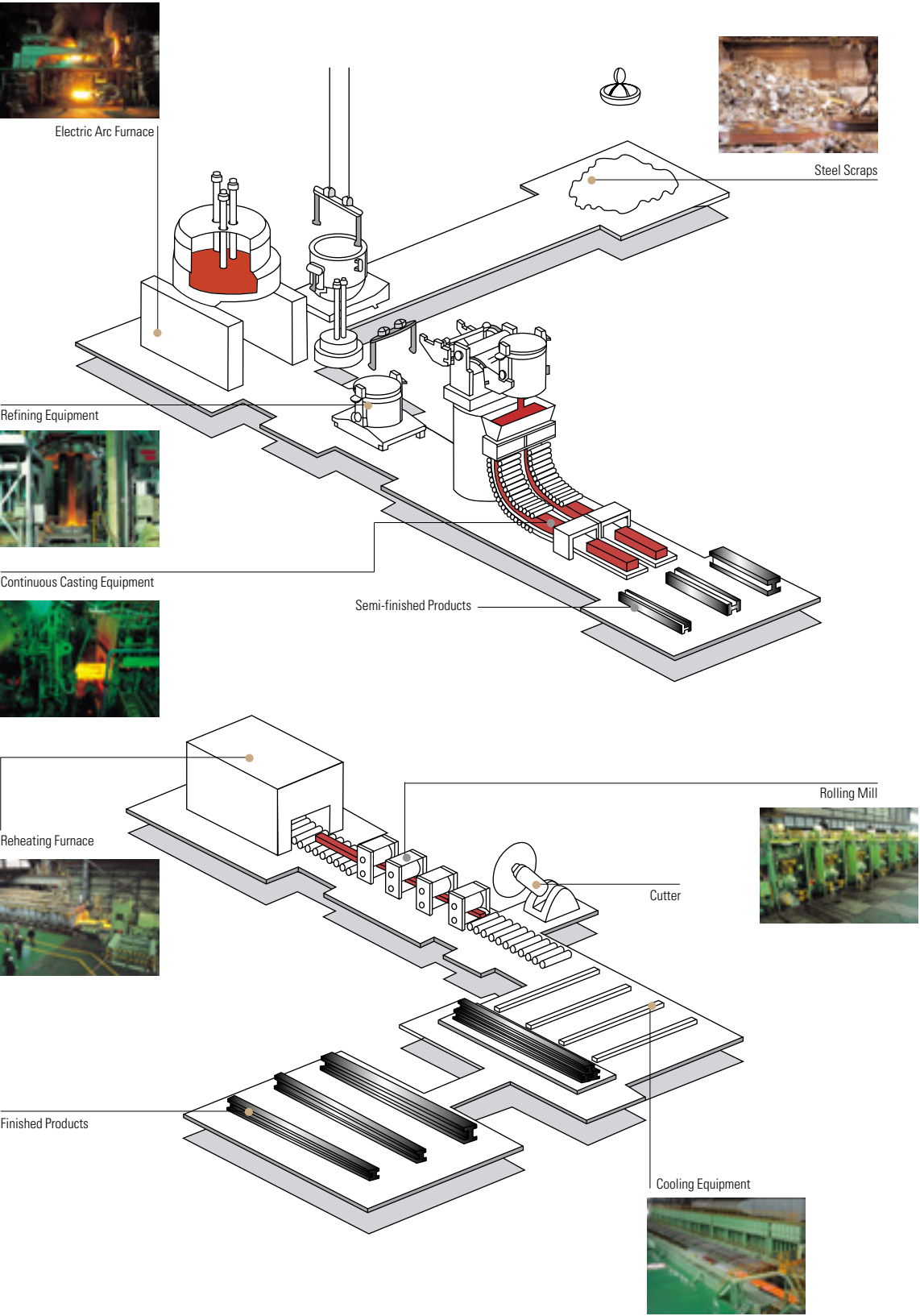
Four main types of processes are performed at an electric arc furnace mill: loading steel scraps, melting the loaded steel scraps, refining the molten metal and finally pouring the refined molten metal out of the furnace. Metal scraps are melted by the arc heat that is generated by the electric current flowing between them and the electrode. The molten metal resulting from this process is then refined and slowly cooled to make semi-finished products. These processes through which molten metal is converted into semi-finished products, are together referred to as “continuous casting.”

Steel products, thus processed, can be stretched both in length and width upon application of force, thanks to their ductile and malleable properties. To produce finished steel products, semi-finished products are heated to a high temperature and processed to the desired shape. This process of heat-shaping is referred to in the steel industry as “hot rolling”. The semi-finished products are placed between two rotating rolls, and forces are applied repeatedly to stretch or flatten them by gradually tightening the gap between the rolls. The technique is optimally adapted for manufacturing steel products with a relatively simple shape.



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## Manufacturing Processes





The Board of Directors ensures objectivity and transparency in the company's leadership and decision-making through three committees: the Audit Committee, Outside Director Candidates Recommendation Committee and the Ethics Committee.

※ For information on the eligibility criteria for Board membership, Board agenda items and voting procedures, see *Hyundai Steel Annual Report V*.  
 ※ Tae-young Kim resigned from BOD members at Mar. 31, 2008

At the end of 2007, the largest shareholder\* of Hyundai Steel was Kia Motors with 18,159,517 shares (21.39%). For more information on this topic, refer to 'Shareholders' in the chapter on 'Stakeholders.'



# Sustainability

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## A Small Step to A Bright Future

## Sustainability

Hyundai Steel has consistently been a model corporate citizens, making major contributions to the growth of the national economy and giving a prominent place to the environment and welfare of people all over the world. At Hyundai Steel, we strive to maintain a broad, long-term perspective on our business, so that we may grow together with our stakeholders and that our business goals are in line tune with the economic, environmental and social goals of the greater community. Hyundai Steel makes this new step in corporate social responsibility and for greater harmony with larger community.

### Economy

Ethical Management  
Transparent Management  
Fair Trade Practices

### Environment

Environmental Management  
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Efforts toward Reduction of  
Environmental Impacts

### Society

Social Contribution Vision  
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# Economy

In the aftermath of the 1997 financial crisis, Hyundai Steel demonstrated a strong leadership by taking up a main role in the restructuring process of Korea’s steel industry. Mergers and acquisitions made during this period have helped Hyundai Steel to continuously increase its production and expand its product lineup. During the five-year period since 2003, sales and operating income grew by 19.6% and 12.2% in CAGR(Compound Annual Growth Rate) respectively.

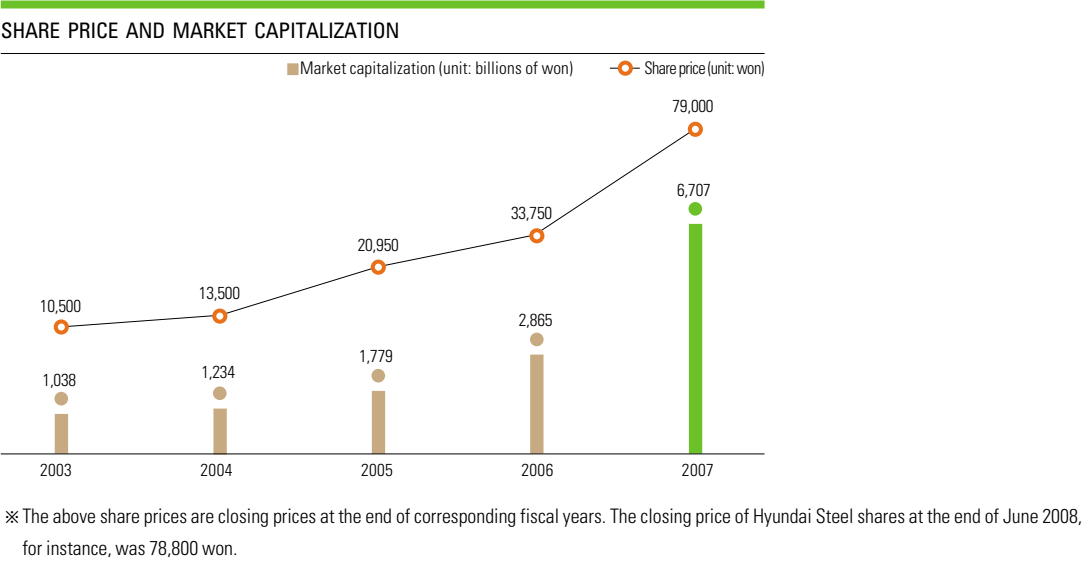
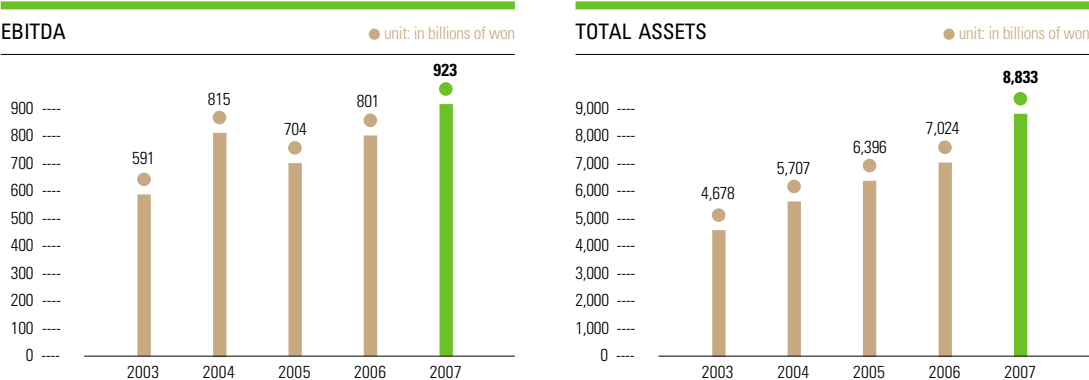
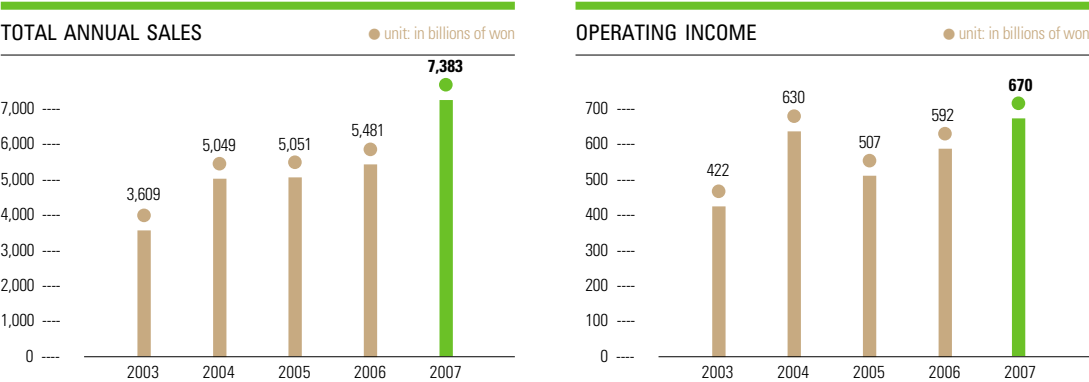
We have steadily diversified our product portfolio and flexibly adjusted our product mix according to market conditions. Meanwhile, our sustained effort to develop new and innovative products has enabled us to create new demand and continuously expand our sales. We have been also investing much in improving our profitability, through measures like the cost-based pricing and sales policy.

In 2007, we successfully developed new export markets for wide flange beams, in regions such as the Middle East, Europe and North America with booming high-end steel markets, largely increasing our sales and as importantly improving our profitability. Our continuing series of new products such as large-section wide flange beams, ultra-low temperature shock-proof shipbuilding shapes, hot-rolled steel for shipbuilding and API steel pipes for construction of oil transport pipe lines have been instrumental in increasing demand in the steel market.

In 2008, we plan to further increase our sales by releasing new products such as extra-thick wide flange beams and large-section wide flange beams, which will have the effect of replacing related imports and creating new demand.

For sustained performance improvement, Hyundai Steel is also making active efforts to increase transparency in our business processes, for instance, setting up systems to coordinate our efforts toward ethical management, transparent management and fair trade practices. To achieve these goals, Hyundai Steel refrains from making political contributions to any political party or any candidate and does not engage in lobbying.

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| ► Economy   | HYUNDAI STEEL  |
| Ethical Management                                | 2007           |
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| Category                        | 2005       | 2006       | 2007       |
|---------------------------------|------------|------------|------------|
| Current ratio                   | 115.86%    | 116.53%    | 142.25%    |
| Interest coverage ratio         | 5.49 times | 5.57 times | 5.42 times |
| Operating income-to-sales ratio | 10.04%     | 10.80%     | 9.07%      |
| Sales growth                    | 0.03%      | 8.52%      | 34.69%     |

By practicing ethical and transparent management and maintaining the highest standards of fairness in transactions with our business partners, Hyundai Steel is cementing a strong bond of trust with every one of its stakeholder groups. At Hyundai Steel, we are deeply persuaded that there is no genuine competitiveness without a sound ethical foundation underpinning the organizational culture. By continually upholding the utmost standard of transparency and fairness, we strive to win the trust of all stakeholders. Hyundai Steel has a specially-designed ethical management system to guide procurement processes, as ethical conduct is more particularly important in this area.

## Code of Ethics

## 1. Contributing to the nation and society

- Through continuous creation of jobs and by duly meeting its tax obligations, Hyundai Steel shall strive to contribute to the growth of the national economy.
- Employees of Hyundai Steel should, furthermore, seek to lead the effort of protecting the environment by faithfully abiding by all related laws and regulations, and contribute to society through cultural programs and community improvement programs.

## 2. Dedication to the interests of customers and shareholders

- Employees of Hyundai Steel should strive to advance the interests of customers and shareholders by providing products of highest quality standards, and protect customers' personal or transaction data and never fail to keep a promise that has been made to them.
- By maximizing the efficiency of business operations, employees must improve the company's financial structure, to safeguard and expand the shareholders' assets.

### 3. Respect for human dignity and support for professional development

- Employees of Hyundai Steel respect each other and make the effort to build an organizational culture founded on mutual trust and understanding. They must use their best effort to eliminate sexual harassment in the workplace.
- The leadership must take all necessary actions to ensure that the company's ethical standards are shared and embraced by all employees and support their professional development to foster them into autonomous and creative individuals who are an asset for their organization.

#### 4. Building partnership with suppliers and subcontractors

- Hyundai Steel should provide technical support to its suppliers and subcontractors and assist them with any management issues, to help them gain long-term international competitiveness and achieve growth. Employees must be just and fair in dealings with the company's suppliers and subcontractors and should never take advantage of their position to make unfair demands on them.

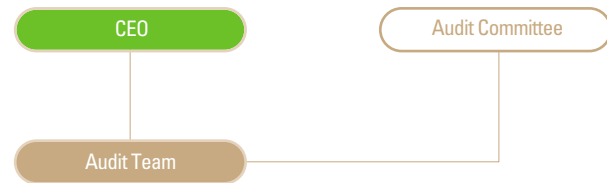
## 5. Transparent Management

- In the performance of their duties, employees should abide by transparent criteria. When conducting transactions with business partners, including customers and suppliers, they must ensure that the terms of transaction are fully transparent as well as beneficial and fair to both parties, in a manner to contribute to the honesty and integrity of corporate culture.
- Employees should, further, resist any pressure from whatever source intended to unduly influence the performance of their official functions, and never accept gifts or financial benefits that are connected in any way with tasks or duties conferred upon them.

Hyundai Steel's Standards of Conduct provide clear guidelines of conduct for staff to follow in the performance of their duties, so that they may deal with stakeholders in a fair and transparent manner.

Chapter 1. Basic Principles \_ Chapter 2. Contributing to the Nation and Society \_ Chapter 3. Respect for Human Dignity and Support for Personal and Professional Development \_ Chapter 4. Responsibility toward Customers \_ Chapter 5. Suppliers and Subcontractors \_ Chapter 6. Employee Ethical Standards \_ Chapter 7. Violation and Penalty \_ Addendum

For more effective enforcement of its ethical standards, Hyundai Steel has set up an online ethics hotline. Both internal and external stakeholders including employees can use this hotline, named “Cyber Auditor’s Office,” to report any violations of laws or the company’s Code of Ethics or Standards of Conduct or submit feedback and suggestions. For greater transparency of the process, the Cyber Auditor’s Office opens a case for each report or suggestion submitted by a stakeholder and notifies him or her of the status of their case.



To ensure fairness and transparency in our procurement process and promote mutual growth with our suppliers, Hyundai Steel has put into place a dedicated ethical management system exclusively designed to assure the integrity of procurement transactions and contracts and established division-level ethics committees to monitor compliance with related standards. Hyundai Steel has made known its commitment to ethical procurement through its e-procurement portal (<http://eprocare.hyundai-steel.com>) and is encouraging employees and other stakeholders to join this cause.

A diagram illustrating four interconnected ethical frameworks. The frameworks are represented by four green circles arranged in a square pattern, each containing text. The circles are connected by a double-lined circular path. The text inside the circles, starting from the top and moving clockwise, is: "Code of Ethics", "Standards of Conduct", "Ethical Business Guideline", and "Ethics Rules".

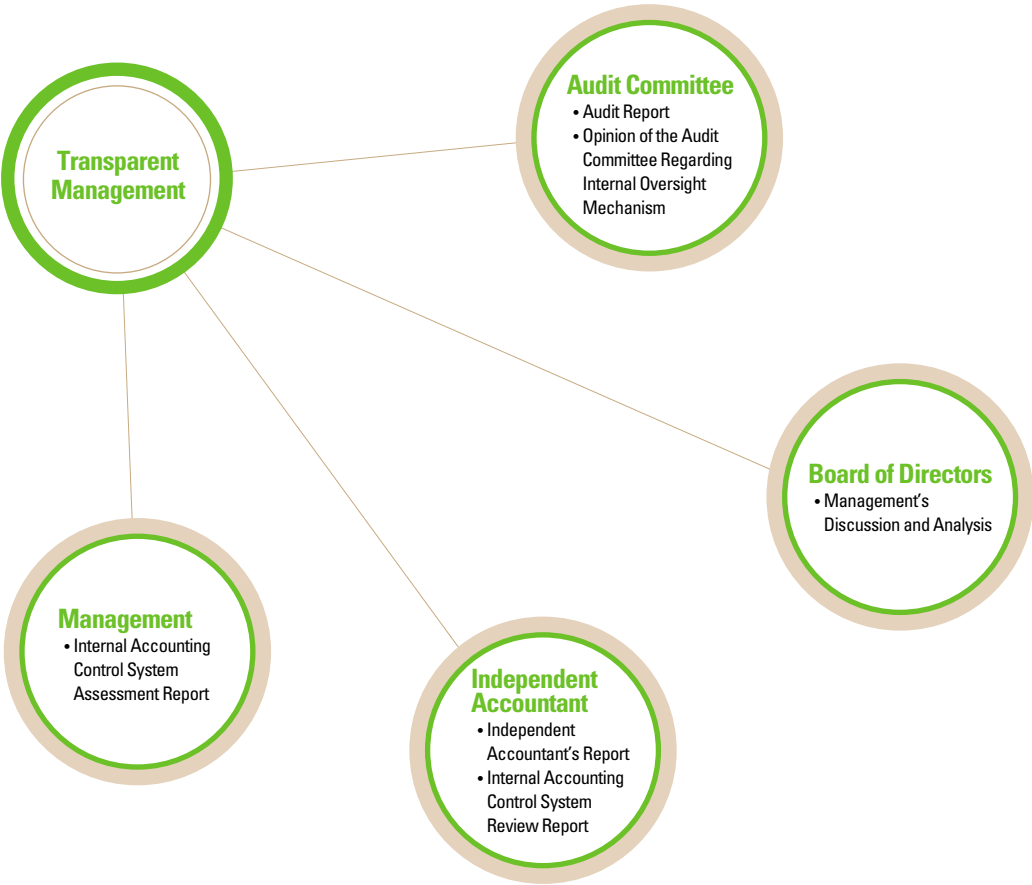
1. Spread ethical awareness organization-wide by publishing a series of articles in monthly installments, on ethical practices in the company newsletter (Hyundai Steel News).
2. Publish a cartoon guidebook on ethical practices to help employees with ethical questions they face in connection with the performance of their duties.



# Transparent Management

Hyundai Steel operates various internal control systems to supply its stakeholders with accurate and reliable information on its performance and maintain a transparent disclosure process. Meanwhile, the Board of Directors and internal audit committee, and the independent accounting firm providing us with audit services thoroughly review our financial data on a regular basis and issue reports that are available for consultation by all stakeholders.

Hyundai Steel also operates an internal accounting control system, designed and managed in accordance with the Internal Accounting Control System Standards established by the government-established Internal Accounting Control System Operation Committee. The system is reviewed for its design and effectiveness, and the results are disclosed in our annual report.



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## Independent Auditor's Opinion on Internal Accounting Control System

### Internal Accounting Control System Review Report

**Chief Executive Officer  
Hyundai Steel Co.** January 25, 2008

We have reviewed the accompanying report of management's assessment of international accounting control system of ("IACS") Hyundai Steel Co. (the "Company") as of December 31, 2007. The Company's management is responsible for assessing the design and operations of its IAC. Our responsibility is to review management's assessment and issue a report based on our review. The management's report on the operations of the IACs of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2007, the Company's IACS has been effectively designed and has operated as of December 31, 2007, in all material respects, in accordance with the IACS Standards established by the IACS Operations Committee."

We conducted our review in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the IACS. A review includes the procedures of obtaining an understanding of the IACS, inquiring as to management's report on the operations of the IACS and performing a review of related documentation within limited scope, if necessary.

A company's IACS consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the IACS may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the IACS on future periods are subject to the risk that IACS may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of the management's report on the operations of the IACS, nothing has come to our attention that causes us to believe that the management's report referred to above is not presented fairly in all material respects, in accordance with the IACS standards.

We conducted our review of the IACS in existence as of December 31, 2007, and we did not review the IACS subsequent to December 31, 2007. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

Samjong KPMG  
삼정회계법인  
尹成福

Sustainability

Economy

Fair Trade Practices

Fair trade practices are the cornerstone of sustainable growth and long-term competitiveness. Hyundai Steel has been operating since 2002 a fair trade compliance program, serving as an internal mechanism ensuring that the highest degree of fairness is maintained in our business dealings and helping us be a credible business organization worthy of our customers’ trust.

Hyundai Steel Fair Trade Compliance System

By ensuring that our business practices are consistent with all key requirements of the fair trade law of the Republic of Korea, we strive to eliminate all potential risks to our credibility as a business organization and enhance the level of legal compliance at all levels of our operations.



Commitment to Fair Trade Compliance

Declaration of CP (Compliance Program)

Reconciling transparency and fairness with business goals has consistently been a fundamental priority of Hyundai Steel. Unfortunately, however, we witness all too often companies engaging in unfair business practices. Heavy fines and civil or criminal prosecutions are not the only or the worst of the undesirable consequences of unfair business dealings. Oftentimes, they do irrecoverable damage to a company’s reputation and image. At Hyundai Steel, we believe that open and fair competition is the foundation of a market economy, and the fairness of our business practices, the very yardstick of our global market leadership. To make further progress in the fairness and transparency of our business activities, we are preparing to implement an internal fair trade compliance program and set up an effective enforcement system to support it. Requirements under the Fair Trade Act must be observed strictly and to the letter. Any violation of the requirements under this law can result not only in serious financial consequences for the company, but also in criminal prosecution of employees implicated in the offense. Hence, their strict observance is of utmost importance, and all employees must cooperate for the efficient operation of the fair trade compliance program. Hyundai Steel will not condone any action by any of its staff, in violation of the Fair Trade Act and mete out disciplinary measures against all offenders. Employees in an executive or supervisory position must make special efforts to ensure compliance among their subordinates, as they will be held responsible not just for their own actions, but also for those of people in their charge. All at Hyundai Steel must, therefore, thoroughly familiarize themselves with the requirements laid down in the compliance manual and clear up any questions they may have by addressing them to compliance officers, so that they are ready to apply them in their day-to-day work. We urge and appreciate your cooperation in the company’s effort to create a fair and transparent corporate culture.

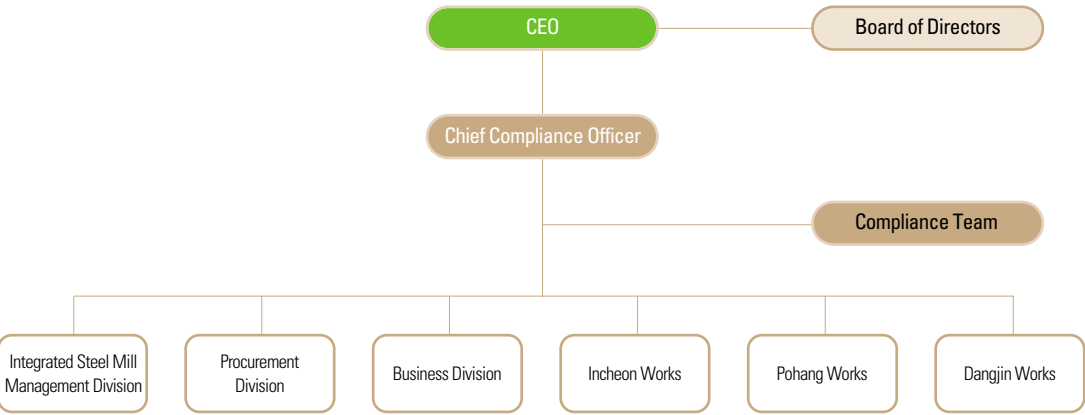
Hyundai Steel  
November 19, 2002

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Fair Trade Compliance Structure

The head of the Strategy and Planning Office has been appointed Chief Compliance Officer responsible for monitoring the status of fair trade compliance at Hyundai Steel. The Chief Compliance Officer periodically reports to the Board of Directors, on the status and progress of compliance.

Compliance Structure



Compliance Program Activities

Status of Compliance Education by Year

To spread the awareness of fair trade requirements and promote compliance among our staff, we conduct a variety of education programs, provided both on and offline. Compliance officers, in their turn, attend external training programs to keep their knowledge of related requirements up to date.

| Category                    | 2005                       | 2006                       | 2007                       |
|-----------------------------|----------------------------|----------------------------|----------------------------|
| Compliance workshop         | 1 session 232 participants | 3 session 384 participants | 5 session 247 participants |
| Online compliance education | 2 session 223 participants |                            | 1session 126 participants  |
| Total                       | 3 session 455 participants | 3 session 384 participants | 6 session 373 participants |
| External training           |                            | 2 session                  | 3 session                  |

Publication and Revision of Compliance Manual

As part of the effort to better support our staff’s fair business practice-related decision-making, Hyundai Steel’s Fair Trade Compliance Manual is continuously updated so that they are kept informed of the latest legal requirements and the changing business environment.

- 2003 Publication of the compliance manual
- 2005 1st revision of the compliance manual

Internal Surveillance

We conduct internal surveillance on select business processes for which compliance with fair trade requirements matters more particularly. Surveillance are coupled with preventive education so that staff are warned in advance about the most common types of fair trade violations.

| Category                               | 2005 | 2006 | 2007 |
|--|------|------|------|
| Teams subject to internal surveillance | 7    | 32   | 36   |

※ Disciplinary actions against violations: See *Hyundai Steel Annual Report II-1*

Fair Trade Compliance Plan (2008)

1. Inclusion of faire trade compliance education in basic staff training curriculum as mandatory subject

- At Hyundai Steel, all employees are required to attend regularly scheduled compliance education sessions. Amendments to our bylaws are currently planned to make fair trade compliance education a mandatory component of the basic staff training curriculum.

2. Recognizing and awarding compliance excellence

- Teams and sections of Hyundai Steel 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 at our organization.

3. Fair trade intranet

- As part of the effort to improve the level of compliance with fair trade requirements in our organization, Hyundai Steel is working to set up an intranet exclusive dedicated to this purpose. At its completion, the intranet is expected to facilitate staff access to fair trade-related information and help them avoid breaking the rules unwittingly, out of ignorance. The broader goal is to minimize the risk of noncompliance, stemming from a lack of awareness or information on the part of our employees.

4. Updating the compliance manual

- Any major change in the business environment or business lines of the company should be reflected in the compliance manual. Hyundai Steel plans to update its fair trade compliance manual, as needed and as often as necessary, and release the amended version as a CD-rom, to provide accurate and current information to its employees.

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|   | 034<br>+  |
|   | 035   |
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Sustainability

Environment

Environment

Hyundai Steel’s environmental management system, officially implemented in 2003, with the ISO 14001 certification, has been since then updated and upgraded every year to be in keeping with rapidly-changing environmental trends at home in Korea and worldwide.

In 2007, we created the Environmental Planning Team at our Seoul headquarters, placing it in charge of analyzing environmental policy trends in Korea and abroad and developing environmental management policies for the company. Meanwhile, within our R&D center, we have set up a team to conduct research in various environment and energy-related technology fields (‘Environmental and Energy Technology Team’). Under an objective to become a leader in eco-friendly business practices, Hyundai Steel has been broadening the scope of its environmental management system to create an integrated system coordinating all related efforts launched across our organization, and has been constantly investing in clean production technology and effective communication. Hyundai Steel will make continuous efforts to reduce environmental impacts of its production processes both at its currently-existing three steel works and the new Integrated Steel Mills under construction for completion in 2010.

Environmental Policy

Hyundai Steel has long been a model of environmental stewardship for Korea’s steel industry. The recycling and reuse of steel scrap at our plants and efforts to minimize the emission of pollutants and waste in all steps of our manufacturing process have been an example and inspiration for other companies in the sector. Any pollutants and waste are treated, recovered or disposed of according to set procedures that are of the highest environmental standards. Hyundai Steel’s environmental policy has been designed taking into consideration also the impacts of our production processes on the environment of the local communities where our plants are located. Processes at our manufacturing facilities are regularly monitored to check compliance with the company environmental policy, and we undertake various other measures to ensure that environmental stewardship becomes an integral part of our organizational culture.

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 competitiveness in other areas.
3. Continuous efforts should be made to prevent pollution and improve the environment.
4. Byproducts of manufacturing activities must be efficiently recycled for reuse, and any waste not suitable for recovery and 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.

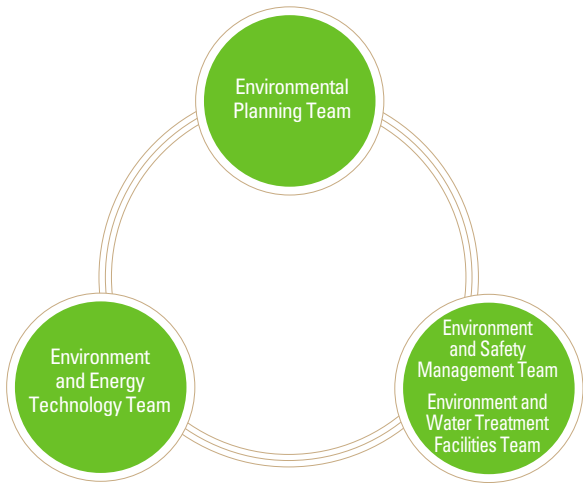
# Environmental Management System and Structure

### Environmental Management System

In 2003, Hyundai Steel obtained the ISO 14001 certification on its environmental management system. The system has been since then, progressively strengthened at many levels, and our organizational infrastructure for environmental management has also been expanded through measures like the establishment of an Environmental Committee in charge of identifying and resolving any areas for improvement. Hyundai Steel has been, furthermore, actively investing in environmental research, developing, for instance, an environmental improvement index and upgrading its environmental management procedures by introducing the latest available techniques.

### Environmental Management Structure

Environmental management at Hyundai Steel is a concerted effort by several units responsible for different aspects of environmental protection. The Environmental Planning Team establishes the basic direction and goals of Hyundai Steel’s environmental policy. Meanwhile, the Environmental Safety Team, composed of seasoned experts with extensive field experience, addresses practical environmental concerns at our production sites with the help of the managements of our three plants. Finally, the Environment and Energy Technology Team of the Hyundai Steel R&D Center provides technical expertise and support necessary for environmental initiatives undertaken at our organization.



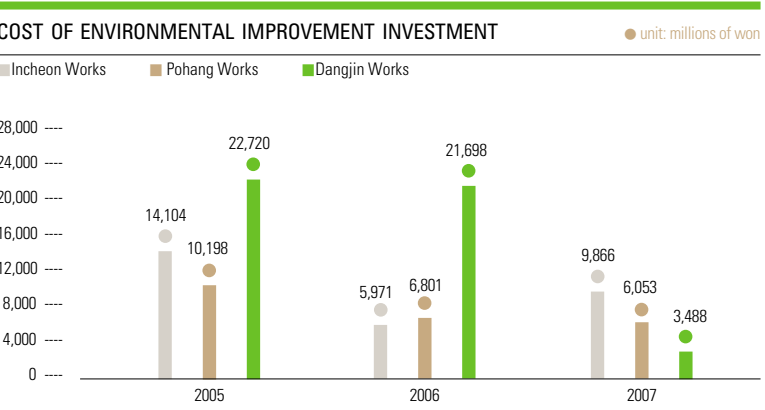
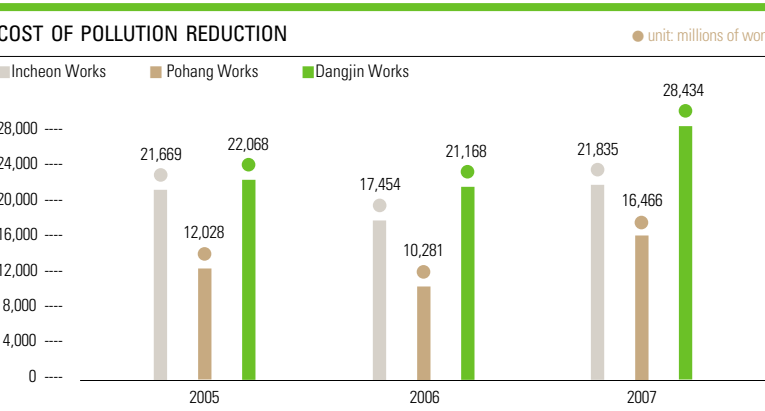
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### Environmental Committee

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 and more efficiently coordinate its sustainability efforts. Environment and energy officers of our Seoul head office and three steel works hold regular conferences to cooperate with each other, discussing policy and regulatory issues and technological trends and deliberating on key environmental issues to decide on a joint response.

### Environmental Accounting

In 2007, Hyundai Steel’s total expenditures for environmental initiatives to reduce pollution amounted to 66.7 billion won, and its total investments in environmental protection 19.4 billion won. The cost of treating wastewater and that of treating, recycling and disposing of various byproducts from manufacturing processes were the two principal components of the environmental protection expenditures. Meanwhile, the cost of upgrading and retrofitting facilities to reduce pollution from their sources and that of computerization were treated as the cost of environmental protection investments.



※ The above figures do not include the cost of environmental protection facilities and equipment at the new Integrated Steel Mill currently under construction.

※ The cost of environmental improvement investment at Dangjin Work decreased significantly in 2007, as the facility upgrade and retrofit project begun in 2004, at the time of Hyundai Steel’s acquisition of this steel mill long out of service, came to completion in 2006.



# Efforts toward Reduction of Environmental Impacts

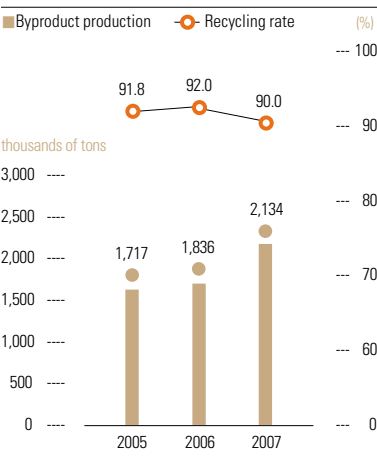
## Byproducts

During 2007, the total amount of byproducts produced at Hyundai Steel’s three steel works was 2,134,000t. This amount breaks down to 1,576,000t of steelmaking slag, 173,000t of steelmaking dust and 19,000t of sludge. 90% of total byproducts were recycled and used as fill or roadbase or to make refractory cement or bricks. The recycling rate of byproducts dropped moderately in 2007, due to the increased production of steelmaking dust and waste soil that are harder to recycle than slag. To address this issue, we are currently looking to enter into partnership with Korean and foreign firms specialized in retrieving zinc and iron that are largely contained in steelmaking dust, so that we may recycle 100% of the dust produced at our manufacturing facilities. We expected to see concrete progress in this direction within several years.

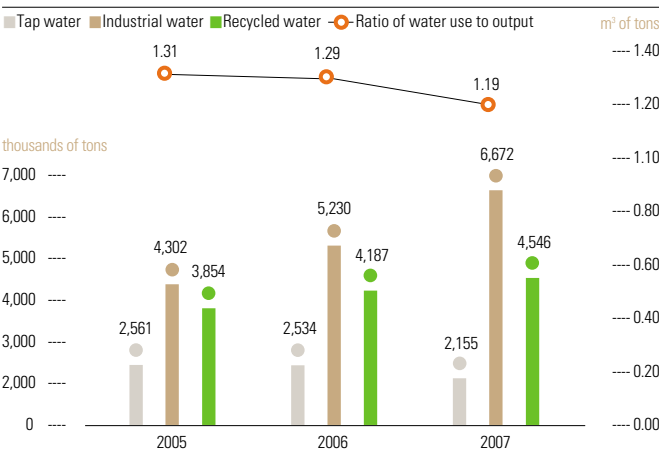
## Water and Water Quality Control

Over 98% of water used at our steel mills is re-used after filtration and sedimentation at their internal wastewater treatment plants. The remaining 2% is either industrial water or treated sewage water from local sewage treatment plants, which is retreated at our plants with reverse osmosis equipment, before use. At the Incheon Works, thanks to the wastewater reuse system built in 2002, whose construction has cost 7.5 billion won, they have managed to cut their water use by as much as 4,546,000t resulting in cost reductions of 4 billion won in 2007. That has been an inspiration for many other companies across the country. Wastewater produced from manufacturing is filtered and cleaned at the onsite water treatment plants of our steel mills, using physical, chemical or biological processes appropriate to the type of contaminants. We control the content of pollutants such as SS, COD and BOD using standards that are significantly stricter than legally required.

BYPRODUCT PRODUCTION AND RECYCLING RATE



TOTAL WATER USE



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## Air

All production sites of Hyundai Steel are equipped with Cleansys, an online communications system allowing us to forward emission concentration data generated from automatic measuring equipment, to the control center of the Korea Environmental Management Corporation. Cleansys has enabled us to control air pollutants such as dust, sulfur oxides(SOx) and nitrogen oxides(NOx), released from the steelmaking processes, dramatically more efficiently. In 2007, we invested 2 billion won in upgrading our dust collection facilities such as gas coolers and water cooling ducts for greater efficiency, continuing our long-standing effort for using the best available technology(BAT) for each pollutant. As a result, we are able to capture and dispose of over 99% of the dust produced at our steel mills and observe stricter standards than legal limits on the emissions of atmospheric pollutants such as nitrogen oxides and sulfur oxides. The moderate increase in air pollutant emissions observed during 2007, at some of our production sites owes principally to frequent changes in operation conditions of reheating furnaces, resulting from greater diversification of products manufactured by them both in terms of type and size. We expect this issue to be resolved in the near future, as the operation conditions become stabilized.

## Dioxin

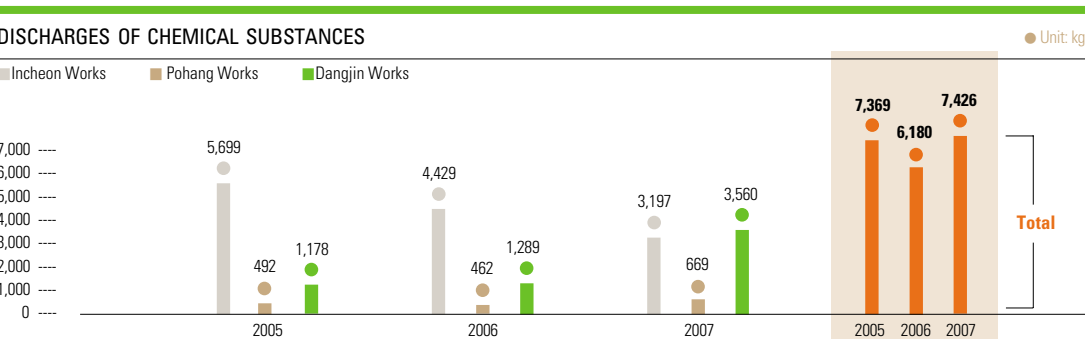
Dioxin is released during the process of melting metal scraps inside an electric arc furnace. Dioxin is a highly toxic persistent organic pollutants which need to be closely controlled and monitored. At Hyundai Steel, metal scraps are checked several times, before they are loaded into the electric arc furnace to minimize emissions of dioxin. Meanwhile, to reduce the production of dioxin from resynthesis during the cooling of flue gas, we use a cooling tower along with the water cooling ducts. In July 2007, Hyundai Steel entered into the 'Voluntary Agreement to Reduce Persistent Pollutants' with the Korean Ministry of Environment, joining forces with the industry and environmental organizations to cut dioxin emissions. The level of concentration of dioxin in emissions is measured and monitored at all three steel works of Hyundai Steel, four times a year, since 2006. ※Details of dioxin emissions at Hyundai Steel are provided in the environmental impact achievement information presented below for each of the three steel works.

## Chemical Substances

Chemical substances released from steelmaking processes include chrome(Cr) and aluminum(Al), used to adjust and balance the composition of molten steel, and nitrogen used in the cleaning process for stainless steel. In May 2005, the Incheon Works signed the 'Voluntary Agreement to Reduce Chemical Substance Discharges,' pledging to cut nitrogen discharges by 30% by the year 2007 and 50% by 2009, from their level in 2001. To make good on this pledge, the Incheon Works has developed equipment to reduce nitrogen discharges for the stainless steel plant where greater amounts of chemical substances are used than at other production facilities, and optimized wastewater treatment processes at the same plant. As a result, the nitrogen discharges at the Incheon Works fell in 2007, 57.7% from the level in 2001. The total combined volume of chemical substances discharged at the three steel plants has increased overall, standing at 7,426kg in 2007.

## Legal Compliance

In 2007, no fine or sanction was imposed on Hyundai Steel for noncompliance with environmental laws or regulations. Hyundai Steel will continue to sustain the current high level of legal compliance by maintaining strict oversight over its production processes at all its manufacturing facilities.





Incheon Works

This steel works is located in an industrial zone, where there is no ecological zone or habitat of endangered fauna or flora, protected under an environmental agreement or law. Tap water is supplied to the Incheon Works by the Pungnap Waterworks at the estuary of the Han River. Most of the water used at this plant, however, is recycled water. Water released from the Gajwa Sewage Water Treatment Plant is tapped into the plant’s sewage water reuse system and retreated before use for manufacturing. Chilled water used for processing is treated and reused in its entirety. Some of the wastewater produced from the stainless steel cleaning process, not suitable for reuse, is treated through appropriate physical, chemical or biological processes and sent to the Gajwa Sewage Water Treatment Plant, where it undergoes purification before being released to the sea.

ENVIRONMENTAL IMPACT REDUCTION ACHIEVEMENTS AT INCHEON WORKS

| Category                          |                             | Unit              | 2005  | 2006  | 2007    | Legal limit |
|-----------------------------------|-----------------------------|-------------------|-------|-------|---------|-------------|
| Water quality                     | Tap water supply            | thousand m³       | 1,995 | 1,624 | 1,242   |             |
|                                   | Recycled water supply       | thousand m³       | 3,854 | 4,187 | 4,546   |             |
|                                   | Wastewater release          | thousand m³       | 126   | 156   | 156     |             |
|                                   | SS                          | mg/L              | 16.6  | 11.7  | 28.0    | 120         |
|                                   | COD                         | mg/L              | 43.4  | 40.7  | 37.0    | 130         |
| Air                               | Dust (Electric arc furnace) | mg/m³             | 6.9   | 6.0   | 5.6     | 20          |
|                                   | Dust (Reheating furnace)    | mg/m³             | 10.5  | 10.1  | 13.3    | 70          |
|                                   | SOx                         | ppm               | -     | -     | 4.7     | 500         |
|                                   | NOx                         | ppm               | -     | -     | 100.6   | 200         |
| Dioxin (Electric arc furnace)     |                             | ng-TEQ/m³         |       | 0.12  | 0.06    | 1.0         |
| Byproducts                        | Slag                        |                   | 645   | 635   | 629     |             |
|                                   | Dust                        |                   | 60    | 58    | 61      |             |
|                                   | Waste refractories          |                   | 10    | 8     | 8       |             |
|                                   | Sludge                      | thousands of tons | 10    | 10    | 12      |             |
|                                   | Soil                        |                   | 36    | 46    | 64      |             |
|                                   | Miscellaneous※              |                   | 115   | 91    | 96      |             |
|                                   | Total                       |                   | 876   | 848   | 870     |             |
| Discharges of chemical substances |                             | kg                | 5,699 | 4,429 | 3,197   |             |
| Lot size                          |                             | m²                |       |       | 920,000 |             |
| Total green area                  |                             | m²                |       |       | 55,739  |             |

※ Miscellaneous: Mill scale, waste oil, waste acids, discarded resin, waste paper, general waste, discarded construction materials, waste wood, waste paint, waste foundry sand, etc.

|   |   |
|---|---|
| Company Overview                                  |   |
| Sustainability                                    |   |
| Stakeholders                                      |   |
| Integrated Steel Mill                             |   |
| Appendix  |   |
|   | 040<br>+<br>041                                   |
| Economy   | HYUNDAI STEEL                                     |
| Ethical Management                                |   |
| Transparent Management                            | 2007<br>HYUNDAI STEEL<br>SUSTAINABILITY<br>REPORT |
| Fair Trade Practices                              |   |
| Environment                                       |   |
| Environmental Management System and Structure     |   |
| Efforts toward Reduction of Environmental Impacts |   |
| Society   |   |
| Social Contribution Vision                        |   |
| Social Contribution System                        |   |
| Social Contribution Programs and Activities       |   |



Pohang Works

This steel works located inside the Pohang Steel Complex is not in proximity of any ecological zone or habitat of endangered fauna or flora, protected under an environmental agreement or law. Plant 1 of the Pohang Works receives its supply of industrial water from the Angye Dam in Gangdong-myeon, Gyeongju and Lake Nultaeji in Guryongpo-eup, Pohang. Water used for processing at the Pohang Works is reused in its entirety, with none released into the environment. Pohang Plant 2 gets its water from the Angye Dam, and most of the wastewater is treated onsite and reused. Wastewater not suitable for reuse is treated through appropriate physical, chemical or biological processes and sent to the Pohang Sewage Water Treatment Plant where it is released, after purification, into the lower Hyeongsan River.

ENVIRONMENTAL IMPACT REDUCTION ACHIEVEMENTS AT POHANG WORKS

| Category                          |                             | Unit              | 2005  | 2006  | 2007    | Legal limit |
|-----------------------------------|-----------------------------|-------------------|-------|-------|---------|-------------|
| Water quality                     | Tap water supply            | thousand m³       | 305   | 267   | 261     |             |
|                                   | Recycled water supply       | thousand m³       | 2,512 | 2,500 | 2,832   |             |
|                                   | Wastewater release          | thousand m³       | 83    | 74    | 41      |             |
|                                   | SS                          | mg/L              | 2.1   | 3.0   | 3.2     | 120         |
|                                   | COD                         | mg/L              | 9.0   | 9.0   | 5.4     | 130         |
| Air                               | Dust (Electric arc furnace) | mg/m³             | 2.2   | 1.9   | 2.4     | 20          |
|                                   | Dust (Reheating furnace)    | mg/m³             | 19.9  | 14.0  | 10.5    | 70          |
|                                   | SOx                         | ppm               | 16.3  | 43.1  | 59.9    | 500         |
|                                   | NOx                         | ppm               | 111.4 | 126.1 | 107.6   | 200         |
| Dioxin (Electric arc furnace)     |                             | ng-TEQ/m³         |       | 0.09  | 0.14    | 1.0         |
| Byproducts                        | Slag                        |                   | 352   | 348   | 368     |             |
|                                   | Dust                        |                   | 46    | 50    | 51      |             |
|                                   | Waste refractories          |                   | 13    | 12    | 12      |             |
|                                   | Sludge                      | thousands of tons | 1     | 2     | 2       |             |
|                                   | Soil                        |                   | 24    | 21    | 12      |             |
|                                   | Miscellaneous※              |                   | 56    | 57    | 68      |             |
|                                   | Total                       |                   | 492   | 490   | 513     |             |
| Discharges of chemical substances |                             | kg                | 492   | 462   | 669     |             |
| Lot size                          |                             | m²                |       |       | 660,000 |             |
| Total green area                  |                             | m²                |       |       | 37,149  |             |

※ Miscellaneous: Mill scale, waste oil, waste acids, discarded resin, waste paper, general waste, discarded construction materials, waste wood, waste paint, waste foundry sand, etc.





Dangjin Works

The Dangjin Works is located inside an industrial complex and does not neighbor any ecological zone or habitat of endangered fauna or flora, protected under an environmental agreement or law. Water used at the Dangjin Works is withdrawn from Lake Daechong in Cheongjeong-myeon, Goesan-gun, Chungcheongbuk-do. Most of wastewater is treated onsite for reuse. The small percentage of wastewater unsuited for recycling is treated using appropriate physical, chemical or biological processes before it is released to Asan Bay.

| ENVIRONMENTAL IMPACT REDUCTION ACHIEVEMENTS AT DANGJIN WORKS |                             |                   |           |       |       |  |
|--|-----------------------------|-------------------|-----------|-------|-------|--|
| Category   |                             | Unit              | 2005      | 2006  | 2007  | Legal limit                                  |
| Water quality  | Tap water supply            | thousand m³       | 261       | 643   | 652   |  |
|  | Recycled water supply       | thousand m³       | 1,790     | 2,730 | 3,840 |  |
|  | Wastewater release          | thousand m³       | 152       | 489   | 686   |  |
|  | SS                          | mg/L              | 5.9       | 3.3   | 6.8   | 60   |
|  | COD                         | mg/L              | 7.6       | 8.1   | 8.0   | 70   |
| Air  | Dust (Electric arc furnace) | mg/m³             | 4.2       | 3.7   | 3.0   | 20   |
|  | Dust (Reheating furnace)    | mg/m³             | 16.2      | 16.1  | 16.5  | 70   |
|  | SOx                         | ppm               | 22.6      | 22.1  | 49.3  | 500  |
|  | NOx                         | ppm               | 79.1      | 74.0  | 108.3 | 200  |
| Dioxin (Electric arc furnace)                                |                             | ng-TEQ/m³         |           | 0.13  | 0.07  | 1.0  |
| Byproducts   | Slag                        | thousands of tons | 267       | 398   | 579   |  |
|  | Dust                        |                   | 39        | 47    | 61    |  |
|  | Waste refractories          |                   | 9         | 10    | 13    |  |
|  | Sludge                      |                   | 2         | 4     | 5     |  |
|  | Soil                        |                   | 13        | 12    | 17    |  |
|  | Miscellaneous※              |                   | 19        | 27    | 76    |  |
|  | Total                       |                   | 349       | 498   | 751   |  |
| Discharges of chemical substances                            |                             | kg                | 1,178     | 1,289 | 3,560 |  |
| Lot size   |                             | m²                | 6,530,000 |       |       | including the Integrated Steel Mill (Zone C) |
| Total green area   |                             | m²                | 232,000   |       |       | Zones A & B                                  |

※ Miscellaneous: Mill scale, waste oil, waste acids, discarded resin, waste paper, general waste, discarded construction materials, waste wood, waste paint, waste foundry sand, etc.

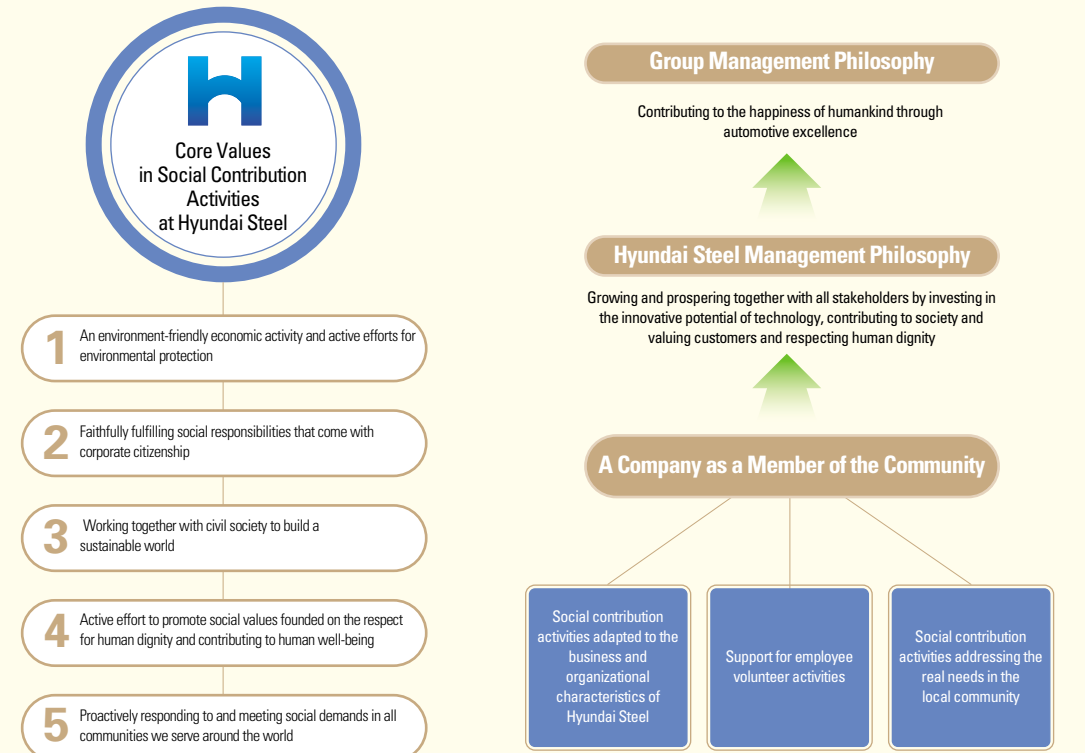
|   |   |
|---|---|
| Company Overview                                  |   |
| Sustainability                                    |   |
| Stakeholders                                      |   |
| Integrated Steel Mill                             |   |
| Appendix  |   |
|   | 042<br>+<br>043                                   |
| Economy   | HYUNDAI STEEL                                     |
| Ethical Management                                |   |
| Transparent Management                            | 2007<br>HYUNDAI STEEL<br>SUSTAINABILITY<br>REPORT |
| Fair Trade Practices                              |   |
| Environment                                       |   |
| Environmental Management System and Structure     |   |
| Efforts toward Reduction of Environmental Impacts |   |
| Society   |   |
| Social Contribution Vision                        |   |
| Social Contribution System                        |   |
| Social Contribution Programs and Activities       |   |

Sustainability

Society

Society

In line with the Hyundai-Kia Motors Group’s commitment to social responsibility and social contribution as an important group-wide priority, Hyundai Steel strives to make a difference in local communities in which it has a business presence. Hyundai Steel identifies the needs in the community and designs and plans appropriate volunteer programs to address them. At Hyundai Steel, we believe no effort is too great to help restore hope for a better future in our community.



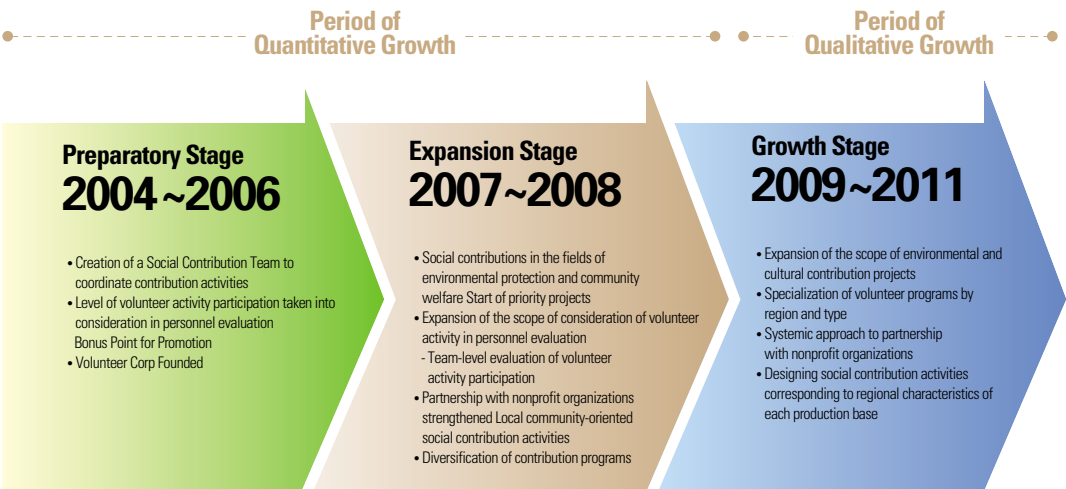
**Moving the World Together**

**HYUNDAI STEEL**

The circle created by two persons holding each other’s hands symbolizes at once the world and the wheel that drives the Hyundai-Kia Motors Group. The turning of the wheel, meanwhile, expresses our commitment to giving back to the community. As the saying goes, what goes around comes around. The two persons standing side-by-side embody peaceful coexistence and cooperation, as they join hands for a sustainable future that is in harmony with nature. The two are shown running to visualize the Hyundai-Kia Motors Group’s readiness to come to the aid of those in need wherever they may be in the greater world community. The dominant blue tone is the hopeful color of our blueprint for the future where prosperity and happiness put a smile on everyone’s face.

# Social Contribution Vision

At Hyundai Steel, we envision our progress in social contribution in three stages through which we plan to strike a fine balance between qualitative and quantitative progress: preparatory stage, expansion stage and growth stage. We are at present past the preparatory stage during which mechanisms and apparatuses needed for effectively benefiting the society have been readied and are now phasing into the expansion stage. Hyundai Steel has selected the environment as the focus in the expansion stage of its social contribution activities, and is carrying out various activities to contribute to the community through partnership with nonprofit organizations. These activities will be complemented with many other programs planned for the qualitative growth of our social contribution programs, including volunteer programs that are closely adapted to the individual characteristics of each manufacturing facility of Hyundai Steel.

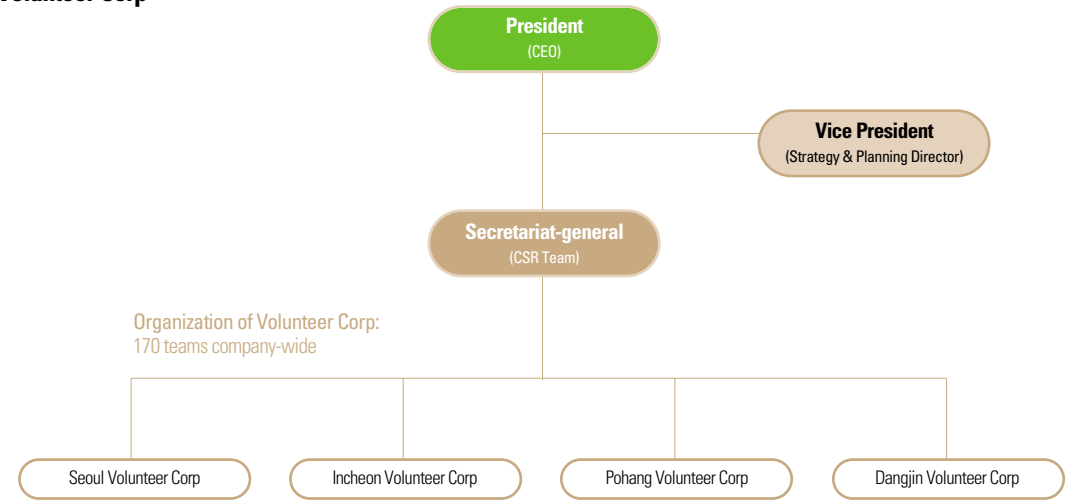


|   |   |
|---|---|
| Company Overview                                  |   |
| <b>Sustainability</b>                             |   |
| Stakeholders                                      |   |
| Integrated Steel Mill                             |   |
| Appendix  |   |
|   | 044<br>+<br>045                           |
| <b>Economy</b>                                    | HYUNDAI STEEL                             |
| Ethical Management                                |   |
| Transparent Management                            | 2007                                      |
| Fair Trade Practices                              | HYUNDAI STEEL<br>SUSTAINABILITY<br>REPORT |
| <b>Environment</b>                                |   |
| Environmental Management System and Structure     |   |
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| <b>Society</b>                                    |   |
| Social Contribution Vision                        |   |
| Social Contribution System                        |   |
| Social Contribution Programs and Activities       |   |

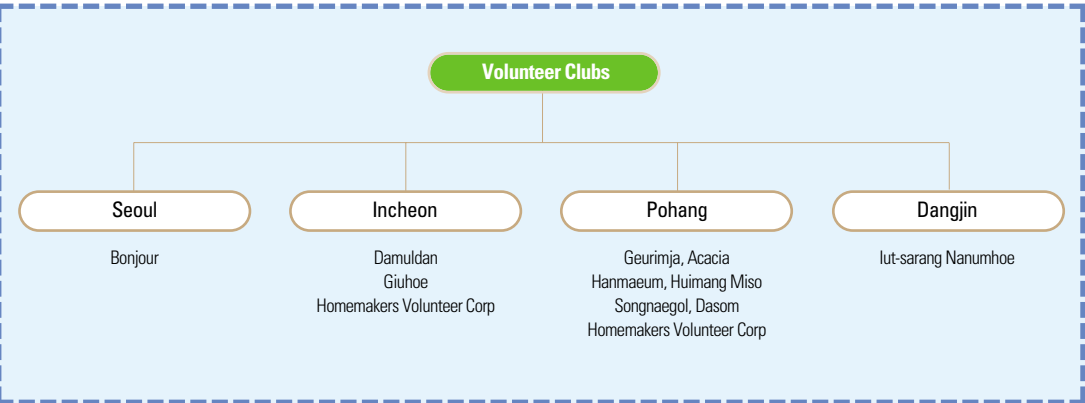
# Social Contribution System

Hyundai Steel's effort to contribute to society is carried out through social contribution programs and employee volunteer programs. Social contribution programs are coordinated by CSR(Corporate Social Responsibility) Team of the Strategy & Planning Office, which develops and establishes organization-wide strategies. Meanwhile, the Employee Volunteer Corp headed by the CEO serves as the umbrella organization of 170 volunteer teams company-wide.

## Volunteer Corp



※ In addition to activities carried out through the Volunteer Corp, employees of Hyundai Steel also serve their local communities through its twelve volunteer clubs.





# Social Contribution Programs and Activities

## Volunteer Corp Operation Model

To encourage our staff to take part in volunteer activities and join the company’s effort to become a full-fledged member of local communities we serve, starting in 2007, we are using the level of participation in volunteerism as one of the KPI (Key Performance Indicators) for the job performance evaluation of employees.

### VOLUNTEER PERFORMANCE EVALUATION METHOD

| Category   | 2005~2006  | 2007~   |
|------------|--|---|
| Types      | Individual evaluation (promotion bonus points awarded)                     | Team evaluation   |
| Criterion  | Hours spent on volunteer activities  | Hours spent on volunteer activities, rate of participation  |
| Procedures | 3 hours in monthly average → +1 pt.<br>4 hours in monthly average → +2 pt. | Recommended number of hours: 3.2hr per person in monthly average<br>Rate of participation: Participation by 75% or more of the team members |

## Volunteer Education

To raise the level of participation in volunteer activities and help the participating employees to develop a correct understanding of the significance and role of volunteerism, leaders of volunteer teams receive training on an annual basis. Volunteer education has been also integrated into the orientation training program for newly-recruited employees, who attend classes that are designed to provide them with both theoretical and experiential learning on volunteerism.

### Team Leader Volunteerism Training

- **Schedule:** During the 1st quarter of every year
- **Description:** Classes to provide the theoretical understanding of volunteerism needed to lead the volunteer team and participation in volunteer activities (one-night, two-day retreat)

### New Employee Education

- **Schedule:** Twice a year, at the end of the biannual recruitment
- **Description:** New employee orientation program (theoretical and experiential learning on volunteer activities)

## Support Toward Volunteer Corp

- **Volunteer expenses:** Volunteers receive a monthly allowance to cover the cost of supplies needed for volunteer activities.
- **Volunteer vests:** Hyundai Steel supplies all members of the company Volunteer Corp with a vest as a uniform, to help promote the identity of the volunteer organization and reinforce members’ commitment to its cause.
- **Accident insurance:** Hyundai Steel provides all members of the Volunteer Corp with accident insurance to cover them against any accident that might occur during volunteer activities.
- **Outstanding volunteer service awards:** Once a year, five volunteers and two volunteer teams are awarded for outstanding volunteer service.

|   |                       |
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| Company Overview                                  |                       |
| Sustainability                                    |                       |
| Stakeholders                                      |                       |
| Integrated Steel Mill                             |                       |
| Appendix  |                       |
|   | 046<br>+<br>047       |
| Economy   | HYUNDAI STEEL         |
| Ethical Management                                | 2007                  |
| Transparent Management                            | HYUNDAI STEEL         |
| Fair Trade Practices                              | SUSTAINABILITY REPORT |
| Environment                                       |                       |
| Environmental Management System and Structure     |                       |
| Efforts toward Reduction of Environmental Impacts |                       |
| ► Society   |                       |
| Social Contribution Vision                        |                       |
| Social Contribution System                        |                       |
| Social Contribution Programs and Activities       |                       |

## Volunteer Accomplishments

Hyundai Steel’s employees have provided to date 60,475 hours of volunteer service, in cumulative total, to some 200 community facilities nationwide, bringing help to where it is needed and living the value of caring.

| Category                | 2005     | 2006     | 2007     |
|-------------------------|----------|----------|----------|
| Rate of participation   | 83%      | 70%      | 88.1%    |
| Annual cumulative hours | 27,576hr | 35,657hr | 60,475hr |

※ The above figures are based on volunteer activities by executive and managerial employees. The average monthly hours spent on volunteering among all employees stood at 3.9 hours in 2007.

## Matching Grant Program

At Hyundai Steel, employees are encouraged to donate a portion of their monthly wage to community causes, and the company matches the combined amount donated by employees through a matching grant program. The donations are directed to causes that are selected through survey of participating employees.

### MATCHING GRANT AWARDS

| Category         | 2005  | 2006  | 2007  |
|------------------|---|---|---|
| Award allocation | Support toward children in after-school facilities (contributions toward meal programs, children’ s camps, learning programs) | Children’s environmental education programs         | Throwable fire extinguisher for disability facilities   |
| Recipient        | 9 after-school facilities in Incheon, Pohang and Dangjin (for low-income children)  | 8 elementary schools in Incheon, Pohang and Dangjin | Disability facilities nationwide (184 total facilities) |
| Amount           | 100,000,000 won   | 199,320,000 won                                     | 219,210,000 won   |

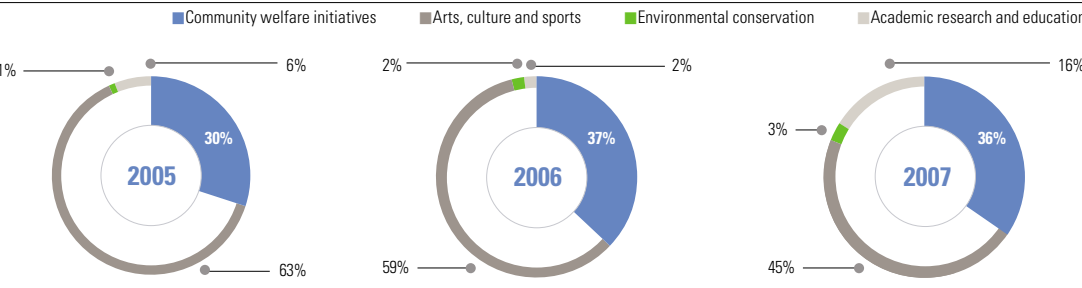
## Social Contribution Projects

At Hyundai Steel, social contribution projects are our prime vehicles of investing in a sustainable future for our society. We are interested in the sustainable growth of the community, a key stakeholder of our organization, and will continue our effort to contribute to it by supporting academic research and education, cultural, artistic and sports activities, assisting those less fortunate than us and taking active part in environmental conservation initiatives.

### SOCIAL CONTRIBUTION EXPENDITURES

| Category                        | 2005  | 2006  | 2007  |
|---------------------------------|-------|-------|-------|
| Social welfare initiatives      | 1,964 | 2,318 | 2,614 |
| Arts, culture and sports        | 4,141 | 3,657 | 3,326 |
| Environmental conservation      | 51    | 108   | 145   |
| Academic research and education | 412   | 149   | 1,134 |
| Total                           | 6,568 | 6,232 | 7,219 |

### PERCENTAGE DISTRIBUTION OF SOCIAL CONTRIBUTION EXPENDITURES BY TYPE





# Stakeholders

2007  
Hyundai Steel  
Sustainability  
Report



Who are our stakeholders  
Shareholders and Investors  
Customers  
Suppliers  
Employees  
Community  
Environment

As a Famous Saying has it,  
No Man is an Island,  
Entire of Itself

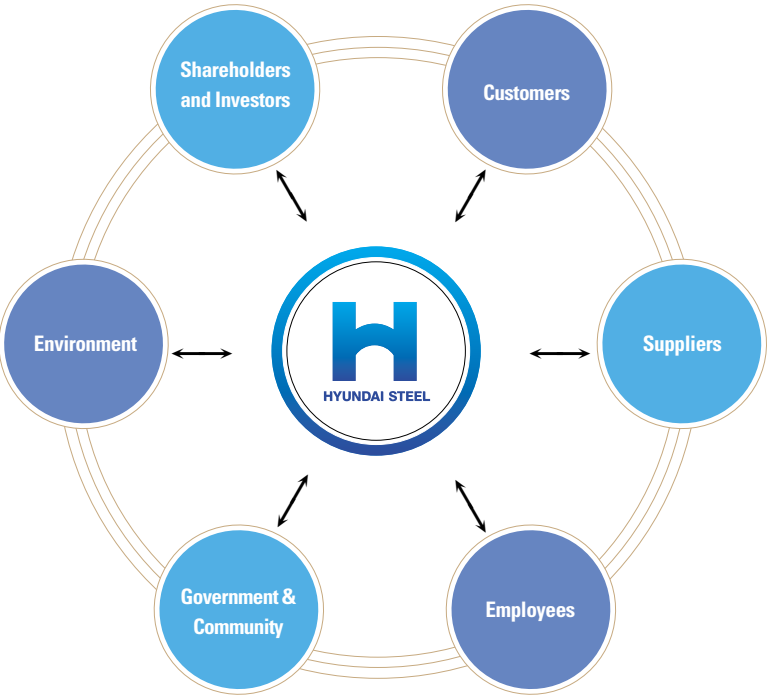
## Stakeholders

When people come together, they can move mountains. At Hyundai Steel, with the understanding that it is mutual respect and understanding between people of all walks of life that give a society the harmony and strength it needs to grow, we value each and every one of our stakeholders. By actively cooperating and communicating with our shareholders, customers, suppliers, employees and the community, and making sincere efforts to protect the environment, Hyundai Steel strives to ensure that our growth benefits all stakeholders and contributes to the sustainable development of mankind.



# Who Are Our Stakeholders

At Hyundai Steel, we believe that maintaining meaningful communication with stakeholders is the key to sustainable performance and are constantly trying to engage stakeholders into our planning and decision-making. ‘Stakeholders’ means all those who may affect, or be affected by, the operations of Hyundai Steel. Stakeholders are not just economic factor who maybe affected by our activities of creating economic value or the process of its distribution, but includes the environment which may be impacted by our business operations. The stakeholders of Hyundai Steel fall into six broad categories: shareholders and investors, customers, suppliers, employees, the community and the environment.



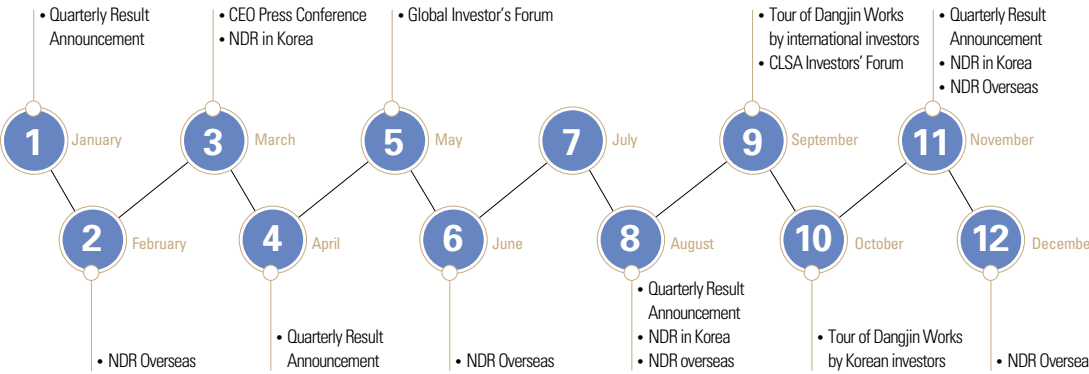
# Shareholders and Investors

## Shareholders

To accurately communicate business performance to our shareholders and further strengthen the relationship of trust with them, we hold quarterly result announcements. We are regularly hosting non-deal roadshows(NDR) and conferences to provide additional channels of communication to our investors, and are actively responding to requests for one-on-one meetings. Meanwhile, Hyundai Steel’s IR data and performance data published in the company website are updated for continuing relevance.

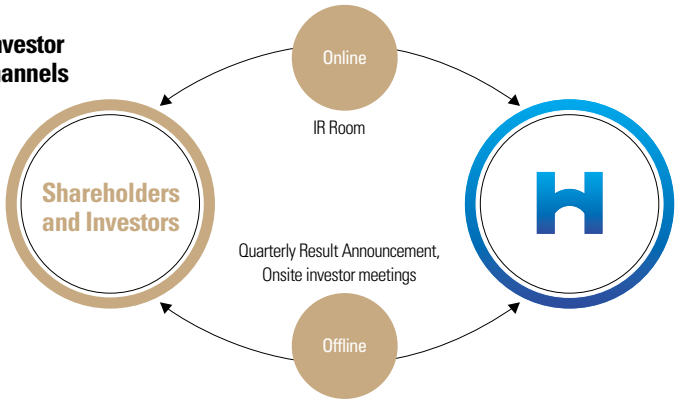
- Website in Korean: [www.hyundai-steel.com/ir](http://www.hyundai-steel.com/ir)
- Website in English: [www.hyundai-steel.com/eng/ir/company.html](http://www.hyundai-steel.com/eng/ir/company.html)

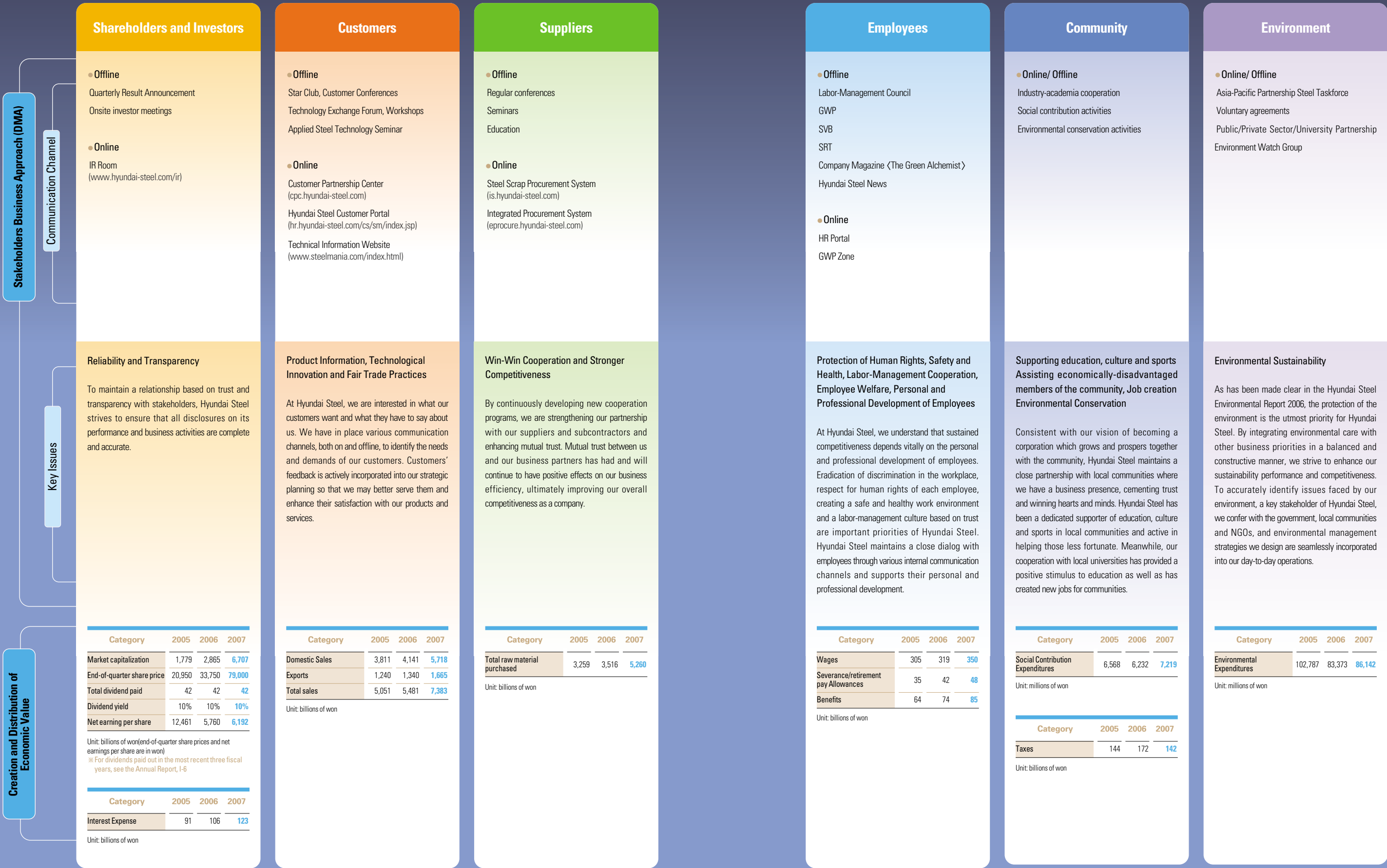
## IR Activities in 2007 (17 IR events hosted or attended and over 200 one-on-one meetings with investors)



※ NDR : Non-Deal Roadshow

## Shareholder and Investor Communication Channels







Hyundai Steel places utmost value on harmony and cooperation with stakeholders.



## Hyundai Steel, A Company Ready for Sustainable Growth

Kyung-joong Kim  
Steel Industry Section Chief, Samsung Securities

Hyundai Steel's stock performance provides a good measure of how the market views its sustainability performance and prospects. Kyung-joong Kim, a steel industry stock analyst and the head of Samsung Securities' Steel Industry Section, highly rates the growth potential of Hyundai Steel, which, according to him, makes the company's stock continuously attractive for investors.

"Hyundai Steel's strategic M&A deals and continuous expansion of production lines have helped Hyundai Steel consolidate its position in the Korean and global steel markets. Meanwhile, the company's effort to restructure its product portfolio to add more high value-added products has given a big boost to its competitiveness. The combination of a diversified product portfolio and an equally diversified business structure has had a positive consequence on Hyundai Steel's overall performance. Hyundai Steel's decision to dispose of non-operating assets has been judicious too; enhance the company's financial structure. Finally, one must also recognize the positive effect of external factors like the recent hike in steel prices, driven by increased demand from China, Middle-eastern countries and elsewhere."

Hyundai Steel is setting a great example of investor relations, says Kim, citing its quarterly result announcement, onsite investor meetings and online IR Room, as highly effective communication channels leading to a bona fide two-way dialog with shareholders. Kim also positively assesses Hyundai Steel's embracing of social responsibility, even if this may seem unnecessary.

"Taking on ethical, environmental and social responsibilities and pursuing mutual growth with stakeholders, in addition to the traditional role of a company, namely promoting investment and creating jobs, may seem at first like a zero-sum game. But, over a long run, this will prove a win-win strategy, and Hyundai Steel's growth and shareholder value will eventually converge with these other interests."

Kim is saying in sum that the means through which a company seeks to generate profit should not only be consistent with social values, but also with the future direction of society. Kim further stresses that the relationship between a company and society being one of symbiosis, the partnership between them has to be progressive and forward-looking in nature. "My humble advice to Hyundai Steel would be to stay the course with its current sustainable growth strategy, like the investment in blast furnaces, promote continuity and stability in its leadership and maintain a similarly stable dividend policy to bring forth shareholder satisfaction, all the while remaining mindful of contributing to social values." Kyung-joong Kim concluded the interview with an expression of a strong confidence in Hyundai Steel: "I believe Hyundai Steel has got what it takes to continuously lead the Korean steel sector."

Total Number of Shares Issued

Common Shares

- Shares issued: 84,897,919
- Treasury shares: 1,357,760
- Shares outstanding: 83,540,159

Preferred Shares

- Shares issued: 416,556

Credit Rating(as of Jan. 2008)

Corporate bonds (AAA-D): AA-, Commercial paper(A1-D) : A1

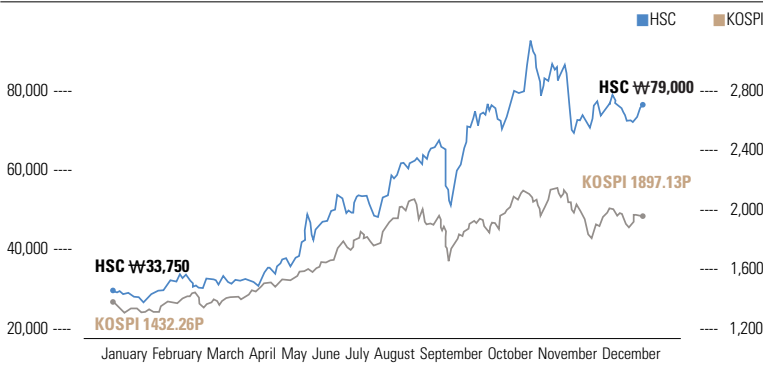
※ Hyundai Steel received an identical rating from three crediting rating firms(Korea Ratings, Korea Information Service, National Information & Credit Evaluation)

※ For more information on Hyundai Steel’s credit rating in the most recent three years, see the Annual Report, II-9 Na.

The Competitiveness of Hyundai Steel

Hyundai Steel is constantly adding innovative new products and high value-added products to its product \* portfolio, which is not only expanding in size, but also our HR plates have received certification for shipbuilding and successfully tapped into the market as a substitution material for heavy plates, with our long products obtaining international certificates of compliance and quality as well. Meanwhile, we were quick to respond to the recent construction trend toward ultra-high rise buildings to bring to the market slim beams which can help reduce story heights. Hyundai Steel is the world’s second steel company to release slim beams. Another recent stride made by Hyundai Steel has been the production of large-size wide flange beams (900×300), whose demand was previously met through foreign imports. The domestic production of wide flange beams also means an expanded export product lineup for Hyundai Steel, leading to increased export sales and new overseas markets. Hyundai Steel plans to keep up its new product development effort as well as the effort to standardize them by obtaining necessary international compliance certificates and type approvals, to maximize shareholder value.

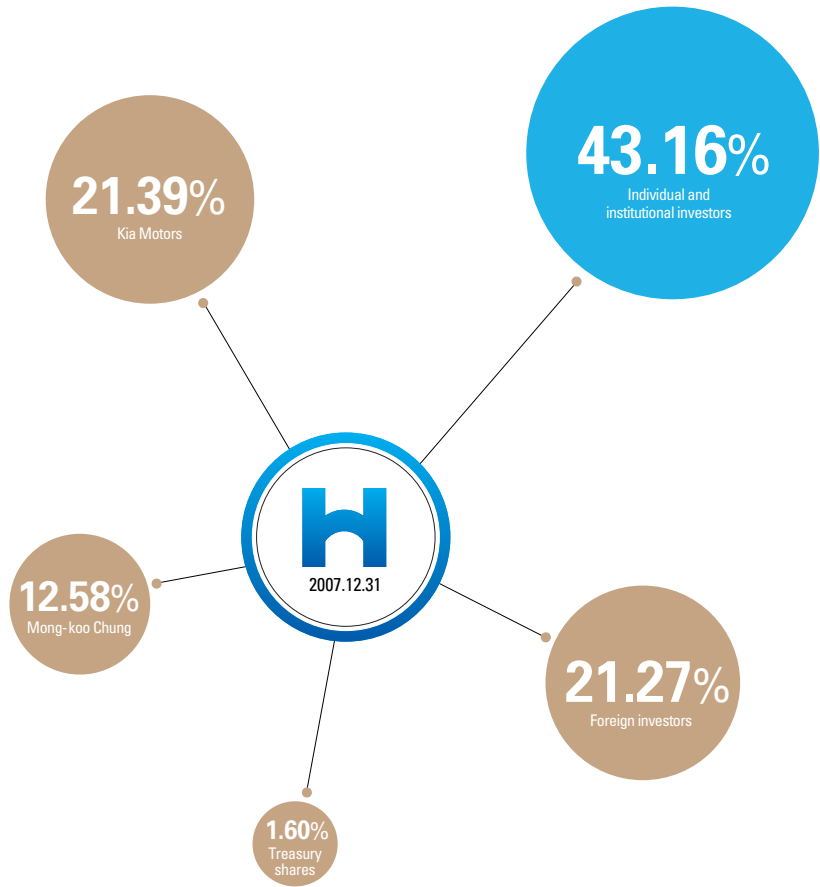
STOCK PERFORMANCE COMPARED TO KOSPI



In 2007, the price of Hyundai Steel’s stock jumped 134% over one year ago, from 33,750 won to 79,000 won per share. This rate of price increase is well above that of the KOSPI index and also far greater than the average in the steel sector. The KOSPI index rose 32.18% during the same period, with the average price of steel company stocks climbing 80.50%. This remarkable stock performance owes on the one hand to the market’s positive response to Hyundai Steel’s investment in the new Integrated Steel Mill, and on the other to its improving profitability thanks to the recent increase in prices of products.

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| 052                          |  |
| +                            |  |
| 053                          |  |
| Who are our stakeholders     |  |
| HYUNDAI STEEL                |  |
| 2007                         |  |
| HYUNDAI STEEL                |  |
| SUSTAINABILITY               |  |
| REPORT                       |  |
| ► Shareholders and Investors |  |
| Customers                    |  |
| Suppliers                    |  |
| Employees                    |  |
| Community                    |  |
| Environment                  |  |
| * product. 018               |  |

Ownership and Control Structure



Hyundai Steel Wins LACP Vision Award for Annual Report Excellence (Jul. 10, 2007)

In the LACP Vision Awards 2007, an annual award program by the world-renowned market research organization League of American Communications Professionals (LACP), Hyundai Steel was honored with Silver Award (third place) for annual report excellence in the category of ‘Materials.’ The design and quality of Hyundai Steel’s annual report was again recognized in the ‘Top 100 Annual Reports,’ earning 43rd place among 2,500 companies in 21 countries. Hyundai Steel’s effort to provide accurate and quality information on its operations to shareholders and investors and maintain the highest degree of transparency in its disclosure practices will continue unabated.



## A Recipe for Building a Long-lived Company

Yun-ha Lee  
Environment Subcommittee Chair,  
Korean Institute of Architects

“The construction industry accounts for as much as 45% of total energy consumption in Korea, and buildings alone represent 24% of total consumption. These are staggering figures. The large energy consumption of buildings means that they also produce huge amounts of carbon dioxide. Ecological architecture is precisely about designing buildings that use less energy and produce less carbon dioxide. In other words, it is an architecture tended toward reducing environmental loads of construction on the planet.”

This champion of environmental conservation also happens to have a highly atypical profile with quite an unusual career path. Chair of the Environmental Subcommittee of the Korean Institute of Architects and director of the ecological architecture research institute Noddotdul, Yun-ha Lee is also a poet. The poet-architect has lectured on ecological issues to various audiences for over ten years now and designed and constructed ten ecological buildings. In his many public lectures and press interviews on the interaction of construction and the environment, he likes to emphasize the role of steel in modern architecture. He calls steel a revolutionary material without which the construction of modern high rises simply would not have been possible. Lee singles out Hyundai Steel’s high-strength rebar and slim beams, developed through both collaborative and independent R&D, as structural materials that have been particularly important enablers for the advancement of modern architectural technologies. His request to Hyundai Steel, in his capacity as a dedicated advocate and defender of the environment, is to seriously look into the question how much steel can contribute to reducing environmental loads of construction. “As a leading construction material manufacturer, Hyundai Steel should be particularly concerned about energy and further step up its R&D investment in low-carbon and low-energy technologies. What we need to solve the environmental problems we are facing today is a rational approach. Emotional responses can do little to solve these issues, at least in practical terms. Environmental protection is not just an ethical or moral issue, but an issue which directly affects the profit-making prospects of companies. Now that Korea is one of the signatories to the Kyoto Protocol, setting the concrete targets for the reduction of greenhouse gas emissions aimed at by the UN Climate Change Convention, if Korean companies fail to fulfill their CO<sub>2</sub> reduction commitments, this will result in increased environmental taxes, ultimately hurting their price competitiveness.”

His advice is to Hyundai Steel is to approach the question of sustainability from a long-term perspective, while constantly trying to be in touch with the values and concerns of today’s society. Wisdom, indeed, is to look at the forest as a whole and see the community of fate that includes all of humanity and the biosphere.

### Stakeholders

## Customers

Hyundai Steel’s customers are distributors who redistribute our products, construction and shipbuilding companies who directly purchase them from us for use in construction processes, and the government who buy them for various SOC projects.

### Sales Distribution by Customer Type

| Category            | Distributors | Companies | Government |
|---------------------|--------------|-----------|------------|
| Structural shapes   | 76.7%        | 22.7%     | 0.6%       |
| Rebar               | 62.2%        | 35.7%     | 2.1%       |
| Hot-rolled products | 25.2%        | 74.8%     | —          |
| STS                 | 88.7%        | 11.3%     | —          |

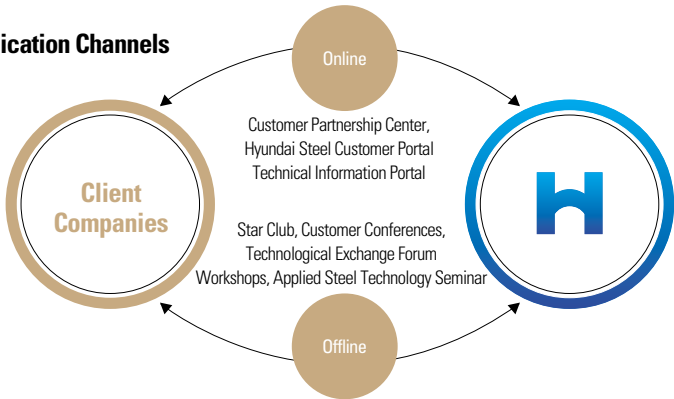
※Hot-rolled products account for an important share of our corporate sales, as many of these companies manufacture cold-rolled products from them, hence using them as intermediate goods. Accordingly, most hot-rolled products at Hyundai Steel are made on orders rather for stock, and are sold directly to clients.

### Customer-first Management

To better and more fully reflect our customers’ input in our operations, Hyundai Steel keeps open communication channels and continuously monitors the level of their satisfaction with our products and services. The level of customer satisfaction is also tracked through external consulting service providers, on a yearly basis, and is used to guide our future operations. Hyundai Steel has in place an effective customer satisfaction system enabling us to promptly incorporate feedback gathered through its diverse communication channels in its planning and decision-making. Our customers’ feedback helps us provide products and services that best meet their needs.

In managing the life cycles of our products and services, Hyundai Steel places utmost value on our customers’ health and safety, and actively complies with related laws and regulations, and internal procedures. During the reporting period, there was no incident of violation of customer health and safety-related laws or regulations.

### Customer Communication Channels



## Customer Communication

## Communication with Regional Distributors and Authorized Resellers

**Star Club:** Hyundai Steel works in close partnership with its distributors and authorized resellers, to gain insight into customer needs. The Star Club is an annually-hosted event, during which our employees sit down with customers for a dialog about their demands and preferences for products and services. Our customers' input gathered through this meeting serves as important pointers in our effort to improve products and services we provide them with.

## Communication with Client Firms

- **Client Conference:** Communication with our customers is crucial for our ability to provide them with the right kind of technology and service they desire in a timely fashion. To better keep in touch with our client companies, Hyundai Steel holds regular conferences and forums.
- **Conference with Korean Construction Company Representatives:** To identify the needs existing among other customers, Hyundai Steel hosts an annual conference, inviting officials of major Korean construction firms (top 30 companies in terms of number of contracts).
- **Overseas Buyer (wide flange beams/ hot-rolled products) Conference:** Hyundai Steel convenes with its key overseas buyers once a year, to discuss technology trends in the steel industry and exchange business information.
- **Client Conference:** Hyundai Steel's client companies who are customers in five product categories, including reinforcing bars, structural shapes, hot-rolled products, STS (stainless steel) and heavy industry materials are invited to attend a client conference which is hosted every other month.  
  
Client conferences are hosted once a month for our key client companies, so that we can respond to their changing needs in a timely fashion.

## Customer Satisfaction Survey

Hyundai Steel regularly conducts customer satisfaction surveys through external consulting firms. Survey results are used to improve our management processes and guide the development of our productivity enhancement strategies.

In 2007, we surveyed over 440 client companies. The questionnaire for this mail-in survey was designed to measure our customers' satisfaction level in 11 areas, including product quality, supply volume, speed of response to orders and claim processing. 82% of our customers returned completed responses. An in-depth interview survey was also conducted on 15 select client companies. The results were quantified to calculate a customer satisfaction index on service, quality, price and claim-handling, and the progress measured was taken into account in our strategic planning.

## Greater Customer Convenience

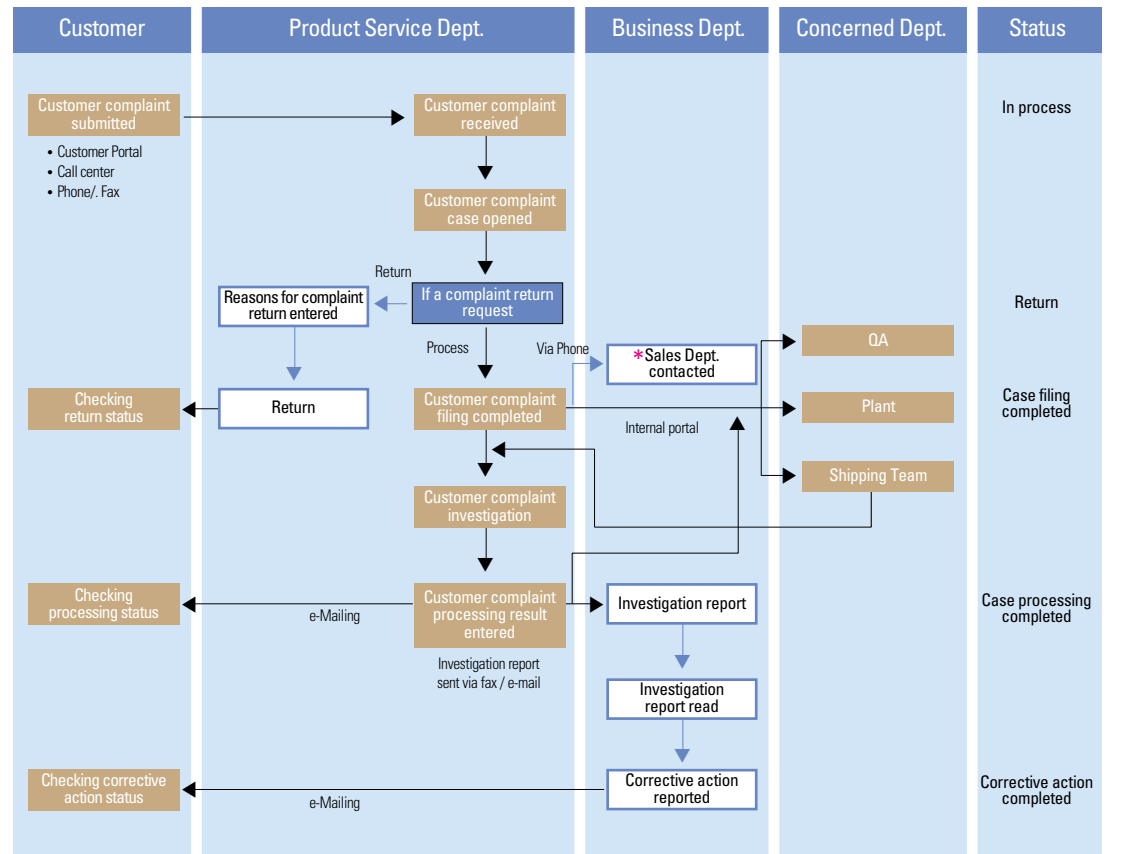
Hyundai Steel's customer portal, designed for the convenience of our customers and greater differentiation in services we provide to them, is another vehicle we use to bring them the satisfaction they deserve.

**Customer Portal ([hr.hyundai-steel.com/cs/sm/index.jsp](http://hr.hyundai-steel.com/cs/sm/index.jsp))**

The Customer Portal provides real-time information on Hyundai Steel's products, including production plans and the status of its inventories, so that making purchase decisions is easier for our customers. The portal is also a great source of steel industry news, and technology trends, keeping our customers up to date with the latest developments in this sector.

- **Ordering and Tracking Shipping Status Made Easier:** Our customers can find all documents needed for ordering products from Hyundai Steel online, and are notified through text messaging, when their orders have been shipped.
- **Online VOC (Voice of Customers):** Customer communication channel for receiving customer feedback and complaints.

## Customer Satisfaction Communication System



- \* Integrate Sales System

## Product Information Disclosure

Hyundai Steel supplies essential information about the products it provides to customers on product labels. All Hyundai Steel products come also with an inspection certificate. To prevent the use of inspection certificates that are forged or tampered with, we use a certificate screening system. Inspection certificates are also available for viewing and downloading at Hyundai Steel's customer portal, so that customers can find out about the details of a product that interests them in advance. There has been no incident to date, at Hyundai Steel, of violation of any product and service information disclosure and labeling-related laws and regulations.

- **Checking Product Information:** Hyundai Steel is happy to assist customers with determining whether an inspection certificate has been forged or tampered with (※All inspection certificates contain a product serial and product testing results. As this information is encrypted using two-dimensional barcodes, the authenticity of an inspection certificate can be easily verified).



## Stronger Customer Response Capability

By providing adequate training to front-line employees working at points of contact with customers and supporting their jobs skills development, Hyundai Steel ensures that our customers receive the service they deserve, to offer them maximum customer value. Front-line employees attend a training program baptized 'Hyundai Steel Business Academy' once a year. In 2007, the Hyundai Steel Business Academy program was also attended by 60 external firm employees including employees of 40 distributor companies that are members of the Star Club. The Academy program emphasizes practical learning, as the goal of this program is to provide our employees with knowledge and skills that are directly relevant to their respective jobs and tasks. Classes offered are on topics ranging from steelmaking technologies and applied steel technologies that are critical to our business operations to manufacturing processes, steel industry trends and outlook. As the program is also open to employees of our business partners, it helps us strengthen our relationship of cooperation and partnership with them as well as boost our customer response capability. Hyundai Steel makes sure that all information supplied to our customers through marketing communication is accurate and rigorously compliant with all laws, regulations and internally-established procedures related to advertising, promotion, sponsorship and marketing communication. There has been no incident of rule-breaking at Hyundai, in this area, nor any fine or sanction imposed as a result of a violation.

## Technology Development and Diffusion

To more effectively respond to technology-related demands from our customers, Hyundai Steel has set up a unit exclusively dedicated to this purpose. The Technology Business Team, providing both pre-sale and after-sale services, communicate with customers via various online and offline channels.

### Technology Exchange Forum and Applied Steel Technology Seminar

The need for technology exchange and onsite education has been increasing among our customers in recent years. To meet this critical need of our customers, Hyundai Steel is periodically hosting a Technology Exchange Forum and Applied Steel Technology Seminar for our authorized distributors, iron and steel tool manufacturers, architecture firms, construction contractors and clients. Through active exchange of technological information, Hyundai Steel seeks to give a new momentum to its effort for developing and diffusing technologies that can enhance customer value.

| Category                         | Target participants  | No. of sessions         | No. of participants |
|----------------------------------|--|-------------------------|---------------------|
| Technology Exchange Forum        | Architecture firms, construction contractors and clients, steel tool manufacturers, etc. | 40                      | 1,000               |
| Applied Steel Technology Seminar | Construction engineers and others  | 2 (regularly scheduled) | 400                 |

### A Web Portal for Developing New Demand (www.steelmania.com)

In an effort to facilitate customers' access to technical information on new steel products, Hyundai Steel has recently launched a new website titled "Steel Mania."



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### Technical Publications for Companies and Universities & Joint R&D

To support learning and research in steel technology, Hyundai Steel provides technical publications and manuals to its client companies as well as general educational institutions. Meanwhile, to tap the innovative strength of universities and government agencies, Hyundai Steel is carrying out joint R&D with Hongik University, Chungnam University and the Ministry of Land, Transport and Maritime Affairs. By investing in the development and diffusion of steelmaking and steel-related technologies, Hyundai Steel is constantly exploring new ways in which steel can contribute to making our world a safer and more convenient place for all.

- Manual for Disaster Recovery Using Steel Structural Systems
- Development of a design program for asymmetric H-Beam structures
- Mid- to low-Rise Steel-Frame Building Design Manual
- Slim-beam Design and Construction Guidebook, etc.

## Financial Support for Client Companies

As part of a continuing effort to make doing business with Hyundai Steel seamless and easy for our customers, we pay fees they incur in connection with obtaining a payment guarantee. Initially, when a customer enters into a business relationship with Hyundai Steel, the client company signs a payment guarantee agreement with a financial institution, on the projected amount of products it expects to purchase from us. If this client company later needs to increase the amount of products they purchase from us, the terms of the agreement have to be renegotiated with the financial institution to expand the guarantee coverage, which requires the payment of additional guarantee fees. Hyundai Steel pays these guarantee fees for customers of good standing, to remove undue burden on their procuring process.

| GUARANTEE FEE REIMBURSEMENT |       |       |       |
|-----------------------------|-------|-------|-------|
| ● unit: millions of won     |       |       |       |
| Category                    | 2005  | 2006  | 2007  |
| Amount                      | 4,380 | 5,480 | 7,220 |

## Protection of Customer Data and Privacy

Hyundai Steel has in place a comprehensive information security system to safeguard our customers' transaction data and protect their privacy. Customer data are managed at the level of teams, the smallest business units in our organization, with an information security officer designated for each team. Security checks are performed following a regular schedule, and security officers periodically undergo training to keep their knowledge of information protection processes up to date. During the reporting period, we have not received any privacy-relate customer complaint or complaint related to data losses or leaks.



## A Wonderful Example of Win-win Leadership

Young-guk Park  
President of the Korea Steel Scrap Industry Association

“Anyone can make a buck, but few can win hearts and minds. My company’s partnership with Hyundai has been a mutually rewarding one, based on strong trust,” says Young-guk Park, CEO of Buseong Resources, a steel scrap company. Buseong Resources, which started to supply scrap metal to Hyundai Steel in March 1994, is today the largest supplier of steel scraps for the company. Collaboration with Hyundai Steel has been an important stepping stone for Buseong Resources, already then a successful player in the steel scrap sector, on its way to becoming a high-flying firm it is today.

CEO Park recalled the time when a group of delegates from a Japanese competitor, touring Buseong Resources’ plant, admiringly commented on what they saw, saying that the Korean firm far surpassed Japanese companies both in terms of quality of steel scraps and production equipment. He seized this opportunity, says Park, to mention that Buseong Resources was a partner to Hyundai Steel. In hindsight, although further impressing his Japanese colleagues by mentioning the association with a high-profile company was certainly part of the reason why he volunteered this information, he feels that it was also motivated by a desire of benefiting Hyundai Steel’s brand by sharing the credit.

“Steel scraps are like rice. To cook up a tasty rice dish, you need high-quality rice. At our plant, we care about the quality of the scraps we produce, because we know just how important they are for the rest of the production chain. Meanwhile, even though we and Hyundai Steel are in charge of different parts of the production chain - making the rice and cooking the rice, so to say-, we are also united under a common goal: we are both producers who care for the environment. The pride of being an environment-friendly business, I believe, has been an important common ground uniting us in our long and happy partnership. Also, I will never forget the support Hyundai Steel showed to us in tough times during the 1998 financial crisis. You know who your real friends are in times of trouble. By going through these trying times together, I think our partnership has become stronger.”

CEO Park also spoke highly of Hyundai Steel’s effort to engage and communicate with suppliers through conferences and seminars it hosts and programs like the Integrated Purchase System. Hyundai Steel’s social responsibility declaration spelling out its commitment to the environment, society and ethical business practices has further solidified his faith and trust in the company, he added. For CEO Park, there is nothing more gratifying than giving a new life to steel scraps seemingly at the end of their useful life. A company which is proud of what it does and believes in win-win partnerships and which has stood by you for so long is indeed not unlike a good old friend.

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### Stakeholders

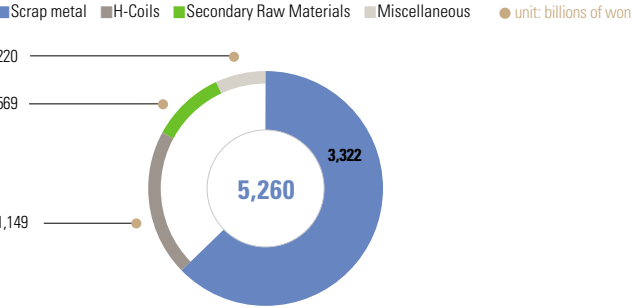
## Suppliers

Hyundai Steel strives to develop a stable, long-term relationship, based on mutual trust, with its suppliers and supports their growth and competitiveness.

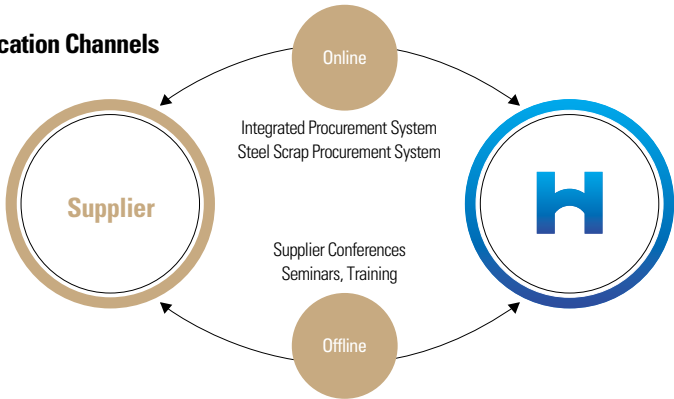
### Primary and Secondary Raw Material Purchases in 2007

In 2007, Hyundai Steel purchased 5,260 billion won worth of primary and secondary raw materials, including 10,830,000t of steel scraps and 1,542,000t of H coils and slabs, which are the primary raw materials for its steel mill operations. Steel scraps accounted for 63% of Hyundai Steel’s total raw material cost during this period. Owing to the crucial importance of steel scraps for its production activities, Hyundai Steel invests heavily in the relationship with their suppliers and treats them as strategic partners. We maintain an open communication channel with them and communicate routinely with them.

RAW MATERIAL PURCHASES IN 2007



### Supplier Communication Channels





Supplier Communication

Hyundai Steel hosts conferences and seminars with steel scrap suppliers on a regular basis, to learn about any concerns or issues they may have and share strategic business information with them.

| SUPPLIER CONFERENCES HOSTED |      |      |      | ● unit: Session |
|-----------------------------|------|------|------|-----------------|
| Category                    | 2005 | 2006 | 2007 |                 |
| Incheon                     | 12   | 12   | 19   |                 |
| Pohang                      | 9    | 8    | 6    |                 |
| Dangjin                     | 4    | 7    | 9    |                 |
| Total                       | 25   | 27   | 34   |                 |

Transparency in Procurement Process

Hyundai Steel operates a web-based steel scrap procurement system(is.hyundai-steel.com) and an integrated procurement system(eprocure.hyundai-steel.com) for greater convenience of its suppliers. To achieve a higher degree of transparency in the procurement process, we disclose our procurement policies at these websites, along with related practices and procedures in place at our company.

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Steel Scrap Procurement System and Integrated Procurement System

Real-time procurement information supplied through Hyundai Steel’s procurement system is of great usefulness to our suppliers, helping them in planning and decision-making. Meanwhile, the full disclosure of procurement policies and related ethical standards has increased trust between us and our suppliers. For greater transparency of the process, our online procurement portal enables suppliers to submit any complaints they may have in real time.

**Tender and Procurement Information:** Tender and procurement information is supplied in real time for the convenience of suppliers.

**Online VOC Channel:** Suppliers can submit feedback and complaints on the procurement process at our online portal.

Financing for Suppliers

Hyundai Steel provides low-cost financing to suppliers in the forms of account receivable loans and network loans. We have partnered with eight banks to make our financing process more convenient and efficient for suppliers. The balance of outstanding account receivable loans issued to suppliers, as of end of December 2007, stood at 554 billion won.

Cooperation with Suppliers

To strengthen cooperation with suppliers, at Hyundai Steel, we offer various incentives. We recognize and reward outstanding contributions by suppliers and quality excellence through an award program and provide them training support.

**Incentives and Awards:** Hyundai Steel offers cash incentives to companies providing a stable supply of raw materials, and awards suppliers for noteworthy improvement in competitiveness either through development of new technologies or achieving import substitution and distinguished services.

Green Partnership Pilot Project

In 2007, Hyundai Steel became a participant of the Green Partnership Project, sponsored by the Ministry of Knowledge Economy and overseen and coordinated by the Korea Iron & Steel Association, alongside Dongbu Steel, Seah Steel and Hyundai Hysco. Under this project, slag recycling/disposal firms providing services to the Incheon Works (Incheon Seongang, Apr. 2007) and Pohang Works (Navien, May 2007) have obtained an environmental mark from the Korea Eco-Products Institute; an import step forward in Hyundai Steel’s effort to have byproduct recycling companies embrace environment-friendly practices.

Hyundai Steel will be coordinating its activities under the Green Partnership Project, with the progress in its Integrated Steel Mill project, by implementing, for instance, environmental practices that are mutually beneficial for us and small and medium-size companies and engaging also our outsourcing partners in our campaign to raise broader support for and participation in this cause.





# Dedication, Perseverance and Passion, the Stuff of a Hyundai Steel Man

Young-jin Choi  
Supervisory Mechanic at the Incheon Works

When we were lounging around in the STS division of the Incheon Works, waiting to meet Mr. Choi, we talked to several employees, asking them casual questions about him to get a general idea of who the man we were about to interview. Many called him “a great role model” or “an inspiration,” and the impression we got was he was something of a ‘hero’ in this plant.

“I joined Hyundai Steel in 1977. I was then twenty six years of age. Learning the complex process of making stainless steel products out of hot coils was as challenging as it was rewarding for the young rookie I was. Stainless steel quickly became my passion. It was thrilling for me to work with this rust-proof material used for making home appliances and in power plants and stations.”

Talent is no match for hard work, determination and perseverance, says Mr. Choi. Enamored with stainless steel, the young technician studied until he learnt all there is to know about this material which so fascinated him. His dedication eventually earned him, in 2004, the title of ‘Quality Master Technician.’ Mr. Choi, today an accomplished professional, looks back on the past three decades at Hyundai Steel, with much emotion, not just because of the sense of accomplishment at his personal success, but also because of the gratification at the success of the company he works for. He also told us how he is grateful to the company for the financial support toward his children’s tuition fees, which has enabled him put both of his two sons through college. Mr. Choi reminds his colleagues of the many employee support programs available at Hyundai Steel, such as the undergraduate study sponsorship program and cash-prize idea contest, urging them to actively use these resources.

“When I first joined Hyundai Steel, it was an economically difficult time for our country. Those were the days when the idea of prosperity itself was new to most Koreans, with the government launching campaigns like the Saemaeul Movement. I reported to work at 4:00 AM everyday and worked until dusk. I kept up this regime, in fact, until January, this year, when I finally changed my schedule so that my day starts an hour later, at 5:00 AM. Back then, everybody did the same thing. They all showed up at the crack of dawn, not because someone told us to. It’s just that we all had this ownership mentality, and wanted to get the job done. We have all given our best and we are proud of the mecca of the steel industry Hyundai Steel has become today.”

For Mr. Choi, the first thing the name Hyundai Steel conjures up in his mind is ‘dedication and perseverance.’ People like him who hide a strong passion and determination behind a gentle and modest demeanor who are driven by perfectionism, but can show indulgence to others, while being exacting with themselves, are truly an asset for any organization.

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## Stakeholders

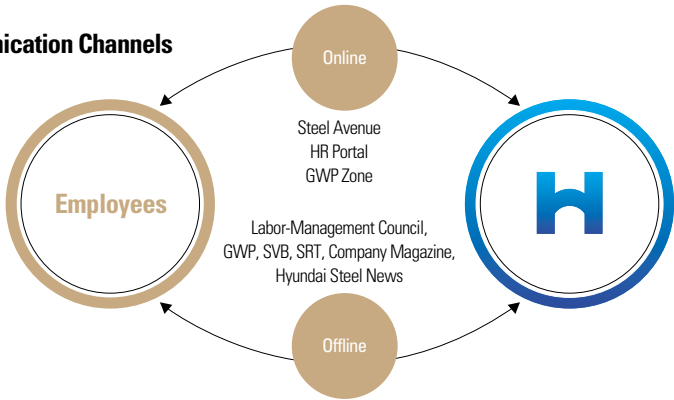
# Employees

Hyundai Steel’s success is underpinned by the skills and dedication of employees. To continuously foster excellence among employees, we have formulated five guiding values as follows:



Hyundai Steel supports employees’ personal and professional development so that they may be fulfilled individuals and globally-competitive professionals capable of furthering its organizational goals.

## Employee Communication Channels



## Employee Statistics

As of the end of December 2007, Hyundai Steel employs 6,140 workers, with the average years of continuous service among its employees standing at 13.52 (male employees: 13.76 years, female employees: 7.83 years), well above the corresponding average of 6.2 years in the overall manufacturing sector. Employees of Hyundai Steel are classified into six total job categories: clerical, marketing/sales, engineering & technical, research and production employees and miscellaneous employees.

| Category            | Executives | Admin-<br>istration &<br>Support | Marketing &<br>Sales | Engineering | Research | Production | Others | Total |
|---------------------|------------|----------------------------------|----------------------|-------------|----------|------------|--------|-------|
| Number of employees | 62         | 514                              | 213                  | 750         | 139      | 4,142      | 320    | 6,140 |

## Job Creation

Thanks to a differentiated competitiveness enabling sustained growth for its business and active investment in new business areas, Hyundai Steel has been continuously creating new jobs, making substantial contributions toward alleviating youth unemployment and stimulating regional economies. In 2007, the rate of new job creation at Hyundai Steel stood at 6%.

| Category             | 2003  | 2004  | 2005  | 2006  | 2007  |
|----------------------|-------|-------|-------|-------|-------|
| Number of employees  | 4,365 | 5,209 | 5,194 | 5,782 | 6,140 |
| Rate of job creation |       | 19%   | 0%    | 11%   | 6%    |

## Personnel Policies

## Respect for Human Rights and Nondiscrimination

Personnel policies at Hyundai Steel are guided by respect for human dignity, a core element of its management philosophy. We respect and promote diversity among our employees and do not discriminate against any employee or job applicant, when hiring, making promotion decisions or evaluating job performance, on the basis of nationality, race, gender, religion or age. This nondiscriminatory policy is thoroughly abided by in all areas of personnel affairs at Hyundai Steel. There is, for instance, no difference in the rate of pay between male and female employees of Hyundai Steel.

## Prohibition of Child Labor and Compulsory Labor

In accordance with the Labor Standards Act of Korea, Hyundai Steel does not hire children below the minimum age for admission to employment(verifying the age of job applicants is mandatory during the hiring process). All employees at Hyundai Steel are freely-consenting adults, and no compulsory labor is practiced in any part of our organization.

## Employee Human Rights Protection System

**Human Rights Education:** As a preventive measure against human rights abuses in the workplace, we require all our employee to undergo sexual harassment prevention education. Security officers also receive regular training on how to protect human rights in the workplace and prevent abuses.

**Human Rights Protection:** Hyundai Steel has in place several programs for receiving employee complaints related to wrongful or inappropriate workplace conduct by superiors or co-workers, discrimination, human rights abuses and sexual harassment, and assisting victims. Offending employees can seek help through the self-reporting program accessible at the HR Portal and offenses can be reported through the Sinmungo program at the Cyber Auditor's Office. We protect whistleblowers under strict confidentiality rules.

## Fair and Transparent Employee Performance Evaluation System

Hyundai Steel's performance evaluation system was designed through broad participation of employees, with objectivity and fairness in mind. Employees directly weighed in on the selection of the categories of competences to be used as evaluation criteria. The evaluation index was developed, meanwhile, using the core success factors proposed by each of our business

units, which were deemed relevant and appropriate to our operation goals. Individual employees are provided with detailed evaluation results, so that they may guide their future performance improvement efforts. Evaluatees have the right to protest or challenge the results of an evaluation following set protest procedures that are part of this evaluation system.

## Performance Evaluation System at Hyundai Steel

1. **A coherent evaluation model in line with professional development goals:** Selection of evaluation items that are closely-related to actual job performance

2. Taking into consideration team-level collective performance in the evaluation of individual employees: Promoting teamwork by linking team-level performance with individual performance

### 3. Computerization of evaluation: Minimizing subjective bias

## Employee Communication

Hyundai Steel continuously monitors the needs and demands of employees through its many staff communication channels and reflects them in our management decisions and business planning.

**SRT / SVB**

At Hyundai Steel, there is a communication board for each job grade, responsible for hosting employee discussions on company affairs, including general directions our organization should head for and issues related to corporate culture. The Communication Boards report on the suggestions and ideas voiced during these discussions to the CEO.

**SRT (Steel Round Table)**

**Composition:** 18 employees of 'Assistant Manager' grade and below

**Purpose:** Brainstorming for corporate culture reform ideas

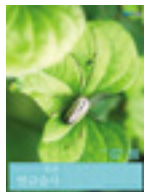
### SVB (Steel Vision Board)

**Composition:** 12 managerial employees from 'Manager' to 'Deputy General Manager' grade

**Purpose:** Developing and updating tasks and missions for the medium to long-term growth of Hyundai Steel

## Company Magazine 〈The Green Alchemist〉

Hyundai Steel's company magazine is an important vehicle for its leadership to communicate the company's sustainability policies to employees. 〈The Green Alchemist〉 Hyundai Steel's magazine issued on a bimonthly basis, won the Best Editing Award at the Korea Communication Awards 2007.



**Included in 「Parents' Choice Best 7 Companies to Work for」**

Hyundai Steel was chosen as one of the seven best companies to work for, a ranking designed to offer career guidance to parents of employment-age children, published by Daishin Securities, in November 2007.

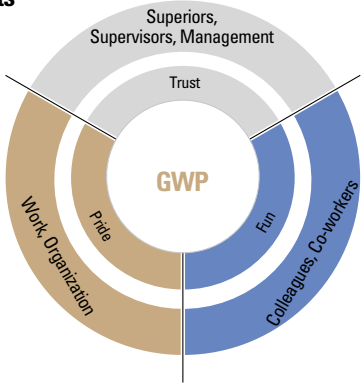
### Criteria of Selection

1. Companies expected to realize a 15% or more increase in their operating income, in average annual rate, over the upcoming three years;
2. Companies having a business model enabling sustained growth;
3. Companies that are among the top three firms in their respective sectors, in terms of market share in their key product categories or business area;
4. Companies having a coherent strategy for competitiveness improvement in their main business line and the capability to achieve it;
5. Companies having undertaken or willing to undertake reforms in their governance and control structure, dividend payout ratio or shareholder policy, to introduce a greater degree of transparency in their operations;
6. Companies with a high level of employee satisfaction concerning job performance evaluation and compensation; and
7. Companies with a projected earnings-price ratio (the ratio of net income to stock price) of 30% or greater whose stock performance is expected to exceed market performance.

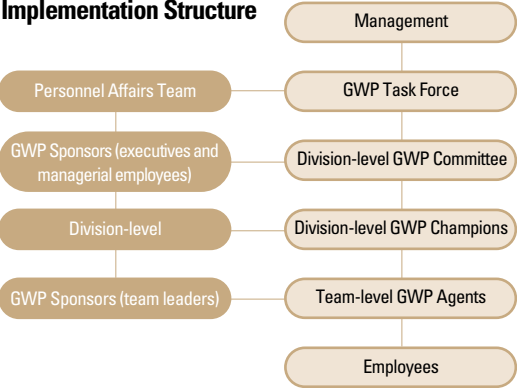
GWP (Great Work Place)

In 2007, under the slogan “Satisfied Employees and A Great Workplace Hyundai Steel,“ Hyundai Steel started a workplace improvement campaign baptized “GWP (Great Work Place)”. Three employee surveys conducted between September 2006 and February 2007 found that Hyundai Steel employees were proud of their company, interested in their work and felt a sense of accomplishment in the performance of their duties. Meanwhile, the same surveys indicate that the level of trust and fun in the workplace was comparatively lower. The GWP campaign is a corporate culture reform campaign precisely intended to increase the sense of trust in the workplace and make it a more fun place.

Components of GWP



Implementation Structure



System for Revitalizing GWP

To make the GWP campaign an ongoing initiative of innovation for our organization, we operate a GWP Zone, conduct GWP surveys on a regular basis, and recognize and award outstanding GWP performance. Improvement measures undertaken under the GWP campaign are implemented through a pre-established reporting structure.

GWP Zone

GWP information  
Sharing best practices  
Gathering employee input

GWP Survey

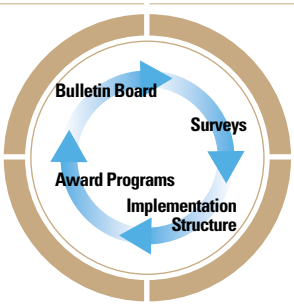
In September every year  
Level of Employee Satisfaction  
Management of Satisfaction Indicators

GWP Awards

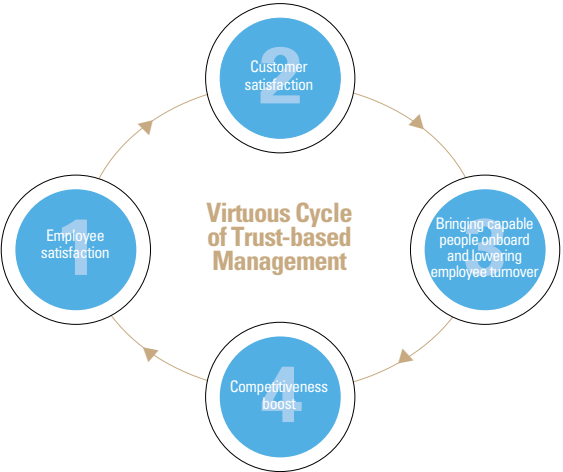
At year's end  
Awarding outstanding units  
(both GWP Headquarters and teams)

Implementation Structure

GWP implementation structure  
Division-level GWP committee  
GWP champions  
GWP agents



Expected Benefits



The GWP campaign is expected to enhance the level of satisfaction among our employees, which, in turn, will lead to an improved level of customer satisfaction, helping us also bring competent people onboard and ultimately giving a boost to the overall competitiveness of our company. Finally, when our organizational competitiveness and performance improve, this results in a further enhancement of employee satisfaction.

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|                            | 068<br>+<br>069                                   |
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Labor-Management Communication

Labor Union Activity at Hyundai Steel

Hyundai Steel guarantees freedom of association for all employees and respect their right to unionize. At Hyundai Steel, workers’ representatives are not discriminated against. As of end of December 2007, the number of employees covered by collective bargaining agreements stood at 4,100, corresponding to 67.5% of 6,078 total employees(excluding executives).

Communication

In accordance with the management’s commitments under the collective bargaining agreement currently in place, Hyundai Steel notifies the labor union of all significant changes in our operations and closely communicates with it, maintaining a relationship founded on mutual trust.

**Article 27, Paragraph 1:** The labor union should be given a six-month advance notice on all upcoming plant expansion projects.

**Article 27, Paragraph 2:** The labor union should be notified in advance of any introduction of new equipment.

**Article 28:** When downsizing is unavoidable, the management should give the labor union an advance notice of at least 90 days, before putting into effect a layoff.

Labor-management Council

Hyundai Steel’s management regularly convenes with labor representatives of each of the company’s three plants, to discuss issues of common interest and deliberate on mutually-beneficial solutions to any problems they may be having. The Labor-Management Council consists of equal representation from labor and management, and is made up of 20 members for each plant.

Employee Safety and Health

Making the workplace safe and healthy for our employees is the utmost priority of Hyundai Steel. The Occupational Safety and Health Committee routinely tracks the safety and health status of our production sites and develops improvement strategies. Meanwhile, employees receive regular health checks at in-house clinics in their respective plants.

Occupational Safety and Health Committees

Each of Hyundai Steel’s three plants has a 20-member Occupational Safety and Health Committee, equally representing both labor and management. These committees meet once every quarter to discuss measures to enhance the safety of the workplace and eliminate any potential threats to the health of workers. The Occupational Safety and Health Committees advises Hyundai Steel’s leadership during the deliberation and review of the annual safety and health plan and monitors compliance with the company standards on facilities and equipment with potential safety consequences. The committee also provides employee safety education, launches accident prevent efforts and implement improvement actions.

In-house Clinics and Health Management Offices

To more closely monitor the health of our employees and provide preventive care, Hyundai Steel has set up in-house clinics in all of its plants, along with a Health Management Office. In-house clinics provide health checks and offer support and advice to our workers on how to maintain good health. In addition to basic care services such as emergency care and follow-up care for musculoskeletal diseases, our in-house medical staff undertake a variety of preventive measures.

Interview... Kyung-ok Lee, nurse at the Dangjin Works (2007 winner of the annual Health-Day Distinguished Service Award)



Kyung-ok Lee, a veteran nurse with 15 years of experience, joined the medical staff of the Dangjin Works back in 1996. “Things were not always so easy for workers at the Dangjin Works. I did my best to make sure that they stayed healthy during these difficult years, and I am glad I stood by them through thick and thin. Right now, my goal is to get to the next level in my professional career. I would like to enroll in a MA program next year to earn the qualification to teach, hopefully, in local colleges and companies, when I graduate. See, I work for a top steel company. Isn’t that a good enough reason for me to take a shot at becoming a top occupational safety specialist?,” said Ms. Lee with a face lit by a big grin.



Education and Training

At Hyundai Steel, helping employees unleash their potential to the fullest and become the best they can be is not just a way of improving our own organizational performance, but also a way of fostering capable individuals for the greater good of our society. Human resource development efforts at Hyundai Steel are guided by three objectives described below and education and training are offered in five areas, also described below:

The three principal objectives in our human resource development efforts are communicating Hyundai Steel’s organizational values to all employees, fostering next-generation leaders for the company and designing system for growing highly motivated employees who produce excellent performances.

Culture

People

System

Create a corporate culture in which all strive to become a desirable member as an employee of Hyundai Steel.

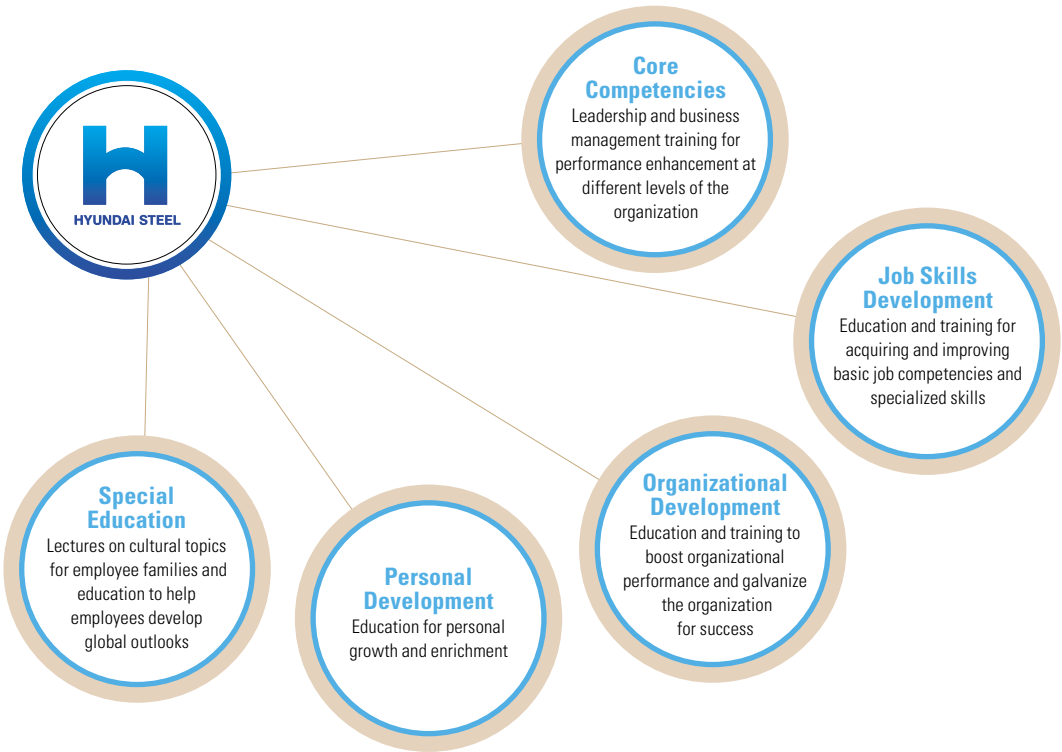
- Ensure that the identification of Hyundai Steel, namely, challenging spirit, creativity, professionalism and harmony are broadly shared.
- Shape a dynamic organizational atmosphere through an education emphasizing self-renewal and innovation.

Train and foster talent to train next-generation leaders of the steel industry.

- Expand the talent pool to meet the increasing human resource need in the growth period ahead.
- Select talent early and nurture potential through a coherent step-by-step training program (selectivity and focus).

Design a human resource development system to foster individuals who can produce performances, providing training in skill sets that are actually required to effectively perform the job employees are hired for

- Implement a human resource development system with emphasis on knowledge, skills and abilities, which corresponds to the demand of employees and contributes to furthering company goals.
- Help employees develop expertise by providing adequate career development program.



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|                            | 070<br>+<br>071                                   |
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| Government & Community     |   |
| Environment                |   |

Executive and Clerical Employee Education System

| Category                   | Executive   | General Manager   | Deputy General Manager | Manager  | Assistant Manager          | Assistant  |
|----------------------------|---|---|------------------------|--|----------------------------|--|
| Core competencies          | Advanced Management Course for Senior Executives<br>Executive Employee Digital Literacy Program<br>Newly-appointed Executive Orientation Program<br>Seminars in-house or at external institutions | Orientation program for reassigned or promoted employees<br>Team leader leadership training   |                        | MBA programs at external institutions<br>Orientation program for new senior employees<br>Learning about World Cultures | Skill improvement programs | New employee orientation program<br>New employee summer training retreat |
| Job Skills Development     |   | Jobs skills training programs at external institutions<br>Online professional development courses<br>ISO PL/ environmental safety education/ computer literacy education  |                        |  |                            |  |
| Organizational Development |   | Division-level seminars<br>Organizational competence building training  |                        |  |                            |  |
| Personal Development       |   | Internal and external foreign language programs (English, Japanese, Chinese)<br>Online language course and IT courses (English, Japanese, Chinese and digital literacy)<br>Foreign language proficiency testing and certification |                        |  |                            |  |
| Special Education          |   | Continuous education programs for employee spouses, overseas training programs for employees of long service, overseas training programs for employees nearing retirement, labor-management joint overseas training programs      |                        |  |                            |  |

Production Employee Education System

| Category                   | Supervisory Mechanic  | Senior Mechanic                                       | Junior Mechanic | Mechanic                       |
|----------------------------|---|---|-----------------|--------------------------------|
| Core competencies          | Production Site Manager Leadership Training   |   |                 |                                |
| Job Skills Development     | Advanced technical competence building program<br>Welding technicians for special-type welding, Steelmaking technicians, Rolling technicians, Machinery & equipment maintenance technicians, Crane operators, Special equipment operators | Job skills training programs at external institutions |                 | Environmental safety education |
| Organizational Development | Organizational competence building programs   |   |                 |                                |
| Personal Development       | Internal and external foreign language programs (English, Japanese, Chinese)<br>Online professional development courses (foreign languages, job skills, IT)   |   |                 |                                |
| Special Education          | Continuous education programs for employee spouses, overseas training programs for employees of long service, overseas training programs for employees nearing retirement, labor-management joint overseas training programs              |   |                 |                                |

Experiential Activities

Hyundai Steel supports employees’ personal and professional development needs through a wide variety of education and training programs. Meanwhile, to meet our employees’ learning needs in areas not covered by company training and education programs, we offer a range of experiential programs open also to family members. These experiential programs, along with other hobby and club activities, help our employees broaden their perspective on life and feel a real sense of self-fulfillment.

Employee Clubs

In an effort to support and encourage quality leisure activities among employees, Hyundai Steel offers them allowances for club activities and provides supplies they need. There are currently 65 total employee clubs at Hyundai Steel, engaging in volunteer activities, sports and hobby activities such as football, tennis and photography.

Experiential Learning Programs

At Hyundai Steel, there is a bimonthly experiential event where employees are invited to take part in various environment-friendly activities. Activities carried out and planned under this program called “Green Discoveries, Green Stories” are announced and reported in the company Magazine, 〈The Green Alchemist〉. Employees are encouraged to bring their families to workshops on themes like making ecological soaps and creating air-purifying gardens.



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|                            | 072<br>+<br>073 |
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Employee Welfare Programs

Hyundai Steel understands that financial stability and a decent living standard are the basic and fundamental requirements for the personal growth of our employees as well as for the growth of us all, as a society. Employee welfare programs at Hyundai Steel are designed to provide a comprehensive safety net to shield our staff from life’s unforeseeable challenges.

FINANCIAL AND LIVING ASSISTANCE

|   |  |
|---|--|
| Employee Welfare Fund                         | The employee welfare fund offers low interest-rate financing for employees’ home buying projects or toward security deposits on their rental housing.  |
| Dormitory-style Housing for Single Employees  | To assist single employees assigned to regional offices or plants outside the Seoul metropolitan area, we offer dormitory-style housing on company grounds or in proximity to the workplace (Dangjin, Pohang Works). |
| Education Stipends for Employee Children      | Hyundai Steel covers the cost of secondary and higher education of employee children by paying the full amounts of their tuition fees.   |
| Employee Retirement Plan                      | To guarantee a stable and secure retirement for our employees, we offer a company retirement plan. Retirement benefits from this plan are on top and above national pension plan benefits.                           |
| Holiday Gifts                                 | As a token of appreciation for their service to the company, Hyundai Steel offers its employees gifts on holidays like the New Year’s Day and Thanksgiving.  |
| Paid Leaves and Allowances for Special Events | Hyundai Steel offers employees paid leaves of absence and allowances for important personal and family events, so that they know the company cares about them.   |

CULTURAL LIFE AND QUALITY LEISURE ACTIVITIES

|                                |  |
|--------------------------------|--|
| Five-day Workweek              | The workweek at Hyundai Steel is five days, and our employees have time to rest and recuperate.  |
| Fitness Allowance              | All employees taking summer holiday leave receive vacation allowances.   |
| Condominiums and Resort Hotels | Hyundai Steel provides quality vacation lodging to its employees through its membership contracts with various resort accommodations in nationwide locations, including the Hyundai Sorak Condo Hotel, Hyundai Seongwoo Resort Condo, Hyundai Resort Hotel in Jeju and the Gyeongju Hanhwa Resort Condo. |
| Summer Camps and Retreats      | Every summer, Hyundai Steel sets up camping and lodging facilities in popular vacation destinations for use of employees and their families.   |

CONVENIENCE SERVICES

|                             |   |
|-----------------------------|---|
| Company Shuttle Bus Service | To make commuting to work more convenient for our employees, we provide company shuttle bus service across town, in Seoul, Incheon, Dangjin and Pohang. |
| Holiday Bus                 | Hyundai employees can conveniently travel to their holiday destinations aboard our special holiday bus.   |

HEALTH AND MEDICAL CARE

|                                |   |
|--------------------------------|---|
| Health Monitoring Service      | To prevent diseases among employees and help them maintain good health, we offer comprehensive and in-depth health screening, in addition to routine health checks.   |
| Reimbursement of Medical Bills | When employees and their families receive medical care for diseases or injuries, or childbirth-related care that are covered by the medical insurance, Hyundai Steel pays any remaining amount in their medical bill. |
| In-house Clinics               | We provide free medical consultation to employees and their families at our in-house clinics, to ensure that they receive proper care for any existing medical conditions and prevent future health problems.         |

MISCELLANEOUS

Snack service, awards and trips for employees of long service, in-house cleaners and barbershops and athletic events are only some of the countless small things we do to ensure that working for Hyundai Steel is a uniquely rewarding experience for our employees.



## Giving, A True Measure of A Great Company

Jung-yi Lee  
Senior Advisor of the Beautiful Fund

The slogan of the Beautiful Fund, “A Society that Knows How to Spend Money Beautifully,” is a simple yet powerful message. The charity foundation is considered to have revolutionized the culture of giving in Korea, by inspiring individual donors and actively engaging companies. For Senior Advisor Jung-yi Lee who has directly coordinated many fund drives organized by the Beautiful Fund, Hyundai Steel is a familiar name.

“I was an active participant of Hyundai Steel’s Steel Forum for about one year. My involvement in the forum, in fact, lasted until as recently as September last year. I worked on the ‘Micro-Credit’ campaign to sponsor startups by woman heads of households, jointly with Hyundai Steel and Kyunhyang Sinmun. I am very pleased to hear about new community initiatives by Hyundai Steel, such as the community sponsorship program assigning a village for each of its business units, home invitation campaign for lone disabled people and the phone pal program for lone elderly. I understand that some of these programs are under planning and some already underway. Supporting the most vulnerable segments of population living in poverty to expand the social safety net is indeed consistent with Hyundai Steel’s management philosophy of growing and prospering together with the greater community. I also believe, however, that for CSR activities to be not just giving some of corporate profits back to society, but sustained contributions to social progress, a company must be willing to invest sizeable capital, its management expertise and technology in the creation of social value.”

What Ms. Lee proposes is in sum that companies develop a systemic approach to their CSR activities, by defining, for instance, clearly-defined areas of intervention. The goal for a company should be, in other words, to meet its economic objectives at the same as public interest goals, and make social contribution activities a more fundamental part of its business operations. For Ms. Lee, a long-term partnership with local nonprofit civic organizations is crucial for sustainability success. This way, companies can increase transparency in their social contribution activities at the same time as ensure that their activities effectively contribute to public interest.

“My hope for Hyundai Steel is that by continuously improving its competitiveness and stature in the global steel industry, it will help enhance our competitiveness as a nation. Meanwhile, by actively complying with recommendations and requirements under international initiatives by UN and other international organizations, related to environmental protection, labor, combat against poverty and climate change, Hyundai Steel should become an example for other Korean companies, further enhancing, in the process, our country’s new status as an ODA granting country and a meaningful player of the global community.” Giving, the stuff of a great company, is also a measure of how a business organization envisions the future and how it understands its role in the greater human community.

### Stakeholders

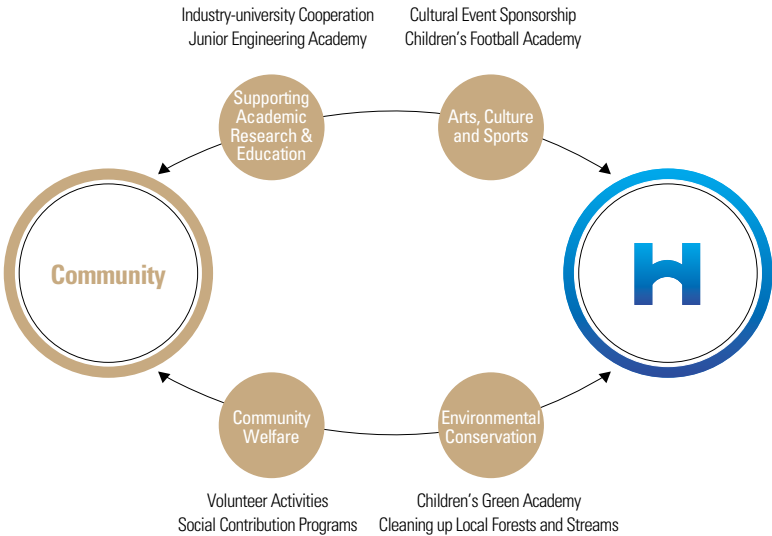
## Community

Local communities are the closest stakeholders to Hyundai Steel. As a corporate citizen pursuing shared growth in the drive to eradicate poverty and create employment opportunities, Hyundai Steel follows issues in local communities with keen interest and maintains sustained communication with them.

Hyundai Steel strives to make a concrete difference in the lives of people in our local communities, through its contribution efforts in key areas of community welfare, from education, arts, culture and sports to assistance toward economically-disadvantaged segments of population, job creation and environmental conservation.

At Hyundai Steel, we constantly try to identify the most important issues in the community through close communication with its members, so that our contribution activities address their real needs.

### Community Communication Channels





Supporting Academic Research & Education

Industry-university Cooperation

Using its industry-university cooperation networks, Hyundai Steel engages in initiatives to expand educational infrastructure in local communities and bring education more in line with the requirements of the current job market and today’s society. In its recruitment process, Hyundai Steel gives priority to candidates trained through its industry-university cooperation programs and hires 50% of all graduates from these programs. Hyundai Steel’s employees are extensively involved in the actual teaching process, as visiting faculties, to help students acquire hand-on knowledge required in the industry.

| Category                                     | Shinsung College  | Inha Technical College  | Dongyang Technical College  | Remark                   |
|--|---|---|---|--------------------------|
| Date of Human Resource Development Agreement | Apr. 10, 2006   | Jul, 14, 2006   | Jun. 23, 2006   |                          |
| Term of agreement                            | 4 years (2007~2010)   | 3 years (2007~2009)   | 3 years (2007~2009)   |                          |
| Academic Dept./ programs                     | Dept. of Steelmaking (new)  | Dept. of Mechanical Engineering / Dept. of Metal Materials                              | Dept. of Mechanical Engineering / Dept. of Electric Systems                             |                          |
| Number of students                           | 80  | 70 (35 Mechanical engineering majors, 35 Metal materials majors )                       | 70 (30 Mechanical engineering majors, 40 electric system majors)                        |                          |
| Hiring commitment                            | 50% of all graduates  | 50% of all graduates  | 50% of all graduates  |                          |
| Financial support toward schools             | ○ Scholarship: 80,000,000 won<br>○ Funding toward school administration: 20,000,000 won | ○ Scholarship: 50,000,000 won<br>○ Funding toward school administration: 20,000,000 won | ○ Scholarship: 50,000,000 won<br>○ Funding toward school administration: 20,000,000 won | 240,000,000 won in total |

Junior Engineering Academy

As part of an effort to foster a competitive industrial workforce in communities in which Hyundai Steel has a presence, we have been offering early initiations into engineering to local children and youth through the Junior Engineering Academy, since 2005. Classes offered under the Junior Engineering Academy program begin mid-term for both the spring and fall semesters, every year. Classes are conducted by Hyundai Steel employees in elementary schools of the Dangjin area. In 2007, 201 students attended spring-term courses and 233 attended the fall-term courses. Students are taught using the curriculum developed by the Korean National Academy of Engineering, and theoretical learning is coupled with a variety of exciting experiments, such as making voltaic battery-powered boats and experimenting with magnetic levitation trains, to acquaint them with the basics of next-generation cutting-edge science.



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Arts, Culture and Sports

Culture and Arts

Gijisi Tug of War

Hyundai Steel sponsors the hosting of the ‘Gijisi Tug of War,’ Korea’s National Intangible Cultural Heritage No. 75, in local communities. To help preserve this vanishing folk tradition, we finance related events as well as encourage our employees to participate in them as volunteers.

Fishing Rite of Anseom

The ‘Fishing Rite of Anseom’ is a local ceremony hosted at Anseom Port, located near Hyundai Steel’s Dangjin Works, in February, every year. In an effort to promote this 450-year old rite and develop it into a regional cultural festival, Hyundai Steel provides financial support and encourages its employees to support the cause as well.

Korean Music Night

In 1993, Hyundai Steel became the sole corporate sponsor of the ‘Korean Music Night,’ an annual traditional Korean music event by the Saeul Foundation of Culture, hosted for the first time during the same year with the funding from City of Incheon. Our sponsorship has helped this event to grow into one of the most recognizable local cultural events in Incheon. Hyundai Steel’s volunteer corp members send invitations to local residents and residents of care institutions for disability people and attend the event together with them, making this wonderful celebration of traditional Korean music also a platform for communication with the community.

Sports

Company Sports Teams

Hyundai Steel’s women’s football team and men’s archery team were created more than a decade ago, to support the development of these less popular sports and made substantial contributions to broadening the audience for them.

‘Red Angels,’ Hyundai Steel’s Women’s Football Team (www.redangels.co.kr)

Founded in December 1993, the Red Angels, Hyundai Steel’s women’s football team has led the development of this sport, scarcely practiced in Korea. The company is providing all necessary support to the team, including a natural grass football stadium, so that the athletes can concentrate on improving their performance, without becoming distracted. The Red Angels was the champion of the Yeowanggi National Women’s Football Tournament in 2005 and 2006, winning also four other major competitions over the same period. In 2007, they clinched the title in both the Yeowanggi and Tongildaegi tournaments, consolidating their reputation as Korea’s top women’s football team.



Hyundai Steel’s Men’s Archery Team (www.hsarchery.co.kr)

Hyundai Steel was founded fifteen years ago, in February 1993. With some of the best known names in this sport category on its roster, the archery team has been raising the bar for the Korean art of archery, for many years.

To help children spend a more constructive and rewarding summer vacation, Hyundai Steel runs a football academy for elementary school students in Incheon and Dangjin, at the football stadium used by Hyundai Steel's women's football team 'Red Angels.' Hosted every summer since 2003, the Children's Football Academy has enabled countless children to build their physical and mental strength and acquire correct football techniques and skills over the years. Instruction at the Children's Football Academy is provided by Jong-gwan Ahn and Mun-seok Lee, manager and coach of the Red Angels, and other qualified instructors, and consists both of basic skill training and competition skill training.

In June 2006, Hyundai Steel entered into an agreement with the Korea Association for Elderly Community Care, to provide phone pal service to the elderly living alone. Volunteering Hyundai Steel employees are each matched with one elderly person in the neighborhood of their workplace to become their phone pals. Phone pals place a telephone call to elderly persons on a regular basis to check on them. Hyundai Steel is the first high-profile Korean corporation to engage in a volunteer activity of this type. Phone pals call their elderly mates at least once a week, also visiting them at their home once in a while. In 2007, some 90 employees volunteered to be phone pals, relieving isolation and loneliness among the elderly and offering them human warmth, friendship and attention.

On major Korean family holidays like the New Year's Day and Chuseok (Korean Thanksgiving), Hyundai Steel employees invite lone disability people living in local institutions to their homes to share the spirit of season with those less fortunate in the community. This program, begun in 2005, has met with a tremendous response from our staff, who are now increasingly opening their homes and hearts to their disability neighbors, even when it is not holiday time.

In accordance with an agreement entered into in 2006, with the Incheon Office of the Community Chest and the Incheon Central Ward Office of the National Health Insurance Corporation, Hyundai Steel makes monthly contributions toward low-income households struggling to meet their medical insurance premium payments.

In collaboration with local agricultural cooperatives in Incheon, Pohang and Dangjin, Hyundai Steel regularly hosts a farm produce fair on company grounds or sets up farm produce stands during company events like athletic festivals. Buying locally-produced farm products is our own way of extending a helping hand to farming households in these areas.

Children’s Football Academy

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Instruction at the Children’s Football Academy is provided by Jong-gwan Ahn and Mun-seok Lee, manager and coach of the Red Angels, and other qualified instructors, and consists both of basic skill training and competition skill training.

Community Welfare

Phone Pal Program for Lone Elderly

In June 2006, Hyundai Steel entered into an agreement with the Korea Association for Elderly Community Care, to provide phone pal service to the elderly living alone. Volunteering Hyundai Steel employees are each matched with one elderly person in the neighborhood of their workplace to become their phone pals. Phone pals place a telephone call to elderly persons on a regular basis to check on them. Hyundai Steel is the first high-profile Korean corporation to engage in a volunteer activity of this type. Phone pals call their elderly mates at least once a week, also visiting them at their home once in a while. In 2007, some 90 employees volunteered to be phone pals, relieving isolation and loneliness among the elderly and offering them human warmth, friendship and attention.

Inviting Disability Neighbors to Our Homes

On major Korean family holidays like the New Year’s Day and Chuseok (Korean Thanksgiving), Hyundai Steel employees invite lone disability people living in local institutions to their homes to share the spirit of season with those less fortunate in the community. This program, begun in 2005, has met with a tremendous response from our staff, who are now increasingly opening their homes and hearts to their disability neighbors, even when it is not holiday time.

Scholarships for Middle and High School Students and Elementary School Lunch Support

Every year, Hyundai Steel offers scholarships to 350 middle and high school students residing in Incheon, Pohang and Dangjin, recommended by the local administration and nonprofit organizations of their respective communities. In 2007, the total value of scholarships disbursed stood at 160,000,000 won. Hyundai Steel also regularly makes donations toward school lunches for the children of low-income households attending six elementary schools in the Incheon area.

Contributions Toward Medical Insurance Premiums of Low-income Households

In accordance with an agreement entered into in 2006, with the Incheon Office of the Community Chest and the Incheon Central Ward Office of the National Health Insurance Corporation, Hyundai Steel makes monthly contributions toward low-income households struggling to meet their medical insurance premium payments.

Farm Produce Fair to Support Local Growers

In collaboration with local agricultural cooperatives in Incheon, Pohang and Dangjin, Hyundai Steel regularly hosts a farm produce fair on company grounds or sets up farm produce stands during company events like athletic festivals. Buying locally-produced farm products is our own way of extending a helping hand to farming households in these areas.

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Suppliers

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+

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HYUNDAI STEEL

2007

HYUNDAI STEEL SUSTAINABILITY REPORT

At the Dangjin Works, each production team has its own sister village. Employees lend a hand with farm chores in nine villages in the area and help sell their produce. Remodeling and upgrading public facilities, taking photographs of community elders to congratulate them on their longevity and teaching residents how to use a computer are also among the things the volunteers do for their sister villages.

Hyundai Steel provides environmental awareness education to 320 elementary school children residing in Incheon, Pohang and Dangjin under a program named "Children's Green Academy." This program intended to awaken young minds to the importance of the environment began in 2007, with the plan to cover three topics over three years; namely food, energy and water. Classes under this program, with the slogan, "Children and the Environment, They Are Our Future," meet once a month and consist of lectures on environmental topics and experiential learning. At the end of the spring term in 2007, an environmental quiz contest, open to both students and teachers, was hosted, and the winners were offered a trip to Japan, to learn about how the environment is cared for there.

| January  | February | March                          | April          | May                               | June                   | July                       | August                      | September                            | October             | November          | December                               |
|--|----------|--------------------------------|----------------|-----------------------------------|------------------------|----------------------------|-----------------------------|--------------------------------------|---------------------|-------------------|--|
| Call for schools wishing to participate in the program                         |          | Outreach Environmental Academy |                |                                   |                        |                            |                             | Outreach Environmental Academy       |                     |                   |  |
| Call for volunteers wishing to be a part of the program and volunteer training |          | School Environmental Clubs     |                |                                   |                        |                            |                             | School Environmental Clubs           |                     |                   |  |
|  |          | Musical Environmental Class    | Diet and Atopy | Food Additives and Processed Food | Visit to Hyundai Steel |                            |                             | Ten Commandments for the Environment | Green Cooking Class | Junk Art Workshop | Year-end Presentations and Exhibitions |
|  |          |                                |                |                                   |                        | Environmental Quiz Contest | Environmental Trip to Japan |                                      |                     |                   |  |

Cleaning up the environment in local communities is something that is part of most Hyundai Steel volunteer programs, including the sister village program. In 2007, 1,947 employees volunteered to take part in environmental clean-up, spending 7,769 total hours.



## Strong Steel, Flexible Thinking

Byung-ok Ahn  
Secretary General of the Korean Federation for  
Environmental Movements

“I often see, for example, companies engaged in businesses that have nothing to do with rivers or water resources send their employees to clean up streams, or companies that are not in the food industry offer food aid to schools and hospitals. But, what we really want from companies is rather that they cut down on the use of energy and resources in their business operations. For sustainable practices to truly take root in our society, we must first help ourselves before thinking about helping others.”

“Fixing environmental problems we are facing today requires the concentrated effort of everyone on the planet, but it is also undeniable that corporations can play a huge role. How important these business organizations using gigantic amounts of resources, labor and technology think the environment is crucial for the fate of our planet.”

Mr. Ahn stresses that environmental concerns are now literally shaping the global trade structure. For instance, in Europe where environmental regulations are particularly stiff, the import and export of toxic chemicals and waste are banned by law. European law requires exporters of goods produced using one ton or more of chemical substances to submit a detailed report on their potential impacts on human health. The first beneficiaries of greater compliance with environmental standards are indeed companies. Companies help the environment by helping themselves, says Mr. Ahn. “The environment, safety and culture are the three bywords of the 21st century. Of these three, the environment is particularly closely related to corporate innovation. The ‘Factor 4’ movement, a campaign advocating for the reduction of energy and resource use in production processes to one-fourth of the current level, is a great example. Safety, meanwhile, is a concern touching human life and health. Whilst we all agree that global warming is a serious issue for the planet, few realize that this is happening in our own backyard. Environmental protection is, in fact, to a large extent about learning the vitality and restorative power of nature. Finally, culture is like a flower that blossoms between companies and consumers, when the two are linked through common moral, intellectual and social values. What I would wish for Hyundai Steel is that it keeps its thinking flexible, quite to the opposite of the strong steel they produce.” Mr. Ahn tells us that he was deeply impressed by Hyundai Steel, several years ago when the construction of the Dangjin Works just began, seeing how seriously the company examined and addressed environmental considerations proposed by the Korean Federation of Environmental Movements. What he hopes to see happen in the future, he says, is that Hyundai Steel, being a company unlike another in its commitment to environmental stewardship, will be bold enough to initiate conservation attempts never previously undertaken by anyone else in the world.

080  
+  
081

HYUNDAI STEEL

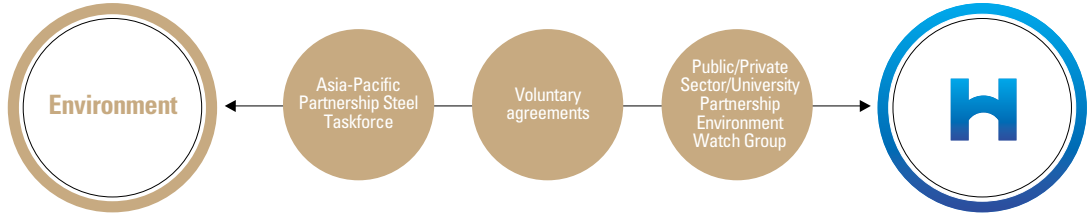
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### Stakeholders

## Environment

At Hyundai Steel, our effort to protect the environment, one of our key stakeholders, is guided by a unified strategy, at all levels of our organization. As a company engaged in a highly energy-intensive business, we take climate change very seriously and understand the importance of what we do in our day-to-day operations for reversing this phenomenon. Hyundai Steel’s response to climate change consists of three levels: First, building organization-wide response infrastructure; second, saving energy to increase production capacity and cope with high oil prices; and third, participating in industry associations to prepare a joint response to Korean and international climate change policies.

#### Environmental Communication Channels



#### ENERGY CONSUMPTION

● Unit: million GJ/y

| Category                           | 2005  | 2006  | 2007  |
|------------------------------------|-------|-------|-------|
| Primary energy (LNG/ bunker C oil) | 3.55  | 14.98 | 8.88  |
| Secondary energy (electricity)     | 59.23 | 55.92 | 59.75 |
| Total energy consumption           | 62.78 | 70.90 | 68.63 |

#### GREENHOUSE GAS EMISSIONS

● Unit: thousand t/y

| Category   | 2005               | 2006  | 2007  |
|--|--------------------|-------|-------|
| CO <sub>2</sub> emissions  | Direct emissions   | 593   | 589   |
|  | Indirect emissions | 2,135 | 2,461 |
|  | Total              | 2,728 | 3,050 |
| CO <sub>2</sub> emission intensity (CO <sub>2</sub> ton/Steel ton) | 0.404              | 0.405 | 0.399 |

#### ENERGY SAVINGS

● Unit: TOE

| Category       | 2005               | 2006              | 2007               |
|----------------|--------------------|-------------------|--------------------|
| Energy Savings | 21,933 (921,186GJ) | 9,843 (413,406GJ) | 12,498 (524,916GJ) |

(1TOE = 42GJ, Source: Korea Energy Management Corporation, Energy Use Statistics)  
※ Energy savings declined in 2006 due to the test operations of the new production line at the Dangjin Works conducted during this period.



## Building Climate Change Response Infrastructure

In order to more effectively control greenhouse gas emissions from manufacturing activities at our plants, Hyundai Steel is setting up a greenhouse gas inventory system. Key emission data currently tracked at our electric arc furnace-based production units will be digitalized during 2008, to enable their electronic management. An organization-wide inventory will be developed also during 2008, so that the inventory system can be implemented at the latest by 2010 when blast furnace unit 1 starts operation at the Integrated Steel Mill.

## Energy Usage in 2007

In 2007, the three electric arc furnace plants of Hyundai Steel used 68,630,000 GJ, an amount significantly smaller than 70,900,000 GJ in 2006. This result is mainly explained by the change in the calories rate of electricity and LNG, following the regulatory changes implemented in 2007.

## Greenhouse Gas Emissions in 2007

In accordance with the current standard greenhouse gas emissions calculation methods in use in Korea and overseas, Hyundai Steel tracks CO<sub>2</sub> emissions from its production sites by distinguishing indirect and direct (emissions from constant combustion sources) emissions. In 2007, CO<sub>2</sub> emissions from Hyundai Steel's three steel works in Incheon, Pohang and Dangjin amounted to 3,350,000t, 9.8% increase from 3,050,000t in 2006. This increase was mainly caused by a production increase of 11.8% over the previous year. About 81% of total CO<sub>2</sub> emissions were accounted for by indirect emissions from purchased electricity. Emissions from LNG, bunker C oils stood at an approximate 630,000t.

The CO<sub>2</sub> emission intensity was 0.399t in 2007, a substantial improvement over 0.405t in 2006. This improvement was a result of a company-wide effort to reduce energy usage and enhance energy efficiency across all manufacturing processes.

※ CO<sub>2</sub> emissions from manufacturing have not been calculated, as an emission factor is yet to be determined for this calculation.

## Energy Saving Activities

As a company in an energy-intensive industry, Hyundai Steel is actively seeking to reduce its energy consumption to cut production cost and better cope with soaring oil prices. Our company-wide energy conservation campaign is overseen and coordinated by the Energy Taskforce, and objectively-calculated energy-saving results are disclosed annually, in accordance with the voluntary agreement for reduction of energy usage we entered into with the Korea Energy Management Corporation. In 2007, thanks to the new energy-efficient equipment, energy-retrofitting projects on exiting equipment and process enhancement, we were able to save as much as 12,498 TOE of energy. Our energy savings target for 2008 is 19,000 TOE.

## Response to Environmental Policies

## Steel Industry Climate Change Response

Since 2005, Hyundai Steel has been an active participant in the ‘Steel Industry Climate Change Response Program,’ a joint initiative by the Ministry of Commerce, Industry and Energy (the current “Ministry of Knowledge Economy”) and the Korean steel industry. Under this program, Hyundai Steel and other members of the Korean steel industry have issued a joint response to new climate change-related policies in Korea and overseas. Meanwhile, the participation in the climate change workshop hosted twice a year under the same program has helped us improve our internal response capabilities. In 2007, we took part in a project to develop the ‘Electric Arc Furnace Greenhouse Gas Emission Inventory Guidelines,’ to lead the industry’s collective effort to cut emissions with severe environmental consequences. The inventory guidelines developed through this project will be used as important reference for our electronic inventory system to be implemented in upcoming years.

## Asia-Pacific Partnership on Clean Development & Climate, Steel TF

Since 2006, Hyundai Steel has been a member of the Steel Taskforce of the Asia-Pacific Partnership (“APP”). We have been working with industry representatives of key steel-producing countries in Asia Pacific, such as the US, Japan, China, India,

Australia and Canada, toward technological cooperation and joint efforts to reduce greenhouse gas emissions. In 2007, during the two meetings successively hosted in Kolkata, India and Wollongong, Australia, Hyundai Steel shared with other members of the Steel Taskforce, information on climate change response by the Korean industry, and the energy savings and cut in greenhouse gas emissions achieved by our electric arc furnace plants and the Integrated Steel Mill, presenting also our ideas and strategies for further reduction in energy use and greenhouse gas emissions.

## Development of Eco-friendly Products and Environmental Research

## Development of Eco-friendly Products

Steel products are as such eco-friendly products, as they are produced from recycled steel scraps. However, at Hyundai Steel, we know that we can do much more to reduce the environmental impacts of our production activities and continuously conduct R&D to make our products more eco-friendly. By using processes that are gentler on the environment, we reduce environmental impacts of products we provide throughout their entire life cycle, from production to use and disposal, improving also their quality and durability at the same time.

|                            |   |
|----------------------------|---|
| Unpainted Weathering Steel | Weathering steel is dramatically superior to regular steel in terms of their corrosion resistance and, for this reason, does not need to be painted, coated or treated through zinc plating.  |
| Parallel Flange Channels   | Parallel flange channels, as their flanges have no slope, are significantly easier to join and work with than standard channels. They are also superior in structural performance and more economical, as it takes 2-5% less parallel flange channels than it would take regular flange channels to build a structure of the same size. |
| Rolled Asymmetric Beams    | These wide flange beams with their lower flanges longer than the upper flanges can reduce the story height of a building by 25 to 40cm.   |



## Environmental Research

The Hyundai Steel R&D Center was established in March 2007 to provide support to operations at the Integrated Steel Mill and build technological capability at an enterprise level. Its Environmental and Energy Technology Team, made up of 13 highly-qualified researchers who either possess a Master's degree or a PhD degree in relevant fields, carries out research to improve water and air quality control and waste treatment procedures for our existing electric arc furnace plants and also the new Integrated Steel Mill currently under construction. Developing new production technologies to minimize the discharge of pollutants and contaminated substances from manufacturing is another important mission of this team.



|   |  |
|---|--|
| Byproduct Reduction Research                          | Byproduct reduction research conducted at Hyundai Steel has its goals to expand the recycling and reuse of steel slag and develop techniques to recover valuable resources from steelmaking dust to minimize discarded byproducts and create value-added.  |
| Water Saving and Water Treatment Research             | The key research objectives of this program are to develop a water treatment system enabling 100% recycling and reuse of wastewater, hence completely eliminating environmental release, reduce the ecotoxicity of wastewater and improve the efficiency of water treatment. The overarching goal of the program is to save water resources and protect the environment. |
| Analysis of Trace Amounts of Environmental Pollutants | By regularly measuring and analyzing dioxin and other pollutants with potential impacts on human health, we ensure that the operating environment at our plants is optimal, as well as maintain a high level of efficiency for our air treatment processes.  |
| Energy-efficient Technology Development               | The goal of this R&D program is to introduce optimally energy-efficient equipment into our manufacturing facilities to reduce the consumption of energy and develop techniques and procedures to minimize greenhouse gas emissions.  |



# Integrated Steel Mill

Environmental protection and development and growth are often perceived as two imperatives clashing against each other. At Hyundai Steel, we believe that the future lies somewhere between the two and that we can conserve the environment, all the while achieving growth and prosperity. The business model underpinned by an efficient resource recycling and reuse system we are planning for the new Integrated Steel Mill, and its clean production system will make this plant an unprecedentedly eco-friendly steel mill. Through the Integrated Steel Mill which will be, upon its construction, a centerpiece to our sustainability effort, Hyundai Steel will create new social and economic value, shaping a brighter and cleaner future for all of us.

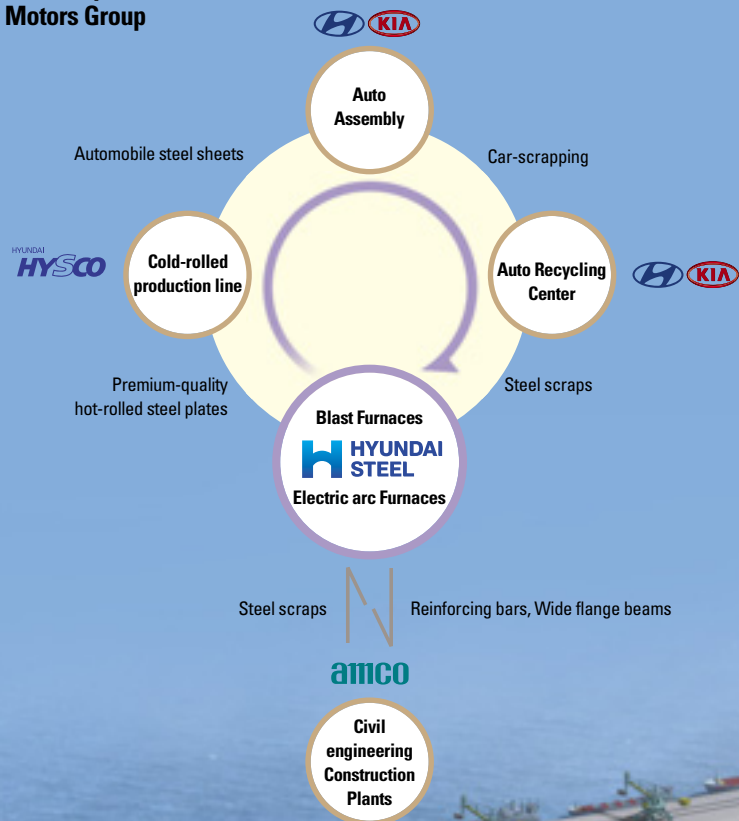
Key issues | Clean production and local communication  
Raw material and technology procurement | Progress so far and future plans

## Key Issues

The Integrated Steel Mill, upon its completion, will make Hyundai Steel Korea's first steel company equipped with both electric arc furnace production lines, using scrap steel as the raw material, and blast furnace production lines, using iron ore. Another and no less important significance of this project is that this plant will give Hyundai Steel a business structure which promotes efficient resource recycling. The efficient utilization and optimal recycling of resources has consistently been an important goal of the Hyundai-Kia Motors Group, which, for this specific purpose, has reorganized its affiliation structure to achieve vertical integration, from upstream to downstream (from steelmaking to finished auto production).

When the construction of the Integrated Steel Mill in Dangjin, Chungcheongnam-do, with an annual hot-rolled steel plate production capacity of 8,000,000t, comes to completion in 2011, this will provide the Hyundai-Kia Motors Group with a complete resource feedback loop: production of hot-rolled steel plates (Hyundai Steel) ►production of cold-rolled steel plates for automobiles (Hyundai Hysco) ►Automobile production and scrapping (Hyundai Motor & Kia Motors) ►Recycling scrap metal (Hyundai Steel).

Resource Feedback Loop  
at Hyundai-Kia Motors Group



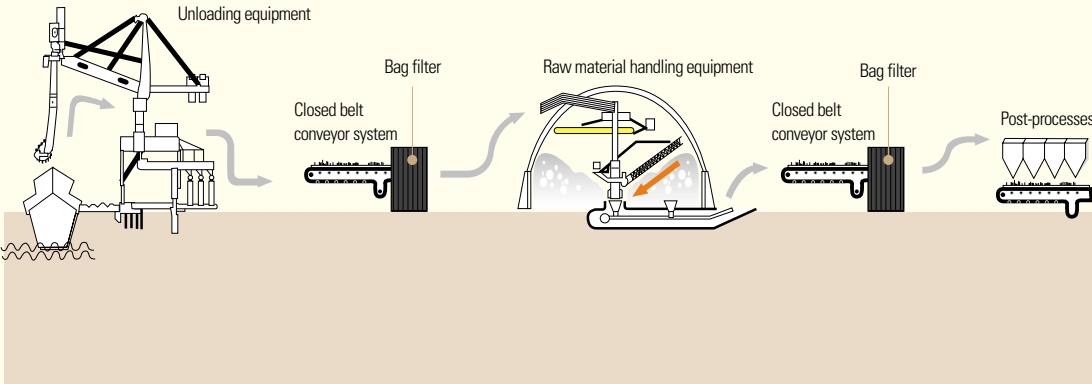


# Clean Production and Local Communication

## Engaging the Community in Our Effort to Create World’s Most Eco-friendly Steel Mills

As a radical solution to the fugitive dust problem, Hyundai Steel has introduced a closed-loop material handling system, setting a new standard for material handling in the steel industry worldwide. The closed-loop material handling system is also consistent with Hyundai Steel’s commitment to eco-friendly steel mill. Meanwhile, we actively invite the input of local community residents on our effort to make our steel mills friendlier to the environment, by presenting to them our progress and plans in detail. The ‘Council on the Construction of eco-friendly Steel Plants and Regional Development’ is a platform of dialog between local residents and Hyundai Steel employees, through which the community actively weighs in on key issues in our environmental initiatives.

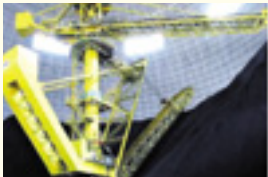
### Eco-friendly Closed-loop Material Handling Facility



Closed continuous unloader



Closed belt conveyor system



Closed linear facility



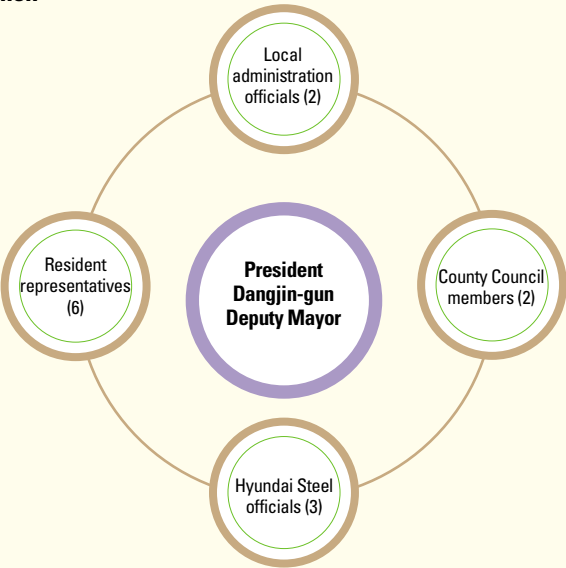
Closed dome-style facility

|  |     |
|--|-----|
| Our Operations                             | 086 |
| Sustainability                             | +   |
| Stakeholders                               | 087 |
| Integrated Steel Mill                      |     |
| Appendix                                   |     |
| Key issues                                 |     |
| ▶ Clean production and local communication |     |
| Raw material and technology procurement    |     |
| Progress so far and future plans           |     |
| HYUNDAI STEEL                              |     |
| 2007 HYUNDAI STEEL SUSTAINABILITY REPORT   |     |

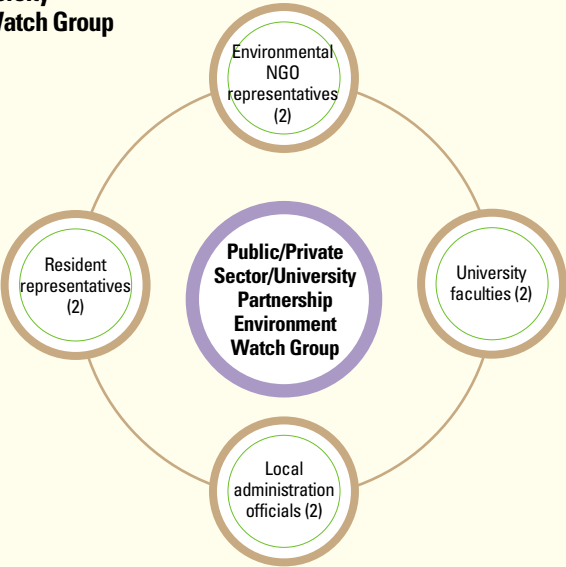
## Council on the Construction of Eco-friendly Steel Plants and Regional Development

The 14-member council, chaired by the Deputy Mayor of Dangjin-gun County, is made up of two officials from the local administration, six resident representatives, three Hyundai Steel officials and two County Council members. The council monitors the status of Hyundai Steel’s compliance with its environmental commitments through the Public/Private Sector/University Partnership Environment Watch Group, consisting of two environmental NGO representatives, two resident representatives, two local administration officials and two faculties from local universities.

### Regional Development Council



### Public/Private Sector/University Partnership Environment Watch Group



### Duties

- Management of environmental issues related to the construction of the Integrated Steel Mill and existing steel plants
- Facilitating communication between Hyundai Steel and local community residents



# Raw Material and Technology Procurement



## Raw Material Procurement Contracts

Producing one ton of steel takes 1.6 tons of iron ore and 0.6 tons of coking coal. Hence, for Hyundai Steel to maintain an annual production capacity of 8,000,000 tons, it needs to secure 12,800,000 tons of iron ore and 4,800,000 tons of coking coal every year.

Currently, Hyundai Steel has supply contracts with several mining firms, providing a sufficient quantity of iron ore and coal to meet most of its need. With BHP Billiton and Rio Tinto, two Australian mining firms, we have recently signed a MOU on the supply of coking coal and will be soon entering into an official contract. In May 2007, we concluded a iron ore supply agreement with Brazil’s VALE, and in October 2007, an agreement with EVCC in which the Canadian mining company commits to a long-term and stable supply of coking coal.

| CURRENT CONTRACT STATUS |           |                       |                       |                             | ● unit: ton |
|-------------------------|-----------|-----------------------|-----------------------|-----------------------------|-------------|
| Supplier                | Country   | Amount                |                       | Contract Status             |             |
|                         |           | Iron ore              | Bituminous coal       |                             |             |
| BHP Billiton            | Australia | 4,000,000 ~ 5,000,000 | 2,500,000 ~ 3,000,000 | Dec. 2005 (MOU signed)      |             |
| Rio Tinto               | Australia | 4,000,000 ~ 5,000,000 | 1,000,000 ~ 1,500,000 | Mar. 2006 (MOU signed)      |             |
| VALE (former CVRD)      | Brazil    | 4,000,000             | —                     | May 2007 (contract signed)  |             |
| EVCC                    | Canada    | —                     | At least 900,000      | Oct. 2007 (contract signed) |             |

|                       |     |
|-----------------------|-----|
| Our Operations        |     |
| Sustainability        |     |
| Stakeholders          |     |
| Integrated Steel Mill |     |
| Appendix              |     |
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|                       | +   |
|                       | 089 |

Key issues

Clean production and local communication

► Raw material and technology procurement

Progress so far and future plans

HYUNDAI STEEL

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REPORT

## Equipment Procurement

| Equipment                    | Supplier                | Scope of contract                                     |
|------------------------------|-------------------------|---|
| Blast furnace equipment      | Paul Wurth (Luxembourg) | Blast furnace engineering and supply of key equipment |
| Sintering equipment          | Samsung Engineering     | Engineering and supply of equipment                   |
| Coking equipment             | Uhde (Germany)          | Turn-key engineering and supply of equipment          |
| Steelmaking equipment        | JP SPCO (Japan)         | Production and supply of steelmaking equipment        |
| Continuous casting equipment | Siemens (Austria)       | Engineering and supply of key equipment               |
| Thick steel plate equipment  | SMS-Demag (Germany)     | Engineering and supply of key equipment               |
| Continuous ship unloader     | China ZPMC              | Supply of continuous ship unloaders                   |

## Securing Technologies

In March 2007, Hyundai Steel established the ‘Hyundai Steel R&D Center’ to support steelmaking operations at the new Integrated Steel Mill, currently under construction, and develop independent next-generation materials technologies. The research center, located inside the A Zone of the Dangjin Works, on a 19,800m² lot consists of a R&D building, a steelmaking experiment building and a rolling experiment building. This facility, also used by the staff of Hyundai Hysco, Hyundai Motor and Kia Motors, houses over 200 top-notch researchers possessing postgraduate degrees in relevant fields. Our current plan is to expand the R&D staff at this facility to 400 sometime in near future.

Hyundai Steel’s R&D staff are carrying out research in crude steel production and hot-rolling technologies for producing high-strength steel plates. Meanwhile, Hyundai Hysco staff concentrate on the development of cold-rolling technologies to manufacture high-performance steel plates for automobiles. Finally, the R&D staff of Hyundai Motor and Kia Motors conduct research in automobile technologies to develop high-stability vehicles. We expect the synergy generated from the interaction of upstream and downstream research programs in this uniquely comprehensive R&D system to be tremendous.

We are particularly excited about the reduced-scale pilot plant to test processes to be carried out in the Integrated Steel Mill, as this enables our R&D staff to study every step of processing activities at the new plant within the research center. In the Steelmaking Experiment Building, supplied with coking and sintering units, our R&D workers conduct experiments to find the optimal mixing proportion of the coking coal and iron ore for the blast furnace. In the Rolling Experiment Building, researchers make ingots (metal or metal alloy bars or blocks created by melting the metal or metal alloy once and, then, casting them in a mold) onsite and roll them to produce prototypes. Prototypes produced in the R&D center are then analyzed and evaluated using cutting-edge equipment available onsite. All R&D activities carried out at the Hyundai Steel R&D Center, regardless of their specific focus, have two common overarching objectives: minimizing the discharge of pollutants and developing environmental technologies to make the Integrated Steel Mill one of the world’s most eco-friendly steel plant.

## Pilot Plant





# Progress So Far and Future Plans



Closed-loop material  
handling facility



Steel plate plant



Blast furnace unit 1

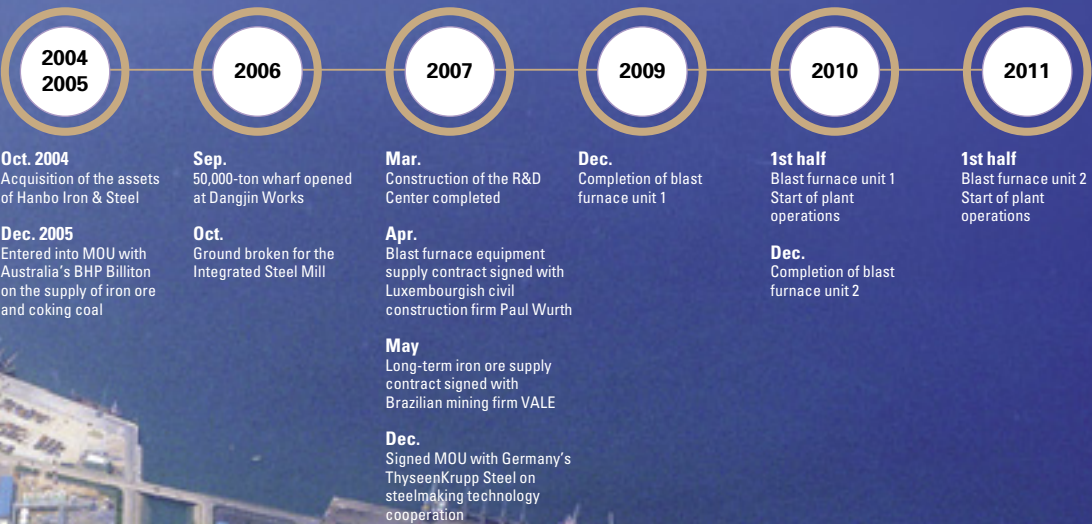


Hot-rolled steel plant

## Hyundai Steel Integrated Steel Mill

The Integrated Steel Mill project has been making smooth progress. When this plant begins operation in a few years, Hyundai Steel will be able to provide a steadier supply of steel to the Korean industry, which will dramatically boost the nation's industrial competitiveness. At Hyundai Steel, we believe in potential of steel. Hyundai Steel will continue to give its all to bringing sustainable products to the market and making our earth a life-sustaining planet, through ecological production activities enabled by the latest technologies.

### INTEGRATED STEEL MILL CONSTRUCTION TIMELINE





# Third Party’s Assurance Statement

To the Management of the HYUNDAI STEEL Sustainability Report 2007:

The Institute for Industrial Policy Studies<sup>1</sup>(The Auditor) was engaged by HYUNDAI STEEL to review information specified in its 2007 Sustainability Report(The Report) to provide independent third-party assurance on its contents. HYUNDAI STEEL is responsible for the collection and presentation of all information within The Report as well as the maintenance of the underlying data collection system and internal controls. The key objective of our review is to provide independent assurance that all statements and data cited in The Report are free of material misstatement or bias and that the data collection systems used are robust. On the basis of the above, The Auditor presents the following third-party statement of assurance.

## Context and Scope

In its 2007 Sustainability Report, HYUNDAI STEEL describes efforts and progress made toward sustainability management. The Auditor’s review was designed to provide reasonable and limited assurance on certain information stated in The Report as follows.

### • Reasonable assurance on whether :

The financial data specified under “Economic Performance” is properly derived from HYUNDAI STEEL’s audited Annual Report for 2007;

### • Limited assurance on whether :

The data specified under “Corporate Overview”, “Sustainability”, “Stakeholders”, “Integrated Steel Mill”, and “Appendix” of The Report are stated adequately and are free of material misstatement or bias.

※Reasonable assurance constitutes a higher level of assurance than limited.

## Independence

The Auditor was not involved in the preparation of any part of The Report and has no other affiliation with HYUNDAI STEEL that might compromise our independence or autonomy or place The Auditor under its influence, thereby creating possible conflicts of interest. The Auditor has no relationship with HYUNDAI STEEL regarding any of its for-profit operations and activities.

## Criteria

The Auditor reviewed whether The Report was written in accordance with the following reporting guidelines:

- (1) The AA1000 Assurance Standard’s (AA1000 AS)<sup>\*</sup> three core principles of Materiality, Completeness and Responsiveness;
- (2) The Global Reporting Initiative’s (GRI) G3 Sustainability Reporting Guidelines Version 3.0<sup>\*\*</sup>;
- (3) The BEST Sustainability Reporting Guidelines<sup>\*\*\*</sup>

<sup>\*</sup>AA1000 AS is an assurance standard for social and sustainable reporting developed by the U.K.-based Institute of Social and Ethical AccountAbility in November 1999. A nonprofit organization that promotes corporate social responsibility, business ethics and responsible business practices, AccountAbility aims to improve the quality of social and ethical accounting, auditing and reporting through the AA1000 AS.

<sup>\*\*</sup>The Global Reporting Initiative (GRI)’s Sustainability Reporting Guideline was jointly convened by the Coalition for Environmentally Responsible Economies (CERES) and UNEP in 1997. The newly revised G3 version was launched in October 2006.

<sup>\*\*\*</sup> The BEST Sustainability Reporting Guideline was jointly developed by the Ministry of Knowledge Economy (MKE), the Korea Chamber of Commerce and Industry (KCCI), and the Institute for Industrial Policy Studies (IPS) and provides for five levels of reporting rigor (Level 1 ~ 5).

## Work Undertaken and Scope

The Auditor reviewed the Materiality, Completeness, and Responsiveness of The Report through the process outlined below:

- A review of media reports relating to HYUNDAI STEEL
- A review of information contained in The Report as well as the underlying data collection system(validation of internal sustainability-related organizations, systems, and activities)
- Data sampling and assessment of high-risk areas to support intensive review of key statements in The Report, internal policies, documentation, and information systems
- A reconciliation of financial data stated in The Report against the audited Annual Report
- Interviews with managers and staff in charge of sustainability management and reporting, as well as persons responsible for The Report’s source information
- On-site review of Headquarter operations on August 28, 2008

## Appendix



### <sup>1</sup>The Institute for Industrial Policy Studies (IPS)

Established in 1993, the Institute for Industrial Policy Studies has accumulated broad expertise in the area of sustainability management since 2002. “The Auditor” is composed of six individuals (Dong-sung Cho, Cheol-ho Shin, Saok-young Lee, Dong-won Lee, Ji-yeon Ahn, Yong-in Kim) who are professors at Korea’s top universities or practitioners with professional accreditation and extensive experience in sustainability management after majoring in business management, accounting, environmental science etc.

## Conclusions

On the basis of the above we provide the following conclusions.

The Auditor did not find The Report to contain any material misstatements or bias. All material findings of The Auditor are included herein, and detailed review findings and follow-up recommendations have been submitted to the management of HYUNDAI STEEL.

### • Materiality

#### *Does The Report cover economic, social and environmental issues of the greatest importance to HYUNDAI STEEL?*

The Auditor does not believe that HYUNDAI STEEL has omitted or excluded any information of the greatest importance to its stakeholders. We verified efforts by HYUNDAI STEEL to identify and report of issues of the priority to its stakeholders through materiality testing (media reviews, same-industry benchmarking) while also reporting on future sustainable growth. However, The Auditor suggests further refining the materiality-testing model to support continuous assessment of issues of material stakeholder interest, while disclosing what the actual test findings were as well as how they were incorporated into The Report.

### • Completeness

#### *How reliable is the information and data stated in The Report, and is the underlying information and data collection system complete and robust?*

The Auditor confirmed efforts by the CSR organization within HYUNDAI STEEL to discuss and pursue sustainability-related issues and initiatives, and noted an internal accounting control system designed to enhance the reliability of financial reporting. However, The Auditor suggests having a permanent organization in place to provide full-time monitoring of sustainability management, while at the same time expanding the existing organization’s structure and system to encompass the entire company. Moreover, in the interest of making the overall sustainability management performance measurement and evaluation systems more complete, we suggest further reinforcing the measurement and management systems for both the social and environmental dimensions.

### • Responsiveness

#### *How well does The Report address information of importance to HYUNDAI STEEL stakeholders?*

The Auditor found HYUNDAI STEEL to be providing material information to its stakeholders, as identified through their materiality assessments. The Report provides an even account of stakeholder comments and feedback from prior environmental reports as well as material issues identified through materiality testing. However, The Auditor would like to suggest further expanding communication channels with its stakeholders as well as a summary on how these communication results were used as criteria for assessing the materiality and responsiveness of the actual reported information. Also we suggest more proactive disclosure of information so that material issues can be reported more fully to all stakeholders.

Relative to the BEST Guidelines, in view of the level of reporting rigor and intensity of information provided, The Auditor finds The Report to fulfill 95.6% of the reporting requirements necessary to qualify for a Level 4 Report (from among Level 1 ~ 5).

## Issues for Future Consideration

The Auditor found The Report impressive, as it builds on HYUNDAI STEEL’s existing environmental reports and takes it one step further. Moreover, The Auditor highly appreciated the fact that The Report was mainly structured around stakeholder reporting. In the interest of continued qualitative improvements in sustainability management performance and reporting, however, The Auditor recommends the following.

- Improve reporting levels relative to indicators specified in the GRI and BEST Guidelines; increase the share of quantitative information in future reports; and provide balanced accounts of all three economic, social, and environmental dimensions.
- Present targets and actual achievement rates for major issues in each of the dimensions to show that HYUNDAI STEEL is working hard to keep its commitment with stakeholders.
- Make the existing sustainability management system more well-ordered and organized and broaden the scope of performance measurement and evaluation to ensure improved data collection and reporting in the social and environmental dimensions.
- Disclose whether information acquired through stakeholder communications was used in materiality assessment or not to improve upon reporting “completeness”.
- Define clear categorization standards to avoid overlapping or conflicting accounts of the same information across the economic, social, and environmental dimensions.

Based upon the above review and recommendations, The Auditor suggests that HYUNDAI STEEL establish a more systematic program of sustainability management and reporting, and continue to follow up with ongoing improvements going forward.

Sep. 3, 2008

**Dong-sung Cho**

Director, Center for Sustainability Management, IPS  
Professor, College of Business Administration, Seoul National University



# GRI Index

(● Reported, ◐ Partially reported, ○ Not reported, ◇ N/A)

## COMPANY OVERVIEW

| GRI Index                           | Indicator No. | Description of Indicator   | Reporting Status | Page No.           | BEST Index |
|-------------------------------------|---------------|--|------------------|--------------------|------------|
| Strategy and Analysis               | 1.1           | Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy   | ●                | 4                  | A_1        |
|                                     | 1.2           | Description of key impacts, risks and opportunities  | ●                | 26, 81             | A_2        |
| Organizational Profile              | 2.1           | Name of the organization   | ●                | 15                 | A_3        |
|                                     | 2.2           | Primary brands, products and services  | ●                | 18, 19             | A_4        |
|                                     | 2.3           | Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures  | ◐                | 14, 16, 17, 22, 33 | A_5        |
|                                     | 2.4           | Location of organization's headquarters  | ◐                | 15, 17             | A_7        |
|                                     | 2.5           | Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report                     | ●                | 16                 | A_7        |
|                                     | 2.6           | Nature of ownership and legal form   | ●                | 22, 23             | A_8        |
|                                     | 2.7           | Markets served   | ●                | 55                 | A_9        |
|                                     | 2.8           | Scale of the reporting organization (including number of employees, net sales, total capitalization and quantity of products or services provided)   | ●                | 26, 27, 66         | A_10       |
|                                     | 2.9           | Significant changes during the reporting period regarding size, structure, or ownership  | ●                | 16, 27, 50         | B_8        |
|                                     | 2.10          | Awards received in the reporting period  | ◐                | 67                 | C08        |
| Reporting Parameters                | 3.1           | Reporting period   | ●                | 9                  | B_3        |
|                                     | 3.2           | Date of most recent previous report (if any)   | ◇                |                    | B_8        |
|                                     | 3.3           | Reporting cycle (annual, biennial, etc.)   | ●                | 9                  | B_6        |
|                                     | 3.4           | Contact point for questions regarding the report or its contents   | ●                | 9                  | B_9        |
|                                     | 3.5           | Process for defining report content  | ●                | 50                 | B_4        |
|                                     | 3.6           | Boundary of the report   | ●                | 9                  | B_1        |
|                                     | 3.7           | State any specific limitations on the scope or boundary of the report  | ●                | 9                  | B-2        |
|                                     | 3.8           | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations | ◇                |                    | A_6        |
|                                     | 3.9           | Data measurement techniques and the bases of calculations  | ◐                | 40, 41             | —          |
|                                     | 3.10          | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement   | ◇                |                    | —          |
| Governance, Commitments &Engagement | 3.11          | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report   | ◇                |                    | B_5        |
|                                     | 3.12          | GRI Content Index Table identifying the location of the Standard Disclosures in the report   | ●                | 94, 95, 96, 97     | B_10       |
|                                     | 3.13          | Policy and current practice with regard to seeking external assurance for the report   | ●                | 92, 93             | B_7        |
|                                     | 4.1           | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight                            | ●                | 22, 23             | GR1        |
|                                     | 4.2           | Indicate whether the Chair of the highest governance body is also an executive officer   | ●                | 22, 23             | GR1 GR3    |
|                                     | 4.3           | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members  | ●                | 22, 23             | GR2        |
|                                     | 4.4           | Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body  | ●                | 51, 67             | GR12       |
|                                     | 4.5           | Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance   | ◐                | 22                 | GR7        |
|                                     | 4.6           | Processes in place for the highest governance body to ensure conflicts of interest are avoided   | ●                | 22, 23             | GR13       |
|                                     | 4.7           | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and the social topics                 | ●                | 22                 | GR4        |
|                                     | 4.8           | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation                         | ●                | 28, 30, 32, 43, 65 | —          |
|                                     | 4.9           | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities          | ●                | 22                 | GR5        |

## Appendix

|  |      |   |   |                    |        |
|--|------|---|---|--------------------|--------|
|  | 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance   | ● | 22                 | GR6    |
|  | 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization   | ● | 26, 28, 29, 69, 83 | GR11   |
|  | 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses  | ● | 28, 32, 39         | GR10   |
|  | 4.13 | Memberships in associations and/or national/international advocacy organizations  | ◐ | 63                 | A_11   |
|  | 4.14 | List of stakeholder groups engaged by the organization  | ● | 50                 | C_1C_2 |
|  | 4.15 | Basis for identification and selection of stakeholders with whom to engage  | ◐ | 50                 | C_1    |
|  | 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group  | ● | 50                 | C_2    |
|  | 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns | ● | 50                 | C_3    |
|  |      |   |   |                    |        |
|  |      |   |   |                    |        |

## ECONOMIC PERFORMANCE INDICATORS

| GRI Index                 | Indicator No.                   | Description of Indicator   | Reporting Status | Page No.           | BEST Index |
|---------------------------|---------------------------------|--|------------------|--------------------|------------|
|                           | EC                              | Disclosure on Management Approach  |                  | 26, 50             |            |
|                           | Economic Performance Indicators | EC1<br>Direct economic value generated and distributed (revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments) | ●                | 27, 50             | EC1        |
|                           |                                 | EC2<br>Financial implications and other risks and opportunities for the organization's activities due to climate change  | ●                | 81–83              | EC2        |
|                           |                                 | EC3<br>Coverage of the organization's defined benefit plan obligations   | ●                | 50, 73             | EC3        |
|                           |                                 | EC4<br>Significant financial assistance received from government   | ●                | Audit Report II.11 | EC5        |
| Market Presence           | EC5                             | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation  | ○                |                    | EM4        |
|                           | EC6                             | Policy, practices, and proportion of senior management hired from the local community at significant location of operation   | ◇                |                    | EC4        |
|                           | EC7                             | Procedures for local hiring and proportion of senior management hired from the local community   | ◇                |                    | EC4        |
| Indirect Economic Impacts | EC8                             | Development and impact of infrastructure investments and services provided primarily for public benefit  | ●                | 47                 | EC6        |
|                           | EC9                             | Significant indirect economic impacts  | ◐                | 78                 | EC7        |

## LABOR PRACTICES & DECENT WORK PERFORMANCE INDICATORS

| GRI Index                             | Indicator No. | Description of Indicator   | Reporting Status | Page No. | BEST Index |
|---------------------------------------|---------------|--|------------------|----------|------------|
|                                       | LA            | Disclosure on Management Approach  |                  | 50       |            |
| Employment                            | LA1           | Total workforce by employment type, employment contract, and region  | 🕒                | 66       | EM1        |
|                                       | LA2           | Total number and rate of employee turnover by age group, gender and region   | 🕒                | 66       | EM5        |
|                                       | LA3           | Benefits provided to full-time employees that are not provided to temporary or part-time employees   | 🕒                | 71–73    | EM20       |
| Labor/<br>Management<br>Relations     | LA4           | Percentage of employees covered by collective bargaining agreements  | 🟢                | 69       | EM12       |
|                                       | LA5           | Minimum notice period (s) regarding significant operational changes  | 🟢                | 69       | EM13       |
| Occupational<br>Health and<br>Safety  | LA6           | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs | 🟢                | 69       | EM14       |
|                                       | LA7           | Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities  | 🕒                |          | EM19       |
|                                       | LA8           | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases     | 🟢                | 69       | EM18       |
|                                       | LA9           | Health and safety topics covered in formal agreements with trade unions  | 🟢                | 69       | EM15       |
| Training and<br>Education             | LA10          | Average hours of training per year per employee by employee category   | 🕒                |          | EM27       |
|                                       | LA11          | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings                            | 🟢                | 70–72    | EM28       |
|                                       | LA12          | Percentage of employees receiving regular performance and career development reviews   | 🟢                | 71       | EM29       |
| Diversity<br>and Equal<br>Opportunity | LA13          | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity            | 🕒                | 66       | EM2        |
|                                       | LA14          | Ratio of basic salary of men to women by employee category   | 🟢                | 66       | EM3        |

# GRI Index

( ● Reported, ◐ Partially reported, ○ Not reported, ◇ N/A)

## ENVIRONMENT PERFORMANCE INDICATORS

| GRI Index                       | Indicator No. | Description of Indicator   | Reporting Status | Page No.  | BEST Index   |
|---------------------------------|---------------|--|------------------|-----------|--------------|
| Materials                       | EN            | Disclosure on Management Approach  | ●                | 50        |              |
|                                 | EN1           | Materials used by weight or volume   | ◐                | 61        | EV10         |
|                                 | EN2           | Percentage of materials used that are recycled input materials   | ●                | 38        | EV11         |
| Energy                          | EN3           | Direct energy consumption by primary energy source   | ●                | 81, 82    | EV7          |
|                                 | EN4           | Indirect energy consumption by primary energy source   | ●                | 81, 82    | EV8          |
|                                 | EN5           | Energy saved due to conservation and efficiency improvements   | ●                | 81, 82    | EV5          |
|                                 | EN6           | Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives                      | ●                | 81–83     | EV5          |
|                                 | EN7           | Initiatives to reduce indirect energy consumption and reductions achieved  | ●                | 82        | EV5<br>EV25  |
| Water                           | EN8           | Total water withdrawal by source   | ●                | 38        | EV9          |
|                                 | EN9           | Water sources significantly affect by withdrawal of water  | ●                | 40–42     | EV20         |
|                                 | EN10          | Percentage and total volume of water recycled and reused   | ●                | 38        | EV18         |
| Biodiversity                    | EN11          | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas                                    | ◐                | 40–42     | EV22         |
|                                 | EN12          | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas             | ●                | 40–42     | EV22<br>EV26 |
|                                 | EN13          | Habitats protected or restored   | ●                | 40–42     | EV27         |
|                                 | EN14          | Strategies, current actions, future plans for managing impacts on biodiversity   | ○                |           | EV6<br>EV26  |
|                                 | EN15          | Number of endangered species affected by operations  | ●                | 40–42     | EV28         |
| Emissions, Effluents, and Waste | EN16          | Total direct and indirect greenhouse gas emissions by weight   | ●                | 81        | EV12         |
|                                 | EN17          | Other relevant indirect greenhouse gas emissions by weight   | ○                |           | EV13         |
|                                 | EN18          | Initiatives to reduce greenhouse gas emissions and reductions achieved   | ●                | 82        | EV4          |
|                                 | EN19          | Emissions of ozone-depleting substances by weight  | ◇                |           | EV14         |
|                                 | EN20          | NOx, SOx and other significant air emissions by type and weight  | ●                | 40–42     | EV15         |
|                                 | EN21          | Total water discharge by quality and destination   | ●                | 38, 40–42 | EV17         |
|                                 | EN22          | Total weight of waste by type and disposal method  | ●                | 40–42     | EV16         |
|                                 | EN23          | Total number and volume of significant spills  | ●                | 39        | EV21         |
|                                 | EN24          | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention, and percentage of transported waste shipped internationally    | ●                | 39–42     | EV29         |
|                                 | EN25          | Identity, size, protection status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff | ●                | 40–42     | EV19         |
| Products and Services           | EN26          | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation  | ●                | 79, 83    | EV23         |
|                                 | EN27          | Percentage of products sold and their packaging materials that are reclaimed by category   | ●                | 35, 85    | EV24         |
| Compliance                      | EN28          | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations  | ●                | 39        | EV31         |
| Transport                       | EN29          | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce           | ○                |           | EV30         |
| Overall                         | EN30          | Total environmental protection expenditures and investments by type  | ●                | 37        | EV1          |

## Appendix

## HUMAN RIGHTS PERFORMANCE INDICATORS

| GRI Index  | Indicator No. | Description of Indicator   | Reporting Status | Page No. | BEST Index |
|--|---------------|--|------------------|----------|------------|
| Investment and Procurement Practices             | HR            | Disclosure on Management Approach  | ●                | 50       |            |
|  | HR1           | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | ○                |          | PN2        |
|  | HR2           | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken                              | ○                |          | PN3        |
|  | HR3           | Status of employee training on policies and procedures concerning aspects of human rights  | ●                | 66       | EM30       |
|  | HR4           | Total number of incidents of discrimination and actions taken  | ◐                | 66       | EM7        |
| Non-discrimination                               | HR5           | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk                 | ◐                | 66       | EM8        |
| Child Labor                                      | HR6           | Operations identified as having significant risk for incidents of child labor  | ◐                | 66       | EM9        |
| Freedom of Association and Collective Bargaining | HR7           | Operations identified as having significant risk for incidents of forced or compulsory labor   | ◐                | 66       | EM10       |
| Security Practices                               | HR8           | Percentage of security personnel trained in the organization's policies and procedures concerning aspects of human rights                        | ◐                | 66       | EM31       |
| Indigenous Rights                                | HR9           | Total number of incidents of violations involving rights of indigenous people and actions taken  | ◇                |          | CO2        |

## SOCIETY PERFORMANCE INDICATORS

| GRI Index                 | Indicator No. | Description of Indicator   | Reporting Status | Page No. | BEST Index |
|---------------------------|---------------|--|------------------|----------|------------|
| Community                 | S0            | Disclosure on Management Approach  | ●                | 50       |            |
|                           | S01           | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities | ◐                | 76–79    | CO2        |
| Corruption                | S02           | Percentage and total number of business units analyzed for risks related to corruption   | ●                | 34       | CO5        |
|                           | S03           | Percentage of employees trained in organization's anti-corruption policies and procedures                                      | ●                | 33       | CO5        |
| Public Policy             | S04           | Actions taken in response to incidents of corruption   | ●                | 34       | CO5        |
|                           | S05           | Public policy positions and participation in public policy development and lobbying  | ●                | 26       | CO6        |
| Anti-competitive Behavior | S06           | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country      | ●                | 26       | CO7        |
| Compliance                | S07           | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes             | ●                | 34       | CS3        |
| Indigenous                | S08           | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations    | ●                | 34       | CO9        |

## PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

| GRI Index                    | Indicator No. | Description of Indicator  | Reporting Status | Page No. | BEST Index |
|------------------------------|---------------|---|------------------|----------|------------|
| Customer Health and Safety   | PR            | Disclosure on Management Approach   | ●                | 50       |            |
|                              | PR1           | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | ●                | 57       | CS4        |
|                              | PR2           | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes                                   | ●                | 57       | CS11       |
| Product and Service Labeling | PR3           | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements  | ●                | 57       | CS5        |
|                              | PR4           | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes   | ●                | 57       | CS12       |
|                              | PR5           | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction  | ●                | 56       | CS9        |
| Marketing Communications     | PR6           | Programs for adherence to laws, standards, and voluntary codes related marketing communications, including advertising, promotion and sponsorship   | ●                | 58       | CS13       |
|                              | PR7           | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes          | ●                | 58       | CS14       |
| Customer Privacy             | PR8           | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data   | ●                | 59       | CS15       |
|                              | PR9           | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services  | ●                | 58       | CS12       |

# One for Step Tomorrow

## CONTACT INFORMATION

Published by **HYUNDAI STEEL**  
Corporate Social Responsibility Team  
231, Yangjae-dong, Seocho-gu, Seoul, 137-938, Korea  
TEL. 82-2-3464-6206  
FAX. 82-2-3464-6210  
[www.hyundai-steel.com](http://www.hyundai-steel.com)

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