



HYUNDAI STEEL INTEGRATED REPORT 2016

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ABOUT THIS REPORT

Reporting Outline

This report is Hyundai Steel's first Integrated Report that combines its Annual Report and Sustainability Report. It is used as a communication channel to stakeholders regarding the company's business performance and sustainability activities.

Reporting Period Jan. 2015 ~ Dec. 2015

Reporting Scope

Seoul Headquarters, Dangjin Integrated Steelworks, Incheon Works, Pohang Works, Sunchaeon Works, Suncheon Forging Plant, Ulsan Works, Yesan Works

Reporting Principle

The report was developed in accordance with the Global Reporting Initiative (GRI) G4 Guidelines, based on the Integrated Reporting (IR) Framework of the International Integrated Reporting Council (IIRC). The specific details can be referred in the GRI Index page.

Reporting Feature

The report provides Hyundai Steel's activities and performances in main interest of its stakeholders through ‘Created Values’ derived from the materiality test. The company's medium- and long-term vision and business performances are written in ‘Business & Strategy’ section, and its economic, social, environmental operational systems and performances can be found in the ‘Sustainability Performance’ section.

Report Assurance

The report was assured by the global assurance agency, DNV GL, based on the three principles of the ISAE3000: materiality, inclusivity, and responsiveness, and the result of the assurance can be found in pp. 81-82.

Reported by

CSR Team, Strategic Planning Division  
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COVER STORY

The cover reflects the four major management approaches, Economy, Society, Environment, and Ethics in the letter ‘H’, which represents Hyundai Steel. And the circles around the letter ‘H’ describes the management policy, ‘Creating Shared Value for a New Leap Forward’ spreading gradually. Moreover, the continuity of Hyundai Steel's sustainability management activities is expressed in diagonal lines.

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# 2015 Highlights



## New Vision, 'Engineering the Future beyond Steel'

On July 14, 2015, Hyundai Steel established the new vision, 'Engineering the Future beyond Steel'. The new vision not only shows the company's corporate identity, but also its will to 'create value based on the comprehensive steel materials'.

## Merger with Hyundai Hysco

Hyundai Steel completed merger with Hyundai Hysco on July 1, 2015. This merger led Hyundai Steel to become one of the top 10 global steelmakers.

## Iron Mold Production Accumulated to 50M Tons in Dangjin Integrated Steelworks

As of August 2015, Dangjin Integrated Steelworks has reached the accumulated production of 50 million tons (by charter party) of iron molds. The over-achieved outcome took only 2,057 days after the first launching of the Blast Furnace No.1 in 2010 and it is attributed to the collaboration of relevant departments by rapidly applying the advanced technology used in the Blast Furnace No. 1 to both No. 2 and No. 3.

## Construction of the Special Steel Plant in Dangjin Integrated Steelworks

Hyundai Steel finished the building of Dangjin Special Steel Plant after 19 months of construction. The plant has an annual capacity of producing one million tons of special steels including 0.6 million tons of bars and 0.4 million tons of wire rods, which are used as key materials for automobile engines, transmissions, etc.

## Industry Leader of 'World-Class Products' for 11 Years

Hyundai Steel has maintained to list the largest number of World-Class Products in the steel industry for 11 consecutive years as its 6 products: H-beams, high speed steels (HSS) for hot rolling, track shoe assemblies, inverted angles, steel piles, oil country tubular goods (OCTG) were nominated at the '2015 World-Class Products of Korea'.

## Mid- and Long-term Vision and Strategy of Social Contribution

Hyundai Steel set 'Hyundai Steel Always with You' as its Mid- and long-term vision for the corporate social contribution. Under its new vision, the company established Value Circulation, Stakeholder Engagement, and Social Innovation as its three core values, and it now pursues social contribution activities toward creating new value.

## Century Safety Culture Center

In order to emphasize safety-focused management policy and enhance the value of safety culture, Hyundai Steel opened the Century Safety Culture Center. The center offers fully-engaged safety trainings in the facilities equipped with virtual experience training systems.

## DJSI Asia Pacific for the 7th Consecutive Year

Hyundai Steel has been listed in the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) for 7 years in a row. This is the result of the international recognition of its sustainability activities and performance.

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

# CEO Message

## Dear our stakeholders,

It is my great pleasure to present Hyundai Steel's performance prior to a step toward another 100 years of its history. The 2016 Hyundai Steel Integrated Report is not only a footprint of our previous efforts for better future, but also a promise for our new vision, 'Engineering the Future beyond Steel'.

In 2015, the world economy went through a severe recession and many global steel companies had to experience economic breakdown and restructuring despite every nation's great efforts to stimulate the world economy. Unfortunately, this phenomenon is continuing this year, as companies in China and Europe are still undergoing restructuring and reorganizing. In order to strive through this situation, Hyundai Steel began cost reduction, established tailored response strategy for different customer group, and set new sales policy based on high value-added products, thereby increasing its profitability. I believe that these performances were attributed to our employees' passion and challenging spirit and to your continuous support.

## We are now in the second decade toward the Century Sustainable Steelmaker.

The past ten years were the time of glory for Hyundai Steel as it made the impossible possible. We proudly completed building the integrated system for steel business and climbed up as a global steel company by acquiring Dongbu Special Steel and SPP Yulchon Energy, followed by the merger with Hyundai Hysco. In last July, we announced a new vision, 'Engineering the Future beyond Steel' in order to build the basis for our sustainability. The new vision reflects our corporate identity that led the national key industries for 60 years and our determination to lead better future through differentiated value creation along with stakeholders including clients, partners, and local community. Hyundai Steel, upon its great success in the past 10 years, will begin the next decade to become the Century Sustainable Steelmaker.

## We will create new value for our sustainable growth.

The steel industry throughout the world is facing many obstacles in business. Also, the constant changes in business environment make it difficult for companies to make any predictions, thereby enforcing more thorough preparation and hard work. Hyundai Steel, therefore, set this year as the basis for achieving its vision and sustainable growth under the management policy, 'Creating Shared Value for a New Leap Forward'. Moreover, we are creating new values and sound organization, which will be the foundation for our competence, through the three strategies: 'differentiated product value', 'organizational operation in compliance with principle' and 'noble corporate culture'.



Hyundai Steel will not be satisfied with its current success but will prepare for the second decade toward the Century Sustainable Steelmaker.



## We will fulfill our role as a healthy corporate citizen who cares about the society and environment.

Hyundai Steel plans to realize its social responsibility and pursue meaningful changes by communicating and collaborating with its stakeholders, in order to achieve sustainable growth for more than 100 years. So, we established a vision for social contribution as 'Hyundai Steel Always with You', and set Value Circulation, Stakeholder Engagement, Social Innovation as core values upon considering our business capacity and social needs. We will promote social contribution activities that anyone can appreciate and participate while creating new social value of our own at the same time.

## Dear stakeholders,

This Integrated Report covers both financial performance reported in the Annual Report and non-financial performance reported in the Sustainability Report, including our value creation process based on our mid- and long-term growth strategy. We will continue our challenge to become a leader in the steel industry alongside you. And I believe that your support will be a great help to our future.

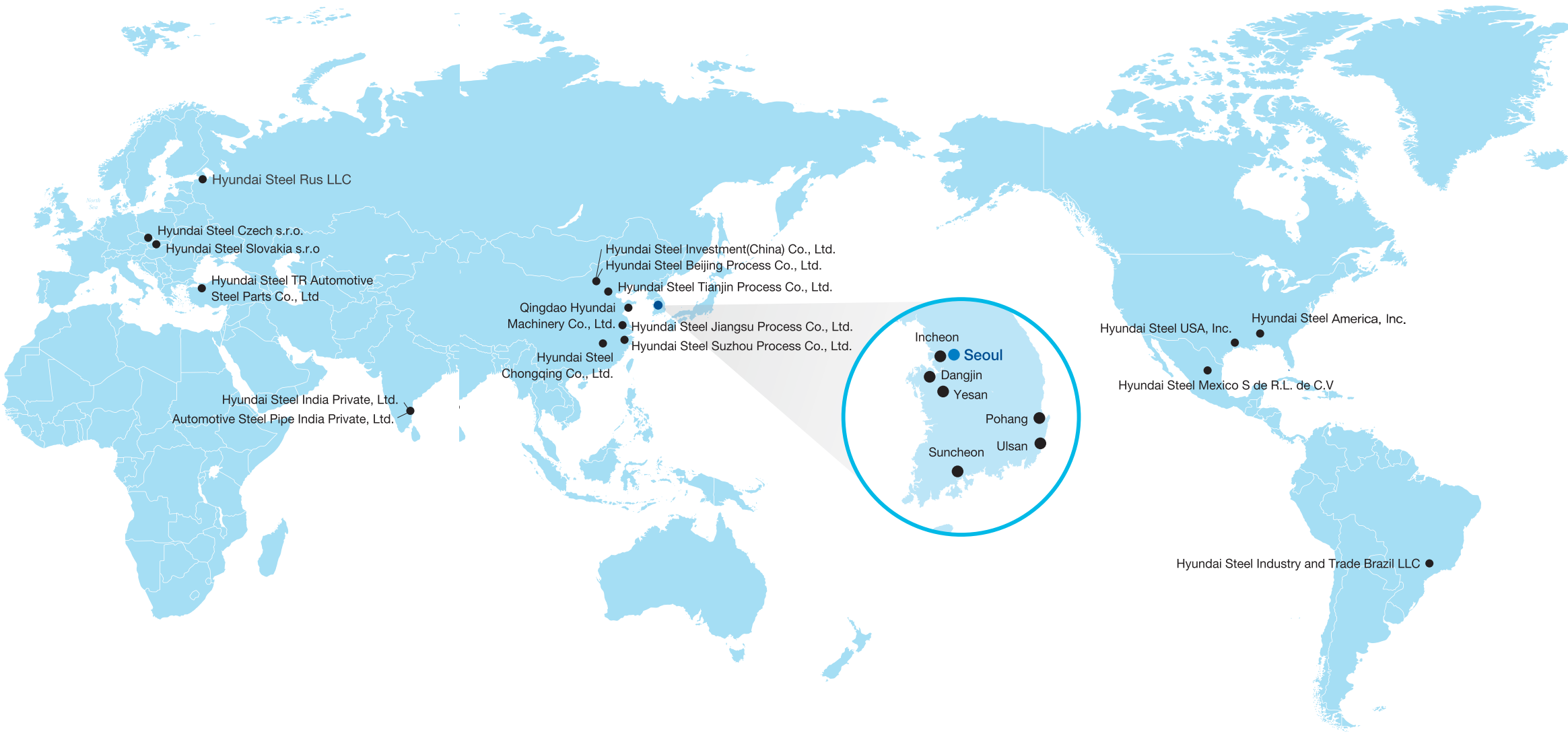
I sincerely ask you for more encouragement and patronage to Hyundai Steel.  
Thank you.

Hyundai Steel CEO & Vice Chairman  
Yoo-Cheol Woo



# Corporate Profile

(As of February 2016)



Company Name	Hyundai Steel
Foundation Date	June 10, 1953
CEO	Vice Chairman Yoo-Cheol Woo, President Hak-Seo Kang
Business Type	Steel manufacturing
Location	12, Heolleung-ro, Seocho-gu, Seoul, Korea
No. of Employees	11,344 persons

For the last 50 years, Hyundai Steel has relentlessly created new possibilities for use of steel. Starting with manufacturing steel materials from iron scraps, followed by construction of the integrated steelworks, we built our reputation as the global comprehensive steelmaker. In 2015, in particular, we successfully completed our 10-year-long investment in Dangjin Integrated Steelworks after our merger with Hysco and establishment of the special steel plant and cold-rolled coil plant No. 2 in Dangjin, thereby setting basis to become a global steelmaker. We will continue our step toward becoming the world's best steelmaker through the infinite growth potential of steel, based on our strong will and challenge.



**Dangjin Integrated Steelworks**  
Hot-rolled coils, Heavy plates, Cold-rolled coils, Galvanized steel plates, Reinforcing bars, Special steels



**Incheon Works**  
Reinforcing bars, H-beams, STS



**Pohang Works**  
Reinforcing bars, H-beams, Heavy equipment, Special steels



**Suncheon Works**  
Cold-rolled coils, Galvanized steel plates, Color steel plates



**Suncheon Forging Plant**  
Ingots, Shafts



**Ulsan Works**  
Steel pipes, Automotive parts



**Yesan Works**  
Automotive parts



# Major Products

## Cold-rolled Coil

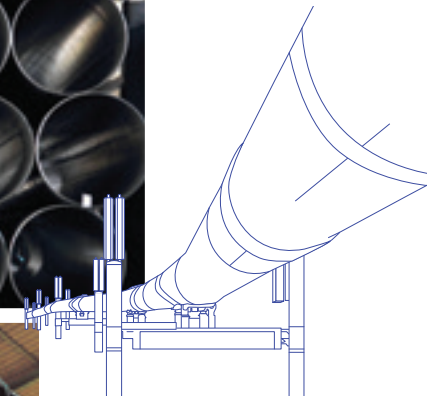
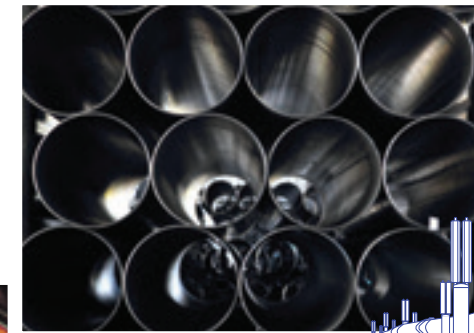
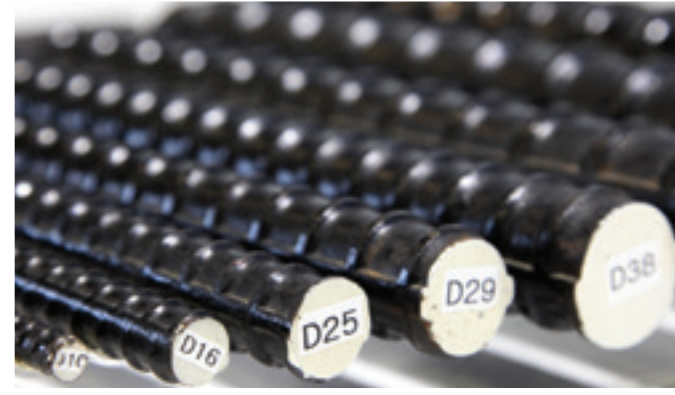
The cold-rolled coil is made through rolling hot-rolled coil into 2mm or less and it is known as ‘the flagship of steel products’ as it requires the most complicated, complex technology. With its thin and fine surface, cold-rolled coils are used as outer plates and interior materials of automobiles, home electronics, construction materials, etc. Hyundai Steel has the capacity to produce more than 6 million tons of cold-rolled coils annually and it has started developing high value-added cold-rolled coil plates including high tensile steel plates in response to global trends for lighter automobiles.

## Hot-rolled Coil

The hot-rolled coil is the result of heating and rolling slabs, the semi-finished product of molten metal, into 6mm or less. Hyundai Steel has the annual capacity of producing about 8.5 million tons of high quality hot-rolled coils with its integrated steelworks system and automated facilities. Hot-rolled coils are used in various fields of industry including automobiles, structural frames, home electronics, construction materials, and oil pipelines.

## Heavy Plate

The heavy plate generally refers to 6mm or thicker steel plates. It is produced through cooling and heating of hot-rolled slabs that are 200mm or thicker. The sizes of heavy plates are varied into general structures, welding, boilers, and large diameter steel pipes, based on the materials. The uses of heavy plates can be categorized into shipbuilding, boilers, general welding, compressors, and floor building. Hyundai Steel can produce more than 3.5 million tons of heavy plates annually and also owns high-end facilities including heat treatment. Moreover, our production ability for high quality products is globally recognized as we became the first Korean company to receive certifications in Russia and France with our low-temperature, high-performance heavy plates.



## Reinforcing Bar

The reinforcing bar (rebar) is generally used in construction or engineering structure. Hyundai Steel produces rebars in diverse sizes ranged from 10 to 57 mm in diameters at Dangjin Integrated Steelworks, Incheon Works, and Pohang Works. In order to assure safety and quality of the structures, we develop and produce high-performance, high-functioning, and eco-friendly rebars. We are especially expanding sales of high value-added products including welding rebars, high tensile rebars, threaded rebars, and earthquake-resistant rebars.

## Section Beam

Steel products whose cross sections are consistent from rolling are called section beams that are used in engineering and construction structures. Sections beams are produced by individually hot-rolling beam blanks, blooms, and billets, which are semi-finished products of molten steel scraps, in 1,000°C. Sections beams are classified by shape: H-section, I-section, L-section, and C-section. In general, sections beams are used as main construction structures and fundamental piles for houses, subways, and bridges due to its strength and shock absorbency. Our H-section, inverted angle, and steel pile were nominated for ‘World Class Products of Korea’ by the Ministry of Trade, Industry, and Energy (MOTIE) for their outstanding quality.

## Steel Pipe

The steel pipe is produced in different types that are outer diameter, thickness, and texture through electric resistance welding (ERW), after roll forming the hot-rolled coils into round-shape. Steel pipes can also be made in various shapes including square-shape. The manufacturing processes of steel pipes are categorized into electric welding and arc welding. Key products of steel pipes include steel pipes for ordinary piping, oil pipelines, OCTGs, steel piles, and stainless steel pipes that are widely used from basic construction materials to social infrastructure facilities.

## Special Steel

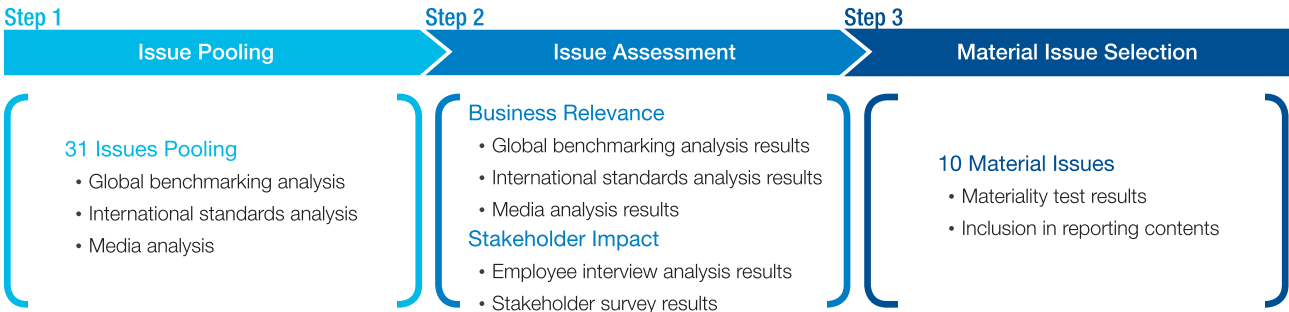
The special steel refers to alloy steels that contain alloys and other special elements with less impurities including phosphorous, sulfur, and bronze than regular carbon steels. Special steels are divided into two types by thickness: 22mm or more and less than 22mm, and they are mainly used in engines, transmissions, and chassis of automobiles, machinery, and heavy equipment. Hyundai Steel produces special steels at Pohang Works, and it recently built a special steel plant with annual capacity of one million tons, including 0.6 million tons of steel bars and 0.4 million tons of wire rods, in Dangjin Integrated Steelworks. We can now supply more materials for main parts of engines and transmissions.



# Materiality Test

## Materiality Test Process

Hyundai Steel's materiality test is based on the reporting principles of the Global Reporting Initiative (GRI) Guidelines: stakeholder inclusiveness, sustainability context, materiality, and completeness. It assessed stakeholder impact and business relevance of the 31 issues about characteristics of the steel industry and our business status. The assessment result well reflected the nature of the steel industry as the industrial issues of the Sustainability Accounting Standards Board (SASB) and sustainability indices of the World Steel Association (WSA) were considered during the pooling and evaluating of the issues. The materiality test was implemented in February 2016 and a total of 10 material issues were derived.



## Evaluating Business Relevance

### Global Benchmarking

Hyundai Steel analyzed sustainability management activities of the Hyundai Motor Group and its competitors in the steel industry. Thus, we were able to identify sustainability trends in our industry and used them to select material issues. Major material issues derived from benchmarking were responding to climate change, strengthening occupational health and safety, and developing employee competence.

### International Standards Analysis

We analyzed the GRI G4 Guideline to reflect reporting frame and global sustainability standards, and reviewed the industrial issues of the Dow Jones Sustainability Indices (DJSI), SASB, and WSA to apply rapidly changing matters of the steel industry into the report.

### Media Analysis

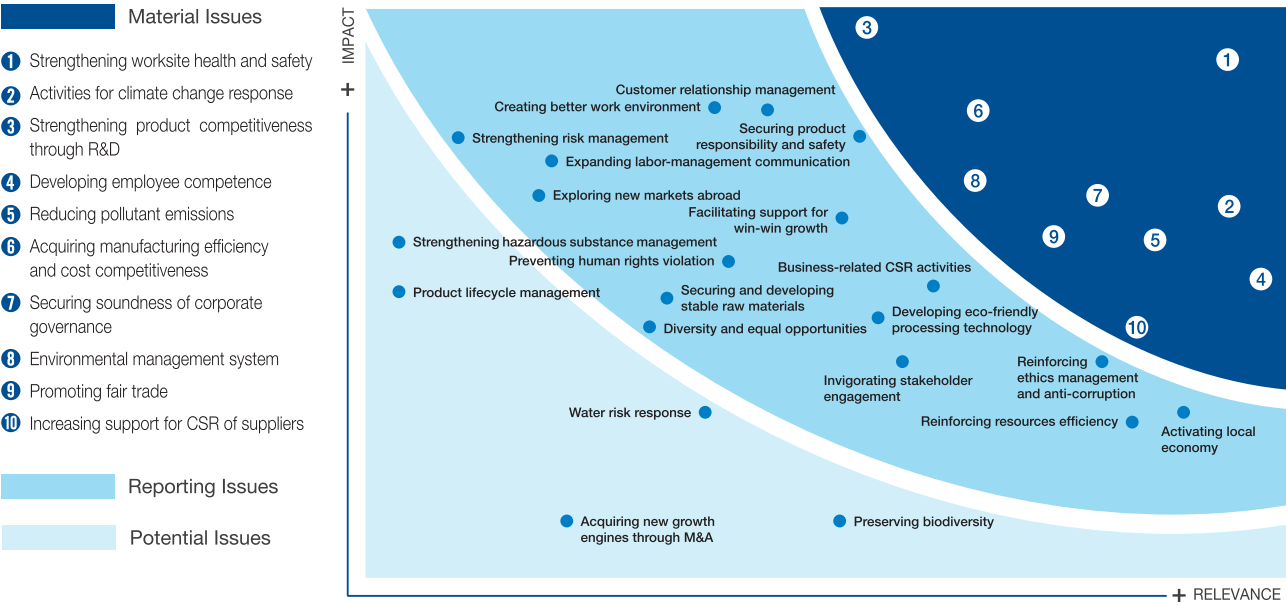
We analyzed our sustainability activities through media research during the time period from January to December 2015. According to the media analysis, the mostly exposed issues in news were about social contribution activities, securing efficiency in manufacturing and cost competitiveness.

### Stakeholder Survey

Hyundai Steel conducted the online survey to its major stakeholders: government agencies, suppliers, clients, NGOs or local community, and academia or experts in order to find out practical impacts on the company. The results showed strong interest of stakeholders in strengthening product competitiveness, occupational health and safety, strengthening manufacturing efficiency, and creating better work environment.

## Evaluating Stakeholder Impact

## Materiality Test Results



Reporting Issues

Potential Issues

## Impacts of Material Issues and Reporting Contents

Hyundai Steel developed the Integrated Report based on the material issues identified through the materiality test. For each material issue, we defined both internal and external impacts by stakeholder group, and also indicated reporting contents and pages in the report.

Material Issues	Internal & External Impacts						Material Aspects <sup>1)</sup>	Reporting Contents	Page
	Customers	Employees	Suppliers	Shareholders & Investors	Local Community	NGO & Government			
Strengthening worksite health and safety		●	●				Occupational Safety and Health	Occupational Safety and Health Management	42
Activities for climate change response		●	●		●	○	Energy	Environmental Pollutants Management	38
Reinforcing product competitiveness through R&D	●	●	○				Products and Services	Securing Technological Competitiveness	34
Developing employee competence		●	○				Training and Education	HR Development	61
Reducing pollutant emissions		●	○		●	○	Materials, Water, Emissions, Waste Water and Wastes	Environmental Pollutants Management	38
Acquiring manufacturing efficiency and cost competitiveness	●	●		○				Major Business Performance	20
Securing healthy governance		●		●				Corporate Governance	24
Environmental management system		●			●		Environment	Environment and Energy Management	69
Promoting fair trade		○	●			○	Anti-competitive Behavior	Fair Trade Compliance	29
Increasing support for CSR of suppliers			●		○		Procurement Practice	Promoting Win-Win Growth	46

1) Based on the GRI G4 Aspects



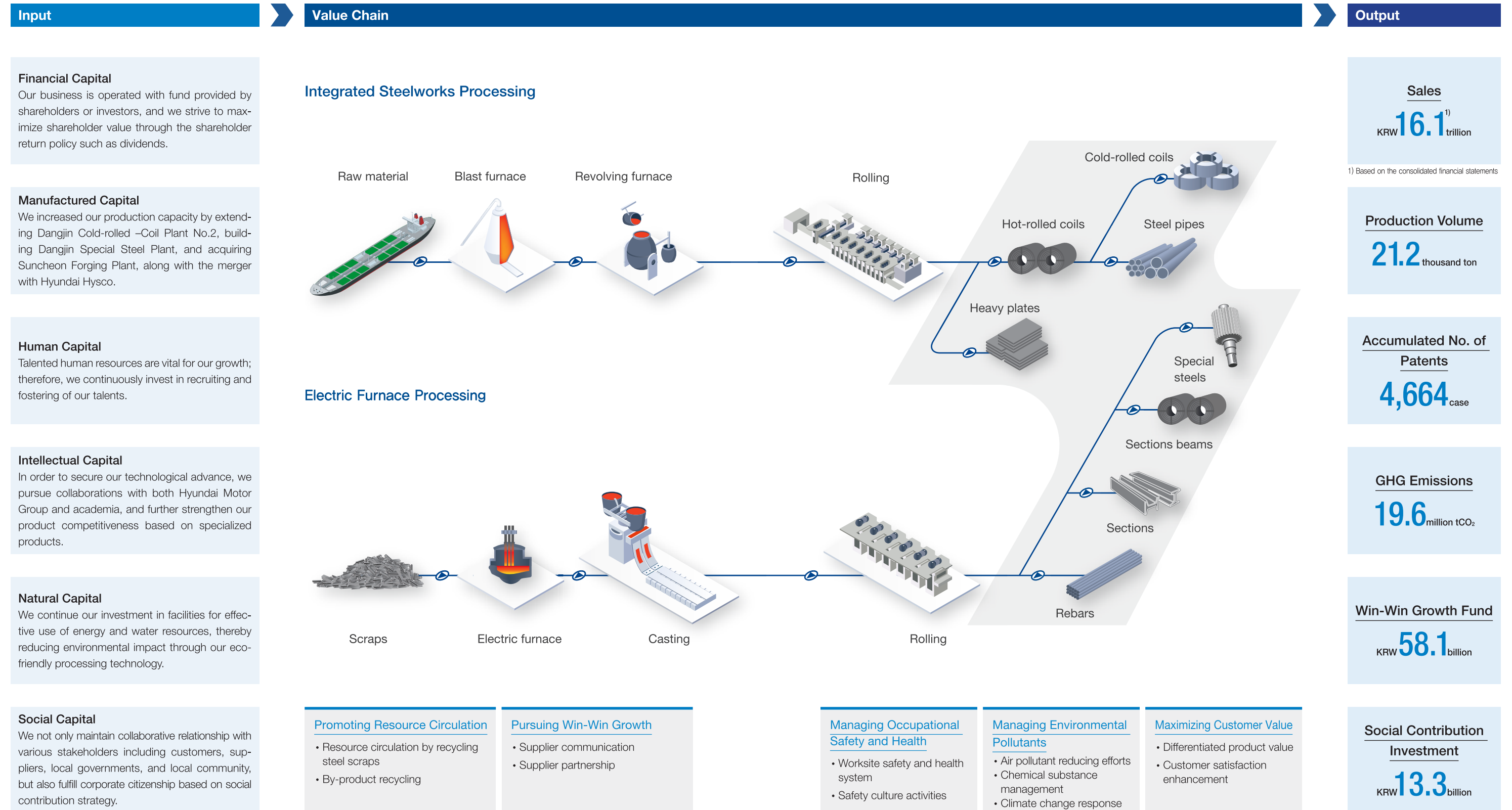
# BUSINESS & STRATEGY

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# Business Model



## Corporate Philosophy

Under corporate philosophy, core values, and vision, Hyundai Steel is committed to achieving sustainable growth and fulfilling our economic and social responsibility as a global corporate citizen.

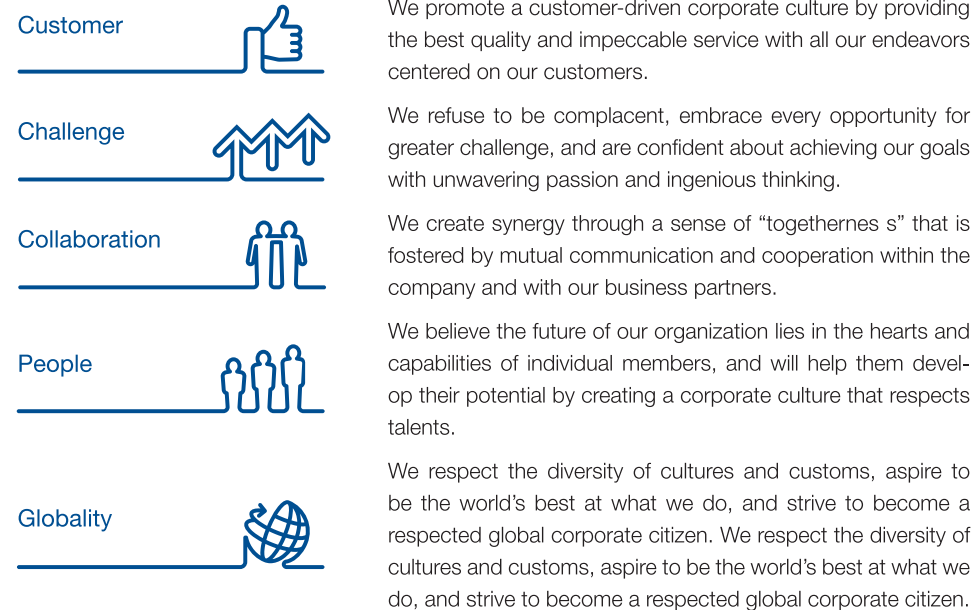
### History of Challenges and Growth

We realize the dream of mankind by creating a new future through ingenious thinking and continuously challenging new frontiers.



### Core Values

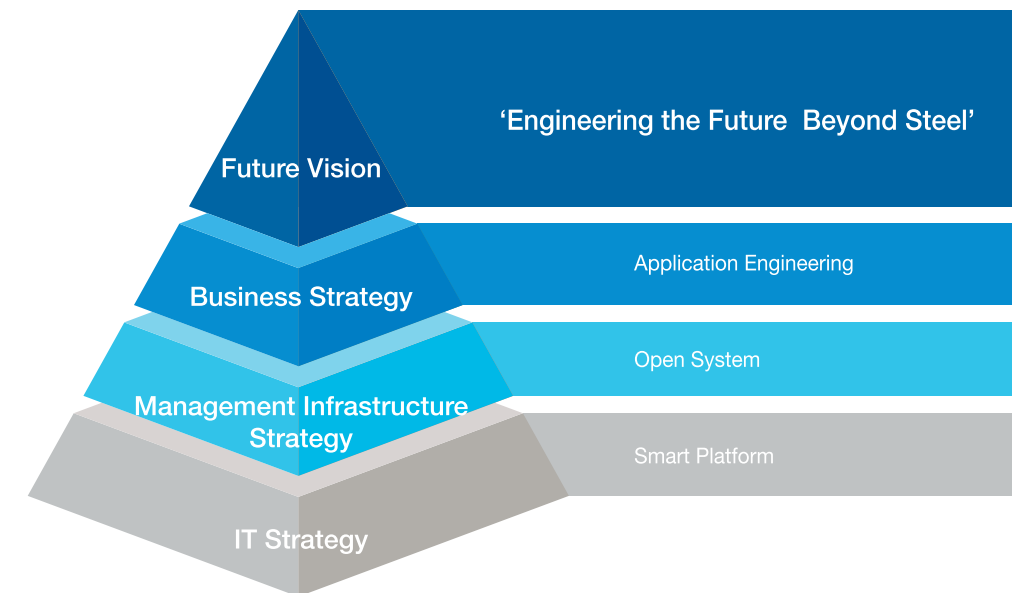
In order to reach its goals, Hyundai Steel practices its core values internalized with challenge and passion.



## Corporate Vision

### Mid- and Long-term Vision

In July 2015, Hyundai Steel announced a new corporate vision in order to build a basis for the second decade as the Century Sustainable Steelmaker. We plan to overcome any crisis in the future by collaborating every employee’s competence and improve our business by continuing the integrated steelworks. Our new vision system includes future vision for 2025, along with strategies of business, management infrastructure, and information technology (IT) to achieve the vision. In the slogan, ‘Engineering the Future Beyond Steel’, the term, ‘Steel’ refers to both the identity and key business of Hyundai Steel, while the phrase ‘the Future Beyond Steel’ indicates Hyundai Steel’s determination to offer new value beyond customers’ expectation. Also, ‘Engineering’ reflects our will to create differentiated value.

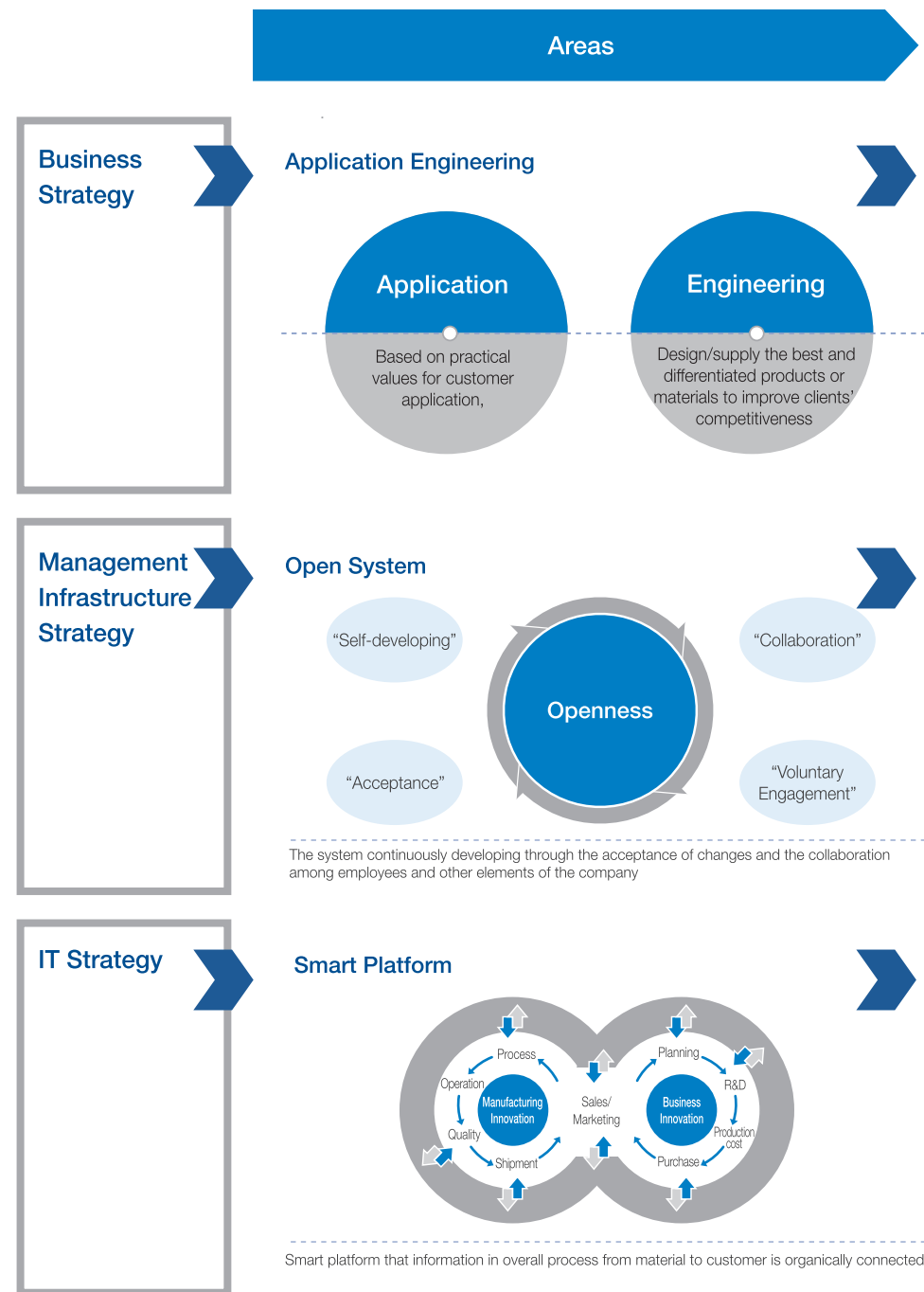


### Declaration of the Vision for the Century Sustainable Steelmaker

We hereby announce that we will become a partner who provides the best materials for the products that customers desire of, based on our advanced technology and quality. This will allow our clients to use materials more easily and strengthen their product competitiveness, thereby increasing performances. We believe that our employees will grow into global talents and professionals who will lead not only the success of Hyundai Steel, but also the growth of the steel industry and the Korean economy. Hyundai Steel also will fulfill its CSR and achieve shared growth with its stakeholders through continuous investments in job creation and transparent, fair competition. Lastly, we will engineer the future beyond steel and develop a new industry model that brings out shared growth.

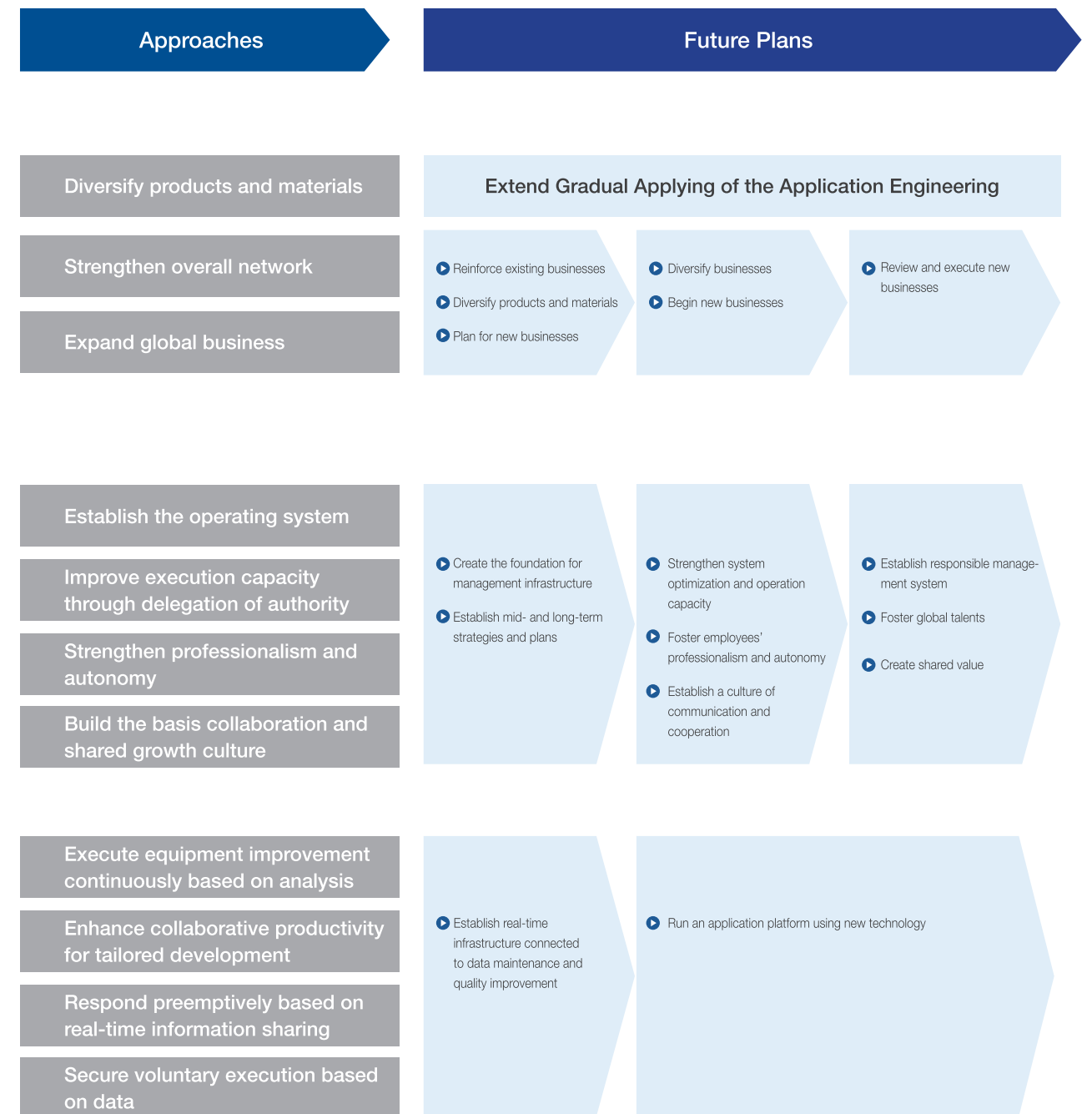


## Vision Roadmap



## Internalizing Mid- and Long-term Vision

Hyundai Steel promotes internalizing its mid- and long-term vision through vision seminars at worksites and vision education to new recruits. Vision seminars were offered at each worksite for 2,961 employees in August, 2015. At the vision seminar, we shared history, new vision, CEO's message of Hyundai Steel, thereby creating consensus among employees. We plan to set the basis for change by focusing on vision communication, and strengthen introduction of new vision for three years until 2018. In 2016, we will operate vision sharing programs with the motto, 'Creating Open Communication Culture', under the theme of 'communication'. Moreover, we will offer vision programs including the Vision Action Board and the vision education for new recruits, new transfers, and managers.



## Vision Proclamation Ceremony for the New Vision

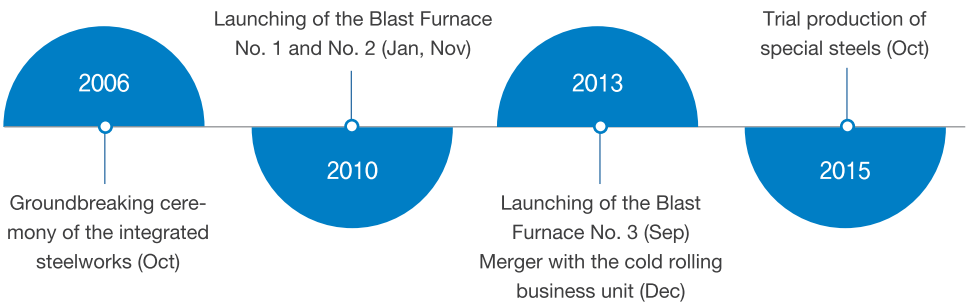
The Vision Proclamation Ceremony was held to share Hyundai Steel's vision for the Century Sustainable Steelmaker. At the ceremony, 92 personnel including our executives, employees, labor union representative, and supplier CEOs gathered and created consensus for the new vision with other stakeholders. Hyundai Steel will realize its vision, "Engineering the Future beyond Steel", based on the new materials and services.

# Major Business Performance

## Basis for Growth

### Investment in the Integrated Steelworks

In 2010, Hyundai Steel launched the Blast Furnace No. 1 in Dangjin Integrated Steelworks, the first integrated steelworks owned by a private company in Korea. Based on our knowledge and experience in the integrated steelworks, we successfully launched the Blast Furnace No. 3 in 2013, and further completed merger with Hyundai Hysco in order to strengthen the cold rolling business. We also built the special steel plant that began 2014, thereby completing the 10-year-long, large-scale investment in the integrated steelworks. Moreover, we intend to respond to changes in market through the expansion of Dangjin Cold-rolled Steel Plant No. 2.



### Merger with Hyundai Hysco

In order to overcome prolonged economic downturn, Hyundai Steel merged Hyundai Hysco's businesses including steel pipes, lightweight materials for vehicles, and overseas steel service center (SSC). The merger of the SSC, in particular, enabled us not only to offer 'Total Solution' of R&D, production, and service to the customers, but also to expand supply chain to overseas market beyond the over-saturated market in Korea. Based on the overseas SSC, we plan to diversify our sales products from cold-rolled products to rod-type steels including sections beams and rebars and other flat steels, thereby extending our customer groups in energy, plants, machinery, and home electronics.

### Acquisition of Hyundai Special Steel

In February 2015, Hyundai Steel acquired Hyundai Special Steel to secure the demand base for special steel materials, strengthen the quality of automotive materials, and improve technology for high-value added wire rods. Hyundai Special Steel produces secondary processed products that are post-treated wire rods into raw materials and supply them in different industries including automobile, construction, industrial machinery and home appliances. Based on these competences, we will continue our sustainable growth by further developing technology and increasing investment in China.

### Acquisition of Suncheon Forging Plant

In June 2015, Hyundai Steel acquired a forging plant and established the integrated forging process to supplement limitations of the former forged steel business. Through the integrated processing system, we are now able to produce better quality of forged steels and other products, and we also expect to increase our profits in existing business and further improve competitiveness in shipbuilding materials.

## Profitability Improvement

### Customer Response

We have worked on increasing profitability of our main products even in the difficult market environment. First, we focused on domestic sales of rebars by decreasing exports as a response to the increasing number of constructions of apartment buildings. For H-beams, we could set basis for increasing market share and profitability by successfully winning a verdict against anti-dumping of Chinese products. In addition, we increased portion of ultra-high tensile steel plates, one of our cold rolled products, used in new models of Hyundai Motor Company and Kia Motors Corporation. We coped with falling of sales price of hot rolled products through selective exports to markets where prices are relatively higher. Lastly, for heavy plates, we took measures including technology development that reflects customer needs and supply securement through large-scale projects.

## Internal Stability Management

### Improving Financial Structure

Upon finishing its large-scale investments in the integrated steelworks and special steel plant, Hyundai Steel now plans to turn its focus into strengthening the quality of its business. With our improved cash flow caused by decrease in capital expenditure (CAPEX) and increase in earnings before interest, taxes, depreciation, and amortization (EBITA), we will focus on repay debts and pursue financial soundness. Therefore, we expect to reduce interest costs and enhance our credit rating, thereby improving our corporate value.



View of Dangjin Integrated Steelworks



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Corporate Governance

Shareholder Composition

As of the end of 2015, Hyundai Steel's total number of issued shares accumulates to 133,445,785, and its market capitalization equals to KRW 6.67 trillion (KRW 49,950 per share). As of February 2016, the largest shareholder is Kia Motors (17.27%), and Kia Motors and its special relations have 35.99% of total share. The next largest shareholders with more than 5% of the total share are NH Investment & Securities (6.78%)<sup>1)</sup> and the National Pension Service (NTS, 6.60%)<sup>2)</sup>, respectively.

1) Based on voting rights delegated at the 51st general shareholders' meeting in 2016  
2) Based on disclosure of 'Report on Stocks, etc. Held in Bulk (as of February 5th 2016)' of Hyundai Steel

Board of Directors

The Board of Directors (BOD) of Hyundai Steel is a top decision-making body on management aiming for enhancing corporate value and growth. The board consists of four inside directors and five outside directors, thereby satisfying the company's intention to guarantee transparent and sound governance structure. In order to secure expertise and efficiency in decision-making, we separately run subcommittees such as the Audit Committee, Ethics Committee, and Outside Directors Candidate Nomination Committee. A director, without an approval of the BOD, may not engage in any means of transaction, neither for personal nor a third party's account, with the company, and also cannot be full-time employee or director of other company in same line of business.

Transparency and Professionalism in Director Appointment

The directors are appointed at the general shareholder's meeting in accordance with the Commercial Act of Korea and the corporate bylaws. The outside directors, in particular, are evaluated and recommended by the Outside Director Candidate Nomination Committee, and then appointed at the general shareholder's meeting. As of March 2016, the outside directors of Hyundai Steel are composed of experts in tax, general management, construction, law, and environment, and they provide opinions regarding company's general policy and practices in with their expertise. The executive directors are the executives of each business division. The chair of the BOD is appointed at the board meeting every year, and the vice president Yoo-Chul Woo is the current chair of the board. Hyundai Steel's BOD will continue its efforts to enhance shareholder value through transparent and sound management in a long term.

→ BOD Composition (as of March 2016)

● Committee Chair / ○ Committee Member

Directors	Name	Experience	Subcommittees		
			Audit Committee	Ethics Committee	ODCNC <sup>1)</sup>
Executive Director	Eui-Sun Chung	Vice Chairman, Hyundai Motor Company			
	Yoo-Cheol Woo	Vice Chairman & CEO, Hyundai Steel			●
	Hak-Seo Kang	President & CEO, Hyundai Steel			
	Choong-Sik Song	Head of Finance and Economy Division			
Outside Director	Ho-Yul Chung	Professor in College of Law, Sung Kyun Kwan University (Economic & Commercial Law)	●	○	○
	Seung-Do Kim	Professor in College of Natural Sciences, Hallym University (Environment)	○	●	○
	Eui-Man Park	Representative Accountant, Samick Tax Accounting Firm (Tax)	○	○	
	Eun-Taik Lee	Professor in School of Architecture & Building Science, Chung-Ang University (Architecture)		○	
	Jung-Suk Oh	Professor in Business School, Seoul National University (Business Administration)	○	○	

1) Outside Director Candidate Nomination Committee

Operation of the BOD

Subcommittees under the BOD are either chaired or membered by our outside directors. The Audit Committee and the Ethics Committee that only consists of outside directors are held regularly, and they have systems to guarantee directors' independent activities. In 2015, four general BOD meetings and eight ad-hoc meetings were held to discuss and approve item including annual business plan and budget, issuing of corporate bonds, and transactions with special interests. The board also overviewed both financial and non-financial performances of the company through the reporting of operations of the internal accounting management system and fair trade compliance program. The holding or resolution of the BOD is valid only if the majority of the directors attends or agrees, and any director with conflict of interest loses his or her right to vote.

Ethics Committee

The Ethics Committee overviews matters regarding ethics aiming to create ethical corporate culture and practice transparent management. The Ethics Committee was held five times in 2015 to approve items about transactions with key shareholders or special interests and other large-scale internal transactions, and it was reported with the operation of compliance program and activities of the compliance officer. Moreover, the committee is in charge of overseeing Hyundai Steel's corporate social responsibility in overall, including donations and social contribution performance.

→ Committee Composition and Function



Independence of Outside Directors

Hyundai Steel defines the independence of its outside directors, based on the Commercial Act of Korea, for the BOD to actively play a role of 'overviewing and balancing'.

The Commercial Act. Article 382

- (1) Directors shall be appointed at a general meeting of shareholders.
- (2) The provisions of the Civil Act regarding delegation shall apply mutatis mutandis to the relationship between the company and the directors.
- (3) Outside directors are directors who are not engaged in the regular business of the relevant company, and do not correspond to any of the following subparagraphs. Where any outside director falls under any of the following subparagraphs, he/she shall be removed from office.
1. Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the latest two years;
  2. The principal, his/her spouse, lineal ascendants, in cases where the largest shareholder is a natural person;
  3. Directors, auditors, executive directors and employees of the corporation, in cases where the largest shareholder is a natural person;
  4. The spouses, lineal ascendants, and lineal descendants of directors, auditors, and executive directors;
  5. The directors, auditors, executive directors and employees of a parent company or a subsidiary company of the relevant company;
  6. Directors, auditors, executive directors and employees of a corporation which has a significant interest in the relevant company, such as business relations with the company;
  7. Directors, auditors, executive directors and employees of another company for which directors, executive directors and employees of the relevant company serve as directors and executive directors.

IR Activities

Hyundai Steel provides presentation of its business performance to its investors and media quarterly, biannually, and annually. The Chief Financial Officer (CFO) and other executives attend the presentations as a communication measure with the investors and media. The CFO and the executives also participates in conferences held by securities firms, hosts non-deal roadshows (NDRs), and even visits the investors for the active investor relations (IR) activities. Hyundai Steel also invites the investors worldwide to visit its headquarters and plants in order to promote their understanding of the business, and conducts conference calls in case the investors cannot attend the face-to-face meetings.

BOD Remuneration

In accordance with the Article 388 of the Commercial Act and its corporate bylaws, Hyundai Steel decides on maximum remuneration of the directors and compensates them with fair and transparent process. At the 51th general shareholder's meeting, the remuneration limit was set to KRW 10 billion, and in 2015, a total of KRW 3.332 billion were paid as remuneration.

→ BOD Remuneration (As of December 2015)

(Unit: KRW million)

Category	Number of directors (persons)	Total Payment
Executive Director	4	2,922
Outside Director	5	410
Total	9	3,332

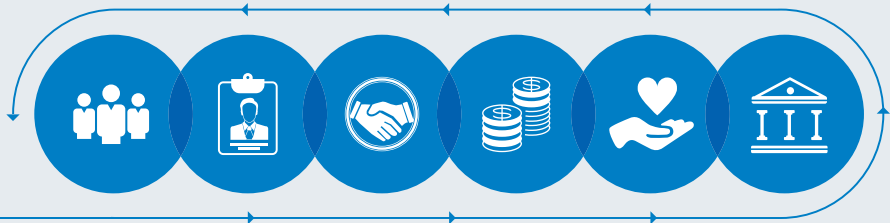
Category	Highest remuneration <sup>1)</sup>	Average of employee remuneration	Ratio <sup>2)</sup>
Remuneration (annual salary and bonus)	1,624	85	19.1

1) As of CEO's remuneration    2) Highest remuneration/median of employee remuneration

Stakeholder Engagement

Stakeholder Communication

Hyundai Steel defines its stakeholders as clients, suppliers, employees, local communities, and shareholders/investors. We share both financial and non-financial performances, along with future plans, and also run various communications channels to gather direct or indirect voices of the stakeholders, thereby improving mutual understanding. We plan to further create values for both parties by strengthening activities of the communications department.



→ Stakeholders & Communication Channels

Category	Definition	Relevant Departments	Communication Channels
Clients	Sources of economic and corporate values creation	Sales Division	Client meetings, Technology seminars, Client satisfaction surveys, Client web portal, Corporate website, Newsletters
Employees	Key members for the company' sustainable growth	Business Management Division, Strategic Planning Division	Intra-net, GWP, SMART Board, Training program, Labor Management Council
Suppliers	Companion for mutual growth based on trust	Strategic Planning Division, Procurement Division, Dangjin Integrated Steelworks and other major plants	Win-Win Partnership Agreement, Supplier meetings, Procurement system, Technology sharing, Corporate website, Newsletters
Shareholders Investors	Supporter of the fundamental resources for sustainable growth	Financial Division, Strategic Planning Division	General shareholders' meeting, Earnings release, NDR, Conferences, Individual meetings, Worksite visits, Disclosures
Local Communities	Provider of foundation for corporate citizenship	Strategic Planning Division, Dangjin Integrated Steelworks and other major plants	CSR activities, Global local development activities
NGO Government Media	Director of corporate strategies	Strategic Planning Division, Dangjin Integrated Steelworks and other plants	Worksite visits, Press releases



# Ethics Management

## Ethics Management Background

Since its announcement of the Ethics Charter and Code of Ethics in 2000, Hyundai Steel has worked on spreading ethical culture through such campaigns as developing the ethics guidebooks to employees. In addition, we offer training of the ‘understanding the ethics’ to new recruits and relevant departments, and also conduct trainings regarding anti-bribery, anti-corruption, personal information protection, ethics, and human rights to employees of suppliers. Furthermore, we supplemented our corporate principles by including ‘settling transparent culture’ in the Code of Ethics.

## Ethics Training for Employees

In order to enhance ethical awareness of employees, we run ethics training both online and offline. In 2015, we offered the ethics trainings twice to 131 new employees and the anti-corruption training.

## Ethics Management Culture

Hyundai Steel discloses its Ethics Charter and Code of Ethics in Korea, English, and Chinese through its corporate webpage to expand the ethics culture in overseas subsidiaries including the SSC and other sales subsidiaries. Moreover, we actively engage in Hyundai Group’s efforts to share ethics practices and to expand ethics culture by attending the Ethics Management Committee of Hyundai Group, which was first started in 2015.

## Compliance with Anti-Corruption Law

Hyundai Steel operates the anti-corruption compliance program targeted to its employees. The compliance program, which was established based on the Foreign Corrupt Practice Act (FCPA) of the United States in 2014, was conducted to 15 departments in charge of exports. We also invited an experienced lawyer from the U.S. to offer anti-corruption training to team managers and working-level staff engaged in international trade.

## Ethics Charter

### Contribute to the Nation and Society



- We contribute to the development of the national economy through continuous job creation tax payment.
- We take the initiative in environmental protection by strictly complying with relevant laws, and contribute to the society through cultural and welfare activities.

### Enhance Rights and Interests of Clients and Shareholders



- We promote rights and interests of clients with high-quality products and services, and manage customer information carefully.
- We preserve and increase the assets of shareholders by improving the financial structure through maximization of business efficiency.

### Respect People and Foster Talents



- We create a mature corporate culture and prevent any type of sexual harassment based on mutual trust and understanding by respecting employees as valuable individuals.
- We encourage ethical awareness of employees and support them in a long-term perspective in order to foster self-regulated and creative talents.

### Establish Companionship with Suppliers



- We promote mutual growth with suppliers by aiding them to gain global competitiveness through technological and managerial support.
- We trade with suppliers in equal status, and prohibit any forms of abuse of authority.

### Strengthen Transparent Management



- We create socially trusted corporate culture by conducting any kind of business with transparency, including fair trade with customers and business partners.
- We prohibit any type of solicitation or unfair advantage in business activities with stakeholders.

### Cyber Auditor's Office

The Cyber Auditor's Office of Hyundai Steel collects information regarding any type of employees' misbehaviors including unfair request or corruption through internet, telephone, fax and document, in order to secure transparency and reliability in its business activities.

### Informant Protection Policy

- Security: We prohibit any act of disclosure or implication of informant's personal information.
- Status: We prevent any type of disadvantage or discrimination in business activities or at work.
- Responsibility: We allow informant's exemption from responsibility, if any mistake or error has been found.

# Fair Trade Compliance

## Fair Trade Compliance Program

Since the introduction of the Fair Trade Compliance Program (CP) in November 2002, Hyundai Steel has established the system and culture of fair trade compliance through CP trainings, CP audits, compensation to departments that well-practiced fair trade, fair trade pledges of new recruits, CP meetings, etc. In 2015, we enhanced employees’ awareness of complying with fair trade by promoting fair trade pledges of all executives and employees (division head level), introducing the pre-contract meeting system, and conducting fair trade compliance training. We will strive to become a leader in ethics management through continuous activities of fair trade compliance.

## Pre-Contract Meeting System

In accordance with the Fair Trade Act, Hyundai Steel has run the pre-contract meeting system since January 1 2015. This system enforces any department to consult with the Business Coopera-

tion Team prior to signing contracts with other affiliates in order to prevent legal risks and increase employees’ awareness of fair trade. During the first year, the rate of pre-contract meeting was 100%. We will continue to prevent risks in fair trade through the new system.

## Growth Potential Council

We run the Growth Potential (GP) Council as an organization for promoting fair trade and win-win growth culture throughout the company. The GP Council, mainly consisting of experienced personnel from each plant or business division, plays such roles as reviewing and consulting fairness of contracts and informing major contents of fair trade training. We believe that the council will contribute to reinforcing fair trade capacity of each division and creating competition-friendly corporate culture.

## → Fair Trade Compliance Program Performance

Period	Target	Subject
1st half	Sales/Procurement/Business Management Divisions (16 dept.)	<ul style="list-style-type: none"><li>• Inspect compliance with fair trade</li><li>• Provide consultation on fair trade</li><li>• Share fair trade trends</li></ul>
	Procurement/Management Support Divisions (8 dept.)	
2nd half	Sales Division (Seoul Sales Office) (7 dept.)	
	Sales Division (rod-type steels/cold-rolled coils/special steel business) (11 dept.)	
	Financial/Strategic Planning/Business Management Divisions (11 dept.)	
	Sales Division (Construction Steel Material Business) (7 dept.)	

## → Fair Trade Compliance Training

Category	Period	Target	Subject
In-company Trainings	1st half	New employees in 2nd Half of 2014 (56 persons)	Introducing fair trade in general and Hyundai Steel CP operation
		12 dept. of Procurement/Business Management/Strategic Planning/Financial Divisions (32 persons)	1Q outside expert lecture (Understanding and prevention of unfair internal trading)
		14 dept. and Legal Team of Seoul Office (30 persons)	2Q outside expert lecture (Understanding of unfair practice and risk prevention)
	2nd half	New employees in 1st Half of 2015 (75 persons)	Introduction to the fair trade in general and Hyundai Steel CP operation
		21 dept. of Sales/Procurement Divisions (42 persons)	3Q outside expert lecture (Understanding and practices of unfair trade)
		Team heads of 36 dept. of Sales/Procurement/Financial/Business Management Divisions (36 persons)	4Q outside expert lecture (Understanding and practices of collusion and unfair support)
Outside Trainings	1st half	5 dept. of Sales Division (Special steel business) (51 persons)	Fair trade compliance training
		Compliance managers (twice)	Compliance manager training/meetings
		Compliance officers (five times)	CP seminars/forums and unfair internal trading/bid rigging/evaluation trainings
	2nd half	Employees in fair trade related business (once)	Special training on subcontracting
		Compliance managers (twice)	Compliance manager education and customer meetings
		Compliance Officers (four times)	CP seminars/forums, specialized research courses for fair trade, lectures by the Chairman of the Fair Trade Commission
		Employees in fair trade related business (twice)	Special training on subcontracting, Presentations about cartel

# Risk Management

## Risk Management System

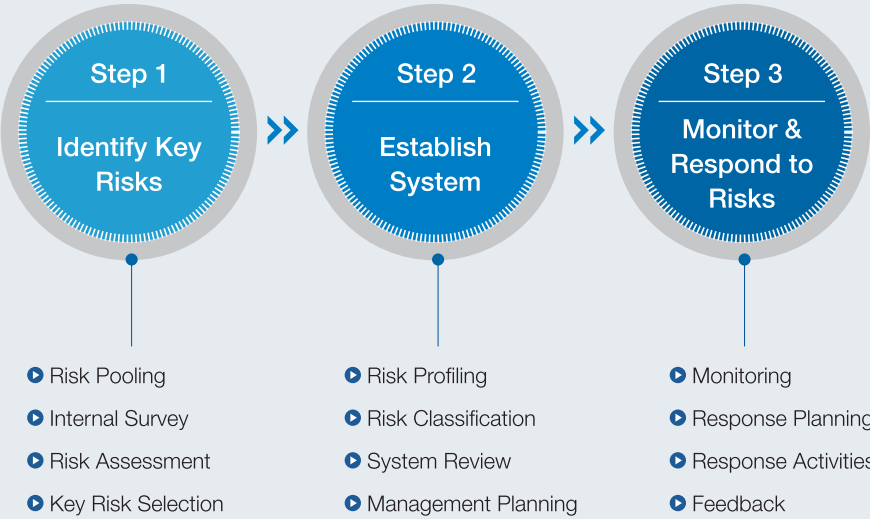
Hyundai Steel systematically manages and responds to potential risks in its business activities. Among the potential risks, key risk factors are identified and regularly monitored based on key indicators for each risk factor. Moreover, we reflect any changes in business environment and feedbacks of each department to manage the key risk factors and also run internal process as a countermeasure to potential risks.

## Key Risk Management

Hyundai Steel identifies key risks by considering inside expert surveys and business environment changes. The key risks are identified through the valuation process after risk pooling, expert survey, analytic hierarchy process<sup>1)</sup> (AHP). We derived 12 key risks including information security and safety management, and classified them into three categories: indicator-type, scenario-type, and disaster-type. For the indicator-type, we monitor both leading and lagging indicators, and take responsive measure when any high risk potential is detected. We respond to the scenario-type risks with pre-set scenarios by predicting future directions of market environment and business activities. In order to minimize risks of the disaster-type, we establish response manuals and conduct trainings regularly.

1) Analytic Hierarchy Process (AHP): a structured technique for organizing and analyzing complex decisions based on quantification.

### → Risk Management Process



## Key Risks

Response Type	Risk Factors	Response Measures
Indicator-Type	Low-cost imports	Develop proper response measures to increasing low-cost, imported materials
	Raw material price	Execute response strategy through monitoring of raw material price fluctuation
	Quality competitiveness	Prevent decrease in product quality due to unstable operation and personal/material damages
	Financial stability	Prevent cash flow problems during market depression
	Information Security	Prevent security risks due to confidential information leak, malicious code, etc.
	Safety Management	Manage major disasters
Scenario-Type	Steel market downturn	Analyze balance in supply and demand, profitability in steel industry, and restructure of competitors
	Increase in utilities expense	Identify global trends of raw material prices and monitor national policy in electric power
	Intensifying global market competition	Monitor oversupply in markets of the Middle East and Southeast Asia due to plant expansions and changes in export strategies of competitors
	Failure of response to market change	Analyze scenarios of export market contraction and domestic competition increase
	Labor-management relations	Plan for reducing risk factors by creating advanced labor-management culture
Disaster-Type	Natural disasters	Establish response system to uncontrollable disasters

## Emerging Risks

We derived emerging risks in climate change, fair trade, etc. that may have great impact on our business, and established the management system in order to respond to unexpected incidents.

### Climate Change Risks

Not only the domestic regulations related to GHG by the Korean government are reinforced, but also global interests in climate change are increasing as shown in the COP 21<sup>1)</sup>. Since Hyundai Steel uses relatively higher amount of energy due to its business nature, it defines potential issues caused by GHG emission regulations as the long-term risks. We analyze financial impacts and potentials of the climate change and annually disclose response measures in the report.

1) COP 21: The 21st session of the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) held in Paris, France

### Fair Trade Risks

Through the M&A and new plants followed by the launching of the Blast Furnace No.3, Hyundai Steel has developed its market status as a global steelmaker with strong portfolios in cold rolling, steel pipes, forging, and special steel. This led to increase in needs for stricter CSR and legal management. Hyundai Steel, therefore, plans to conduct training and pre-audits on fair trade toward new businesses, and improve existing programs related to fair trade. Furthermore, we expect to create a corporate culture that achieves mutual development with small- and medium enterprises (SMEs) through more effective win-win growth programs.



The background image shows a massive industrial ladle in a steel mill, pouring a bright, glowing stream of molten metal. The ladle is a large, grey, cylindrical vessel with a complex internal structure. The molten metal is a brilliant orange-yellow, creating a high-contrast scene against the dark industrial background. The entire image is framed by a dark, semi-transparent circular overlay on the left side, which contains the table of contents.

# CREATED VALUES

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# Technological Competitiveness

➤ **BUSINESS AND SOCIAL CONTEXT** Global steelmakers are turning their business models from conventional profit-based to customer engagement-based, while also building differentiated competence with new material technology and information technology (IT). Companies in the automobile industry focus on reducing weight through ultra-high tensile steels, and those in the construction industry try to develop high-tech construction materials through collaboration. In the shipbuilding industry, demands for the technology solution for high-end applications in manufacturing, welding, etc. are increasing, beyond simply supplying materials. Thus, developing new products and technology that reflect more complex expectations are becoming important to companies.

➤ **OUR APPROACH** The research and development (R&D) of Hyundai Steel aims to secure competitiveness and lead market based on its technology. In particular, field-focused R&D system has minimized the time required for response. We will quickly respond to market changes with appropriate balancing of research and development, strengthen our business in overall through organic cooperation and mediation in align with the business strategies.

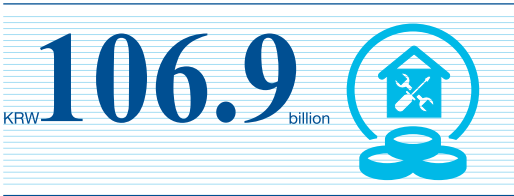
➤ **FUTURE ACTION** We will continue our investment in R&D to secure technology competitiveness and increase customer satisfaction.

**2016 GOALS**

- Develop new ultra-high tensile steels with high formability
- Develop customized special steel plates to customers
- Develop ultra-thick, extremely low temperature heavy plates
- Develop ultra-clean special steels for automobiles

➤ **2015 PERFORMANCE**

R&D Budget



Accumulated Number of Patents in Domestic and Overseas Markets



## 1.1

### R&D System through Collaboration



**R&D Division**  
Aiming to become the 'field-based R&D Division', the R&D Division pursues R&D that satisfies the demands of worksites.

**Cooperation with the Government**

Hyundai Steel's R&D Division engages in government projects to contribute to enhancing national technology competitiveness. For the response to post 2020, we are developing a model for reducing national GHG emissions, since we joined the government project, 'Developing Assessment Model for CO<sub>2</sub> Reduction in Steelworks', in 2015.

**Collaboration with the Construction Industry**

We implement collaborations including technology exchanges and trainings in steel structure area of the construction industry. The activities involve offering application technology for construction materials and assuring performance of steel materials that are aimed to develop high-strength, high-performance steels. We also engage in academic activities by sponsoring the Korean Society of Steel Construction (KSSC), training quality management for construction safety, and educating construction designers. Furthermore, we will establish the design standard essential for new product development, and further promote performance assurance, academia support, and joint R&D projects.

**Cooperation with Parts Manufacturers**

The R&D Division conducts technology collaboration with manufacturers that produce steel parts. Through regular technical exchange sessions with parts manufacturers, we implement customer-focused technical supports, while also identifying demands for new technology development. We will strive to develop a model for technology collaboration by creating stronger relationship.



Training session to construction designers for vitalizing the steel structure industry



Training for strengthening quality management for construction safety of the private and public sectors

**Performances and Plans of Major R&D Activities**

Category	2015 Performance	2016 Plan
Thin Plates	<b>Auto-mobiles</b> Developed unique/independent automotive steel plates • Mass-production of high strength flat steels for vehicle side-outers (dent resistance <sup>1)</sup> improved) • Aluminum-plated flat steel for vehicle exhaust system (high-temperature & corrosion resistance <sup>2)</sup> )	<b>Develop new ultra-high tensile steels with high formability</b> • Ultra-high tensile steel with high formability (100K <sup>3)</sup> & 120K) • Mass-production of 180K heat-treated steel plates for bumpers (improve rear crash performance) • 100K ultra-high strength, hot-rolled steel plates for commercial car frames (improve shearing & bending)
	<b>General</b> Developed customer-tailored, high value-added special steel plates • Ultra-high carbon, hot-rolled steel plates for automobile parts • High strength, hot-rolled steel plates for hydraulic cylinder of heavy equipment • Non-heat treated, high strength OCTG	<b>Develop customer-tailored, special steel plates</b> • Ultra-clean, flexible thin steel sheet • Non-heat treated, thick, ultra-high strength OCTG • Cold-rolled products tailored for foreign cars
Heavy plates	<b>Developed customer-tailored heavy plates for extremely low/high temperature</b> • Brittle crack arrest (BCA) steels for large-scale container ships • HIC <sup>3)</sup> assurance standard for corrosion resistant pressure vessels improved	<b>Develop ultra-thick<sup>4)</sup>, extremely low temperature heavy plates</b> • High strength and thick, QT <sup>5)</sup> pressure vessel steels for oil tankers • Hardened, QT <sup>6)</sup> wear-resistant steels for construction and heavy equipment

1) Resistance to car dents    2) High endurance to corrosion or erosion in high temperature    3) Hydrogen Induced Cracking (HIC): Hydrogen embrittlement cracking assessment  
4) Tensile strength that 1mm<sup>2</sup> materials can endure 100kg    5) 100mm or thicker heavy plates  
6) Quenching & Tempering: Rapid cooling (quenching) to form high-strength texture and heat treating (tempering) to reduce the excess hardness, for securing low-temperature tensile

1.2

Major Developments of Products

Automobile Steel Plates

The key issues in the automobile industry are reducing car weight for fuel efficiency and improving strength of car bodies for compliance with relevant laws. Hyundai Steel has continuously developed ultra-high strength steel plates, thereby securing technology competitiveness for stable product supply. We plan to expand use of ultra-high strength steels by upgrading the application technology of steel plates, and to conduct researches in the third-generation steel plates in order to obtain both strength and formability of steel plates.

Heavy plates for Shipbuilding

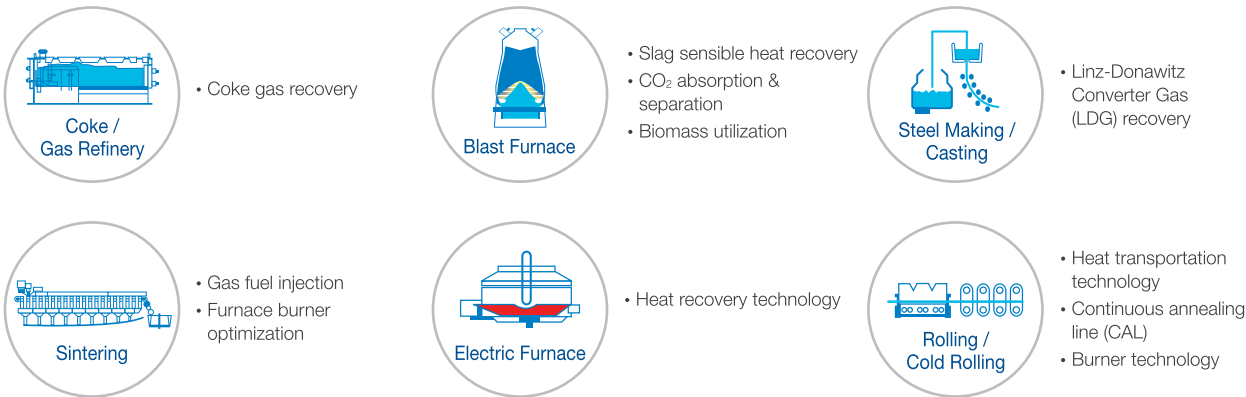
Recent trends in the shipbuilding industry are upscaling of ship volume and developing materials and application technology to acquire and transport energy more stably. In 2015, the R&D Division successfully developed the high-strength, ultra-thick BCA steels and earned ship classification, thereby improving the company's status as high-performance steel supplier in the shipbuilding industry. Hyundai Steel will further develop its product competitiveness and expand global competitiveness by acquiring big clients in energy industry and increasing certifications.

Earthquake-resistant Steel Materials

The competition in developing high-performance materials that ensure stability of the building structures of skyscrapers and that can deal with climate change is intensifying. The earthquake-resistant steel materials are high value-added products that are highly resistant to damages from earthquake and are increasing in sales. Hyundai Steel has established the design standards of earthquake-resistant rebars as a response to the market trends. We will strive to lead the rebar market through R&D activities of internal cooperation and academia-industry collaboration.

Green Steelworks that Provide Total Solutions for Reducing CO<sub>2</sub> Emissions

Hyundai Steel's energy consumption is worth about KRW 2 trillion annually and its CO<sub>2</sub> emissions reach around 1.9 million tons. In order to reduce energy consumption and CO<sub>2</sub> emissions, the R&D Division of Hyundai Steel made various efforts: replacing fuels and raw materials, improving efficiency of facilities, utilizing biomass, conducting resource recovery of CO<sub>2</sub>, developing new and renewable convergence technologies, and establishing innovative steelmaking process. We also developed the metallic bipolar plates, which are key components of eco-friendly electric vehicles, and supply them to automakers. The new bipolar plates were selected as the Top 10 Best of The Best Technologies by the Ministry of Science, ICT and Future Planning (MSIP). Through these technology developments, we will contribute to creating the Green Steelworks and achieving the national goal for GHG reduction.



1.3

Major R&D Performance

32K Side-Outers

The R&D Division, through the joint technology agreement with Hyundai-Kia Motor Company, improved the strength and dent resistance of automotive external flat steels, which are key factors in automobile design. We increased the strength of flexible steel plates from 28K<sup>1)</sup> to 32K, and improved the formability through the new technology for processing parts, thereby realizing the first mass production and application of high-strength, ultra-high-formability side-outers in the world. In particular, the 32K side outers will be first applied to a vehicle with the integral high-strength steel structure in January 2016. In order to satisfy the expectations of automobile industry, we plan to expand our research in light-weight structure equipped with both strength and formability, and further strengthen synergy creation through collaboration.

1) Tensile strength that 1mm<sup>2</sup> material can hold up to 28kg of weight

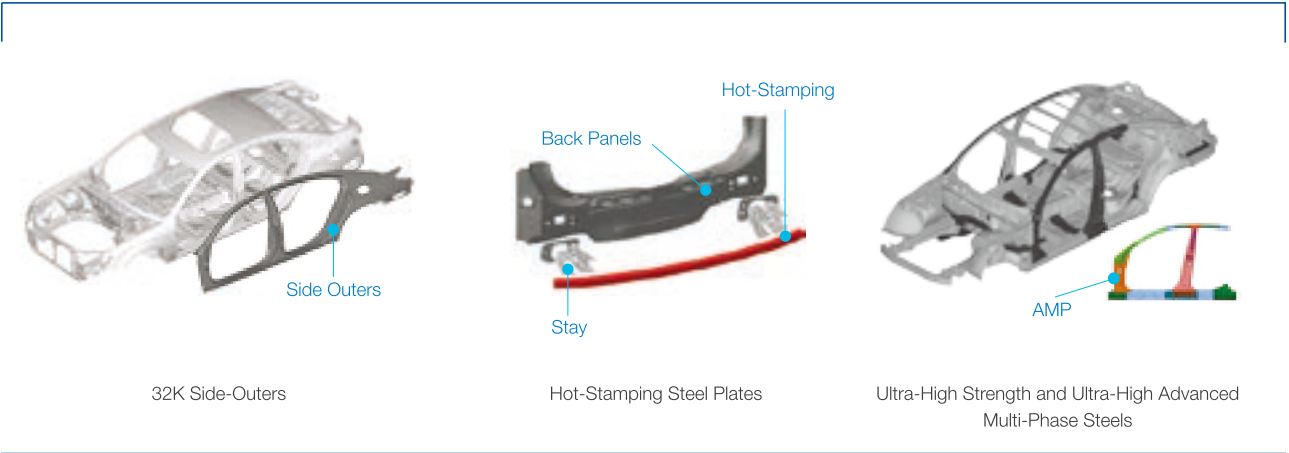
Hot-Stamping Steel Plates

The R&D Division conducts researches on hot-stamping<sup>2)</sup> steel plates and forming process as a response to requests for increased use of ultra-high-tensile steels from the automobile industry. The division applied new processing technique for forming 150K hot-stamping steels, and plans to develop 180K hot-stamping steel plates in the future. The hot-stamping steel plates will be applied to crash members of new cars in order to improve safety and crash performances.

2) The technology to manufacture components by heat forming and cooling materials

Ultra-High Strength, Ultra-High Formability AMP Steels

The R&D Division focuses on developing technology for innovative steel material designs technological convergence with the theory of machine learning. In particular, we conduct researches on developing new alloy designing techniques and innovative steel materials using big data, in order to overcome limitations of strength and formability. In 2015, we succeeded in lab-scale verification of materials of the advanced multi-phase (AMP) steels, which is a success in developing new technology based on introducing techniques in various fields of study. Hyundai Steel will strive to lead the premium steel plate industry and the third generation automobile steel market by securing manufacturing technology for sustainable mass production.





# Environmental Management

➤ **BUSINESS AND SOCIAL CONTEXT** Companies work on minimizing environmental impacts caused from their worksites to create pleasant environment for the local community and employees instead of passive activities for environmental protection. Steelworks especially require systematic management of environmental impacts as they not only use a lot of water and energy, but also emit air or water pollutants, wastes, GHG, etc. As social interest in environment is increasing and the government is enforcing stricter regulations and policies, more active response measures need to be taken by companies.

➤ **OUR APPROACH** We reflect environmental awareness on every decision-making in our business to minimize environmental impacts of our production process and products. Therefore, we established the Environment & Energy Management Team to practice the environment and energy management systematically.

➤ **FUTURE ACTION** We will minimize the environmental impacts on the local community and nation through continuous activities for reducing environmental pollutants.

- 2016 GOALS**
- Enhance efficiency through the assessment of environmental facilities
  - Reduce environmental pollutant emissions through systematic management of indicators by factor
  - Take proactive response by reduction activities and performance reduction

➤ **2015 PERFORMANCE**

Rate of Reusing By-Products

98.7%



Carbon Disclosure Project (CDP)

Sector Winners



## 2.1

### Air Pollutant Reduction

**Landscape Construction in Steelworks**

Hyundai Steel invested about KRW 1.7 billion in landscaping of Dangjin Integrated Steelworks. By planting trees around the material storage dome and along the main roads near, we improved the environmental, as well as preventing dust dispersion in and out of the steelworks. We will continuously make efforts to create green spaces and improve air quality near worksites.

**Indoor Scrap Cutting Plant and Dust Collector**

Hyundai Steel spent about KRW 4.1 billion to install new automatic scrap cutter and dust collector in the indoor cutting plant. Therefore, we could prevent gas and dust discharge, which used to be caused by cutting scraps outside, by treating gas inside the plant. This led to improving work environment and minimizing air pollutants in nearby area.



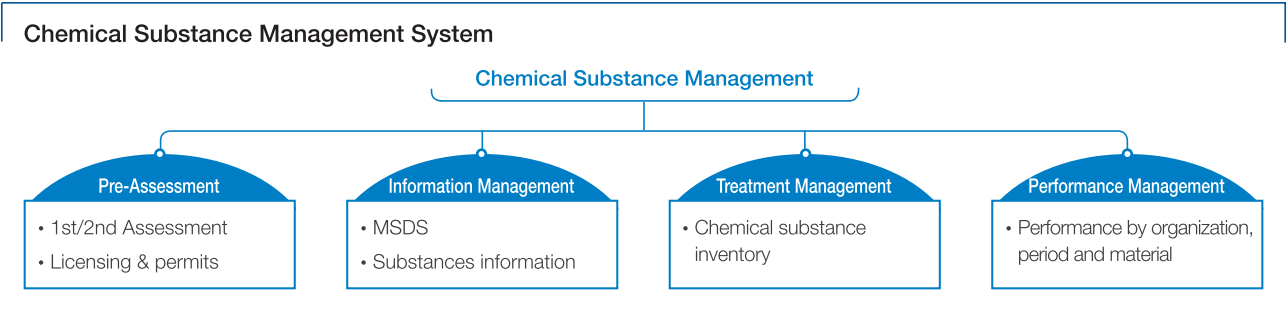
Indoor Scrap Cutting Plant and Dust Collector

## 2.2

### Chemical Substance Management

**Chemical Substance Management System**

Hyundai Steel made various efforts to comply with the Act on Registration, Evaluation, etc. of Chemical Substances and the Chemicals Control Act that were enacted in 2015. We reviewed the inventory of chemicals used in worksites to identify their types and hazardousness. With the help of the suppliers of chemical substances, we obtained relevant data such as the material safety data sheets (MSDS) and reorganized the information of chemical substances used in worksites. In addition, we not only established the pre-purchase assessment process, but also introduced the integrated management system for chemical substances. This system of pre-management and monitoring enabled us to decide whether to use a substance in advance for safe use of chemical substances. In particular, we take such measures as developing alternative substances, investing in facility improvement, assigning chemical substance manager, and conducting safety training. Through these activities, we strive to minimize risks of chemical accidents for employees and the local community.



2.3

Recycling  
By-Products

**Iron Recovery from Recycled Slag**

Slag is by-product, partially containing iron, from steelworks, and the quality of slag aggregates is higher with more iron components. Dangjin Integrated Steelworks improved the slag treatment facility and increased the rate of iron recovery in recycled slag by 1.6% which equals to 2,200 tons of monthly recovered amount. We also achieved monthly cost reduction worth about KRW 450 million by recycling recovered irons. We will contribute to value creation through iron recovery and to quality improvement of recycled slag.

**Iron-containing Sludge Recycling**

In order to expand the recycling of by-products, Hyundai Steel strives to establish a wide-range recycling system with the different industries, including cement companies, smelting works and power plants, instead of only recycling within steelworks. As part of these efforts, we supply some iron-containing sludge that occurs from the steelworks' water treatment process to non-ferrous metal smelters as of the end of 2015. Currently, we have signed supply contracts with two steel-works, which is expected to recycle about 40,000 tons of iron-containing sludge per year. We will further lead in increasing recycling and resources circulation through collaboration with different industries.

2.4

Management  
System for  
Climate Change  
Response

**Taskforce Team for Emission Trading Scheme**

Hyundai Steel formed a taskforce team that consists of members from different departments includ- ing planning, management, production and technology development, in response to the emission trading scheme that was implemented since 2015. As a result, we estimated the potential GHG emission reduction, calculated expected amount of emission, and established mid- and long-term roadmap for developing reduction technology. In 2016, we will further strengthen our taskforce team activities, as well as implementing reduction projects, enhancing greenhouse gas perfor- mance management (KPI) system, and thus proactively responding to climate change risks.

**Pilot Project for the Emission Trading Scheme**

As part of the efforts made in response to the Emission Trading Scheme, Hyundai Steel participated in the pilot project of the offset system by the Ministry of Environment. The offset system, similar to the clean development mechanism<sup>1)</sup> (CDM), is a project to reduce GHG outside<sup>2)</sup> the organization. We provided supports including energy diagnosis and LED light replacements to SMEs, and plan to register the GHG reduction amount from these activities as our outside offset performance. Also, we implemented a green credit<sup>3)</sup> project that supports the replacement costs for SMEs and ensures the achievement of reducing greenhouse gas emissions for large companies.

- 1) Reduction of greenhouse gas emissions outside the organization.
- 2) Clean Development Mechanism: a project implemented for reducing greenhouse gas emissions in response to climate change.
- 3) Conglomerates with the obligation to reduce GHG emissions can acquire emission permits by supporting facilities and technologies to SMEs that do not have such obligations.

**Joint Project of SMEs and Conglomerates for Shared Energy**

For four years, Hyundai Steel has been participating in the Joint Project of SMEs and Conglom- erates for Shared Energy organized by the Ministry of Trade, Industry and Energy. This project is an experience transfer of conglomerates to SMEs under an agreement, and Hyundai Steel signed agreements with Donga (bolt manufacturer), Daehan Steel & Recycling (scrap) and Jungwoo (heat treatment and processing company). We analyzed energy consumptions in each of their worksites, conducted energy diagnosis by facility, overviewed reduction efforts, and offered investment costs for good practices of energy reduction.

 **Outstanding Company of CDP**

Hyundai Steel has been selected as outstanding company in climate change response by the Carbon Disclosure Project (CDP) for four consecutive years by winning sector winners in 2015

2.5

Energy  
Efficiency  
in Production  
Process

**Combustion Air Control through Inverters**

Hyundai Steel has been implementing various activities to improve energy efficiency by analyzing the production process for each site and the areas that account for excessive energy consump- tion. Dangjin Integrated Steelworks reduced energy consumption by installing an inverter in the furnace combustion air blower. In the past, the combustion air flow was controlled with the damper according to furnace load variation, but this resulted in increased energy consumption and ineffi- cient operation. In order to improve such inefficiency, we installed the inverter in 2015 to efficiently control the combustion air flow input into the heating furnace. After installing the inverter, the power consumption of the aspirator pump was reduced by 42%, resulting in an annual reduction of 1,083 tons of CO<sub>2</sub>.

**Energy Reduction with Laser Welding Technology**

Suncheon Works replaced the flash butt welding with laser welding which is used in producing its main product, the cold-rolled products. The flash welding method consumes a lot of energy by using the heat generated from electric resistance to melt the welding surface. On the other hand, the laser welding method consumes 2.3TJ of energy per year by melting the welding surface with laser generated from light amplification, resulting in an annual reduction of 114 tons of CO<sub>2</sub>. We will continue to carry out activities to improve energy efficiency for each site.

Eco-Friendly Steel Materials

Hyundai Steel endeavors to develop technology to replace steel materials with agricultural wastes. In 2014, we successfully replaced limestones with 500 tons of oyster shells in sintering, and assessed the process by substituting coal to 75 tons of cow manure in fur- nace process. In 2015, we put 45 tons of additional slags for follow-up evaluation. As the annual generation of cow manure in Korea accumulates 2.3 million tons, we expect that using processed cow manure for steel material may not only solve issue of farmhouses, but also contribute to reducing greenhouse gas emissions<sup>1)</sup> at steelworks. Hyundai Steel will try accelerating technology commerciali- zation by working closely with local farmhouses, local governments and the Korean government.

Converting Cow Manure into Fuel



1) Indirectly contribute to GHG reduction by replacing steel materials



# Occupational Safety and Health Management

**BUSINESS AND SOCIAL CONTEXT** The steel industry has relatively higher risk potential due to its nature of working with large equipment and at high temperature, etc. Industrial disaster may have significant effect on the company’s business activities, further cause issues in product supply. Recently, as social interests in safety incidents are increasing, the government is in process of reinforcing regulations on companies’ industrial safety and health. Moreover, the media and regular citizens are increasing their activities in monitoring of companies’ management of the safety and health.

**OUR APPROACH** Hyundai Steel strives to realize a happy life for individuals and to fulfill its corporate social responsibility through safety focused management with a vision of ‘Safe, Century Sustainable Steelmaker’. We are expanding our safety facilities and various activities for employees’ awareness of safety and continuous zero-disaster incidents. In particular, we set everyone entering the steelworks as targets for safety management, thereby offering employees of our suppliers to engage in safety initiatives. Furthermore, we are building better safety management system through the introduction of advanced techniques, benchmarking, etc.

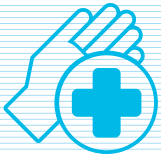
**FUTURE ACTION** Hyundai Steel will strengthen safety first management to create a pleasant and safe workplace.

- 2016 GOALS**
- Reducing accident rate by 10%
  - Establish a process safety management system with a process safety map and safety professionals for each process and field (Infra)
  - Implement and evaluate safety responsibilities by improving site-centered safety processes and promoting enterprise-wide safety diagnosis (System)
  - Create a culture of safety with freedom from interference by accepting such an atmosphere and implement safety core rules (Mind)

**2015 PERFORMANCE**

Industrial Accident Rate

0.2%



Safety Culture Activities

10 core safety principles



## 3.1

### Safety & Health System for Employees

**Safety-Focused Management**

Hyundai Steel holds the Corporate Safety Management Council hosted by the CEO on a monthly basis at each worksite, including Dangjin Integrated Steelworks. The corporate safety management council meeting has been held since 2014 in order to share major company-wide safety issues, including safety performances and plans, safety issues arising at each site, and measures to prevent the recurrence of incidents. In addition, each worksite holds its own safety management council meetings regularly to discuss various items including improving risk factors at site. Hyundai Steel also reinforces its site management by conducting daily inspections of the sites, and joint inspections by labor and management in addition to various activities, including special safety training and interaction-oriented safety meetings for the management that desires to practice safety first management.

**Introduction of Risk Management Techniques**

Hyundai Steel has been running and expanding various risk management techniques such as eliminating high risks, safety monitoring, new investigation method for accidents, by introducing the safety techniques of the advanced companies through the safety consulting. In particular, we set up a system for self-regulated safety to improve unsafe conditions at sites by implementing various activities to remove high risks, and conducted safety inspections, instead of inspections conducted only by the safety division. We focused on improving high risk factors with serious risks of level 4 to 5 by getting rid of high risks, while also creating an autonomous safety culture that is free from interference, to eliminate employees’ unsafe behavior through various safety inspections. 189 inspection teams consisting of 527 persons were organized, including security officers and section chiefs of production sites, to conduct regular inspections, and are making continuous improvement by identifying a total of 12,982 cases (5,040 cases of high risks).

**Self-Engaging Safety System**

In 2015, Hyundai Steel, aiming to spread the self-engaging safety system, set core initiatives: introduction of advanced risk control technique, securing safety of new or acquired plants, and balanced development of safety culture. Thus, we took various measures to enhance our safety standards through communicating, unifying standard, and sharing best practices of safety, while running the Safety Manager Council under the Safety Management Office. In addition, we conducted safety assessment of the Suncheon Works, Ulsan Works, Yesan Works, and the R&D Division. In 2016, we plan to audit all domestic worksites and overseas corporations.

**Century Safety Culture Center**

In April 2015, the Century Safety Culture Center was opened in Dangjin Integrated Steelworks. The center is fully equipped with facilities for safety training, including virtual experience, video facilities. We provided a total of 31,459 persons with safety training in machinery, electricity, gas, firefighting, healthy, and the isolation locking system (ILS). We expect maximize training effect by increasing experience courses and improving safe work process.



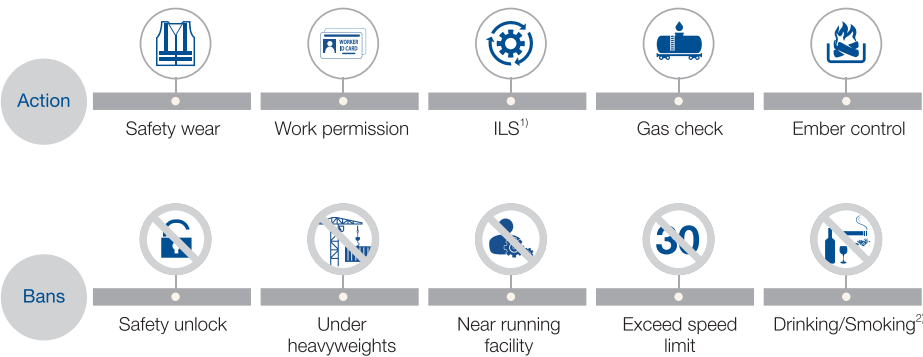
Opening of the Century Safety Culture Center

3.2

Safety Culture Activities

Safety Core Rules

The safety core rules have been implemented to raise the awareness of its employees and suppliers and comply with safety regulations. Through the safety core rules system, we set 10 items (5 actions; 5 bans) with higher risks of accidents as core safety principles, and enforce sanctions by violation type or frequency. We also continue spreading the culture of compliance with safety principles with monitoring, campaigns, and training at worksites.



1) Isolation Locking System    2) Smoking in undesignated places

Innovative Activities for Safety Awareness

Hyundai Steel expanded the quiz contest for safety from Dangjin Integrated Steelworks to all work-sites in 2015. A total of 750 persons participated directly and indirectly in the zero-disaster event and the quiz contest, including 240 contestants who went through tough preliminary rounds held at each site to the final round. The quiz contest reaffirmed the importance of safety for all employees, and it provided an opportunity to easily acquire knowledge about safety through the preliminary rounds and the final round. In addition, Hyundai Steel continuously hold other campaigns or events to increase the employees’ awareness of safety.



Compliance with 10 Core Safety Principles

Preventing Recurrence of Major Accident

In spite of various efforts made by Hyundai Steel to maintain safety management, a series of unfortunate incidents occurred during the transitional phase of modifying its safety system. In response to this, Hyundai Steel further strengthened its safety management system and continuously invested large budgets and implemented various activities to prevent serious incidents, thereby reducing the enterprise-wide occupational accident rate. Also, the ‘Safety and Health Monitoring Group’ meeting hosted by the Ministry of Employment and Labor, which was held since April 2014 to supervise whether the safety and health improvement plan are carried out properly, ended as of December 2015. Hyundai Steel will do its best to provide a safe working environment for all of its employees and suppliers.

3.3

Safety Management of Suppliers

Safe Partnership with Suppliers

Hyundai Steel actively pursues a safe growth with its suppliers to become the Century Sustainable Steelmaker. We support our suppliers’ safety management standards so that they can establish an autonomous safety foundation to improve their standards. A regular council is held at each site to share safety activities, discuss about ways to improve unstable conditions, and resolve various issues. Also, we meet with the personnel in charge of safety management at each plant to conduct joint inspections and share knowledge and experience about safety management, while also making efforts to prevent similar accidents occurring by benchmarking best practices. In addition, we aided our suppliers to acquire occupational health and safety management system certifications. Hyundai Steel exchanged safety information with its suppliers by holding safety meetings for mutual growth every year as a communication channel for sharing information on safety, along with other events for building safety culture.

Evaluation of the Safety Management of Large-Scale Maintenance

Since large-scale maintenance requires many people to work over a long period for high-risk tasks, there is a high possibility of occurrence of safety accidents. Hyundai Steel assesses the performance of safety management of large-scale maintenance to further improve the safety management system for such tasks. The evaluation is conducted with 20 categories, including the appropriateness of safety measures taken for large-scale tasks, whether or not they are implemented at the site and the compliance of safety standards. In particular, we strive to improve the safety management standards of our suppliers, such as making evaluations, providing guidance on safety management techniques and facilitating the spread of best practices. Through these efforts, in 2015, we achieved zero incidents for large-scale tasks held at 9 plants, including Dangjin, Pohang and Suncheon.

3.4

Employees’ Health Management

Better Working Environment

Hyundai Steel strives to create a safe and healthy workplace. We evaluate any risk factor at worksites by measuring working environment, investigating risk factors that cause musculoskeletal disorders, and evaluate the hazard level of chemical substances. In response to this, we make improvements in engineering. In cases where it is difficult or not possible to make such improvements, we minimize the exposure to hazardous working environments through various improvement measures. Also, in order to prevent accidents and occupational diseases, we have established and implemented a closed space work program and a chemical substance management system, thereby fundamentally preventing any accident occurring from suffocation, poisoning and leakage of chemical substances.

Employees’ Health Management

For the health of its employees, Hyundai Steel runs a health clinic at each plant. We hold general and special health checkups for our employees and their families every year, and based on the checkup result, we run a post-management system. Through the system, we provide health management programs that are customized to patients who have abnormal findings, or have been diagnosed with diseases by classifying them according to their health status. Also, the health clinics at Dangjin Integrated Steelworks, Incheon Works and Pohang Works provide various facilities, general and professional treatment, including physio-therapy clinics, exercise clinics, clinical pathology rooms, along with the counseling center that manages mental health and stress levels. Also, we run an emergency rescue service system for patients with cerebrovascular disease or in emergency situations, including automated external defibrillator and emergency vehicles.



# Win-Win Growth

➤ **BUSINESS AND SOCIAL CONTEXT** The government has been emphasizing shared growth for large enterprises in their policies, including the Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises, the Monopoly Regulation and Fair Trade Act and the Fair Transactions in Subcontracting Act. Also, networking and cooperation with other companies have become important in global business. International society is showing increased interest in identifying risk factors of suppliers that take into consideration all areas and improving all fields related to suppliers, including human rights, environment and labor, as well as asking for the expansion of the company's management scope to cover the supply chain from the inside and outside by reflecting international standards on sustainability management. With such trends, shared growth has become an essential factor for the company's sustainable growth.

➤ **OUR APPROACH** Hyundai Steel supports the sustainable growth of its suppliers in order to secure long-term competitiveness of Hyundai Steel and all of its suppliers. In order to ensure a strong partnership with suppliers, we continuously expand win-win growth programs and supported strengthening of competitiveness, while also providing technical education and training and financial support, and reinforcing communication channels.

➤ **FUTURE ACTION** Hyundai Steel will further strengthen an exemplary cycle of mutual cooperation based on win-win growth with its suppliers.

- 2016 GOALS**
- Increase the overall efficiency by supporting suppliers
  - Use mutual growth fund (KRW 35 billion) and make cooperative investment in win-win growth (KRW 200 million)
  - Introduce and implement a win-win settlement system

➤ **2015 PERFORMANCE**

Partners of Win-Win Partnership Agreements

190  
Companies



Financial Support Performance

KRW 58.1 billion



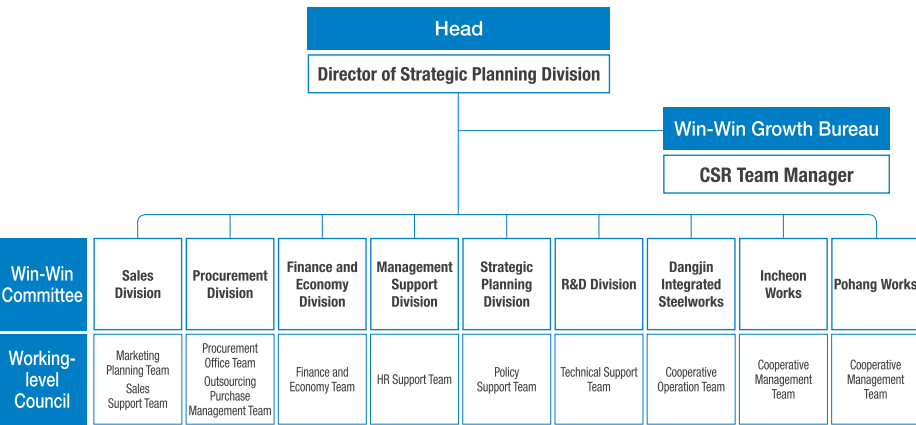
## 4.1

### Win-Win Growth System

— **The Result and System of Win-Win Growth Enforcement**

We believe that strengthening win-win growth with SMEs is effective in enhancing our competitiveness. Therefore, the CSR Team set up a new department in charge of win-win growth in 2010 to develop and support win-win growth programs. Also, in order to support shared growth, we established a Win-Win Growth Committee, which consists of executives from sales, procurement and finance and economy divisions, to implement group-wide commitment for win-win growth. Also, we installed a working group under the Committee to carry out practical activities.

Win-Win Growth Organization Structure



## 4.2

### Win-Win Program

— **Operation of Win-Win Program**

The core of win-win growth that Hyundai Steel pursues is to build a partnership with its suppliers. In a bid to offer practical aid to suppliers, the company has established a dedicated system for programs such as - financial aid, technical support, education and training, and recruitment support. In 2011, Hyundai Steel made a win-win partnership agreement with the Fair Trade Commission that its support for the suppliers is evaluated every year. The company will continue to make ceaseless efforts to fulfill win-win growth agreement, and expand its support programs for suppliers so as to boost their competitiveness. In addition, Hyundai Steel will do its best to be a company that sets a good example of win-win growth.

**Win-Win Growth Program**



4.3

Operational Support

Technological R&D Support and Protection

Hyundai Steel has conducted a joint R&D to help develop its suppliers' new products and strengthen their technology capability. In 2015, we developed thermal energy storing and transporting technology and an optimization model for electric furnace insertion through a joint R&D. Moreover, we support patent application and maintenance costs required for joint patent application with our suppliers, while also supporting the use of deposit for technical documents<sup>1)</sup> to protect the core technologies of our suppliers.

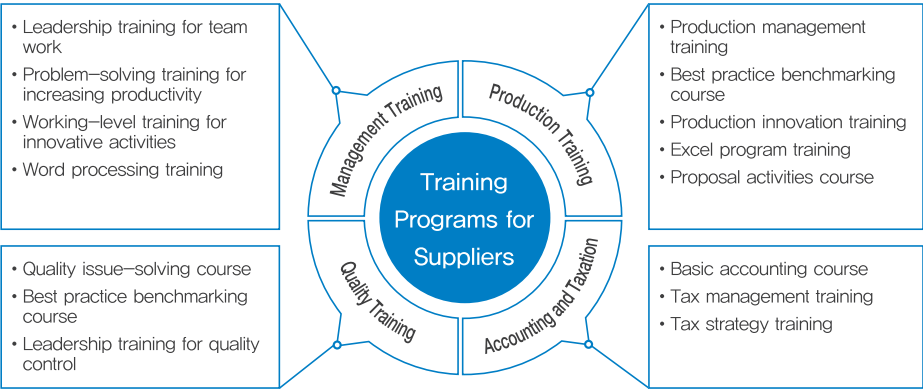
1) Deposit for technical documents: a system of certifying technical documents by depositing them at a third institution, the Large & Small Business Cooperation Foundation, to protect the technologies of suppliers (all expenses are paid by Hyundai Steel).

Competitiveness of SMEs

Hyundai Steel provides consultation on the overall management process of its suppliers to stabilize their management and secure competitiveness. Since 2012, we provide consulting services to enhance our suppliers' competitiveness by improving management strategies and productivity through the Management Home Doctor, which is a three pillar system consisting of the FKI management advisory panel, Hyundai Steel and its suppliers and hosted by the Federation of Korean Industries (FKI) Center for Large and Small Business Cooperation. In 2015, we provided free consulting services in the fields of management, succession, tax affairs, accounting, legal affairs, environment, start-ups and intellectual property rights, by forming cooperation with the IBK Consulting Center.

Talent Recruitment and Educational Training

To reduce the manpower shortage of its suppliers, Hyundai Steel launched an online recruitment system exclusively to support their recruitment issues. In addition, Hyundai Steel's suppliers attended Hyundai Motor Company's recruitment fair so that persons with outstanding talent are recruited, as well as supported through external consignment training which is difficult for a supplier to afford. We offer suppliers' employees with opportunities to receive free educational training in the fields of leadership, quality, production, accounting and taxation.



4.4

Financial Support

Financial Support Programs

Hyundai Steel runs financial support programs that can directly help its suppliers. We offer loans to stabilize our suppliers' management and enhance their productivity with interest incomes raised from the Mutual Growth Fund. In 2015, the Mutual Growth Fund raised KRW 35 billion, up KRW 10 billion from the previous year, which is used to support companies in need of loan. Also, we support loans of up to 80% of the supply contract for our suppliers after signing a Mutual Growth Bridge Loan Agreement, which offers loans at a lower interest rate than the general credit loans, resulting in low interest loans of KRW 7.1 billion in 2015. In addition, we supported working capital of KRW 6.1 billion to scrap companies, while we also supported KRW 9.7 billion for payment guarantee commissions and early settlements on national holidays. Furthermore, we contributed KRW 200 million to the Large & Small Business Cooperation Foundation, so that it can be used to finance energy-saving facility installation projects for suppliers.

4.5

Supplier Communication Program

Communication Channels for Suppliers

Hyundai Steel provides diverse communication channels, including New Year meetings, regular workshops, etc., to establish a win-win growth model that strengthens partnership with its suppliers, and to discuss various issues. At the beginning of each year, we hold New Year meetings with purchase suppliers. In 2015, the CEOs of 193 suppliers attended the meeting and promised their commitment to achieving win-win growth by implementing safety management. Also, we held regular workshops for 150 outstanding suppliers to reinforce mutual cooperation with our purchase suppliers, thus seeking future-oriented cooperation plans.



New Year reception for purchasing suppliers

Customer Satisfaction Surveys for Purchase Suppliers

In order to identify problems in transactions and make improvements, Hyundai Steel conducted Customer Satisfaction Surveys on purchase suppliers. The surveys were held for 1,098 suppliers with transaction amounts of more than KRW 100 million, and evaluated in different categories, including contract process, personnel in charge of purchasing, purchase system and creation of environment and culture focusing on suppliers. According to the survey results, we derived improvement plans and made efforts to strengthen communication with our suppliers.

Fair Supplier Selection Process

We chose suppliers through a competitive bidding process that ensures transparency and fairness. The competitive bidding is offered through the secretariat for bidding in order to prevent any risk factor that might interfere with fair transactions during the selection process of suppliers. The fair and transparent evaluations of suppliers are conducted in different categories, including management, capability and cooperation levels.

4.6

Supplier Selection

Partnership through Awarding Suppliers with Outstanding Suggestions

Hyundai Steel strengthened the foundation for establishing partnership with its suppliers by holding a contest for purchase suppliers with outstanding suggestions. We received suggestions from our suppliers regarding localization of materials, improvement of life expectancy of materials and enhancement of work efficiency, and gave awards to those with outstanding suggestions that contributed to reducing costs and improving productivity. In 2015, Suho Industrial Development Company, which developed molding accelerator, received the grand prize. Also, Bogang Machinery, which suggested the localization of coke emission devices, and Yonghyun Polytex, which contributed to improving classification by slag size, both won the award for best suggestions. In addition, Hyundai Steel shared its achievements with suppliers by providing incentives to companies that won awards for outstanding suggestions, such as giving long-term supply rights. We will continue to implement win-win management to strengthen the growth and competitiveness of our suppliers by establishing partnerships that ensure their prosperity.



## Social Contribution Activities

➤ **BUSINESS AND SOCIAL CONTEXT** CSR activities are carried out to ensure mutual coexistence with the society based on the company's core competency. These CSR activities have positive impact on the business such as boosting the positive image of a company, securing persons with outstanding talent and improving the satisfaction level of employees. Recently, the company's role has been expanded to not only generating economic profits, but also strengthening corporate social responsibilities such as resolving social issues. Also, the demand for social contribution activities for environmental protection has increased. These are public resources, including the surroundings and the natural environment of major work sites.

➤ **OUR APPROACH** CSR activities of Hyundai Steel have grown through the following phases: the preparation period focusing on establishing systems; the quantitative expansion period that strengthened partnership with non-profit organizations by selecting core projects; and the qualitative maturity period that focused on participating in local communities and generating social results. Based on social contribution visions and strategies, we will systematically implement social contribution activities that focus on circulation, communication and change.

➤ **FUTURE ACTION** Hyundai Steel will continue to carry out CSR activities needed by local communities with utmost sincerity, by utilizing the resources of its business.

### 2016 GOALS

- Increase new social contribution programs
- Strengthen and implement strategic CSR activities

### ➤ 2015 PERFORMANCE

#### Employee Volunteer Participation Rate

97%



#### Social Contribution Investment Expenses

KRW 13.3 billion

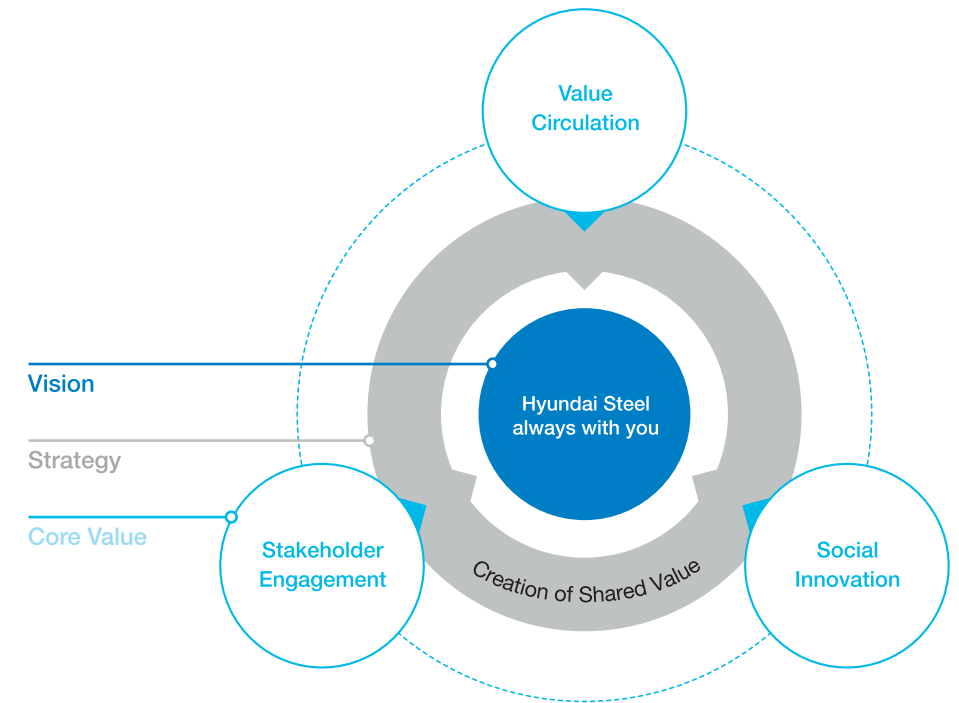


## 5.1

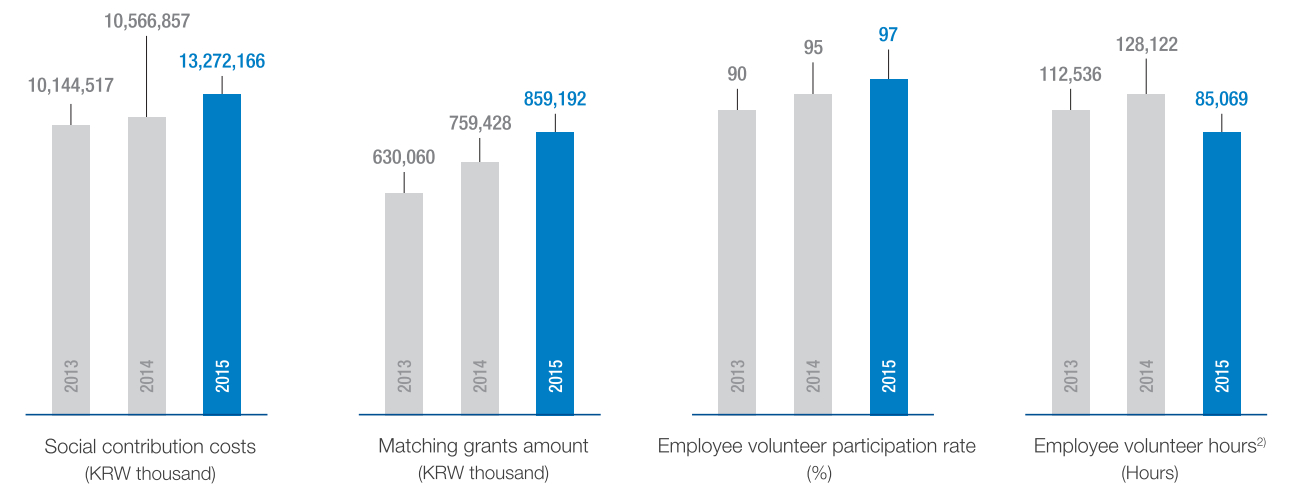
### Social Contribution Vision and Strategy

#### Social Contribution Vision

Hyundai Steel established three core values on social contribution, including circulation, communication and change, by taking into consideration its business competency and social demand. By utilizing open communication based on new programs and smart platform, Hyundai Steel will create its own new value.



#### Social Contribution Performance<sup>1)</sup>



1) Performance of employee volunteer activities (as of general employee) 2) Reduced mandatory volunteer hours and increased the persons subject to mandatory participation starting from 2015.

## 5.2

### Major Projects



Reduced tons of CO<sub>2</sub> per household  
(Unit: tCO<sub>2</sub>)

1.3↓



Saved an annual average of electricity bills per household  
(Unit: KRW)

58,000↓

#### House Repair Project

##### Energy-efficient Housing Construction

In return for its heavy energy consumption, Hyundai Steel offers the house repair project that contributes to saving energy in local communities. The project aims to improve residential conditions for people with financial and energy shortage, so as to reduce energy bills and establish a foothold to escape poverty. Also, the project generates good jobs for people as the company partners with social enterprises and home repair communities for construction. In addition, these activities helped in greatly reducing CO<sub>2</sub> emissions. Therefore, the project has three benefits: improving welfare, solving environmental problem and creating jobs. In 2015, energy-efficient housing constructions were implemented for 120 houses in Incheon, Pohang, Dangjin and Suncheon where Hyundai Steel's worksites are located, resulting in reducing 1.3 tons of CO<sub>2</sub> emissions per household annually.

##### Home Energy Coordinators

To raise awareness of the importance of energy saving for sustainable local communities and to conserve electricity in households, Hyundai Steel implements activities by home energy coordinators. A two-person team of home energy coordinators visit old apartment complexes once a month to measure standby power, provide the method of saving energy, and give out energy saving equipment, including high-efficient lamps, power strips and thermos-hygrometer. In order to increase the expertise, we provide regular maintenance training for coordinators. Propelled by such efforts, an annual average of electricity bills worth KRW 58,000 were saved per household with activities conducted by the 5th Group of Home Energy Coordinators in 2015.

##### Happy Yes Volunteer Group

Hyundai Steel runs the Happy Yes Volunteer Group to offer college students to develop their capacity through sharing and volunteering. The volunteer group is run in one-year basis, and a total of 720 college students had participated from 2009 to 2015. This program also is connected to the employment of Hyundai Steel. The 7th Happy Yes Volunteer group consisting of 120 students conducted environmental volunteering activities in Incheon, Pohang, Dangjin, and Suncheon areas. The group focused on satisfying local needs: building kitchen gardens in deserted land of Incheon, renovating the village hall in Pohang, building eco-friendly playgrounds in elementary schools of Dangjin, and developing bike tour guide map in Suncheon.

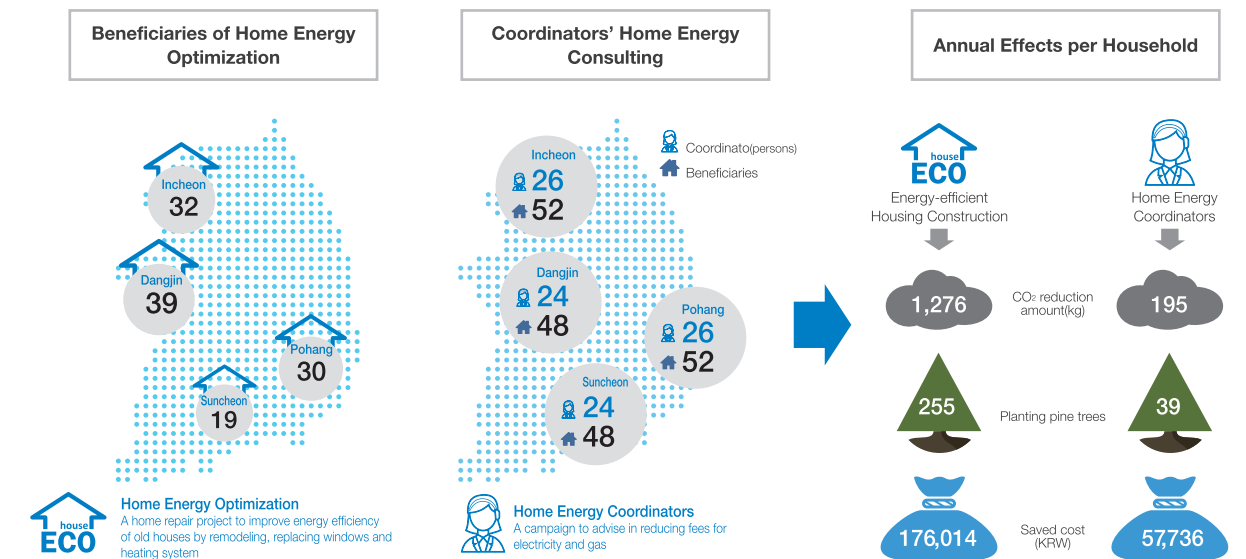


Happy Yes University Volunteer Group

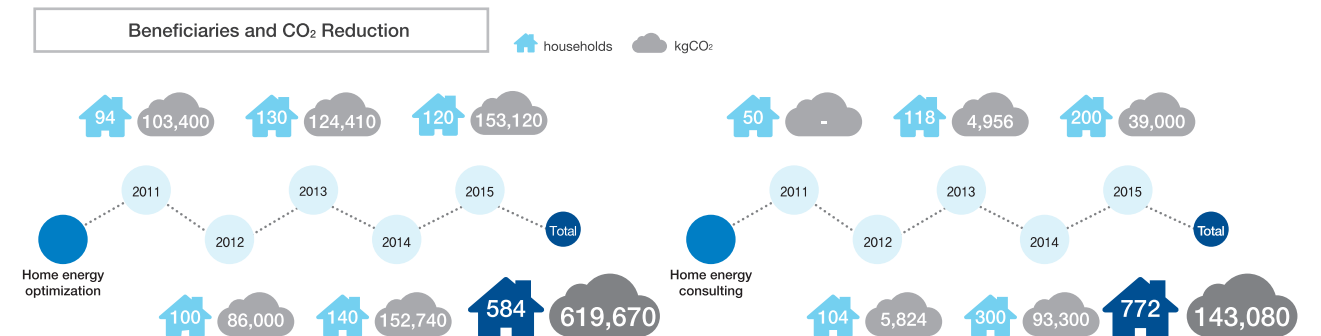
#### Performance of the House Repair Project

Hyundai Steel will continue to analyze the social effects of the 'House Repair Project' to foster more social values.

#### 2015 Business Performance

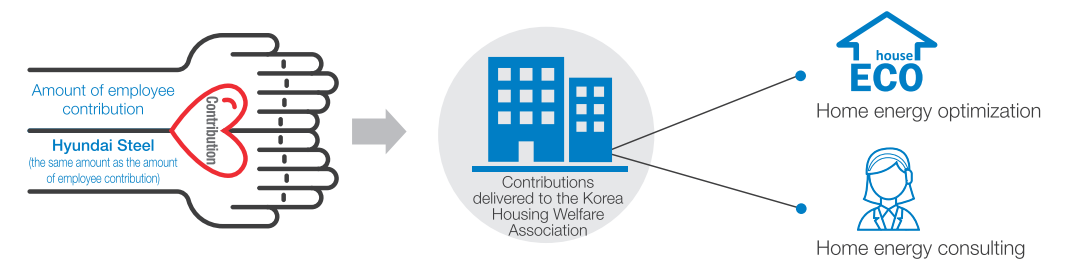


#### Performance for a Five-year Period (2011~2015)



#### Programs Using the Matching Grant Fund

The House Repair Project is run by the Matching Grant Fund raised by Hyundai Steel and its employees.





5.3

Employee Engaged Social Contribution

Employee Volunteer Activities

Hyundai Steel actively supports its employees taking part in volunteer activities. We have volunteer groups for each division and systematically implement various activities. At the same time, we actively run autonomous volunteer groups for local communities. In 2015, we focused on improving the qualitative part rather than the quantitative increase of volunteer hours, thereby carrying out activities for each volunteer group that suits its characteristics. Also, we encourage all employees to take part by making volunteer activities to be mandatory for all executives and employees.

Theme Volunteer Activities

In order to facilitate the interests of employees and make them take part in volunteering, Hyundai Steel runs theme volunteer activities, with season 1~3 being completed in 2015. Season 1 was ‘Sangsang Couple Day’ where unmarried employees met together to do volunteer work like preparing a special feast table ‘Dolsang’ for single mothers and their babies. Season 2 was ‘Steel Construction Material Family Volunteer Group’ where unused steel tools at home were used for upcycling<sup>1)</sup>, so that steel art works are produced and installed in the Mullae Art Village. Also, Season 3 was ‘Employee Volunteer Activities with Women’s Soccer Team’ where volunteer activities of sports and cultural exchanges were conducted for elementary students living in Dangjin area. We will continue to facilitate employees to get involved in volunteer activities by providing them with opportunities to happily take part by using various themes and materials.

1) Upcycling: a compound word of upgrade and cycle that reprocess products with high values by utilizing wastes without decomposition



Activities of Steel Construction Material Family Volunteer Group (theme volunteer)

Family Volunteer Group ‘Happy Prism’

‘Happy Prism’ is a volunteer group organized and participated in voluntarily by employees at Dangjin Integrated Steelworks. Since 2013, it has carried out various volunteer works for local communities in Dangjin. In particular, we made efforts to protect cultural heritage inside the region with employees as cultural heritage protectors, including cleaning heritage sites and implementing environmental purification projects. We will continue to work with our employees and their families so that various activities are carried out for local communities.

5.4

Educational Support Programs

Field Researchers for Social Enterprise

Hyundai Steel actively invests in developing professionals to contribute in generating new jobs for the socially underprivileged and to support the stable operation of social enterprises. Since its agreement with the Graduate School of Sungkonghoe University Institute for Social Welfare in 2007, Hyundai Steel has provided domestic and overseas training to those aspiring to become social welfare experts working at social enterprise schools, social enterprise festivals or those who plan on establishing social enterprises. Until 2015, a total of 529 NGO activists participated in domestic and overseas training. In 2015, we conducted research that focuses on the Indonesian and domestic social economy, and the results are published in hardcopies.

5.5

Global CSR Activities

Regional Development Project in Myanmar

Hyundai Steel conducts CSR activities to develop Taung Bi Lay Village region in Mandalay, Myanmar. The long dry season and water shortage makes it difficult to secure drinking water and maintain welfare, hygiene, and education, especially for women and children. As part of Area Development Project, Hyundai Steel has built a community center and plans to provide mid-to long-term support to supply drinking water, offer job training, and provide programs that create income. In addition, Hyundai Steel implements various activities to communicate with local residents by sending employee volunteer groups to Myanmar, including repairing village facilities and providing training.



Area Development Project in Myanmar

Technology Support in India

Hyundai Steel India has supplied useful technology and products for community development in India. We hold contests among college students when selecting which technology or product to send to India, and the selected products include mosquito repellent incense, hand sanitizer made of eucalyptus, and construction materials. We aim to improve life quality of local residents by developing the technology and products, in collaboration with the local NGOs in India.



# SUSTAINABILITY PERFORMANCE

Economic Performance	58
Social Performance	61
Environmental Performance	69





# Economic Performance

## Market Status and Production Plan

### Market Trends

The growth of the steel industry is closely related to that of major industries, including automobile, shipbuilding, construction, electronics, and machinery. The demands for steels will continuously increase in domestic market, despite the decrease in demand due to the global economic downturn. In addition, following the sophistication of industries, the demands for high value-added and high-performance metal materials are expected to grow rapidly, and this will increase the supply and demand of high-quality steel products, which used to be considered less advantageous than the production and operation technology in domestic market.

### Market Share<sup>1)</sup>

(Unit: %)

Category	2013	2014	2015
Rod-type steel	37.5	36.9	34.1
Flat Steel	16.2	28.1	31.6

1) Domestic sales of each product (excluding import volume, source: Korea Iron & Steel Association))

### Production Plan

At the beginning of company foundation, the company relied on the electric furnace and 70% of production volume was rod-type steels. However, as the changes in steel industry around the world, Hyundai Steel has increased production of steel plates based on its Blast Furnace No.1, No.2, and No.3. Moreover, the merger with Hyundai Hysco led us to extend our product portfolio. We now have business relations with various clients from automobile to shipbuilding, and develop new products to satisfy their needs. Based on this capacity, we will be able to flexibly respond to changes in steel industry, along with increase in customer groups and sales.

### Sales Strategy

Hyundai Steel pursues sales strategies that ensure differentiation of values and strengthened technical support. First, we differentiate our portfolio by strengthening synergies between products, such as expanding market dominance and increasing the percentage of strategic and high value-added products. Also, we increased customer values by strengthening the early vendor involvement (EVI) activities and packages applied with new techniques and technologies and differentiating services through technical meetings and exchanges.

## Financial Performance Analysis

### Product Sales Amount and Production Amount

We have diversified our product portfolio by increasing the portion of strategic and sell them to distribution or end-users by offering total solutions through technological development.

### Product Sales Amount

(Unit: 1,000 tons)

Category		2013	2014	2015
Domestic	Rod-type steel	6,350	6,196	7,071
	Flat Steel	9,270	12,534	12,542
	Heavy Machinery, etc	1,049	987	877
Overseas	Flat Steel	-	-	1,740
	Heavy Machinery, etc	30	24	11
Internal transactions <sup>1)</sup>		(30)	(22)	(1,303)
Total		16,669	19,719	20,938

1) Sales of Overseas SSC recognized as internal transactions due to the merger with Hyundai Hysco in 2015 have been processed as negative values.

### Production Volume

(Unit: 1,000 tons)

Category	2013	2014	2015
Production Volume <sup>2)</sup>	16,174	19,374	21,181

2) Based on the production results of business reports.

### Economic Value Creation

Despite the prolonged global economic recession and slump in the domestic and international steel industry, Hyundai Steel could increase its operating profits through the sales of high-value added cold-rolled products after the merger with Hyundai Hysco. Also, we recorded KRW 16.13 trillion in sales and KRW 1.46 trillion in operating profits.

### Summary of Economic Value Creation<sup>3)</sup>

Category	2013	2014	2015
Sales (KRW billion)	13,532.8	16,762.4	16,132.5
Operating Profit (KRW billion)	762.6	1,491.1	1,464.1
Operating profit rate (%)	5.6	8.9	9.1
Current term net profit (KRW billion)	709.4	782.3	739.2

3) Based on the IFRS (International Financial Reporting Standards) consolidated financial statements.

### Credit Ratings

Korea Ratings	Korea Investors Service (KIS)	NICE	S&P	Moody's
AA(S)	AA(S)	AA(S)	BBB(S)	Baa3(P)

## Economic Performance Distribution

Hyundai Steel strives to create values for the benefit of society and its development. The values distributed to its stakeholders, including suppliers, employees, government, and local communities, were KRW 9,990.7 billion throughout 2015.

Stakeholder	Description	Sum (KRW billion)	Note
Shareholder & Investors	Return on investments	526.3	Provide dividends and interest
Government	Liability to pay taxes	197.8	Corporate taxes and public imposts
Local Communities	Giving back to society	13.3	Social contribution expenses
Suppliers	Direct & indirect support for mutual growth	8,287.6	Procurement expenses and funds for mutual growth
Employees	Work-life balance	965.8	Total wages

### Tax Policy

In order to return appropriate value to local communities through tax payment, Hyundai Steel complies with the provisions of the Commercial Act and relevant laws. We submit payment reports and statement of tax adjustment annually to the National Tax Service, thereby disclosing them to the public. Also, the reporting line and responsibility for settlement are all stated in internal regulations. We will faithfully comply with our tax obligations and minimize risk factors associated with taxation from the long-term perspective.

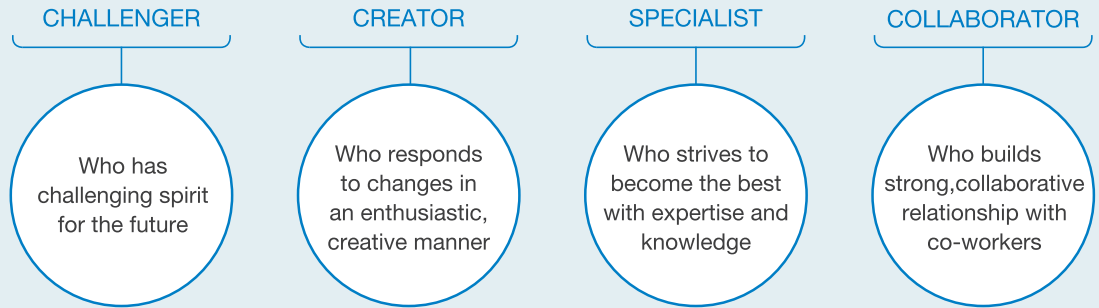
## Social Performance

### HR Development

#### Direction and Strategy

Hyundai Steel values challengers, creators, specialists, and collaborators as their employees. Thus, we set the three human resources (HR) development directions: Culture, People, and Infra, and strive to ‘foster Hyundai Steel talents with global competence and passion required to achieve the best integrated steelmaker’.

#### Ideal Employee



#### HRD Approach

PEOPLE	CULTURE	INFRA
Fostering professionals and next-generation leaders that create new values of steel	Creating sophisticated corporate culture that achieves core values and visions	Establishing various learning systems to aid employee development
<ul style="list-style-type: none"><li>• Systematic development of talent specializing in steel with expertise and leadership</li><li>• Strengthening the system for fostering core talent (management strategy, leadership, globality)</li></ul>	<ul style="list-style-type: none"><li>• Implementing development activities to achieve core values and Vision 2025</li><li>• Taking the lead in establishing a sophisticated corporate culture pursuing global standards</li></ul>	<ul style="list-style-type: none"><li>• Establishing LMS<sup>1)</sup> (e-Campus) for employees' voluntary participation and development</li><li>• Providing learning content by profession and job rotation system taking into consideration employees' CDP<sup>2)</sup></li></ul>

1) Learning Management System    2) Career Development Plan

#### HRD Strategy

GOAL	Foster Hyundai Steel talents with global competence and passion required to achieve the best integrated steelmaker
MISSION	Fostering top talent with outstanding personality and skills / Establishing a corporate culture that abides by principles and challenges
INITIATIVES	<div>Internalization</div> Internalize the core values <div>Systemization</div> Systemize the competency-building education program <div>Specialization</div> Specialize education programs

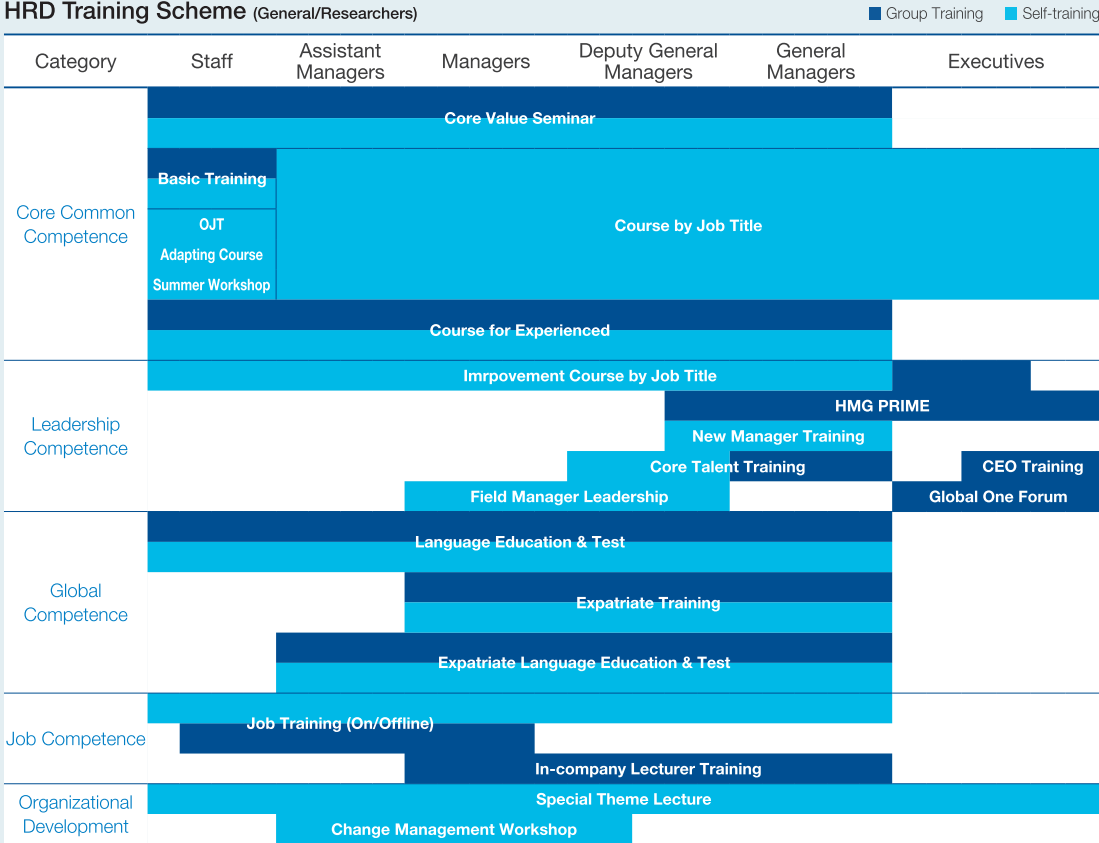


### HRD Training System

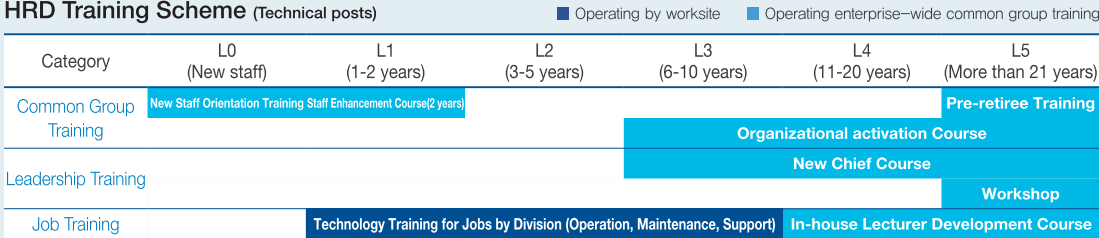
Hyundai Steel's HRD training system provides proper training programs for each job position of its employees. The HRD training system consists of Basic Skills, Leadership, Job Competency, Global Skills, and Organizational Development. Based on the HRD Training Scheme, a total of 482,377 hours of training was conducted in 2015.

Basic Skills	Develop core basic skills that determine how an employee works and thinks as a member of Hyundai Motor Group
Leadership	Develop competence to play the role of leaders and grow into leaders of the future
Job Competency	Develop behavioral competency required to conduct business and expertise to grow into professionals
Global Skills	Develop a global communication competence to foster international perspective and insights
Organizational Development	Innovate consciousness and train behavioral changes for radical reform of corporate culture

### HRD Training Scheme (General/Researchers)



### HRD Training Scheme (Technical posts)



### HRD Fostering System

Aiming to become an exemplary organization that is flexible and creative without being conventional, the foundation for talent development has been established and the role of HR division has been reaffirmed. To achieve this, we designated and implemented the following as major tasks in 2016: fostering the next-generation global leaders; strengthening programs for enhancing the new employees' understanding in the workplace; stabilizing the job training system for general positions; and setting up training scheme for researchers and technical posts.

### Global Training

After merging with Hyundai Hysco, the global training has been strengthened as the scope of the business expanded, including providing training for resident employee training and locally hired employees, and implementing a global inter-cultural experience program. In order to foster outstanding resident employees and to set up a management system, we strengthened training programs for before, during and after appointing the resident employee, while also verifying the language skills of the staff members to be sent abroad. Also, we introduced organization development programs to create a sound corporate culture and foster locally hired employees. Furthermore, we planned and provided inter-cultural programs for raising the global mindset of our employees.

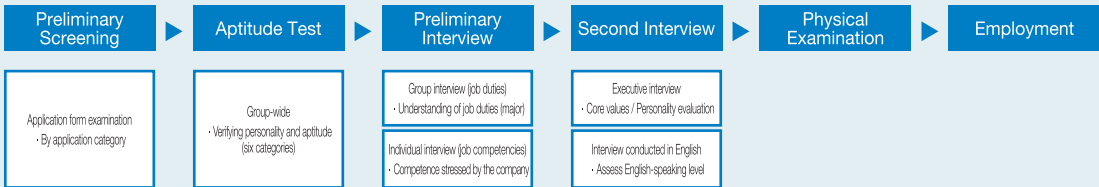
### Job Training for General Posts and Researchers

Many efforts have been made to promote job training for general posts and researchers. We strengthened steel basic skills training about processes and products by making e-learning content as common group training. In order to provide training on operation and knowhow, we look forward to increased effectiveness in training through our in-house job training programs. Also, we strengthened job training by increasing the scope of the subject of training in general posts and widened the choices made for courses, as well as set up and established a job training system separately for researchers.

## Human Resources Management

### Recruitment Principles

Hyundai Steel regards talented people as an invaluable asset for the competitiveness of the company and invests in employees with long-term high potential.



### Respect for Human Rights and Promotion of Diversity

Any unreasonable discrimination based on gender, race, religion, or regional origin is strictly prohibited. We help our employees with different talents and backgrounds motivate themselves at work by implementing diversity policies and improving related systems. We are an equal opportunity provider to all our employees to help them realize their full potential. The company also prohibits child labor and forced labor for any reason. We fully comply with the Korean Labor Law and International Labor Organization (ILO) conventions. Therefore, we also identify whether our overseas sites comply with these regulations on child labor and forced labor.

### Fair Evaluation and Compensation

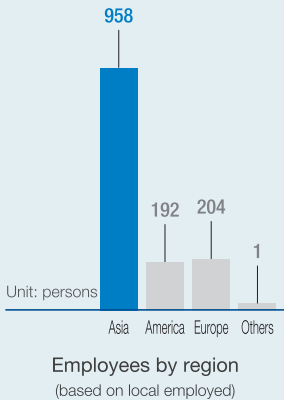
Equal opportunities are provided for all of its employees to help them realize their full potential, ensuring compensation based on ability and performance, and eliminating discrimination of any kind. Every individual employee's abilities and accomplishments are assessed to ensure their compensations are reasonably and fairly calculated.

### Workforce

The total number of Hyundai Steel employees is 11,344 as of December 31, 2015, with the average length of service for 11.2 years. There are 283 persons who are employees with disabilities in addition to 282 Korean veteran employees. The employees by region include 958 persons in China, 192 persons in America, 204 persons in Europe and one other person.

(Unit: persons, %)

Category		2013	2014	2015
Total	Employees	10,737	10,836	11,344
By gender	Male	10,381	10,503	11,010
	Female	356	333	334
By group	General	2,618	2,678	3,078
	Technical	7,621	7,760	7,921
	Others	498	398	345
By type	Regular	10,388	10,601	11,159
	Contract	349	235	185
By age	below 30	2,706	2,424	2,056
	below 40	3,429	3,717	4,334
	below 50	2,705	2,661	2,685
	51 or older	1,897	2,034	2,269
New recruits		872	565	650
Turnover rate		3.9	4.7	4.7



## Corporate Culture

### Family-Friendly Management

Through the Family-friendly Management Policy, we secure the work-life balance of employees, and further support their families' health, education, and leisure, beyond with their self-development, health, education and leisure activities of them. We will make diverse efforts to pursue the happiness of employees and their families.

(Unit: persons)

Category	2013	2014	2015
Parental leaves	3	15	9
Parental leave returns	3	15	8
Worked for 12 months or longer upon return	2	3	15

### Retirement Pension

Hyundai Steel has in place a retirement pension plan to secure the stable payment of retirement benefits. Severance pay is given in accordance with DB (defined benefit retirement pension) at the time of retirement. As of the end of 2015, KRW 541.4 billion has been deposited for retirement pension.

Deposits of retirement pension <sup>1)</sup>	No. of Employees who Joined the Pension	Retirement Pension Type
KRW 541.4 billion	10,653 persons	Defined benefit

1) As of December 2015

### Welfare Benefit Programs

Housing support	Support KRW 35 million for buying house, KRW 25 million for leasing house at low interest, accommodation for unmarried persons at Dangjin, Incheon, Pohang, Suncheon, and Ulsan Works
Commuting bus	Commuting buses for all areas including Seoul, Dangjin, Incheon, Pohang, and Suncheon
In-company gym and swimming pool	Employee-only indoor swimming pool at Seoul Office, free gym and sauna facilities at Dangjin, Incheon, Pohang, and Suncheon Works Operation of fitness center and swimming pool exclusively for employees at the Seoul Office
Discounts on Hyundai & Kia Motors	Offer discount on purchasing automobiles from Hyundai and Kia Motors for employees, additional discount provided in accordance with years of service
Discount at Hyundai Department Store	Issue employee-exclusive card for 10% discount and provide an online Hyundai Department Store website exclusively for employees
Condominium & Resort	Offer discount on various condominiums and resorts across Korea, including Hyundai I-park Condominium at Seolak and Haevichi Hotel & Resorts Jeju for employees' leisure
Support club activities	Provide support for various hobby and sports club activities
Medical support	Offer regular checkups and general health checkups, support hospital bills for employees (100%) and their families (50%) Operation of health clinics or health management office at all works and plants
Educational cost for children	Cover all school expenses for employees' children from high school
Support for summer vacations	Provision of vacation bonuses for all employees during summer vacations



Trust-Based Labor-Management Communication

Hyundai Steel maintains interactive communication between labor and management for mutual trust and enhances the employees’ understanding on management status. The company consults with its labor union, which represents 70% of its workforce on major issues such as employees’ complaints and improvement of welfare, with wage negotiations held every year. We also hold a Labor-Management Council at each of our worksites consisting of at least 20 members on the council from both sides convening quarterly meetings. At the Labor-Management Council held in 2015, we discussed better ways for close cooperation, including improving productivity, distributing results, enhancing the working environment, improving employees’ health, improving HR and labor management systems and enhancing employees’ welfare. In addition, we established the foundation for trust-based labor-management relationship by consulting with the labor union or its representatives regularly, such as conducting safety inspections on worksites, holding employee training and implementing volunteer activities. After merging with Hyundai Hysco, we applied the systems by holding consultations with the labor union from the merger to resolve problems arising from the difference between the wage and HR systems of both companies.

Labor Rights at Overseas Worksites

There are locally hired employees with different nationalities at Hyundai Steel’s overseas worksites. In response to this, we make sure the worksites comply with the labor acts in each country, and make efforts to prevent unfair labor practices that interfere with labor. Furthermore, in order to prevent any labor-management conflict that might occur due to misunderstanding about local culture or law beforehand, we seek ways to communicate with locally hired employees by holding meetings with them, providing regular management briefing sessions and establishing a grievance mechanism.

Customer-oriented Management

Customer Satisfaction Principle

Hyundai Steel prioritizes ‘customer satisfaction’ in its management policy and business strategy, so that all management activities emphasize the importance of customer satisfaction. Based on such principles and basics, we believe that we can only gain the trust of our customers by being genuine to them.

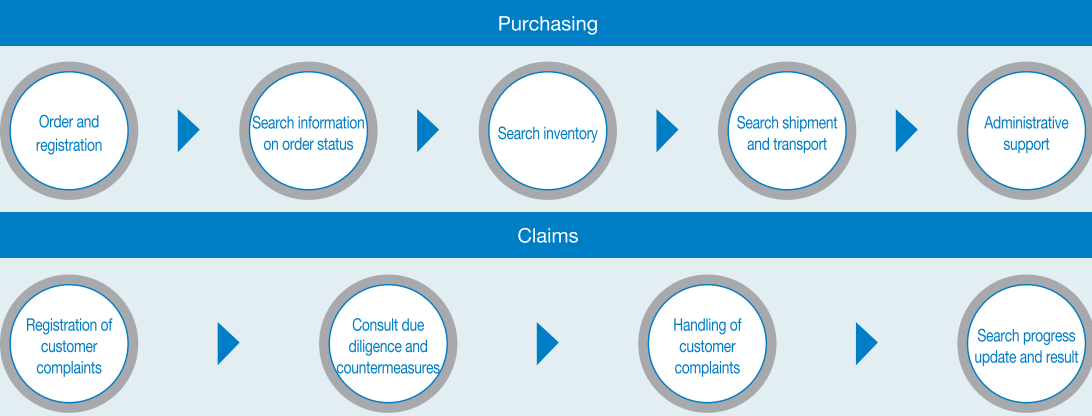
Organization for Customer Satisfaction

In order to improve customer satisfaction levels, Hyundai Steel has an organization that can manage and improve all factors that might have an impact on its customers, including sales, R&D and services. The sales organization that is in direct contact with customers maintains a customer-oriented system consisting of exclusive teams for different industries. Meanwhile, the R&D and services organizations carry out customized activities that suit different customer characteristics based on related systems.

Customer Portal System

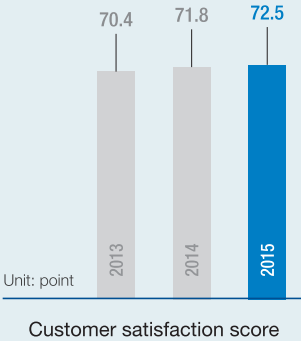
As a measure to optimize the customer information management, Hyundai Steel runs a customer portal system that handles customer information all at once. The customer portal system handles all processes from order to delivery, including purchasing, customer complaints and handling claims, as well as making improvements that increase customer satisfaction levels, such as regularly updating customer information, analyzing sales, delivery and fulfillment rate by customer and product, and addressing problems and customer complaints.

Functions of Customer Portal System



Customer Satisfaction Surveys

Hyundai Steel conducts selective customer satisfaction surveys of the customers who conducted transactions in major business divisions. The survey encompasses the overall process from a client company’s purchase decision-making step to usage step, as also the quantitative evaluation on customer-oriented environment, pricing policy, technology development, order processing, customer portal system, distribution service, delivery, technical support and claim processing. Also, we conduct qualitative assessment through interviews with our major clients. Based on such efforts, we derived top priority improvement agendas for enhancing customer satisfaction. In 2015, we increased the customer sample count for the survey and added additional questions, while also calculating the weighted value based on statistical analysis. This was reflected in the result to strengthen the objectivity and reliability of the customer satisfaction survey.



## Occupational Safety and Health

### Safety Management Operating Policy

In order to minimize safety accidents and strengthen advanced safety capabilities, Hyundai Steel established and implemented a Safety Management Operating policy. In 2014, we strengthened the foundation for safety management, and in 2015, we implemented diverse activities to set up the basis for autonomous safety management. In 2016, we will carry out safety management activities that focus on reinforcing our safety capabilities to ensure a more advanced safety culture.

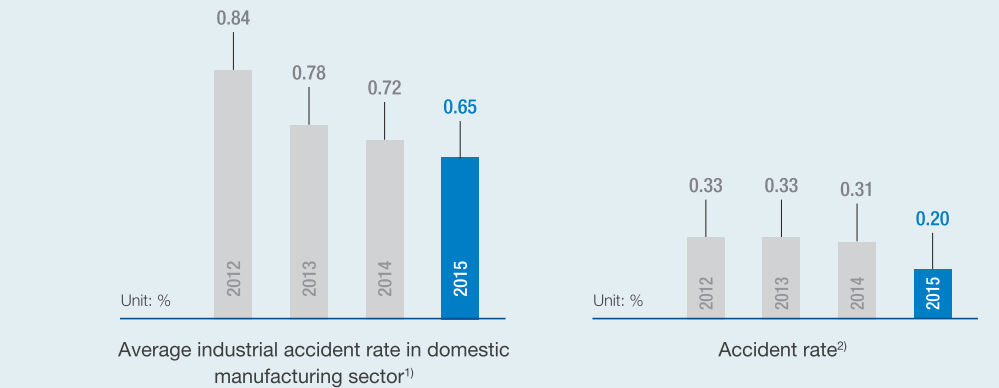
### Goal of Safety Management: Zero Serious or Grievous Disasters

#### Implementation Direction

	2014 Establish the basic foundation for safety	2015 Establish the foundation for autonomous safety management	2016 Strengthening advanced safety capabilities
INFRA	Create a safe workplace	Preemptive management of potential risks	Establishing process safety system
SYSTEM	Set up a safety management system	Routine intervention to keep safety	Evaluate the responsibility of safety management
MIND	Improve awareness on safety	Facilitating communication on safety	Spreading the culture of intervention to keep safety

### Occupational Safety and Health Performance

Hyundai Steel acquired OHSAS 18001 certification and has a specialized safety system for each worksite to raise the safety consciousness of its employees and to continue reporting zero-disasters.



1) Refer to analysis on occupational accident 2012-2015 by Korea Occupational Safety & Health Agency (KOSHA)

2) Number of disaster victims / Number of total employees

### Occupational Safety and Health Committee

Hyundai Steel has an Occupational Safety and Health Committee for each worksite to promote the culture of safety and health. Through the Committee, the labor and management deliberate upon and resolve important safety and health issues to prevent dangerous occurrences or pose health hazards for employees. The Committee consists of equal number of employees from labor and management, and includes representatives of workers and those of the worksite. In 2015, Dangjin Integrated Steelworks discussed about measures to ensure a safe test working at the special steel plant, including establishing a comprehensive safety management plan, running a test working organization and setting up a safety activity plan.

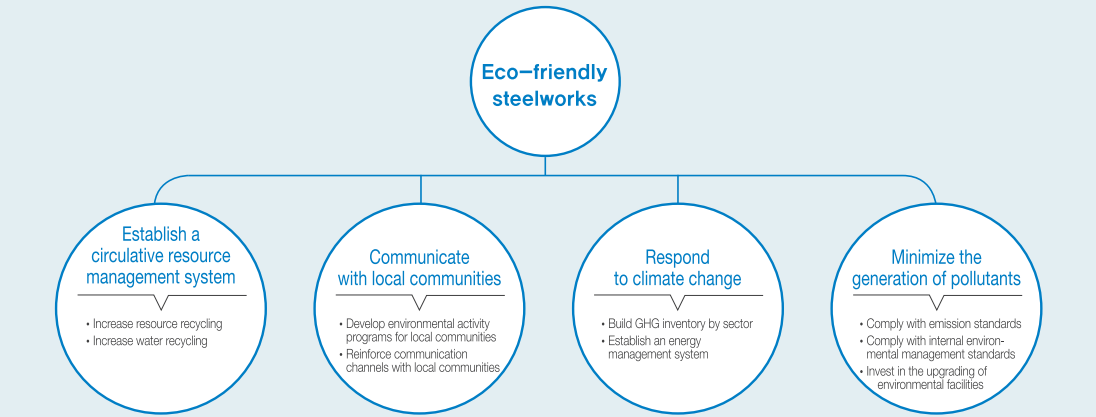
## Environmental Performance

### Environmental and Energy Management

#### Environmental and Energy Management Policies

Hyundai Steel strives to minimize environmental impact and achieve sustainable development by utilizing resources and energy efficiently all throughout its business activities. Hyundai Steel strives to minimize its emissions of environmental pollutants throughout the whole production process, by establishing an environment and energy management policy and carrying out initiatives according to different stages. Also, the major domestic worksites at Hyundai Steel received certifications from the International Organization ISO 14001 (environmental management system) and ISO 50001 (energy management system). In particular, we set up an energy reduction system by renewing our ISO 50001 certification in 2015, including a detailed analysis of energy use, exploring reduction tasks and standardization of operation.

#### Key Elements of Environment and Energy Management



### Environmental and Energy Organization Structure

Hyundai Steel formed an organization for environment and energy management, which plans environment and energy management strategies, monitors the environment and energy facility managements and compliance with related regulations, and develops related technologies. The organization consists of a planning team at headquarters, administrative teams at plants, and a technology development team at the R&D Division. The planning team supports the internal and external responses to the environment and energy policies, and company-wide and external environmental and energy-related activities, analyzes trends in external policies, establishes climate change and energy response system, and overlooks the company's response to carbon regulations and energy issues in and out of Korea. Plant-level administrative teams take care of environment and energy-related issues associated with production activities at each steelworks, such as disposal of pollutants and energy management. The team at the R&D Division is in charge of R&D activities specialized in environmental and energy-related technologies and process innovation.





### Environmental Investment

In order to fulfill the environmental vision of becoming the ‘world’s top eco-friendly steelworks’, Hyundai Steel has increased its investment in environmental facilities, and has continued to improve and create a pleasant working environment

(Unit: KRW billion)

Category	2013	2014	2015
Environmental operating cost <sup>1)</sup>	211.6	298.5	272.5
Environmental investment <sup>2)</sup>	62.5	64.9	70.8

- 1) The environmental operating cost includes environmental facility operation costs (electricity bills, maintenance expenses, and labor expenses), resource creation costs (by-product processing expenses, transport expenses, reclamation expenses, and consignment expenses), general administrative costs, depreciation costs, energy collection costs, and environmental R&D expenses.
- 2) Environmental investment is the amount used in improving the dust collecting systems to reduce air pollutants, adding pipes to supply recycling water for water protection, and extending slag treatment facilities for resource recycling.

### Air Quality Management

Hyundai Steel makes every effort to keep the air quality around its worksites as comfortable as possible through air-tight control of pollutant emissions such as dust, odor, or noise with its tele-monitoring system (TMS). Equipped with an enclosed raw material processing system, Dangjin Integrated Steelworks keeps emissions of dust, SOx and NOx lower than the legal minimum.

(Unit: kg)

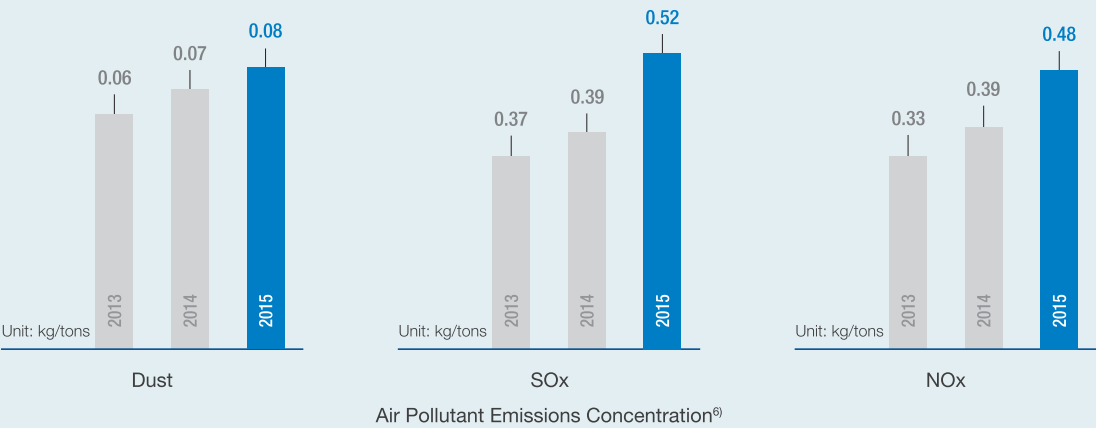
Category		2013	2014	2015
Air Pollutant Emissions	Dust	1,007,490	1,373,430	1,596,654
	SOx <sup>3)</sup>	6,057,266	7,566,241	11,047,170
	NOx <sup>4)</sup>	5,314,289	7,546,241	10,272,132

- 3) Sulfur oxide
- 4) Nitrogen oxide

(Unit: ng/m<sup>3</sup>)

Category	Worksite	2013	2014	2015
Dioxin Emissions Concentration	Blast furnace in Dangjin <sup>5)</sup>	0.06	0.03	0.17
	Electric arc furnace in Dangjin <sup>5)</sup>	0.01	0.01	0.02
	Incheon	0.04	0.06	0.04
	Pohang	0.05	0.04	0.01

- 5) Data adjusted due to changes of standard.



- 6) Revised the air pollutant emissions for 2013 and 2014 due to changes of standard.

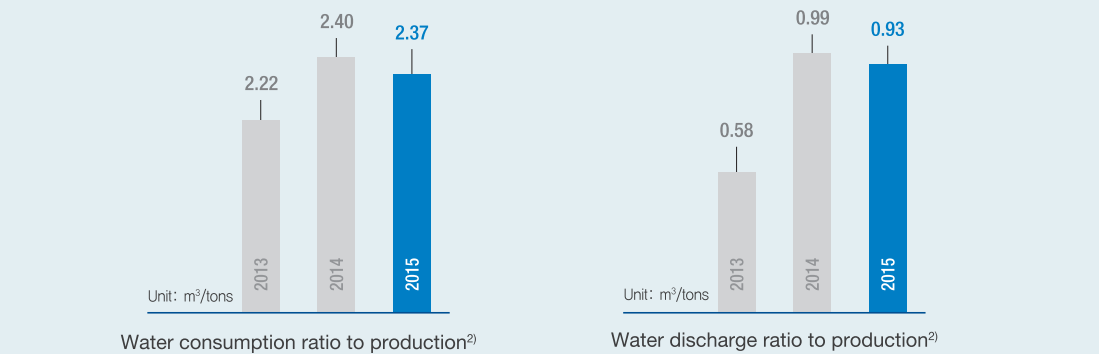
### Water Quality Management

We increased wastewater recycling as a response to water risks caused by water scarcity over the world. The total amount of water consumption increased, but the ratio of total water usage compared to crude steel production was remained at 2.37m<sup>3</sup>/t-s, which is lower than that of the previous year, due to the our continued efforts in water conservation. We are also making efforts to minimize the impacts of discharged water on the ecosystem of surrounding areas near the worksites. In particular, Dangjin Integrated Steelworks is taking measures in response to increased wastewater and stricter legal discharge standards by expanding wastewater treatment plants with membrane bioreactor (MBR) techniques applied to them.

(Unit: 1,000m<sup>3</sup>)

Category		2013	2014	2015
Water Usage	Total	35,983	46,592	50,240
	Industrial Water	29,323	38,878	42,296
	Water Supply	3,328	3,796	4,157
	Others <sup>1)</sup>	3,332	3,918	3,787
Wastewater Treatment Amount	Total	17,102	24,035	27,148
	Water Recycled	7,706	4,810	7,522
	Water Discharge	9,396	19,225	19,626

- 1) Based on Standards for using recycled water at Gajwa Wastewater Treatment Plant in Incheon



- 2) Revised the data for 2013 and 2014 due to changes of standard

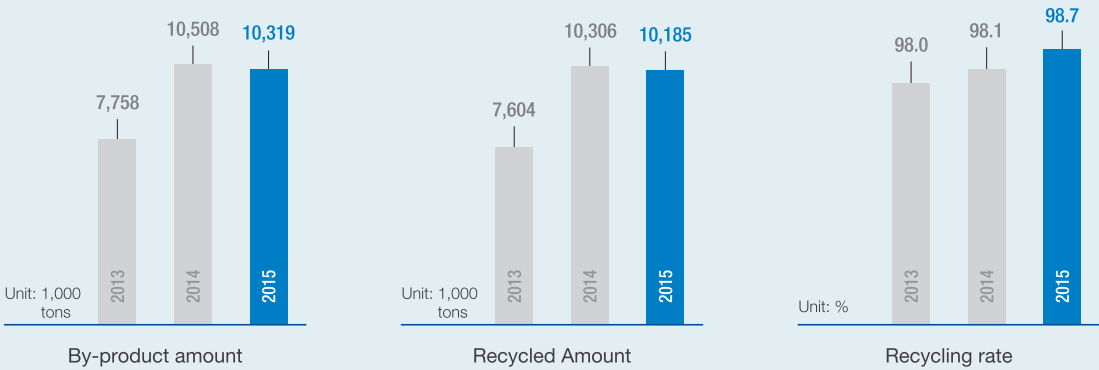
(Unit: mg/l)

Category	Worksite	2013	2014	2015
Suspended Solid <sup>3)</sup>	Dangjin Blast Furnace	1.4	2.4	2.1
	Dangjin Electric Furnace in Dangjin	1.4	1.5	1.7
	Incheon	48.9	24.3	25.0
	Pohang	1.7	1.7	1.7
	Suncheon	-	0.8	0.7
	Ulsan	-	-	8.2
COD <sup>4)</sup>	Blast furnace in Dangjin	14.4	17.2	10.6
	Electric arc furnace in Dangjin	3.0	2.8	6.4
	Incheon	63.4	64.0	43.0
	Pohang	3.8	3.8	3.8
	Suncheon	-	8.3	8.1
	Ulsan	-	-	24.2

- 3) Insoluble substance or particles suspended in water
- 4) Chemical Oxygen Demand

### By-Product Recycling

Hyundai Steel strives to minimize waste discharged and utilize by-products generated from the steel production process.



(Unit: 1,000 tons)				
Category		2013	2014	2015
By-product Amount by Type	Slag	5,302	6,986	6,728
	Dust	408	540	501
	Refractory Waste	109	134	144
	Sludge	464	646	669
	Others	1,475	2,202	2,277

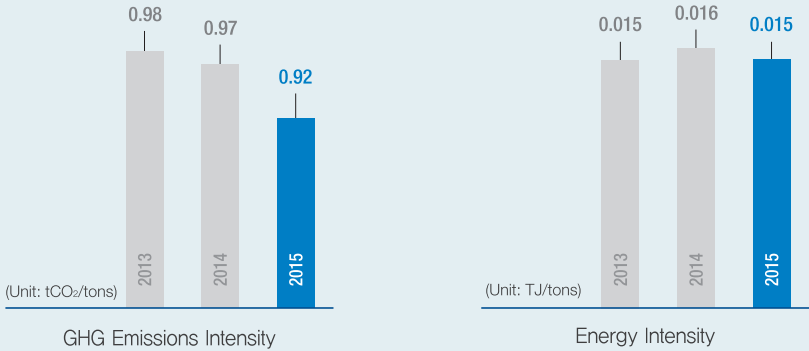
### Climate Change Response

The scope of the calculation for GHG emissions and energy consumption covers the Headquarters, Seoul Sales Office, Dangjin Integrated Steelworks, Incheon Works, Pohang 1·2 Works, Suncheon Works, Suncheon Forging Plant, Ulsan Works, Yesan Works, Onsan Works, and Uiwang R&D Division. In 2015, the figures increased since the gross production volume grew with the completion of the merger with Hyundai Hysco, but the intensity of greenhouse gas emissions and energy consumption decreased from the previous year through continuous efforts made to reduce GHG emissions.

(Unit: 1000 tons CO <sub>2</sub> )				
Category		2013	2014	2015
GHG Emissions <sup>1)</sup>	Total	15,898	18,797	19,573
	Scope1	11,080	13,317	14,157
	Scope2	4,818	5,480	5,416

(Unit: TJ)				
Category		2013	2014	2015
Energy Consumption Amount <sup>1)</sup>	Total	245,705	304,171	314,240
	Electricity	91,202	102,967	103,708
	Fuel	152,951	199,027	208,884
	Steam	1,552	2,177	1,648

1) Data adjusted due to changes of national GHG standard



### Integrated GHG Management System

Hyundai Steel established the Greenhouse Gas, Energy Management System (GEMS) in order to efficiently manage greenhouse gas emissions and energy consumption. GEMS allows us to manage such documents as annual use of raw materials, amount of electric power purchased, and production volume of products, for calculating GHG emissions. Also, we developed menus that can manage energy reduction tasks for cutting down on GHG emission and energy consumption.



# Financial Statement

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## Independent Audit Report

Hyundai Steel Company  
To the shareholders and the board of directors of Hyundai Steel,

February 29, 2016

We have audited the accompanying financial statements of Hyundai Steel, which comprise the statement of financial position as of December 31, 2015 and as of December 31, 2014, the statement of income and expenses, the statement of changes in net assets and the cash flow statement for the fiscal year then ended, as well as a summary of significant accounting policies and other explanatory notes to the financial statements.

### Responsibility of the Management of Hyundai Steel for the financial statements

The management is responsible for the preparation and proper overall presentation of the financial statements in accordance with K-IFRS (Korean International Financial Reporting Standards) relating to the preparation of financial statements and for the internal controls considered necessary to enable the financial statements to be prepared such that they are free from material misstatement, irrespective of whether this is due to fraud or error.

### Responsibility of Auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we comply with professional conduct requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the auditor, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and proper overall presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of evaluating the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of Hyundai Steel, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Hyundai Steel as of December 31, 2015 and December 31, 2014, and of the results of its operations and changes in its net assets and cash flows for the fiscal year then ended in accordance with K-IFRS (Korean International Financial Reporting Standards).

### Matter of Significance

As a significant matter to be taken into consideration to ensure reasonable decisions are made by a person using this Audit Report on these financial statements, the company has merged with Hyundai Hysco on July 1, 2015 as stated in note 37. As a result, the company's assets increased by KRW 1,675,153 million (including business rights of KRW 189,861 million) and debts increased by KRW 586,807 million.

27th Floor, Gangnam Finance Center, 152, Teheran-ro, Gangnam-gu, Seoul, Korea  
Samjong KPMG CEO Kim, Kyo Tae

This report is effective as of the auditors' report date (February 29, 2016). Certain subsequent events or circumstances that could significantly affect the accompanying financial statements may have occurred between the auditors' report date and the time the auditors' report is read. This may result in modifications to the auditors' report.

## Consolidated Statements of Financial Position

Hyundai Steel Company and Subsidiaries

51<sup>st</sup> (As of December 31, 2015)

50<sup>th</sup> (As of December 31, 2014)

(Unit: KRW)		
Account	51 <sup>st</sup>	50 <sup>th</sup>
<b>Assets</b>		
I. Total current assets	6,666,847,614,070	6,120,637,512,290
Cash and cash equivalents	820,293,377,680	695,483,722,766
Short-term financial instruments	188,951,393,609	180,376,679,213
Trade and other receivables	2,249,012,150,413	2,165,675,060,100
Income tax refund receivables	7,826,134,909	-
Inventories	3,287,218,827,476	2,953,972,759,040
Current derivative financial assets	13,102,025,933	-
Other current financial assets	11,155,109,690	10,239,054,061
Other current assets	89,288,594,360	110,890,237,110
Assets held-for-sale		4,000,000,000
II. Total non-current assets	25,269,585,923,391	22,813,161,889,858
Non-current trade and other receivables	8,770,152,807	678,280,455
Available-for-sale financial assets	1,450,944,101,872	1,391,086,795,524
Investments in associates	116,252,881,797	115,567,455,953
Investment property, net	218,603,025,027	219,547,800,590
Property, plant and equipment, net	21,410,717,552,774	19,572,284,839,279
Intangible assets, net	1,852,604,842,964	1,341,026,934,109
Non-current derivative financial assets	6,701,054,854	179,795,443
Other non-current financial assets	160,784,922,645	163,058,581,621
Deferred tax assets	20,050,477,048	8,936,135,910
Other non-current assets	24,156,911,603	795,270,974
Total assets	31,936,433,537,461	28,933,799,402,148
<b>Liabilities</b>		
I. Total current liabilities	6,657,440,588,526	5,885,585,483,280
Trade and other payables	2,458,879,019,012	1,878,044,862,366
Short-term borrowings	1,893,484,852,382	1,866,156,485,598
Current portion of bonds	1,400,372,814,106	939,428,697,679
Current portion of long-term borrowings	653,378,892,365	901,396,915,873
Income taxes payable	116,558,353,459	155,714,100,593
Current derivative financial liabilities	2,462,403,736	3,547,937,388
Other non-current financial liabilities	363,400,000	-
Other current liabilities	131,940,853,466	141,296,483,783
II. Total non-current liabilities	9,758,994,346,807	9,233,426,347,053
Bonds	4,579,221,197,078	4,591,033,769,870
Long-term borrowings	4,409,825,463,846	3,951,602,154,045
Non-current derivative financial liabilities	15,171,928,432	10,863,741,027
Other non-current financial liabilities	1,079,963,151	1,969,126,768
Defined benefit liabilities	95,944,442,610	78,086,550,340
Deferred tax liabilities	601,066,165,970	555,479,831,666
Other non-current liabilities	56,685,185,720	44,391,173,337
Total liabilities	16,416,434,935,333	15,119,011,830,333
<b>Equity</b>		
I. Equity attributable to owners of the Parent Company	15,242,022,800,475	13,623,903,615,917
Share capital	667,228,925,000	582,748,920,000
Share premium	3,921,954,413,634	2,869,623,263,719
Retained earnings	9,794,918,989,922	9,191,935,247,743
Accumulated other comprehensive income	1,040,931,727,413	992,190,799,354
Treasury stock	(183,011,255,494)	(12,594,614,899)
II. Non-controlling interests	277,975,801,653	190,883,955,898
Total equity	15,519,998,602,128	13,814,787,571,815
Total liabilities and equity	31,936,433,537,461	28,933,799,402,148

## Consolidated Statements of Comprehensive Income

Hyundai Steel Company and Subsidiaries

51<sup>st</sup> January 1, 2015 ~ December 31, 2015

50<sup>th</sup> January 1, 2014 ~ December 31, 2014

(Unit: KRW)		
Account	51 <sup>st</sup>	50 <sup>th</sup>
I. Sales	16,132,512,865,309	16,762,359,710,587
II. Cost of sales	(13,701,874,413,909)	(14,441,611,789,482)
III. Gross profit	2,430,638,451,400	2,320,747,921,105
IV. Selling, general and administrative expenses	(966,496,708,672)	(829,609,437,617)
V. Operating income	1,464,141,742,728	1,491,138,483,488
VI. Financial Income(loss)	(483,000,111,481)	(412,440,010,856)
Finance income	117,331,770,752	215,284,187,056
Finance costs	(600,331,882,233)	(627,724,197,912)
VII. Share of profit of associates	9,494,766,187	11,528,755,804
VIII. Other Income(loss)	(63,908,980,783)	8,523,858,973
Other income	158,269,731,293	113,083,893,829
Other expenses	(222,178,712,076)	(104,560,034,856)
IX. Profit before income taxes	926,727,416,651	1,098,751,087,409
X. Income tax expense	(187,560,785,017)	(316,455,731,694)
XI. Profit for the year	739,166,631,634	782,295,355,715
XII. Other comprehensive income (loss)	4,780,706,148	(274,251,709,106)
Items that are or may be reclassified to profit or loss:		
Gain (loss) on fair value of AFS financial assets	43,195,756,621	(234,490,797,459)
Capital change in equity method	60,873,776	48,247,354
Income on valuation of derivative instruments	6,678,963,874	(3,005,447,617)
Gain(loss) on overseas operations translation	(1,293,464,839)	340,941,858
Items that will be never reclassified to profit or loss:		
Re-measurements of defined benefit plan	(43,861,423,284)	(37,144,653,242)
XIII. Total comprehensive income for the year	743,947,337,782	508,043,646,609
XIV. Profit attributable to:	739,166,631,634	782,295,355,715
Owners of the Parent Company	733,620,694,702	764,761,099,904
Non-controlling interests	5,545,936,932	17,534,255,811
XV. Total comprehensive income attributable to:	743,947,337,782	508,043,646,609
Owners of the Parent Company	738,633,546,738	492,147,213,595
Non-controlling interests	5,313,791,044	15,896,433,014
<b>XVI. Earnings per share</b>		
Basic earnings per share in won	5,955	6,600



## Consolidated Statements of Changes In Equity

Hyundai Steel Company and Subsidiaries

51<sup>st</sup> January 1, 2015 ~ December 31, 2015

50<sup>th</sup> January 1, 2014 ~ December 31, 2014

(Unit: KRW)							
Description	Share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Treasury stock	Non-controlling interests	Total
Balance At January 1, 2014	582,748,920,000	2,869,623,263,719	8,520,651,019,336	1,229,267,065,166	(12,594,614,899)	174,987,522,884	13,364,683,176,206
Total comprehensive income for the year:							
Profit for the year	-	-	764,761,099,904	-	-	17,534,255,811	782,295,355,715
Gain (loss) on fair value of AFS financial assets	-	-	-	(234,428,329,897)	-	(62,467,562)	(234,490,797,459)
Capital change in equity method	-	-	-	16,569,844	-	31,677,510	48,247,354
Income on valuation of derivative instruments	-	-	-	(3,005,447,617)	-	-	(3,005,447,617)
Gain(loss) on overseas operations translation	-	-	-	340,941,858	-	-	340,941,858
Re-measurements of defined benefit plan	-	-	(35,537,620,497)	-	-	(1,607,032,745)	(37,144,653,242)
Transactions with owners of the Parent Company, recognized directly in equity:							
Dividends	-	-	(57,939,251,000)	-	-	-	(57,939,251,000)
Balance at December 31, 2014	582,748,920,000	2,869,623,263,719	9,191,935,247,743	992,190,799,354	(12,594,614,899)	190,883,955,898	13,814,787,571,815
Balance at January 1, 2015	582,748,920,000	2,869,623,263,719	9,191,935,247,743	992,190,799,354	(12,594,614,899)	190,883,955,898	13,814,787,571,815
Total comprehensive income for the year							
Profit for the year	-	-	733,620,694,702	-	-	5,545,936,932	739,166,631,634
Gain (loss) on fair value of AFS financial assets	-	-	-	43,330,573,572	-	(134,816,951)	43,195,756,621
Capital change in equity method	-	-	-	24,855,452	-	36,018,324	60,873,776
Income on valuation of derivative instru-ments	-	-	-	6,678,963,874	-	-	6,678,963,874
Gain(loss) on overseas operations translation	-	-	-	(1,293,464,839)	-	-	(1,293,464,839)
Re-measurements of defined benefit plan	-	-	(43,728,076,023)	-	-	(133,347,261)	(43,861,423,284)
Transactions with owners of the Parent Company, recognized directly in equity:							
Dividends	-	-	(86,908,876,500)	-	-	(904,103,450)	(87,812,979,950)
Acquisition of treas-ury stock	-	-	-	-	(113,971,516,091)	-	(113,971,516,091)
Non-controlling interests related to business combi-nations	-	-	-	-	-	103,745,666,413	103,745,666,413
Effect of merger	84,480,005,000	1,060,311,131,904	-	-	(56,445,124,504)	-	1,088,346,012,400
Additional acquisition of investments in subsidiaries	-	(7,979,981,989)	-	-	-	(21,063,508,252)	(29,043,490,241)
Balance at December 31, 2015	667,228,925,000	3,921,954,413,634	9,794,918,989,922	1,040,931,727,413	(183,011,255,494)	277,975,801,653	15,519,998,602,128

## Consolidated Statements of Cash Flows

Hyundai Steel Company and Subsidiaries

51<sup>st</sup> January 1, 2015 ~ December 31, 2015

50<sup>th</sup> January 1, 2014 ~ December 31, 2014

(Unit: KRW)		
Description	51 <sup>st</sup>	50 <sup>th</sup>
I. Cash flows from operating activities	3,065,578,788,245	1,936,559,205,481
1. Cash generated from operations	3,745,415,240,167	2,555,464,054,316
(1) Profit for the year	739,166,631,634	782,295,355,715
(2) Additions of expenses and others not involving cash outflows	2,199,813,909,983	2,201,236,843,071
(3) Deduction of income and others not involving cash inflows	(95,539,112,340)	(124,742,722,609)
(4) Changes in assets and liabilities:	901,973,810,890	(303,325,421,861)
Trade and other receivables	881,783,898,237	(76,388,909)
Inventories	507,544,228,517	247,249,344,813
Other current financial assets	2,021,976,957	1,442,079,054
Other current assets	48,466,217,570	(11,193,332,187)
Other non-current financial assets	(9,098,051,420)	(12,458,255,459)
Other non-current assets	(42,992,464,688)	(11,703,442)
Trade and other payables	(331,141,619,497)	(450,869,690,082)
Other current liabilities	(35,774,826,330)	17,062,727,516
Other non-current financial liabilities	(530,046,207)	(105,622,437)
Other non-current liabilities	3,383,475,656	21,177,452,170
Derivative financial assets and liabilities	3,526,140,882	(295,112,167)
Payment of severance benefit	(52,002,113,817)	(37,488,867,912)
Plan assets	(72,989,224,299)	(77,812,225,761)
Transference between affiliates	(223,780,671)	54,172,942
2. Interest received	12,267,793,228	18,653,784,498
3. Dividends received	25,631,989,050	19,970,650,750
4. Interest paid	(428,617,729,728)	(433,703,098,068)
5. Income taxes paid	(289,118,504,472)	(223,826,186,015)
II. Cash flows from investing activities	(2,194,647,065,434)	(1,131,402,279,238)
1. Cash inflows from investing activities	1,032,232,302,029	820,984,295,734
Decrease in short-term financial instruments	826,602,501,627	769,098,931,570
Decrease in other current financial assets	34,485,204	948,000
Disposition of assets held for sale	500,000,000	-
Proceeds from sale of available-for-sale financial assets	13,765,004,416	5,839,247,437
Proceeds from disposal of investment property	531,500,000	651,227,945
Proceeds from disposal of property, plant and equipment	22,616,853,198	37,275,028,583
Proceeds from disposal of intangible assets	2,353,464,248	1,003,663,985
Decrease in other non-current financial assets	15,980,436,743	7,115,248,214
Cash inflows resulting from mergers	149,848,056,593	-
2. Cash outflows from investing activities	(3,226,879,367,463)	(1,952,386,574,972)
Increase in short-term financial instruments	(830,320,560,802)	(806,448,750,337)
Increase in other current financial assets	(191,957,000)	(924,000)
Increase in other current assets	-	(29,430,000,000)
Acquisition of available-for-sale financial assets	(14,174,035,000)	(4,788,585,000)
Acquisition of investments in associates	-	(203,720,000)
Net cash flow resulting from the acquisition of subsidiaries	(112,436,134,700)	-
Acquisition of investment property	(3,206,500)	-
Acquisition of property, plant and equipment	(2,216,676,691,960)	(1,053,776,305,350)
Acquisition of intangible assets	(47,581,359,912)	(48,215,389,594)
Increase in other non-current financial assets	(5,495,421,589)	(9,522,900,691)
III. Cash flows from financing activities	(746,235,646,146)	(875,419,990,222)
1. Cash inflows from financial activities	11,772,611,754,589	9,196,533,421,448
Proceeds from short-term borrowings	7,840,992,912,839	7,611,772,858,264
Proceeds from bonds	1,205,122,200,000	826,667,500,000
Proceeds from long-term borrowings	2,726,496,641,750	758,093,063,184
2. Cash outflows from financial activities	(12,518,847,400,735)	(10,071,953,411,670)
Repayment of short-term borrowings	(8,227,378,410,685)	(8,568,268,474,441)
Repayment of the current portion of debentures	(940,000,000,000)	(679,822,660,214)
Repayment of the current portion of long-term borrowings	(1,112,977,695,270)	(608,711,762,009)
Redemption of debentures	(20,000,000,000)	(141,400,000)
Repayment of long-term borrowings	(2,016,706,798,739)	(157,069,864,006)
Payment of dividends	(87,812,979,950)	(57,939,251,000)
Acquisition of treasury stock	(113,971,516,091)	-
IV. Effect of exchange rate changes on cash and cash equivalents	113,578,249	380,473,895
V. Net increase(decrease) in cash and cash equivalents (I+II+III+IV)	124,809,654,914	(69,882,590,084)
VI. Cash and cash equivalents at the beginning of the year	695,483,722,766	765,366,312,850
VII. Cash and cash equivalents at the end of year	820,293,377,680	695,483,722,766

# Non-Financial Statement

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## Third Party Assurance Statement

### Introduction

Hyundai Steel Company ("Hyundai Steel") commissioned DNV GL Business Assurance Korea Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2015 (the "Report"). The directors of Hyundai Steel have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of Hyundai Steel in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

### Scope of Assurance

The scope of assurance includes a review of sustainability activities and performance data over the reporting period from 1st January to 31st December 2015. This also includes:

- Evaluation of the principles for defining the sustainability report content in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0
- Evaluation of the process for determining material aspects for reporting and the management approach to material issues and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

### Basis of our Opinion

We've performed our work using DNV GL's assurance methodology VeriSustain<sup>1)</sup>TM1, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The audit was carried out in March and April 2016. The site visits were made to Hyundai Steel' Head quarter and Dangjin Steel Mill. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system and associated reporting systems as they relate to selected content and performance data;
- reviewed the outcomes of stakeholder consultation report and the materiality assessment report.

### Limitations

The engagement excludes the sustainability management, performance and reporting practices of Hyundai Steel's associated companies, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as Hyundai Steel's website ([www.hyundai-steel.com](http://www.hyundai-steel.com)). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

1) The VeriSustain protocol is available upon request at [www.dnvgl.com/assurance/reporting/verification.html](http://www.dnvgl.com/assurance/reporting/verification.html)



## Third Party Assurance Statement

### Opinion and Observation

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe the adherence to the Principles for defining report content in GRI G4. Further opinions with regards to the adherence to the Principles are made below;

#### Stakeholder Inclusiveness

Hyundai Steel has identified internal and external stakeholder groups such as Customers, Employees, Suppliers, and Shareholders, Local Communities and NGOs/Government/Mass Media. Hyundai Steel engages with the stakeholders at the company and business unit levels through various channels. The examples of approaches to engage with selected stakeholders and relevant organizations are described in the Report.

#### Sustainability Context

The stakeholders can review Hyundai Steel's mid and long term vision and the roadmap to reach the vision from the Report. The vision shows how Hyundai Steel aims to contribute in the future to the improvement of social and economic value. The selected sustainability issues address the connection between the business context of Hyundai Steel and the relevant social and environmental values within its value chains. Various performances associated with sustainability are subsequently presented.

#### Materiality

Hyundai Steel has conducted materiality assessment to prepare the Report. The relevant issue pool is formed by analysing the key issues from the global sustainability initiatives and standards, the topics that 9 industry peers and 3 sister companies in Hyundai Motor Group consider material and the subjects covered by mass media for the year ending 31 December 2015. The issues in the pool are rated by internal and external stakeholders via survey for the prioritization. The audit team has reviewed the materiality assessment process and confirms relevant material issues prioritized from the process are addressed in the Report.

#### Completeness

The Report has covered the sustainability strategy, management approach and sustainability performances of Hyundai Steel for the reporting period. The audit team has not found material omissions or errors in the Report when it comes to reporting boundary and material aspects.

### Opportunity for improvement


The following is an excerpt from the observations and opportunities reported to Hyundai Steel's management. However, it does not affect our conclusions on the Report, but is provided to encourage continual improvement.

- To develop documented process in which the definition of respective performance indicators and data collection methodology to prevent errors in data gathering and compiling.

### Competence and Independence

DNV GL Business Assurance is part of DNV GL Group and a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. Our environmental and social assurance specialists are present in over 100 countries. The assurance work was performed by independent team which meets DNV GL's competence requirements. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

April 2016  
Seoul, Korea

  
Country Representative In Kyoon Ahn  
DNV GL Business Assurance Korea Ltd.

## GHG Assurance Statement

### Assurance Scope

This assurance statement is written by the request of Hyundai Steel.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Hyundai Steel to assure its Greenhouse Gas (GHG) and energy consumption data and GHG emission amount data disclosed in the 2014 Inventory Report of GHG Emission and Energy Consumption, prepared in accordance with the GHG and Energy Target Management Scheme. They have summarized the result in Table 1 below. The report relates to direct and indirect GHG emissions.

#### Management Responsibility

The management of Hyundai Steel is responsible for preparing the GHG data and information disclosed in the GHG report, and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out assurance engagement on the GHG report, in accordance with our contract with Hyundai Steel.

### LRQA's Approach

Our verification has been conducted in accordance with the GHG and Energy Target Management Scheme specification with guidance for verification of greenhouse gas assertions to provide reasonable level of assurance.

In order to form our conclusion, the following assurance engagement activities were undertaken:

- Conducted site visits to check major facilities, and reviewed the process of managing the data of GHG emission and energy consumption
- Interviewed relevant staff responsible for managing and maintaining data of GHG emissions and energy consumption
- Verified the data and information on the 2014 Inventory Report of Hyundai Steel's GHG Emission and Energy Consumption.

### Level of Assurance and Materiality

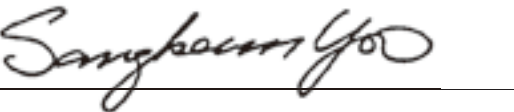
Verification level of the Statement is a reasonable assurance which has been created on the basis of the importance of 2%<sup>1)</sup>.

1) An error or omission may be 2% or less of the total GHG emissions

## GHG Assurance Statement

### LRQA's Opinion

Based on LRQA's approach, nothing has come to our attention that would cause us to believe that the GHG data presented in the Inventory Report of GHG emissions and Energy Consumption is not materially correct and therefore it is believed to be 'reasonable'.



March 21th, 2016

Sang-keun Yoo  
Lloyd's Register Quality Assurance (LRQA)  
17th Fl. Sinsong building, 67 Yeouinaru-ro,  
Yeongdeungpo-gu, Seoul, Korea (zip: 150-923)

**LRQA REFERENCE: SEO 6034611**

Table 1. GHG emissions of Hyundai Steel on the GHG report

Scope (In accordance with the GHG and Energy Target Management Scheme)	2015
Direct GHG emissions (Scope 1)	14,157,452
Energy indirect GHG emissions (Scope 2)	5,415,766
Total GHG emissions	19,573,218
The data is compensated gross tonnage of CO <sub>2</sub>	

#### Assurance Statement

This assurance statement is the assurance opinions on the Inventory Report of GHG emissions and Energy Consumption in accordance with GHG & Energy Target Management Scheme.

#### Liability of third party

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## GRI Index

### General Standard Disclosure

Classification	Index	Core	Content	Page
Strategy and Analysis	G4-1	Core	Statement from the most senior decision-maker of the organization	4, 5
	G4-2		Key impacts, risks, and opportunities	4, 5, 30, 31
Organizational Profile	G4-3	Core	Name of the organization	6
	G4-4	Core	Primary brands, products and services	8, 9
	G4-5	Core	Location of the organization's headquarters	6, 7
	G4-6	Core	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	6, 7
	G4-7	Core	Nature of ownership and legal form	24
	G4-8	Core	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	6, 7
	G4-9	Core	Scale of the organization (Total number of employees, net sales, total capitalization, products and services)	6, 8, 9, 70~79
	G4-10	Core	Total number of employees	6
	G4-11	Core	Percentage of total employees covered by collective bargaining agreements	66
	G4-12	Core	Describe the organization's supply chain	46~49, 60
	G4-13	Core	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	About this report
	G4-14	Core	Report whether and how the precautionary approach or principle is addressed by the organization	30, 31
	G4-15	Core	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	90
	G4-16	Core	Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization	91
Identified Material Aspects and Boundaries	G4-17	Core	Entities included in the organization's consolidated financial statements or equivalent documents	Business Report 8~9
	G4-18	Core	Process for defining the report content and the Aspect Boundaries	10, 11
	G4-19	Core	Material aspects identified in the process for defining report content	11
	G4-20	Core	Report the Aspect Boundary within the organization	11
	G4-21	Core	Report the Aspect Boundary outside the organization	11
	G4-22	Core	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	About this report
	G4-23	Core	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	About this report, 14
Stakeholder Engagement	G4-24	Core	List of stakeholder groups engaged by the organization	27
	G4-25	Core	Basis for identification and selection of stakeholders with whom to engage	27
	G4-26	Core	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	27
	G4-27	Core	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	10, 11, 27
Report Profile	G4-28	Core	Reporting period for information provided.	About this report
	G4-29	Core	Date of most recent previous report	About this report
	G4-30	Core	Reporting cycle (such as annual, biennial)	About this report
	G4-31	Core	Contact point for questions regarding the report or its contents	About this report
	G4-32	Core	The 'in accordance' option the organization has chosen.	About this report
	G4-33	Core	Organization's policy and current practice with regard to seeking external assurance for the report	About this report



## GRI Index

Classification	Index	Core	Content	Page
Governance	G4-34	Core	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	25
	G4-35		The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	25
	G4-36		Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	24, 25
	G4-38		Composition of the highest governance body and its committees	25
	G4-39		Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	24
	G4-40		The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	24
	G4-41		Processes for the highest governance body to ensure conflicts of interest are avoided and managed	25, 26
	G4-42		The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	24, 25
	G4-43		Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	25
	G4-44		The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	26
	G4-45		The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	24, 25
	G4-47		The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	24, 25
	G4-51		Remuneration policies for the highest governance body and senior executives for the below types of remuneration	26
	G4-54		Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	26
	G4-56	Core	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Homepage(Code of Conduct for Ethics Management)
Ethics and Integrity	G4-57		Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	28, 29
	G4-58		Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	28, 29

### Specific Standard Disclosure

Classification	Index	Indicators	Page	References and Stated Omissions	SDG
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Procurement Practices	G4-DMA	Management approach	46		
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	60		12
Environment					
Materials	G4-DMA	Management approach	38		
	G4-EN1	Materials used by weight or volume	Business Report 23		8
	G4-EN2	Percentage of materials used that are recycled input materials	72		8
Energy	G4-DMA	Management approach	38		
	G4-EN3	Energy consumption within the organization	73		12
	G4-EN5	Energy intensity	73		7, 8, 12, 13
	G4-EN6	Reduction of energy consumption	40, 41		7, 8, 12, 13
	G4-EN7	Reductions in energy requirements of products and services	40, 41		7, 8, 12, 13

## GRI Index

Classification	Index	Indicators	Page	References and Stated Omissions	SDG
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	G4-EN10	Water sources significantly affected by withdrawal of water	71		6, 8, 12
Emissions	G4-DMA	Management approach	38		
	G4-EN15	Direct GHG emissions (scope 1)	73		12, 13
	G4-EN16	Energy indirect GHG emissions (scope 2)	73		12, 13
	G4-EN18	GHG emissions intensity	73		12, 13
	G4-EN19	Reduction of GHG emissions	40, 41		12, 13
	G4-EN21	NOx, SOx, and other significant air emissions	70		3, 12, 14, 15
Effluents and Waste	G4-DMA	Management approach	38		
	G4-EN22	Total water discharge by quality and destination	71		3, 6, 12, 14
	G4-EN23	Total weight of waste by type and disposal method	72		3, 6, 12
	G4-EN24	Total number and volume of significant spills	-	No spill occurred	12, 14, 15
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	71		6, 14, 15
Products and Services	G4-DMA	Management approach	38		
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	36, 39, 40, 41		6, 8, 12, 13, 14, 15
Overall	G4-DMA	Management approach	38		
	G4-EN31	Total environmental protection expenditures and investments by type	70		7, 9, 12,13, 14, 15, 17
Labor Practices and Decent Work					
Occupational Health and Safety	G4-DMA	Management approach	42		
	G4-LA5	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	68		8
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	68		3, 8
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	43~45		3, 8
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	68		8
Training and Education	G4-DMA	Management approach	61		
	G4-LA9	Average hours of training per year per employee, by gender, and by employee category	62		4, 5, 8
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	62, 63		8
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	64		5, 8
Social					
Anti-competitive Behavior	G4-DMA	Management approach	29		
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	-	No such actions occurred	16

### SDG (Sustainable Development Goals)

Hyundai Steel conducts activities in order to achieve the SDGs that Unite Nations presents. Activities associated with SDGs are promoted as above. Details about SDGs can be checked on the homepage(<https://sustainabledevelopment.un.org>).

## UN Global Compact

### Communication On Progress

Hyundai Steel joined UN Global Compact and complies with the Ten Principles in four areas of human rights, labor, environment, and anti-corruption. The activities related to each principle can be found in the report. In addition, Hyundai Steel complies with Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights (Ruggie Framework) and strives to prevent violations of human rights during its business processes.

Areas	Principle	GRI G4	Page
Human rights	1. Business should support and respect the protection of internationally proclaimed human rights.	G4-HR2, G4-HR7, G4-HR8, G4-HR9, G4-HR12, G4-SO1, G4-SO2	10, 11, 28, 39, 40, 64, 51~55
	2. Businesses should make sure that they are not complicit in human right abuses.	G4-HR1, G4-HR10, G4-HR11	28
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	G4-11, G4-HR4, G4-LA4	66
	4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	G4-HR6G4-HR6	64
	5. Businesses should uphold the effective abolition of child labour.	G4-HR5	64
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	G4-10, G4-EC5, G4-EC6, G4-LA1, G4-LA3, G4-LA9, G4-LA11, G4-LA12, G4-LA13, G4-HR3	62, 64, 65, Business Report 259
Environment	7. Businesses should support a precautionary approach to environmental challenges.	G4-EC2, G4-EN1, G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN20, G4-EN21, G4-EN27, G4-EN31	31, 36, 39, 40, 41, 70, 71, 73, Business Report 23
	8. Businesses should undertake initiatives to promote greater environmental responsibility.	G4-EN1~EN34	36, 38~41, 71, 72, 73 Business Report 23
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	G4-EN6, G4-EN7, G4-EN19, G4-EN27, G4-EN31	36, 39~41, 70
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	G4-S6, G4-S7, G4-S8, G4-SO3, G4-SO4, G4-SO5, G4-SO6	28, 29, Homepage

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UN GLOBAL COMPACT  
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

