



BEYOND STEEL

HYUNDAI STEEL INTEGRATED REPORT 2017



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With the aim of creating values for our customers, Hyundai Steel Company focuses on enhancing both performance and quality of our products.

It is our goal to build a sustainable society by sharing our values with local communities.

We are committed to protecting the environment in order to leave our one and only planet clean for our next generation.

Developing new products and services will provide our customers and communities with differentiated values, ensuring mutual growth.

Beyond Steel

MESSAGE FROM CEO



Hyundai Steel Creates a Common Value Network with Our Customers and Society.

Dear Distinguished Stakeholders,

On behalf of Hyundai Steel, I wish to extend my sincere gratitude for your generous support and encouragement. I am very pleased to have the opportunity to communicate with you through this Integrated Report. With our vision of “Engineering the Future Beyond Steel,” we are working to create new values with a shift in outlook and differentiated approaches to our major businesses. Moreover, we have been putting tremendous effort into fulfilling our social responsibilities as a corporate citizen, so that future generations may lead sustainable lives.

Despite difficult domestic and international economic conditions, Hyundai Steel has increased management performance in sales and net profit over the previous year. In addition, we have reached some remarkable milestones by improving our financial structure, such as reducing our debt ratio and boosting our credit ratings. Furthermore, we have enhanced our portfolio of market-leading products by developing the ultra-high strength H-Beam, high performance earthquake-resistant steel, and advanced multi-phase (AMP) steel for automobiles, while establishing a foothold in the global market via the steel service centers located worldwide.

However, internal and external business environments in 2017 still pose complex challenges. Over the last year, the growth rate of the global economy has decelerated and the Chinese market, which constitutes the largest share of the global steel market, has become largely unstable. The main Korean industries that drive demand for steel, such as shipbuilding, have been facing constant difficulties due to the aftereffects of the long-lasting global economic recession. The auto market is also encountering stagnant growth due to weakened consumer confidence. In the face of this, Hyundai Steel will endeavor to overcome the internal and external obstacles with which we are faced and strive ceaselessly to generate progress and corporate value.

Accordingly, Hyundai Steel has announced our management principle of 2017 - “Creating a Common Value Network with Customers and Society.” We plan to implement intensively the following agenda to achieve the goal of building a Common Value Network.

Our business competencies will lead changes.

Against a fiercely competitive market and a hostile business environment, Hyundai Steel will secure its competitive advantage through a proactive attitude that leads change and an innovative approach that goes beyond existing business know-how. We will diversify our profit structures by rapidly stabilizing our new product lines, such as special steel, steel powder and forging. Additionally, we will actively pursue the specialized values that focus on customers’ needs, instead of partaking in the exhaustive price war, thereby strengthening the competitive edge of our products in the steel market.

We will create an open culture of empathy in the workplace.

Through a corporate environment oriented towards flexible thinking and creative challenges, we will produce synergy among departments by promoting company-wide communication and collaboration. While attaining self-realization, our employees will be equipped with professionalism based on the sense of pride and ownership of the company. As a result, Hyundai Steel’s overall competitiveness will be enhanced. Moreover, we will identify new possibilities by resolving present issues and, to reach this objective, we will foster an open workplace culture of dynamic inter-departmental cooperation. Hyundai Steel will, on the basis of this organizational climate, prioritize our customers first and differentiate our perspectives on various problems to position ourselves as a company that thrives with our customers and society.

We will communicate with our stakeholders and advance together.

Hyundai Steel has established a reputation as a global corporate citizen, which has been built on the communication and trust that we share with our stakeholders. Based on our people-oriented safety culture, we are not only assuming the responsibility for the welfare and health of our internal and external stakeholders, but also seeking the benefit of our company and society through shared betterment with our business partners. In addition, we have been following through on our commitments to help the local community by utilizing our manpower and material resources, and also supporting the United Nations Sustainable Development Goals (UN SDGs) to help address pressing global issues.

Hyundai Steel will constantly strive to become the leader in the coming age of steel along with our stakeholders. Going forward, your interest and endorsement will be a vital asset to our company.

I sincerely ask for your continued support and encouragement for Hyundai Steel.

Thank you.

CEO & Vice Chairman of Hyundai Steel
Yoo-Cheol Woo

2016 HIGHLIGHTS

Focusing on the Success of Customers

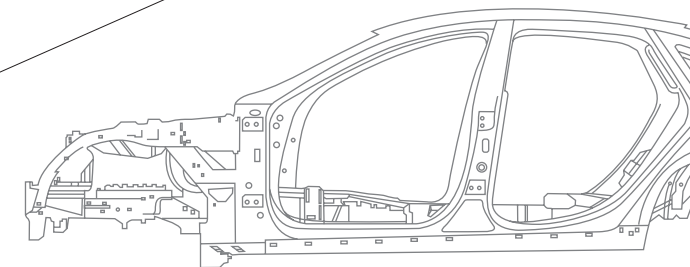
“

Creating Value for the Customer

”

“By staying true to our belief that we can design the future with new ways of thinking by fully sharing our customers' values, we will increase our opportunities for building enterprise value.”

Excerpt from the New Year's Message of
Yoo-Cheol Woo, Vice Chairman of Hyundai Steel



Expanded Application of Stronger and Lighter Advanced High- Strength Steels for New Cars

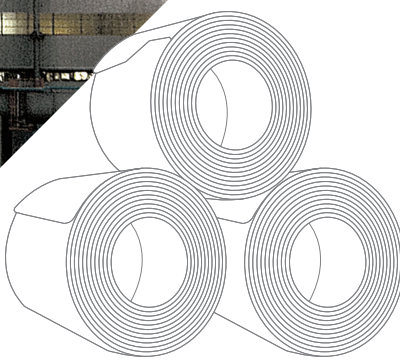
The stronger and lighter advanced high-strength steel is helping improve our profitability, as a highly competitive area that demands high technology. Hyundai Steel exclusively provides these advanced sheets for the Genesis EQ900, and has expanded usage rate of the advanced high-strength steels to up to 51.7%.

51.7%

The use rate of the advanced high-strength steels applied to the Genesis EQ900 by Hyundai Motors
(Based on tensile strength of over 60 kgf/mm²)



2016
HIGHLIGHTS



Expansion of Overseas Steel Service Centers (SSC) for Global Customers

We expanded our investments in the overseas Steel Service Centers in order to provide stable product supply for the production of our increasing number of global customers. The SSC in Mexico was completed in May 2016, and has entered operation. Also, the SSC in Chongqing, China started to operate in May 2017.

Overseas Steel Service Centers

13 places

Total amount of iron mold produced in the Dangjin Integrated Steelworks

60 million tons

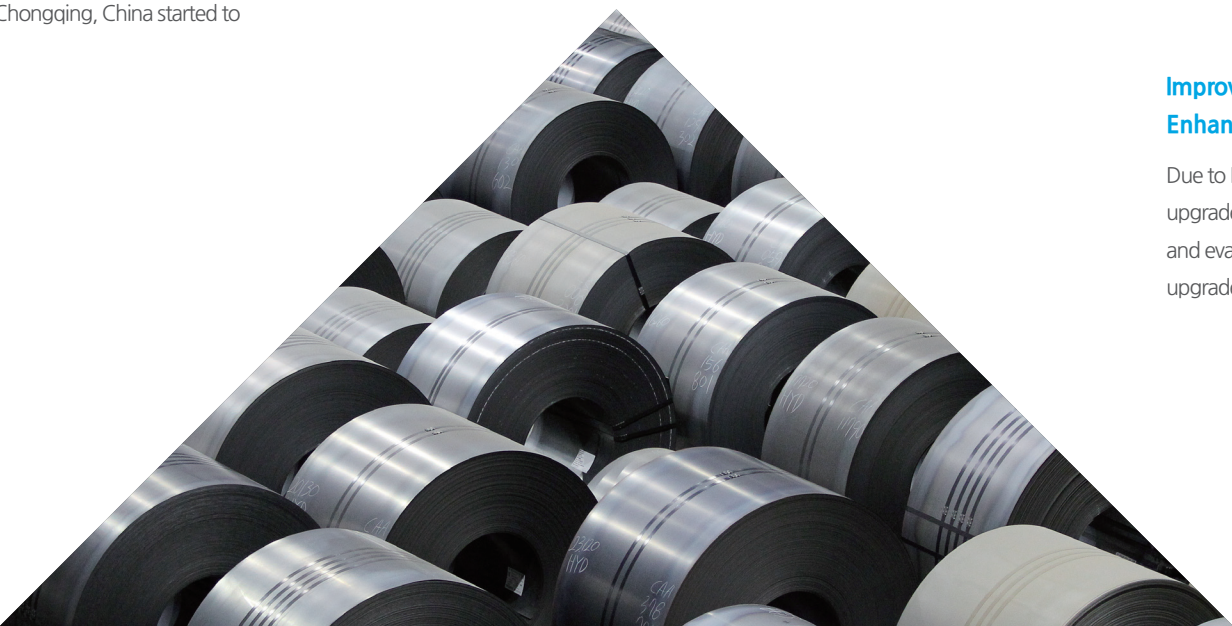
Achieved Total Production of 60 million tons of Melted Iron

Dangjin Integrated Steelworks achieved a total production of 60 million tons of melted iron in June. This is an achievement that comes 6 and a half years, after the blowing in of the first blast furnace at the Dangjin Integrated Steelworks in January 2010. The result is a very meaningful outcome, and it would not have been possible for us to supply better materials to our customers without the passion and devotion of all our employees.

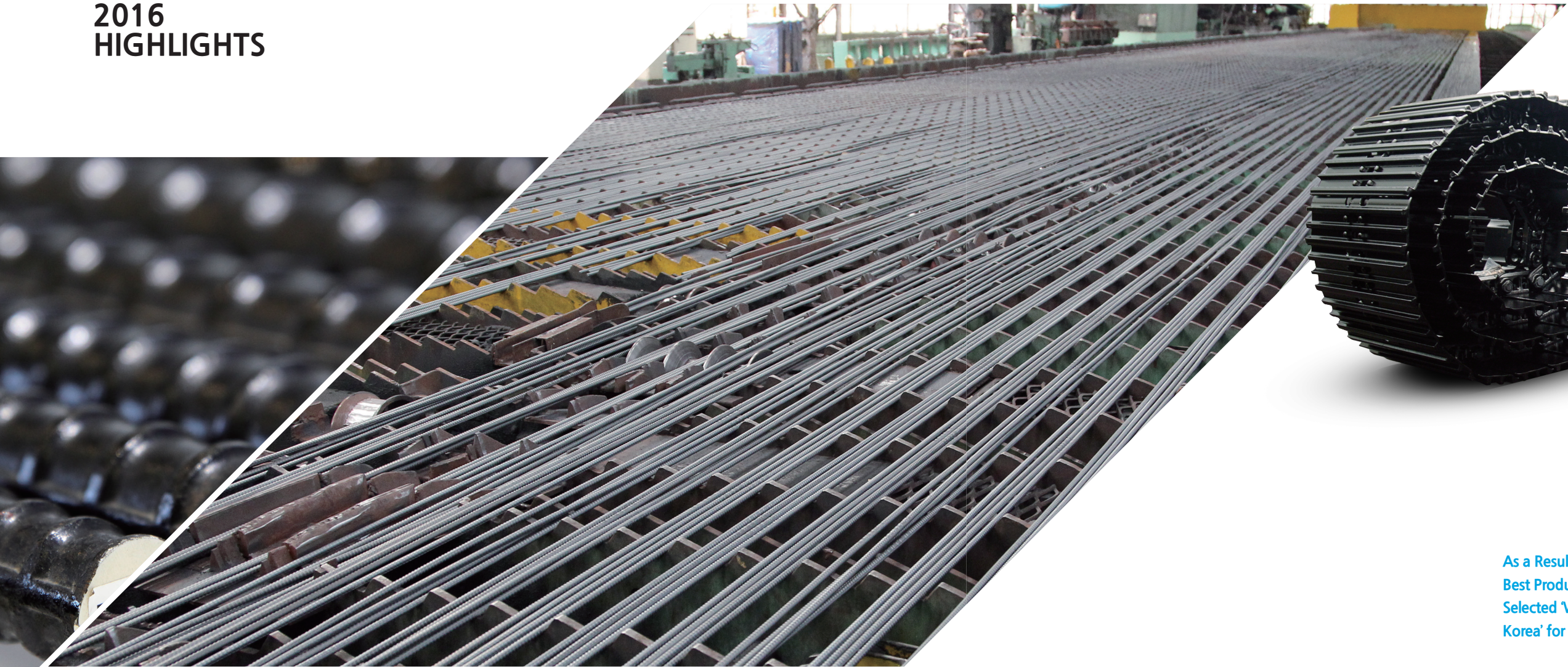
Improved Credit Ratings from Global Credit Rating Agencies will Enhance Competitiveness

Due to Hyundai Steel's stable financial status, global credit rating agencies upgraded their credit ratings. Moody's increased its ratings from 'Baa3' to 'Baa2' and evaluated our credit forecast as stable, while Standard and Poors (S&P) upgraded it from 'BBB-' to 'BBB0'.

Baa2 (Moody's)
BBB0 (S&P)



2016
HIGHLIGHTS



Developed a New Strong Steel,
Earthquake-Resistant Rebar

Hyundai Steel has led the earthquake-resistant steel field since the first development of the seismic-resistant H-Beam in Korea in 2005. With interest in seismic-resistant steel on the rise these days due to frequent earthquakes, we have developed a high-performance earthquake-resistant reinforced bar (SD400S, SD500S and SD600S) which is now ready for production.

SD
400S

SD
500S

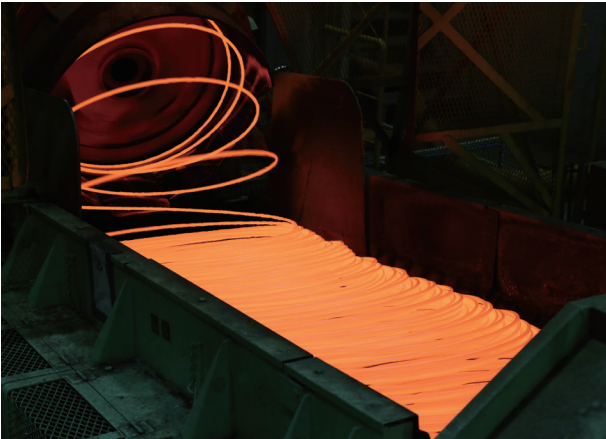
SD
600S

Annual production of the
3 CGL in the Suncheon Works

500 thousand tons

Continuous Expansion of Investment to Enhance
the Competitiveness of our Customers

Hyundai Steel invested in galvanized steel sheet (3 CGL) facilities in the Suncheon Works to improve the competitiveness of our global customer companies. In this way, we want to achieve the establishment of stable supply bases and diversify our customers for AHSS (advanced high-strength steels) sheet. In addition, we produced special steel bars for the first time after the trial test at the special steel plant in the Dangjin Integrated Steelworks. Following this initial production, we aim to start production in earnest of the special steel for automobiles from 2017 onwards.



As a Result of our Effort to Provide the
Best Products to Customers, We were
Selected 'World-Class Products of
Korea' for 12 Consecutive Years

Selected 'Manufacturer and
World-Class Products of Korea'

12 consecutive
years

Hyundai Steel has been selected 'Manufacturer and World-Class Products of Korea' in 2016 for its six products such as H-Beam, high speed steel (HSS) roll for hot rolling, track shoe assemblies, inverted angles, steel piles, oil country tubular goods (OCTG) for 12 consecutive years, and is honored to be the leading steelmaker in Korea.

2016 HIGHLIGHTS

Establishing Sustainability

“Working in Empathy with Society”

“Please do your best to make Hyundai Steel an enterprise that coexists and cooperates with local communities, with self-confidence and a sense of duty.”

President, Hak-Seo Kang, during appointment ceremony for volunteer group's leader, 2017

Social Contribution Project for Global Region Development to Improve the Quality of Life for Residents of Myanmar

From 2014 to 2016, we carried out a local development project in Mandalay State, Myanmar, where people lived in very poor conditions. We constructed drinking water facilities and a community center, and provided job training, while also dispatching a volunteer group composed of 30 employees. Thanks to these efforts, we achieved a very meaningful outcome that contributes to laying the basis for independence, with an annual income increase of 116% per household.

Increase in annual
household income
116 %



Total number of
energy-efficient houses
constructed

668 houses

Welfare-Environment-Employment, Creating Value in Three Ways House Repair - Energy Efficiency Project

Hyundai Steel runs the 'House Repair - Energy Efficiency Project' to improve the residential environment for low-income households. This creates value in three ways: by improving residential welfare, by reducing carbon emissions through reducing energy consumption, and by creating jobs. 668 houses have been remodeled since the project was launched in 2011, and it has contributed to a 731 ton reduction in carbon emissions.

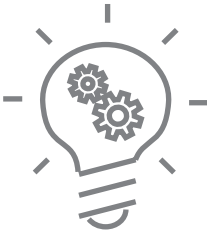


2016 HIGHLIGHTS



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

DJSI Asia Pacific for 8 Consecutive Years
Hyundai Steel has been listed in the Dow Jones Sustainability Index Asia Pacific (DJSI Asia Pacific) for 8 consecutive years as of 2016. This is an indication of the world-wide recognition of our sustainable management activities and performances.



Colored Conveyor Belt Developed through Joint Study with Suppliers

Hyundai Steel developed a colored conveyor belt jointly with Hwaseung Exwill, one of our suppliers. The colored conveyor belt applies a new technology, which forecasts the life cycle of the belt based on its color. In this way, Hyundai Steel endeavors to create new values for win-win growth through cooperation and communication, and enhances our cost and technology competitiveness through joint developments with our suppliers.

First Technology Fair Held to Promote Harmony with Suppliers

The first technology fair was held in the Danjin Integrated Steelworks under the slogan 'Technology, the Only Way to Achieve Success.' 56 national and international suppliers participated in the fair. Exclusive booths were installed and nearly 100 products were displayed in the consulting fields of quality, environment, productivity and localization. The fair served as a venue for communication, to promote products and exchange technology between suppliers.

Participating suppliers
56 companies

Evaluation of Win-Win Growth Index Selection of the Best Class

Hyundai Steel obtained the best class in the evaluation of the win-win growth index held by the Win-Win Growth Committee. This was made possible by enhancing our suppliers' competitiveness through a variety of win-win growth activities such as funding, technical support and protection, management support, and more.



Evaluation of win-win growth index

The Best Class



CORPORATE PROFILE

For the last 50 years, Hyundai Steel has relentlessly created new possibilities for steel, growing with the development of the Republic of Korea. Having expanded the business from the electric arc furnace to the blast furnace, we have built our reputation as a comprehensive global steelmaker. We will continue on our path toward becoming the world's best steelmaker through the infinite growth potential of steel, based on our strong will and dedication.

We are increasing our global market competitiveness and expanding our business field to find more customers in larger markets. In particular, we operate 17 overseas subsidiaries and 6 overseas branches in 14 nations around the world, expanding common interest with customers and providing customized services.

KEY FIGURE

Sales

KRW 16.7 trillion

Operating Profit

KRW 1.4 trillion

Overseas Network

14 countries

Employees

11,221 persons



DOMESTIC NETWORK

- 1

Head Office
- 2

Dangjin Integrated Steelworks
- 3

Incheon Works
- 4

Pohang Works
- 5

Suncheon Works
- 6

Suncheon Forging Works
- 7

Ulsan Works
- 8

Yesan Works
- 9

Seoul Sales Office

10

Busan Sales Office

11

Ulsan Sales Office

12

Daegu Sales Office

13

Gwangju Sales Office

14

Seoul IT Office

OVERSEAS NETWORK

Subsidiaries

- Asia

15

Hyundai Steel Investment (China) Co.,Ltd. (HSCN)

16

Hyundai Steel Beijing Process Co., Ltd (HSBJ)

17

Hyundai Steel Tianjin Process Co.,Ltd (HSTJ)

18

Hyundai Steel Jiangsu Process Co., Ltd (HSJS)

19

Hyundai Steel Suzhou Process Co., Ltd (HSSZ)

20

Hyundai Steel Chongqing Co., Ltd. (HSCQ)

21

Qingdao Hyundai Machinery Co., Ltd (HSMC)

22

Hyundai Steel India Private, Ltd (HSCH)

23

Hyundai Steel Pipe India Private, Ltd) (HSPI)

America

24

Hyundai Steel America, Inc (HSAL)

25

Hyundai Steel USA, Inc (HSSA)

26

Hyundai Steel Industry and Trade Brazil LLC (HSBR)

27

Hyundai Steel Mexico S de R. L. de C. V (HSMX)

Europe

28

Hyundai Steel Czech s.r.o (HSCZ)

29

Hyundai Steel Slovakia s.r.o (HSSK)

30

Hyundai Steel TR Automotive Steel Parts Co.,Ltd (HSTR)

31

Hyundai Steel Rus LLC (HSRU)

Sales Branches

- 32

Tokyo (Japan)
- 33

Singapore
- 34

Dubai (UAE)
- 35

Hanoi (Vietnam)
- 36

New Delhi (India)

Europe

37

Frankfurt (Germany)

CORPORATE PHILOSOPHY

Management Philosophy

“ We realize the dreams of mankind by creating a new future through ingenious thinking and endless challenges. ”



Core Values

When realizing our internalized core values with challenging spirit and passion, the heart of Hyundai Motor Group beats even faster.



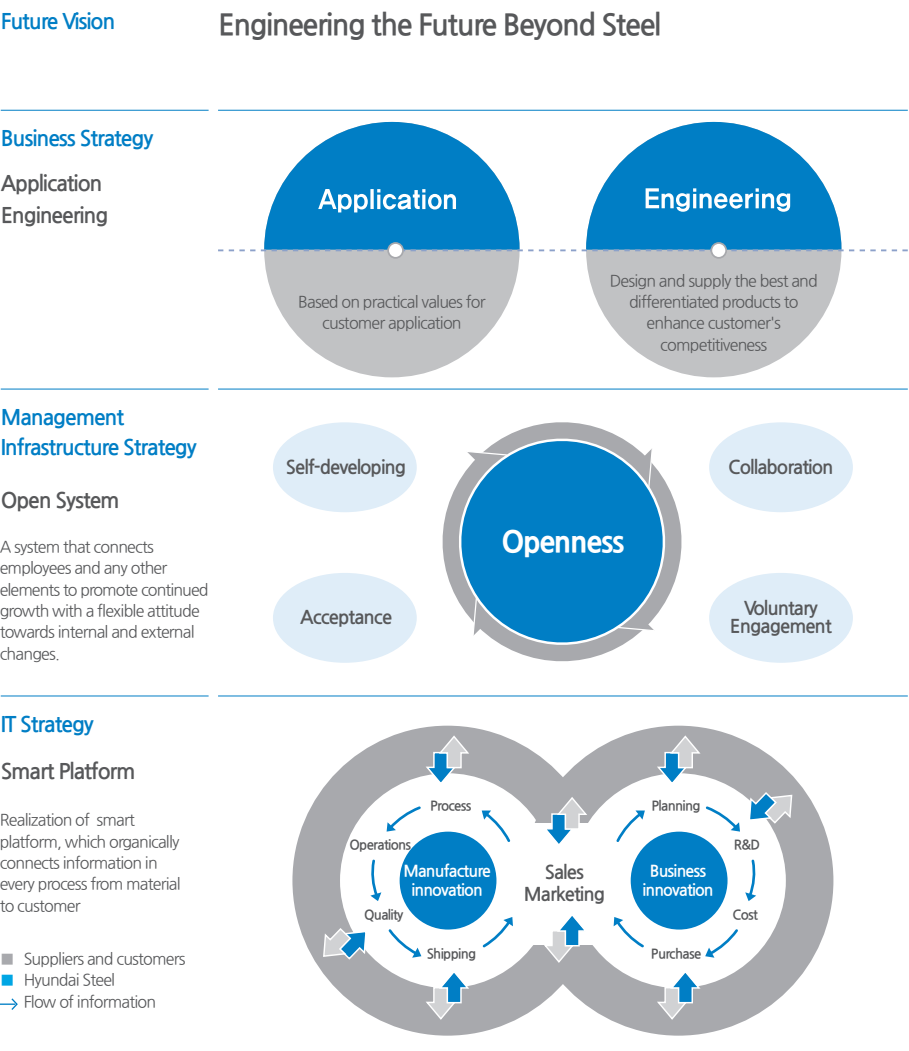
VISION 2025

Declaration of the Vision

We hereby announce that we will become a partner who provides the best materials for the products that customers desire based on our advanced technology and quality. This will allow our clients to use materials more easily and strengthen their product competitiveness, thereby increasing their performance. We believe that our employees will grow to become global talents and professionals who will not only lead the success of Hyundai Steel but also will promote 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 investment in job creation and transparent and fair competition. Finally, we will engineer the future beyond steel, and develop a new industry model that promotes shared growth.

Vision System

Hyundai Steel will overcome any future crisis by gathering the capabilities of its employees based on Vision 2025 and handing down and developing our successful experience in integrated steel mill projects. The Vision System consists of Future Vision "Engineering the future beyond steel" along with the following three strategies (business, management infrastructure and IT) to achieve our vision.



BUSINESS MODEL

INPUT

Financial Capital



Our business operates with the funds provided by shareholders or investors, and we strive to maximize shareholder value through the shareholder return policy including payment of dividends.

Manufactured Capital



We continuously enhance our production capabilities through the completion of new projects, facility investment, etc.

Human Capital



As talented human resources are vital for our growth, we continuously invest in recruiting and fostering young talents.

Intellectual Capital



We secure our technological competitiveness through research and development on new products and process technology. In particular, we have developed a new type of steel with high drawability and advanced high strength customized special steel sheet.

Natural Capital



We continue our investment in facilities to enable effective use of energy and water resources and so on, thereby reducing our environmental impact through eco-friendly processing technology.

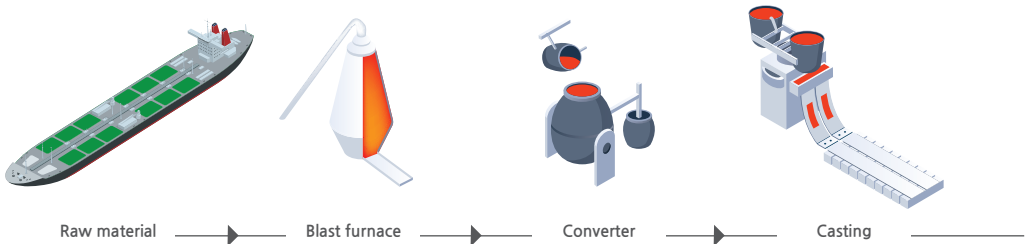
Social Capital



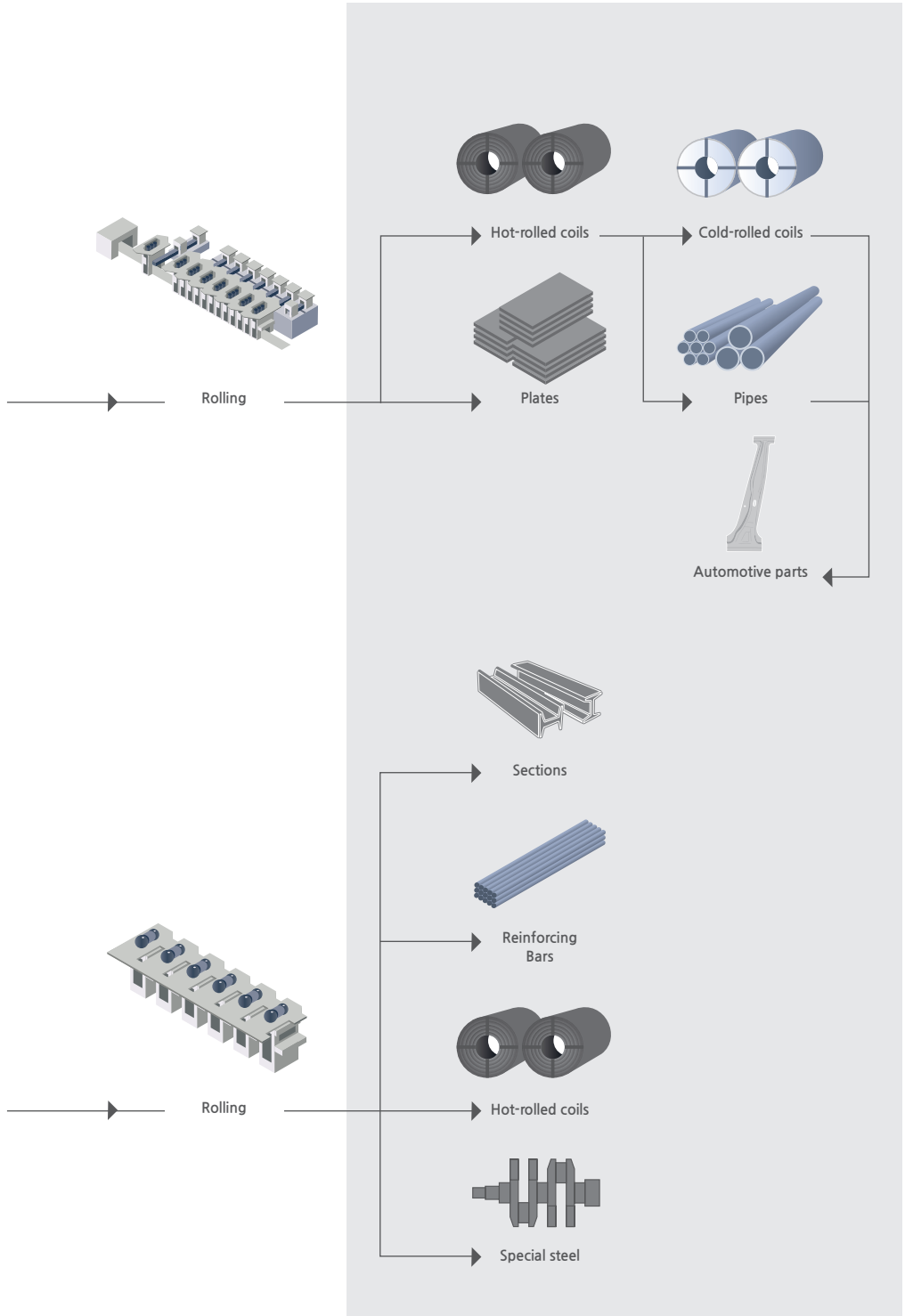
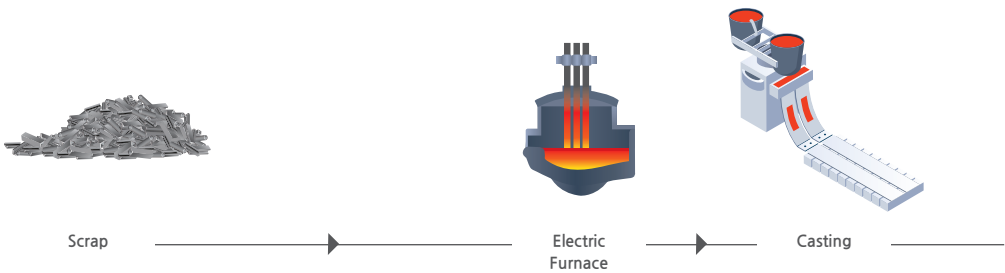
We not only maintain collaborative relationships with various stakeholders including customers, suppliers, local governments and the local community, but also work to be a good corporate citizen based on our social contribution strategy.

VALUE CHAIN

Integrated Steelworks Processing



Electric arc furnace Processing



OUTPUT

Sales¹⁾

KRW

16.7

trillion

1) Based on consolidated financial statements

Production

22,380

thousand tons

**Patents Registered
(National and International)**

5,006

cases

GHG Emissions

19,103

thousand tCO₂

Resource Recycling

10,303

thousand tons

Social Contribution Investment

KRW

14.5

billion

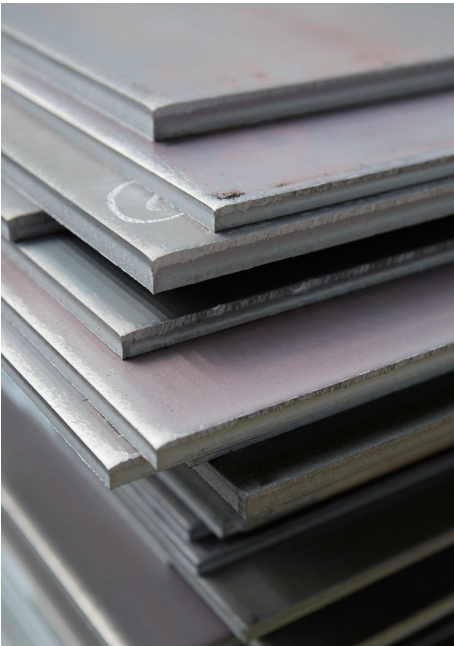
MAIN PRODUCTS



AUTOMOBILES



CONSTRUCTION



SHIPBUILDING



ENERGY



HOME APPLIANCES



OTHERS

COLD-ROLLED COILS

Produced by rolling hot-rolls at room temperature, cold-rolled coils have a smooth, clean surface with an even thickness, making it the preferred material for automotive sheets for the exterior and interior as well as the car body. They can be classified into cold-rolled coils, galvannealing (GA), hot-dip galvanizing (GI), and electro-galvanizing (EG) depending on the manufacturing method.

AUTOMOTIVE PARTS

Enhancing the safety and fuel efficiency performance of automobiles requires advanced technology to raise the strength of steel while reducing its weight. Utilizing advanced engineering methods, such as hot stamping, tailor-welded blanks (TWB) and hydroforming, Hyundai Steel produces light-weight safer automotive parts, applied mainly to major guards against collisions, the inner panels of doors and the chassis.

SPECIAL STEEL

As Special Steel is used in vital parts of automobiles such as the crank shaft, conrod, and various types of gears, it needs high strength and high durability. Hyundai Steel produces carbon steels with less impurities and alloy steel with some additional alloy elements. Products include round bars, square bars, wire rods, bar in coils, etc.

H-SECTIONS

Sections are mostly used for the structures of buildings. Their high weldability and shock-resistance performance reduces the use of steel as well as the construction time compared to other steel products. Hyundai Steel's diversified H-section product line-up ranges from quake-resistant Steel H-Section New (SHN) to checkered H-beams and junior H-beams.

REINFORCING BARS

Reinforcing bars are another preferred steel product for construction/engineering. Hyundai Steel's ultra-high strength reinforcing bars boast top performance results in strength, workability, and weldability. Specifically, the screw-type reinforcing bars use couplers for assembly, making them the perfect material for ultra-high skyscrapers because of their relatively competitive price and safety.

PLATES

Steel plates generally have a thickness of 6 mm or more. Plates for construction are used for steel structures/frames of steel bridges, plants and mega-sized buildings. In addition, for specs and sizes difficult to produce with H-sections, build-up beams which are made up of welded plates are used.

PLATES

Like the heavy plates used for construction, heavy plates used for shipbuilding refer to the thick steel plates that demonstrate high performance in low temperatures and shock resistance. The major applications are for partition walls, upper decks (or hatch covers of bulk carriers), container ships and LNG carriers. Hyundai Steel has received certifications from ship classification associations of many countries with its technology to manufacture general ships and high-tensile steels.

SECTIONS

Sections are classified into H-beams, H-beams, angles and channels, according to their shapes. As they are used as heavy plate stiffeners for ships and deck house materials, these products have advanced high-strength and shock absorption technology. Hyundai Steel's inverted angles have been singled out as world-class products by the Korean government for their advanced technology.

FORGED STEEL PRODUCTS

Forged steel products refer to products that have been forged in particular shapes by hammering steel materials. Thus, it requires a high level of durability performance. This type of steel is used for shipbuilding, windmills and industrial equipment, with ship engine builders being the major clients of forged steels, as types of steel fit for the ship engines that travel the five oceans.

PIPES

Steel pipes for energy use are utilized for drilling, mining and transporting energy sources. As such, they require highly advanced technology to endure high pressure, steep changes in temperature, and corrosion. Made of hot-rolled coils and plates, the oil country tubular goods (OCTG) pipes are used for mining oil and gas buried deep underground or as linepipes to transport extracted crude oil to refineries. Hyundai Steel manufactures a variety of steel pipes that meet the standards of the American Petroleum Institute (API) for energy pipes. In fact, the P110 OCTGs were the first Korean steel pipes to earn the world-class product certification.

PLATES

Steel plates for plants are used for making the pressure containers that purify, refine and store crude oil or gases. Pressure containers must endure low and high temperatures, and also be able to endure decay to contain crude oils and gases with a high content of H₂S gas. Hyundai Steel manufactures ultra-strength, ultra-thick plates for pressure containers with high weldability, which includes QT heat-processed steel plates, enabling the company to be the supplier to energy companies at home and abroad for major projects.

COLD-ROLLED COILS

Cold-rolled coils for home appliances have universal use, ranging from TV bezels and back covers to outer panels of refrigerators and washing machines. Their high corrosion resistance, conductivity, and workability help bring about various designs in home appliances. Hyundai Steel also produces high-tension/high-lubricant GI and electro-galvanized steel sheets (EGI), as well as pickled & oiled steel sheets (PO) that have high workability according to client needs.

STAINLESS STEEL

Stainless steel is highly impervious to rust. Unlike other conventional steel materials, it has excellent corrosion resistance properties. It does not easily bend in high temperatures because of its excellent thermal resistance. These properties make stainless steel a suitable material for home appliances such as utensils and washing machines.

RAILWAY RAILS

Used for various types of railways, from normal railways to high-speed and magnetic levitation tracks, railway rails demand higher strength performance than other sections and high performance in abrasion-resistance. Hyundai Steel was the first Korean steelmaker to successfully develop the first railway rails in 1979 and high-speed railway rails for the Korean Train Express (KTX) in 1998.

TRACK SHOE ASSEMBLY

The Track Shoe Assembly is the wheel of excavators, similar to the tire of an automobile. It is a high strength, high-precision product operated on a slope and can stably withstand weights at construction sites where a lot of sand, gravel, etc. are spread out.

ROLLS

Rolls require high resistance to abrasion and heat with high durability because they are used to roll half-finished steel, such as slabs and billets, at a high temperature. Hyundai Steel products include hot-rolled coil rolls, plate rolls and long product rolls.

SHEET PILES

Sheet piles are used for dams to resist the pressure of water or soil during work on rivers and streams. Their main usage includes piling for tumbling bays or soil-arresting, as well as ground-making works. Adding copper to sheet piles has improved the corrosion resistance, facilitating repetitive reuse of sheet piles free of worries about rust or decay.

Hyundai Steel is creating new value through change in the mindset and by a differentiated approach on its products, services and operating businesses, with the aim of ‘Engineering the Future Beyond Steel’.

Created Values

24

Technology Value

28

Environmental Value

32

Health and Safety Value

34

Community Value



TECHNOLOGY VALUE

> Business and Social Context

Under the current supply excess in the steel markets, global steelmakers are expanding their contact points with customers, and combining recent material technology and IT innovation to enhance their unique competitiveness factors. In particular, developing new products and manufacturing technologies to meet the requirements of major related industries such as automobiles, construction and shipbuilding is vital for the sustainable growth of steelmakers.

> Our Approach

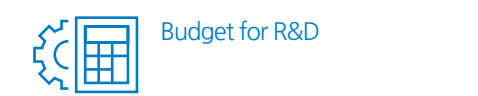
Hyundai Steel creates value for customers and enhances market competitiveness through research and development. We respond quickly to changes in the market, focusing on achieving an appropriate balance between new products and process technology. We are also committed to the advancement of our basic technology and the development of environmental technology in order to deal with various changes including stricter environmental laws. Moreover, Hyundai Steel will continue to enhance competitiveness through close connections and adjustment with related industries.

> Future Action

Plans for 2017

Advanced development system for future products	Establishment of customized and automated process basis
Advancement of customer value oriented application technology	Development of advanced technology for eco-friendly steel mill

> Performance



Advanced High-Strength Steels

We have increased our advanced high-strength steels (AHSS) strength and workability with reduced weight, especially for automobile use. Its strength performance is twice that of normal steel, while the weight of its application parts is 10 percent lighter than normal steel, thereby enhancing fuel efficiency and safety performance. Going forward, Hyundai Steel will concentrate its R&D investments and efforts on developing even stronger and lighter steels.

Expansion of Application of Advanced High-Strength Steels

Hyundai Steel secures the best level of technology to produce AHSS sheet with ultra-high strength and good formability. With this recognized high-level technology, our AHSS sheets have been applied to various types of automobiles and Hyundai Steel has been gradually expanding sales in this area.

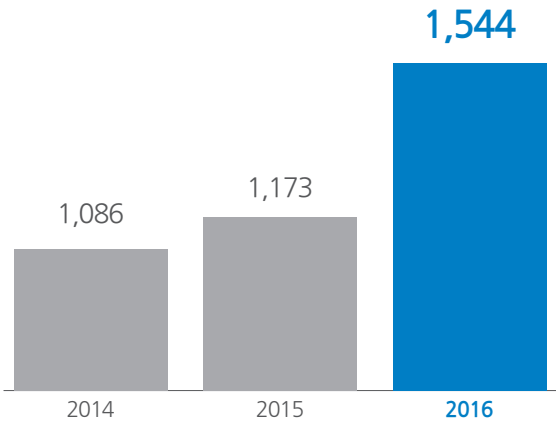
Application Ratio of Advanced High-Strength Steels¹⁾



Sales of Advanced High-Strength Steels (Unit: 1,000 tons)



Genesis EQ900



Development of 3rd Generation Cold-Rolled Coils

Hyundai Steel has been developing 3rd generation cold-rolled coils, 'AMP (Advanced Multi-Phase)' which have excellent forming features and high strength compared to conventional cold-rolled coils. We succeeded in producing test products in 2016, and are currently going through a test process, with plans to supply it to automobiles in 2020. AMP is an advanced high-strength steel product and also has around a 90-110% higher elongation rate than conventional steels, representing greater molding performance.



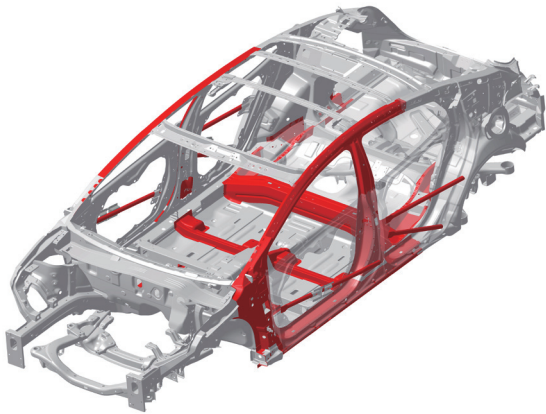
Cold-rolled coils

Automotive Parts

In the automobile industry today, laws on environmental regulations and vehicle collisions have been enhanced, resulting in a continuous demand for new technology related to automobile weight reduction and improvement of collision stability. Hyundai Steel develops and produces automotive parts such as major collision members and inner door parts by applying new technologies like Hot Stamping, TWB (Tailor Welded Blanks), Hydroforming, CFRP (Carbon Fiber Reinforced Plastics) and more. Our Yesan Works is the exclusive plant to produce light-weight parts, and we plan to construct 21 hot stamping production lines by 2017 through continuous investment.

Hot Stamping


Hot stamping is a method of manufacturing high-strength parts of a 150K class by both forming and rapid cooling a 60K class steel sheet in the mold after heating it to a temperature of over 900℃. At present these hot stamped parts are applied to 20 automotive parts in one vehicle and weight reducing effects of more than 15% can be measured, compared to a product produced coventionally.



Parts with hot stamping applied

Tailor Welded Blanks (TWB)

TWB is a method of laser welding tailored sheets with different thicknesses and material characteristics to make required part shapes. Automobile light-weight parts applying this technology include front and rear inner door panels, tailgates, main members, etc. For the front inner door panel, weight can be reduced by about 4% by applying this method.



TWB process

Hydroforming

Hydroforming is a method of forming non-welded pipes into complex shapes by using high water pressure. When hydroforming technology is applied it reduces costs, compared to conventional processes, due to a significant reduction in welding and assembling. Hydroforming can also provide effects such as an improvement of the strength of parts, reduction of weight by up to approximately 20%, and more.

Carbon Fiber Reinforced Plastics (CFRP)

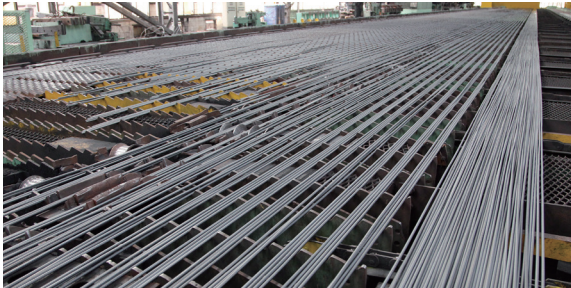
As CFRP is a plastic composite material using carbon textile as the reinforcement, the weight is relatively light but the strength is twice higher. Hyundai Steel is constructing advanced research facilities, researching CFRP part manufacturing, and forming technology to diversify automobile materials. In addition, we are enhancing our strategic technology development on composite materials to improve the fuel efficiency of automobiles.

Earthquake-Resistant Steel

Damage to buildings caused by natural disasters such as earthquakes is gradually increasing. To prevent the damage, earthquake-resistant steel is used when designing buildings. Earthquake-resistant steel delays the collapse time by absorbing shocks when earthquakes occur, securing the time for people to evacuate a building. Since we developed earthquake-resistant steel for the first time in 2005, these earthquake-resistant steels have been successfully applied to the construction of the Science Base of Jangbogo in the Antarctic Base, a Coal Thermal Plant in Bogota, Colombia, Lotte World Tower, etc.

Development of High Performance Earthquake-Resistant Reinforcement Bar

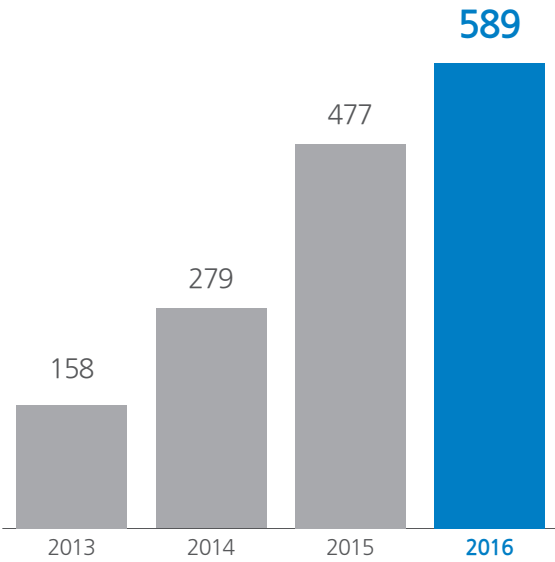
In 2016, Hyundai Steel became the first Korean steelmaker to develop high performance earthquake-resistant reinforcement bars, such as SD400S, SD500S, and SD600S, and build a commercial production system. Since application targets for the earthquake-resistant design have expanded due to the recently rising frequency of earthquakes, it is expected that our earthquake-resistant rebar will significantly contribute to improvements in building safety in Korea. Moreover, we endeavor to support relevant projects such as reinforcement construction to enhance the earthquake-resistant performance of buildings in Elementary Schools of Naenam in Gyeongju.



Earthquake-Resistant Reinforcement Bar

Sales Volume of Earthquake-Resistant Steel

* Based on sales of SHN material (Unit: 1,000 tons)



Year	Sales Volume (1,000 tons)
2013	158
2014	279
2015	477
2016	589

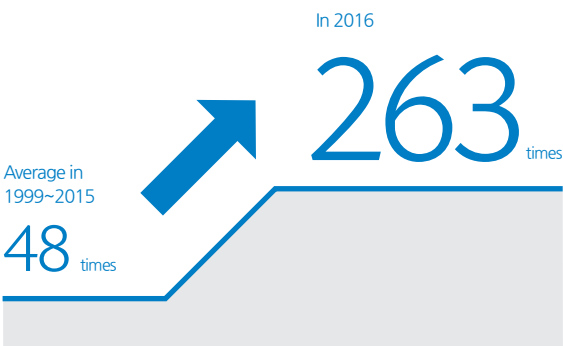
The Increasing Neccessity of Earthquake-Resistant Steel

With rising awareness of the risk of earthquakes, the necessity of adequate response measures has become clear. While an average of just 47.6 earthquakes with a magnitude over 2.0 occurred in Korea each year from 1999 to 2015, a total of 263 such events were recorded in 2016¹⁾. Most Korean buildings are not strong enough to withstand earthquakes, with only 33% employing earthquake-resistant design²⁾. The government is in process of legislating the earthquake-resistant design of buildings to spread the use of such steel in buildings, and earthquake-resistant design is becoming a critical factor in building design.

1) Refer to status and forecast of domestic earthquake-resistant technology, Monthly Report of Korea Development Bank (2017)

2) Refer to status of earthquake-resistant design in each municipality, data of Ministry of Land, Infrastructure and Transport (2017)

Earthquakes with a Magnitude over 2.0



Period	Frequency
Average in 1999~2015	48 times
In 2016	263 times



ENVIRONMENTAL VALUE

> Business and Social Context

Public interest in the management of environmental pollutants has been gradually increasing. The Korean government is also enhancing regulations and punishments by improving related rules and acts. Act on Liability for Environmental Damage and Relief thereof has been implemented in 2016. Act on the Integrated Control of Pollutant-Discharging Facilities and the Framework Act on Resource Circulation are scheduled to be put in force in 2017 and 2018, respectively. As managing environmental pollutants becomes integral in management activities, systematic monitoring and actions are required.

> Our Approach

Hyundai Steel reflects the environmental factors during the decision-making process of management activities and minimizes the environmental impacts generated from production processes and products. At the same time, our dedicated organization is establishing systems and conducting related activities to implement integrated environment and energy management at all domestic and overseas sites.

> Future Action

Plans for 2017	
Implementation of the image of eco-friendly steelworks	Reduction of dusts and improvement of environmental facilities efficiency
Building a basis for preventive action on environmental regulations	Increasing the competitiveness of recycling of by-products

> Performance



GHG emissions

19,103 thousand tCO₂



Recycling rate of by-products

99.1 %

Eco-Friendly Road Pavement, FerroPhalt



The by-products generated in Steelworks have two features. First, they are generated in large volume, and second, they include a lot of useful components with recycling value. Hyundai Steel strives to minimize reclamation and incineration to create new value from the by-products with these features.

Launch of FerroPhalt Utilizing Slag

Hyundai Steel recently developed 'FerroPhalt', an eco-friendly road pavement material using slag. As FerroPhalt uses steelmaking slag, the main by-products produced in steelworks, the natural aggregates used in road asphalt construction are replaced.

The company started to develop FerroPhalt starting 2012 and conducted durability evaluation for more than 3 years on the in-house road of the Dangjin Integrated Steelworks. The result of this test found that in the FerroPhalt section of a test road, the service life of the road was more than 20 months longer than the regular one and also the initial qualities, including deformation strength, more than 40% higher. Following this testing, the quality was verified by using FerroPhalt in the local road pavement in Dangjin, Seosan, Asan, etc. in 2016. Hyundai Steel is preparing the basis for commercialization by standard registration of slag asphalt concrete and product registration

of the Public Procurement Service. In addition, we are planning to enhance cooperation with local companies by building business networks with asphalt concrete companies in Chungcheongnam-do.



Roads applying FerroPhalt

From Slag to FerroPhalt



Slag generated during the steel-making process



Production of steel-making slag aggregate for asphalt concrete



Production and commercialization of FerroPhalt

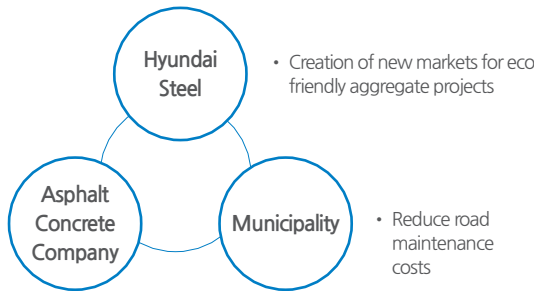


Utilization for asphalt construction

Construction of Resource Recycling Network

By using FerroPhalt, an eco-friendly road pavement material, we can help prevent resource depletion by replacing more than 1 million tons of natural aggregate per year, and we can respond to potential issues such as environmental degradation. In addition, the excellent durability of the FerroPhalt is expected to reduce road maintenance costs by more than 20%, contributing to the reduction of road maintenance costs in local communities.

Expected Effects of FerroPhalt



- Cost saving in construction
- Stable procurement of local aggregate sources

Wastewater Reuse Technology

As industrial development and living standards improve, water use increases sharply. The amount of water available on the earth, however, is limited, and water shortages due to climate change are becoming increasingly real. The demand for water reuse is gradually shifting from attention to necessity. In the case of steelworks, the characteristics of the effluent water differ from the wastewater of other industries, making it difficult to reuse. To overcome these limitations, Hyundai Steel has invested strongly in the development and application of waste water reuse technology.

Development of a New Wastewater Treatment Process

Hyundai Steel is developing new technologies from wastewater reuse to wastewater non-discharge system in order to effectively treat the generated wastewater. In 2014, we had developed technology to recycle steelmaking wastewater as cooling water for each worksite by using a reverse osmosis membrane and are currently constructing a reuse facility to reduce the amount of wastewater discharged per day by 15,000 m³/d. Also, we have strived to develop a new technology, Zero-Liquid Discharge system, in stages from 2015 as the aim of mid to long-term technology development. As a result, we completed the basic technology development using Seawater Reverse Osmosis (SWRO) in 2016.

Wastewater Treatment Technology

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graph LR; A[Wastewater treatment] --> B[Effluent recycling technology<br/>MF (Micro Filter) + BWRO (Brackish Water Reverse Osmosis)<br/>Recycling rate 44~60%]; B --> C[Advanced effluent recycling technology<br/>SWRO<br/>Recycling rate 75%]; C --> D[MD (Membrane Distillation), MD + FO (Forward Osmosis)<br/>Recycling rate 90%]; D --> E[Zero liquid discharge technology<br/>Evaporation, Crystallization<br/>Recycling rate 99%]; E --> F[Refuse-derived Slurry];
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Recycled water

Zero Liquid Discharge (ZLD) System

Hyundai Steel had completed the development of technology to recycle 75% of wastewater discharged to the sea in 2016 and is conducting the pilot evaluation to derive operating factors. We will implement eco-friendly steelworks with the industry's first 'Zero Liquid Discharge Technology' through continuous technology development.

Wastewater recycling system

Eco-Friendly Integrated Steelworks

From the initial stage of the construction of Dangjin Integrated Steelworks, Hyundai Steel built the closed-type raw material handling systems for the purpose of making an eco-friendly steelworks. We have been developing various technologies including CO₂ emission minimization in order to make the world's most eco-friendly steel mill.

Management of Fugitive Dust by Using Closed-Type Raw Material Handling Facilities

The closed-type raw material handling facilities can be classified into circular and linear type storage. These two storages basically prevent raw materials such as iron ore and coking coal to be blowing away by the wind by enclosing them in a structure. We completely solve the fugitive dust problem, experienced by other steel mills located near the seashore.

Circular type raw material storage

Reduction of CO₂ through the Development of Eco-Friendly Technology

Hyundai Steel produces 19,103,000 tons of CO₂ per year. In order to reduce costs and reduce CO₂ emissions through energy savings, we are replacing fuel and raw materials, increasing facility efficiency, utilizing biomass, recovering CO₂ and recycling resources, developing various new renewable convergence technologies, and developing innovative steelmaking processes. Through this technology development, we will contribute to the realization of a green steelwork and the achievement of national GHG reduction targets.

Cokes · Refinement

- Coke Oven
- Gas reforming technology

Blast Furnace

- Slag latent heat recovery
- CO₂ absorption and separation technology
- Biomass utilization technology

Steelmaking

- Recovery increase technology of converter gas

Sintering

- Gas fuel injection technology
- Optimization technology of ignition burner

Electric Arc Furnace

- Waste heat recovery technology

Hot · Cold Rolling

- Burner technology for continuous annealing facilities



HEALTH AND SAFETY VALUE

> Business and Social Context

Industrial disasters can have significant effect on a company's business activities, and also cause issues in product supply. Recently, as public awareness of safety incidents has been increasing, particularly through the media and civil society, the government has been reinforcing regulations related to workplace safety and health.

> Our Approach

Hyundai Steel strives to realize happiness for individuals and to fulfill its corporate social responsibility. We are expanding our safety facilities and enhancing various activities for employee safety awareness to achieve a zero-disaster status. We also encourage all people to engage in safety activities by setting up employees in our steelworks as well as members of partner companies as safety management targets.

> Future Action

Plans for 2017	
Verification of risks in each work unit	Finding and improving safety hazards on site
Evaluation of implementation of basic safety guidelines	Intensive management of unsafe behaviors
Boost of safety culture	Boost of the Safe & Fun Campaign

> Performance



Industrial accident rate

0.17%



Creating value for basic safety
(Back to the basic)

Safe Workplace

There are various risk factors in the steel manufacturing process, when operating large equipment or working in high temperature conditions. Systematic safety control regulations and processes are vital to minimizing the risk factors for partners' workers and our employees.

Building Safety Systems and Infrastructure

Through safety inspections and diagnostics, Hyundai Steel is actively improving conditions at work sites and facilities. The company conducts self-inspections of major hazardous facilities, and minimizes the risk factors on site through joint labor-management checks and theme inspections. For the safe operation, we have established 10 core safety rules, and all employees working in all domestic business sites are to comply with them. In addition, the Safety Standard, which contains safety rules and work procedures for safe operation, was established and distributed to all employees.

Safety Management Activities for Closed Spaces

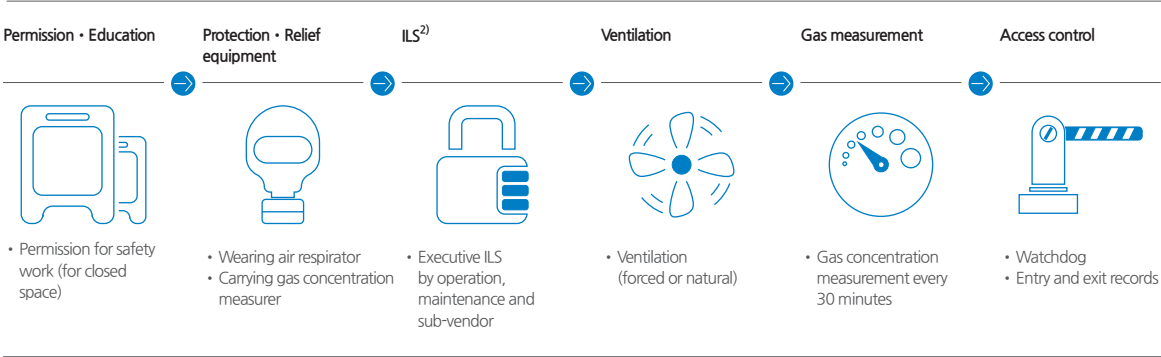
Hyundai Steel pursues a number of activities to prevent safety accidents in workplaces. Suffocation risk factors are highly likely to be connected to severe disasters compared to general accidents, and mainly occur in closed spaces¹⁾. Hyundai Steel engages in an array of activities to minimize suffocation accidents. Firstly, we have established a standard for the classification of closed spaces in our workplaces and strengthened our management. We have assigned a hazard level to each enclosed space and strengthened the measurement of four hazardous gases so that the operator can recognize whether or not the hazardous gas is exposed during the work process. Furthermore, in order to check whether workers comply with safety management systems and standards or not, we stringently inspect any closed spaces. In particular, we are continuously inspecting whether workers are complying with safety regulations such as the measurement of hazardous gases concentration, ventilation, Isolation & Locking System (ILS) and implementation.

1) When ventilation is insufficient, there is a high risk of fires and explosion caused by flammable substances, as well as suffocation and poisoning caused by hazardous gases and a lack of oxygen.



Gas check in closed space

Work Process in a Closed Space



2) Isolation & Locking System: Locking system blocking disaster factors by physically preventing the accidental activation of the energy or power supply to equipment or machines



COMMUNITY VALUE

> Business and Social Context

Social contribution activities are being developed in a direction to coexist with a society based on our core competencies. These activities have a positive effect on management, not only raising corporate image, but also securing excellent talents and raising employee satisfaction. In recent years, the role of companies has been expanding not only to create economic profits but also to strengthen corporate social responsibilities, such as solving social problems. In addition, activities to protect the environment, which is a public resource such as the natural environment near the main business sites, are also emphasized.

> Our Approach

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

> Future Action

Plans for 2017

Enhancement of mid and long term social contribution strategy system

Rearrangement of portfolio for social contribution

Enhancement of performance management for social contribution

Expansion of participation of stakeholders

> Performance



Participation rate in employee volunteer group

98%



Social contribution investments

KRW 14.5 billion

Employee Volunteer Group

Hyundai Steel actively and systematically runs the Division Volunteer Groups composed of employees in each division to support the local communities. In 2016, 19 Division Volunteer Groups and 22 Autonomous Volunteer Groups planned and operated the volunteer programs based on voluntary participation.

Division Volunteer Groups



19 groups

Autonomous Volunteer Groups



22 groups

Volunteer Work Hours of Employees



86,222 hours

H-Together Travel Camp

Hyundai Steel operates the special program, H-Together Travel Camp to help Hyundai Steel employees' children understand handicapped children and respect differences.

Youth Travel Camp with Handicapped Children

Hyundai Steel operates 'H-Together Travel Camp', where the disabled and the children of employees can learn how to live together and understand each other. It was a good opportunity for them to spend time together in January and July of 2016. For 3 days and 2 nights, they participated in activities like climbing Seongsan Sunrise Peak and riding a rail bike on Jeju Island. As a result, they had an opportunity to complement each other's weaknesses and understand each other during the camp, through various activities.



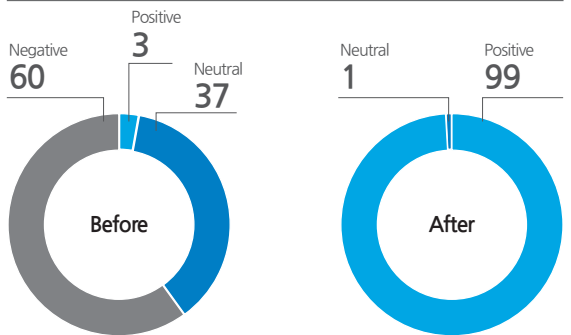
H-Together Travel Camp

Improvement of Awareness Concerning Disabilities

'H-Together Travel Camp' - 120 participants with and without disabilities in the youth travel camp were surveyed on the difference concerning the awareness of disabilities before and after the camp. The survey found that the understanding of the non-disabilities students concerning those with disabilities was highly improved by the camp experience.

Recognition on the Disabled

(Unit: %)



Hyundai Steel is building a corporate culture of fulfilling social responsibilities by establishing a fair-trade order and ensuring ethics of the CEO and all employees.

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Risk Management

01 Corporate Governance

Board of Directors

The Board of Directors (BOD) of Hyundai Steel is the top decision-making body in management, and is dedicated to enhancing the corporate value and growth of the corporation. The board consists of a total of 9 members, including 4 inside directors and 5 outside directors. It is structured in this way (over 50% outside directors) to ensure the BOD's independence. To secure expertise and efficiency in the BOD's decision-making, the BOD runs separate subcommittees such as the Audit Committee, Ethics Committee, and Outside Directors Candidate Nomination Committee. Without the approval of the BOD, individual directors may not engage in any means of transaction, neither personal nor on behalf of a third party, with the company, and also cannot be engaged as a full-time employee or director of another company in same line of business.

Diversity of Outside Directors

Hyundai Steel has developed a process related to the composition of its board of directors that ensures the incorporation of diverse points of view and the representation of a broad cross-section of the community in terms of gender, birthplace, expertise, industrial experience, etc. In particular, we are trying to secure expertise and a diversity of individual capabilities among our directors.

Transparency and Professionalism in Director Appointment

The directors are appointed at the general shareholders' meeting in accordance with the Commercial Act of Korea and the Articles of Association. Outside directors are evaluated and recommended by the Outside Director Candidate Nomination Committee, and then appointed at the general shareholders' meeting. As of March 2017, the outside directors of Hyundai Steel include experts in areas such as tax, general management, construction, law, and the environment, and they provide opinions regarding the company's general policies and practices in their area of expertise. The executive directors are the executives of each business division. The chair of the BOD is appointed at the board meeting every year. Vice Chairman Yoo-Cheol Woo is the current chair of the board. Over the long term, Hyundai Steel's BOD will continue to work to enhance shareholder value through transparent and sound management.

Independence of Outside Directors

Hyundai Steel has defined certain evaluation standards related to the independence of its outside directors based on the Commercial Act of Korea so that the BOD can actively play a role of 'supervising and balancing.' As such, the following are excluded from consideration for an outside director position.

Disqualification criteria for outside directors

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 last two years

2. The largest shareholder and his/her spouse, as well as his/her lineal ascendants and descendants

3. Directors, auditors, executive directors and employees of the corporation, in cases where the largest shareholder is the corporation

4. Spouses and lineal ascendants and descendants of directors, auditors and executive directors
5. Directors, auditors, executive directors and employees of the parent company or subsidiaries

6. Directors, auditors, executive directors and employees of a corporation which has a significant interest 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

Board of Directors (as of Mar, 2017)

● Committee Chair ○ Committee Member

Classification	Name	Career Highlights	Subcommittees		
			Audit Committee	Ethics Committee	Outside Director Candidate Nomination Committee
Inside Director	Eui-Sun Chung	Vice Chairman of Hyundai Motor Company			
	Yoo-Cheol Woo	Vice Chairman of Hyundai Steel			●
	Hak-Seo Kang	President of Hyundai Steel			
	Choong-Sik Song	Head of Finance and Economy Division of Hyundai Steel			
Outside Director	Ho-Yul Chung	Professor at the Law School of Sung Kyun Kwan University (Economic Law)	●	○	○
	Seung-Do Kim	Professor of Environmental Biotechnology Engineering at Hallym University (Environment)	○	●	○
	Eui-Man Park	Representative Tax Accountant of Samick Tax Accounting Firm (Tax)	○	○	
	Eun-Taek Lee	Professor of Architecture at Chung-Ang University (Architecture)		○	
	Jung-Suk Oh	Professor at the Business School of Seoul National University (Business Administration)	○	○	

Operation of the BOD

Subcommittees under the BOD are either chaired or membered by our outside directors. The Audit Committee and the Ethics Committee, which consist only of outside directors, hold regular meeting and have systems to guarantee the independence of the directors. In 2016, a total of 10 meetings, including 4 general BOD meetings and 6 ad-hoc meetings, were held to discuss and approve items including the annual business plan and budget, issuing of corporate bonds, and transactions with special interests. The board also surveyed both the financial and non-financial performance of the company through the reporting of operations of the internal accounting management system and fair-trade compliance program. Establishment and resolutions of the BOD is valid only if the majority of the directors attends and the majority of directors in attendance agrees. Any director with a conflict of interest will lose his or her right to vote on the relevant issue.

Audit Committee

The Audit Committee consists of 4 outside directors and is the apparatus that reviews and determines vital issues on the inspection of the company's accounts and works which are constantly monitored. During its 5 meetings held in 2016, issues on operations of the internal accounting management system, management accomplishment reporting in each quarter were evaluated.

Ethics Committee

The Ethics Committee consists of 5 outside directors and works to form an ethical enterprise culture. It is the organization that is dedicated to realizing transparent management. During its 5 meetings held in 2016, issues on activities for social contributions, donation status, law-abiding management activities, approval of large internal transactions were evaluated.

Outside Director Candidate Nomination Committee

As the committee assigned the task of recommending outside directors as per the Articles of Association and Regulations of the BOD, the majority of the Outside Director Candidate Nomination Committee should be composed of outside directors. It is composed of 3 members, including 1 inside director and 2 outside directors. The Outside Director Candidate Nomination Committee held a total of 2 meetings in 2016, and the outside directors and the Chair were re-appointed in the meetings.

Shareholder Composition

As of the end of 2016, Hyundai Steel had a total of 133,445,785 issued shares, and its market capitalization equaled KRW7.6064 trillion (KRW57,000 per share as of the end of 2016). As of the end of 2016, the largest shareholder was KIA Motors, which held a share of 17.27% by itself, and a share of 35.99% when its special relations were included. Based on the voting right commissioned for the 52nd regular director's meeting in 2017, the next largest shareholders with more than 5% of the total share were NH Investment & Securities (5.61%) and the National Pension Service (NTS, 7.69%).

BOD Remuneration

In compliance with Article 388 of the Commercial Act and its own Articles of Association, Hyundai Steel decides on maximum remuneration of the directors and compensates them through fair and transparent processes. At the 52nd general shareholder's meeting, the remuneration limit was set to KRW 10 billion, and a total of KRW 2.927 billion was paid as remuneration in 2016.

BOD Remuneration			(Unit: KRW Million)
Classification	No. of BOD	Total Remuneration	
Inside Director	4	2,559	
Outside Director	5	368	
Total	9	2,927	

Classification	Highest Remuneration ¹⁾	Average Remuneration for Employees	Ratio (%) ²⁾
Remuneration (Annual Remuneration and Incentives)	1,259	87	14.5

1) Current standard of CEO remuneration

2) Highest remuneration/Average remuneration of employees

IR Activities

Hyundai Steel presents a report of its business performance to its investors and the media quarterly, biannually, and annually. The Chief Financial Officer (CFO) and other executives attend these presentations, which are a way of communicating with the investors and the media. The CFO and the executives also participate in the conferences held by securities firms, host non-deal roadshows (NDRs), and even visit the investors to actively engage in investor relation (IR) activities. Hyundai Steel also invites investors worldwide to visit its headquarters and worksites in order to promote understanding of the business, and conducts conference calls when the investors cannot attend face-to-face meetings.

02 Ethics Management

Ethics Management Status

Since its announcement of the Ethics Charter and Code of Ethics in 2000, Hyundai Steel has worked on spreading an ethical culture through campaigns such as developing ethics guidebooks for employees. In addition, we offer training in 'understanding ethics' to new recruits and relevant departments, and also provide education related to anti-bribery, anti-corruption, personal information protection, ethics and human rights, even to the employees of our suppliers. In addition, we have supplemented our corporate principles by including the goal of 'establishing a transparent corporate culture' in the Code of Ethics.

Diffusion of Ethics Management Culture

In order to spread an Ethics Management Culture among employees throughout the company and our overseas SSCs, Hyundai Steel has posted the Ethics Charter and Code of Ethics in Korean, English and Chinese on the company webpage. Also, our employees have pledged to comply with relevant laws and improve their ethics awareness, following the implementation of the Improper Solicitation and Graft Act in 2016. We also work actively to spread an Ethics Management Culture by distributing relevant guidelines.

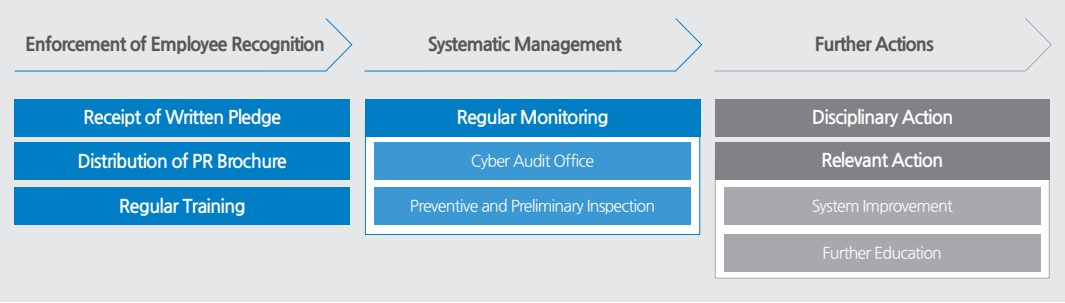
Ethics Training for Employees

To enhance the ethics awareness of our employees, we run ethics training both online and offline. In 2016, we offered ethics training twice to new employees, and 131 were trained. Furthermore, employees of the company and subsidiaries were trained following the implementation of the Improper Solicitation and Graft Act in 2016.

Compliance with Anti-Corruption Law

Hyundai Steel operates an 'anti-corruption compliance program' to induce employees to comply with the anti-corruption act based on relevant laws such as US FCPA (Foreign Corrupt Practices Act) since 2014. In this regard, an anti-corruption compliance program is provided to employees of 16 overseas relevant departments twice per year. In 2016, we invited an experienced anti-corruption lawyer to provide several anti-corruption trainings to overseas staff and heads of corporations to promote the anti-corruption agenda in our overseas SSC.

Management Process of Ethics Charter



Cyber Audit Office

Hyundai Steel operates the Cyber Audit Office in order to secure transparency and reliability in its business activities. It collects information regarding all types of employee misconduct, including unfair requests or corruption that takes place through the internet, telephone, fax or documents.

Informant Protection Policy

- Security: We prohibit any act of disclosure or insinuation of an informant's personal information without consent.
- Status: We prevent any type of disadvantages or discrimination in business activities or at work due to the report, statement and data submission.
- Exemption of responsibility: We allow a reduction of the penalty to the informant if any mistakes or errors of the informant have been found in the disclosure.

03 Fair-Trade Compliance

Fair-Trade Compliance Program

Since the introduction of the Fair-Trade Compliance Program (CP) in 2002, Hyundai Steel has established a system and culture of fair-trade compliance through CP trainings, CP audits, employee pledges on fair-trade, compensation to departments that properly observe fair-trade, etc. In 2016, we enhanced employee awareness of the need to comply with fair-trade requirements by carrying out a 100% pre-contract meeting system, expanding the CP targeting number, intensively implementing the CP audit, etc. We will strive to become a leader in ethics management through continuous work for fair-trade compliance.

Pre-Contract Meeting System

In order to enforce the regulations of the Fair-Trade Act on internal trade between affiliates, Hyundai Steel has run the pre-contract meeting system since January 1, 2015. Under this system any department that intends to sign a contract with another affiliate is required to consult with the Business Cooperation Team. This system has been imposed in order to prevent legal risks and increase employee awareness of fair-trade. In 2016, we reviewed the legitimacy of trades in advance when making contracts with major restricted affiliates, and achieved 100% pre-contract consultation. We will continue to prevent risks in fair-trade through the new system.

Diffusion of Fair-Trade Culture

Employees have pledged to internally spread a fair-trade culture. As the policy on fair-trade was adopted with the strong support of directors and managers along with the CEO, the pledge was made by all 419 employees at the team leader level and above. In particular, the background and meaning of the fair-trade pledge were explained to the CEO and all employees at the department head level and above, and we received their signatures on the pledge, raising the Fair-Trade Awareness of Management. As it has been indicated in the pledge that there will be disadvantages to individuals when any major requirements of the Fair-Trade Act are breached, directors and employees maintain their awareness when they work. We are planning to make efforts to raise awareness about fair-trade throughout the company by having the directors and employees make a fair-trade pledge every year.

Implementation of Fair-Trade Act

The CP-related departments deliberate on the fair-trade related Acts, regardless of the Legal Team's activities. In this way, it helps all the directors and employees to make appropriate decisions. Furthermore, it has indirect and direct training effects on workers in charge of related work and plays a vital role in boosting Fair-Trade Compliance Awareness.

Fair-Trade Compliance Program (CP) Performance

Period	Target	Content
1st half	Main Department of Seoul Marketing Office (7) Main Department of Technical Planning Office and Seoul Marketing Office (10)	Diffusion of the Fair-Trade Related Trends Inspection of Compliance with Fair-Trade
2nd half	Main Department of Steel Material Procurement Office (4) Main Department of Construction Steel Business Division (5, twice) Main Department of Alloying Steel Business Division (4, twice)	Consultation and Deliberation on Fair-Trade

Fair-Trade Compliance Training

Category	Target	Content
Inside training	New Employees in 2nd Half of 2015 (94)	Introducing fair-trade in general operations and Hyundai Steel CP operations
	3 Departments of Business Management (11)	Internal training to prevent unfair internal trades and unfair group behaviors
	New Employees in 1st Half of 2016 (37)	Introducing fair-trade in general operations and Hyundai Steel CP operations
	Team Leader of Procurement, Finance and Management Division (30)	3rd Quarter outside expert lecture (understanding and cases of unfair supports and unfair trades)
	Main Department of Procurement and Marketing Division (124)	1st outside expert lecture of 4th Quarter (understanding and main cases of unfair group behaviors)
Outside training	Fair-Trade Compliance Controller (once)	2nd outside expert lecture of 4th Quarter (understanding and main cases of unfair supporting behaviors)
	Fair-Trade Compliance Manager (once)	Training and meeting of Fair-Trade Compliance Controllers · Training on proper method of surcharge calculation Training and meeting of Fair-Trade Compliance Controllers · Fair-Trade Seminar in 2nd half of the year

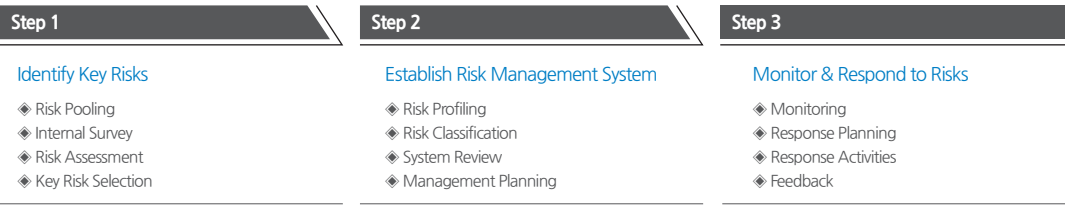
04 Risk Management

Risk Management System

Hyundai Steel manages potential risks from business activities and preemptively responds to the risks via its well-organized risk management process. Selecting major risk elements that can significantly compromise the business and coming up with indicators to manage each element is the first step. This

helps in minimizing impacts of the risks. Moreover, we reflect any changes in the business environment and feedback of each department in order to manage the key risk factors, and also run internal processes as a countermeasure to potential risks.

Risk Management Process



Key Risk Selection and Management



When risks are selected, the risk pooling, survey of expert groups and the incorporation of the survey result, deciding a gravity of each risk by analysis of AHP¹⁾ and adjustment of qualitative weightage as well as considerations of changes in internal and external management environments are carried out. Trade restriction risks were added in 2016, and key risks were selected accordingly. The selected risks are controlled by the management system based on the characteristics of each risk type, by classifying risks into indicator-type,

scenario-type and disaster-type. For indicator-type risks, we monitor both leading and lagging indicators, and take responsive measures when a high-risk potential is detected. We respond to scenario-type risks with pre-set scenarios by predicting future directions of the market environment and business activities. In order to minimize disaster-type risks, we establish response manuals and conduct training regularly.

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

Key Risks

Hyundai Steel identifies the impacts of risk on overall businesses by regularly monitoring and inspecting the key risks, and has established effective countermeasures to respond to them and apply them to the business activities.

Type of Response	Risk	Potential Impact on the Business	Response Measures
	Low-price steel import	Concerns over a reduction of the local sales competitiveness of our company due to excessive imports low-price products	• Establish timely response measures on an increase and reduction of low-price import products
	Raw material price	An increase in raw material prices leads directly to an increase in manufacturing costs	• Establish timely response strategy by monitoring the variation in raw material prices
	Secure quality competitiveness	Negative impact on consumer reliability and economic losses due to a rise in sub-quality products and customer claims	• Prevent unstable works and reduction of quality competitiveness resulting from human and material accidents • Unify quality-related work processes by establishing quality control towers in the company
	Financial stability	Secure a vital factor for business operations by achieving a certain level of fiscal stability	• Prevent deterioration of capital flow by increasing cash generating capabilities during a recession
	Information security	The leakage of main technical and marketing information can reduce the company's competitiveness, result in system errors from malicious code and a negative impact on production activities	• Prevent risks caused by non-compliance with internal security regulations, such as leaking of major confidential data, propagation of malicious code, etc.
	Safety management	Deteriorates the enterprise image and has a negative impact on production activities due to severe disasters in the workplace	• Operate a safety control tower to establish the safe management system • Spread a culture of safety for safe management • Unify safety-related work processes in the company
	Steel market downturn	Leads to a reduction of demand and the price of steel materials: caused directly by slow market demand	• Analyze the balance of industrial demand and supply, profitability of steel firms and status of competitors' restructuring
	Increase in utilities expense	An increase in fuel prices leads directly to an increase in manufacturing costs	• Monitor the trend of international fuel prices and the variation of national power policies
	Severe global market competition	Concerns over a reduction in the export competitiveness of our company due to excessive supply and a reduction in the price of steel materials in overseas markets	• Monitor excessive supply and the variation of export strategy of competitors by newly increasing plants in Middle East and Southeast Asia
	Trade restriction	Difficult to enter into market when reinforcing trade restriction in major import countries	• Monitor the trend of trade volume in import countries for major steel materials and status of protection measures
	Labor management relations	Have an impact on production activities due to cessation of operation and damage to production facilities	• Determine a method of risk reduction by establishing an advanced labor culture
Disaster-type	Natural disasters	Have an impact on production activities due to suspension of works, damage to production facilities, etc.	• Construct the response system for disasters and catastrophes of uncontrolled type

Potential Risks

Hyundai Steel is dedicated to identifying the potential risks that can be generated by environment changes in markets and any restrictions by establishing a management system to respond to unexpected incidents.

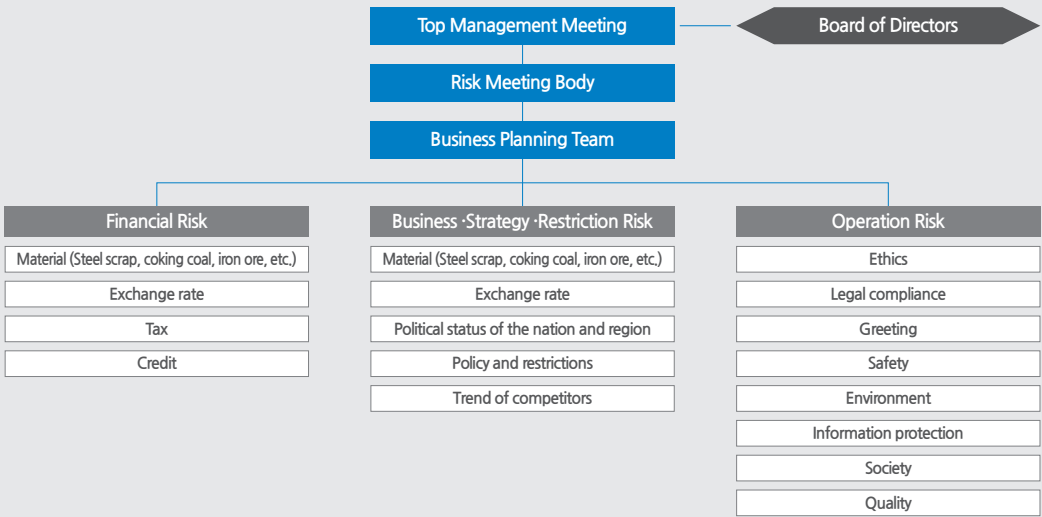
Environmental Restriction Risks

The environmental regulations are gradually enforced with increasing interest in the environment in society as a whole. The company should abide by the environmental restrictions or there will be a negative impact on the company's reputation as well as a need to pay a penalty such as surcharges. Hyundai Steel is monitoring the changes in environmental restrictions and is systematically responding through its combined environment management system, basic resource recycling and relief measures for pollution damage.

Risk of Technology Leakage

Cyber-attacks targeted enterprises systems and employees have brought about a huge amount of damages such as malicious code infection, damage of data and leakage of confidential information. As enterprises' information assets are the vital asset including technical data as well as production and management data, they should be thoroughly controlled. In particular, Hyundai Steel continues to invest in Research and Development and also has a variety of new technology. In this regard, technology leakage can have a negative impact on securing market competitiveness. In order to prevent it, Hyundai Steel continues to monitor confidential data in order to maintain safety and soundness of the information management system. Also, we endeavor to block risky factors in advance by education on information and security, targeting overall directors and employees.

Risk Governance



Management and employees alike share and practice the necessary beliefs for humans to coexist with nature and one another.

Hyundai Steel will build a sustainable society and create shared values with all of its stakeholders and related organizations.

Sustainability Performance

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Financial Performance

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Research and Development

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Talent Management

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Customer-Oriented Management

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Environment and Energy Management

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Occupational Safety and Health

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Win-Win Growth

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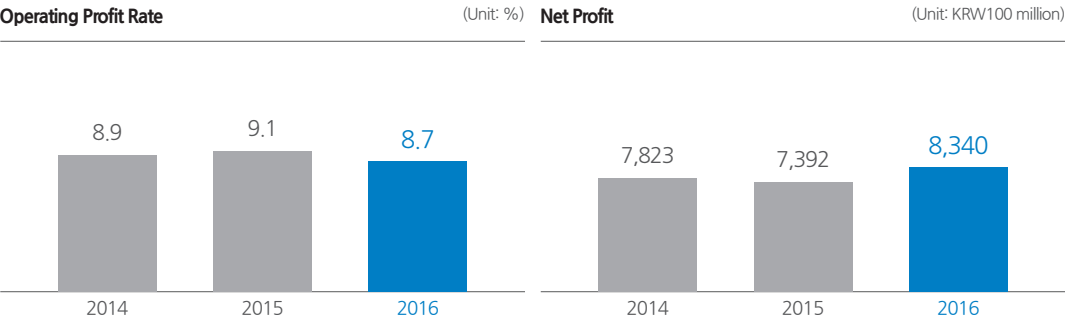
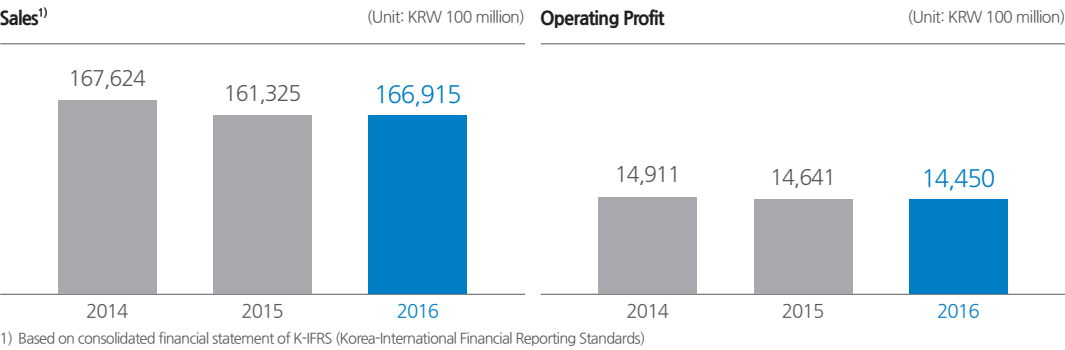
Social Contribution

01 Financial Performance

Economic Performance

Despite low global economic growth and poor steel industry business conditions, we have maintained a steady operating profit by expanding sales of high-value products such as

Advanced High-Strength Steel and a merger with Hyundai HYSCO.



Production and Sales of Products

Product Production		(Unit: 1,000 tons)		
Product		2014	2015	2016
Nation	Long steels	6,423	6,800	6,845
	Hot-rolled coil	3,668	3,499	3,200
	Flat steels	2,383	2,627	2,516
	Cold-rolled coil	6,164	6,260	6,563
	Others	712	1,123	1,538
Overseas	Others	24	872	1,718
Total		19,374	21,181	22,380

Product Sales		(Unit: 1,000 tons)		
Product		2014	2015	2016
Home country	Long steels	6,196	7,071	7,714
	Flat steels	12,534	12,542	12,554
	Others	987	877	930
Overseas	Flat steels	-	1,740	3,561
	Others	24	11	214
Internal transactions ¹⁾		(22)	(1,303)	(2,743)
Total		19,719	20,938	22,231

1) Mark a negative number of overseas SSC as an internal transaction recognition, merged after the 2nd quarter of 2015

Improvement of Financial Indicators

Reduction of Debt

Since Hyundai Steel began operating its own third blast furnace and was merged with the cold-rolled steel division of Hyundai HYSCO, our cash flow has greatly improved. Hence, we have been focusing on debt repayment to improve our financial structure since 2014. We have repaid about KRW 2.2 trillion of our total loans, including about KRW 0.8 trillion in 2016, about KRW 0.7 trillion in 2015 (including loans of Hyundai HYSCO) and about 0.7 trillion in 2014. As a result, the debt to equity ratio was reduced from 120.1% at the end of 2013 to 89.9% at the end of 2016. Also, our debt/ EBITDA ratio has been reduced from 9.0 times to 4.3 times. Despite the unstable market situation, the management will continue to focus on paying debt as much as it for sound financial structure.

Upgrading Credit Rating

Standard & Poors (S&P), the global credit rating agency, has upgraded our credit rating by one level, from BBB- to BBB0 in 2016. In addition, Moody's upgraded its ratings one level from Baa3 to Baa2. As a result, we became the only steelmaker whose credit rating was upgraded by both global credit rating agencies after the financial crisis. Furthermore, we have been able to secure reliability through the continuous improvement of our financial structure by stable cash flows and profit making.

Credit Rating				
KRD Rating	Korea Credit Rating	NICE Credit Rating	S&P	Moody's
AA(S)	AA(S)	AA(S)	BBB0(S)	Baa2(S)

Reinforcement of Market Response in Each Product

Flat Steels

We have thoroughly prepared customized products in order to secure profitability to the best of our ability and respond to the market environments. Although the cost increased in the second half of the year, we secured as much profitability as possible for our major products such as cold-rolled coil and plate by taking advantage of a rebound in international steel prices, etc. In addition, 2 CGL in Dangjin was built at an early stage so as actively to accommodate demand for advanced high-strength steels. As a result, sales increased, which led to an expansion of the market share for advanced high-strength steels in overall sales of auto steel plates.

Long Steels

Hyundai Steel has concentrated on sales of bar-type steel products, taking advantage of continuously good housing business conditions, the restructuring of the Chinese steel industry and positive external environments. Reinforcement bar steel recorded the highest sales rate because an increase in sales of apartments has led to large-scale construction. The H-beam also achieved maximum sales within Korea thanks to the positive impact of an increase of the market share and price negotiation power as Chinese import products were subjected to anti-dumping laws. We utilized our marketing skills in the branding of our earthquake-resistant bar steel products by utilizing the increased national awareness of earthquake risk following the earthquake in Gyeongju in 2016. We are also planning to increase the profitability by increasing sales of high-value products.

Investment in Downstream Process

3 CGL at the Suncheon Works

Anticipating the expansion of global auto brand sales with an increase of middle and long term production by Hyundai and KIA Motors, we started the facility investment in 3 CGL in Suncheon Works in the 2nd half of 2016. We also expect that efficiency will be improved by production specialization between the cold-rolled works in Dangjin and Suncheon, and that we will secure stable supply bases to prepare for the diversification and specialization for high strength steel plates based on this investment. Production is planned to start in the 1st quarter of 2018.

Forging Works

In order to expand the supply scope of steel materials, we are nominalizing facilities and introducing new facilities. In particular, we completed combined operations with forged steel in the existing Incheon Works through an investment in the Suncheon Forging Works, which we took over in 2015. Also, we are currently introducing facilities, obtained from large shipbuilding companies, for large-scale open-die forging and impression-die forging, with a production capacity of 10,000 tons per year. Large forging facilities currently under construction are to be completed and operational in the second half of 2017. It is expected that the productive capacity of high alloy steel will be secured in order to manufacture parts, and project competitiveness will also be increased by the composition of plate and forging packages through related investments. We will supply high-value forging products in stages starting with engine parts for shipbuilding in the future.

Overseas SSC • Hot Stamping

Hyundai Steel expanded its investment in SSC overseas site corporations in order to respond to the expansion of overseas production by Hyundai and KIA Motors. Steel production was started at our Mexico subsidiary and our Tianjin, China subsidiary in 2016, as well as at our Chongqing, China subsidiary in May 2017. Also, we invested in hot stamping to respond to the auto trend of higher safety and gas mileage. We are currently operating a total of 17 hot stamping facilities in Yesan and a sum total of 26 units, including 7 units in Tianjin and 2 units in Ulsan.

Improvement of Profitability

Sales of Strategic Products

Hyundai Steel intensively fosters high-value products which have been identified as strategic products to lead quality growth, by securing stable profits and leading the market in the future. Competitive products that are leading the market, creating financial value and contributing significantly to increased profitability include Advanced High-Strength Steels for automobiles, steel for corrosion-proof chassis, high carbon alloy steel, API hot rolled steel for steel pipes, Quenching & Tempering (QT) steel (plate), earthquake-resistant SHN round steel and hot stamping steel. We are also planning to strive for improved profitability through the continuous expansion of strategic product sales in new demand areas. This will be achieved by creating new demand for high quality products produced at the special steel plant and forging works, to be sold to global automobile brands.

Cost Saving

We are focusing on improved profitability through continuous cost saving in a difficult market environment. When it comes to procurement, we have increased raw material purchase and strived to secure stock flexibility by comparing cost effectiveness with others brands. In the area of logistics, cost saving is realized by diversified contract types such as offshore fare, etc. In the area of production, efficiency of operations and production is being improved by specialized manufacturing of products at each worksite and refurbishing of old facilities. The resource recovery rate and energy are also being intensively managed. Despite the difficult market environment with its steep fluctuations of raw material prices, we aim to improve the cost competitiveness by making continuous efforts for saving costs, optimizing purchases, and improving our internal efficiency.

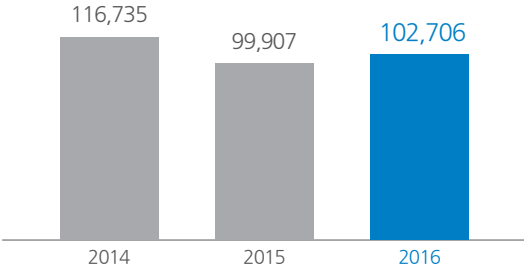
Economic Performance Distribution

Hyundai Steel is always making efforts to create value with shareholders. In 2016, the value distributed to relevant groups to suppliers, directors and employees, the government and local communities were KRW 10.2706 trillion.

Economic Performance Distribution

Shareholder	Amount (KRW 100 million)	Remark
Investors such as shareholders	4,632	Payment of dividends and interests
The government	3,125	Taxes and dues
Local communities	145	Investment of social contribution
Suppliers	85,124	Grant of purchase cost and win-win growth
Directors and employees	9,680	Total remuneration

Economic Performance Distribution Change Trend (Unit: KRW 100 million)



Tax Policy

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 statements 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 the risk factors associated with taxation from a long-term perspective.

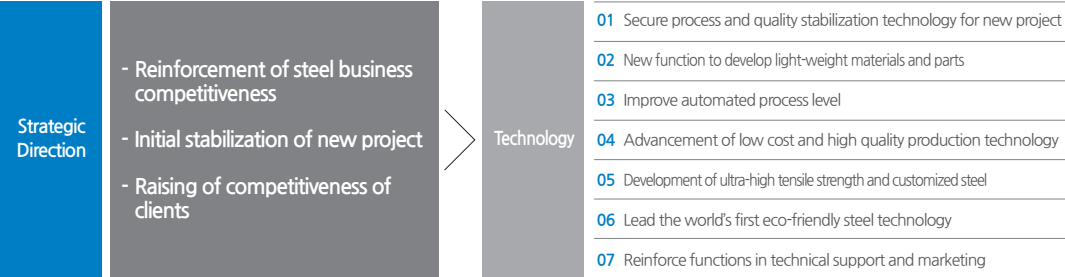
02 Research and Development

R&D System

Hyundai Steel operates the Hyundai Steel R&D Center, a research and development organization that responds to current requirements in a timely manner based on a site-oriented technical development system. It maintains appropriate research and development activities based on the technology, and strives to raise its competitiveness

on projects based on an organic solidarity with the project strategy. Moreover, it contributes to the technical development of CO₂ reduction to respond to preventive environmental regulations, stabilization of work by developing optaion technology, etc.

Mid and Long Term R&D



Main R&D Activity Performance and Plan

Classification		Performance in 2016	Plan for 2017
Sheets	Automobiles	Develop new advanced high-strength steel (AHSS) with high formability <ul style="list-style-type: none">AHSS with high formability (100K¹⁾ and 120K)Mass-production of 180K heat-treated steel sheets for bumpers (performance improvement for rear collision)100K ultra-high strength, sheets for commercial car frames (improve shearing & bending)	Develop AHSS with customized function <ul style="list-style-type: none">AHSS with high formability (150K)Heat-treated Steel with high strength and high toughness (180K, 80K TWB²⁾)100K ultra-high strength sheets for car lower armsMass-production of 100K ultra-high tensile steel with high bending characteristics for seat rails (100K)
	General	Develop customized steel sheet <ul style="list-style-type: none">Ultra-clean, high carbon, thin steel sheetsNon-heat treated, thick, ultra-high strength OCTGCold-rolled products tailored for foreign cars	Develop high value-added steel with customized function <ul style="list-style-type: none">Heat treated ultra-high strength OCTGHot rolled steel sheets for earthquake-resistant steel pipe (60K)Steel sheets for high pressure hydraulic tube of heavy equipment
Heavy plates		Develop ultra-thick³⁾ and extremely low temperature heavy plates <ul style="list-style-type: none">High strength, thick plate treated QT⁴⁾ for pressure vessel of oil tankerWear Resistant Steel Plate with high hardenability treated QT for construction and heavy equipment	Develop heavy plate for using at extremely low temperature and for energy <ul style="list-style-type: none">QT steel for the shipbuilding and marine sector to enable extremely low temperature useHigh strength and low toughness steel for the pressure vessel steel and wind power
Special steel		Develop special steel for automobiles <ul style="list-style-type: none">Develop 44 special steel grades for automobile parts (engines, transmission, chassis and so on)	Develop high quality special steel for automobile & energy <ul style="list-style-type: none">Special steel for bearing of wind generator and cylinder rod of automobile

1) Tensile strength enduring the weight of 100kg in the area of 1mm²
2) Steel plate of a thickness of over 100mm
3) Quenching & Tempering: Rapid cooling (quenching) to form high-strength microstructure and heating (tempering) to increase low temperature toughness
4) Tailor Welded Blank: Functional parts are made from individual sheets of steel of different thickness, strength which are joined together by laser welding

Major R&D Activities

Utilization of Machine Running Technology

Hyundai Steel is working to respond to the changes in the global steel industry that are happening with the introduction of big data, digital innovation, etc. In particular, our R&D Center develops new products and studies materials by introducing a machine learning method utilizing artificial intelligence, and has been harnessing machine learning theory to respond to the industrial environment. The method of designing steel using machine learning is a technology that aims to develop the optimal new steel grade

with minimum efforts, rather than a method based on trials and errors. Using this method, we developed AMP Steel with high strength and excellent fomability, and are studying to apply automobile parts. In addition, we will minimize the cost, time and manpower required for developing steel grades by using machine learning, and study continuously studying the development of new materials in the future.

Smart Factory Constructing

Hyundai Steel is building a Smart Factory to respond to the 4th Industiral Revolution. We are pursuing the construction of an intelligent production system with the aim of 2025. Through this, we aim to realize an active production system

by expanding the connection between processes based on data-based simulator and real-time sharing of information between processes.

Smart Factory Constructing Plan



R&D Performance through Cooperation

Cooperation with the Government

Hyundai Steel engages in various state-run R&D Projects. We researched and developed a national GHG reduction model, construction steel materials that can secure earthquake-resistant performance of buildings, and resource circulation network utilizing the by-products in 2016 on an industrial and academic cooperation basis.

Cooperation with Parts Manufacturers

We cooperate with auto parts manufacturers on technology development for parts using steel. Also, through regular technology exchange among the related industrial firms, parts manufacturers and Hyundai Steel, we resolve problematic issues by listening to the demands of our customers and providing customer-focused technical supports.

Cooperation with the Construction Industry

We execute construction steel research based on technology cooperation with construction companies. In particular, steel for compound performance architectural structures have been developed to meet the demand for steel with high functions such as earthquake proofing, fire resistance, etc. In addition, we support major Construction Industry Institutes of the Korea Society of Steel Construction as a main member and carry out seminars and training on various subjects. We are planning to proceed with an array of activities in the verification of quality and structure performances, support for study activities and collaborative research and development.



Technology exchange with parts manufacturers

03 Talent Management

Human Resources Development

HRD direction and strategy

Hyundai Steel seeks challengers, creators, specialists and collaborators as its employees. For this reason, we have set three Human Resources Development (HRD) directions:

Culture, People and Infra. We strive to ‘foster Hyundai Steel talents with the global competence and passion we need to achieve our goal of being the best integrated steelmaker’.

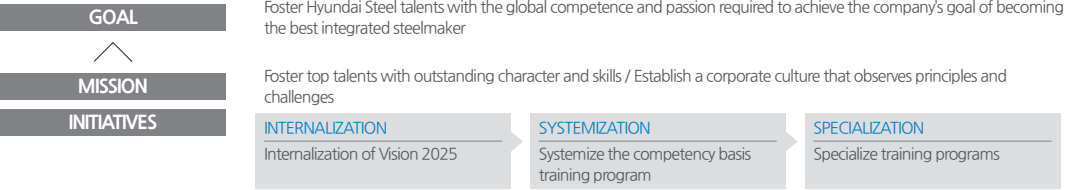
Ideal Employee

CHALLENGER	CREATOR	SPECIALIST	COLLABORATOR
A person with a challenging spirit for the future	A person who responds to changes in an enthusiastic and creative manner	A person who strives to become the best, through expertise and knowledge	A person who builds strong and collaborative relationships with co-workers

HRD Direction



HRD Strategy



Vision 2025 Internalization Training

Hyundai Steel has developed and promoted its own training courses on the theme ‘Understanding and Practice of Vision 2025,’ so that all employees can understand and internalize Vision 2025, to increase employee awareness of the vision. This course includes modules related to the necessity of the vision, understanding Vision 2025 and positive goals related to the vision. It was composed for employees to help them internalize the message via indirect and direct experiences. In addition, we have formed the Vision Action Board to enable more effective propagation of the organization vision. It is our goal to be consistent in sharing the vision and promoting it further among employees so that we can provide an enterprise-wide management for changes our employees may personally experience.

Systemization of Education Based On Capability

We are endeavoring to carry out staff-leading capability education and contribute to achieving the management performance and organizational objective under the mission of HRD with the goal of ‘Fostering talents with character and ability, and establishing a corporate culture with a strong foundation and challenges’. In particular, we pursue a training policy of creating a sustainable voluntary and self-learning culture of the employees based on an education system that serves each capability such as shared values,

leadership, work, globalization, etc. In addition, we improved the learning accelerated type HRD policy to enforce the base of HRD and operate the learning support system, e-campus. We will also expand the learning culture based on the capabilities of employees by introducing educational credit systems.

Operating Multi-Faceted Employee Education

In order to foster Multi-Faceted Employees with a strong foundation in steel and vital business capabilities, Hyundai Steel has established a work education system, and is endeavoring to provide strong internal training for general and research jobs. In particular, we strengthen our foundation by ensuring all employees are grounded in steel making processes and have a strong knowledge of the goods. By completing training systems and courses for our staff members, our well-organized ‘career-specialized training program’ is under operation in order to present directions to be a professional in each field and help them build individual capabilities. It also helps us to operate them to support the establishment of individual development plan of capabilities. Additionally, we are activating knowledge exchange and expanding internal education by supporting the development of internal lecturers.

Competency-Based HRD

Hyundai Steel has established a competency based HRD and provides proper training programs for employees in all positions. The competency based HRD covers Basic Skills, Leadership, Job Competency, Global Skills and

Organizational Development. Based on the HRD Training Scheme, a total of 603,923 hours of training were provided in 2016.

Standard curriculum (Managerial)

Category	Core	Leadership	Global	Job	OD (Organization Development)
Position	Year				
Executives	Vice Chairman				
	President	Top CEO Course			
	Vice President	Breakfast meeting of management			
	Senior Managing Director	Executives ongoing			
	Managing Director	Executives ongoing			
General Manager	Director	Executives Induction	Global one forum		
	5-year				
	4-year				
	3-year				
	2-year				
Deputy General Manager	1-year	General Manager Induction			
	5-year				
	4-year				
	3-year				
	2-year				
Manager	1-year	Deputy General Manager Induction			
	5-year				
	4-year				
	3-year				
	2-year				
Assistant Manager	1-year	New manager course			
	4-year				
	3-year				
	2-year				
	1-year	Assistant Manager Ongoing			
Staff	4-year				
	3-year				
	2-year				
	1-year	Assistant Manager induction			
	1-year (new employees)	New Employee Onboarding			

Standard curriculum (Technical)

Category	Core	Leadership	Job
			Job behavior
L5 (over 21 years)	Training for retired employees		
L4 (11~20 years)	Life cycle training (50 years old)	Supervisor program	
		Senior operator ongoing	
	Life cycle training (40 years old)	Senior operator induction	
L3 (6~10 years)		Junior operator ongoing	
		Junior operator induction	
L2 (3~5 years)			Job professional mind program (5,10,15 years)
L1 (1~2 years)	Staff ongoing		Job professional mind program (3 years)
L0 (new employees)	New Employee onboarding		

Human Resources Management

Recruitment Principles

Hyundai Steel knows that talented people are an invaluable asset for the competitiveness of the company, and invests in its employees to foster promising talents with potential. We recruit new employees in the first and second half of the year, and invite experienced workers at any time. Our employment policies are systematically applied based on a fair employment process, spanning document evaluations, aptitude tests, interviews, and physical exams.

Respect for Human Rights and Promotion of Diversity

Discrimination based on gender, race, religion or regional origin is strictly prohibited in Hyundai Steel. We help our employees with different talents and backgrounds motivate themselves at work by implementing diversity policies and improving related systems. We are also dedicated to providing equal opportunity to all our employees to help them realize their full potential. The company also prohibits child labor and forced labor. We fully comply with the Korean Labor Law and International Labor Organization (ILO).

Fair Evaluation and Compensation

Equal opportunities are provided for all of 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 compensation is reasonably and fairly calculated.

Performance Evaluation Process



Workforce

As of December 31 2016, Hyundai Steel has a total of 11,221 employees, with an average length of service of 11.7 years. Hyundai Steel employs 304 persons with disabilities as well as 344 Korean veterans. Outside of Korea, Hyundai Steel has 883 employees in Asia, 206 in the Americas and 215 in Europe. The company has 215 female managers, which represent 7% of management.

Employee Status

(Unit: persons, %)

Category		2014	2015	2016
Total	Employees	10,836	11,344	11,221
By gender	Male	10,503	11,010	10,934
	Female	333	334	287
By group	General	2,678	3,078	3,119
	Technical	7,760	7,921	7,763
	Others	398	345	339
By type	Regular	10,601	11,159	11,045
	Contract	235	185	176
By age	Below 30	2,424	2,056	2,185
	31~40	3,717	4,334	4,334
	41~50	2,661	2,685	2,655
	51 or older	2,034	2,269	2,047
New recruits		565	650	283
Turnover rate		4.7	4.7	3.7

Retirement Pension

Hyundai Steel has established a retirement pension system to secure the stable payment of retirement benefits. Hyundai Steel's retirement pension deposit is KRW 599.4 billion (as of the end of Dec, 2016) and severance pay is given in accordance with DB (Defined Benefit) retirement pension at the time of retirement.

Corporate Culture

Family-Friendly Management

Through the Family-friendly Management Policy, we help our employees enjoy a better work-life balance and further support family health, education and leisure. In addition, a number of family-friendly programs are operated including family charity groups and children's language camps, and we are working to establish a family-friendly corporate culture.

Using status of parental leave

(Unit: persons)

Classification	2014	2015	2016
Parental leave	15	9	20
Parental leave returns	15	8	20
Worked for 12 months or longer upon return	3	15	8

Vision Action Board

The Vision Action Board is a junior board organization composed of representatives from the assistant manager to the manager level in each worksite and division, and was organized to act as a Missionary, Change Agent and Communicator. The Vision Action Board is composed of a total of 33 members with each having a 2-year term. In 2016, it was used to shape the company's management through vision leader fostering training, meeting with the CEO, workshops for identifying priorities, and more. We are planning to find assignments corresponding to each division and worksite in the future.

Trust-Based Labor-Management Communication

Hyundai Steel maintains interactive communication between labor and management for mutual trust, and works to enhance employee understanding of the management situation. The company consults with its labor union, which represents 70% of its workforce, on major issues like the wage negotiations held every year, and this cooperation between labor and management has helped to increase the competitiveness of the company. Also, business information is shared in order to resolve management issues. We also held a Labor-Management Council at each of our worksites consisting of at least 20 members on the council from both sides meeting at least once every quarter to discuss and resolve employee grievances, increase welfare, etc. The Labor-Management Council discusses improving productivity, enhancing the working environment, improving employee health, enhancing HR and labor management systems and sharing enterprise visions.

Grievance Procedures for Employees

Hyundai Steel listens to grievances of employees, and handles them reasonably to secure human rights and establish a sound organization culture. The Grievance Procedures include contents investigations and handling, disciplinary actions and position changes of the HR committee, which leads to quick actions on registered grievances. One grievance was registered for verbal attack and assault and actions were taken to handle it in 2014. Two grievances were registered for the verbal attack and assault, and actions were taken to handle them in 2015. In addition, four grievances were registered; two for sexual harassment and one for verbal attack and assault in two business offices, and necessary actions were taken.

Labor Rights at Overseas Worksites

Hyundai Steel's overseas worksites hire a number of local talents with different nationalities. For this reason, we ensure that these worksites comply with the labor acts in each country. We make efforts to prevent unfair labor practices that interfere with labor, and work continuously to make improvements in areas that are unsatisfactory. We checked working conditions and compliance with local labor law for 5 overseas production subsidiaries in 2016. We also tried to identify areas for improvement by monitoring labor and management environments of overseas worksites through surveys of employment satisfaction levels, checks at the sites, employment interviews, etc. Based on regular inspection on overseas working environment conditions, we will continue to improve the personnel and labor policies in order to enhance the satisfaction of employees. Furthermore, to prevent any labor-management conflict that might occur due to misunderstandings of local culture or laws, we seek ways to communicate with locally hired employees by holding meetings with them, providing regular management briefing sessions and establishing a grievance mechanism.

Labor Rights at Overseas Worksites



Welfare Benefit Programs

Housing support	Support through low-interest loan of KRW 35 million for house purchase, KRW 25 million for leasing a house Providing accommodations 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
Internal fitness and swimming pool center	Free gym and sauna facilities at Dangjin, Incheon, Pohang and Suncheon Works Fitness center and swimming pool at the Seoul Office for employees only
Discounts on Hyundai & KIA Motors vehicles	Discount on automobiles from Hyundai and KIA Motors offered for employees, with additional discount provided based on years of service
Discounts at Hyundai Department Stores	Issue employee-exclusive card for 10% discount and provide an online Hyundai Department Store website exclusively for employees
Condominium & Resort	Discount offered on various condominiums and resorts across Korea including Hyundai Condominium at Seolak and Haevichi Hotel & Resorts Jeju
Support for club activities	Provide support for various hobbies and sports club activities
Medical support	Offer regular checkups and general health checkups, and support hospital bills for employees (100%) and their families (50%) Operate health clinics or health management office at all works
Educational cost for children	Cover all school expenses for employees' children, from high school

04 Customer-Oriented Management

Customer-Oriented Management System

Customer Satisfaction Principle

Hyundai Steel is trying to create value with customers in its management and business strategy so that all management activities emphasize the importance of ‘customer satisfaction’. Based on these principles, we believe that we can only gain the trust of our customers by being genuine with them.

Organization for Customer Satisfaction

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

Customer-Oriented Management Activities

Sophistication of Customer Portal System

In order for customers to conveniently check and handle information concerning purchases, Hyundai Steel runs a customer portal system that comprehensively handles information of customers’ purchases and claims. The customer portal system handles all processes from order to delivery, including purchasing, customer complaints and handling of claims. Customer issues relating to general marketing activities can be handled by the customer portal system. Also, it improves customer satisfaction levels by identifying customer complaints and problems, etc. In addition, when the portal was adapted for mobile phones, customers became able to make orders from any location.

Customer Satisfaction Surveys

Hyundai Steel carries out surveys and interviews in main business areas to figure out customers’ satisfaction. The survey covers the entire process from the decision-making step of a client company’s purchases to actual usage, as well as the quantitative assessment of the customer-oriented environment, pricing policy, technology development, order processing, customer portal system, distribution service, delivery, product quality and claim processing. In addition, we conduct interviews with our major clients, and these are incorporated into the qualitative assessment of customer satisfaction. In 2016, there was increased customer satisfaction in the steel, section beam and hot and cold-rolled products. The overall satisfaction level was also higher than the previous year.

Results of Customer Satisfaction Survey (Unit: points)

Classification	2014	2015	2016
Score of Customer Satisfaction	71.8	72.5	74.6



Mobile Customer Center

05 Environment and Energy Management

Environment and Energy Management System

Environment and Energy Management Policies

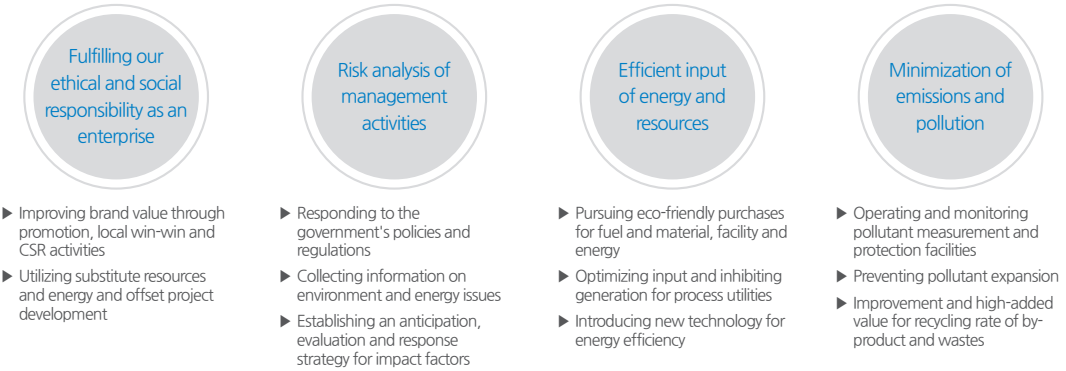
Hyundai Steel is working for sustainable development by increasing resource efficiency and minimizing environmental pollution. To do this, we review the impacts on management activities caused by various environmental issues as well as weather changes, and regulate the Environment and Energy Management norms while implementing practical strategies in stages. In addition, our major national worksites have achieved and implemented ISO14001 (Environmental Management System) and ISO50001 (Energy Management System).

Organization of Environment and Energy

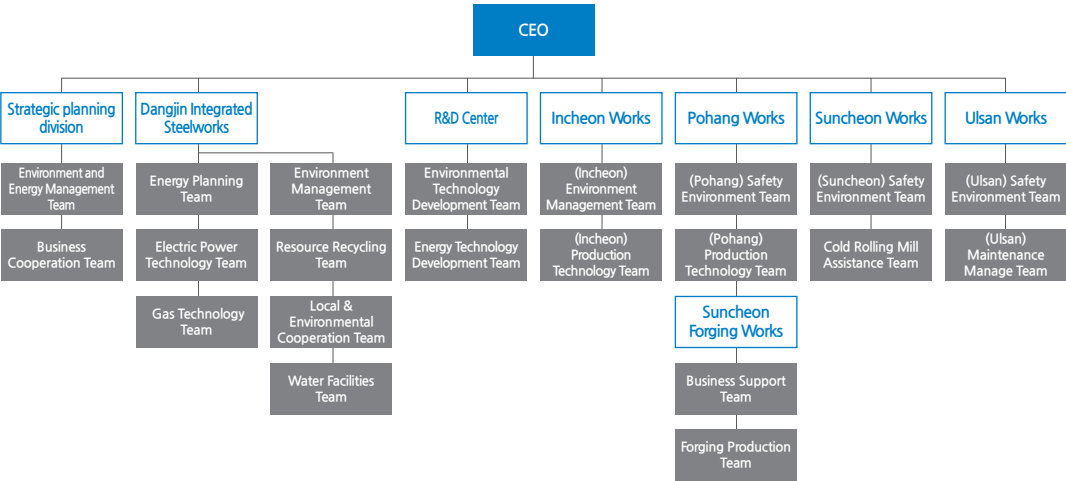
In order to establish the Environment and Energy Management policy, comply with the environmental facility management and laws and achieve the related technical development, we operate a dedicated environmental energy

department. The Environment and Energy Department is composed of the planning department, workplace management and support department and technical development department for the research center. The planning department analyzes national and international regulation trends and leads political responses, develops internal and external response systems and supports the overall management of environment and energy. The workplace management department deals with environmental pollutants and manages environment and energy issues generated by production activities in each workplace due to the use of energy, etc. The technical development department for the research center develops environmental and energy technology and conducts research and development activities, pursuing goals such as improved processes.

Environment and Energy Management Policies



Organization Structure of Environment and Energy



Response to Environmental Regulations

Hyundai Steel monitors newly imposed environmental laws and revisions to the existing laws as they occur, and responds to changes in the law to ensure proper compliance with relevant acts at the overall company level. We actively engage in the government's efforts to protect the environment.

Response Status of Environmental Regulations

Classification	Response status
Management policy of combined environment	Hyundai Steel is in the process to receive an integrated approval in order to comply with 'Act on Integrated Control of Pollutant-Discharging Facilities' that has been applied since 2017 by organizing TFT throughout the company. It analyzes the emission impacts of pollutants generated in our sites, and removes risks by reviewing emission standards in each worksite in advance so that the newly introduced combined environmental management system can be flexibly applied to company worksites.
Framework act of resources circulation	To promote circulative use of wastes, Hyundai Steel is reviewing a variety of approaches to utilizing wastes from sites which are reclaimed and incinerated as recyclable goods, in keeping with the aims of the regulated Framework act of resources circulation. We also engage in independent research and development to reduce waste and expand recycling. Furthermore, for new usage and demand development, we continue to cooperate with other industries and recycling industries.
Relief system for environmental pollution damage	Hyundai Steel has subscribed to environmental liability insurance to cover compensation for environmental pollution damage and accidents in 7 worksites, as required by the 'Act on Liability for Environmental Damage and Relief Thereof'. In addition, we enforce environmental management activities in managing the emission levels of pollutants, investing in improvements to environmental facilities and checking environments in order to ensure that pollutions generated in overall production processes are minimized and prevented.

Environmental Investment

We invest in the environment to establish eco-friendly steelworks in pleasant environments, and continue to operate facilities to reduce environmental pollutants.

(Unit: KRW 100 million)

Category	2014	2015	2016
Environmental operation cost ¹⁾	2,985	2,725	3,281
Environmental investment cost ²⁾	649	708	622
Environmental benefit ³⁾	2,481	1,559	1,302

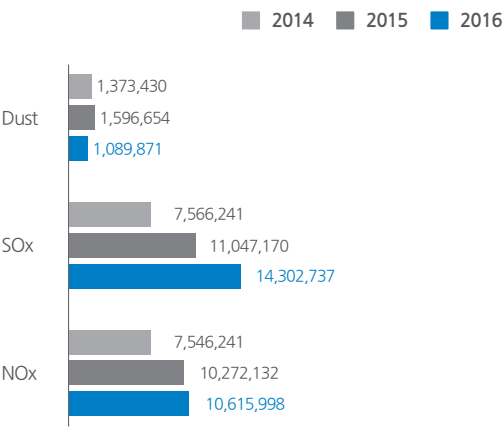
- 1) The environmental operating cost includes environmental facility operation costs (electricity bills, maintenance expenses and labor expenses), resource creation costs (by-product processing expenses, transport expenses, reclamation expenses and consignment expenses), general administrative costs, depreciation costs, energy collection costs and environmental R&D expenses.
- 2) Environmental investment cost includes the cost on the amount used to improve the prevention facilities to reduce air pollutants, stabilize water treatment facilities, repair and improve environmental facilities, etc.
- 3) Environmental benefits include benefit values such as selling of wastes, reduction of costs, avoidance, tax incentives, etc.

Air Quality Management

We thoroughly manage the environment by establishing a stricter standard than required for the management of air pollutants including dust, fugitive dust, deposition particulate, sulfur oxides, nitrogen oxides, foul odor and noise pollution. In addition, we endeavor to maintain pleasant air qualities in worksites and adjacent regions by improving our internal management index to achieve our medium and long term objectives in stages.

Emission of Air Pollutants

(Unit: kg)



Agreement of Air Pollutants Emission Reduction

Dangjin Integrated Steelworks voluntarily entered into an agreement to reduce emissions of air pollutants and improve air qualities in the vicinity of the worksite with Dangjin, Chungcheongnam-do. Based on the agreement, it is scheduled to invest about KRW 460 billion to improve the air, through activities that will include improving air pollution protection facility efficiency, replacing old protection facilities, establishing a green zone around its steelworks, and more. In addition, it plans to reduce emissions of air pollutants up to a level of 60% of the 2016 emissions by 2020.

Emission Concentrations of Air Pollutants¹⁾

(Unit: kg/ton)

Category	2014	2015	2016
Dust	0.07	0.08	0.05
SOx	0.39	0.52	0.64
NOx	0.39	0.48	0.47

1) Emissions of air pollutants / steel production

Emission Concentration of Dioxin

(Unit: ng-TEQ/mt)

Worksite	2014	2015	2016
Blast furnace in Dangjin	0.03	0.17	0.13
Electric arc furnace in Dangjin	0.01	0.02	0.01
Incheon	0.06	0.04	0.08
Pohang	0.04	0.01	0.04
Suncheon forging	-	0.00	0.003

Inhibition of Fugitive Dust by New Technology

Hyundai Steel reduced fugitive dust²⁾ by applying a Fogging technique in the Conveyor Belt Chute of the steelworks, where the fugitive dust was largely being generated. The Fogging technique is a method of reducing fugitive dust by spraying water through nozzles. We confirmed that fugitive dust emission was reduced by about 70% by the Fogging technology.

2) As a non-point source pollution which does not have regular outlets, it is difficult to manage.

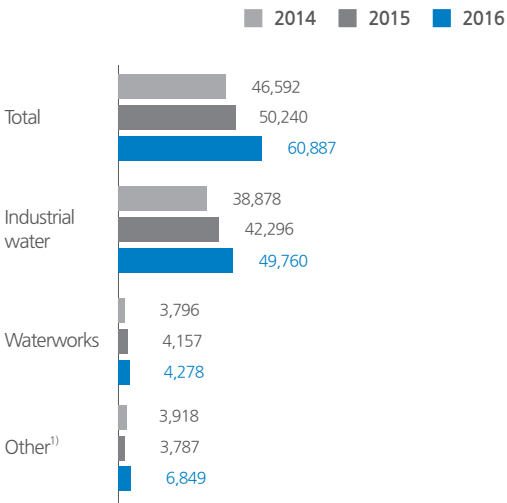
Water Quality Management

Hyundai Steel endeavors to minimize its impacts on the ecosystem in regions where its wastewater is discharged. We thoroughly manage our emission concentrations in wastewater by applying our own standards, which are stricter than those required by law.

Response to Water Resource Risk by Participation in CDP's Water Program

Hyundai Steel has participated in the CDP's water program for two consecutive years since 2015 to respond to the global water shortage. We diagnose the level of the water management and check the risks and response status. Our water management efforts were acknowledged when we achieved the Leadership A-level in 2016. We will continue to work to manage water risks in the future.

Water Consumption Volume (Unit: 1,000 m³)



1) Based on the consumption volume of recycling water in Gajwa Wastewater Treatment Plant of Incheon Factory

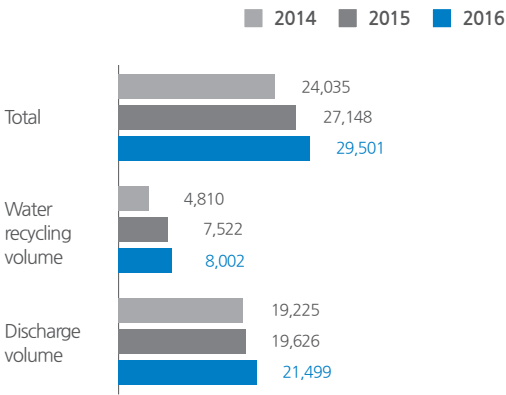
Intensity of Water consumption and Wastewater treatment

Category	2014	2015	2016
Water consumption to production amount	2.40	2.37	2.72
Wastewater treatment amount to production amount	0.99	0.93	0.96

Facility Expansion for Industrial Water Supply and Drainage

Hyundai Steel established a method to ensure an uninterrupted supply of water even in periods of water shortage. Dangjin Integrated Steelworks expanded its water supply and drainage facilities for industrial water by investing KRW 15 billion to resolve the water pollution in Asan Lake, Suwon, a water source for industrial water. The 2017 drinking water supply is expected to increase by 18% year on year, by increasing ultrafiltration membrane processing.

Wastewater (Unit: 1,000 m³)



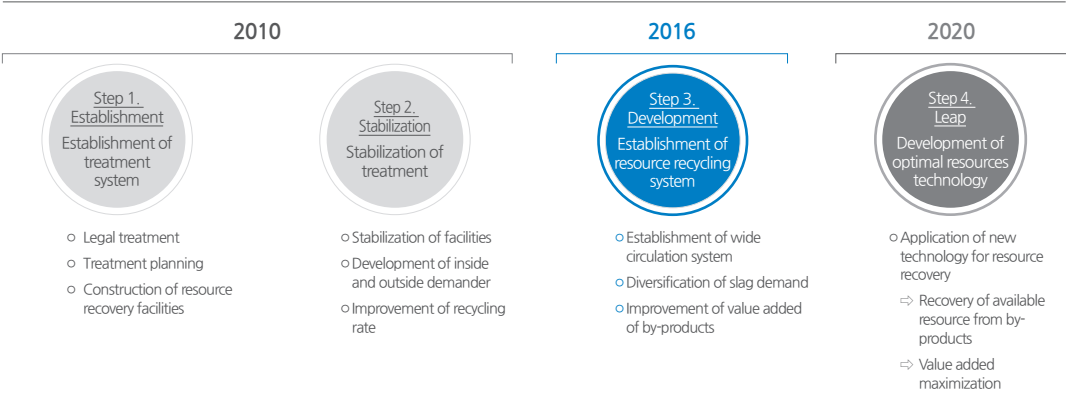
Concentration of Water Pollutant Emissions (Unit: mg/L)

Classification	Worksite	2014	2015	2016
Suspended Solids (SS)	Blast furnace in Dangjin	2.4	2.1	2.3
	Electric arc furnace in Dangjin	1.5	1.7	1.2
	Incheon	24.3	25.0	12.0
	Pohang	1.7	1.7	1.6
	Suncheon	0.8	0.7	2.8
Chemical Oxygen Demand (COD)	Ulsan	0.0	8.2	9.1
	Blast furnace in Dangjin	17.2	10.6	11.5
	Electric arc furnace in Dangjin	2.8	6.4	5.5
	Incheon	64.0	43.0	70.0
	Pohang	3.8	3.8	5.4
	Suncheon	8.3	8.1	10.6
	Ulsan	0.0	24.2	25.2

Recycling By-Products

Aware that by-products should be used as resources, Hyundai Steel has established a Resource Recovery Plan for by-products to improve the resource circulation and added value. In this vein, we have built a wide circulation system, verified slab demand, minimized reclamation and

Plan for Resource Recovery from Residual Products



Construction of Wide Area Circulation System

The wide area circulation system is a system in which less-valuable by-products of steelworks are utilized as resources in other industries based on cooperation with other businesses in our industry and in different industries. By-products of steelworks can become useful materials in other industries, and the value of these by-products can also be improved through this cooperation. First of all, iron-containing by-products were recycled through cooperation with the cement industry, enabling us to reduce our annual water treatment costs by about KRW 4 billion. In addition, as sludge generated in the calcination process was utilized as the desulfurizing agent, replacing limestone, the national assignment was completed and it is in the process of being industrialized. In this regard, it is expected to reduce costs by about KRW 1 billion.

Diversification of Slag Demand

About 70% of the waste generated by a steelworks is slag. Hyundai Steel established a New Demand Development Plan for Slag as a mid-to-long term plan to find new demand for slag, following a preliminary demand increase for slag and circulation aggregates. In particular, secondary refining slag resources generated in steel processes were successfully industrialized in 2016. Also, the asphalt concrete aggregate utilization technology of electric slag was industrialized.

New Demand Development Plan for Slag

By-Product	Method for Demand Development
Air-cooled blast furnace <ul style="list-style-type: none">Aggregate for fill and cut of the groundConcrete aggregate	<ul style="list-style-type: none">Expand aggregate utilization for concreteUtilize cement materialUtilize aggregate for PHC pile
Revolving furnace <ul style="list-style-type: none">Recovery of gold from base metalAggregate for fill and cut of the groundCement material	<ul style="list-style-type: none">Increase recovery rate of gold from base metalExpand to utilize aggregates for asphalt concreteUtilize aggregates for artificial reefUtilize revolving furnace process materialUtilize cement raw materialsDevelop item to reduce CO₂
Electric arc furnace <ul style="list-style-type: none">Recovery of gold from base metalAggregate for fill and cut of the ground	

Minimization of Reclamation and Incineration

By-products handled through simple reclamation and incineration were minimized in order to improve resource circulation and meet the government's policy goals. This involved multiple technical reviews of the recycling technology. In this regard, we achieved a cost reduction of up to KRW 0.6 billion by recycling about 10,000 tons of waste refractories in the electric arc furnace as aggregates, and providing about 20,000 tons of fallen coals to cement companies.

Industrialization of the 2nd Refined Slag

Hyundai Steel developed a technology that utilizes refining slag generated in the reduction processes of the revolving furnace as a highly functional cement material. In 2016, we entered into an agreement with a cement company to provide 100,000 tons annually and accordingly we expect a profit of up to about KRW 0.4 billion annually by securing the sale profit and reducing treatment cost. We continue to search for new demand and customers

Generation of By-Product (Unit: 1,000 tons)

Category	2014	2015	2016
Total	10,440	10,319	10,394
Slag	6,917	6,728	6,596
Dust	536	501	488
Refractory	134	145	153
Sludge	646	668	649
Others	2,207	2,277	2,508

Status of Recycle (Unit: 1,000 tons, %)

Category	2014	2015	2016
Recycling amount	10,237	10,185	10,303
Recycling rate	98.1	98.7	99.1

Climate Change Response

Improved Response for Emission Trading

Hyundai Steel has a TFT dedicated to responding to the emission trading policy that is involved in monitoring and analyzing GHG emissions, identifying and implementing reduction projects. The relevant departments are participating in the TFT on policies, planning, production management and R&D. We have been doing our job in compulsory reduction of GHG during the 1st plan period (in 2015-2017) of the emission trade by earnestly pursuing a plan to reduce GHG. In anticipation of the 2nd plan period that begins in 2017, the relevant Cross Functional Team (CFT) was organized with a focus on the coal strategy, processing technology and energy technology to secure medium- and long-term technical competitiveness.

Responding to Climate Change by Supporting Suppliers

Hyundai Steel participated in the ‘Green Credit Finding Project,’ which was supported by the Ministry of Trade, Industry and Energy and Korea Energy Agency. This is a government project in which GHG emissions are reduced by supporting small and medium sized enterprises (SMEs) which have difficulty in carrying out reduction projects voluntarily, and emissions are offset in proportion to the investment share. We brought about an energy reduction among our suppliers by supporting the high-efficiency facility replacement project of Dongjin Metal, and achieved the Green Credit in 2016.

Energy Efficiency in Production Course

Dangjin Integrated Steelworks installed a 100kW ESS (Energy Storage System)¹⁾ which has been in operation since 2016 for efficient power use. It manages the peak on power uses by the ESS facility and also reduces power costs by applying the optimal pattern of power use in each hour. The Incheon Works produces medium pressure hot water with the electric arc furnace emission gases by utilizing the heat recovery system. The hot water produced reduces the LNG used by steam boilers in the production process, and has also been sold to local demanders since 2016. In this vein, we have contributed to reducing GHG emissions in local communities.

1) As it is a system that aims to increase energy efficiency by supplying stored power on demand, it is used as emergency power in power failures and to manage power peaks.

Management of GHG Emissions

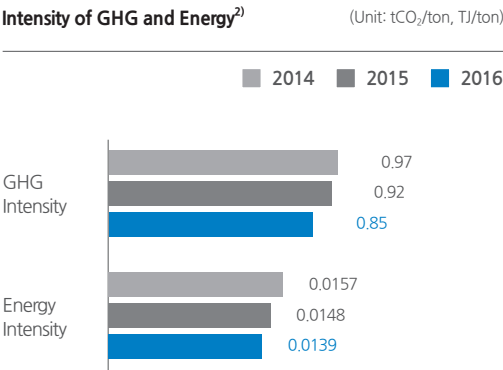
The scope for GHG emissions and energy consumption amount covers 10 works (Incheon, Pohang 1 and 2, Dangjin, Suncheon, Sucheon Forging, Ulsan, Yesan 1 and 2 and Onsan), headquarters, Seoul Office and Uiwang Research Center. GHG reduction activities in the overall company and working reduction in Dangjin Integrated Steelworks were incorporated, and therefore GHG emissions were reduced compared to the previous year in 2016.

Emissions of GHG¹⁾ (Unit: 1,000 tons CO₂)

Category		2014	2015	2016
GHG emissions	Total	18,797	19,573	19,103
	Scope 1	13,317	14,157	13,450
	Scope 2	5,480	5,416	5,653

Energy Consumption (Unit: TJ)

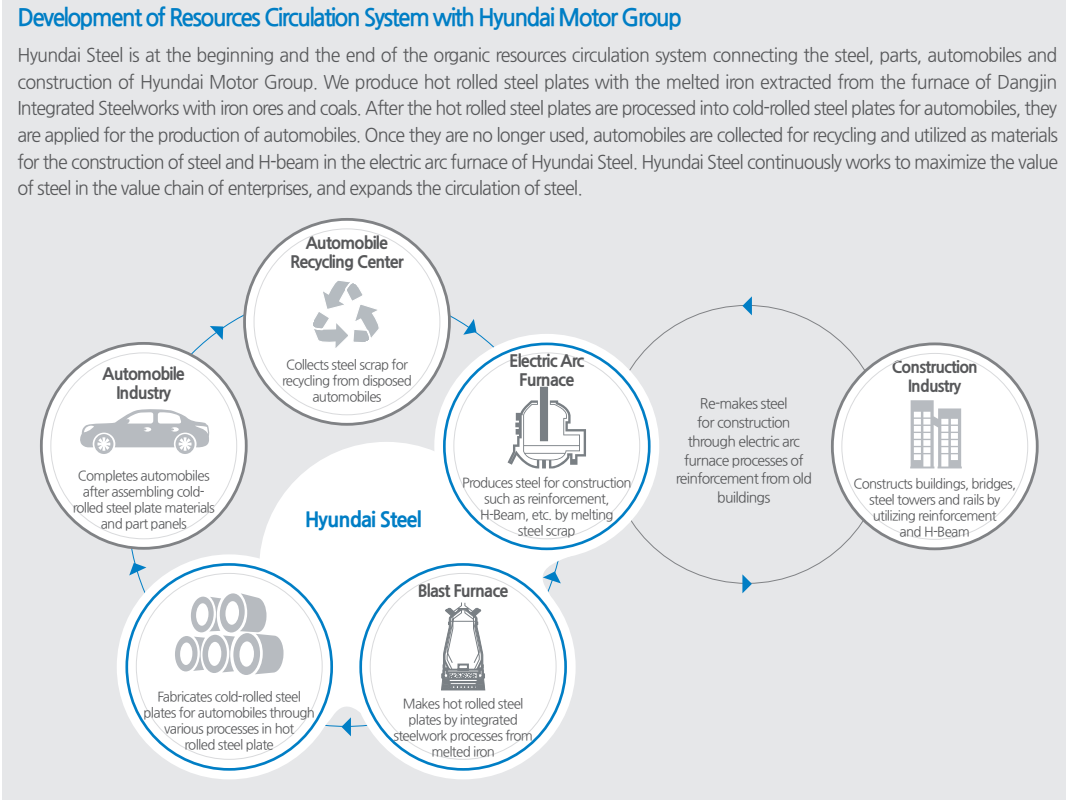
Category		2014	2015	2016
Energy consumption	Total	304,171	314,240	310,717
	Electricity	102,967	103,708	107,196
	Fuel	199,027	208,884	201,564
	Steam	2,177	1,648	1,957



Biodiversity

Hyundai Steel manages its impact on biodiversity in the vicinity of its domestic and international worksites by working in cooperation with governments and local communities. In particular, Happy Yes, Hyundai Steel's university student volunteer group, participated in a forest establishment project to reforest Nanjido where wastes are reclaimed,

and carried out various activities to support biodiversity. In national and international worksites there were no endangered animal and plant habitats and ecosystem protection areas. Also, there were no cases in which harmful substances disposed by Hyundai Steel have had an impact on biodiversity.



06 Occupational Safety and Health

Occupational Safety and Health System

Safety Management Operating Policy

To prevent safety accidents and strengthen advanced safety capabilities, Hyundai Steel has established and implemented a Safety Management Operating Policy. In 2014 we strengthened the foundation for safety management, and in 2015 we pursued diverse activities to establish the basis for autonomous safety management. In 2016 we reinforced our safety capabilities to ensure a more advanced safety culture.

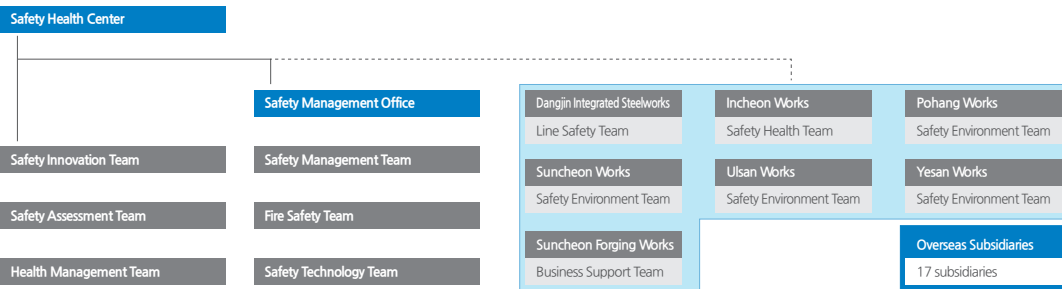
Safety Management Operating Policy

Objective for safe management	“ZERO Severe Disasters”	
Vital direction	Value creation of basic safety (Back to the Basic)	
Infrastructure	Site-oriented safety	<ul style="list-style-type: none">Confirming the risks in each work unitFinding and addressing poor safety issues at sites
System	Behavior based safety enforcement	<ul style="list-style-type: none">Evaluation of execution on basic safety policyIntensive management of unsafe activities
Mind	Expansion of safety community awareness	<ul style="list-style-type: none">Promotion of safety sharingSafe & Fun Activity

Composition of Management Organization for Workplace Safety and Overall Health

To systematically manage workplace safety and health, we have gone through an organization restructuring to form a safety and health center. The safety and health center acts as a Control Tower for Industry Safety and Health in the company as a whole, and manages industrial safety related issues in each workplace including Dangjin Integrated Steelworks. In addition to existing company-wise safety diagnosis and safety activities for major shut-own, a comprehensive occupational safety and health is under management through safety evaluations and safety communication meetings targeted all worksites.

Organization Structure of Occupational Safety and Health



Occupational Safety and Health Activities

Reinforcement of Emergency Response System

When emergencies such as fires, gas leakages or natural disasters occur, an emergency response system is provided to enable a swift response and also we maintain manuals for each emergency status. In addition, for emergencies of suppliers, rescue manpower and equipment are provided to effectively handle the situation.

Safety Diagnosis of Overall National and International Workplaces

Hyundai Steel carried out the safety diagnosis to expand its leading safety management system and safety culture to all workplaces including the overseas subsidiaries. We checked compliance with relevant laws in the areas of safety, health, firefighting and gas through the safety diagnosis, and shared approaches to reducing the risk factors at the site. We completed the safety diagnosis in domestic works in Incheon, Suncheon, Pohang, Forging Plant and Ulsan and overseas subsidiaries and sales branches in China, Europe and India in 2016. The safety diagnosis will continue to be carried out in 2017.

Expansion of Safety Culture by Complying with Safety Regulations

To ensure that directors and employees naturally become aware of the importance of safety and to internalize safety awareness, a number of safety activities are being carried out. Additionally, 10 Core Safety Rules were established and all employees are thoroughly complying with safety regulations at all business offices and sites. There were implementation issues and 5 restriction issues selected as the Core Safety Rules issues, and penalties were added in accordance with the Rules when they were breached. In addition, we held the 3rd ‘Challenge! Safety Green Bell’ event for company employees. Through this Safety UCC Contest we gave an award to the 22 employees with the best creations

Management of Material Safety Data Sheet (MSDS)

Hyundai Steel is systematically managing the MSDS on chemical substances handled. In order to understand the risk of chemical substances to be used in sites, we evaluate the reliability of the MSDS and train workers in the MSDS of the chemical substances. In addition, the MSDS on the chemical substances handled is provided at all sites so that workers can check the relevant information at all times. It is expected that this will reinforce the safety management of chemical substances, allowing mobile access to MSDS information and training workers in the handling of new chemical substances in the future.



GHS-MSDS inspection

Activities to Eliminate Risk Factors

In order to establish safety measures for risks within the workplace, Hyundai Steel works to remove high risks. In particular, we have improved working conditions by identifying risk factors in each work unit with high risk factors, and precisely analyzing such factors. Through these risk evaluations which are performed by site workers, practical safety measures are established for risks. In addition, the safety department and suppliers jointly participate in the Work Schedule Improvement Deliberation Committee, and work together to reduce risks that may arise for our suppliers at work. 517 practices involving high risks were adjusted, and the best improvement cases were announced to other workplaces.

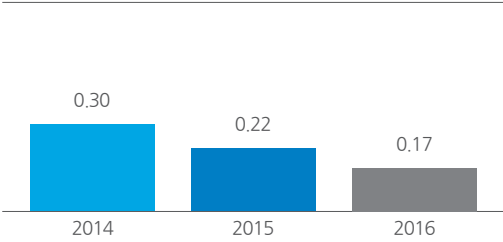
Operation of Industrial Safety and Health Committee

Each worksite operates an Industrial Safety and Health Committee to collaborate in providing a safe worksite for management and labor in each quarter. The Committee improves the safety and health of workers by deliberating and determining critical issues for the safety and health of the management and labor. This will prevent risks that are detrimental to our workers. The committee has an equal number of members from management and labor and includes representatives of the labor and the business worksite. Issues about supplying manpower, managing dust at the slag yard and managing regions exposed to other gases were discussed at the Dangjin Integrated Steelworks in 2016.

Working with Suppliers for Safety Management

Hyundai Steel actively pursues safe growth with its suppliers with the aim of becoming a Century Sustainable Steelmaker. We support a variety of safety activities for all the workers within the workplace including joint safety checks and safety events that participate in all subsidiaries so that an autonomous safety foundation can be established at all sites, including steel mills. A regular council is held at each site by Hyundai Steel, where suppliers can deliberate on major safety issues and share accident cases and safety improvement cases.

Industrial Accident Rate (Unit: %)



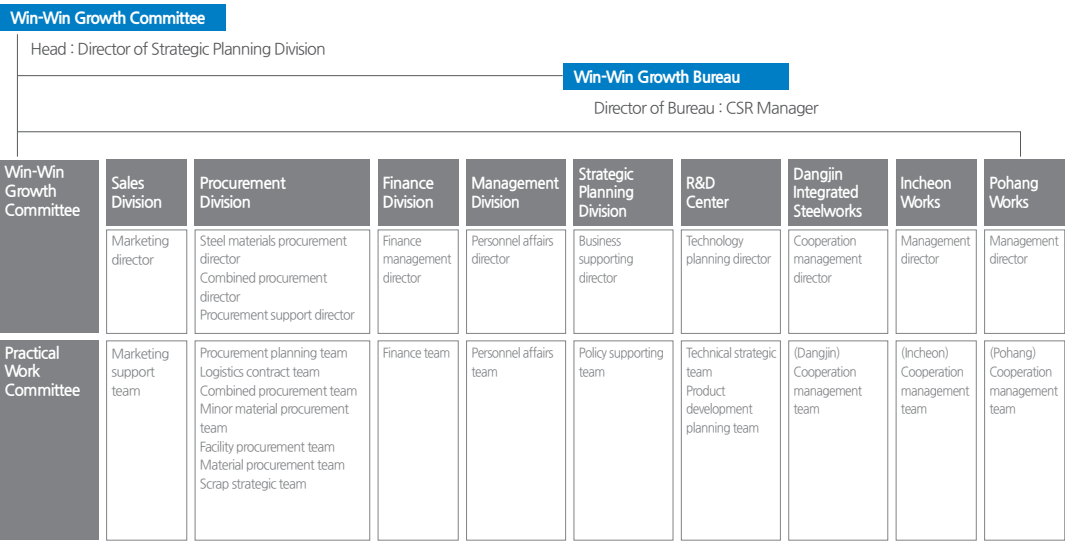
07 Win-Win Growth

Win-Win Growth System

We believe that strengthening win-win growth with SMEs is an effective way of enhancing our competitiveness. As the CSR Team is the exclusive department in charge of win-win growth to develop and support win-win growth programs, it works to build long-term cooperative relations. To support shared growth, we established a Win-Win

Growth Committee, composed of executives from the sales, procurement and finance and economy divisions, to implement a group-wide commitment to win-win growth. In addition, we established a working group under the Committee to carry out practical activities.

Organization Structure of Win-Win Growth



Win-Win Growth Program

At the core of win-win growth , Hyundai Steel is working to build partnerships with its suppliers. We operate a number of win-win programs. In order to offer practical aid to suppliers the company has made programs such as such as financial aid, technical support, education and training, and recruitment support. In 2011, Hyundai Steel entered into a win-win partnership agreement with the Fair-Trade Commission. The support status for suppliers has since

been evaluated every year in order to faithfully carry out the Fair-Trade Agreement. The company will continue to work ceaselessly to fulfill the win-win growth agreement and expand its support programs for suppliers, in order 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

Fair-Trade compliance	Fair-Trade and ethics management	• 4 execution issues of Fair-Trade Commission / Purchase Ethics Regulations / Fair-Trade Compliance Program
	Fair purchase policy	• Transparent purchase process / Payment conditions for supplying goods / Operation of combined purchasing material system
Win-win cooperation improvement	Funding	• Joint growth fund / Network loan / Investment funding for joint growth / Win-win growth system
	Technical support / Technical protection	• Joint research and development support / Performance sharing policy / Joint patent application / Bailment of technical data
	Management support	• Expansion support for outlets / Welfare policy / Management consulting / Training / Employment support
Joint growth operation system	Construction and operation of operation system	• Operate purchase cooperation committee and sub-division committee / New Year's celebration by CEO of Hyundai Steel with suppliers / Site visits to suppliers by management / Inside joint growth meeting / Pledge of ethics management / Operating dispute mediation meeting

Operation Support

Support and Protection of Technical Development

Hyundai Steel carries out joint research and development to improve the technical capabilities of its suppliers and develop superior products. We supported the evaluation of characteristics of emergency backup power based on fuel cells and direct reduced iron, the development of an optimal model for charging electric arc furnace and a total of 17 joint research and development projects in 2016. Furthermore, we provide financial support for joint applications to protect the technology of our suppliers, and also the use of data by the deposit policy of technical data. We support a total of nine such cases: four cases for joint patent applications, four cases for patent applications and once for the use of the technology deposit policy in 2016.

Support for Talent Recruitment and Training

Hyundai Steel supports recruitment and training of suppliers to help them cope with manpower shortages and develop talents. As one of these efforts, Hyundai Steel has established ‘Hyundai Steel’s exclusive online recruitment system.’ In addition, we help suppliers attend Hyundai Steel’s recruitment fair held by the Win-Win Growth Committee so that individuals with outstanding talent can be recruited. We also support free training in core work courses by utilizing the government’s Support Project targeting directors and employees of suppliers. We offer employees of suppliers an opportunity to receive free and external consignment training from external professional training centers and share training needs, targeting directors and employees in the numerous fields of leadership, quality, production, accounting and taxation in order to strengthen their capabilities.

Improvement of Suppliers’ Competitiveness

To support joint growth by improving the development competitiveness of new technology and new products, finding suppliers with the best technology capabilities and expanding outlets, we have operated a ‘Proposal center for localization, substitute goods and improved goods’ for suppliers within the purchase system since 2014. Suppliers can freely propose technical development assignments through the proposal center, and about 258 proposal assignments were registered in 2016. Proposals are jointly studied and developed with suppliers after reviewing improvements in steel making efficiency. After completing the development, we provide incentives such as long-term contracts with suppliers, contributing to improvements in production and reductions in cost depending

on the development performance, enabling us to improve win-win cooperation and competitiveness of technical development by sharing performances with suppliers. We jointly developed a colored conveyor belt with Hwaseong Exwill, a first in Korea, completed national and international joint patent application, and were selected by the Fair-Trade Commission as a model case of win-win cooperation. It is expected that we will achieve a cost reduction effect that is greater than KRW 800 million through the relevant joint development, while the suppliers will expand their sales over KRW 110 million.

Financial Support

Financial Support Programs

Hyundai Steel runs financial support programs that can directly help its suppliers. We offer loans to our suppliers with interest incomes raised from the Mutual Growth Fund (KRW 35 billion in 2015, KRW 37.5 billion in 2016, and KRW 37.5 billion in 2017). We also support loans of up to 80% of the supply contract for our suppliers, at a lower interest rate than banks after signing a Mutual Growth Bridge Loan Agreement. In addition, we donated KRW 0.2 billion to the Large & Small Business Cooperation Foundation with the capital for Mutual Growth, which will be used to finance energy-saving facility installation projects for suppliers. Hyundai Steel also provided KRW 8 billion in payment guarantee commissions to customer companies, and paid KRW 181.9 billion for early payments before national holidays to release capital flow burdens of suppliers.

Communication with Suppliers

Communication Channels for Suppliers

Hyundai Steel provides diverse communication channels including New Year’s meetings and regular workshops with the aim of establishing a win-win growth model that strengthens partnerships with suppliers, while creating a forum for the discussion of various issues. At the beginning of each year, we hold New Year’s meetings with purchase suppliers. In 2016, 197 employees from 195 suppliers, including CEOs, attended the meeting and made a firm commitment to achieving win-win growth by implementing safety management. We also held regular workshops for 232 suppliers on 25 major products of the combined purchasing office to introduce the purchase policy and product operation methods, report problems, offer proposals and share market status as well as various other issues. Furthermore, the first technology workshop was held, at which a total of 111 products from 56 suppliers were displayed. In addition, we are trying to improve the working conditions at workplaces and improve productivity by selecting the best products. Suppliers are also registering as new enterprises, and opportunities are being provided to them to achieve long-term supplier rights.

Customer Satisfaction Surveys for Purchase Suppliers

To work with suppliers to identify problems in transactions and make improvements, Hyundai Steel has carried out Customer Satisfaction Surveys of purchase suppliers. The surveys targeted 1,243 suppliers with transaction amounts of more than KRW 100 million in 2016. These included evaluations in a range of categories including the contract process, personnel in charge of purchasing, purchase system and creation of an environment and culture that is focused on suppliers. Based on the results of these surveys, we developed plans for improvement, and expect to strengthen communication with our suppliers.

Expansion of Suppliers’ CSR

Discrimination of Suppliers

Hyundai Steel classifies major suppliers based on trade amount, trade volume, evaluation scores of suppliers, etc. We support the CSR of suppliers by performing due diligence and safety evaluation on companies for major suppliers and companies with partial risks.

(Units: Number of companies, KRW 100 million)

Classification	2016
Total number of suppliers	2,485
Number of major suppliers	314
Total purchase amount of suppliers	84,667
Purchase amount of major suppliers	44,325

Establishment of Basis Compliance of Suppliers

When evaluating new suppliers, what Hyundai Steel assesses includes their social responsibility about worksites and safety as well as financial status, product quality and technology. In addition, we encourage all suppliers to establish work processes that support social responsibility in terms of their employees’ human rights, industrial safety and health, and environment protection based on ‘Code of Conducts for Hyundai Steel Suppliers.’

Evaluation of Suppliers’ Sustainability

In order to remind suppliers of the need to raise safety awareness and manage any risks to the human rights and potential safety accidents, we regularly evaluate safety. Companies that want to participate in any construction contract are subject to an evaluation of safety manuals, construction licenses, safety and health management systems, safety education execution, etc. In addition, we inspect the site of new suppliers, major contractors, etc. In particular, Hyundai Steel inspects the working conditions by checking the safety level at workplaces, ensuring that workers wear protection devices. We also listen to any difficulties our suppliers may address. Sustainability was evaluated at 59% by all suppliers from 2014 to 2016. Through this evaluation, 1% of our suppliers were classified as high risk (less than 70 points based on internal construction safety evaluation). All suppliers with high risk improved their sustainability performance by establishing a remedial action plan. We aim to increase the rate of suppliers for the sustainability evaluation to 65% in 2017.

08 Social Contribution

Social Contribution System

Vision and Mid-to-Long Term Strategy for Social Contribution

Hyundai Steel established a social contribution vision and long-term strategy by taking its business competency and social demand into consideration. We execute sustainable and faithful social contribution activities based on three core

values of circulation, communication and change, guided by the social contribution vision of the “100-year miracle and change with you.”



Social Contribution Performance

Social Contribution Cost (Unit: KRW million)		
2014	2015	2016
10,567	13,272	14,492
Matching Grants Amount (Unit: KRW million)		
2014	2015	2016
759	859	901

Value Circulation

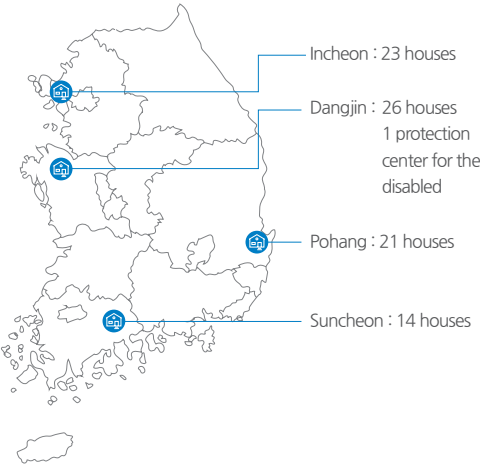
House Repair - Energy Efficiency Project

House Repair - Energy Efficiency Project aims to contribute to social welfare by providing three benefits: improved welfare through a reduction in energy costs such as heating costs by enhancing the energy efficiency of residential conditions, an improved environment through the reduction of CO₂ emissions, as well as job creation through connections between self-sufficient enterprises and social enterprises targeting energy poverty and low-income residents. The project's goal is to renovate a total of 1,000 houses from 2011 to 2020, with the energy efficient construction of 668 households and 1 welfare center achieved by 2016. Representative projects have included window replacement, indoor and outdoor insulation, boiler, wall papering, LED, etc. In 2015, energy-efficient construction projects were also provided for 84 houses and 1 welfare center in Incheon, Pohang, Dangjin and Suncheon, where Hyundai Steel's worksites are located.

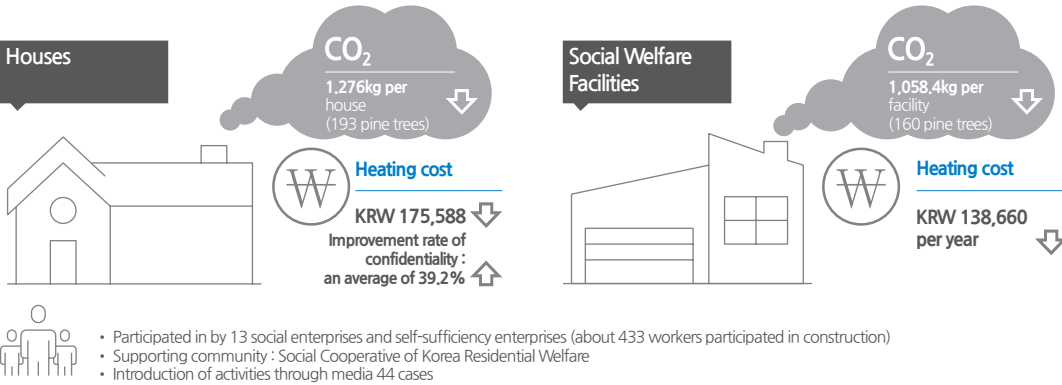
Employee Volunteer Participation Rate (Unit: %)		
2014	2015	2016
95	97	98
Employee Volunteer Hours ¹⁾ (Unit: hours)		
2014	2015	2016
128,122	85,069	86,222

1) Reduced mandatory volunteer hours and increased the persons subject to mandatory participation starting from 2015 based on general employee.

Status of House Repair in 2016



Analysis of Project Effects in 2016 (Based on annual effect per house)



Stakeholder Engagement

Happy Yes University Student Volunteer Group

Hyundai Steel runs the Happy Yes University Student Volunteer Group with the responsibility of talent fostering for sharing and taking care of neighbors by university students. The Happy Yes Group selects 100 national university students and is operated as a one-year program. It provides local services based on the region of national worksites. For 2016, the 8th Happy Yes University Student Volunteer Group worked based on the idea of 'upcycling' in which abandoned goods are recycled to create new value and provide services, by utilizing the original ideas of the 100 participants.

Gift Giving Campaign

Employees directly provide gift-sharing services for neighbors, targeting low-income residents on New Year's Day and Thanksgiving Day. The gift-sharing activities are appreciated by municipalities every year, with the company visiting 400 houses and 130 welfare centers in 2016. Employees directly deliver greetings, food and essential products to local residents, and work to build strong relations with them.

H-USR

H-USR is a social contribution business that is jointly executed and planned by Hyundai Steel's labor union and management. The goal is to meet its social responsibilities, and communicate with residents at all times. We are leading local development by creating numerous local tailored service programs, such as the installation of fire prevention goods in run-down houses within the region.



Happy Yes University Student Volunteer Group



Gift Giving Campaign



H-USR

Social Innovation

H Science Academy

Hyundai Steel runs its Astronomical Universe and Science Camp at KAIST Science Camp and Songam Space Center as a project to foster future science talents by utilizing the infrastructure of customers' companies. Last year, 780 young scientists had a chance to get closer to their dreams through professional science education and rare astronomical experiences.

Happy Move Global Youth Volunteers in India

When the residents of Chennai (India) experienced the worst flooding in 100 years, the Happy Move Youth Volunteers of Hyundai Automobile Group were dispatched to India in January and July to help the desperate local residents in Chennai, and 100 volunteers participated on behalf of Hyundai Steel. Over a period of 2 weeks, houses that had collapsed due to the flooding were reconstructed and water restoration services were carried out to restore drinking water facilities.



H Science Academy



Sport CSR in China



Happy Move Global Youth Volunteers in India



Social Enterprise Expert Program

Sport CSR in China

By utilizing the potential of the women's soccer group, Red Angels, a Chinese sport CSR was launched. We entered into Memorandum of Understanding (MOU) with Tapping Middle School of Chongqing, China and pledged special education facilities and environmental improvement activities for 3 years, to improve the technology for the Chinese juvenile soccer team.

Social Enterprise Expert Program

Since reaching an agreement with the Graduate School of Sungkonghoe University Institute for Social Welfare in 2007, Hyundai Steel actively invests in fostering experts to support stable operations of social enterprises and contribute to the creation of jobs for socially vulnerable classes. As of 2016, a total of 451 NGO activists had participated in domestic or overseas training under this program.

Global CSR - Local Development Project in Myanmar

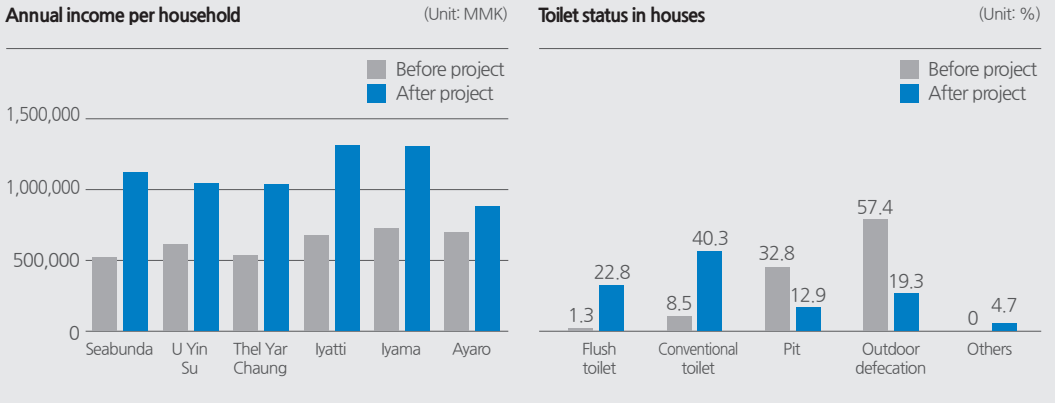
Hyundai Steel conducted CSR activities for local development to develop 6 target villages in Taung Bi Lay in Mandalay, Myanmar, where the severe water shortage makes it difficult to secure drinking water and maintain health, hygiene, and education, especially for women and children. As a result of work conducted over 3 years from 2014 to 2016, 4,450 local residents and children were supported. Work was done to establish a community center and water supply facilities, and

job training and livestock were also provided to increase the independence of local residents. In addition, Hyundai Steel engaged in a range of activities to work with local residents by dispatching 30 employee volunteers to Myanmar, which did work such as repairing village facilities and providing training to local residents. Through the volunteer survey, 95% of participants showed positive attitudes toward service activities and increased self-esteem for the company.

Economy Improvement Activities	• Support for agricultural education and agricultural activities • Job Technology Training	• Support for education and activities related to livestock • Composition of village credit union
Building the Capacity of Local Communities	• Active support for Saemaul Undong Committee • Formation of village drinking water committee and improvement of capabilities • Awareness improvement activities for sanitation targeting residents and schools	
Construction of Infrastructure	• Building of community center • Construction of drinking water facilities	• Building of 6 residential service centers

Major Performances (2014~2016)

In an analysis of the effects of the 3-year project that began in 2014, it was found that rest room facilities, drinking water sources, etc. for residents were improved. Economic independence levels were also found to be increased in terms of owning livestock and risen annual income per households.



Global CSR - Local Development Project in Myanmar

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Financial Statement

Independent Audit Report

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

March 7, 2017

We have audited the accompanying financial statements of Hyundai Steel, which comprise the statement of financial position as of December 31, 2016 and as of December 31, 2015, 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, 2016 and December 31, 2015, 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).

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 (March 7, 2017). 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

52nd (As of December 31, 2016)
51st (As of December 31, 2015)
50th (As of December 31, 2014)

(Unit: KRW)

	52 nd	51 st	50 th
Assets			
I. Total current assets	6,794,973,724,870	6,666,847,614,070	6,120,637,512,290
Cash and cash equivalents	737,221,941,998	820,293,377,680	695,483,722,766
Short-term financial instruments	168,948,368,210	188,951,393,609	180,376,679,213
Trade and other receivables	2,371,015,053,950	2,249,012,150,413	2,165,675,060,100
Income tax refund receivables	5,375,277,677	7,826,134,909	
Inventories	3,407,724,268,132	3,287,218,827,476	2,953,972,759,040
Current derivative financial assets	2,293,590,840	13,102,025,933	
Other current financial assets	12,524,302,685	11,155,109,690	10,239,054,061
Other current assets	89,870,921,378	89,288,594,360	110,890,237,110
Assets held-for-sale			4,000,000,000
II. Total non-current assets	25,594,298,137,478	25,269,585,923,391	22,813,161,889,858
Non-current trade and other receivables	1,158,057,701	8,770,152,807	678,280,455
Available-for-sale financial assets	1,554,528,785,625	1,450,944,101,872	1,391,086,795,524
Investments in associates	116,200,718,756	116,252,881,797	115,567,455,953
Investment property, net	217,788,377,990	218,603,025,027	219,547,800,590
Property, plant and equipment, net	21,645,220,541,999	21,410,717,552,774	19,572,284,839,279
Intangible assets, net	1,793,114,184,759	1,852,604,842,964	1,341,026,934,109
Non-current derivative financial assets	5,079,504,160	6,701,054,854	179,795,443
Other non-current financial assets	206,506,412,675	160,784,922,645	163,058,581,621
Deferred tax assets	23,684,318,003	20,050,477,048	8,936,135,910
Other non-current assets	31,017,235,810	24,156,911,603	795,270,974
Total assets	32,389,271,862,348	31,936,433,537,461	28,933,799,402,148
Liabilities			
I. Total current liabilities	6,813,114,744,937	6,657,440,588,526	5,885,585,483,280
Trade and other payables	2,853,552,359,281	2,458,879,019,012	1,878,044,862,366
Short-term borrowings	1,105,519,933,343	1,893,484,852,382	1,866,156,485,598
Current portion of bonds	1,229,574,853,669	1,400,372,814,106	939,428,697,679
Current portion of long-term borrowings	1,380,403,113,648	653,378,892,365	901,396,915,873
Income taxes payable	125,783,258,670	116,558,353,459	155,714,100,593
Current derivative financial liabilities	53,778,063	2,462,403,736	3,547,937,388
Other non-current financial liabilities	399,928,829	363,400,000	
Other current liabilities	117,827,519,434	131,940,853,466	141,296,483,783
Total non-current liabilities	9,212,518,096,258	9,758,994,346,807	9,233,426,347,053
Bonds	4,070,640,241,437	4,579,221,197,078	4,591,033,769,870
Long-term borrowings	4,285,664,696,687	4,409,825,463,846	3,951,602,154,045
Non-current derivative financial liabilities	58,509,696,562	15,171,928,432	10,863,741,027
Other non-current financial liabilities	865,506,000	1,079,963,151	1,969,126,768
Defined benefit liabilities	43,646,291,389	95,944,442,610	78,086,550,340
Deferred tax liabilities	682,261,812,665	601,066,165,970	555,479,831,666
Other non-current liabilities	70,929,851,518	56,685,185,720	44,391,173,337
Total liabilities	16,025,632,841,195	16,416,434,935,333	15,119,011,830,333
Equity			
Equity attributable to owners of the Parent Company	16,070,417,085,335	15,242,022,800,475	13,623,903,615,917
Share capital	667,228,925,000	667,228,925,000	582,748,920,000
Share premium	3,914,352,871,253	3,921,954,413,634	2,869,623,263,719
Retained earnings	10,548,492,652,600	9,794,918,989,922	9,191,935,247,743
Accumulated other comprehensive income	1,069,448,968,948	1,040,931,727,413	992,190,799,354
Treasury stock	(129,106,332,466)	(183,011,255,494)	(12,594,614,899)
Non-controlling interests	293,221,935,818	277,975,801,653	190,883,955,898
Total equity	16,363,639,021,153	15,519,998,602,128	13,814,787,571,815
Total liabilities and equity	32,389,271,862,348	31,936,433,537,461	28,933,799,402,148

Consolidated Statements of Comprehensive Income

52nd January 1, 2016 ~ December 31, 2016
51st January 1, 2015 ~ December 31, 2015
50th January 1, 2014 ~ December 31, 2014

(Unit: KRW)

	52 nd	51 st	50 th
Sales	16,691,511,903,578	16,132,512,865,309	16,762,359,710,587
Cost of sales	14,230,770,140,074	13,701,874,413,909	14,441,611,789,482
Gross profit	2,460,741,763,504	2,430,638,451,400	2,320,747,921,105
Selling, general and administrative expenses	1,015,739,681,950	966,496,708,672	829,609,437,617
Operating income	1,445,002,081,554	1,464,141,742,728	1,491,138,483,488
Financial income(loss)	(296,660,642,264)	(483,000,111,481)	(412,440,010,856)
Finance income	173,529,171,303	117,331,770,752	215,284,187,056
Finance costs	(470,189,813,567)	(600,331,882,233)	(627,724,197,912)
Share of profit of associates	10,016,558,035	9,494,766,187	11,528,755,804
Other income(loss)	(28,128,084,449)	(63,908,980,783)	8,523,858,973
Other income	186,195,985,041	158,269,731,293	113,083,893,829
Other expenses	(214,324,069,490)	(222,178,712,076)	(104,560,034,856)
Net profit before taxes (loss)	1,130,229,912,876	926,727,416,651	1,098,751,087,409
Income tax expense	296,251,392,313	187,560,785,017	316,455,731,694
Profit for the year	833,978,520,563	739,166,631,634	782,295,355,715
Other comprehensive income (loss)	61,130,379,315	4,780,706,148	(274,251,709,106)
Items that are or may be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	32,880,453,191	(43,861,423,284)	(37,144,653,242)
Items that will be never reclassified to profit or loss:			
Gain (loss) on fair value of AFS financial assets	78,112,403,529	43,195,756,621	(234,490,797,459)
Gain(loss) on overseas operations translation	(268,459,688)	60,873,776	48,247,354
Items that will be never reclassified to profit or loss:	(42,343,702,850)	6,678,963,874	(3,005,447,617)
Re-measurements of defined benefit plan	(7,250,314,867)	(1,293,464,839)	340,941,858
Total comprehensive income for the year	895,108,899,878	743,947,337,782	508,043,646,609
Profit attributable to:			
Owners of the parent company	818,763,275,714	733,620,694,702	764,761,099,904
Non-controlling interests	15,215,244,849	5,545,936,932	17,534,255,811
Total comprehensive income attributable to:			
Owners of the parent company	879,862,765,713	738,633,546,738	492,147,213,595
Non-controlling interests	15,246,134,165	5,313,791,044	15,896,433,014
Earnings per share			
Basic earnings per share	6,253	5,955	6,600

Consolidated Statements of Changes In Equity

52nd January 1, 2016 ~ December 31, 2016
51st January 1, 2015 ~ December 31, 2015
50th January 1, 2014 ~ December 31, 2014

(Unit: KRW)

		Capital						
		Capital	Capital surplus	Profit surplus	Accumulated other comprehensive income	Treasury stock	Non-controlling interest	Total capital
1 Jan, 2014 (beginning capital)		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	Net profit			764,761,099,904			17,534,255,811	782,295,355,715
	Profit and loss on available financial assets for sale				(234,428,329,897)		(62,467,562)	(234,490,797,459)
	Loss on valuation of investment stock using the equity method				16,569,844		31,677,510	48,247,354
	Gain and loss on valuation of derivatives instruments				(3,005,447,617)			(3,005,447,617)
	Gain or loss on overseas operations				340,941,858			340,941,858
	Remeasurements of net defined benefit liabilities			(35,537,620,497)		(1,607,032,745)		(37,144,653,242)
	Total comprehensive income			729,223,479,407	(237,076,265,812)		15,896,433,014	508,043,646,609
Transaction with Shareholders	Year-by dividend			(57,939,251,000)				(57,939,251,000)
	Acquire treasury stocks							
	Sell treasury stocks							
	Variation caused by a merger							
	Non-controlling interest relating to business combinations							
	Additional acquisition of investment stocks in subsidiaries							
31 Dec, 2014 capital at the end of the year)		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
1 Jan, 2015 (capital at the beginning of the year)		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	Net profit			733,620,694,702			5,545,936,932	739,166,631,634
	Profit and loss on available financial assets for sale				43,330,573,572		(134,816,951)	43,195,756,621
	Loss on valuation of investment stock using the equity method				24,855,452		36,018,324	60,873,776
	Gain and loss on Valuation of Derivatives Instruments				6,678,963,874			6,678,963,874
	Gain or loss on overseas operations				(1,293,464,839)			(1,293,464,839)
	Remeasurements of net defined benefit liabilities			(43,728,076,023)		(133,347,261)		(43,861,423,284)
	Total comprehensive income			689,892,618,679	48,740,928,059		5,313,791,044	743,947,337,782
Transaction with Shareholders	Year-by dividend			(86,908,876,500)			(904,103,450)	(87,812,979,950)
	Acquire treasury stocks					(113,971,516,091)		(113,971,516,091)
	Sell treasury stocks							
	Variation caused by a merger	84,480,005,000	1,060,311,131,904			(56,445,124,504)		1,088,346,012,400
	Non-controlling interest relating to business combinations						103,745,666,413	103,745,666,413
	Additional acquisition of investment stocks in subsidiaries		(7,979,981,989)			(21,063,508,252)		(29,043,490,241)
31 Dec, 2015 (capital at the end of the year)		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
1 Jan, 2016 (capital at the beginning of the year)		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
Total comprehensive income	Net profit			818,763,275,714			15,215,244,849	833,978,520,563
	Profit and loss on available financial assets for sale				77,778,119,910		334,283,619	78,112,403,529
	Loss on valuation of investment stock using the equity method				(109,615,129)		(158,844,559)	(268,459,688)
	Gain and loss on Valuation of Derivatives Instruments				(42,343,702,850)			(42,343,702,850)
	Gain or loss on overseas operations				(6,807,560,396)		(442,754,471)	(7,250,314,867)
	Remeasurements of net defined benefit liabilities			32,582,248,464		298,204,727		32,880,453,191
	Total comprehensive income			851,345,524,178	28,517,241,535		15,246,134,165	895,108,899,878
Transaction with Shareholders	Year-by dividend			(97,771,861,500)				(97,771,861,500)
	Acquire treasury stocks							
	Sell treasury stocks		(7,601,542,381)			53,904,923,028		46,303,380,647
	Variation caused by a merger							
	Non-controlling interest relating to business combinations							
	Additional acquisition of investment stocks in subsidiaries							
31 Dec, 2016 (capital at the end of the year)		667,228,925,000	3,914,352,871,253	10,548,492,652,600	1,069,448,968,948	(129,106,332,466)	293,221,935,818	16,363,639,021,153

Consolidated Statements of Cash Flows

52nd January 1, 2016 ~ December 31, 2016
51st January 1, 2015 ~ December 31, 2015
50th January 1, 2014 ~ December 31, 2014

(Unit: KRW)

	52 nd	51 st	50 th
Cash flows from operating activities	2,916,568,140,314	3,075,906,331,603	1,936,559,205,481
Cash generated from operations	3,455,050,670,695	3,755,742,783,525	2,555,464,054,316
Profit for the year	833,978,520,563	739,166,631,634	782,295,355,715
Additions of expenses and others not involving cash outflows	2,222,646,043,470	2,195,469,427,565	2,201,236,843,071
Deduction of income and others not involving cash inflows	(91,841,671,988)	(91,194,629,922)	(124,742,722,609)
Changes in assets and liabilities:	490,267,778,650	912,301,354,248	(303,325,421,861)
Trade and other receivables	(143,569,698,871)	881,783,898,237	(76,388,909)
Inventories	(118,752,421,368)	507,544,228,517	247,249,344,813
Other current financial assets	(577,636,722)	1,864,505,161	1,442,079,054
Other current assets	(1,524,190,234)	48,466,217,570	(11,193,332,187)
Other non-current financial assets	(46,549,896,040)	1,386,963,734	(12,458,255,459)
Other non-current assets	(5,998,050,846)	(42,992,464,688)	(11,703,442)
Trade and other payables	921,594,549,825	(331,141,619,497)	(450,869,690,082)
Other current liabilities	(11,391,021,220)	(35,774,826,330)	17,062,727,516
Other non-current financial liabilities	(64,457,151)	(530,046,207)	(105,622,437)
Other non-current liabilities	4,875,815,718	3,383,475,656	21,177,452,170
Derivative financial assets and liabilities	(898,982,989)	3,526,140,882	(295,112,167)
Payment of severance benefit	(55,958,978,952)	(52,002,113,817)	(37,488,867,912)
Plan assets	(50,917,252,500)	(72,989,224,299)	(77,812,225,761)
Transference between affiliates	(223,780,671)	54,172,942	
Interest received	14,099,625,122	12,267,793,228	18,653,784,498
Dividends received	36,582,291,300	25,631,989,050	19,970,650,750
Interest paid	(364,762,993,633)	(428,617,729,728)	(433,703,098,068)
Income taxes paid	(224,401,453,170)	(289,118,504,472)	(223,826,186,015)
Cash flows from investing activities	(1,975,836,583,133)	(2,204,974,608,792)	(1,131,402,279,238)
Cash inflows from investing activities	714,510,389,415	1,016,217,380,082	820,984,295,734
Decrease in short-term financial instruments	689,199,360,578	826,602,501,627	769,098,931,570
Decrease in other current financial assets			948,000
Disposition of assets held for sale		500,000,000	
Proceeds from sale of available-for-sale financial assets	1,291,396,334	13,765,004,416	5,839,247,437
Sell investment stocks in subsidiaries	120,944,457		
Sell investment stocks in associates	206,250,000		
Proceeds from disposal of investment property	299,950,000	531,500,000	651,227,945
Proceeds from disposal of property, plant and equipment	18,837,721,267	22,616,853,198	37,275,028,583
Proceeds from disposal of intangible assets	4,554,766,779	2,353,464,248	1,003,663,985
Decrease in other non-current financial assets			7,115,248,214
Cash inflows resulting from mergers		149,848,056,593	
Cash outflows from investing activities	(2,690,346,972,548)	(3,221,191,988,874)	(1,952,386,574,972)
Increase in short-term financial instruments	(668,511,108,338)	(830,320,560,802)	(806,448,750,337)
Increase in other current financial assets			(924,000)
Increase in other current assets			(29,430,000,000)
Acquisition of available-for-sale financial assets	(895,365,000)	(14,174,035,000)	(4,788,585,000)
Acquisition of investments in associates	(297,000,000)		(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	(1,975,678,163,197)	(2,216,676,691,960)	(1,053,776,305,350)
Acquisition of intangible assets	(44,965,336,013)	(47,581,359,912)	(48,215,389,594)
Increase in other non-current financial assets			(9,522,900,691)
Cash flows from financing activities	(1,016,927,996,226)	(746,235,646,146)	(875,419,990,222)
Cash inflows from financial activities	10,252,742,860,965	11,772,611,754,589	9,196,533,421,448
Proceeds from short-term borrowings	7,779,049,609,999	7,840,992,912,839	7,611,772,858,264
Proceeds from bonds	916,263,130,000	1,205,122,200,000	826,667,500,000
Proceeds from long-term borrowings	1,557,430,120,966	2,726,496,641,750	758,093,063,184
Cash outflows from financial activities	(11,269,670,857,191)	(12,518,847,400,735)	(10,071,953,411,670)
Repayment of short-term borrowings	(8,474,167,472,579)	(8,227,378,410,685)	(8,568,268,474,441)
Repayment of the current portion of debentures	(1,401,160,000,000)	(940,000,000,000)	(679,822,660,214)
Repayment of the current portion of long-term borrowings	(939,109,903,274)	(1,112,977,695,270)	(608,711,762,009)
Redemption of debentures	(200,000,000,000)	(20,000,000,000)	(141,400,000)
Repayment of long-term borrowings	(157,461,619,838)	(2,016,706,798,739)	(157,069,864,006)
Payment of dividends	(97,771,861,500)	(87,812,979,950)	(57,939,251,000)
Acquisition of treasury stock		(113,971,516,091)	
Effect of exchange rate changes on cash and cash equivalents	(6,874,996,637)	113,578,249	380,473,895
Net increase(decrease) in cash and cash equivalents	(83,071,435,682)	124,809,654,914	(69,882,590,084)
Cash and cash equivalents at the beginning of the year	820,293,377,680	695,483,722,766	765,366,312,850
Cash and cash equivalents at the end of year	737,221,941,998	820,293,377,680	695,483,722,766

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INDEPENDENT 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 Hyundai Steel Integrated Report 2017 (the "Report"). 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 2016. This also includes:

- Evaluation of the Report on the adherence to the principles for defining the sustainability report content set forth 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

The assurance engagement was planned and carried out using DNV GL's assurance methodology VeriSustain^{TM1)}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We provided the limited level of assurance. The audit was carried out in May through June 2017 and the site visits were made to the headquarters in Seoul and Dangjin Integrated Steelworks of Hyundai Steel. 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 systems as they relate to selected content and performance data;
- reviewed the materiality assessment report;
- visited Dangjin Integrated Steelworks and tested the environmental data gathering process.

Limitations

The engagement excludes the sustainability management, performance and reporting practices of Hyundai Steel's subsidiaries, 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). 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. 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.

Conclusion

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 nor is prepared 'in accordance' with GRI G4 Core option. Further opinions with regards to the adherence to the following Principles are made below:

1) The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

Stakeholder Inclusiveness

Hyundai Steel has identified internal and external stakeholder groups such as Customers, Subcontractors and Suppliers, Employees, Local community, Shareholders and Investors, and NGOs/government/Journalist. 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 Report presents 'Vison 2025' and roadmap to achieving this vision. In addition, the Report describes the business performance of Hyundai Steel with its business model. Hyundai Steel addresses how material issues grouped into 10 key aspects are managed and what was achieved in 2016, which would help the stakeholder understand the management approaches toward the material aspects.

Materiality

Hyundai Steel has conducted the materiality assessment to prepare the Report. The relevant 34 issues selected from the analysis of the key issues in the global sustainability initiatives and international standards, sustainability reports of peers and sister companies (15 companies including competitors, sister companies in Hyundai Motor Group, and other industry companies) The journalist reports on Hyundai Steel in 2016 are also analysed. The issues in the pool are rated by combining the level of impact on Hyundai Steel's business and level of stakeholders' interest in the issue. The prioritization is based on the stakeholder survey results. Hyundai Steel has ended up with 10 material issues through these evaluation processes. In additional, Hyundai Steel has presented the relevance of Hyundai Steel's financial and risk aspects to selected key material issues. The audit team reviewed the materiality assessment process and noted that the relevant material issues prioritized from the process are addressed in the Report.

Completeness

The Report has covered the sustainability management approach and sustainability performances of Hyundai Steel for the reporting period. The reporting boundary has been set for domestic business sites (Dangjin Integrated Steelworks, Incheon Works, Pohang Works, Suncheon Works, Suncheon Forging Works, Ulsan Works, Yesan Works) including headquarters in Seoul. The audit team noted that the performance results of material issues within the reporting boundary were reported without omissions in the Report.

Accuracy and Reliability

We found a limited number of non-material errors and theses were corrected prior to inclusion in the Report. The data presented in the report were gathered from the teams responsible for data control in Hyundai Steel. The audit team verified the data and information based on sampling methodology during the verification process. The audit team interviewed the person-in-charge, reviewed the process of gathering and processing data and information, and the supporting documents and records. The depth of data verification is limited to the aggregated data. Based on sampling verification and other reported information and available evidence, nothing comes to our attention that would cause us to believe that the data and information presented in the Report have any intentional error or material misstatement.

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. The audit team has complied with DNV GL's Code of Conduct.

June 2017

Seoul, Korea



In Kyoon Ahn



Country Representative

DNV GL Business Assurance Korea, Ltd.

Stakeholder Engagement

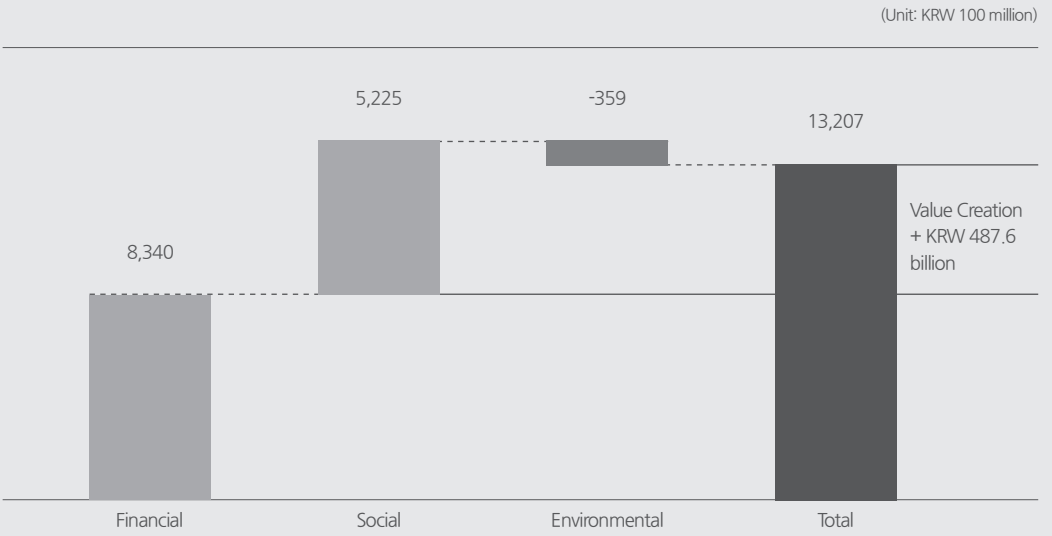
Hyundai Steel is always interested in listening to the opinions of its stakeholders, who directly and indirectly exert an influence in enterprise management activities. We define customer companies, suppliers, employees, local communities, shareholders, investors and so on as our major stakeholders, and have a variety of communication channels so that we can listen to their opinions. By transparently disclosing our financial and non-financial performances, we increase our transparency and reliability. Also, we are sharing processing plans in the future.

Participation Channels for Stakeholders

Category	Definition	Position	Communication channel
Customer Companies	Basis of creation of economic and enterprise values	• Marketing division	Department meeting, technology seminar, customer satisfaction survey, customers' portal site, homepage and newsletter
Employees	Vital employees for sustainable growth	• Business management division • Strategy and planning division	Intranet, GWP, Smartboard, education program and labor-management cooperation
Suppliers	Partners cooperating for a win-win situation based on reliability	• Strategy and planning division • Procurement division • Dangjin Integrated Steelworks and major works	Win-win growth pact, meeting, procurement system, technology exchange meeting, homepage and news letter
Shareholders and Investors	Support source of energy for sustainable management	• Finance division	General meeting of shareholders of financial department, performance presentation, NDR and conference, 1:1 meeting, visit to worksite and press release
Local Community	Provide execution bases as corporate citizen	• Strategic planning department • Dangjin Integrated Steelworks and major works	Social contribution and global region development
NGO, Government, and Media	Proposal of the direction for the corporation	• Strategy and planning division • Dangjin Integrated Steelworks and major works	Visit to worksites and press release

Case Study. Assessment of Social and Environmental Values

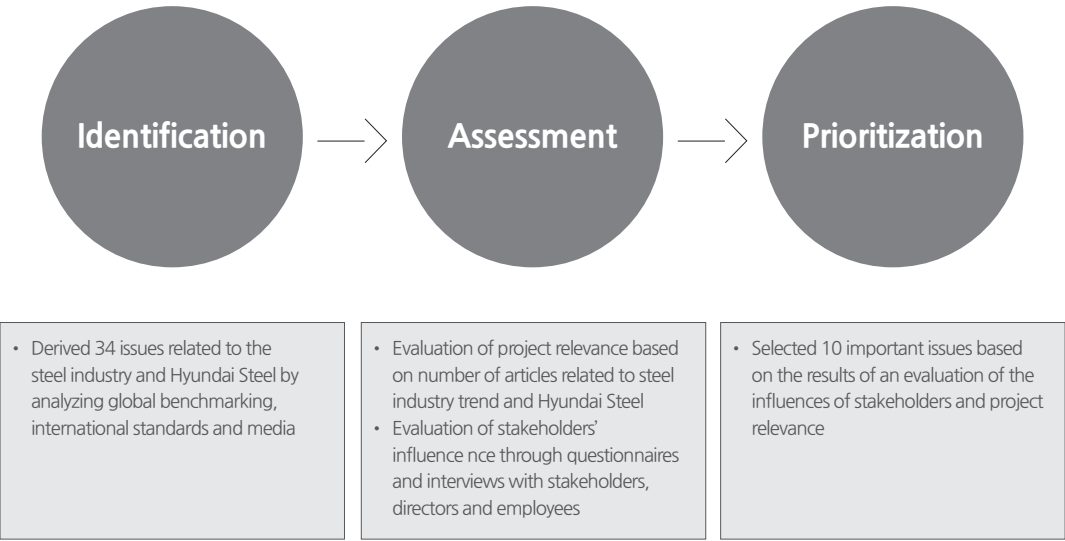
Hyundai Steel is committed to creating social and environmental values as well as achieve excellent financial performance through its management activities. As a part of these efforts, we plan to quantitatively estimate the social and environmental values of our management activities. For the social and environmental values, internal data of the corporation, environment data and external study data were evaluated. On the social side, dividends, interests, social contribution investments, win-win growth investments, and industrial disasters. were taken into account, while on the environment side, GHG emissions, water use and discharge of air pollutants were checked. Hyundai Steel recorded a total financial value of KRW 834 billion in 2016, and also handed over social and environmental values of KRW 487.6 billion to shareholders.



Materiality Test

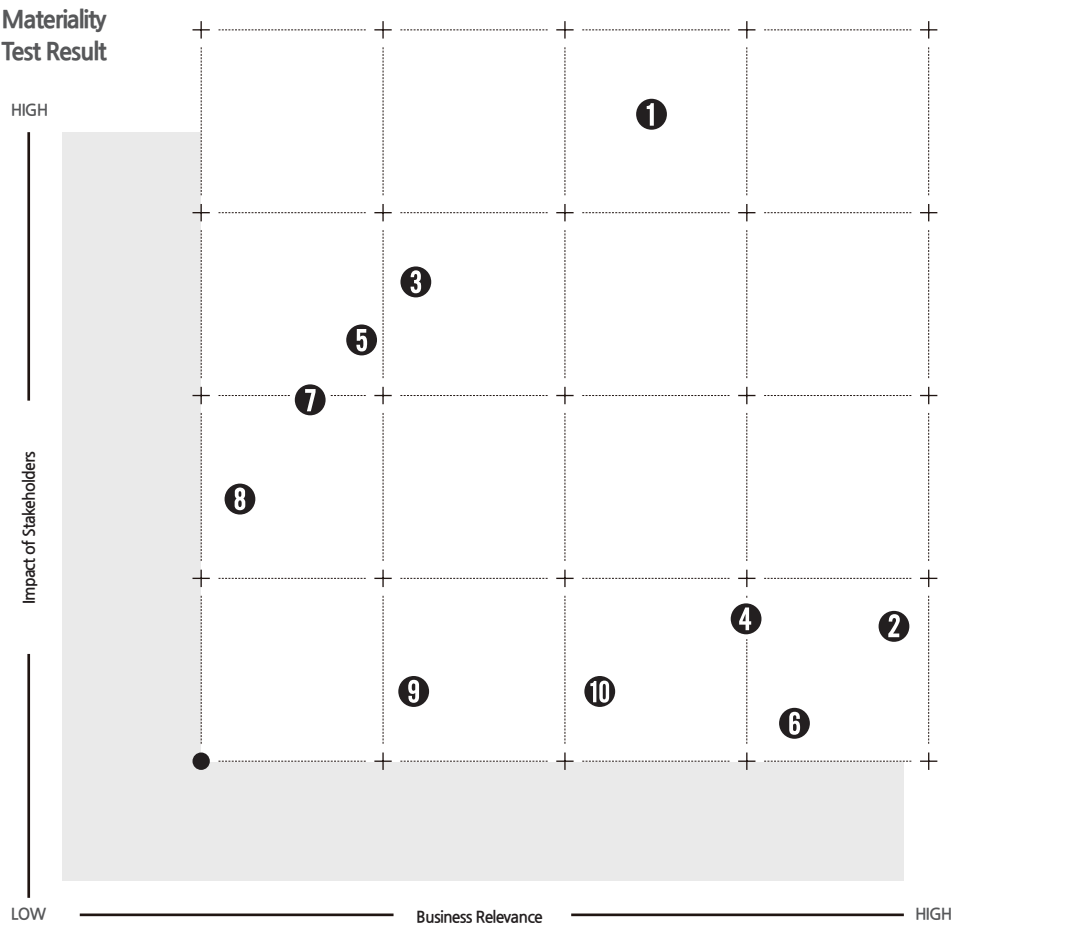
Materiality Test Process

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 the stakeholder impact and business relevance in 34 issues related to the 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 Boards (SASB) and sustainability indices of the World Steel Association (WSA) were reviewed during the pooling and evaluating of the issues. Through the comments from stakeholders and experts that were part of the review, we found that each issue has an impact on the project. The materiality test was implemented in April 2017, and a total of 10 material issues were derived.



Evaluation Method

- Global benchmarking: Analyzed announced data targeting 15 companies including major enterprises and group subsidiaries in steel industry
- International Standard: Analyzed relevant indices of GRI G4, ISO26000, UNGC, SASB, WSA, <IR> Framework and DJSI
- Media: Analyzed 2,614 articles from 29 media outlets, such as newspapers
- Stakeholder questionnaire: Analyzed results of questionnaires targeting 136 directors, employees, NGOs, suppliers, customers, academy, specialists, etc.



Material Issues ¹⁾	Impact of stakeholders	Impact characteristics ²⁾	Material Aspects ³⁾	Page
① Reduction of environmental pollutant emissions	Employees, suppliers, local communities, NGOs and government	Cost	Raw material, water, emissions and overall issues	28~31, 57~63
② Enhancement of health and safety in business offices	Employees and suppliers	Risk	Occupational safety and health	32~33, 64~65
③ Reinforcement of product competitiveness through R&D	Customer companies, employees and suppliers	Revenue	Products and services	24~27, 50~51
④ Activities to respond to climate change	Employees, suppliers, local communities, NGOs and government	Risk	Energy	31, 62~63
⑤ Management of wastes and resource recovery, and boosting of by-products	Employees, suppliers, local communities, NGOs and government	Cost	Wastewater and wastes	29, 61~62
⑥ Development of director and employee capabilities	Employees	Risk	Training and education	52~53
⑦ Responsibility for products and securing of safety	Customer companies	Risk	Safety and health of customers	24~27
⑧ Establishment of good working conditions	Employees	Risk	Employment	54~55
⑨ Fair-Trade	Employees, suppliers, NGOs and government	Risk	Interference behavior in competition	41
⑩ Social contribution activities with works' features	Local communities, NGO and government	Risk	Local communities	34~35, 69~73

1) Select 10 material issues out of 34 issues
2) Classify features of potential project impacts of issues into Cost, Risk and Revenue
3) Based on GRI G4 Aspect

GRI Index

General Standard Disclosure

Aspects	Index	Core	Content	Page
Strategy and Analysis	G4-1	Core	Statement from the most senior decision-maker	2~3
	G4-2		Provides a description of Key impacts, risks, and opportunities	2~3, 42~43
Organizational Profile	G4-3	Core	Report the name of the organization	14
	G4-4	Core	The primary brands, products, and services	20~21
	G4-5	Core	The location of the organization's headquarters	14~15
	G4-6	Core	The number of countries where the organizaion 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	14~15
	G4-7	Core	The nature of ownership and legal form	38~39
	G4-8	Core	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	14~15
	G4-9	Core	Scale of the organization	14
	G4-10	Core	Total workforce	14
	G4-11	Core	The percentage of total employees covered by collective bargaining agreements	55
	G4-12	Core	The organization's supply chain	68
	G4-13	Core	Any significant changes during the reporting period regarding the organization's size, sutructure, ownerhship, or its supply chain	About this report
	G4-14	Core	Whether and how the precautionary approach or principle is addressed by the organization	42~43
	G4-15	Core	List Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	89
	G4-16	Core	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	89
Identified Material Aspects and Boundaries	G4-17	Core	List all entities included in the organization's consolidated financial statements or equivalent documents.	Business report
	G4-18	Core	The porcess for defining the report content and the Aspect Boundaries	84~85
	G4-19	Core	List all the material Aspects identified in the process for defining report content.	84~85
	G4-20	Core	For each material Aspect, report Aspect Boundary within the organization	84~85
	G4-21	Core	For each material Aspect, report the Aspect Boundary outside the organization	84~85
	G4-22	Core	The 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
Stakeholder Engagement	G4-24	Core	List of stakeholder groups engaged by the organization	83
	G4-25	Core	Basis for identification and selection of stakeholders with whom to engage	83
	G4-26	Core	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	83
	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.	83~85
Report Profile	G4-28	Core	Reporting period such as fiscal or calendar year) for information provided.	About this report
	G4-29	Core	Date of most recent previous report (if any)	About this report
	G4-30	Core	Reporting cycle such as annual, biennial)	About this report
	G4-31	Core	Provide the contact point for questions regarding the report or its contents.	About this report
	G4-32	Core	Report the 'in accordance' option the organization has chosen	About this report
	G4-33	Core	Report the organization's policy and current practice with regard to seeking external assurance for the report	About this report
Governance	G4-34	Core	Report the governance structure of the organization, including committees of the highest governance body.	38~39
	G4-35		Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	38~39
	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.	38~39
	G4-38		Report the composition of the highest governance body and its committees.	38~39
	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).	38~39
	G4-40		Report 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.	38~39
	G4-41		Report processes for the highest governance body to ensure conflicts of interest are avoided and managed.	38~39
	G4-42		Report 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.	38~39
	G4-43		Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	38~39
	G4-44		Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	39
	G4-45		Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	38~39
	G4-47		Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	38~39, 42
	G4-51		Report the remuneration policies for the highest governance body and senior executives	39
	G4-54		Report the 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.	39
Ethics and Integrity	G4-56		Describe the 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)
	G4-57		Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	40
	G4-58		Report the 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.	40

Specific Standard Disclosure

Aspects	Index	Content	Page	References and Stated Omissions
Environmental				
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	G4-EN1	Materials used by weight or volume	Business report	
	G4-EN2	Percentage of materials used that are recycled input materials	60	
Energy	G4-DMA	Disclosure Management Approach	28	
	G4-EN3	Energy consumption within the organization	63	
	G4-EN5	Energy intensity	63	
	G4-EN6	Reduction of energy consumption	62~63	
	G4-EN7	Reductions in energy requirements of products and services	29~31	
Water	G4-DMA	Disclosure Management Approach	28	
	G4-EN8	Total water withdrawal by source	60	
	G4-EN9	Water sources significantly affected by withdrawal of water	60	
	G4-EN10	Percentage and total volume of water recycled and reused	60	
Emissions	G4-DMA	Disclosure Management Approach	28	
	G4-EN15	Direct greenhouse gas (GHG) emissions (scope	63	
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope	63	
	G4-EN18	Greenhouse gas (GHG) emissions intensity	63	
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	62~63	
	G4-EN21	Nox, Sox, and other significant air emissions	59	
Effluents and Waste	G4-DMA	Disclosure Management Approach	28	
	G4-EN22	Total water discharge by quality and destination	60	
	G4-EN23	Total weight of waste by type and disposal method	62	
	G4-EN24	Total number and volume of significant spills	-	No spill occurred
	G4-EN26	Identity, size, proteted status, and biodiversity value of water bodies and realted habitats significantly affected by the organization's discharges of water and runoff	63	
Products and Services	G4-DMA	Disclosure Management Approach	24	
	G4-EN27	Extent of impact mitication of environmental impacts of products and services	25~27, 29~31	
Overall	G4-DMA	Disclosure Management Approach	28	
	G4-EN31	Total environmental protection expenditures and investments by tyep	58	
Labor Practices and Decent Work				
Employment	G4-DMA	Disclosure Management Approach	54	
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	54	
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	55	
Occupational Health and Safety	G4-LA3	Return to work and retention rates after parental leave, by gender.	54	
	G4-DMA	Disclosure Management Approach	32	
	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.	65	
	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	65	
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	33, 64~65	
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	65	
Training and Educat	G4-DMA	Disclosure Management Approach	52	
	G4-LA9	Average hours of training per year per employee, by gender, and by employee category	53	
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	52~53	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	54	
Society				
Local Communities	G4-DMA	Disclosure Management Approach	34	
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	35, 69~73	
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	14~15	
Anti-competitive Behavior	G4-DMA	Disclosure Management Approach	41	
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	-	No such actions occurred
Product Responsibility				
Customer Health and Safety	G4-DMA	Disclosure Management Approach	24	
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	-	No case

GRI Index

Other Disclosure

Aspects	Index	Content	Page	References and Stated Omissions
Economic				
Economic Performance	G4-EC1	Direct econmic value generated and distributed	46, 49	
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	62~63	
	G4-EC3	Coverage of the organization's defined benefit plan obligations	54	
	G4-EC4	Financial assistance received from government	Business report	
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	69~73	
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	73, 83	
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	68	
Environmental				
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas	63	
	G4-EN12	Description of significant impacts of activities, products, and services on Biodiversity	63	
	G4-EN13	Habitats protected or restored	63	
	G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	63	
Compliance	G4-EN29	Monetary value of significatn fines and total number of non-monetary sanctions for non-compliance with environmental laws and reglulations	-	No case
Supplier Environmental Assessment	G4-EN32	Percentage of new suppliers that were screened using enviromental criteria	68	
	G4-EN33	significant actual and potential engative environmental impacts in the supply chain and actions taken	68	
Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievnce mechanisms	-	No case
Labor Practices and Decent Work				
Labor/Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	-	No regulations, but notify the union
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	54	
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Business report	
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practice criteria	68	
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	68	
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	55	
Human Rights				
Investment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	68	
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	-	100% , Sexual harassment prevention training
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken.	-	No case
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	55	
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	54~55, 68	
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	54~55, 68	
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	-	100%, training by suppliers
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	54~55	
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	68	
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	68	
Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	55	
Society				
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	40	
	G4-SO4	Communication and training on anti-corruption policies and procedures	40	
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	-	No donations to political parties or politicians ¹⁾
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-	No such actions occurred
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	68	
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	68	
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	-	No case
Product Responsibility				
Product and Service Labeling	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	No case
	G4-PR5	Results of surveys measuring customer satisfaction	56	
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-	No case

1) Political contributions are illegal in Korea

UNGC and UN SDGs

UNGC

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	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	54
	2. Make sure that they are not complicit in human rights abuses.	54~55
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	55
	4. The elimination of all forms of forced and compulsory labour;	54
	5. The effective abolition of child labour; and	54
	6. The elimination of discrimination in respect of employment and occupation.	54
Environment	7. Businesses should support a precautionary approach to environmental challenges;	57~63
	8. Undertake initiatives to promote greater environmental responsibility; and	57~63
	9. Encourage the development and diffusion of environmentally friendly technologies.	28~31, 57~63
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	40

UN SDGs

Hyundai Steel feels empathy on SDGs (Sustainable Development Goals) and relevant activities in each objective are carried out as shown below. We are planning to raise the power of execution by establishing strategic proceeding assignments and expanding the joint objectives in the future.

SDGs indicator		Related activities	Page
Goal 1	End poverty in all its forms everywhere	Global CSR - Local Development Project in Myanmar	73
Goal 3	Ensure healthy lives and promote well-being for all at all ages	Occupational Safety and Health	64~65
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	H Science Academy, Social Enterprise Expert Program, HR Development	52~53, 72
Goal 5	Achieve gender equality and empower all women and girls	Family-Friendly Management	54
Goal 6	Ensure availability and sustainable management of water and sanitation for all	Management of Water Environment	60
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all	Energy Efficiency in Production Course	62
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Recruitment, Respect for Human Rights and Promotion of Diversity, Trust-Based Labor-Management Communication	54~55
Goal 10	Reduce inequality within and among countries	H-Together Travel Camp, Happy Yes University Student Volunteer Group, H-USR, Gift Giving Campaign	35, 71
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable	House Repair - Energy Efficiency Project	70
Goal 12	Ensure sustainable consumption and production patterns	Recycling By-Products, Expansion of Suppliers' CSR	61~62, 68
Goal 13	Take urgent action to combat climate change and its impacts	Climate Change Response	62~63
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Ethics Management	40

GHG Assurance Statement

This Assurance Statement has been prepared for Hyundai Steel.

Terms of Engagement

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by Hyundai Steel to provide independent assurance on its Greenhouse Gas (GHG) Inventory Report for the calendar year 2016 (the report) against GHG Target Management Scheme for quantification and reporting of GHG emissions in Korea using Specification with guidance for verification of GHG assertions. The report relates to direct GHG emissions and energy indirect GHG emissions.

Management Responsibility

LRQA's responsibility is only to Hyundai Steel. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The management of Hyundai Steel is responsible for preparing the report and for maintaining effective internal controls over all the data and information within the report. Ultimately, the report has been approved by, and remains the responsibility of Hyundai Steel.

LRQA's Approach

LRQA's assurance engagement has been carried out in accordance with our verification procedure using GHG Target Management Scheme in Korea: Specification with guidance for verification of GHG assertions to reasonable level of assurance.

The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

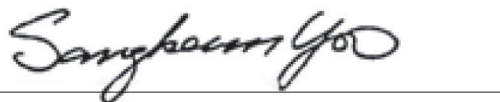
- Visiting sites and auditing management system to control the data and records regarding GHG emissions and energy uses
- Interviewing the relevant persons responsible for managing and maintaining data and associated records
- Reviewing the historical data and information back to source for the calendar year 2016.

Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a reasonable level of assurance, and at the materiality of the professional judgement of the verifier and at the materiality level of 2%.

LRQA's Opinion

Based on LRQA's approach, we believe that the report is prepared in accordance with GHG Target Management Scheme for quantification and reporting of GHG emissions in Korea and the GHG emissions data in the Table 1 is materially correct.



Dated: 21 March 2017

SANG-KEUN YOO
On behalf of Lloyd's Register Quality Assurance Ltd.
17th Floor, Singsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, 07327, Korea

LRQA Reference: SEO 6046432

Table1. GHG emissions reported in the Report

Scope (as defined within GHG Target Management Scheme in Korea)	Year 2016
Direct GHG Emissions	13,449,779
Energy Indirect GHG Emissions	5,653,396
Total GHG Emissions	19,103,175

Data is presented in tonnes of CO₂ equivalent.

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ABOUT THIS REPORT

Reporting Outline

This 2017 report is Hyundai Steel's second Integrated Report that combines its Annual Report and Sustainability Report, and is intended to be a channel for communication with stakeholders regarding our management performance and sustainability management activities. The period report covers is from Jan 1, 2016 to Dec 31, 2016, and the report includes current data on main information having an impact on our stakeholders. The scope of the report includes the Head Office, Dangjin Integrated Steelworks, Incheon Works, Pohang Works, Suncheon Works, Suncheon Forging Works, Ulsan Works and 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 found on the GRI Index page.

Reporting Feature

The report provides Hyundai Steel's activities and performances related to the main interests of its stakeholders in the 'Created Values' section. The company's main management system including governance structures is described in 'Governance' and the main sustainable performances of the company can be checked in 'Sustainability Performance'.

Report Assurance

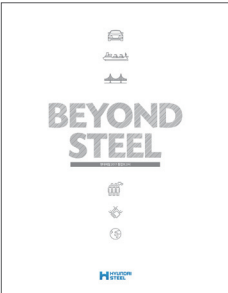
The report was verified by the global verification agency, DNV GL, based on the three principles of the ISAE3000: materiality, inclusiveness and responsiveness and the result can be found in pp.81~82.

Reported by

CSR Team, Strategic Planning Division
12, Heolleung-ro, Seocho-gu, Seoul

CSR Team, Strategic Planning Division
12, Heolleung-ro, Seocho-gu, Seoul
<https://www.hyundai-steel.com>

Cover Story



The term, "BEYOND STEEL" in the middle, represents Hyundai Steel's infinite possibilities and our company slogan, "Engineering the Future Beyond Steel." At the top, we expressed our desire to better serve customers by adding new values to our products with the best technology and quality. At the bottom, we showed our intent to advance together with the society and become a responsible corporate citizen.

With new products and services, Hyundai Steel will continue to grow together with our customers and society by offering differentiated value and exceeding their expectations.

MEMBER OF

Dow Jones

Sustainability Indices

In Collaboration with RobecoSAM

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.

CDP

DRIVING SUSTAINABLE ECONOMIES

