Together
Towards
Tomorrow
COVER STORY

The phrase ‘Together Towards Tomorrow’ reflects POSCO E&C’s determination for sustainability, aiming to realize its future visions and growing together with various stakeholders, through graphic motif that symbolizes the company structures and the unique colors of POSCO E&C.

ABOUT THIS REPORT

This report is the fifth sustainability report published by POSCO E&C. It provides all stakeholders with transparent disclosure on the activities and performance of POSCO E&C on sustainability for the past year.

Reporting Principle | POSCO E&C Sustainability Report 2015-2016 applies the reporting guidelines of GRI (Global Reporting Initiative) and meets the core G4 standards. Financial information has been written in accordance with K-IFRS, and non-financial information has been written in accordance with GRI G4 guidelines or POSCO E&C management criteria.

Reporting Period and Boundary | This report deals with the activities and performance of POSCO E&C from January 1st to December 31st, 2015. Information which may have significant influence on stakeholders, such as governance structure, includes activities up to July 2016. Some quantitative data are reported with 3-year performance in order to ensure improvement in comparability. Reporting range includes performance in domestic business sites (does not include mutual investment companies and subsidiaries) and in major overseas business sites. Special indications have been made for parts that require special notes regarding reporting range.

Third-party Assurance | In order to guarantee the reliability of the reported information, the accuracy of data in financial information has been confirmed by an independent auditor, and non-financial information, such as environmental and social issues, have been verified by a third-party assurance institution.

## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>04</td>
</tr>
<tr>
<td>CEO Message</td>
<td>06</td>
</tr>
<tr>
<td>Process of Defining Report Contents</td>
<td>08</td>
</tr>
<tr>
<td>Stakeholder Engagement for Defining Report Contents</td>
<td>10</td>
</tr>
<tr>
<td>Company Overview</td>
<td>12</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>13</td>
</tr>
<tr>
<td>Vision &amp; Strategy</td>
<td>16</td>
</tr>
<tr>
<td>Business Area</td>
<td>18</td>
</tr>
<tr>
<td>Risk Management</td>
<td>20</td>
</tr>
<tr>
<td>Ethics Management</td>
<td></td>
</tr>
<tr>
<td>Fulfillment of Safety and Environmental Responsibilities</td>
<td>44</td>
</tr>
<tr>
<td>Safety and Health Management</td>
<td>46</td>
</tr>
<tr>
<td>Environment-friendly Management</td>
<td>50</td>
</tr>
<tr>
<td>Creation of Social Values</td>
<td>58</td>
</tr>
<tr>
<td>Customer Centered Management</td>
<td>62</td>
</tr>
<tr>
<td>Human Resource Management</td>
<td>66</td>
</tr>
<tr>
<td>Social Contribution</td>
<td>70</td>
</tr>
<tr>
<td>Win-win Growth</td>
<td></td>
</tr>
<tr>
<td>Reinforcement of Global E&amp;C Competitiveness</td>
<td>24</td>
</tr>
<tr>
<td>Global Business Expansion</td>
<td>26</td>
</tr>
<tr>
<td>Myanmar</td>
<td>28</td>
</tr>
<tr>
<td>Chile</td>
<td>30</td>
</tr>
<tr>
<td>Poland</td>
<td>32</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td></td>
</tr>
<tr>
<td>Fostering of Sustainable Growth Engine</td>
<td>36</td>
</tr>
<tr>
<td>Financial Soundness</td>
<td>38</td>
</tr>
<tr>
<td>Quality Management</td>
<td></td>
</tr>
<tr>
<td>Technology Competitiveness</td>
<td>42</td>
</tr>
<tr>
<td>Appendix</td>
<td>75</td>
</tr>
<tr>
<td>Financial Information</td>
<td></td>
</tr>
<tr>
<td>GRI G4 Information Disclosure</td>
<td>77</td>
</tr>
<tr>
<td>GRI G4 Index</td>
<td>80</td>
</tr>
<tr>
<td>Statement of Third-party Assurance</td>
<td>82</td>
</tr>
<tr>
<td>UN Global Compact and UN SDGs</td>
<td>85</td>
</tr>
<tr>
<td>Awards &amp; Association Membership</td>
<td>86</td>
</tr>
<tr>
<td>GRI G4 Information Disclosure</td>
<td></td>
</tr>
<tr>
<td>GRI G4 Index</td>
<td></td>
</tr>
<tr>
<td>Statement of Third-party Assurance</td>
<td></td>
</tr>
<tr>
<td>UN Global Compact and UN SDGs</td>
<td></td>
</tr>
<tr>
<td>Awards &amp; Association Membership</td>
<td></td>
</tr>
</tbody>
</table>

FOOTNOTE
Dear Stakeholders,

Ever since its foundation, POSCO E&C has achieved an average annual growth rate of 12% by adapting forward-thinking strategies and developing breakthrough technologies, thereby attaining the country’s top-tier position as a total solution provider in the construction industry within a very short period of time. Most notably, the company succeeded in attracting investment from the Public Investment Fund (PIF), a state-owned fund of Saudi Arabia, in 2015. Through this transformative shift, the company was able to not only reform its governance to meet international standards but also to lay the basis for its remarkable expansion into the global engineering and construction market. However, the overseas construction market faces increased competition among multinational companies from Europe, USA, and China. The domestic market also faces stagnant growth of the construction industry as well as economic uncertainty, which forecast challenges for the sustainable growth of POSCO E&C.

In order to address such a rapidly changing environment and to grow as a global E&C company which creates consistent value, POSCO E&C will strive to innovate its management and to foster new growth engines.

First, we will strengthen the foundations for global growth leveraging our technical expertise and network. POSCO E&C will continue to foster technological advancement and broaden its breadth of business in diverse regions. The company’s technological excellence had been acknowledged in a number of key markets in Asia, South America and Eastern Europe. Focusing on those key markets, POSCO E&C will establish efficient business execution systems, through coordination with strong business partners and acquisition of local talents, in order to outlay a stable growth foundation for continuous project awards. In pursuing new market penetration, POSCO E&C will utilize its global network established through the presence of POSCO affiliates in 60 countries around the world. In addition, the company will create various business opportunities in collaboration with other industry leaders and local partners, and identify business opportunities by strengthening its global sourcing capabilities. Furthermore, POSCO E&C will adapt various procurement methods, to enhance its global competitiveness in winning business orders.

POSCO E&C will create social values through ethics management.

POSCO E&C will engage in all management activities understanding its social responsibilities, exercising transparent and unbiased ethics management culture, and contribute in building social value through communication and collaboration with various stakeholders.

Through the ‘Plus’ Organizational Culture Campaign, which launched last June, POSCO E&C will create a culture that practices the values of ‘Performance Plus for organizations, Initiative Plus for leaders, Loyalty Plus for employees and Happiness Plus for customers’. In addition, POSCO E&C will continue to engage in various community service activities for the underprivileged and the future generations, both domestic and abroad and actively invest its best efforts to resolve issues faced by the local communities and contribute in their development.

POSCO E&C practices safety management with life as its priority value and will continue its growth as environmentally responsible company. Safety is fundamental at all business sites. The employees of POSCO E&C and its stakeholders will pre-empt safety risks and establish an environment that puts safety first. Furthermore, POSCO E&C will nurture the development of environmental technology and adapt the expertise to realize eco-friendly construction.

POSCO E&C supports HSE management of its business partners, providing ample assistance in establishing relative management systems.

The perpetual growth of POSCO E&C over the last twenty years was made possible thanks to the continuous interest and endorsement of its stakeholders; especially the dedicated employees who work at project sites around the world. To return its obligation and realize the highest ideals of the stakeholders, POSCO E&C will continue to invest its utmost efforts to transform as a global E&C leader, diligently carrying out its corporate social responsibility and role.

I look forward to your continuous support, guidance and encouragement.

Thank you very much.

Chan-Kun Han
President & CEO
Process of Defining Report Contents

In order to select the items to be included in Sustainability Report 2015-2016, POSCO E&C conducted a materiality assessment based on the principles for determining reported contents presented by GRI guidelines. Detailed contents are disclosed in the report, centering on material issues that have been selected by the final assessment.

Process of Materiality Assessment

In order to identify the issues that affect the sustainability of POSCO E&C, the company derived a total of 31 issues through analyzing sustainability issues (Step 1), using analyses on international standards, media, and internal management status. In selecting material issues (Step 2), the company conducted quantitative assessments on the 31 issues derived from Step 1 using the criteria ‘Level of influence on POSCO E&C (X-axis)’ and ‘Level of influence on stakeholders (Y-axis)’, ultimately selecting 9 material issues.

Result of Materiality Assessment

Among the material issues, ‘Strengthen global businesses’ showed the highest level of influence on stakeholders, reflecting the high interest of stakeholders on the efforts and performance of POSCO E&C on overseas advancement. Also, ‘Strengthen on-site safety management’, which showed the highest level of influence on POSCO E&C, is analyzed to have relevance with its latest management trend which considers safety as its priority value.

Composition of Report

Based on the material issues selected by materiality assessment, POSCO E&C is reporting its executive system, activities and outcomes, future plans, etc. in relation to aspects of GRI guidelines related to each issue. Also, regarding other sustainability issues and aspects, it is disclosing its management approaches and outcomes in ‘GRI G4 Information Disclosure (p.77)’ and ‘GRI G4 Index (p.80)’.

**Material Issue**

<table>
<thead>
<tr>
<th>Material Issue</th>
<th>Aspect</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen global businesses</td>
<td>Economic performance</td>
<td>24-33</td>
</tr>
<tr>
<td>Practice ethical and upright management</td>
<td>Anti-corruption</td>
<td>20-21</td>
</tr>
<tr>
<td>Strengthen on-site safety management</td>
<td>Occupational safety and health</td>
<td>46-49</td>
</tr>
<tr>
<td>Secure technology competitiveness</td>
<td>Environmental products and services, customer safety and health, product and service labeling</td>
<td>42-43</td>
</tr>
<tr>
<td>Secure technology competitiveness</td>
<td>Anti-competitive behavior, indirect economic impacts, human rights assessment on business partners</td>
<td>10-73</td>
</tr>
<tr>
<td>Integrated risk management</td>
<td>Economic performance, occupational safety and health, emissions</td>
<td>18-19</td>
</tr>
<tr>
<td>Strengthen the capabilities of executives and employees</td>
<td>Employment, training and education</td>
<td>62-65</td>
</tr>
<tr>
<td>Strengthen environment management system</td>
<td>Energy, biodiversity, emissions, pollutants and waste, environmental compliance</td>
<td>70-73</td>
</tr>
<tr>
<td>Contribute to the development of local communities</td>
<td>Local communities, indirect economic impacts</td>
<td>86-89</td>
</tr>
</tbody>
</table>

1) Sustainability Accounting Standards Board

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**Step 1. Analyze sustainability issues**

<table>
<thead>
<tr>
<th>Analyze international standards</th>
<th>Analyze media</th>
<th>Study issues in the same industry</th>
<th>Analyze internal management status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyze issues presented by international standards and initiatives, such as GRI G4 and ISO 26000</td>
<td>Study and analyze major issues of POSCO E&amp;C and the construction industry exposed in media such as domestic daily newspapers in 2015 and TV news</td>
<td>Study issues from 11 corporate reports and websites of major domestic construction companies and companies listed on the DJSI World Index</td>
<td>Check internal status such as management strategies and visions, and check internal issues by interviewing managers by area</td>
</tr>
</tbody>
</table>

**Step 2. Select material issues**

<table>
<thead>
<tr>
<th>Material Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen global businesses</td>
</tr>
<tr>
<td>Secure technology competitiveness</td>
</tr>
<tr>
<td>Practice ethical and upright management</td>
</tr>
<tr>
<td>Appoint risk management</td>
</tr>
<tr>
<td>Secure technology competitiveness</td>
</tr>
<tr>
<td>Contribute to the development of local communities</td>
</tr>
<tr>
<td>Strengthen environment management system</td>
</tr>
</tbody>
</table>

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1) Based on GRI G4
Stakeholder Engagement for Defining Report Contents

Expert Discussion Meeting

On June 2016, POSCO E&C held an expert discussion meeting for experts regarding evaluation and improvement points for its sustainability activities. Various experts’ opinions from the areas of economy, environment, social contribution, corporate governance, etc., have been collected, which shall serve as the foundation for making consistent improvements on sustainability reports and activities of sustainable management.

POSCO E&C, which has been making rapid growth, has displayed excellent project achievements. We hope that it will continue to practice accompanied growth with its business partners, domestically and abroad, based on a close partnership. Furthermore, we wish it will make consistent efforts for improving fair trade and on-site safety management, both of which are receiving increased social attention, and provide transparent disclosure on its performance through its reports.

Sang-Ho Choi  Head of the Construction Promotion Office, Construction Association of Korea

POSCO E&C has been practicing environmental management in all of its processes, such as the utilization of eco-friendly construction materials and on-site energy and waste management. Also, it is striving to manage and reduce fine dust in construction sites, an issue that is receiving increased social attention, and is disclosing relevant information through its reports. We hope that it will establish goals related to visions of environmental management and to carry out improvements.

Hyun-Jeong Im  Head of the Environmental Management Office, Korea Environmental Industry & Technology Institute

POSCO E&C has successfully performed cultural exchange projects in overseas project sites, and it has been deemed to have contributed to the improvement of relationships with its stakeholders, including local communities located near the project sites. We hope that it will continue to conduct activities that contribute to housing welfare which emphasizes on the characteristics of the construction industry, and to perform social contribution activities with sincerity and consistency.

Gi-Ryong Kim  CEO of PlanM

POSCO E&C publishes reports with clear contents that can be easily understood by readers. In order to publish reports on future developments, POSCO E&C presents visions and strategies for sustainable management along with its financial goals. It also presents the execution status and level of accomplishment on goals for sustainable management, expecting to increase its power of execution.

Dong-Soo Kim  Head of the Sustainability Management Center, Korea Productivity Center

Due to the PIF equity investment in 2015, the need for establishing corporate governance that complies with global standards is rising. POSCO E&C has made efforts for reinforcing the independence and professionalism of its board of directors, through the appointment of non-executive directors. We hope that it will continue to perform activities for acquiring healthy corporate governance.

Jin-Su Yun  Senior Researcher, Korea Corporate Governance Service

POSCO E&C defines customers, investors, employees, environment, business partners, and local communities which give direct and indirect influence on its management activities as its six major stakeholders. It operates a communication channel according to stakeholders in order to check various opinions and expectations. POSCO E&C strives to study the valuable opinions of its stakeholders and to reflect them actively in its strategies and activities for sustainable management.

Mi-Hee Kim  Senior Researcher, Korea Ratings

FOCUS Communication Channel with Stakeholders

Classifications

<table>
<thead>
<tr>
<th>Classification</th>
<th>Communication channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Open forum, newsletters (continuous), feedback surveys (once a year)</td>
</tr>
<tr>
<td>Investors</td>
<td>Corporate conference (once a year), group seminars (four times), electronic newsletter (continuous), face-to-face meetings (continuous), response to inquiries on credit rating (continuous)</td>
</tr>
<tr>
<td>Employees</td>
<td>Labor-management council (once a quarter), Young Board (continuous), company board (continuous)</td>
</tr>
<tr>
<td>Environment</td>
<td>Eco-friendly construction and R&amp;D (continuous), environmental campaign (once a quarter), environmental campaigns (1 ~ 2 times a year)</td>
</tr>
<tr>
<td>Business</td>
<td>Win-Win growth support group (once a month), customer satisfaction survey on business partners (1 ~ 2 times a year), discussion meetings (continuous)</td>
</tr>
<tr>
<td>Social</td>
<td>Community activities (all-year round), expert discussion meetings (continuous)</td>
</tr>
</tbody>
</table>

HYUN JIE-GONG  Head of the Construction Promotion Office, Construction Association of Korea
POSCO E&C, launched in 1994, is growing as a global E&C (Engineering & Construction) company based on its global-level plant engineering technology, know-how, and experienced workforce. As a Total Solution Provider which conducts projects in a comprehensive manner, POSCO E&C possesses critical capacities in each process, including autonomous design skills. Furthermore, it provides its customers with greater satisfaction and services by reinforcing its core technical skills and expertise. Based on its organizational culture which encourages leaders to take initiatives and induce voluntary participation from its employees, POSCO E&C will address the rapidly changing management environment with wisdom and increase its technology Competitiveness in order to grow as a global E&C corporation which practices sustainability.

**Company Profile**

As of March 2016

<table>
<thead>
<tr>
<th>Classification</th>
<th>Content</th>
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<tbody>
<tr>
<td>Company name</td>
<td>POSCO ENGINEERING &amp; CONSTRUCTION CO., LTD</td>
</tr>
<tr>
<td>President &amp; CEO</td>
<td>Chan-Kun Han</td>
</tr>
<tr>
<td>Headquarters</td>
<td>180, Daesong-ro, Nam-gu, Pohang-si, Gyeongsangbuk-do, Korea</td>
</tr>
<tr>
<td>Songdo Office</td>
<td>POSCO E&amp;C Tower 1, 141, Incheon tower-daero, Yeonsu-gu, Incheon, Korea</td>
</tr>
<tr>
<td>Date of Establishment</td>
<td>December 1, 1994</td>
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<tr>
<td>No. of employees</td>
<td>3,921 persons</td>
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<tr>
<td>Industry</td>
<td>Engineering &amp; Construction</td>
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<td>Business area</td>
<td>Steel plant, energy plant, chemical plant, water treatment &amp; environmental plant, civil infrastructure, architecture, etc.</td>
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<tr>
<td>Credit rating</td>
<td>Corporate bill: A2+, Corporate bond: A+ (NICE Rating, Korea Investors Service, and Korea Ratings)</td>
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</table>

**Major Financial Performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (KRW)</th>
<th>Operating profits (KRW)</th>
<th>Net income (KRW)</th>
</tr>
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<tbody>
<tr>
<td>2013</td>
<td>404,351</td>
<td>98,714</td>
<td>-</td>
</tr>
<tr>
<td>2014</td>
<td>277,320</td>
<td>13,353</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>245,178</td>
<td>134,869</td>
<td>-</td>
</tr>
</tbody>
</table>
Corporate Governance

Shareholder Structure

POSCO E&C shares are composed of 52.8% by POSCO, 38% by PIF (Public Investment Fund, a sovereign wealth fund of Saudi Arabia), 2.1% by POSTECH, and 7.1% by employees and minority shareholders.

The Board of Directors

Structure and Roles of the Board of Directors I The Board of Directors is composed of 3 executive directors and 3 non-executive directors. According to the stock transfer agreement with the Public Investment Fund (PIF) of Saudi Arabia, 2 non-executive directors recommended by the PIF are added to the previous board composition of 4 directors. The non-executive directors contribute to the increased transparency of the Board of Directors by monitoring various managerial issues such as execution of major businesses, asset disposal, and appointment of executives.

Operations and Major Activities of the Board of Directors I The Board of Directors deliberates and resolves managerial issues such as management principles and policies, annual operational goals, and budget approval, as well as financial issues such as share issuance and investment planning, and other issues related to the directors. In 2015, a total of 16 board meetings were held and approved 45 agenda items, including appointment of managers for fair trading voluntary compliance and approval of the management plan for 2016.

POSCO E&C extended the period for advance notice on convocation of the board meetings, to ensure substantiality by allowing the directors to have sufficient preparation for agenda items. The company held the Management Workshop with the management and the directors in order to increase the new directors’ level of understanding of POSCO E&C. Matters such as company-wide management status and issues, divisional status and strategic directions, and reinforcement of future competitiveness were discussed at the workshop.

Audit System

POSCO appoints 1 auditor through the General Shareholders’ Meeting in order to perform auditing operations. The auditor reviews accounting and operation of the company pursuant to Article 46 of the Articles of Incorporation. The company operates Corporate Audit Department as a separate entity for the purpose of internal audit. In order to ensure the autonomy of the auditor, the auditor is granted the authority to state opinions in board meetings, demand reports on sales activities, and examine relevant documents.

Vision & Strategy

Mid- to Long-term Strategic Directions

Under POSCO Group’s vision statement of “POSCO the Great”, POSCO E&C strives to become a “Korea-based Global E&C Company”. The company established Focusing, Re-framing, and Re-vitalizing as the strategic directions, and identified 9 strategic tasks that are currently being pursued. POSCO E&C will continue to grow as a Global E&C Leader through successful transformation of the business structure.

Vision

Korea-based Global E&C Company

Strategic Directions

Focusing

- Select core countries and build second home markets
- Select EPC products with global competitiveness
- Upgrade competitiveness in overseas sales

Re-framing

- Strengthen FEED capabilities
- Strengthen global sourcing
- Develop the workforce and organizations for overseas businesses

Re-vitalizing

- Improve risk management and commercial capabilities
- Strengthen the management of core customers and partners according to products
- Differentiate project awards through Group synergy

Focusing

POSCO E&C is establishing its foundation for growth by concentrating businesses around core countries and by focusing on EPC products that have been acknowledged for technological excellence. The company is also reinforcing its sales competitiveness by connecting with POSCO affiliate networks such as POSCO DAEWOO.

Re-framing

POSCO E&C is strengthening its global sourcing by acquiring FEED (Front End Engineering Design) capacity and building long-term relationships with outstanding business partners. The company is developing its workforce and organizations for overseas businesses to reinforce its global competitiveness.

Re-vitalizing

POSCO E&C strives to minimize loss by improving its risk management and commercial capabilities, and pursues consecutive orders by reinforcing its management of core customers for each product. The company is also utilizing the differentiated assets of POSCO Group to identify new business models.
‘the Plus’ Organizational Culture Campaign

POSCO E&C is carrying out the Plus Campaign for establishing an organizational culture that contributes to the accomplishment of the vision and management strategies of the company. The company established ‘Performance Plus for Organizations’, ‘Initiative Plus for Leaders’, ‘Loyalty Plus for Employees’, and ‘Happiness Plus for Customers’ as the four directions for practice, and created a consensus among employees in order to inspire changes in their thoughts and behaviors. Through such changes, POSCO E&C will internalize an organizational culture that can overcome the difficult conditions inside and outside of the company.

POSCO E&C, the Plus!

The Plus Organizational Culture Campaign

- **Performance Plus for Organizations**
  - Add performance for the organization by sharing the company vision and facilitating mutual cooperation.
  - Shared vision
  - Mutual cooperation among organizations
  - Performance-based

- **Initiative Plus for Leaders**
  - Leaders respect employees and encourage them to exert their capabilities.
  - Leadership
  - Site-centric
  - Strategic partnerships

- **Loyalty Plus for Employees**
  - Employees add loyalty by performing site-centric management and by increasing pride.
  - Site-centric
  - Organizational pride
  - Cooperation with business partners

- **Happiness Plus for Customers**
  - Put emphasis on customers’ trust and grow the business through their satisfaction.
  - Strategic partnerships
  - Social contribution in the local community
  - Cooperation with business partners

Slogan

Strong organizational culture that overcomes crisis through leaders' initiatives and employees' voluntary participation

Happy Together communication day with executives

POSCO E&C SUSTAINABILITY REPORT 2015-2016

System for Sustainable Management

Under the sustainable management goal of Pursuit of sustainable growth based on social responsibilities and principles, POSCO E&C is executing detailed tasks according to its strategic directions, which include pursuing a sustainable business model, establishing a culture for practicing social responsibilities, and revitalizing communication with stakeholders. The company will publish a sustainability report every year in order to monitor performance to improve strategies and to strengthen executive activities.

POSCO E&C has been establishing goals by strategic directions and carrying out relevant activities in order to improve performance in areas of sustainable management and to reinforce internal capabilities. In 2016, the company ranked 3rd place in evaluation on construction capability for domestic construction companies based on the stable growth of The Sharp Apartments and highly praised management condition and ranked 1st place in the apartment section of the Korea Standard-Quality Excellence Index for 7 consecutive years in 2015, being acknowledged of its excellent quality. Also, regarding safety management, POSCO E&C recorded a low accident rate of 0.16% in comparison to the average of 0.51% for domestic construction companies, and also achieved excellent performance in environmental aspects, such as its waste recycling rate.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Major Performance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation on construction capabilities for domestic construction companies</td>
<td>3rd Place</td>
<td>Increase by 1 rank compared to the previous year</td>
</tr>
<tr>
<td>KS-QEI (Korea Standard-Quality Excellence Index)</td>
<td>1st Place</td>
<td>Maintained the 1st place for 7 consecutive years</td>
</tr>
<tr>
<td>Accident rate</td>
<td>0.16%</td>
<td>Relatively low accident rate in comparison with the average of 0.51% for domestic construction companies</td>
</tr>
<tr>
<td>Waste recycling rate</td>
<td>79%</td>
<td>Maintained the level of the previous year</td>
</tr>
<tr>
<td>Greenhouse gas emissions</td>
<td>31,044 tCO2e</td>
<td>Increase by 4.2% compared to the previous year</td>
</tr>
<tr>
<td>Total amount of donation for ‘The 1% Sharing Campaign’</td>
<td>KRW 1.28 billion</td>
<td>Increase by 18.5% compared to the previous year</td>
</tr>
</tbody>
</table>

Vision & Strategy

Add performance for the organization by sharing the company vision and facilitating mutual cooperation.

Stakeholders

POSCO E&C SUSTAINABILITY REPORT 2015-2016
Business Area

Plant Business
We have improved our use of the FINEX construction method, an innovative technology in the steel industry, and achieved success both in the domestic market and worldwide. Based on such technology, POSCO E&C is rising as a Total Solution Provider which possesses comprehensive executive capability on steel plant EPC.

Major Performance
- Won a project order for the Uttarn steel mill in India
- Won a project order for the PPI integrated steel mill in Iran
- Completed construction of the Moolarben OC (Open Cut) 4 in Australia

Infrastructure Business
Based on the experience of performing various infrastructure business activities, such as the construction of roads, railroads, and bridges, POSCO E&C is expanding its businesses from Korea to foreign countries. Furthermore, it is expanding its businesses to relevant areas such as facilities for converting waste into energy, environmental facility O&M (Operation & Maintenance), and resource development.

Major Performance
- Won a private investment project order for Seobu Inland Expressway
- Completed construction of Nui Ba - Lao Cai roads A1, A2, A3 in Vietnam
- Completed construction of Expressway No. 12 Dangyang-Seosan Sections 3 and 13

Energy Business
Beginning with the construction of thermal power plants in the South American market, such as in Chile and Peru, POSCO E&C has been acknowledged for its excellent technology and competitiveness. The company is expanding the areas of expertise from thermal power generation to green energy and future energy.

Major Performance
- Won a project order for the coal-fired thermal power plant in Central Pacifico, Chile
- Started the project for the Maasinloc coal-fired thermal power plant in the Philippines
- Completed construction of the gas-fired thermal power plant in Puerto Bravo, Peru

Architecture & Urban Development Business
POSCO E&C has been acknowledged for its technology for the city development and skyscraper construction businesses through urban development projects in the Songdo International Business Complex as well as the Haeundae LCT complex development project. Also, the company sympathizes with customers and provides a living space that improves the quality of life by building The Sharp brand residential facilities.

Major Performance
- Won the maintenance project order in connection to New Stay in District 2 of Sipjeong, Incheon
- Started construction for the corporate support hub in Pangyo Creative Economy Valley project
- Completed construction of the Beomeo Cathedral in commemoration of 100th anniversary of Archdiocese of Daegu

Sales

<table>
<thead>
<tr>
<th>Unit: KRW 100 million</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,089</td>
<td></td>
</tr>
<tr>
<td>13,423</td>
<td></td>
</tr>
<tr>
<td>11,368</td>
<td></td>
</tr>
<tr>
<td>30,489</td>
<td></td>
</tr>
</tbody>
</table>
Risk Management

Integrated Risk Management

POSCO E&C manages risks that can occur in all domestic and foreign businesses in a systematic manner. It manages risks by classifying them into business development stage and execution stages such as construction and operation. Also, it performs integrated risk management from a financial perspective, including Meetings related to project orders and Health Check System, as well as from a non-financial perspective such as PLC checklist, Country Report, and cQSS+.

Risk Management at the Business Development Stage

Meetings related to project orders | Before winning a project order, POSCO E&C evaluates 5 major criteria, including project size, profitability, financing, assurance, and conditions in the country. Relevant departments in non-financial areas, such as safety and the local community, are attending estimate reviews in order to prevent projects operating at a loss and to improve profitability. Notably, review. Beginning in 2015, the company has additionally been conducting technology reviews and country, by conducting risk management meetings, business assessments, and meetings for contract risk factors. Such data are used to recognize possible risks beforehand and to carry out preventive activities when performing new projects.

Execution of cQSS+ activities | POSCO E&C developed cQSS+ by connecting Quick Six Sigma activities with risk mitigation activities in construction sites. cQSS+ is an activity for identifying risks and opportunity factors on Cost, Quality, Speed and Safety, the core factors of construction management. It aims to mitigate risks in each factor and to turn opportunity factors into cost reduction using VE (Value Engineering) in order to support the successful performance of the project.

Risk Management at the Execution Stages

Operation of Health Check System | In order to acquire financial soundness, POSCO E&C is operating a Health Check System which manages major risk factors in all processes of the project. Using the Health Check System, visual information on risk factors in each project stage are provided to the management board and site managers, and the focus of the projects is being converted from profit to cash flow. Also, big data for the past 3 years are used to establish risk criteria, and items exceeding the criteria are subject to focused review, leading to a preemptive response on financial risk factors of the project.

Global CSR risk management | In order to manage CSR risk factors in overseas projects, POSCO E&C made a list of risks in environment, safety, time, FA and quality that should be commonly managed in foreign sites using the PLC (Project Life Cycle) checklist. Also, the company has written Country Report in order to share various information and issues on local regulations, working environment, etc. that are related to Q-HSE (Quality, Health, Safety, Environment) areas by country. POSCO E&C is managing its projects according to their types and countries by putting the risk factors that have been derived from overseas projects into a database and by making regular updates on risk factors. Such data are used to recognize possible risks beforehand and to carry out preventive activities when performing new projects.

Performance for Management of Profitability in Winning Projects

In order to increase competitiveness in winning project orders, POSCO E&C established a system for sharing successful orders (Best Practice) and failed orders (Lessons Learned) by putting the sales information and know-how that have been accumulated from the business development into a database and sharing them. Cases of winning and failure are utilized as company-wide reference for receiving orders, and will contribute to the increased competitiveness of POSCO E&C in receiving orders.

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Ethics Management

System for Ethics Management
Based on its executive strategy to strengthen ethics management by establishing ethical corporate culture and improving ethics management policies, POSCO E&C is carrying out innovation in ethics management by recognizing ethics management as its priority value. Notably, a Start-up Council is responsible for providing education on ethics, fair trade, and auditing cases to newly launched sites, in order to strengthen its capabilities for practicing ethics management in project sites.

Improvement of Ethics Management Policies
Amendment of ethics standards | POSCO E&C enacted and proclaimed its ethics standard in 2003 in order to practice transparent and fair ethics management, and amended it in 2015 with the purpose of increasing the level of practicing ethics management by its executives and employees. The amended ethics standard newly includes the CEO’s message and ethics charter, and presents specific costs on valuables, receptions, solicitations, and recommendations, in order to provide a clear guideline for practicing ethics management. Based on such measures, POSCO E&C will make a preemptive response on legislative changes, such as in the Improper Solicitation and Graft Act, and create a healthy corporate culture.

Reinforcement of the ethics practice program | POSCO E&C is operating a program for ethical practice in order to expand the culture of voluntary ethics management by encouraging participation of executives and employees. Programs for ethical practice, in which employees participate under the leadership of executives, aim to identify and mitigate ethical and managerial risks that may occur in the organization. Notably, in 2015, POSCO E&C established a culture of having the management board to take initiatives and expanded the scope of the program to business risks in an effort to respond to potential risk factors.

Process of the Ethics Practice Program

Step 1•Select theme
• Derive business-related risk factors
• Select themes to be selected in units of executives

Step 2•Make plans
• Derive theme
• Make plans for theme performance

Step 3•Perform theme
• Receive online opinions on theme performance
• Derive and apply solution
• Share and report activities, manage performance

Step 4•Synthesize activities
• Synthesize the performance after the end of activities
• Receive activity performance through Ethics Weeks led by executives

Establishment of the Clean POSCO System | In order to prevent all excessive requests on various contracts and privileges in human relations that deviate from generally accepted procedures, POSCO E&C established its Clean POSCO System for reporting all recommendations and solicitations. All employees who are susceptible to receive solicitations are required to report any contents or people related to recommendations and solicitations which may impede fairness to the Clean POSCO System. Such contents are regulated by the amended ethics guidelines. If any solicitation occurs, its content can be registered on the ethics management website and mobile app. Also, pop-up are generated by the system. Such contents are regulated by the amended ethics guidelines. If any solicitation occurs, the employee is penalized by receiving a warning, such as a letter of warning or an employee counseling. If repeated, the employee may be subject to disciplinary action, such as a dismissal. In order to improve its capabilities for handling such cases, POSCO E&C is making consistent reinforcement on its ethics management activities. In order to prevent unethical issues that occurred in 2015, it has regulated bribery, embezzlement, information manipulation, and sexual harassment as 4 major unethical behaviors and has been operating a One Strike Out policy.

Establishment of the Ethical Corporate Culture
Reinforcement of education on ethics management | Ethics education for employees by departments and tasks as well as ethics education for executives by the senior auditor are being carried out in order to internalize the culture for practicing ethics management by executives and employees. In 2015, ethics education by department and tasks for 94 sites has been carried out. Also, two workshop sessions were held in order to improve capabilities of leaders for practicing ethics.

Pledging ceremony for practicing ethical compliance and fair trade | In order to establish ethical and fair trade order, POSCO E&C pledges to ensure ethical practices together with an upright management office, site managers, and business partners. In the early stages of construction, POSCO E&C clearly explains its determination for complying with ethical principles to its business partners, and the site managers take the initiative in pledging ethical practices, emphasizing the ethical culture for taking leadership in making such practices.

Improvement of assessments on the level of ethical practices | In order to expand the culture of voluntary ethical practices, POSCO E&C is conducting assessments on the level of ethical practices according to departments and project sites. In 2015, the system was changed in which executives will conduct an assessment. The assessment results are managed through officer KPI (Key Performance Indicator), with the purpose of reinforcing the power of execution in company-wide ethical practices.

Reinforcement of overseas anti-corruption activities | Along with the expansion of overseas projects, POSCO E&C established a guideline in compliance with FCPA (Foreign Corrupt Practices Act) that considers global project environment in order to manage risks of corruption. The company distributes educational materials and guidelines through ethics management website, and provides guidelines translated in Vietnamese, Chinese, and Portuguese for local employees in foreign countries. In 2015, overseas subsidiary and project sites in 8 countries, including China, Vietnam, Chile, and Indonesia, were visited to provide education to FCPA managers, and inspection and verification activities on agents and overseas business partners became more stringent.

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WE ARE A GLOBAL E&C LEADER

Reinforcement of Global E&C Competitiveness

24 Global Business Expansion
26 Myanmar
28 Chile
30 Poland
32 Saudi Arabia
GLOBAL BUSINESS EXPANSION

14 Overseas Subsidiaries
- China: Beijing, Hunchun, Dalian
- Indonesia: Jakarta
- Vietnam: Hanoi, Hai Phong, An Thanh
- Cambodia: Phnom Penh
- Australia: Perth
- Venezuela: Caracas
- Mexico: Tamaulipas
- Brazil: Ceara
- Ecuador: Quito
- USA: Hawaii

6 Branches
- Kazakhstan: Almaty
- Cambodia: Phnom Penh
- Chile: Santiago
- Peru: Lima
- United Arab Emirates: Abu Dhabi
- Saudi Arabia: Riyadh

2 Offices
- Vietnam: Hanoi
- USA: Houston

GLOBAL BUSINESS MILESTONES

1994 2000 2006

- 1994.12: Launched POSCO Development Co., Ltd. (POSEC)
- 1995.04: Established IBC firm in Vietnam
- 1995.06: Established POS-PLAZA in Shanghai, China
- 1995.10: Won an order for the largest special steel factory in the Middle East from ARCO STEEL of Egypt
- 1998.11: Completed construction of the pellet factory in Brazil
- 1999.08: Opened an office in Hanoi, Vietnam
- 1999.11: Opened an office in Beijing, China
- 1999.11: Signed Korea’s first overseas contract (Iran) for shaft furnace exports (USD 230 million)
- 2000.03: Won the Golden Quality Medal from the Vietnamese government for the Diamond Plaza
- 2006.09-2006.11: Won a Ventanas coal-fired power plant order amounting to USD 370 million from Chile, Completed the 3rd facility expansion project of Zhangjiagang Pohang Stainless Steel Co. in China
- 2007.04: Opened the Cambodia branch
- 2007.04: Commenced ceremony for the construction of a new city in An Khanh, Vietnam
- 2008.08: Commenced construction for a coal-fired thermal power plant in Angamos, Chile
- 2010.01: Finished construction of a coal-fired thermal power plant in Ventanas, Chile
- 2011.01: Acquired Santos CMI of Ecuador
- 2011.02: Acquired certification on overseas construction for nuclear energy (ASME-NA, NPT, NS)
- 2011.11: Completed comprehensive construction of the coal-fired thermal power plant in Angamos, Chile
- 2012.07: Commenced construction of the CSP integrated still mill, amounting to KRW 5 trillion, in Brazil
- 2012.10: Won the Friendship Badge from the Vietnamese government
- 2013.05: Opened general hospital in Hue, Vietnam
- 2013.04: Won an order for Formosa Hot Rolling Mill Plant in Vietnam
- 2013.08: Won an order for the construction of an aboveground light subway station in Hanoi, Vietnam
- 2014.06: Completed construction of the Noi Bai - Lao Cai sections 2 and 3 in Vietnam
- 2015.06: Concluded the Share Purchase Agreement with PIF of Saudi Arabia
- 2015.08: Ranked No. 39 among Global Contractors by ENR
- 2015.12: Won an order for the coal-fired thermal power plant in Central Pacifico, Chile
- 2015.12: Launched PESCA, a mutual investment firm by POSCO E&C and PIF
- 2010.08: Won an order for construction of the water storage and retrieval facility in Abu Dhabi

The total amount of orders in 2015 is KRW 12.51 trillion, showing an increase from the previous year. Overseas orders showed a decrease from the previous year due to a drop in oil price and increased competition among companies. Among the amount of overseas orders, the Middle East accounts for the highest ratio with 39.9%, and Asia and Latin America showed 37.7% and 22.2%, respectively. In 2016, POSCO E&C will continue to build a stable foundation for growth by expanding orders to major countries.
The Daewoo Amara Hotel Project is a project for constructing a luxurious hotel with 15 floors and a long-term lodging hotel with 29 floors. The project site boasts excellent natural scenery with a lake, and features excellent traffic access with Yangon International Airport being located nearby.

Most notably, mutual cooperation with POSCO affiliates, including POSCO Daewoo and POSCO A&C, are creating synergy in all processes, from winning an order to construction. Through the successful completion of the Daewoo Amara Hotel, which is being recognized as a landmark in Myanmar, the excellent technology of POSCO E&C will be delivered to Myanmar.

Sustainable Management Performance

Environment | The project site of Daewoo Amara Hotel is located in the Green Zone as selected by the Myanmar's government. Stringent environmental management is being conducted on site, accommodating the situation with increased local attention on environmental protection. A Makedrift fence and double filtering device have been installed so that rainwater and wastewater cannot enter the lake, and automatic watering facilities are under operation in the upper part of the fences in order to restrain the occurrence of scattering dust. Also, the Day of the Environment is being carried out every month in order to practice environmental campaigns with voluntary participation by laborers.

Safety | With the focus of improving the awareness of laborers on safety, POSCO E&C is carrying out consistent education and activities for improving awareness on safety. POSCO E&C is operating voluntary safety management programs for business partners in order to expand voluntary safety management to its business partners. Also, it is identifying excellent opinions for safety practice during the weekly meetings attended by all employees and is reflecting them on site. POSCO E&C also strives to establish a culture of safety management by immediately ousting violators of safety rules, while rewarding exemplary laborers.

Employees | Level of engagement by local employees in the organization remains low due to the low level of wages in local regions. POSCO E&C is performing various measures, such as improving the working environment on site and providing incentives for long-term work, so that local employees can feel pride in POSCO E&C. Also, regular discussion meetings are being held with local employees in order to present them with visions customized to individuals and to support them to accomplish such visions.

Business partners | POSCO E&C is making efforts to identify excellent business partners in the region and to form close relationships with them. In the early stage of its projects, POSCO E&C made an accompanied entrance with outstanding business partners in Korea and acquired price competitiveness through sourcing with partner countries in a neighboring region, such as Vietnam and Cambodia. Also, for simple construction work such as makeshift construction, it cooperates with local business partners in order to build mutual trust.

Local Communities | POSCO E&C hold a bilateral cultural exchange festival with Happy Builder, its college student volunteer group, and conducted various social contribution activities by sending donations, which have been collected from executives and employees, to disadvantaged neighbors. Also, in order to maintain a long-term friendly relationship, POSCO E&C signed an MOU with the National University of Arts and Culture in Myanmar and has consistently been carrying out activities for cultural exchanges and support.

INTERVIEW

With the pride and confidence as the first construction company in Korea to expand into Myanmar, all employees in Daewoo Amara Hotel Project have been overcoming numerous obstacles from the early stages of the project until now with a unified heart. There were absolutely no materials that could be procured from local regions, and the infrastructure was so lacking that electricity was cut off multiple times a day. Also, concrete placement and entry of large vehicles were allowed only during the nighttime, and there were various difficulties in the process of licensing and import clearance. Using the past experiences on overcoming numerous difficulties as our assets, POSCO E&C will continue to carry out risk management for future projects in a systematic manner. Also, we expect that the assets accumulated through this project will become the basis for receiving orders in the future.

Hyun Ik Choi, Site manager at Daewoo Amara Hotel Project
Among the difficulties such as desert construction, application of stringent seismic design, difference in labor customs, and sensitive environmental regulations, the Cochrane Thermoelectric Power Plant Project has been operated smoothly because of the experience in local construction of POSCO E&C and its advanced technology and is looking forward to the completion of construction in October 2016. The successful completion of construction will contribute not only to the local economy but also to the development of the national economy in Chile, while increasing the reputation of POSCO E&C in the region of Latin America.

**Sustainable Management Performance**

**Environment** In order to satisfy the stringent environmental regulations in the project site, POSCO E&C is thoroughly performing environmental management activities such as minimizing the occurrence of fine dust, preventing soil pollution from oil leakage, recycling waste, and protecting biodiversity. Also, it is performing periodical monitoring on the quality of discharged water in order to examine changes in the ecosystem and coastal environment near the site. POSCO E&C plans to continue observing the environmental changes due to the operation of the power plant until the comprehensive construction of Unit 2 is completed.

**Safety** POSCO E&C is performing various activities to practice voluntary safety management on site. It is appointing employees by section to examine the status of safety management on a regular basis, and is conducting detailed examinations on safety through monthly safety inspections and facility management inspections. Also, it strives to spread the culture of safety on-site using the Safety Award and hand printing event for practicing safety.

**Employees** POSCO E&C is maintaining a close relationship with local employees by conducting supportive activities that consider local cultural characteristics. It is conducting monthly discussion meetings in order to promote mutual understanding, and is hosting an end-of-the-year event for organizational revitalization with all workers on site.

**Business partners** POSCO E&C strives to establish a close relationship with local business partners based on communication. It strengthened mutual bonding that employees of POSCO E&C and business partners participated in, as well as an event for celebrating being accident-free for 6 million working hours. Also, it has been reviewing major safety and environmental issues through weekly meetings with business partners and has been performing improvement activities.

**Local communities** POSCO E&C is conducting various activities for improving the welfare in regions surrounding the project site. It delivered relief supplies to city of Antofagasta for recovery from fire, and supported the city of Mejillones with soccer supplies and lunchboxes for disadvantaged neighbors in the region. POSCO E&C has been providing support for revitalizing the local community in a consistent manner, such as presenting Christmas gifts for children in public kindergartens of Mejillones.
Krakow Waste Thermal Treatment Plant Project is the largest environmental development project in Poland for converting daily waste into energy. It is a project for constructing an eco-friendly incineration plant for utilizing daily waste into renewable energy such as heat and electricity. Using the plant, the City of Krakow can incinerate approximately 220,000 tons of daily waste per year, and can use the incineration heat to generate approximately 11MW of electricity. POSCO E&C successfully completed the project in June 2016, it has gained a foothold for preemptively occupying the environment market in Poland and Eastern Europe.

Sustainable Management Performance

Environment | POSCO E&C made efforts to satisfy the stringent environmental standards in Poland. Notably, through the thorough environmental management on site, it was acknowledged for its superior level of environmental management status from the inspection by the local environmental protection agency of Krakow (WIOS, Wojewodzki inspektorat Ochrony Środowiska w Krakowie). Also, POSCO E&C conducted events for the Day of Environmental Inspection on a regular basis in order to keep the site clean.

Safety | In order to ensure safety management in the broad range of working environments, employees of POSCO E&C engaged in voluntary safety management by keeping the safety rules on their own. A local safety manager who can ensure smooth communication with laborers was employed on site to monitor the status of safety performance. Also, efforts have been made to establish a culture of safety with voluntary participation by facilitating organic channels of communication, such as regular monthly meetings with safety managers from business partners as well as awards for laborers who exhibit excellent safety practices.

Business partners | Waste Thermal Treatment Plant Project is a project participated in by approximately 110 business partners. POSCO E&C minimized the inconveniences of business partners through stringent construction management, and prevented a delay in the construction period due to interference of work. Also, it built a database on outstanding business partners in Poland in order to acquire competitiveness for future projects.

Local communities | With the Korea Foundation for International Culture Exchange, POSCO E&C performed the ‘Global Harmony’ activity in Krakow for spreading the Korean Wave and fostering cultural exchange. Happy Builder, the college student volunteer group of POSCO E&C, and student volunteers from Jagiellonian University performed various social contribution activities such as a cultural exchange festival, education on Korean culture, and donation of multimedia materials. 900 citizens in Krakow participated in the cultural exchange festival, experiencing a variety of Korean culture such as K-POP dances and songs, Taekwondo, and fan dances. Also, cultural contents of Korea, such as dramas, films, and K-POP, were delivered to promote the Korean culture, and 20 computers were donated in order to improve the multimedia educational environment in Krakow.

Krakow WTTP (Waste Thermal Treatment Plant) Project in Poland

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Krakow WTTP (Waste Thermal Treatment Plant) Project in Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>Krakowski Holding Komunalny S.A.</td>
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<tr>
<td>Contract amount</td>
<td>KRW 222.6 billion</td>
</tr>
<tr>
<td>Beginning of construction</td>
<td>November 2013</td>
</tr>
<tr>
<td>Completion of construction</td>
<td>June 2016</td>
</tr>
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</table>

Received the SARP Awards of the Year and Public Investment Award

Krakow Waste Thermal Treatment Plant received the ‘SARP Awards of the Year 2015’ from the Association of Polish Architects. Also, it received the Best Top 10 Public Investment Award in 2016 from Portal dealo, a website which posts public activities by the Polish government. Such achievements reflect the domestic and foreign acknowledgements on the excellent technical capacity of POSCO E&C, including the outstanding design of the power plant.
It is forecasted that countries in the Middle East will reduce new orders in oil refinery and petrochemical plants and to increase investments in projects other than oil projects. Notably, the Saudi Arabian government announced its plan for supplying 150,000 housings for the next 7 years, with the intention to expand investment on social infrastructure such as roads. In such environment, POSCO E&C is putting significant efforts in expanding its businesses in the Middle Eastern market, marked by the gradual increase in the ratio of order amounts in Middle East in relation to total overseas order amounts, from 5.8% in 2011 to 26.5% in 2015.

POSCO E&C signed a stock transfer agreement with PIF (Public Investment Fund), the sovereign wealth fund of Saudi Arabia, to win foreign investment amounting to KRW 1.24 trillion, and made a mutual investment at Riyadh, Saudi Arabia, in 2016 with PIF to establish PECSA (POSCO E&C Saudi Arabia). Aiming to grow as a competitive company in the technology, capital, and workforce market in Saudi Arabia, PECSA announced its vision in 2016 as ‘Most Attractive E&C Solution Provider’. PECSA is accumulating the business experience in the Middle East and is promoting the reinforcement of competitiveness based on a close relationship of cooperation with the head office.

In the future, PECSA will participate in major construction projects ordered by the Saudi Arabian Government, such as the construction of hotels, new cities, and railroad infrastructure, and will expand its area of cooperation to the development and plant businesses. Through its expansion to the Middle East, POSCO E&C will acquire profitability and security, and Saudi Arabia will gain construction capabilities due to the transfer of advanced construction technology from POSCO E&C, leading to a lasting relationship of mutual cooperation.
WE BUILD VALUE TOWARD GROWTH

Fostering of Sustainable Growth Engine

36  Financial Soundness
38  Quality Management
42  Technology Competitiveness
Financial Soundness

In order to cope with situations of uncertain economic conditions in and out of the country as well as increased competition, having a strong corporate financial structure is critical. Companies are striving to improve their financial soundness through methods such as acquiring cash liquidity and reducing the debt ratio. Also, efforts are being made to improve project profitability and acquiring consistent sources of profit, not just making superficial growth.

2015 KEY FIGURES

<table>
<thead>
<tr>
<th>Metric</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Debt ratio</td>
<td>130.9</td>
<td>120.9</td>
<td>95.3</td>
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<tr>
<td>Cash reserves</td>
<td>12,654</td>
<td>12,654</td>
<td>12,654</td>
</tr>
<tr>
<td>Borrowings</td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

Efforts for Acquiring Financial Soundness

In order to prepare for a sustained trend of low-growth in the global economy and a long-term recession in the domestic construction industry, POSCO E&C is making more efforts to improve its financial soundness, rather than making superficial growth.

Improve profitability | POSCO E&C aims to prepare for a decrease in profitability that is caused by the drop in order volume and losses in large projects due to the trend of low growth in and out of the country. In order to improve profitability, POSCO E&C is making company-wide efforts to improve cost profitability, such as reducing labor costs and expenses in project budgets, minimizing occurrences of additional costs, and reinforcing enforcement principles for cost operation. Also, the company is identifying and making improvements in items for additional reduction in costs by rechecking any wasteful or inefficient factors in cost operation.

Reduce account receivable | POSCO E&C is reducing accounts receivable in order to acquire financial soundness. Notably, the company is preventing revenue from occurring in unclaimed construction and is striving to eradicate preemptive capital input for the purpose of increasing revenue.

Maintain cash flow for operations | POSCO E&C is responding quickly to the possibility of problematic situations by managing key indicators, such as accounts receivables and unclaimed long-term receivables. Also, the company is rewarding projects with high evaluation results in order to promote the use of the Health Check System, which manages financial risk factors in all processes of the project, at more sites.

Efforts to Secure Stable Revenue

Improve core capabilities on site | Having a superior workforce on site is a critical factor in acquiring stable revenue. POSCO E&C is carrying out career development programs for ensuring a core workforce on site, such as PM (Project Manager), SM (Site Manager), and public affairs, and is reinforcing its training curriculum with an aim to boost capabilities.

Prevent insolvent orders | In order to induce consistent growth of the company through high-quality project orders, POSCO E&C is conducting phased management which consists of order information (Seeding), order development (Nurturing), order performance (Cultivating), order forecast (Forecasting), etc. Using such management, the company undertakes improvement efforts such as materializing information acquisition, progress stage segmentation, aggregation of order status by HQ, department, and employees, and automated forecasting of orders.

Future Plans

POSCO E&C will carry out various efforts in order to maintain an outstanding financial structure. To prepare for any liquidity crisis, the company will maintain a surplus of operating cash flow and will make concentrated management on key indicators such as accounts receivable and unclaimed construction. Also, continuing its efforts in 2015, POSCO E&C will make consistent reinforcements of the Health Check System on projects to contribute to financial soundness.
Quality Management

In the intensely competitive global market, excellent quality and service are critical factors for gaining an advantage over the competition. In order to gain such factors, active investments are being made on efforts for achieving organizational innovation and instilling executives and employees with a spirit of professionalism. In the construction industry, activities for maintaining excellent quality that consider a variety of factors, such as characteristics of the local environment by project and demands from the owner, are required.

2015 KEY FIGURES

| Maturity of quality management | 876 |
| Contribution to reduction in cost | 1,669 |
| Improvements in wasteful business processes | 336 |

System for Quality Management

With the vision ‘Operating a global standard quality support system and establishment of POSTIM’ for improving profitability, POSCO E&C aims to making contributions to creating superior customer values and management outcome. In order to accomplish this, POSCO E&C is conducting various activities by setting ‘enhancement of the maturity of quality management’, ‘operation of an advanced quality support system’, and ‘execution of innovative activities that focus on profitability’ as its core strategies.

Enhancement of the Maturity of Quality Management

Execute quality management strategies | In order to practice ‘The POSCO Quality’, the quality charter of POSCO affiliates, POSCO E&C is carrying out improvement tasks by sector of 3 major core values (Customer Inside, Basic Inside, Synergy Inside), conducting 8 tasks such as improvement of wasteful business processes and establishment of voluntary quality improvement activities in all sites. Based on such efforts, POSCO E&C gained 876 points in maturity of quality management, receiving the Excellence Award in POSCO Affiliates Quality Management.

Improve level of quality management on site | POSCO E&C is carrying out early-stage education for newly opened sites in order to support the stable establishment of an on-site quality management system, and is examining the level of quality management by making regular diagnoses. Biannual quality diagnoses are being made on all domestic sites, and their results are reflected in HR evaluations, with awards being given to excellent sites once every year. In 2015, POSCO E&C gained 84.5 points on the POSCO affiliate quality level assessment, an increase from the previous year, due to its efforts on educating accident case studies, such as the collapse of supports and use of defective materials by other companies, and making preemptive quality diagnoses.

Enable Improvements in Wasteful Business Processes

POSCO E&C is identifying wasteful factors and is making proactive improvements by examining the validity of company-wide business standards. In order to identify wasteful factors, the company conducted education on process owners, improvements on wasteful factors, inspections on operation status of core processes, and performance evaluation, in sequence. In 2015, POSCO E&C identified company-wide wasteful processes according to principles, of nullification, reduction, simplification, and standardization, and made improvements in a total of 336 cases.
Operate an Advanced Quality Support System

Nurture professional workforce with global quality | POSCO E&C is nurturing a professional workforce with global quality in order to gain the eligibility of having a quality management officer employed as required by advanced owners abroad (A&S. Aramco, etc.). It currently possesses a professional workforce with international certifications, including 17 internationally certified certification evaluators, 15 project management experts, 16 foreign language experts, and 4 international welding inspectors.

Deployment of on-site professional workforce on quality | In order to satisfy the requirements by advanced owners, such as the application of the ASME Code, POSCO E&C is supporting stringent quality management on site by deploying experts affiliated with quality management groups. Quality managers are responsible for establishing and operating quality management plans on site, managing defective goods and processes, and making technological reviews on international standards and codes being applied.

Special support on sites in early stages | POSCO E&C is providing special support activities on sites in their early stages so that on-site quality management can be operated systematically according to international standards like ISO. When a business site launches, an exclusive organization which supports the writing of quality documents, such as quality management proposals, is created. Also, education on capability improvement is provided to newly recruited quality managers.

Innovative Activities Focusing on Profitability

Employ POSTIM | POSCO E&C is carrying out POSTIM (POSCO Total Innovation Methodology), an innovation system that is common throughout the POSCO affiliates, with the purpose of overcoming crises and making consistent growth. Based on POSTIM, the company performs activities in the areas of PWS1), cQSS1), and SWP2), revitalizing innovation activities and contributing to improvements in financial performance. In 2015, POSCO E&C gained achievements such as the Excellent Project Award on PWS and Excellent Group Award on cQSS3).

History of innovative activities

Major outcomes of innovative activities in 2015

Classification Content Major performance
PWS Conducted the Innovation POSCO Project for improving order ratio and profitability Created financial performance of KRW 42.6 billion by conducting 53 PIP projects
cQSS Risk mitigation activities in cost, quality, speed, and safety in construction sites Contributed to cost reduction of KRW 124.3 billion by conducting 4,370 performance suggestions
SWP Streamlined business by improving wasteful practices Improved 336 cases of wasteful business processes

Future Plans

In order to quickly respond to amendments for international standards regarding quality management systems, POSCO E&C plans to carry out certification conversion on ISO 9001. It also plans to reinforce preliminary assessments on testing institutions in order to prevent forgery and falsification of testing reports on defective materials, which have been increasing as of late, and to enhance the reliability of quality. Furthermore, POSCO E&C will encourage participation by all executives and employees on POSTIM activities in order to exceed the company-wide operating profit target and to maximize management performance.
Technology Competitiveness

POSCO E&C is acquiring core technology related to its businesses and is making long-term investments in order to make consistent growth and to acquire future competitiveness. Furthermore, it is preparing the methods for developing new growth engines and for pioneering new markets. Regarding the overseas construction market, POSCO E&C is achieving cost reduction by developing new technology and methods among the intense competition for new market, thereby achieving successful technological independency. The result of applying the technology on projects showed that it produced superior precision, work performance, and operation stability compared to those of foreign technology. This technology is being applied on the Gwangyang Taegeum Bridge and Nohwa-Gudo Bridge for cost reduction.

Apply new technology in urban construction | For urban construction which faces a high floating population, many civil complaints from the local community arise regarding the stability of surrounding buildings as well as the occurrence of noise and dust. In order to address such issues, POSCO E&C successfully applied a top-down method that uses high-strength concrete filled steel tube(s) in the site of ‘Busan The Sharp City Avenue’ for the first time in Korea. The improved performance of the materials reduced construction costs by 35%, and the construction period was reduced without any delays caused by civil complaints.

Establish a system for utilizing the construction steel solutions | In order to expand the construction steel solutions market, POSCO E&C has established a close coordination system with POSCO affiliates and is actively utilizing construction steel solutions. The company published a POSCO construction steel solution guidebooks and distributed them to its employees in order to expand its application on site, identified specialized companies for structural steel design, and provided technical education. In 2015, POSCO E&C successfully utilized 85,000 tons of construction steel on 38 projects.

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In order to enhance the competitiveness of the parent company and to build the foundation for future growth engines, POSCO E&C has established technological strategies including differentiation of competitiveness by the parent company, improvement of project profitability, and enhancement of technological coordination. POSCO E&C will accomplish differentiation of competitiveness by the parent company by concentrating core engineering capabilities for steel structure and by acquiring design capabilities that have high added value. Also, it will improve profitability by expanding the application of a test bed for specialized technology on steel structures and by commercializing the technologies developed for cost reduction. Furthermore, POSCO E&C will enhance technological coordination by establishing mid-term technological strategies among POSCO affiliates and implementation of technology management system for sharing R&D infra.

R&D Strategies

POSCO E&C is establishing ‘Acquire a differentiated competitive advantage based on technology’ as its mid-term technological target. The company is reinforcing market initiatives in its leading areas that have been acknowledged for their excellent technological capability based on consistent R&D investments. In addition, the company actively reflects customer’s demands, working to develop new technology such as the convergence of eco-friendly, high-efficiency technology and ICT technology.

Major R&D Achievements

POSCO E&C is the first company in Korea to localize an MS (Multi-Strand) tension cable system for construction of cable-stayed bridges, a technology that had previously been relied on advanced companies located overseas, thereby achieving successful technological independency. The result of applying the technology on projects showed that it produced superior precision, work performance, and operation stability compared to those of foreign technology. This technology is being applied on the Gwangyang Taegeum Bridge and Nohwa-Gudo Bridge for cost reduction.

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WE BUILD VALUE FOR GREEN TOMORROW

Fulfillment of Safety and Environmental Responsibilities

46 Safety and Health Management
50 Environment-friendly Management
As characterized by the Corporate Manslaughter and Corporate Homicide Act in the UK and Protecting America’s Workers Act in the US, the governments and the private sectors in developed countries make efforts to impose liabilities on companies with industrial accidents and to make systematic activities to fundamentally reduce the occurrence of accidents. The Korean government newly created the Ministry of Public Safety and Security as well in order to reinforce policy management for ensuring safety and health. We need to recognize that safety accidents in construction sites can pose significant impacts on the survival of the company and need to make efforts for establishing voluntary management on safety and health by spreading a culture of safety.

### 2015 KEY FIGURES

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2015 Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Converted accident rate</td>
<td>%</td>
<td>0.16</td>
</tr>
<tr>
<td>CEO visitations for safety inspections and education</td>
<td>times</td>
<td>12</td>
</tr>
<tr>
<td>Performance assessment on activities for preventing industrial accidents</td>
<td>Plant</td>
<td>70</td>
</tr>
</tbody>
</table>

### System for Safety and Health

Recognizing ‘Respect for humanity’ as its utmost value, POSCO E&C is striving to create a workplace free of accidents. With the goal of Establishment of a POSCO E&C safety culture by internalizing safety SSS activities (Self-directed Safety Spread), POSCO E&C is carrying out various activities for creating clean and safe working environments.

#### Establishment of a POSCO E&C safety culture by internalizing safety SSS activities

- Carrying out safety and health activities participated in by all
- Establishing the safety and health management system
- Apply IT technology and manage core risk factors
- Provide customized site support and improve awareness of safety risks

#### Carry out safety and health activities participated in by all

- **Regularization of CEO visitations for safety inspections and education**
- **Reinforcement of regular site inspections by executives in charge of construction and safety management**
- **Operation of policy on responsible areas for all employees on site**
- **Expansion of participation by business partners and the worker suggestion system**

#### Establish the safety and health management system

- **Reinforcement of diagnosis on the safety and health management system and internal audit**
- **Operation of the signal light risk notification system in all sites**
- **Establishment of M.O.S (Moments of Safety) TBM by working team**
- **Introduction of a technique for self-diagnosis on safety and health**

#### Apply IT technology and manage core risk factors

- **Real-time management using mobile and the control center**
- **Mandatory installation of safety sensors on construction equipment**
- **Activities to support zero crashes, falls, and in-running nip point hazards**
- **Introduction of the concentrated work system and work permit policy**

#### Provide customized site support and improve awareness of safety risks

- **Preliminary support on safety management on sites with high risk elements**
- **Support on management of construction equipment during vulnerable periods**
- **Safety education and campaign by sites**
- **Emergency drill and improvement on working environment**

### Culture for Practicing Safety

#### Exemplary safety activities by the management board

The CEO is promoting safety activities by demonstrating his intention on executing solid safety measures. In 2015, he visited construction sites at least once a month, conducted safety inspections and education and encouraged the employees to actively participate in safety and health improvement activities. The executives in charge of construction management also regularly performed activities for supporting sites with high risk and vulnerabilities for safety management.

#### On-site safety management

POSCO E&C is practicing on-site safety management which is voluntarily participated in by all classes, including workers on site. Safety inspections and education administered by the site manager is being held repeatedly at least once a week. All managers are assigned with responsible safety areas to reinforce daily safety patrols during vulnerable periods. Also, POSCO E&C is practicing safety management led by the workers, where workers directly check and minimize risk factors before working. They can request that the manager install or reinforce safety facilities, and can refuse to work if no actions are taken.

#### Establishment of the coordination system for accident prevention

POSCO E&C has established a cooperation system with POSCO affiliates, including POSCO, POSCO Engineering, POSCO Plantec, POSCO ICT, and POSCO A&C, and is holding information exchange meetings on a regular basis. In 2015, POSCO E&C made presentations on excellent cases, such as the development of a safety management mobile app and segmentation of management criteria for construction equipment, and shared outcomes and self-reflection points of safety activities, contributing to an enhanced level of safety management for group affiliates.
Safety and Health System

Self-directed Safety Spread (SSS) activity participated in by all | The SSS (Self-directed Safety Spread) activity, an activity for spreading the culture of safety practices, is in progress, directed by all people from the management board to workers in business partners. Breaking away from passive safety activities directed by instructions, all people, including the management board, site managers, support departments in headquarters, and workers in business partners, are taking the initiative to involve themselves in the safety activities.

Worker-directed M.O.S TBM | TBM (Tool Box Meetings) led by workers are being held in order to check safety related to safety on their own and to make it a habit to work with safety. All with the purpose of creating workplaces free of accidents. Before commencing work every morning and afternoon, all workers conduct a self-diagnosis on risks through daily checks on the risk diagnosis and safety rules, and engages in M.O.S TBM, which means Moment of Safety, to check individual safety and health equipment.

M.O.S TBM

- Participated in by site managers and all workers
- Share major tasks and risk factors on site before commencing work

Introduction of process-centered safety assessment policy | To create an environment which makes safety practices necessary, POSCO E&C introduced a safety assessment policy that focuses on process, in order to spread the awareness that safety depends on efforts for preventing accidents, not on luck. In order to consider the level of daily safety management and the specificity of plans for preventing recurrence, additional to the previous focus on sanctions as a result of accidents, POSCO E&C is checking the fulfillment of safety activities through biannual surprise site visitations for all sites.

Education customized by class | POSCO E&C is conducting customized education by class so that all employees will practice safety management in a voluntary and self-directed manner. In 2015, 109 site managers (SM) and project managers (PM) received education for sharing cases of safety culture and management. Daily safety instructions for workers, improvements and practice of safety rules. The company also plans to upgrade its safety management system using IT technology such as drones, CCTV, and a mobile app.

Establishment of the health management system | Construction sites, which deal with various risks including exposure to chemical substances, treatment of heavy goods, and work in closed areas, require special care for workers’ health. POSCO E&C appointed health managers in all construction risks including exposure to chemical substances, treatment of heavy goods, and work in closed areas, to establish a system for conducting safety and health activities directed by business partners in their early stage. Separate expenses for safety management are being provided according to the cost and difficulty of construction by business partner. For business partners with a subcontracting amount larger than a certain criteria, safety managers, whose labor costs are provided by POSCO E&C, are appointed in order to prevent financial burdens on business partners.

Evaluation of health management system at POSCO E&C

Outcome of developing safety education contents

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness on safety risks</td>
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</tr>
<tr>
<td>Safety policies and activities</td>
<td>15</td>
</tr>
<tr>
<td>Safety businesses</td>
<td>88</td>
</tr>
<tr>
<td>Other</td>
<td>51</td>
</tr>
</tbody>
</table>

* Distributed 5 languages, videos for foreign workers

Management of Safety and Health for Business Partners

Support for safety and health for business partners | Industrial accidents that occur in construction sites may threaten the precious lives and health of workers of business partners. With the determination to ensure that all workers can return to their families safely after completing their work, POSCO E&C is focusing all of its capabilities on creating a clean and safe workplace, and is creating various forms of support to establish a system for conducting safety and health activities directed by business partners in their early stage. Separate expenses for safety management are being provided according to the cost and difficulty of construction by business partner. For business partners with a subcontracting amount larger than a certain criteria, safety managers, whose labor costs are provided by POSCO E&C, are appointed in order to prevent financial burdens on business partners.

Constant assessment of safety activities of business partners | POSCO E&C provides incentives to companies with outstanding safety management in order to stimulate engagement in safety activities. Safety managers in their responsible areas are evaluating items for safety management, including monthly plans for safety work, fulfillment of TBM, management of unsafe actions, and activities by head offices of business partners. Based on the assessment results, rewards are provided and plus points are given upon bidding. POSCO E&C plans to perform stringent assessments on capabilities of business partners on safety management so that only companies that possess fundamental capabilities on safety management can participate in construction.

Future Plans

POSCO E&C plans to expand its safety activities to be participated in by all classes from the CEO to on-site workers, and to enhance the level of executing safety and health practices. Notably, in order to establish a culture of safety, business partners will be required to possess basic capabilities on safety management before participating in construction. Also, structural safety management will be enhanced by reinforcing the safety roles and process of construction managers so that safety management will be internalized in the business process. Furthermore, POSCO E&C will efficiently operate M.O.S TBM so that all workers on site will be able to make it a habit to perform a self-diagnosis on risks and practice of safety rules. The company also plans to upgrade its safety management system using IT technology such as drones, CCTV, and a mobile app.

Establishment of the Real-time Safety Management System Using IT

POSCO E&C is operating a mobile app on safety management as an effort to create an environment that practices real-time safety management. Daily safety instructions for workers, improvements in unsafe actions and facilities, results and schedule of safety inspections, etc., are shared in real-time in order to make practical contributions to prevent accidents.

POSCO E&C SUSTAINABILITY REPORT 2015-2016

48

8
Environment-friendly Management

Social concerns of stakeholders on environmental issues, such as climate change, resource depletion, and environmental pollution, are rising, and governments of countries around the world are strengthening their environmental regulations. The construction industry can make a significant impact on social changes through eco-friendly buildings. Notably, a lot of equipment is used in construction processes, efforts for energy reduction and environmental protection are in demand.

System for Environment-friendly Management

POSCO E&C complies with the ‘POSCO Group Environmental Management Policy’, which was announced with its group affiliates. The environmental management policy reflects the determination to accomplish sustainable development which considers the environment not only in the production of goods but also throughout corporate activities. Based on its environmental management vision ‘Sustainable growth based on social responsibilities and principles’, POSCO E&C has set ‘Settling a Green Culture’, ‘Establishment of the Green Process’, and ‘Activation of Green Business’ as its core strategies and is carrying out activities for Environment-friendly Management.

**Environment-friendly management system**

- **Settling a Green Culture**
  - Environmental education for employees and their pledge
  - Manage eco-friendly project sites
  - GREENWALK campaign of the POSCO Group companies

- **Establishment of the Green Process**
  - Advance the environmental management system
  - Operation of the Environment-friendly Management system
  - Voluntary improvement activities for environmental management on site and support for resolving environmental complaints
  - Support business partners’ environmental management

- **Activation of Green Business**
  - Upgrade of eco-friendly buildings and new and renewable energy businesses
  - Enhancement of capabilities for eco-friendly engineering and R&D
  - Retention of eco-friendly certifications and patent technologies

**Sustainable growth based on social responsibilities and principles**

**2015 KEY FIGURES**

| Voluntary improvement activities for environmental management on site | 5,429 |
| Waste recycling rate | 76 |
| Greenhouse gas emissions | 31,614 |

Eco-friendly soundproof panels in the construction site of Hana Bank’s head office
POSCO E&C is striving to reduce energy usage in the production of construction materials as well as greenhouse gas emissions on site, and to spread Environment-friendly Management to its business partners. Also, it is providing a video education program on environmental management so that executives and employees in business partners can practice voluntary environmental management, and is committing to compliance with environmental management.

**Construction for Reducing Environmental Effects**

**Application of eco-friendly construction method in the urban area** | Urban construction may cause damage to residents, such as the occurrence of scattering dust and noise, occupation of roads for pedestrians, and entry of construction vehicles in the urban area. In the construction site of Hana Bank’s head office, POSCO E&C successfully applied eco-friendly methods such as soundproof panels\(^1\), waterscreen\(^2\), and Complex Top-Down method\(^3\), minimizing damage to the surrounding community and reducing construction costs by approximately KRW 400 million.

\(^1\) Method of constructing multi-story structures with an excellent level of sound insulation and acoustic isolation, which is applicable to urban environments.

\(^2\) High-pressure sprinkling device which suppresses the occurrence of scattering dust.

\(^3\) Method which uses rainwater harvesting structures to reduce basic pollution.

**Application of eco-friendly construction using LED lights** | For tunnel construction sites, the appropriate lighting brightness can reduce safety accidents and enable accurate checks on site conditions. POSCO E&C developed LED lights for tunnel construction and successfully applied it on site, improving the working environment by increasing brightness on site. Also, LED lights for construction can reduce energy usage by 71% compared to mercury-containing lights, and can be reused with its excellent dustproof and damp-proof properties. The use of LED lights in 4 domestic sites has an expected effect of reducing electricity costs by KRW 150 million per year, and their use will be expanded in sequence.
**Response to Climate Change**

POSCO E&C is leading greenhouse gas reduction using green buildings, renewable energy, and Finex steel plants, and has introduced carbon management in all areas including construction, design, R&D, and procurement. Furthermore, it plans to make preemptive responses on climate change from greenhouse gases by expanding the boundary of carbon management to its business partners.

**Develop Technology in Response to Climate Change**

Construct eco-friendly houses | POSCO E&C is taking the lead in constructing eco-friendly houses in order to accomplish its target energy reduction rate for buildings. Since 2015, the company coordinated with the University of Cambridge to develop an optimal design proposal for zero-energy buildings, which will be used on designs and projects with scheduled constructions to create zero-energy buildings. POSCO E&C will continue to develop and apply various eco-friendly technologies in order to enhance eco-friendly housing standards.

Expansion of the POSCO green building | In order to comply with the policies for expanding green buildings and to actively utilize eco-friendly construction methods, POSCO Group developed the POSCO Green Building, an energy-reducing building model. In the future, POSCO E&C will monitor energy usage in buildings to make detailed evaluation on technologies that reduce energy, and will utilize technologies with verified effectiveness on carbon reduction for actual projects.

**Program for Spreading Carbon Management to Business Partners**

POSCO E&C was selected by the Ministry of Trade, Industry and Energy for ‘Green partnership program’. POSCO E&C is utilizing various support programs to support the establishment of carbon management systems by business partners, and is making efforts to spread awareness on responding to climate change through the construction industry.

**Establishment of carbon management strategies**

POSCO E&C established strategies for identifying and improving the level of carbon management in business partners. It reviewed a diagnosis checklist for 10 companies, and utilized the results to derive detailed execution tasks and to support the establishment of low-carbon strategies and a roadmap.

**Development of tools for calculating greenhouse gas emissions**

POSCO E&C developed and distributed a greenhouse gas calculation tool so that its business partners can calculate and manage greenhouse gas emissions on their own. Using the tool, the business partners can utilize information on business sites, activity data, and data on process by KW in order to check emission reports and statements on their own.

**Carbon management performance presentation and discussion conference with CEOs**

In order to spread awareness of carbon management by CEOs of business partners and to listen to their opinions on the status of carbon management, POSCO E&C held a carbon management performance presentation and discussion conference. The cases of the Shinil Foundation, Jinduk Construction, and Sambio were selected as excellent cases, and relevant information was shared to spread the practice of environmental management.

**Future Plans**

In 2016, POSCO E&C will make active efforts to prevent environmental accidents and reduce greenhouse gases by reinforcing its environmental management. The company will make constant improvements to its environmental management system so as to make preemptive responses towards global standards, and will make more stringent efforts to prevent environmental accidents through voluntary environmental management and preventive activities. Furthermore, in order to reduce greenhouse gases, which is currently receiving increased social attention through climate change agreements, POSCO E&C will practice energy reduction in the head office and in construction sites, and will make efforts to improve methods with the overconsumption of energy.
WE BUILD SOCIAL VALUE TOGETHER

Creation of Social Values

58 Customer Centered Management
62 Human Resource Management
66 Social Contribution
70 Win-win Growth

Global Harmony social contribution activities in Poland
Along with diversifying customer needs on products and services, the company is making efforts to provide products and services with better values based on a preliminary analysis of customer needs. Customers of the construction industry are considering safety and convenience as their priority, and the company is carrying out management activities for customer satisfaction by making preemptive responses to customer complaints.

2015 KEY FIGURES

| Move-in satisfaction level | 93.4 |
| KS-QEI in the Apartment sector (1st rank) | 1st |
| AS customer satisfaction level | 90.8 |

System for Customer Centered Management

In order to enhance customer satisfaction, POSCO E&C is performing various activities with its core values: ‘Best Efforts (Best)’, ‘Warm Heart (Warm)’, and ‘Always On (On)’. Notably, from the stage of winning an order to moving in, the company is conducting activities for achieving customer satisfaction by identifying customers’ requirements beforehand.

Preventive Activities for Minimizing Customer Complaints

Perform preventive activities: POSCO E&C classifies projects into the stages of winning an order and sales, construction, move-in and maintenance, and is performing programs and activities to prevent customer complaints that may occur at each stage. During the stage of winning an order and sales, POSCO E&C provides accurate information to customers in order to prevent embellished advertisements. In the construction stage, the company provides superior products by providing stringent quality management and by reflecting cases of defects and complaints on its Technical Standards. During the move-in and maintenance stage, the company conducts stringent quality inspections and provides move-in management services to allow for convenient move-in.

Quality check process before moving in: In order to ensure superior quality for customers who move in, POSCO E&C is reinforcing its quality inspections prior to move-in. It analyzes cases by processes which yield repetitive or significant defects to select target processes, and performs concentrated defect-prevention inspections on the target processes. Furthermore, POSCO E&C performs quality inspection processes participated in by customers before moving in in order to minimize the discrepancy between customers’ expectations and actual quality and to prevent possible defects.

Quality Check Process before Moving in

- D-60: Total inspection
- D-35: Quality show before completing construction
- D-30: Trip event for new houses
- D-15: Confirmation and check
- D-Day: Move in
Post-management Activities for Customer Satisfaction

Efforts for improving the move-in satisfaction level | POSCO E&C is performing various activities in order to improve the move-in satisfaction level for the early stage of move-in for the first three months. Using the pre-inspection reservation system for occupants, customers can examine new houses on the scheduled date with their managers and listen to their explanations. Also, the ‘Mobile inspection system’ is used to handle defects in the early stages of move-in in a prompt manner. Thanks to such efforts, POSCO E&C achieved 93.4 points in the move-in satisfaction level for 7 complexes in 2015.

Carry out customer-oriented post-management activities | In order to improve the customer satisfaction level within 1 year after move-in, POSCO E&C is identifying customers’ requirements and is handling them promptly from the customers’ point of view. Conducting the ‘24-hour feedback service’ which delivers feedback on AS (After Service) within 24 hours, ‘Zero-defect campaign’ for prompt processing of defects that remained idle for a long time, and ‘Call Center CTI (Computer Telephony Integration)’ which responds to customers’ requirements promptly and accurately in connection with a defect-processing system. Due to such programs, the AS customer satisfaction level on AS achieved 90.8 points in 2015, an increase from the previous year.

Notably, an ‘Integrated defect diagnosis system’, where relevant departments make a joint diagnosis on sites with significant defects, is in operation, deriving solutions promptly based on diagnosis results to perform repair of defects. Also, the prompt feedback process contributes to minimizing customer complaints, and the feedback results are delivered to the company in order to prevent a recurrence of defects.

CASE ‘Onmaum’ Service that Reflects Customers’ Perspective

POSCO E&C is operating the ‘Onmaum service’ in order to deliver convenience and relaxation to customers’ lives. It provides the Onmaum Clean Service, Daily Service, and Sharing Service to provide services with detailed care and sincerity from a customer’s point of view. In 2015, POSCO E&C provided the Clean Service to 4 complexes, Sharing Service to 2 complexes, and Daily Service to 6 complexes.

Classification of the Onmaum service

<table>
<thead>
<tr>
<th>Classification</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean service</td>
<td>UV ray sterilization on bed mattress, cleaning the kitchen oven hood, sterilized cleaning on the bathroom floor drain</td>
</tr>
<tr>
<td>Daily living services</td>
<td>Bike repair and knife sharpening services, carts situated in underground parking lot</td>
</tr>
<tr>
<td>Sharing service</td>
<td>Camping Garden, a unique resting space amid a forest, The Sharp Healing Park, a complex culture park which heals the weary bodies and minds of the residents, Healing Park consists of The Sharp Field, a wide grass plaza located in the center of the complex, falls and brook that bring nature into the apartment area, and a healing trail decorated with flowers and plants, also, a clean and safe residential environment is created by using eco-friendly floor materials, which pose no harm to the human body, and barrier-free trail</td>
</tr>
</tbody>
</table>

Design Considering Customer Health and Convenience

Operate amenities for customers | POSCO E&C is operating amenities that reflect various customer needs in order to increase daily conveniences for its residents. It is providing spaces like ‘The Sharp Kid’s Pool’, a water activity space for children which provides unique ideas of The Sharp brand, ‘Mom’s Cafe’, a shelter for moms facilitating exchange with neighbors, ‘The Sharp Farm Garden’ where educational effects and emotional stability can be reaped through the joy of harvesting, and ‘Camping Garden’, a unique resting place amid a forest.

Create a clean residential environment | Based on the brand philosophy of ‘Consideration’ which truly understands the customers, POSCO E&C is creating a ‘value landscaping’ where its values increase as time goes by. It provides The Sharp Healing Park, a complex culture park which heals the weary bodies and minds of the residents. Healing Park consists of The Sharp Field, a wide grass plaza located in the center of the complex, falls and brook that bring nature into the apartment area, and a healing trail decorated with flowers and plants. Also, a clean and safe residential environment is created by using eco-friendly floor materials, which pose no harm to the human body, and barrier-free trail.

Protect Personal Information

Enhance the level of information security | In order to enhance its level of information security, POSCO E&C established an information security system which complies with international standards, acquired ISO27001, an international standard on international security, and passed its post-evaluation. Also, it conducted mock hacking and source code diagnosis on websites related to POSCO E&C in order to identify vulnerable points and to make improvements.

Reinforce the protection and management of personal information | In conducting maintenance on common housing, POSCO E&C manages the personal information of its customers including residents. It is utilizing a stringent level of security policy in order to prevent the leakage of personal information in resident management. Also, in order to comply with the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc as well as the Personal Information Protection Act, POSCO E&C notifies the history of using personal information to its customers and destroys information that remains unused for a long period of time.

In 2015, approximately 860,000 items of personal information stored in systems and individual PCs were deleted through information security checks. Security solutions of an equal level to those used for internal employees were applied to personal information consignees, such as pre-sales offices and resident support center, in order to reinforce the level of information security.

Future Plans

POSCO E&C plans to focus on enhancing competitiveness in preparation for market changes. POSCO E&C will expand activities for preventing customer complaints by reinforcing preliminary inspections in residential sites (Before Service), such as CCS check activities and exhaustive inspections. Also, in order to increase customer satisfaction, the company will strengthen its follow-up management system (After Service) and process defects in a prompt manner by adding new functions in the mobile management system and expanding its boundaries. Through such activities, POSCO E&C will make efforts to maintain its No. 1 status in the Korean Standard-Quality Excellence Index of the apartment sector.
HR management is critical in the construction industry where a large injection of workforce and supplies, as well as knowledge from experience, is required. Efforts for making consistent improvements in policy, including impartial employment and assessments as well as HR development are being conducted notably in order to acquire talented personnel. POSCO E&C is making various efforts to develop core capabilities such as expertise, leadership, communication skills, and global skills for all employees.

2015 KEY FIGURES

<table>
<thead>
<tr>
<th>Metric</th>
<th>Unit</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of return to work after parental leave</td>
<td>%</td>
<td>100</td>
</tr>
<tr>
<td>Training hours per employee</td>
<td>hours</td>
<td>38</td>
</tr>
<tr>
<td>Education hours to prevent sexual harassment</td>
<td>hours</td>
<td>9,250</td>
</tr>
</tbody>
</table>

System for Human Resource Management

With the HR management goal ‘Creating Another Success Story’, POSCO E&C is developing talented human resources with expertise who produce positive changes and innovations.

Creating Another Success Story

Global person

Global person refers to a person with global capabilities for working on the global stage and with an open mind that respects diversity.

Creative person

Creative person refers to a person who makes endless challenges with invincible determination and passion in order to accomplish goals of the highest level and creates new values with unique perspectives and approaches.

Practical person

Practical person refers to a person who completes his/her task to the end with professional technical skills and insight for the job, as well as healthy awareness of the field.

Employment and Assessment of Talented Human Resources

Impartial employment process

POSCO E&C is operating an impartial employment process in order to build a foundation for the company’s long-term growth by acquiring talented human resources. The company evaluates the applicants impartially without making any discrimination based on nationality, gender, religion, race, and age. POSCO E&C conducts public employment for new recruits once a year as well as constant employment for experienced employees.

Operation of the Matrix Assessment System

POSCO E&C is operating a Matrix assessment policy for organizations with high business connectivity that require a close coordination system among departments. Results of Matrix assessments are reflected in the performance assessment, contributing to boosting coordination among departments such as the sales department and PMO (Project Management Office).

Development of Global Human Resources

Leadership training

POSCO E&C is conducting leadership training in order to develop employees’ capabilities required for roles according to position. It offers e-learning education, leadership certification tests, and strategic tasks in order to support the employees in gaining capabilities required for their positions in a preemptive manner.

Global PM (Project Manager) curriculum

From sales to EPC (Engineering, Procurement, Construction) POSCO E&C is operating a global PM development course in order to select and nurture PMs who are capable of working in all stages with a long-term perspective. The course consists of theories, role exercises, and assignments for management of global projects. A total of 31 prospective PMs completed this course in 2015.

Construction management academy

POSCO E&C operates a construction management academy, consisting of 78 courses, by separating business headquarters according to tasks by products and positions. The academy contributes to the development of experts by task, such as sales, E&C technology, PM theme, and management.
Respect for Human Rights and Communication between Labor and the Management Board

Practice harmony between labor and the management board | POSCO E&C is maintaining a healthy and stable labor-management relationship based on Communication, Competency (reinforcement of capabilities), and Care (preemptive management). Aside from operating the labor-management council, the company actively listens to employees’ opinions through regular discussion meetings, and promotes a healthy labor-management relationship through mutual respect and understanding. The ratio of employees subject to application of the collective bargaining agreement in 2015 is 100%.

Operation of a communication channel between labor and management board | POSCO E&C is operating various channels for communication in order to promote a labor-management communication and to spread a positive organizational culture. It is receiving employees’ opinions from regular meetings with the labor-management council; a representative organization for employees, and the labor union. Notably, issues related to corporate management and working conditions for employees are being discussed through regular labor-management council meetings. Also, POSCO E&C is conducting activities such as the joint labor-management site visit conference and joint labor-management organization revitalization events in order to create harmony between labor and the management board which focuses on the actual sites of business.

Organizational Culture

Standardization of Position system | In order to realize ‘Global One POSCO’, POSCO E&C introduced a groupwide common position system. In 2015, it created its P-position system to unify positions, ranks, and tasks, and is utilizing it as a basis of the group’s HR management such as transfer and remuneration.

Introduction of the PCP policy | POSCO E&C introduced PCP (POSCO Certified Professional) so that its employees can grow as experts of core technology in their areas, such as legal affairs and accounting. Employees possessing excellent capabilities and professionalism in each area of office work and technical work are selected as PCPs, who are responsible for conducting assignments that can create financial results or managing businesses in specific areas with expertise. In 2015, 8 PCPs on office works and 12 PCPs on technical works were selected.

Extension of the retirement age | Keeping pace with the legislation on the extension of the retirement age, POSCO E&C is conducting a policy on the extension of retirement age under the agreement of its employees. The policy extends employees’ retirement age to 60 and utilizes a wage peak system starting at the age of 56. Also, a interim payment system of retirement pension is being operated in order to prevent the decrease in the value of pensions provided. Furthermore, a task conversion system for aged employees is being conducted in order to support aged employees in performing their tasks with effectiveness.

Reinforced support for employees working abroad | In an effort to enhance the satisfaction of employees working in business sites abroad, POSCO E&C is offering various support programs such as support for vacation, housing costs, education expenses for children, medical expenses and incentives for HR assessment. Also, the employees dispatched abroad are converted to employees of local firms so as to boost their sense of belonging as well as their awareness on goals and to reinforce responsible management by the firms.

Programs for Supporting Employees Working Abroad

Classification | Content
--- | ---
Vacation and benefits | • Vacations for commencing and returning work, regular vacations, family/vacations, rewards for unused holidays
• Remuneration paid to employees appointed alone in overseas sites, working more than two years
Accompanying family members | • Family accommodation supported for employees living in commuter areas and working for more than 1 year
• School expenses supported for children accompanied abroad
Housing and medical support | • Housing expenses paid in regular amounts in consideration of standards for housing rent fees by city
• Support of medical expenses for the employee and accompanied family members
Incentives on HR assessments | • Additional point granted for promotion during HR assessment and advantages provided in performance assessments

Future Plans

In 2016, POSCO E&C plans to proactively respond to changes in the labor environment, such as maintenance of the working policy in preparation to reduce working hours per week and rationalization of an operating system for employing temporary workers. Furthermore, POSCO E&C plans to establish site-centric policies in pursuit of ‘the Plus Organizational Culture Campaign’, and to reinforce a collaborative system among organizations by establishing and operating the Moving Office.
Social Contribution

Companies are facing demands not only for economic responsibilities, such as the enhancement of profitability and employment, but also on its social responsibilities. As a result, POSCO E&C is carrying out strategic social contribution activities that focus on its strengths and the characteristics of the industry. Creating a relationship of trust with the local community is important for the construction industry, which produces various direct and indirect effects on the local community by operating project sites in a variety of regions. Companies in such an industry need to make active efforts for solving problems and making developments in the local community with a long-term perspective.

2015 KEY FIGURES

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of volunteer activity per employee</td>
<td>hours</td>
<td>32.1</td>
</tr>
<tr>
<td>Number of participants in the talent donation group</td>
<td>persons</td>
<td>359</td>
</tr>
<tr>
<td>Total amount of donation for 'The 1% Sharing Campaign'</td>
<td>KRW 100 million</td>
<td>12.8</td>
</tr>
</tbody>
</table>

System for Social Contribution Activities

POSCO E&C is performing its social responsibilities as a member of the local community through long-term, not just one-off, strategic social contribution activities. It aims to gain stakeholders’ trust by conducting sincere social contribution activities through promoting employee engagement throughout such activities.

Internalize a Sharing Culture among Employees

1% Sharing Campaign | POSCO E&C is actively engaging in the 1% Sharing Campaign which is participated in by all group affiliates. In 2015, 85% of all employees engaged in voluntary participation, funding a total of KRW 640 million, and the company donated a matching grant with the same amount, donating a total of KRW 1.28 million to the POSCO 1% Sharing Foundation. The donated funds are used for activities for supporting various disadvantaged classes in and out of the country after undergoing a process of reflecting opinions from the steering committee of the 1% Sharing Fund in the company.

Volunteer activities led by the leader class | Since 2015, POSCO E&C has set the volunteer activity target time for executives in order to spread the culture of sharing led by the management board. In 2015, its executives engaged in volunteer activities with an average of 39.8 hours per person. With providing help to the local disadvantaged, the regular volunteer activities, performed along with employees, are also contributing to increased communication among employees.

CASE: Launching of the Talent Donation Volunteer Group ‘Happiness Ieum’

In April 2015, POSCO E&C launched its ‘Happiness Ieum’ talent donation volunteer group, which aims to help neighbors with difficulties in the local community through using employees’ personal talents. In 2016, a total of 359 people from 12 volunteer teams demonstrated their talents in various areas, including Little PM, basketball, choir, videos & photos, improvements in housing environment, drones, announcers, and a specialized volunteer team, in order to practice sharing.

CASE: K-POP dance education for youth in Uzbekistan

X-POP dance education for youth in Uzbekistan
Contribute to Local Coordination and Development

Support for local children’s centers in Incheon | Starting with the MOU with Incheon City and Child Fund in 2010, 50 departments of POSCO E&C have made 1 on 1 sisterhood relationships with 50 local children’s centers and have been providing consistent support for programs like mentoring, tutoring, and cultural leisure activities. In 2015, POSCO E&C held a memoir contest and children’s choir competition for local children’s centers and prepared gifts for Children’s Day.

Activities for fire prevention and improving the housing environment | Starting in 2013, POSCO E&C has been conducting activities for improving housing environments with the Central Fire Service of the Ministry of Public Safety and Security in order to help people who are vulnerable to risks of fire. In 2015, 30 disadvantaged households across ten regions were provided with safe and sound housing environments.

Support for multicultural families | POSCO E&C has supported various activities so that multicultural families can successfully settle in Korean society and prepare a foundation for economic independence. With the Incheon Metropolitan Police Agency, it is operating ‘Dugeun-dugunsin Driving’, an online educational website that supports obtaining driver’s licenses for multicultural families in 7 languages. Furthermore, POSCO E&C is hosting activities for experiencing Korean cultural holidays, in order to facilitate understanding of Korean society among the youth of multicultural families, in effort to create a healthy multicultural society.

Expand Social Contribution Activities for Overseas Project Sites Support

Operate Happy Builder, a college student volunteer group | Every year since 2011, POSCO E&C has selected and operated members for ‘Happy Builder’, a volunteer group that consists of college students, in order to develop global manpower that practices sharing. In 2015, 50 group members who possess foreign language skills, special talents, and high volunteer activity records, participated in cultural exchange activities in Thailand, Laos, and Uzbekistan, as well as in various volunteer activities such as activities for improving housing environments.

Social contribution activities in foreign countries by public-private partnership | POSCO E&C is carrying out vigorous social contribution activities in regions near its overseas project sites by coordinating with Government ODA (Official Development Assistance) organization and embassies in each country. Near the site of hydroelectric power plant in Nam Lik, Laos, POSCO E&C supported the multimedia room, held cultural education and a cultural exchange festivals with Korea Foundation from Ministry of Foreign Affairs, and conducted medical support activities by cooperating with Inha University Hospital. Also, in Thailand and Uzbekistan, POSCO E&C carried out cultural education for youth, provided support for multimedia room, and conducted school maintenance and cultural exchange festivals with the Korea Foundation for International Culture Exchange from the Ministry of Culture, Sports and Tourism.

Future Plans

To assist the government’s free-semester policy for middle schools, POSCO E&C will carry forward the social contribution such as education programs which emphasize the characteristics of the construction industry and foster future talents through activities such as a children’s choir competition. Furthermore, we will fulfill our social contribution overseas as a global company.

Performance of Overseas Social Contribution Activities in 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>Support</th>
<th>Major performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>- Donated educational equipment and supplies - Cultural education and cultural exchange festivals - Medical aid</td>
<td>- Donated materials for art, science, and music education in 3 schools - Provided education for 100 youth, participated in by 1,000 citizens in Vientiane - Provided medical diagnosis, medical supplies, and hygiene kits to 1,500 residents in 3 villages of Phon Houn</td>
</tr>
<tr>
<td>Laos</td>
<td>- Supported the multimedia room and renovated school facilities - Cultural education and cultural exchange festivals</td>
<td>- Supported the multimedia room and cultural contents in 1 school - Provided education for 192 youth, participated in by 320 citizens in Vientiane</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>- Supported the multimedia room, renovated school facilities and cultural contents in 1 school</td>
<td>- Provided education for 160 youth people, participated in by 800 citizens in Bukhara</td>
</tr>
<tr>
<td>Thailand</td>
<td>- Supported the multimedia room, renovated school facilities and cultural contents in 1 school</td>
<td>- Donated educational equipment and supplies to 3 villages in Rayong</td>
</tr>
</tbody>
</table>

01. Education on producing Youth UCC from social contribution activities in Laos
02. Mural drawing activity from social contribution activities in Laos
03. Teaching children through ‘One & One’ activity for supporting local children’s centers
04. Purification activity of the aquatic environment by the POSCO E&C Clean Drive talent donation volunteer group
The government has been emphasizing the coexistence of major corporations and small businesses through legislation and policies like the Fair Trade Act and Subcontracting Act. Also, along with the diversification of business structures in global companies, the importance of networks among companies is rising. For construction companies which conduct projects with multiple business partners, business partners, coexistence, and strategic partnership are critical factors for performing successful projects.

2015 KEY FIGURES

- Annual support for Industry Innovation 3.0 (unit: KRW 100 million) 3.2
- Support for the Win-Win Growth Fund (unit: KRW 100 million) 284.3
- Support for performance compensation (unit: KRW 100 million) 42.9

Win-win Growth

POSCO E&C aims to achieve win-win growth through win-win growth programs targeting to enhance the competitiveness of its business partners as well as fair trade programs that seek to build a lasting relationship of cooperation.

System for Win-Win Growth

POSCO E&C launched its Win-Win Growth Fund in order to support low-interest loans for business partners with financial instability. Also, in order to promote capital liquidity for its business partners, POSCO E&C makes construction payments, including interim payments, within 10 business days, and is making full payments in cash for small businesses.

Technical Support | Excellent technological capabilities owned by business partners lead to strengthened technological competitiveness for POSCO E&C. POSCO E&C is providing support for enhancing the technological capacities of its business partners, such as joint R&D of techno partnerships, joint application and registration of patents, and technology transfer of its patents.

Education and management support | In order to ensure autonomy and stable management for its business partners, POSCO E&C is operating management support programs such as Industry Innovation 3.0. Also, it is offering various educational programs, such as consortium education for small businesses and education on corporate ethics and safety management, in order to reinforce the capabilities of executives and employees from its business partners.

Major Results of the Win-win Growth Program

Classification | Details | Performance Support
--- | --- | ---
Financial Support | Support commission for guarantee | KRW 780 million
| Support performance compensation | KRW 4.29 billion
| Win-win growth fund | KRW 28.43 billion
| Application of investment funds for win-win growth | KRW 420 million
Technological Support | Joint R&D of techno partnerships | 16 cases for 21 companies
| Technology transfer of patents | 22 cases for 24 companies
| Operate Benefit Sharing System | 8 cases for 8 companies
| Provide free technology consulting and research facilities | 2 cases for 2 companies
Management and Educational Support | Training for corporate ethics | 1,056 persons
| Training for safety management | 2,737 persons

Fair trade program

- Introduction and operation of 4 major guidelines
- Usage of standard subcontracting agreements
- Operation of the electronic contract system
Performance assessment | Quality, delivery, price, financial cooperation

External business partners

Recruitment notice | Document and technology assessment

Registration assessment | Bid participation

Registered external business partners (sourcing groups)

Process on Business Partner Registration

Canal registration (business partners with poor assessment results)

Once every 2 years

Cancel registration (business partners with poor assessment results)

Guideline on issuing and preserving documents

Highlight work-related regulations for subcontracting

Guideline on implementing and conducting the internal evaluation council

Sign contracts for subcontracting accounting or cleaning agreements with business partners

Guide for fair trading opportunities

Guideline on selecting and conducting business partners

Comply with the guideline when registering or conducting agreements with business partners

Guideline on signing and adjusting contracts

Set the selection criteria for methods of signing the contract

• Make adjustments according to any reasons for change in a price cost, such as increase in the price of raw materials

• Evaluate the appropriateness of criteria and procedures for registering and conducting business

• Provide fair trading opportunities

• Provide assistance for the CRA management of its business partners. It is performing examinations in contracts, it is utilizing an electronic contract system which systemizes all stages of purchase.

4 major guidelines on fair trade

POSCO E&C is employing a counseling center which conducts satisfaction surveys on business partners and process grievances by small businesses, identifying grievances of its business partners and making prompt improvements. By facilitating active communication with its business partners, POSCO E&C will continue to reinforce mutual trust and establish strategic partnership with them.

Select Business Partners Impartially

POSCO E&C hosts a new-year’s meeting in order to promote mutual understanding and partnership with outstanding business partners. In 2016, the management board of POSCO E&C invited 36 CEOs from outstanding business partners from the areas of construction, facility, and material attended the meeting, sharing its purchasing plans and awarding certificates of contribution. Also, POSCO E&C is employing a counseling center which conducts satisfaction surveys on business partners and process grievances by small businesses, identifying grievances of its business partners and making prompt improvements. By facilitating active communication with its business partners, POSCO E&C will continue to reinforce mutual trust and establish strategic partnership with them.

Future Plans

POSCO E&C will ensure that all of its employees who come into contact with its business partners comply with the 4 major agendas for fair trade. It plans to reinforce programs for technological support, such as joint R&D for enhancing the competitiveness of business partners, performance sharing system, etc., as well as programs for management and educational support, such as the executive group for supporting win-win growth.

Reinforce the CSR management capabilities of business partners

POSCO E&C is providing active support for the CSR management of its business partners. It is performing examinations in advance on violations of the Fair Trade Act by business partners and is performing activities for supporting the utilization of CP (Compliance Program) by its business partners. Also, POSCO E&C supports customer centered management activities and labor management activities.

Reinforcement of Human Rights Management by Business Partners

POSCO E&C is carrying out programs for fair trade to ensure a fair trade system with domestic and foreign firms, branches, and offices of POSCO E&C with its business partners.

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POSCO E&C is carrying out programs for fair trade in order to ensure a fair trade system with domestic and foreign firms, branches, and offices of POSCO E&C with its business partners.
## Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account receivable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned construction property</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current income tax assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in associates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current account receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in real estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>8,339,198,799,297</td>
<td>8,366,264,715,014</td>
<td>8,641,621,387,607</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account payables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid construction property</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current account payables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current borrowings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current financial liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net defined benefit liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined income tax liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>4,906,631,773,542</td>
<td>5,380,381,181,966</td>
<td>5,895,742,485,638</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to the owner of the parent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current interests</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>3,432,567,025,755</td>
<td>3,985,903,553,050</td>
<td>4,749,871,901,970</td>
</tr>
<tr>
<td><strong>Total capital and liabilities</strong></td>
<td>8,339,198,799,297</td>
<td>8,366,264,715,014</td>
<td>8,641,621,387,607</td>
</tr>
</tbody>
</table>
### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Profit for interrupted operations</strong></td>
<td>9,529,867,287</td>
<td>63,341,600,450</td>
<td>-</td>
</tr>
<tr>
<td><strong>Corporate tax for continuing operations</strong></td>
<td>-91,283,662,057</td>
<td>-44,040,418,764</td>
<td>-40,441,216,815</td>
</tr>
<tr>
<td><strong>Profit for the period from continuing operations before deducting corporate tax</strong></td>
<td>228,920,790,522</td>
<td>53,456,746,367</td>
<td>66,734,585,143</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>144,350,280,017</td>
<td>84,709,022,938</td>
<td>42,974,809,459</td>
</tr>
<tr>
<td><strong>Other comprehensive income and loss (net)</strong></td>
<td>-2,816,715,735</td>
<td>11,951,094,885</td>
<td>16,681,441,131</td>
</tr>
<tr>
<td><strong>Financial cost</strong></td>
<td>-355,833,741,447</td>
<td>-292,495,136,042</td>
<td>-297,770,153,206</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>284,742,869,201</td>
<td>177,414,173,924</td>
<td>158,835,128,956</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>-387,890,358,492</td>
<td>-347,290,156,050</td>
<td>-342,008,037,338</td>
</tr>
<tr>
<td><strong>Selling and logistics expenses</strong></td>
<td>-44,318,336,109</td>
<td>-56,537,075,613</td>
<td>-44,081,303,914</td>
</tr>
<tr>
<td><strong>Basic and diluted earnings per share</strong></td>
<td>3,905</td>
<td>2,141</td>
<td>914</td>
</tr>
<tr>
<td><strong>Operating profits of interrupted operations for basic and diluted earnings per share</strong></td>
<td>151</td>
<td>1,635</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>3,967,496,206</td>
<td>3,287,917,515</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net losses of continuing operations</strong></td>
<td>-216,583,771</td>
<td>-9,149,775,610</td>
<td>-8,289,227,999</td>
</tr>
<tr>
<td><strong>Net profit of interrupted operations</strong></td>
<td>5,562,371,081</td>
<td>60,053,682,955</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net income reclassification adjustment</strong></td>
<td>21,020,741,139</td>
<td>4,199,295,148</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net gain and loss on available-for-sale financial investments</strong></td>
<td>-4,112,709,377</td>
<td>2,011,086,629</td>
<td>1,324,262,118</td>
</tr>
</tbody>
</table>

### Technology Competitiveness

<table>
<thead>
<tr>
<th>R&amp;D &amp; Management</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R&amp;D status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unit: 100 million, person</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D investments</strong></td>
<td>152</td>
<td>447</td>
<td>437</td>
</tr>
<tr>
<td><strong>R&amp;D performances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unit: case</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amount contributed by developed technologies</strong></td>
<td>365</td>
<td>414</td>
<td>479</td>
</tr>
<tr>
<td><strong>Cases of technological support on overseas projects</strong></td>
<td>63</td>
<td>80</td>
<td>111</td>
</tr>
</tbody>
</table>

### Safety and Health Management

<table>
<thead>
<tr>
<th>Safety and Health Management</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Occupational safety and health</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental awareness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental and health management system</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cases of technological support on overseas projects</strong></td>
<td>63</td>
<td>80</td>
<td>111</td>
</tr>
</tbody>
</table>

### Environment-friendly Management

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cases of technological support on overseas projects</strong></td>
<td>63</td>
<td>80</td>
<td>111</td>
</tr>
</tbody>
</table>

### Usage of non-renewable raw materials

<table>
<thead>
<tr>
<th>Classification</th>
<th>Unit</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Steam</strong></td>
<td>Ton</td>
<td>3,792,912,425</td>
<td>3,907,830,965</td>
<td>3,200,277,999</td>
</tr>
<tr>
<td><strong>Gravel</strong></td>
<td>1000 m3</td>
<td>38.8</td>
<td>109.5</td>
<td>80.3</td>
</tr>
<tr>
<td><strong>Sand</strong></td>
<td>1000 m3</td>
<td>111.8</td>
<td>157.7</td>
<td>97.1</td>
</tr>
<tr>
<td><strong>Concrete</strong></td>
<td>1000 m3</td>
<td>1,950.0</td>
<td>2,115.0</td>
<td>2,463.0</td>
</tr>
<tr>
<td><strong>Steel</strong></td>
<td>Ton</td>
<td>102</td>
<td>132</td>
<td>107</td>
</tr>
<tr>
<td><strong>Gasoline</strong></td>
<td>Ton</td>
<td>21.48</td>
<td>21.64</td>
<td>19.33</td>
</tr>
<tr>
<td><strong>Diesel</strong></td>
<td>Ton</td>
<td>43.79</td>
<td>31.72</td>
<td>25.72</td>
</tr>
<tr>
<td><strong>Kerosene</strong></td>
<td>Ton</td>
<td>10.29</td>
<td>6.98</td>
<td>10.53</td>
</tr>
<tr>
<td><strong>LPG</strong></td>
<td>Ton</td>
<td>5.54</td>
<td>2.73</td>
<td>2.00</td>
</tr>
<tr>
<td><strong>LNG</strong></td>
<td>Ton</td>
<td>12.54</td>
<td>11.56</td>
<td>10.56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Ton</td>
<td>617.21</td>
<td>605.26</td>
<td>581.44</td>
</tr>
</tbody>
</table>

### Energy usage by major business sites

<table>
<thead>
<tr>
<th>Classification</th>
<th>Unit</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Steam</strong></td>
<td>Gcal</td>
<td>1,913</td>
<td>1,758</td>
<td>1,733</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>Ton</td>
<td>562,420</td>
<td>565,000</td>
<td>565,000</td>
</tr>
<tr>
<td><strong>Underground water</strong></td>
<td>Ton</td>
<td>277,730</td>
<td>277,730</td>
<td>277,730</td>
</tr>
<tr>
<td><strong>Recycled water</strong></td>
<td>Ton</td>
<td>17,336</td>
<td>23,200</td>
<td>23,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Ton</td>
<td>1,183,119</td>
<td>856,417</td>
<td>504,117</td>
</tr>
</tbody>
</table>

### Energy and Greenhouse gas

<table>
<thead>
<tr>
<th>Classification</th>
<th>Unit</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Steam</strong></td>
<td>Gcal</td>
<td>1,758</td>
<td>1,733</td>
<td>1,733</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>Ton</td>
<td>565,000</td>
<td>565,000</td>
<td>565,000</td>
</tr>
<tr>
<td><strong>Underground water</strong></td>
<td>Ton</td>
<td>277,730</td>
<td>277,730</td>
<td>277,730</td>
</tr>
<tr>
<td><strong>Recycled water</strong></td>
<td>Ton</td>
<td>23,200</td>
<td>23,200</td>
<td>23,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Ton</td>
<td>1,567,960</td>
<td>1,567,960</td>
<td>1,567,960</td>
</tr>
</tbody>
</table>

### U.S. Emission intensity of energy by WRI (2015) 8.8% to 9.8% of total cause

<table>
<thead>
<tr>
<th>Classification</th>
<th>Unit</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Steam</strong></td>
<td>Gcal</td>
<td>1,758</td>
<td>1,733</td>
<td>1,733</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>Ton</td>
<td>565,000</td>
<td>565,000</td>
<td>565,000</td>
</tr>
<tr>
<td><strong>Underground water</strong></td>
<td>Ton</td>
<td>277,730</td>
<td>277,730</td>
<td>277,730</td>
</tr>
<tr>
<td><strong>Recycled water</strong></td>
<td>Ton</td>
<td>23,200</td>
<td>23,200</td>
<td>23,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Ton</td>
<td>1,567,960</td>
<td>1,567,960</td>
<td>1,567,960</td>
</tr>
</tbody>
</table>

### GRI G4 Information Disclosure

POSCO & E&C discloses information on sustainable management activities and performance in accordance with the core standards of GRI (Global Reporting Initiative) G4 Guidelines.
Assess environmental management of business partners | POSCO E&C is evaluating the status of environmental management by its business partners in order to minimize risks from violations of environmental regulations by the business partner. Violations are notified to the department in charge of the business partner in every month to be reflected on an assessment of the business partner. POSCO E&C encourages its business partners to participate in ‘Voluntary environmental improvement activities’ so that they can identify and mitigate risk factors in advance.

Assess the environmental management of business partners

<table>
<thead>
<tr>
<th>Classification</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
<td>175</td>
<td>166</td>
</tr>
</tbody>
</table>

Clutching human resources | POSCO E&C is conducting systematic education by position so that its executives and employees can grow as experts in their respective fields of work.

Customer Centered Management

Customer satisfaction education | POSCO E&C conducts customer satisfaction education for business headquarters and relevant departments in order to create a positive brand image and to enhance customer satisfaction.

Status of education for customer satisfaction

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of education</td>
<td>8,848</td>
<td>9,128</td>
</tr>
<tr>
<td>Number of participants</td>
<td>1,106</td>
<td>1,032</td>
</tr>
</tbody>
</table>

Preservation of biodiversity | In order to protect animals and plants in accordance with environmental impact evaluations, POSCO E&C is undertaking activities for preserving the ecosystem. In domestic sites, the company conducted activities for plants and wildlife, such as otters and oystercatchers, and plants, such as a Ganghwa Mekhafarium Habitat. If wildlife or plants are discovered in foreign sites, POSCO E&C protects them and moves them to safe places in order to minimize its effects on the local ecosystem.

Respect to Environmental Standards, Laws, and Regulations | POSCO E&C is responding to changes by monitoring environmental standards and regulations in and out of country.

Status on the violation of environmental regulations | POSCO E&C has monitored the environmental regulations for the years 2009 to 2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3</td>
</tr>
<tr>
<td>2010</td>
<td>8</td>
</tr>
<tr>
<td>2011</td>
<td>10</td>
</tr>
<tr>
<td>2012</td>
<td>10</td>
</tr>
<tr>
<td>2013</td>
<td>10</td>
</tr>
<tr>
<td>2014</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>0</td>
</tr>
</tbody>
</table>

Wiset venom Growth

Status of agreements and contracts in consideration of human rights | In order to reinforce the management of human rights by business partners, POSCO E&C has clauses for human rights protection, which reflect international standards such as the Universal Declaration of Human Rights and guidelines on human rights practices, to be applied in all of its contracts.

Status of agreements and contracts considering human rights

<table>
<thead>
<tr>
<th>Classification</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of contracts</td>
<td>1,707</td>
<td>1,784</td>
<td>1,804</td>
</tr>
</tbody>
</table>

Prevent sexual harassment | POSCO E&C has regulated the prohibition of sexual harassment in its ethical charter, which must be abided by all executives and employees, and is managing it with stringency. Employees who commit this code are summarised by the personnel committee, and disciplinary actions such as dismissal and suspension are imposed, depending on the level of behavior. At the same time, when victims want to protect their identities, we protect the executives and employees’ human rights by presenting alternatives such as transfer of department. Disciplinary actions due to sexual harassment over the past three years were taken in two cases in 2013, one case in 2014, and one case in 2015.

Status of education for preventing sexual harassment

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of participants</td>
<td>5,070</td>
<td>5,478</td>
</tr>
</tbody>
</table>

Retirement pension plan | POSCO E&C provides both defined benefit (DB) and defined contribution (DC) retirement pension plans so that its executives and employees can continue to lead stable lives even after retirement.

Deal with Grievances from Executives and Employees | Using the online ‘SiJumpo, POSCO E&C receives reports on corruption and irregularities related to the company or its executives and employees, various complaints regarding sales or poor construction, violations of fair trade in subcontract, etc., unfair relationships between departments, and unfair relationships with business partners. Reports are made anonymously, and the identities of the reporters are protected. Also, a pseudonym bullet board is operated within the company with the purpose of receiving employees’ opinions on complaints, suggestions for improvement, questions, advice for company development, etc. In 2015, 198 opinions have been posted in various fields, such as administration, HR, and IT, with responses given within an average of 1.9 days.

Current status of dealing with grievances from executives and employees

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of complaints by executives and employees that have been received</td>
<td>160</td>
<td>174</td>
</tr>
<tr>
<td>Response time on average</td>
<td>79</td>
<td>78</td>
</tr>
</tbody>
</table>
Statement of Third-party Assurance

This Statement of Third-party Assurance is for readers of sustainability reports, and was written according to the mutual agreement with POSCO E&C.

Terms of Engagement

Lloyd’s Register Quality Assurance Ltd. (LRQA) was requested by POSCO E&C to provide independent assurance on its ‘Sustainability Report 2015-2016’ (hereinafter referred as “Report”). This assurance was carried out in Moderate Level using AA1000AS (2008) of Accountability in accordance with the following criteria of assurance, within the scope of Type 2.

Our assurance engagement covered POSCO E&C’s operations and activities in Korea and specifically the following requirements:

- Evaluation of compliance with principles of comprehensiveness, materiality, and responsiveness of AA1000
- Verification that the Report was written in accordance with GRI G4 Guidelines (Core Option) and guidelines on construction and real estate areas of GRI G4 Guidelines
- Evaluation on accuracy and reliability on data and information regarding the following indices:
  - Economic: Economic outcome(EC1), indirect economic effect(EC7)
  - Environment: Energy(EC6), EN(2), Biodiversity(EC12), EN(13), Emissions(EC15), EN(16), EN(18), CRE(5), Waste and waste disposal(EC12), Products and services(EN(27), Compliance(EC12)
- Society: Employment(EC1, LA(2), LA(3)), Industrial safety and health(HA(6), CRE(8)), Education and training(LA(10), LA(11)), Human rights assessment for suppliers(HR(10), Local community(SO(1), CRE(7), Anti-corruption(SO(4)), Activities impeding competition(SO(5)), Customer safety and health(PR(1), Product and service labelling(PR(5), CRE(8)
- Data and information on suppliers, contractors, and other third party members of POSCO E&C have been excluded from the scope of assurance.

LRQA’s responsibility is only to POSCO E&C. As explained in the last comment, LRQA does not have any liability or responsibility to other persons or organisations on relevant issues.

Responsibility on collection, gathering, analysis, and presentation of all data and information in the report, as well as maintaining effective internal control of the report publication system reside with POSCO E&C. Ultimately, the report has been approved by, and remains the responsibility of POSCO E&C.

LRQA’s Opinions

Based on LRQA’s approach nothing has come to our attention that would cause us to believe that POSCO E&C has not:

- Met the requirements above
- Disclosed all relevant information and performance data (All errors or omissions identified in the assurance process were corrected)
- Included all issues important for stakeholders and readers of the Report

This opinion is based on assurance of Moderate Level, and is derived from Professional Judgment by the assurance evaluator with the criterion of Materiality. Note: The extent of evidence-gathering for a moderate level of assurance engagement is less than for a high level of assurance engagement. Moderate level of assurance engagements focus on aggregated data rather than physically checking source data at sites.

LRQA’s Approach

POSCO E&C’s assurance engagements are carried out in accordance with AA1000AS (2008). The following tasks though were undertaken as part of the evidence-gathering process for this assurance engagement:

- Assessing POSCO E&C’s approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly.
- We reviewed the POSCO E&C’s process for identifying and determining material issues to confirm that the right issues were included in their report. LRQA compared the POSCO E&C’s report against a report of its peers in order to determine if certain issues are reported in a manner that they can be justified. LRQA also tested the filters used by POSCO E&C in determining material issues to evaluate whether POSCO E&C makes informed business decisions that may create opportunities that contribute towards sustainable development.
- The data management system of POSCO E&C was evaluated in order to check for any significant errors, omissions, or incorrect items in the Report. In order to do this, LRQA reviewed the effectiveness of internal assurance as well as procedures, guidelines, and systems for processing data. LRQA also interviewed core personnel who collect and edit data and wrote the drafts of the Report.
- LRQA visited Songdo office and Songdo The Sherry First Park, located in Incheon, in order to review additional data provided by POSCO E&C.
- Checking that the GRI Content Index allows stakeholders to access sustainability performance indicators.

LRQA’s Competence and Independence

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LRQA is POSCO E&C’s certification body for ISO 9001, ISO 14001 and OHSAS 18001. We also provide POSCO E&C with a range of training services related to Management Systems. The verification and certification assessments, together with the training, are the only work undertaken by LRQA for POSCO E&C and as such does not compromise our independence or impartiality.

Observations

Further observations and findings, made during the assurance engagement, are:

Stakeholder Inclusivity | We are not aware of any key stakeholder groups that have been excluded from POSCO E&C’s stakeholder engagement process.

Materiality | It should be noted that POSCO E&C has established extensive criteria for determining material issues/ aspects and that these criteria are not based to POSCO E&C’s management. We are not aware of any material issues concerning POSCO E&C’s sustainability performance that have been excluded from the report.

Responsiveness | POSCO E&C has developed their sustainability management strategies in a broad spectrum. POSCO E&C uses the Report to report the progress of its strategies for sustainable management.

Reliability | POSCO E&C owns a reliable data management system such as POEMS (POSCO E&C environmental management system). However, in order to enhance the reliability of some data, it needs to conduct documentation of reporting criteria, such as criteria for data calculation.

July 12, 2016

Assurance Team Leader, Tae-Kyungh Kim
UN Global Compact

POSCO E&C has announced in 2012 its resolution to comply with ten major principles for social responsibilities including human rights, labor, environment, and anti-corruption by joining the UN Global Compact. POSCO E&C aims to sincerely fulfill its corporate social responsibility by reflecting international standards on sustainable management and by conducting various activities related to such standards.

UN SDGs

POSCO E&C supports the Sustainable Development Goals (SDGs) announced by the UN, and is carrying out activities for the sustainable management of POSCO E&C in relation to 17 major SDGs in order to fulfill its social responsibilities as a global corporate citizen. POSCO E&C plans to prioritize and execute 17 major SDGs that are related to the businesses of POSCO, and to allow for transparent communication about the activities.

UN Global Compact

POSCO E&C has announced in 2012 its resolution to comply with ten major principles for social responsibilities including human rights, labor, environment, and anti-corruption by joining the UN Global Compact. POSCO E&C aims to sincerely fulfill its corporate social responsibility by reflecting international standards on sustainable management and by conducting various activities related to such standards.
## Awards & Association Membership

### Awards in 2015

<table>
<thead>
<tr>
<th>Date</th>
<th>Award Title/Description</th>
<th>Awarded by</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>Silver Award on Water Resource Special Award from Korea Water Resources Association</td>
<td>Korea Water Resources Association</td>
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<tr>
<td>January</td>
<td>Special Award from Korea Society of Coastal and Ocean Engineers</td>
<td>Korean Society of Coastal and Ocean Engineers</td>
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<tr>
<td>February</td>
<td>Award from Vietnam Ministry of Transportation (Inaug. No. 10 of the 10th Vietnam Free Port Authority)</td>
<td>Vietnam Ministry of Transportation</td>
</tr>
<tr>
<td>March</td>
<td>Silver Award for the Year's Civil Engineering Structure for the 18th Day of Civil Engineering (Songjeong-Siljim Park)</td>
<td>Korean Society of Civil Engineers</td>
</tr>
<tr>
<td>April</td>
<td>Award for excellent construction site in 2015 from Korea Land &amp; Housing Corporation (Housing site construction in Samsung, Goyang)</td>
<td>Korea Land &amp; Housing Corporation</td>
</tr>
<tr>
<td>July</td>
<td>Grand Prize for Super Quality in the first half of 2015 from Yeongnam Headquarters of Korea Rail Network Authority</td>
<td>Yeongnam Headquarters of Korea Rail Network Authority</td>
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<td></td>
<td>Grand Prize for presentation contest on excellent cases of non-disaster campaign and compliance with safety rules in 2015 business sites (Development of Berjaya Jeju Resort)</td>
<td>Ministry of Employment &amp; Labor, Korea Occupational Safety and Health Agency</td>
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<td></td>
<td>Grand Prize on green energy for 2015 Representative Apartments in Korea Award (Sun The Sharp Greenest)</td>
<td>WWF Korea &amp; Korea Energy TV</td>
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<td></td>
<td>Grand Prize on 2015 Eco-Friendly Construction Industry Award</td>
<td>Minister of Land, Infrastructure &amp; Transport</td>
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<tr>
<td>August</td>
<td>Grand Prize in 2015 Korea Luxury Housing (Korea's The Sharp Manor)</td>
<td>Korea Today</td>
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<tr>
<td>September</td>
<td>Power Plant Award Awards of 2015; Gold Award for Gas Power Project of the Year (Ansan Combined Cycle Power Plant)</td>
<td>Power Engineering International Magazine</td>
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<td></td>
<td>Power Plant Award Awards of 2015; Gold Award for Coal-Fired Power Plant of the Year (PSO)</td>
<td>Power Engineering International Magazine</td>
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<tr>
<td></td>
<td>(PSOCO Combined Cycle Power Plant units 7, 8, 9)</td>
<td></td>
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<tr>
<td>November</td>
<td>Selected as 2015 exemplary environmental business site (Civil engineering construction for Seoul complex unit 1-2), Grand Prize for 2015 Superior Quality Project for Environmental Protection from Korea Rail Network Authority, Grand Prize for 2015 Super Quality Project for Environmental Protection in 2015, Grand Prize for 2015 Super Quality Project for Environmental Protection in 2015 (Ansan Combined Cycle Power Plant)</td>
<td>Governor of Daegu Province</td>
</tr>
<tr>
<td>October</td>
<td>Award from Hon. of Cheonan Branch, Director of Employment and Labor (Cheonan Banseok The Sharp Apartments)</td>
<td>Daegu Regional Ministry of Employment and Labor</td>
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<td></td>
<td>Award of Contribution in Commemoration of 70th Anniversary of Architectural Institute of Korea</td>
<td>Architectural Institute of Korea</td>
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<tr>
<td>November</td>
<td>Award Certificate from Mayor of Incheon</td>
<td>Mayor of Incheon</td>
</tr>
<tr>
<td>December</td>
<td>Selected as The Salvation Army BEST DONOR CLUB</td>
<td>Commander of The Salvation Army / Korea</td>
</tr>
</tbody>
</table>

### Association Membership

**Classification**
- Types of association and organization
- Labor Relations: Korean Professional Engineer Association (KPEA), Korea Construction Engineers Association.
- Safety & Health: Korea Association of Occupational Health Nurses, Korea Fire Facility Association.
- Ethics & Management: The Institute of Internal Auditors, BEST Forum (Business Ethics and Sustainability management for Top performance).
- Local Communities: Pohang steel industrial complex, Gyeyang Police Administration Advancement Committee, Pohang Local Development Council, South Pohang Police Administration Advancement Committee, North Pohang Police Security Coordination Council.

**Contributors to the Report**
- Gi-Hwan Kim, Dae-Ho Kim, Eun-Kyung Kim, Byeong-Yu Park, Sang-Yu Park, Young-Gin Park, Jae-Ho Park, Byung-Qi Park, Hyun-Soo Seo, Si-Won Shin, Hyoung Yang, Bong-Woo, Lee, Hee-Soo Lee, Yoon-Jae, Hyun-Jae, Gyeyang Seok Choi, Jung-Hwa Choi, Han-Min Hye

We sincerely appreciate all the people who helped to publish the sustainability report.

POSCO E&C Sustainability Report 2015-2016

For more detailed information on our sustainability report, please visit our website, where you can download a PDF version.

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**Address**
- POSCO E&C Tower 1, 241, Incheon town-daero, Yeonsu-gu, Incheon, Korea
- +82. 32. 748. 3737

**Website**
- www.poscoenc.com

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