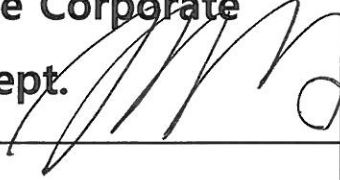


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To: Orest Nowosad Officer in charge Special Procedures Branch OHCHR	From: Jeong-woo Choi Executive Vice President in charge Corporate Audit Dept. 
Fax No. : (+41-22) 917 9006 Tel No. : (+41-22) 917 9359	Fax No. : (+82-02) 3457 1917 Tel No. :
Date: 24 January 2014	
Subject: Reply to a Joint Allegation Letter sent by the Special Rapporteur on extreme poverty and human rights	

Please find attached a reply composed of 7 Q&As to a Joint Allegation Letter sent by the Special Rapporteur on extreme poverty and human rights

Response to United Nations

(Q 1) Are the facts summarized accurate?

The facts regarding the allegation of violation of human rights due to POSCO's Odisha Project are not accurate

There are some people who are likely to be displaced by the project, but it is clearly stated that there has been no forced eviction for Odisha project till date

POSCO needs 4,004 Ac of land for Odisha project for which 466 families are likely to be displaced. There is a broad mutual understanding between POSCO and these 466 families on R&R (Resettlement & Rehabilitation) compensation package by prior consultation

The NGOs insists that police was mobilized in order to surround the villages restricting the freedom of movement of local residents. But it is a false allegation, the mobilization of the police force was made to maintain the law and order and to safeguard the villagers who wrote letter to the district officer to provide police protection

Although POSCO doesn't have responsibility for these issues, POSCO will make full efforts to resolve it peacefully in concurrence with the Odisha Govt.

POSCO will pursue this project while complying with the principles of respecting for the human rights in order to prevent any occurrence of any violation in advance in course of the project progress

Also, there is no destruction of the environment, such as damage to

forests, which causes violations of human rights by threatening the livelihood of the villagers

POSCO has been complying with all applicable Indian laws and regulations related to environment, forest, land etc. and will continue to do so

(Q 2) How has POSCO sought to meet its responsibility to respect human rights as detailed the Guiding Principle 16?

More specifically, what steps have been taken to reflect POSCO's commitment to comply with international human rights standards in its operational policies and procedures?

POSCO's Code of Conduct provides respect for human rights (We will respect the fundamental human rights of each individual including his/her dignity and privacy / We will comply with international conventions on human rights, the environment, culture, and trade as well as local laws and accounting standards in every country we operate in). And POSCO has been complying with it

In particular, POSCO provides for prevention of sexual harassment and respect for the locally hired foreign employees as a part of the respect for human rights

To this end, POSCO is operating the global sexual harassment Counseling Center (+ 82-080-066-8585, ethics@posco.com) for all employees

And the head office of POSCO directly visits the overseas subsidiaries

where relatively high potential human rights violations exist such as subsidiaries located in developing countries to conduct collective ethical training and hold interview-type ethical session including overseas presidents annually since 2010

Corporate Audit Dept. of POSCO visited overseas subsidiaries in China and Mexico in 2013

POSCO as the world's leading steel company is now establishing a new Code of Conduct based on the principle of respect for the human rights

For this, we completed a draft of a new Code of Conduct with the global consulting firm, PwC, last year. The new Code of Conduct provides for the respect for human rights above the level required by global standards and regulations such UN Global Compact 10 principles and UN John Ruggie Guiding Principles

POSCO will declare the New Code of Conduct in the first half, 2014. We will also deliver the human right part of the new Code of Conduct to the UN before declaration, and request a review if it is necessary

Last year, POSCO has declared the Happiness management as a new ethical management amid marking the 10th anniversary of declaration of Code of Conduct. The core value of the Happiness management is respect for human rights essentially because it is pursuing happiness of various stakeholders around POSCO

The vision is 'Happy Together for a Better World', of which 3 core values are as below

- Better Tomorrow: business management for a better and happier world

- Fair interests: business management for public and social contribution
- Mutual Success: business management for shared growth and development

(Q 3) What actions has POSCO carried out to fulfill its responsibilities under Guiding Principle 18?

More specifically, has POSCO sought to identify and assess, including through meaningful consultation with potentially affected groups, any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships?

POSCO has established the Code of Conduct which contains principles on human rights and trained consistently our domestic employees as well as overseas employees

This allows POSCO to recognize risks about human rights in advance and we always make best effort to prevent those risks simultaneously

Upon completion of the New Code of Conduct, a process of Due Diligence will be set up for diagnosing and evaluating the negative impact of overseas business-related human rights violations

In addition, to prevent violations of human rights and to strengthen respect for human rights, POSCO enthusiastically strives to concentrate on ethics education before any other global company

(Q 4) What actions has POSCO carried out to fulfill its responsibilities under Guiding Principle 23?

More specifically, what measures have been taken to ensure that POSCO “comply with all applicable laws”, which in this case would include the provision of Forest Rights Act?

POSCO has been complying with all applicable Indian laws and regulations related to environment, forest, land etc

POSCO has been fulfilling the conditions of Environmental Clearance and Environmental Impact Assessment for abiding by Environment Protection Act, Forest Conservation Act, Environmental Clearance etc.

For your reference, POSCO’s Steel Plant Environmental Clearance has been reviewed 10 times and port Environmental Clearance 10 times by various authorities in the past 7 years

POSCO will continue to fully observe relevant laws and regulations in its operations in India

< Steel Plant Environmental Clearance(2007~2014) >

- 27.04.2007: POSCO applied to MOEF for grant of steel plant EC
- 05.06.2007: EAC considered POSCO’s application
- 19~21.06.2007: EAC considered again and recommended grant of EC
- 19.07.2007: MOEF granted steel plant EC with certain conditions
- 28.07.2010: MOEF constituted Meena Gupta Committee to look into EC compliance
- 27.10.2010: EAC reviewed Meena Gupta Committee reports

- 23.11.2010: EAC again reviewed the Meena Gupta Committee reports
- 14.12.2010: EAC prescribed additional conditions and cleared the EC
- 31.01.2011: MOEF attached additional conditions to the EC by a new committee
- 30.03.2012: NGT ordered review of additional conditions
- 24.05.2012: POSCO applied to the MOEF for revalidation of EC
- 14.06.2012: MOEF recommended revalidation but MOEF withheld the order
- 29.05.2012: MOEF constituted Roy Paul Committee to review additional conditions
- 22.10.2012: Roy Paul Committee submitted report to MOEF with Recommendations
- 06.03.2013: EAC considered POSCO's EC revalidation and recommendations
- 16.05.2013: EAC recommended revalidation with additional conditions
- 28.05.2013: NGT directed status quo on tree-felling as no EC order
- 07.01.2014: MOEF issued EC revalidation order

< Port Environmental Clearance(2006~2014) >

- 14.09.2006: POSCO applied to MOEF for grant of EC for captive port
- 16.11.2006: EAC considered application and sought further clarifications
- 19~20.04.2007: EAC again considered and finally recommended grant of port EC
- 15.05.2007: MOEF granted port EC with certain conditions
- 28.07.2010: MOEF constituted Meena Gupta Committee to look into EC compliance
- 18.10.2010: Meena Gupta Committee submitted reports
- 09~10.11.2010: EAC reviewed Meena Gupta Committee reports
- 30.11.2010: EAC reviewed the Meena Gupta Committee reports again
- 01~02.12.2010: EAC reviewed Meena Gupta Committee reports again

- 25.01.2011: EAC reviewed again and finally cleared the EC
- 31.01.2011: MOEF attached additional conditions to the EC
- 30.03.2012: NGT ordered review of additional conditions
- 24.04.2012: POSCO applied to MOEF for EC revalidation
- 04.06.2012: EAC considered application and sought additional information
- 25.06.2012: POSCO requested Odisha Govt to give CRZ recommendation
- 26.06.2012: Odisha Govt asked for fresh CRZ Clearance
- 16.07.2012: POSCO engaged MN Dastur & Company to prepare documents
- 18.10.2012: POSCO engaged NIO to carry out fresh CRZ survey
- 18.01.2013: POSCO engaged consultants to do marine sampling and monitoring
- 18.09.2013: POSCO submitted application to Odisha Govt.

< Forest Clearance & Forest Rights >

- 26.06.2007: Odisha Govt recommended Forest Diversion Proposal to MOEF
- 09.08.2007: FAC examined FDP, made recommendations for diversion
- 14.11.2007: CEC examined FAC recommendation
- 08.08.2008: Supreme Court of India cleared FDP, appointed Patnaik Committee to suggest mitigating measure to be adopted by POSCO
- 19.09.2008: MOEF granted in-principle approval, subject to conditions
- 30.10.2008: Odisha Govt constituted Patnaik Committee
- 04.11.2008: Odisha Govt. asked POSCO to pay an evaluated royalty for trees
- 06.11.2009: POSCO deposited Rs. 105,39,72,314
- 03.12.2009: Odisha Govt furnished the compliance report to MOEF
- 29.12.2009: MOEF granted final forest diversion approval

- 13.04.2010: MOEF made Saxena Committee to study compliance of Forest Rights Act, 2006
- 04.08.2010: Saxena Committee reported some lapse in compliance
- 05.08.2010: MOEF asked Odisha Govt to stop transferring land to POSCO
- 28.07.2010: MOEF constituted Meena Gupta Committee to look into forest rights
- 18.10.2010: Meena Gupta Committee submitted reports, later reviewed by FAC
- 04.05.2011: After obtaining categorical assurance from Odisha Govt that there were no tribals and other traditional forest dwellers in the project site, MOEF confirmed final approval
- 02.06.2011: IDCO requested DFO, Rajnagar for permission to remove trees
- 25.08.2012: A meeting regarding disposal of felling of trees was conducted and it was decided that the IDCO would dispose off the 100 per cent of the felled trees among the villagers free of cost as fuel wood
- 28.05.2013: NGT passed stay order on tree-cutting. The case is in progress

* Abbreviations:

EAC: Expert Appraisal Committee

MOEF: Ministry of Environment & Forests

EC: Environment Clearance

FAC: Forest Advisory Committee

NGT: National Green Tribunal

IDCO: Odisha Industrial Development Corporation

DFO: District Forest Officer

FDP: Forest Diversion Proposal

CEC: Central Empowered Committee

FC: Forest Clearance

CRZ: Coastal Regulation Zone

(Q 5) How has POSCO carried out its responsibilities under Guiding Principle 19?

More specifically, has POSCO taken appropriate action to prevent and mitigate against any adverse human rights impacts that may arise as a result of their project?

As approved by the Odisha State Government, the RPDAC (the Rehabilitation and Peripheral Development Advisory Committee) has representatives of all stakeholders including the representative of displaced family and affected family(male & female), the elected Panchayat Raj bodies, local MLA(Member of Legislative Assembly), MP(Member of Parliament), NGOs and representative from the Government and other stakeholders to listen to voices and concerns before deciding the quantum of compensation

In 2006, POSCO India conducted a socio-economic survey by the reputed Xavier Institute of Management(XIMB) and opinions of affected people contained in the survey were reflected to the Resettlement & Rehabilitation(R&R) Package

POSCO has so far held more than 170 mass meetings and 1,360 individual meetings with the people in the project sites for recognizing risk factors and damages to local residents as well as their needs in advance

POSCO will be in the process of Due Diligence for diagnosing and evaluating effectively the negative impact on human rights in regard to overseas business after establishing the New Code of Conduct.

(Q 6) What actions has POSCO carried out to fulfill its responsibilities under Guiding Principle 20 and 21?

More specifically,

- a. How does POSCO track the effectiveness of measures taken to prevent and mitigate against any adverse human rights impacts, including through consultation with affected stakeholders?
- b. How does POSCO communicate to the locally affected people and the wider public about the actions it takes to prevent and mitigate against any adverse human rights impacts?

a. For the settlement of respect for human rights in global subsidiary of POSCO, Corporate Audit department at the head office has conducted annual surveys regarding the practice of ethics and collected meaningful data

In the survey's contents, human rights violations, such as inappropriate manner cases, sexual harassment cases, conflicts in the local culture are researched comprehensively. Through the result, prevention for negative effect to human rights or degree of effectiveness in company's local business policies have been diagnosed

And then, on the basis of the survey's results POSCO has been implementing sessions for overseas corporations' CEOs and reflects to training for sojourning employees and global staffs

Although this is not highly professional method, POSCO believes that it is highly meaningful efforts

Henceforward, as the New Code of Conduct is completed, due diligence process for detecting and evaluating human rights negative effect or abuse in overseas businesses will be operated

- b. The local offices at Paradip and Nuagaon are equipped with personnel having adequate knowledge, experience and expertise to handle the social aspects of the issues. Sharing and being with the community is an enriching experience for POSCO. Although all the POSCO's overseas subsidiaries do not establish the communication channels related with human rights, POSCO-India where Odisha project is being carried has exerted every efforts in communication with local residents

POSCO has put an emphasis on communication with local residents, stakeholders and had 170 group meetings, 1360 individual meetings at present

Especially, the RPDAC has been organized with representatives of all Odisha project's stakeholders including the government agent, municipal assemblyman, representatives of NGO based on Odisha state's law and confirmed R&R over twice official meetings (September. 2006, July 2010)

In addition, POSCO-India is actively performing in communication with local residents by participating various events such as resident's festival

(Q 7) How has POSCO carried out its responsibilities under Guiding Principle 29?

More specifically, what operational-level grievance mechanisms have POSCO established or participated in that effectively address operational-level grievances?

POSCO is operating a process to receive human rights report and consult by various methods. For example, hot and help line center is operated for employees at home/abroad including phone, mail, email, visitation, smart phone app and also for outsiders and rapidly proceed thorough investigation

Subsequent disciplinary actions proceeded by each department and training and consulting activities have steadily been conducted in parallel

< POSCO' S suggestion regarding human rights local due diligence in Odisha project >

POSCO has intention to proceed due diligence by invitation of experts from various fields to check and confirm with reference to whether human rights in POSCO's Odisha project is abused or not and officially suggests it

* A counterpart to due diligence: HO -CHAN RYU, Vice President

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However, there needs to be a condition that the delegation should be organized with qualified candidates to perform due diligence in neutral place and main concerned people such as POSCO-India, UN working group, NGOs proceed prior consultation in advance

After the delegation is formed, in a proper time, POSCO India will check and identify whether human rights in POSCO's Odisha project are abused or not and humbly accept the results. Therefore POSCO will exert to address the concerns if there is something to be improved

On the other hand, if it is confirmed that human rights abuse concerns are noticeably minor, contrary to the UN's official statement and claims from NGO, POSCO requests that UN and NGO will appraise and publicly support POSCO's effort in respect for human rights

