About This Report

Features of This Report
This report is the first sustainability report published to disclose the economic, social and environmental sustainability management efforts and performance of the Ulsan Port Authority (UPA) as well as future activities with stakeholders. We at UPA are committed to becoming a transparent public corporation sharing information and communicating with stakeholders by publishing the sustainability report annually.

Standards for Drawing up This Report
This report has been drawn up based on GRI G3.1 Guidelines, the international standards for sustainability management reporting. It has also reflected ISO 26000 items as the international standards for social responsibility.

Reporting Period and Scope
This report has been drawn up based on UPA’s data on sustainability management activities from January 2012 through December 2012. Some activities in the first half of 2013 have been included in this report since such performance has been judged to be meaningful. This report discloses data for three years from 2010 to aid in the understanding of quantitative performance. The currency unit was Korean Won (KRW), and various measuring units have been separately used in the report.

Assurance
The reported details have undergone the final checking procedure by internal working-level staff, and they have been assured by an independent external agency to enhance the accuracy and reliability of this report. The assurance provider has confirmed that this report is rated A+ in terms of the level of application of G3.1 Guidelines. For assurance opinions, see the appendix of this report.

Additional Information and Feedback on this Report
This report has been published in Korean and English; anybody including stakeholders can read and check this report on UPA’s Website (http://www.upa.or.kr). For your opinions on this report, feel free to use the questionnaire at the end of this report or make an inquiry using the following contact information:

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Dept.: Strategic Planning Department of UPA
Greetings!
This is the president of the Ulsan Port Authority (UPA).

Amid the persistent uncertainties of the global economy in 2012, UPA has made enormous efforts to improve port operational service and expand infrastructure. The Port of Ulsan has recorded the highest cargo volume since it was opened; it has positioned itself as a leading central port of Korea’s industrial logistics and a hub port of liquid logistics in Northeast Asia, ranking no. 1 in Korea and No. 4 in the world in terms of liquid cargo volume.

Despite its nature as a public agency operated by a small number of personnel and short history of five years, UPA won the Quality Management Prize (presidential citation in Korea) in the National Quality Management Convention as the first public port authority to do so, thanks to various management innovation efforts including the enhancement of management efficiency. We also acquired ISO 14001, the eco-friendly certification, for the first time among Korean ports; thus we have been recognized for our endeavor to build an environmental management system for the port. All in all, we have become a company that receives social attention. In fact, UPA can become a company benchmarked by other corporations by overcoming its limitations as a latecomer in the industry.

UPA’s remarkable growth in such a short period of time is attributable to the passion and efforts of all our employees dedicated to responding actively to environmental changes, achievement of organizational goal, and constant support and encouragement of stakeholders based on deep trust. Thus, I would like to deliver my heartfelt thanks to our employees and stakeholders.

Today, social contribution activities are widely recognized as an issue of survival—rather than a choice—in both public and private sectors. This means that social contribution activities emerge as a core factor to realize sustainability management, beyond being simple charity activities.

We can see why the strategy of creating shared value (CSV), which pursues both corporate competitiveness enhancement and social development, is emphasized beyond corporate social responsibility that focuses on company growth through good legal, economic, and ethical activities of the company.

Given such global trend, UPA as a corporate citizen is committed to realizing a better world to live based on understanding and bond of sympathy in the community by fulfilling its corporate social responsibility (CSR) and through communicating with various stakeholders.

My dear stakeholders!

The year 2013 is a significant year for UPA, since it marks the 50th anniversary of the Port of Ulsan’s opening. Moreover, this year will be an important year to prepare for the second take-off including the hinterland shaping project of Ulsan New Port and a project to build Northeast Asia’s Oil Hub.

Therefore, we publish our first sustainability report describing our performance and efforts to realize our vision of “First-class liquid logistics hub port” and our dream of a “Better Tomorrow” through sharing and communicating with communities so that more people including stakeholders understand UPA. We at UPA will strive to grow into the 21st century’s liquid logistics-centered port in Northeast Asia by enhancing port competitiveness and securing future-growth engines. I cordially ask for your constant interest and support so that our sustainability management activities can evolve further.

Thank you.
### Building the Port of Ulsan as Northeast Asia’s Oil Hub

UPA is implementing a project to build the Port of Ulsan as an oil hub in Northeast Asia jointly with Korea National Oil Corporation. Having been selected as a state project, the oil hub project to develop Ulsan New Port by injecting KRW 1.5 trillion from 2010 to 2023 is set to build 9 berths for 350,000-ton ships, 8,000,000mt site development, and 26.60-milions barrels of storage tanks. The first phase of construction of North Port infrastructure with capacity of 930 million barrels will be launched in the second half of 2013. Completion is targeted in 2016. This production effect of the oil hub project is extended to be KRW 4.5 trillion, with employment effect of 22,000 people. The successful implementation of the project is expected to contribute considerably to national and local economic development through reciprocal growth of associated industries such as storage, transport, logistics, and financing industries.

### Porting Surplus Management for 4 Years in a Row, Receiving Presidential Citation in Quality Management Awards

UPA maintained stable financial structure by realizing surplus management for six years in a row since its establishment on July 5, 2007. It also posted record high sales of KRW 62.9 billion in 2012. We contribute to national finance by allocating high dividends of more than 25% for the past four years to the government via surplus management. UPA’s propensity to dividend was 29.5% in 2012, the highest among state-affiliated public agencies. As a result of promoting the quality management system, in addition to efforts to bolster financial soundness, we won the quality management presidential citation in the quality organization sector at the 38th National Quality Management Convention. As the first public port management agency to do so, in recognition of our contribution to the improvement of national industrial competitiveness by spearheading quality management activities.

### Enhancing Customer Convenience and Reducing the Demurrage Rate through the Enhancement of Port Operation Efficiency

UPA has built a berth operation support system for the first time among Korean ports and has enhanced customer convenience considerably. Port users’ inconvenience has declined considerably with the provision of real-time berth allocation result online instead of the previous offline manual mode. We also installed identification lights at the wharf angular positions and protruding breakwaters so that ships can easily arrive and depart at night. In addition, nighttime loading/unloading safety has been dramatically improved by replacing lights with highly efficient LED lights with wharf lighting of at least 75 lux. By executing nighttime and holiday loading/unloading in collaboration with loading/unloading companies and port transportation unions to reduce demurrage of carriers of auxiliary raw materials of animal feed, the demurrage rate fell from 5.1% in 2011 to 3.8% in 2012.

### Realizing Community-Centered Sharing Management

UPA practices social responsibility management by carrying out community-oriented social contribution activities. We offer port tour services all-year-round for the elderly, disabled, social welfare facilities, related organizations, and citizens who had difficulties accessing the port due to special attributes including security. Since 2007, we have been implementing a project of Hopeful Nest to improve the interior residential environment in Ulsan City through repair in linkage with the school foundation. By organizing a Talent Developing Volunteer Service Group in November, we enacted knowledge sharing beyond simple volunteer services including study-room operation and foreign language learning assistance. We were named best sustainability management company in the 2013 Korea Management Awards organized and sponsored by the Korea Society of Corporate Citizenship, Ministry of Trade, Industry, and Energy, and Ministry of Science, ICT, and Future Planning. In recognition of our activities, UPA will strive to diffuse a sharing culture through constant aid to communities and neighbors.

### Zero Irregularities by Consolidating Ethical Management

We have maintained zero irregularities since UPA’s search through the consolidation of ethical management system including systematical integrity education, active implementation of integrity policies such as building a clean belt of Ulsan Port, proactive enforcement of one-strike-out system, and prevention-oriented internal control activity through risk-based audit system and e-audit system. We were named excellent agency during the 2012 assessment of public office service management by the government. Such assessment turns out to establish strict public office discipline and embody public ethics that every society trusts.

### Completing the Port of Ulsan Marine Center, Acquiring Grade 1 in Energy Efficiency

UPA carried out the construction of its new company building in the hinterland of Ulsan Port to ensure smooth support of shipping and port business. The Port of Ulsan Marine Center was completed on January 29, 2012. Facilities with various purposes such as business spaces, multipurpose hall, conference room, and fitness center were built. By installing the Port of Ulsan Publicity Hall and an observation deck and opening these facilities to the general public free of charge, we help people know about the Port of Ulsan. The Marine Center reduced energy consumption by 50% vs. general architecture by using highly efficient and certified materials and renewable energy. Furthermore, the center acquired from the Korea Institute of Construction Technology-grade 1 certification in architecture energy efficiency for the first time in Ulsan City. The Marine Center is expected to spearhead green growth as an eco-friendly building, not to mention energy efficiency improvement.

### Post Table

<table>
<thead>
<tr>
<th>Country</th>
<th>Storage (Million barrels)</th>
<th>Refinement (Million b/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARA</td>
<td>100</td>
<td>1.09</td>
</tr>
<tr>
<td>ULSAN</td>
<td>50</td>
<td>1.23</td>
</tr>
<tr>
<td>Russia</td>
<td>60</td>
<td>1.42</td>
</tr>
<tr>
<td>Canada</td>
<td>60</td>
<td>0.69</td>
</tr>
<tr>
<td>Kobe</td>
<td>60</td>
<td>2.52</td>
</tr>
<tr>
<td>US GULF</td>
<td>206</td>
<td>2.09</td>
</tr>
<tr>
<td>SINGAPORE</td>
<td>146</td>
<td>1.06</td>
</tr>
</tbody>
</table>

* Year 2007 indicates the result from July 5 to December 31, 2007.
About UPA

UPA constantly endeavors to enhance the business competitiveness of the Port of Ulsan, the 21st century’s liquid logistics-centered port in Northeast Asia.

Background and Purpose of Establishment

With the Port Authority Act enacted in May 2003 and its enforcement ordinance established in November 2003, the Ulsan Port Authority (UPA) was established on July 5, 2007 based on the enforcement ordinance. Following the government’s adoption of corporate management principle in port management and operation, UPA was launched as a public agency in the fashion of Ulsan Port Authority by taking over the relevant business from the state agency. The purpose of establishment is to contribute to national economic development by fostering the Port of Ulsan as a highly competitive shipping logistics hub.

Major Tasks

UPA mainly undertakes the following development, management, and operation of port facilities; development, management, and operation of logistics terminal and hinterland; survey, research, and development of Ulsan Port; human resources fostering; execution of supplementary businesses; and investment and contribution in relation to the Port of Ulsan.

Role of UPA

Contribute to national economic development

Enhance expertise, professionalism, and efficiency with regard to the Port of Ulsan’s development, management, and operation

Feature the Port of Ulsan as a highly competitive shipping logistics hub

Organization

The organization of UPA consists of two divisions, two departments, and seven teams. Under the Management Division are three departments: Strategic Planning Dept., Management Support Team, and Finance and Accounting Team. The Operation Division has four departments: Logistics Planning Dept., Business Development Team, Port Operation Team, and Port Construction Team. The Customer Satisfaction Team is under the President’s direct supervision, with the Audit Team directly supervised by the Auditor.

Major Businesses

UPA manages and operates the Ulsan Main Port, Onsan Port, Mipo Port, and Ulsan New Port based on geographical location and functions. The Port of Ulsan is Korea’s largest industrial port located at the southeastern tip of the Korean Peninsula and also the country’s top liquid cargo handling port (about 80% of cargo handled is liquid cargo). The Port of Ulsan is located in the main route of the world’s liquid cargo transportation, with large-scale liquid cargo storage facilities located in hinterland.

Major Businesses

Execution of construction, repair, maintenance, and dredging of port facilities; port management and operation

Businesses entrusted by the central and local governments in relation to the construction, management, and operation of port facilities

Survey, research, technology development, and HR fostering in the port business

Construction and operation of amenities and welfare facilities for port users’ convenience

Businesses entrusted by the central and local governments

Developing, managing, and operating foreign ports

Awards

- Presidential Prize during the National Quality Awards (public sector) 2012
- Sustainability Management Grand Prize during the Korea Management Awards 2013
- Presidential Prize during the National Quality Awards (public sector) 2012
- Korea Institute of Maritime Law 2012
- Korea Electronic Engineers Association 2012
- Korea Fire Safety Association 2012
- National Quality Award Winner, Consumer Association 2012
- Federation of Korean Maritime Industries 2013
- International Logistics Research Society 2013

Status of Membership in Associations

<table>
<thead>
<tr>
<th>Organization</th>
<th>Year joined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea Fire Safety Association</td>
<td>2012</td>
</tr>
<tr>
<td>Korea Institute of Maritime Law</td>
<td>2012</td>
</tr>
<tr>
<td>Korea Electronic Engineers Association</td>
<td>2012</td>
</tr>
<tr>
<td>Korea Emergency Plan Council</td>
<td>2012</td>
</tr>
<tr>
<td>Korea Ports &amp; Harbor Association</td>
<td>2012</td>
</tr>
<tr>
<td>Security Council of National Strategic Facilities</td>
<td>2009</td>
</tr>
<tr>
<td>Institute of Internal Auditors</td>
<td>2011</td>
</tr>
<tr>
<td>Korea Association of World Association for Waterborne Transport Infrastructure (PIANC)</td>
<td>2012</td>
</tr>
<tr>
<td>Ulsan Chamber of Commerce and Industry</td>
<td>2009</td>
</tr>
<tr>
<td>Korea Ports &amp; Harbor Association</td>
<td>2012</td>
</tr>
<tr>
<td>International Association of Ports and Harbors (IAPH)</td>
<td>2013</td>
</tr>
<tr>
<td>Korea Emergency Plan Council</td>
<td>2010</td>
</tr>
<tr>
<td>Korea Ports &amp; Harbor Association</td>
<td>2012</td>
</tr>
<tr>
<td>Korea Institute of Maritime Law</td>
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<td>Institute of Internal Auditors</td>
<td>2011</td>
</tr>
<tr>
<td>Korea Association of World Association for Waterborne Transport Infrastructure (PIANC)</td>
<td>2012</td>
</tr>
<tr>
<td>Ulsan Economic Forum of Samsung Economic Research Institute</td>
<td>2012</td>
</tr>
<tr>
<td>Korea Institute of Maritime Law</td>
<td>2012</td>
</tr>
<tr>
<td>Korea Electronic Engineers Association</td>
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</tr>
<tr>
<td>Federation of Korean Maritime Industries</td>
<td>2013</td>
</tr>
<tr>
<td>International Logistics Research Society</td>
<td>2013</td>
</tr>
</tbody>
</table>
Vision and Strategy

Vision and Strategic Goal

UPA has established its vision of “First-class liquid logistics hub port” to embody a first-class port providing top-tier, prime services by specializing in the logistics of liquid cargo-the Port of Ulsan’s major export & import item-together with oil and petrochemical resources and industrial goods. We realize our vision and mission, we have set four strategic goals: taking off as a global port; securing future growth engines; sustainability management; and; enhancement of corporate value.

Management Goals (2020)
Taking into account our vision, industrial environment, and strategic goals, we have set three management goals: 200 million tons of liquid cargo volume by 2020; building infrastructure equipped with 74 berths and 51 million bbl of storage tank; and realization of top-tier customer satisfaction in the port management and operation industry. We are continuously making efforts to realize our establishment goal and vision by achieving our management goals by 2020.

Major Tasks to Implement according to Strategic Goals
UPA has deduced 4 strategic goals, 12 strategic tasks, and 15 detailed tasks to enforce from 3C standpoint-internal operation aspect (company), customer-responding aspect (customer), and external environment-responding aspect (competitor)-based on future management environment change. For each strategic task, specifically measured and non-measured targets were set by identifying three-year, mid-term management goals. We have actually established a system wherein annual targets can be implemented in linkage with budget allocation based on one-year operation plans.
Management Philosophy
Core Values
UPA has set sustainability, trust, and creativity as its core values based on unchanging principles and standards for mission and vision realization from four standpoints: organizational vision & philosophy, management environment & management strategy, strengths & weaknesses, and advanced company cases to establish unique core values. Sustainability means pursuing corporate sustainability while securing the basis for constant growth to embody the world's top liquid logistics port, including comprehensively considering economic, environmental, and social issues in a balanced manner. Trust as a value involves establishing trust with customers based on integrity and transparent management and pursuing win-win growth through trust-based customer relations management. Creativity means fostering an organizational culture of creation and change and creating high-performance values.

Based on its core values, UPA deduces the principles of conduct, basic capability model at the enterprise level, and code of ethics.

Management Philosophy and Policy
UPA has set up its management policy based on principles and by maximizing consistency, sincerity and responsibility, and customer satisfaction, guided by its management philosophy of contributing to the community and national development by offering prime services to customers based on a creative mindset. Principles and consistency mean agreed upon compliance with principles and consistent task implementation. Sincerity and responsibility refer to initiatives for maximizing organizational performance and undertaking jobs responsibly. Maximization of customer satisfaction is the policy of exercising management that satisfies stakeholders including expanding customer engagement, information, and organization members.

Creating Economic Value
UPA has realized surplus management for 6 years in a row since its establishment, sharing the outcomes of economic performance with stakeholders.

Economic Performance
UPA has maintained a stable financial structure with surplus and non-borrowings management for 4 years in a row since its establishment on July 5, 2007. As cargo volume increases each year, sales rose 17.22% in 2011 vs. 2010 and 6.33% in 2012 vs. 2011. UPA is recording more than 23% of net profit rate with its own income without government subsidy, more than 27% of net profit is allocated to the government-as shareholder-as dividend.

Main Sales Structure

<table>
<thead>
<tr>
<th>Sales (unit: KRW 100 million)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargo</td>
<td>143</td>
<td>142</td>
<td>129</td>
</tr>
<tr>
<td>Ship arrival/departure</td>
<td>76</td>
<td>54</td>
<td>33</td>
</tr>
<tr>
<td>Anchor/Berthing</td>
<td>91</td>
<td>71</td>
<td>77</td>
</tr>
<tr>
<td>TOC open storage yard</td>
<td>29</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Gross sales</td>
<td>629</td>
<td>591</td>
<td>628</td>
</tr>
</tbody>
</table>

*Net profit fell, due to the KRW 6 billion depreciation expenses related to the management right of port facilities (KRW 310.9 billion) newly invested in by the government in 2011. Another contributing factor was an increase in the cost of sales, with KRW 21.4 billion spent on for maintaining the dredging business.
**Net profit to sales ratio (%) = Net profit/Sales x 100
Major Achievements in 2012

Infrastructure Development Launched for the Successful Implementation of Northeast Asia’s Oil Hub Project

In June 2012, the implementation of the first phase of Northeast Asia’s oil hub project was decided. We launched infrastructure design for the first-phase project in August 2012. We have actively carried out activities to activate the oil hub project through seminars on oil hub development strategies and signing of agreement on the establishment of an oil hub with Ulsan National Institute of Science and Technology (UNIST).

Expanding Port Infrastructure to Accommodate Higher Cargo Volume

We recorded process rate of 74.6% in section 1 of the Port of Ulsan in 2012 and launched new berths in Ulsan New Port and hinterland complex (construction section 3). With the operation of 6 out of 9 berths in the first- and second-phase constructions of Ulsan New Port commencing, we have built the basis for accommodating higher cargo volume.

Port Operation Performance

Status of Ships’ Arrival and Departure

Ships that arrived at the Port of Ulsan in 2012 numbered 25,183—net increase of 2,989 ships compared to the previous year. Total tonnage of ships that arrived at the Port of Ulsan rose 4.3% compared to 2011.

Status of Cargo Volume

Total cargo volume is a core performance indicator determining the status of the Port of Ulsan and UPA’s management performance. The Port of Ulsan handled 196.97 million tons of cargo in 2012, posting record high performance since its opening. UPA is nearing the 200 million ton mark in terms of cargo handled. Star Performer is regarded as having processed 122,000 tons of cargo with 1,130m of installation of dust layer.

We recorded process rate of 74.6% in section 1 of the port new port following the opening of new port wharf facilities. We also deregulated nighttime arrival and departure control through nighttime lights increase and dredging. Moreover, we endeavor for a clean port through the construction of 7 tentative warehouses for auxiliary raw materials of animal feed (10,788m²) and paved coal open storage yard (122,300m²) as well as the installation of dust layer (1,130m).

Efforts to Enhance Productivity

We dramatically reduced the demurrage rate from 5.14% in 2011 to 3.81% in 2012 by transferring cargo such as wood chips from the main port to the new port following the opening of new port wharf facilities. We also deregulated nighttime arrival and departure control through nighttime lights increase and dredging. Moreover, we endeavor for a clean port through the construction of 7 tentative warehouses for auxiliary raw materials of animal feed (10,788m²) and paved coal open storage yard (122,300m²) as well as the installation of dust layer (1,130m).

Distributing Economic Achievements

UPA shares its economic achievements with stakeholders including government, public agencies, shareholders, employees, and communities.

Creation and Distribution of Economic Achievements in 2012

Financial Statements

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
<th>Shareholders</th>
<th>Net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>74,114</td>
<td>92,828</td>
<td>136,362</td>
</tr>
<tr>
<td>2011</td>
<td>78,439</td>
<td>102,752</td>
<td>155,756</td>
</tr>
<tr>
<td>2012</td>
<td>79,467</td>
<td>110,464</td>
<td>158,201</td>
</tr>
</tbody>
</table>

The achievements created through individual employee’s capabilities and efforts foster a performance-oriented organizational culture based on a rational performance assessment system and are fairly paid according to the vision and goal achievements. In 2012, UPA’s annual total salaries and wages, various allowances, performance-based pay, and severance pay (excluding severance pay of officers) were pegged at KRW 14.632 billion. We gave 29.5% of the KRW 14.632 billion net profit in 2012 according to management performance to shareholders as dividend. The total dividend paid to our shareholders in 2012 was KRW 4,317 billion. We transparently disclose the economic achievements with management activities and pay the corresponding taxes faithfully. Our corporate income tax in 2012 was KRW 4,256 billion.
UPA has a transparent and fair governance system. At the same time, we guarantee the independence and specialty of the Port Committee, which takes charge of deliberation and decision on management issues.

Shareholders and Governance

UPA is a public agency established under the Port Authority Act, and all management activities are operated in accordance with the Management of Public Institutions and the Port Authority Act. As of 2012, capital stock at KRW4,615 billion. UPA is 100% owned by the government.

Composition, Role, and Responsibilities of the Board of Directors

UPA operates the board of directors and "Port Committee" it has organized as per the Port Authority Act according to the related ministry's authoritative interpretation. This is because the Act on Public Agency Operation and the board operation regulations under the Port Authority Act have a slight discrepancy. The Port Committee consists of 7 members as per Article 11 of the Port Authority Act and Article 5 of its Enforcement Ordinance. The recommendation and election procedures of the members are operated transparently and reasonably. Committee members need to have sophisticated expertise and specialization in shipping and port fields in view of the port-managing public agency's features; in particular, 3 out of the 7 members must be appointed by the Oceans and Fisheries Minister at the recommendation of Ulsan City as the management agency. Among those three members, one must be a user organization representative of the Port of Ulsan. The member's tenure is 2 years; a member can serve consecutive terms in one term of one year, based on the relevant ministry's assessment results. The committee chairman is elected by mutual election, and his/her tenure is one year. As of December 2012, the Port Committee consists of two public officials, two port user organizations' representatives, and 3 experts in academia, shipping and port, and logistics companies. All members of the committee are non-executive members, supervising UPA's management activities in an independent body fashion; thus enabling control of management. The committee deliberates and decides on the following management goals: budget & funding plans; business and operation plans; reserve fund use and carrying forward; closing accounts; acquisition and disposal of basic property, long-term borrowings, corporate bond issuance and repayment plan, setting the standards for the rent and port dues of port facilities; revision of the articles of incorporation, and enactment and revision of internal rules. The committee is also in charge of UPA's transparent public agency designated as a semi-market-type public agency on Jan. 31, 2013. Management performance assessment. Committee members also contribute vigorously to the creation of corporate value through management consulting based on their expertise. The Port Committee discloses the board meeting minutes through UPA's homepage and Alio (http://www.alio.go.kr), the government’s disclosing system for information on public agency management. UPA is immediately informed of the decisions and handling results of reporting agenda items for reflection on management activities. Members with interest in the relevant issues are excluded from the deliberation and decision process. In this manner, the committee faithfully applies the exclusion regulation.

Board Operation

The regular meeting of the board of directors Board is held three times annually (February, October, December). Closing accounts and surplus appropriation are the main agenda items in February management goals; in October, and budget, funding plan and operation plan, long-term borrowings, and corporate bond issuance and repayment plan, in December. Irregular meetings are held when issues requiring the decision of the Port Committee or important reporting issues arise. Matters that should be decided and reported by the Port Committee are specified in Article 7 of the articles of incorporation. Main matters for decision are as follows: management goals, budget and funding plans, business and operation plans, reserve fund use and carrying forward, closing accounts, acquisition and disposal of basic property, long-term borrowings, corporate bond issuance and repayment plan, setting the standards for port facilities' port dues and rent, surplus appropriation, investment and contribution to and debt guarantee for other companies, revision of articles of incorporation, enactment and revision of internal rules, appointment of Officers, Recommendation Committee members, setting up branches or branch offices, officer's compensation, matters whose deliberation and decision by the committee are requested by the CED, and matters deemed by the committee to be specially necessary across the economic, environmental, and social sectors. The main matters to report include those raised (findings) in the audits of government offices, accounting audits, and Board of Audit and Inspection, related action plans and achievements, collective agreement results, estimated budget, and matters unless reporting to the president of UPA is requested by the committee.

Operation of Subcommittees

UPA operates the subcommittees it has organized for efficient and effective board activities. Subcommittee members were organized for budget formulation and management assessment, and they consist of two Port Committee members.

Board Communication

The decision of the Port Committee is adopted based on the consent of majority of the current members. To ensure fairness of decision making, the committee chairman or members with special interests in the agenda items cannot vote. In this case, a member who cannot participate in the decision making is not counted in the number of members required for decision.

Board Assessment and Feedback

The performance assessment on Port Committee members is stipulated in the Port Authority Act. When a member with one-year tenure needs to stay on for one more year, the Oceans and Fisheries Minister decides whether to allow consecutive terms of the member concerned considering job performance. UPA actively uses the Port Committee's operational performance, extent of participation of individual members, and advisory details for improving organizational performance.
Risk Management

UPA identifies the risks that may occur throughout management activities in advance and systematically and proactively responds to such according to risk types.

Operational Risk Management

UPA maintains financial soundness through routine inspection as to whether human and physical resources are efficiently used as well as management-related risk factors by building an efficient audit system. It also checks whether the internal control system works properly. In this manner, we help ensure the appropriateness, fairness of operation, and trust of citizens. We also review the legality, i.e., the status of compliance with the relevant laws and regulations, and instructions, and verify whether data such as financial statements are drawn up and disclosed accurately and faithfully. In this manner, we enhance the transparency of UPA. Audits are divided into internal and external audits.

For internal audit, we implement the management control function through routine audit, general audit, specific audit in weak fields, and audit on matters received from the Clean Reporting Center. As a result of audits, the organization head takes the necessary action for correction or improvement requests and notifies the auditor of the results. When there is an objection, formal objection and re-audit can be requested to the auditor.

If the auditor judges that the reason for re-audit request is not justifiable, he/she reports the fact to the Port Committee. Regarding external audit, we receive external audits on our overall management activities since UPA has been designated as a public agency subject to audits by the Board of Audit and Inspection and the Ministry of Strategy and Finance. Auditors appointed by the Strategy and Finance Minister after multiple recommendations by persons from the Officers Recommendation Committee and deliberation and decision by the Public Agency Operation Committee is in charge of supervising internal audits. The non-executive auditor and Audit Dept. staff carry out audits, maintaining their independence from UPA’s administrative and executive organizations as per the Port Authority Act and its Enforcement Ordinance, articles of incorporation, audit regulations of UPA, and detailed execution regulations.

Audit Strategy System

Embody fair UPA with unquestionable integrity and which contributes to national economic development

Help UPA realize its vision with credible, fair, advanced audit services

### Advancement of Audit System

- Establish and operate an audit performance management system
- Build and operate an audit education program

### Build an audit system

- Establish pre-audit service
- Do performance analyses
- Conduct active audit duty
- Develop attitude of respecting the audited Dept.

### Plan

- Establish pre-audit service
- Do performance analyses
- Conduct active audit duty
- Develop attitude of respecting the audited Dept.

### Year

- Core
- Plan
- Control
- Data
- Check
- Act

- 2012 Audit Activity System

<table>
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<th>Object of interest</th>
<th>Area of internal</th>
<th>Acceptable area</th>
<th>Number</th>
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<tr>
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<td>Port Audit, Audit of relevant port companies, Specific audit Policy Audit</td>
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| Diagram of Risk Management System
| Risk Management System

1. Risk identification

- Extract risk factors through job by department
- Identify risk areas (cumulatively, 22764)

2. Risk assessment

- Assess and control weaknesses in the identified risks
- Confirm the risk map and supplement and assess each cycle

3. Carrying out risk-based audits

- Category: Objective area by department | Object by objective area
- Area of internal: Acceptable area
- Number: 16, 19, 20, 171

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Efforts to Improve Audit Quality

UPA has performed internal audit quality assessment to improve audit quality. We have diagnosed the current situation and prepared measures to improve the auditor’s specialty, independence, effectiveness, and internal audit plan and execution as well as internal audit operation and system. Based on the assessment results, we have established mid- and long-term audit strategies to reorganize the audit strategy system and enhance quality, including 8 strategic tasks and execution plans.

We have established a master plan to build an audit system that computerizes the audit work flow including audit plans, execution, results and follow-up actions, status of disciplinary actions, and response to external institutions. For this, we are carrying out the first-phase project. Likewise, we are currently building a routine monitoring system to monitor operation sectors routinely including port facilities use fee imposition, service management, company credit cards, assets & purchase, fund management, business expense management, and business expense misuse and embezzlement.

Efforts to Fortify the Role of a Non-Executive Auditor

As part of the government’s policy of enhancing management efficiency [conversion from executive auditor system into non-executive auditor system], we have made various efforts to fortify the non-executive auditor’s role given the need for the early establishment of the non-executive auditor system. A non-executive auditor actively presents opinions on pending management issues to management and minimizes judgment errors by deciding the action level on the findings from audit/inspection activities through an Audit Council organized by the non-executive auditor. Likewise, his/her role is being consolidated by performing audit duties including the revision of the code of conduct for employees. Through weekly audit monitoring, the non-executive auditor conducts internal control activities by instructing the complementation of weekly job performance and plans and checking routine audit results.

Efforts for the Propriety of Audit Activities

UPA strives to enhance employee satisfaction with internal audits by carrying out proper audit activities based on efficient audit workflow. Data are collected prior to audit execution, based on the data, preliminary review such as identification of audit work status, citizens’ interest, and detailed work problems is conducted. UPA draws up an audit plan specifying the audit purpose, required number of personnel, period, and inspection items based on the analyzed and arranged preliminary review data, and then notifies the department concerned of the audit schedule in advance to enhance efficiency.

An audit is conducted by primarily judging the legality, economic efficiency, effectiveness, equity, and logic. Audit is then carried out based on the purposes of laws, regulations, and systems, basic duties of the audited departments, and pursuit of systems targeted for the audit, environment of audit work implementation, sound practices, and expert’s opinions. The request standards for actions on findings after an audit are decided in agreement through an Audit Council meeting.

Efforts to ensure taking Follow-up Action faithfully

UPA prevents the recurrence of similar cases in advance by sharing audit details at the enterprise-wise level and diffusing other institutions’ best cases. If audit results are confirmed, we disclose the details on our homepage. “Aye,” to secure the transparency of results and prevent recurrence. For external audits, we share the results by notifying all our departments and posting them on the in-house message board.

Strategies for Bolstering Mid- and Long-term Audit Competencies

- Established establishment of non-executive auditor system. A non-executive auditor is being actively utilized as per the government’s policy of improving management efficiency [conversion from executive auditor system into non-executive auditor system].
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In 2012, UPA published an audit work manual after working on it for five months. The manual provides a guide to the general audit theory in detail including the audit system and the auditor’s rights, obligations, responsibilities, and independence. In addition, the manual systematically contains matters that departments conducting and undergoing audits should know, such as practical work handling methods by audit type and process including general and routine ones, performance, and job audits, matters to be announced in audit, and relevant laws and regulations. We secure the early-stage familiarization of audit work through the publication and use of audit work manual and objectively audit work. On February 28, 2012, UPA signed an MOU for the audit council with Incheon, Busan, and Yeosu/Gwangyang Port Authorities to share information related to audit work and consult closely on cross-audits and benchmark the best practice as well as coping jointly with pending issues common to port authorities. In November 2012, a workshop was held to share information and explain the execution progress. We actually enhance audit work specialty and expertise through all these activities.

**Disaster Risk Management**

**Preparation of Manuals to Cope with Each Accident Type**

UPA has prepared manuals to cope with each emergency type by dividing disasters into natural disaster, marine pollution, national security, and human disaster by recognizing disaster risks. We proactively respond to any disaster and take actions for quick and effective response and recovery upon its occurrence.

**Process of Responding to Crisis Situations**

UPA has established a process of responding to emergency situations. By detecting emergency situation signs, we respond to a crisis situation by categorizing it into interest, caution, warning, and serious stages.

Either an emergency unit is organized by converting the normal management system into a crisis management system, or each department responds to the crisis. In this manner, we respond to the crisis until its resolution by analyzing the prognosis and through organic consulting with the relevant agencies. The relevant manual specifies that damages of facilities need to be examined, and that these need to be reflected on the establishment of future plan even if the crisis situation ends. An organization responding to the crisis situation is set up to respond quickly based on the manual for responding to emergency situations, thus enabling effective directive action and control. Duties are divided so that quick response can be made as per Article 424 of the Enforcement Ordinance of the Basic Act on Disasters and Safety Management; upon the occurrence of a crisis situation, damages are limited by diffusing the situation and through mutual collaboration between the relevant departments.

**Activities to Respond to Crisis**

**Activities to Respond to Natural Disasters**

Upon the occurrence of a natural disaster, we respond by dividing the response stages into interest, caution, alert, and serious stages. Interest stage is the period when typhoons frequently take place; hence the need for checking and confirming the relevant organizations’ cooperative system and coping with the situation. Caution stage is the period when a weather forecast is issued due to the direct/indirect impacts of the typhoon. At this stage, the Disaster Safety Countermeasures HQ is organized, and emergency work is executed; the status of port-anchored/berthed ships needs to be identified, and loading/unloading equipment within the terminal/wharf are inspected to cope with any accident. Alert stage is the period when storm, torrential rain, or tsunami warning is issued due to the direct/indirect impact of a typhoon. During this period, the ship’s evacuation time and preferential evaluation of ships are decided. Serious stage is the period when the typhoon’s direct impacts are delivered. At this stage, movable loading/unloading equipment need to be moved outside of the port area so that they are not damaged; an emergency restoration plan should be reviewed for the damaged facilities.

**Activities to Respond to Marine Pollution Accidents**

We actively respond to marine pollution accidents by sending our staff to the Disaster Countermeasures HQ set up mainly by the Ulsan Regional Maritime Affairs & Port Administration (URMAPA). UPA builds a cooperative system to support the prevention of disasters together with URMAPA, Ulsan Coast Guard, and Korea Marine Environment Management Corporation as well as industry companies and organizations. In the accident settlement stage, we identify the areas in which ship navigation is restricted through a pollutants collection activity and notify the relevant companies accordingly. This way, we take action so as not to spread safety accidents and damages.

**Activities to Respond to Terrorist Acts**

UPA obtains information on terrorist acts at the stage wherein signs of such act are demonstrated, diffuses the information to the relevant agencies, consolidates security action such as access control of wharf, searches for vehicles, and thoroughly checks suspected people and goods taken into/out of the wharf/terminal. Upon the occurrence of a terrorist act, we have a relevant system in place: Specifically, the situation should be immediately reported to the relevant agencies through situation receipt and reporting, and an alarm needs to be issued in the area in question by deploying security guards; the injured are administered first aid and are transferred to hospitals. We also disclose the terrorist’s personal details and take action so that the damages do not spread. In the responding stage, we set up a command post at the site and handle the accident by organizing a joint investigation unit with the relevant agencies.

**Activities to Respond to a Strike by the Port Operation Union**

UPA obtains information on the strike at the stage wherein a sign of such strike is demonstrated, builds a cooperative system with the relevant agencies, organizes an emergency countermeasure unit, and establishes a plan for replacing alternative workers and equipment to cope with collective acts including rejection of loading/unloading. Regarding the collective acts of port operation union members such as rejection of work, we have built a response system to concentrate our capabilities on ending the incident at the early stage by handling the illegal offenders according to the laws. We also encourage the union members who withdraw from the strike to return quickly to port working work.
Stakeholder Communication

UPA builds trust through regular communication with stakeholders, listens to various opinions, and actively uses such opinions in decision making related to sustainability management.

Stakeholder Definition and Communication Channels

UPA sets stakeholder groups including employees, labor union, port committee, central and local governments, National Assembly, public port corporations, partner firms and organizations, customers of the Port of Ulsan, and media organizations considering the impacts on and importance in UPA’s operation and builds various communication channels according to their characteristics. We have in place a two-way sharing system, which we activate when communicating with stakeholders. We actively collect stakeholders’ opinions and reflect them on overall management activities. We will develop more diverse sharing channels, communicate more effectively, and solidify trust with stakeholders further.

Media organizations
- **Sharing channel**: Meeting with reporters/Distribution of press releases
- **Direction**: Secure support and aid for development strategies

Local governments
- **Sharing channel**: Meeting with reporters/Distribution of press releases
- **Direction**: Secure support and aid for development strategies

Customers of the Port of Ulsan
- **Sharing channel**: Meeting with customers/Election of VOC
- **Direction**: Developing and share strategies reflecting needs

Partner firms and organizations
- **Sharing channel**: Meeting with partner firms and organizations
- **Direction**: Developing and share strategies reflecting needs

Public port corporations
- **Sharing channel**: Consulting work
- **Direction**: Share policy and seek joint development

National Assembly
- **Sharing channel**: Job reporting/Presentation at the Academic Association monthly meeting, assembly, and monthly meeting
- **Direction**: Induce active strategy execution power

Employees
- **Sharing channel**: Meeting with CEO/presentation/workshop/weekly morning assembly
- **Direction**: Induce active strategy execution power

Key Issues of Sustainability Management

To report sustainability management activities efficiently and systematically, we selected key issues related to UPA according to the materiality test procedure specified by GRI details definition rules and ISO 26000.

Materiality Test Process

UPA has carried out a series of processes that deduce material issues in its sustainability management by reviewing issues closely related to and significant for UPA and stakeholders based on recognition of UPA’s activities of fulfilling UPA’s social responsibility via media analyses, relevant company analyses, trend & impact analyses, and ISO 26000 execution level diagnosis.

Results of Deduction of Main Issues

We have decided sustainability management-related issues through the first and second phases of the materiality test process and have deduced 33 core issues considering the importance to UPA and stakeholders, respectively. UPA has selected the report details and planned this report by linking enterprise strategies focusing on these issues.
Stakeholder Interviews

To listen to various and in-depth opinions on sustainability management activities, we have conducted in-depth interviews by selecting representatives of stakeholders.

Issues identified through interviews are used as reporting issues and will be reflected on the sustainability management activities of UPA.

Government _ Kim Sun-jong
Deputy Director of the Port Logistics Planning
Dept., Ministry of Oceans and Fisheries

Contributing to Community and National Economic Development with the Success of Northeast Asia’s Oil Hub Project

Operated and managed by UPA, the Port of Ulsan is closely linked with Ulsan’s typical industries such as petrochemical, automobile, and shipbuilding industries. In particular, the Northeast Asia’s Oil Hub project brings about huge ripple effects to the national economy as well as Ulsan City; thus, the role of UPA is particularly important, and it has a huge responsibility. I hope UPA contributes to the community and national economy by successfully implementing the Northeast Asia Oil Hub project through the reinforcement of employee capabilities and by building a collaborative system with stakeholders.

Partner Firm _ Kang Bu-won
Planning and Coordination Office Manager, Busan Port Authority

Establishment of Eco-Friendly Green Port considering the Marine Environment Problems

I believe UPA needs to be differentiated from other port authorities in business, since it mainly handles liquid cargo. Still, UPA should pay more attention to marine environment problems since liquid cargo including oil is mainly handled. Currently, the Port of Ulsan sufficiently complies with domestic laws and regulations related to the environment, but I think UPA needs to determine the impacts on the environment and manage them additionally. I hope UPA strives to build a green port so that the Port of Ulsan can become an eco-friendly, safe port, realizing that failure to consider environmental problems may pose a risk to UPA in the future.

Customer Value Purchase _ Baek Sang-hun
Dept. Head of Asung Marine

Securing Wharf Efficiency through the Improvement of Worn-out Facilities

Although the Port of Ulsan is a major port with a 50-year history, the loading/unloading environment is inferior due to worn-out facilities. The port also generates environmental pollutants such as scattered dust. UPA has been actively improving the port’s services and the terminal environment; it has endeavored to offer services that immediately respond to and satisfy and reflect customer needs. I expect UPA to continue improving the terminal’s efficiency and lead the resolution of environmental problems through investment in existing facilities and infrastructure improvement as well as the new port.

Associations and Organizations _ OOO
Member Company of Ulsan Port Logistics Association

Public Corporation Achieving its Foundation Purpose, Fulfilling its Social Responsibility

For UPA to grow and develop continuously, I believe it needs to conduct management activities in line with its foundation purpose. To offer advanced port services, UPA should provide more convenient, specialized services by recognizing worn-out port facilities and actively investing in anti-pollution facilities for the wharf by securing the necessary financial resources. Moreover, UPA should not neglect its social responsibility as a public corporation. I hope UPA grows into a company trusted by stakeholders and communities through corporate operations that are not socially criticized in terms of fair operation, community engagement, and human rights protection of women and socially underprivileged people.

Labor-Management Council _ Lee Hae-sung
UPA Labor Union Head

Need to Diffuse Employees’ Recognition on Sustainability Management and Bolder Capabilities

UPA is at the starting point of sustainability management. For it to grow as a company fulfilling its social responsibility, based on sustainability management, UPA needs to recognize risks related to the external environment from the economic, environmental, and social aspects and establish strategies for proactively responding to the risks. Training is also required for the employees to spread recognition on sustainability, specify and practice it, and designate individuals who will take charge of important risks to enhance their capabilities.

Customer Value Delivery _ OOO
Dept. Head of Company A

Diversification of Two-Way Communication Channels for Stakeholders

UPA’s efforts to listen to the voices of customers, identify the essence of problems, and respond to them in a responsible way are very encouraging. Nonetheless, I believe there will be many difficulties in listening to customers’ opinions and collecting them all, since there are many conflicts of interests regarding the port, due mainly to diverse stakeholders in view of the industry’s features. I hope UPA diversifies two-way communication channels for stakeholders, listens to more opinions, and delivers UPA’s standpoint. Likewise, I expect UPA to secure support and consent for its operational activities and pursue win-win growth of all the people engaged in businesses related to the port.

Community _ Moon Hyun-jin
Facility Dept. Head of Ulsan Joong-ju Service Center to Support the Elderly at Home

Carrying out Strategic Social Contribution Activities for Win-Win Growth with the Community

Given the increasing importance of social responsibility, it is desirable for a company to develop and pursue win-win growth together with communities instead of surviving alone and pursuing profit only. UPA has been carrying out social responsibility activities continuously including sharing an in-house donation culture as well as practicing sharing and engaging in various social contribution activities. I hope UPA discovers various fields including aid for social companies and cultural contents and constantly carries out strategic social contribution activities in the future as well.

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Planning and Coordination Office Manager, Busan Port Authority

Establishment of Eco-Friendly Green Port considering the Marine Environment Problems

I believe UPA needs to be differentiated from other port authorities in business, since it mainly handles liquid cargo. Still, UPA should pay more attention to marine environment problems since liquid cargo including oil is mainly handled. Currently, the Port of Ulsan sufficiently complies with domestic laws and regulations related to the environment, but I think UPA needs to determine the impacts on the environment and manage them additionally. I hope UPA strives to build a green port so that the Port of Ulsan can become an eco-friendly, safe port, realizing that failure to consider environmental problems may pose a risk to UPA in the future.

Customer Value Purchase _ Baek Sang-hun
Dept. Head of Asung Marine

Securing Wharf Efficiency through the Improvement of Worn-out Facilities

Although the Port of Ulsan is a major port with a 50-year history, the loading/unloading environment is inferior due to worn-out facilities. The port also generates environmental pollutants such as scattered dust. UPA has been actively improving the port’s services and the terminal environment; it has endeavored to offer services that immediately respond to and satisfy and reflect customer needs. I expect UPA to enhance the terminal’s efficiency and lead the resolution of environmental problems through investment in existing facilities and infrastructure improvement as well as the new port.

Associations and Organizations _ OOO
Member Company of Ulsan Port Logistics Association

Public Corporation Achieving its Foundation Purpose, Fulfilling its Social Responsibility

For UPA to grow and develop continuously, I believe it needs to conduct management activities in line with its foundation purpose. To offer advanced port services, UPA should provide more convenient, specialized services by recognizing worn-out port facilities and actively investing in anti-pollution facilities for the wharf by securing the necessary financial resources. Moreover, UPA should not neglect its social responsibility as a public corporation. I hope UPA grows into a company trusted by stakeholders and communities through corporate operations that are not socially criticized in terms of fair operation, community engagement, and human rights protection of women and socially underprivileged people.

Labor-Management Council _ Lee Hae-sung
UPA Labor Union Head

Need to Diffuse Employees’ Recognition on Sustainability Management and Bolder Capabilities

UPA is at the starting point of sustainability management. For it to grow as a company fulfilling its social responsibility, based on sustainability management, UPA needs to recognize risks related to the external environment from the economic, environmental, and social aspects and establish strategies for proactively responding to the risks. Training is also required for the employees to spread recognition on sustainability, specify and practice it, and designate individuals who will take charge of important risks to enhance their capabilities.
I. Fostering a High Value-Added Port

UPA enhances financial stability by maintaining an excellent financial structure, which is based on financial management in linkage with mid- and long-term strategies to foster the Port of Ulsan as a high value-added port. Likewise, we enhance the port’s competitiveness by consolidating port operation efficiency. We also minimize environmental impacts through port operational activities by maintaining a clean port. Finally, we respond to environmental hazards and tackle climate change by building an environmental management system.

Key Strategy

Fostering an eco-friendly port
Strengthening environmental regulations
Environmental impacts of products and services
Consolidation of energy use and greenhouse gas (GHG) emissions

Key Issues

• Economic performance
• Fierce competition

Key Figures

- Sales: KRW 62,862 million
- Debt ratio: 3.69%
- GHG emissions: 679.4 tCO2eq
- Warehouse capacity rate: 81%
- Credit rating: AAA

Strategic Focus

Consolidating Financial Soundness
Enhancing Port Efficiency
Building an Eco-Friendly Port
Fortifying Environmental Management

(1) Sustainability Strategy

(2) Key Strategy

(3) Key Issues

(4) Key Figures
Consolidating Financial Soundness

UPA maintains stable business structure, outstanding management performance, and financial structure based on solid legal and institutional status.

Through systematic financial management, we strive to boost our financial soundness.

Financial Management System

UPA establishes financial plans linked with mid- and long-term strategies for sound financial structure and to operate reasonable budgets. We have also established a strategy to enhance the financial management system. We set up and operate monthly and annual fund operation plans by identifying the fund requirements of major businesses for proper liquidity operation and interest income maximization. We build a stable financial management system by establishing and operating measures for the expenditure risk management of liquid funds and financial products, so as to cope with financial accidents that may occur during fund operation. This way, we build a stable financial management system.

Mid- and Long-term Financial Plans

We have never been faced with a financial crisis. We have been in the black based on the sales since UPA’s foundation in 2007. We expect to incur borrowings from 2014 due to new business investments. We make efforts to manage funds successfully by analyzing the fund operation status every six months and reflecting the analysis results on the mid- and long-term financial balance. According to the results of the mid- and long-term financial balance analysis, if the Northeast Oil Hub project and Ulsan New Port Hinterland Complex project are implemented, borrowings are expected to increase rapidly to KRW 472.1 billion in 2022. Accordingly, financial soundness has been estimated to deteriorate since the debt ratio will rise to 75.4% and interest coverage ratio will increase to 1.79. UPA plans to carry out financial risk management continuously by adopting an accounting system managed by the business sector and financial risk management (FRM) to ensure the investment plan’s propriety.

Financial Risk Management

Establishment and Execution of Budget Plans

When making an important strategic management-related decision, such as establishment and execution of large-scale investment plans worth more than KRW 1 billion, we carry out financial management system. We set up and operate monthly and annual fund operation plans by identifying the fund requirements of major businesses for proper liquidity operation and interest income maximization. We build a stable financial management system by establishing and operating measures for the expenditure risk management of liquid funds and financial products, so as to cope with financial accidents that may occur during fund operation. This way, we build a stable financial management system.

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step-by-step internal reviews such as new business working-level meetings, in-house investment and budget deliberation committee meetings, management diagnosis meeting where at least grade 4 organizational members attend and officers’ meeting. As the last stage, through final decision making of our board of directors, the “Port Committee,” we fundamentally curb duplicate over-investments and carry out strategic distribution of resources. In particular, we stipulate that budget can be injected only through precise demand prediction, including the need and feasibility reviews of new businesses in linkage with mid- and long-term strategies. We proactively respond to the changing management environment through the routine operation of the Budget Deliberation Committee. We also selected 17 core businesses, since large-scale external borrowings are forecast in relation to an infrastructure construction project in the northern part of the Northeast Asia’s Oil Hub project after 2013. We chose them after analyzing mid- and long-term investment plans and financial balance. With all these, we fully cope with potential financial risks.

Financial Management according to Mid- and Long-term Financial Prospects
UPA forecasts its financial soundness to weaken due to the increase in debt ratio in 2020. Thus, based on our mid- and long-term financial prospects, we will strive to analyze the crisis stages by department in charge, operate financial strategic TFT upon the occurrence of each stage of the crisis, and secure financial soundness.

We have acquired the highest rating, AAA (stable), from the Korea Investors Service in terms of agency credit rating. Therefore, we have secured conditions under which we can reduce financial expenses considerably, since we can have favorable conditions in issuing long-term, low-interest-bearing bonds, if we borrow funds externally for new businesses such as oil hub development, together with the enhancement of internal and external trust and recognition.

Organizing the Finance and Accounting Advisory Committee
UPA tries to minimize financial risks through consulting on UPA’s pending issues and borrowings by holding advisory meetings. We commission experts in the bond, banking, accounting, and tax fields as advisory committee members.

Execution of Enhancement Strategy of the Financial Management System
According to the enhancement strategy of the financial management system, we establish the International Financial Reporting Standards (IFRS) through the reanalysis of the closing accounts system in accounting under the International Financial Reporting Standards (IFRS) by adopting advanced accounting standards. We also build an internal accounting control system through the establishment of job process and analysis and build a tax and accounting risk management system. We have actually enhanced financial soundness by receiving investment in port facility management right (KRW 210.9 billion) from the government in 2011 as part of the port facilities operated through lease since UPA’s launch.

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Enhancing Port Efficiency
UPA continually enhances the competitiveness and efficiency of the Port of Ulsan through various activities for improving port efficiency based on the port master plan.

Consolidating Port Operation Efficiency
UPA promotes the productivity of the wharf/terminal through port management and by enhancing operation efficiency including use permission of port facilities. Buildings, site, waters, open storage yard- and managing wharf/terminal operators. Moreover, it strives to cut down social logistics cost and reinforce port competitiveness with a reduction of demurrage rate, which is higher than that of other trading ports nationwide. As a result of analyzing the annual demurrage rate of the Port of Ulsan, about 5% of the demurrage rate which is higher than other trading ports nationwide is recorded each year; thus, KRW 90.1 billion in social logistics cost was incurred by applying the formula for demurrage cost of the Korea Maritime Institute. In this context, we have established a demurrage rate reduction plan as the most preferential task for enhancing wharf/terminal operation efficiency, and we are managing our goal and target in this manner.

Efficient Port Operation Activities
Building an IT system for berth operation and Allocation
UPA has made all-out efforts to improve wharf/terminal productivity through efficient berth operation via real-time monitoring of berth meeting results and DB creation of statistical data with the online computerization system for berth operation status, instead of the existing inefficient offline berth allocation and management work. The berth operation support system was completed in April 2012, and we have been setting up berth meeting rooms as well as the necessary equipment to cope with relocating our company building. The application for online berth reservation (change), berth allocation management, and result inquiry have been enabled for the first time in Korea as a trading port; thus, user convenience has increased. Autonomous berth meeting has become feasible, including the berth’s realization through the port mismatch database. As a result, statistical management has become convenient. In recognition of such effort, we were designated as best practice agency for port operation improvement by the Ministry of Land, Transportation, and Maritime Affairs (MLTM).

Infrastructure Expansion and Improvement
UPA has contributed to demurrage rate reduction by operating 7 berths in the 1st and 2nd phases of the Ulsan New Port project. It has built the relevant port infrastructure to distribute ships arriving at the Ulsan Main Port to Ulsan New Port. Consequently, woodchip cargoes (12 million tons annually) handled by the Ulsan Main Port (Wharf No. 19) was instructed to be transferred to the Ulsan New Port; thus, the transport distance of woodchips was reduced by 25km, saving KRW 2 billion in logistics cost annually. By installing and operating woodchip loading/unloading equipment in berth no. 7 of the New Port, we increased the daily loading/unloading cargo volume from 4,900 tons to 8,000 tons and supported the preservation amount of interest difference of loading/unloading equipment modernization funds for port productivity improvement. Furthermore, we installed more LED lights at the central breakwater and identification LED lights at nighttime to avoid problems in nighttime arrival and departure and prevent obstacles to maintain the 24-hour port operation system.

Enhancing Berth Operation Efficiency
We are performing real-time monitoring of the berth operation status linked with the iOS-based customer support system and general ship information system to enhance berth operation efficiency. We also analyze each wharf/terminal’s demurrage rate and intensively manage...
7 wharves/terminals with more than 15% demurrage rate for the past 3-4 years, including 3 wharves/terminals with more than 20% demurrage rate for the past 2 years. We held a meeting concerning wharves whose demurrage rates are intensely managed in July 2012, and we analyzed the demurrage factors of each wharf operator and deliberated on measures to reduce the demurrage rate.

Building U-Port Services

To build U-Port services, UPA operates an RFID-based port arrival and departure certification system and an image recognition system. After improving the RFID access system in July 2012, we have revised detailed enforcement guidelines regarding the issuance of wharf access cards and port access procedure by carrying out reassessment of security. We have also set a preventive control function on security-related accidents such as chip loss and theft. Meanwhile, we have been implementing a smart intelligent port integrated operation system since August 2012. This system, which is scheduled to be operated, is equipped with wireless communications infrastructure between the security control center and port patrol personnel, together with a security surveillance system to cope with security-related accidents and terrorist acts, a preventive system for various safety accidents and incidents within the port, and a warming system against natural and human disasters.

Compulsory Loading/Unloading of Auxiliary Raw Materials of Animal Feed at Nighttime and on Holidays

The demurrage rate of the Port of Ulsan was 5.1% in 2011; this was way higher than 2.9% as the average demurrage rate of trading ports nationwide (29 ports) in 2010. In particular, the demurrage rate of the wharves Wharf Nos. 1, 2, and 3 handling auxiliary raw materials of animal feed was 25%, which has become a major cause of low efficiency in operating port facilities. To reduce the demurrage rate and fortify port competitiveness, we tentatively implemented compulsory loading/unloading of auxiliary raw materials of animal feed at nighttime and on holidays in the first half of 2012. We signed an agreement with

- Smart Intelligent Integrated Port Operation System

Demurrage Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of ships arriving at the port</th>
<th>No. of ships in demurrage</th>
<th>Demurrage rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>11,666</td>
<td>576</td>
<td>4.91</td>
</tr>
<tr>
<td>2011</td>
<td>12,306</td>
<td>632</td>
<td>5.14</td>
</tr>
<tr>
<td>2012</td>
<td>516</td>
<td>475</td>
<td>4.42</td>
</tr>
</tbody>
</table>

Efficient Port Operation Results

The most important task in efficiency enhancement of the Port of Ulsan is to improve productivity through the reduction of demurrage rate. The demurrage rate in 2012 was 3.81%, which exceeded the target rate, thus contributing to an increase in what/terminal operation efficiency and competitiveness consolidation.

We developed 3 plans: expansion and improvement of port facilities, enhancement of port operation efficiency, and building of a win-win growth system and actively executed them to reduce demurrage. In particular, we promoted the enhancement of what/terminal operation efficiency through the reduction of demurrage rate by building an organic win-win growth cooperation system with the relevant agencies, partner companies, and organizations, including compulsory loading/unloading of auxiliary raw materials of animal feed at nighttime and on holidays, transfer of wood chip cargo to Onsan-Port, and disposal of ships arriving at the port following the new port opening. All these contributed to our selection as the best port in the assessment of port operation improvement by MLTM in 2012. Among the implemented projects, three projects-building and operating the Ulsan Main Port, and loading/unloading of auxiliary raw materials of animal feed at nighttime and on holidays-have been presented as best innovative practices.

Building an Eco-Friendly Port

UPA is committed to helping the Port of Ulsan emerge as one of the world’s top 3 liquid cargo hub ports by making efforts in fostering an eco-friendly port and spearheading autonomous green growth.

Making a Clean Port

In the Ulsan Main Port, large-scale dust-causing cargo handling has become an aggravating factor in the port environment. Considering the frequent civil complaints regarding scattered dust and Ulsan City’s recommendation of improvement, we have made efforts to foster an eco-friendly port in keeping with environmental regulations by actively searching for areas to improve and have executing improvement. We have established mid- and long-term plans and complemented and implemented them since 2010. In 2012, we have established a comprehensive plan to improve the environment of the Port of Ulsan and selected and executed 11 tasks to practice in 3 fields, including the reduction of scattered dust.

Effort in Pollution Reduction

- Cargo volume went up 3.3%, whereas demurrage rate fell 6.1% compared to 2011.
- No. of ships arriving at the port increased by 5.6% compared to 2011.
- Demurrage rate of the Port of Ulsan was 5.1% in 2011; this was way higher than 2.9% as the average demurrage rate of trading ports nationwide (29 ports) in 2010.
- In particular, the demurrage rate of the wharves Wharf Nos. 1, 2, and 3 handling auxiliary raw materials of animal feed was 25%, which has become a major cause of low efficiency in operating port facilities.
- To reduce the demurrage rate and fortify port competitiveness, UPA has tentatively implemented compulsory loading/unloading of auxiliary raw materials of animal feed at nighttime and on holidays in the first half of 2012.

Effort in Noise Reduction

- We reduced scattered dust generated by wood chip loading/unloading through the transfer of wood chip handling from the Port of Ulsan to Ulsan New Port. We also contributed to environmental improvement surrounding the open storage yard. In addition, we increased the daily loading/unloading capacity from 4,980 tons to 8,000 tons following a KRW 2.8 billion facility investment in wood chip conveyor facility and dust layers.
- In this manner, we have contributed to the embodiment of the Port of Ulsan as an eco-friendly port.
- By performing back covering construction for Wharf No. 1 of the Port of Ulsan, we covered the uncovered zone within the open storage yard of the wharf. We took action to prevent marine pollution caused by reponducts upon loading/unloading. On the other hand, by reorganizing idle sites at the back of Dongbu Express at Wharf No. 3, we improved the port environment and established

Redeployment of What/Terminal Functions

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Effort in Energy Saving

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Effort in Waste Recycling and Management

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Effort in Security Management

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order within the port by reorganizing illegally parked loading/unloading equipment and auxiliary equipment for loading/unloading. Meanwhile, we renovated the narrow and worn-out waste collection yard within the Port of Ulsan, endeavoring to improve the interior port facility environment.

Efforts to Reduce Scattered Dust

UPA oversees facility investment for the reduction of cargo causing scattered dust. We supervised the KRW 39.4 billion facility investment in paving the coal yard, built coal storage and warehouse for auxiliary raw materials of animal feed, and installed wood chip loading/unloading facilities from 2010 through 2012. The Port of Ulsan realized remarkable environmental improvement by paving the coal yard, installing breast wall and dust layers, and constantly operating sprinklers and wheel washing systems. To reduce scattered dust generated from the loading/unloading process of auxiliary raw materials of animal feed and the mounting and delivery process of materials at the ground surface yard, we built 3 warehouses up to 2011 and additionally expanded 7 tent houses in 2012, thus improving the warehouse capacity rate to more than 80%. The warehouse capacity rate is constantly monitored, and we strive to reduce scattered dust by minimizing open air storing in various ways. On the other hand, UPA manages atmospheric pollution through the environmental improvement project and proper operation to address environmental hindering factors. Consequently, the result of the 365-day monitoring from the measuring point in Yeocheon-dong around the Ulsan Main Port, where dust is generated from coal and auxiliary raw materials of animal feed by the Ulsan City Public Institute of Health and Environment revealed average fine dust density of 53.7(㎍/㎥); this is similar to that of main cities nationwide (53(㎍/㎥)). After operating the watering facility to control scattered dust, we carry out precipitation and chemical processing suitable for the legally allowed standard. Regarding waste and byproducts, we manage them through permitted processors. Recyclable waste is separately sorted and discharged.

Investment in Eco-Friendly Port Operation

UPA has been contributing to the environmental improvement of the Port of Ulsan, enhancing the quality of handled cargo, improving loading/unloading productivity, and maximizing the efficiency of what/terminal operation by fostering a bond of sympathy for environmental improvement with port users and inducing aggressive facility investment. We will improve environmentally hindering factors through constant cooperation with what/terminal operators, foster an eco-friendly port, and nurture sustainable win-win relations.

Building a Green Port

UPA has established mid- and long-term roadmaps and action plans to build a green port, not to mention the liquid cargo hub port in Northeast Asia. It surveys greenhouse gas emissions and devises measures to reduce the emissions. In this manner, we strive to make the Port of Ulsan an eco-friendly port. In establishing a comprehensive plan to improve the environment of the Port of Ulsan in 2012, we set the basic direction in building a green port and verified it by benchmarking advanced ports. By promoting research on establishing strategies for making Ulsan a green port, we sufficiently reviewed the research task scope through job consultation between each department. The research is currently in progress. In November 2013, a comprehensive outline-including the mid- and long-term green port strategies and detailed action plans, execution system, and required budget-is slated to be presented. We plan to make the Port of Ulsan a green port that can embody its potential capacity and value based on green port building strategies to be implemented in the future. We will do our best to lay the foundation for Ulsan’s takeoff as a global port.
Consolidating Environmental Management

Environmental Management System

Building an Environmental Management System

On December 27, 2011, UPA acquired ISO 14001:2004 certification for its EMS (environmental management system) for the first time among Korea’s port agencies. Designed in the second half of 2011, the ISO 14001 EMS for maintaining a clean port is used to manage and oversee environmental aspects and impacts associated with the wharf/terminal operators offering port logistics services within the Ulsan Main Port. We set measurable environmental policy and goals as well as our own environmental standards to prevent environmental pollution and implement constant improvement activities.

Environmental Management Activities and Performance

UPA collects basic environmental data from wharf/terminal operators (status of facilities and equipment, amount of raw materials and auxiliary raw materials used, waste volume) to build ISO 14001 EMS. It identifies the environmental aspects by work process in each loading/unloading process and performs environmental impact assessment. Afterward, we deduce the major environmental factors, register them on the environmental impacts register, and manage the relevant environmental issues and matters systematically. Based on all these, we set the major environmental goal and associated objective by wharf/terminal operator, establish environmental management plans, and strive to achieve the goals and objectives efficiently. Through constant monitoring and quarterly internal audits, we diagnose problems in environmental operation and management and seek solutions. We avert environment-related risks by constantly identifying environment laws and regulations and other requirements; we also offer systematic training for organizations and personnel carrying out environmental activities (twice, Feb. 14 and Nov. 17, 2012). In this manner, we boost the competencies of environmental managers and help them foster problem-solving abilities. By striving to improve items that do not conforms to EMS requirements every year and reduce them to zero, we plan to minimize the nonconformities (7 cases in certification audit in 2011) to less than 2 cases in the 2013 post-audit and reduce them to zero after 2014. We will build an autonomous EMS through which UPA and wharf/terminal operators can continuously collect environmental information and execute measures for improvement.

Tackling Climate Change

Responding to the Energy and Greenhouse Gas (GHG) Target Management System

In response to the government’s GHG emissions reduction policy, UPA has calculated 709.6tCO₂-equiv as base emission by identifying GHG emissions. To reduce GHG emissions by 20% by 2015 compared to the base emission, we have established detailed plans to comply with the indoor temperature standard of each season, turn off unnecessary lights, and wage a car pool campaign. Through routine monitoring, we strictly control and manage such activities.

Application of Renewable Energy

UPA reviewed the expansion of renewable energy application such as solar energy, geothermal energy, and wind power in the building sector from 2010 to 2012. We installed the geothermal cooling and heating system and solar energy power generation system during the construction of the Port of Ulsan Marine Center in 2011 and Port Operation Center in 2012. As a result, we succeeded in reducing GHG emissions by 8.6tCO₂-equiv in the building sector in 2012.

Efforts to Reduce GHG Emissions and Save Energy

UPA plans the following for the smooth reduction of GHG emissions by 20% by 2015 compared to the base emission and to save energy; consolidation of active monitoring using energy watchers; adoption of reward system to induce the involvement of all employees in autonomous energy saving, and; expansion of diffusion of renewable energy. All in all, we will take powerful measures to save energy.

Target of GHG Emissions (t CO₂-eq)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emission</td>
<td>709.6</td>
<td>683.6</td>
<td>591.1</td>
<td>607.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: GHG emission: 709.6tCO₂-eq (recalculated and adjusted)
II. Strengthening HR Competencies

Key Strategy

UPA employs fairly and squarely human resources who can share values. It has a reasonable HR system in place based on individual performance. To realize UPA’s mission and vision, the management and unions are cooperating with each other via constant communication. UPA focuses on HR development and training to strengthen the core competencies of employees and help them develop the core capabilities they lack. Meanwhile, we recognize all management activities as an object of ethical management. UPA takes the lead in performing social duties by fostering an in-house environment of ethics and integrity.

Key Issues

- Labor-management relations
- Employment (gender, new and temporary positions)
- Dissemination of sustainability management recognition
- Employee education/training
- Consolidation of corporate management transparency
- Increasing demand for corporate transparency
- Prohibition of discrimination (contract relationship, treatment of underprivileged groups)
- Increasing demand for employee’s welfare and rights (balance between work and life)
- Employee’s diversity and equal opportunity
- Workplace health and safety

Key Figures

- No. of employees: 100
- Employment of OSH is socially acceptable: 25
- Rate of labor union membership: 77.1%
- Annual no. of training hours: 6,602
- No. of ethics and integrity education hours per person: 19
- General integrity self-assessment: 8.92 points
Status of Socio-Equitable HR Employment in 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Result</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income bracket and disability</td>
<td>4 people</td>
<td>- for UPA's property status examination&lt;br&gt;- for safety management and energy keeper of fitness center&lt;br&gt;- for security guards&lt;br&gt;- for smoking prevention&lt;br&gt;- for parking lot control&lt;br&gt;- for security guards (for safety management and energy keeper of fitness center)</td>
</tr>
<tr>
<td>High school graduate</td>
<td>3 people</td>
<td>- 2 people were employed based on the results of job analysis (office work, payment, salary &amp; wage).&lt;br&gt;- employed all 9 employees from local HR except 3 experienced positions and 1 overseas staff member&lt;br&gt;- By employing 5 people among science and engineering majors (electricity, civil engineering, computer science), we assigned them to the departments concerned.</td>
</tr>
<tr>
<td>Local HR</td>
<td>10 people</td>
<td>- for UPA's property status examination&lt;br&gt;- for safety management and energy keeper of fitness center&lt;br&gt;- for security guards&lt;br&gt;- for smoking prevention&lt;br&gt;- for parking lot control&lt;br&gt;- for security guards (for safety management and energy keeper of fitness center)</td>
</tr>
<tr>
<td>Science and engineering sector</td>
<td>5 people</td>
<td>- By employing 3 people among science and engineering majors (electronics, civil engineering, computer science), we assigned them to the departments concerned.</td>
</tr>
</tbody>
</table>

Open Employment
As a public corporation located in a provincial area, UPA actively leads local HR employment, aiming for win-win growth with local communities. We employed 100% local human resources in 2010, none in 2011 (no employment), and 67.2% in 2012. Actually, we operate an additional point system for human resources from non-Seoul Metropolitan areas in document screening. To share jobs with the underprivileged class in local communities, we employed 2 from the low income bracket and 8 disabled people in 2011 and 2012, respectively, by creating short-term jobs (6-7 months). We also spearheaded the employment of local high school graduates. The initial pay of a college graduate entry-level staff was KRW 2.86 million per month in 2012, which is approximately 28% of the legal minimum wage; we do not apply pay difference according to gender.

Activities Protecting Irregular Positions
UPA prohibits discrimination by gender, age, school, religion, and national origin equally but operated a slightly unreasonable system for irregular positions in the human rights aspect and economic equality aspect, i.e., the same wage for the same labor. Note, however, that we have actively accepted the requests of labor union and employees regarding awareness change and system improvement. Subsequently, we have significantly raised irregular workers’ wage level from 56% to 70% of that of regular workers since 2011. We also improved the irregular positions wage system, which had been operated partly differently from regular position workers to the same as that for the regular position. By taking action to regularize irregular workers who showed excellent performance based on performance assessment (3 positions), we practiced performance-based, capability-focused HR principles by rewarding hardworking people as well as boosting irregular workers’ morale. Likewise, in 2012, we promoted by one rank-as of the first half of 2013 two contractual employees with non-fixed term who showed excellent performance for the first time since UPA’s foundation. We were also the first to improve the promotion system (revised of the relevant regulations) for irregular positions among public corporation in Korea.

UPA adheres to principles of HR and management, i.e., pursuing development of the company by maximizing each individual’s strength and improving the work environment by taking advantage of the differences and capabilities of members.
Performance-Based HR Management

UPA carries out organizational (UPA, head office, departmental) and individual performance management through BSC (balanced scorecard) and MBO (management by objectives)-based performance system operation. We carry out competency assessment each year through the hierarchical assessment schedule on hierarchically required competencies (4 common competencies, 6 leadership competencies, and 6 job competencies) established via competency modeling. We have also made efforts to enhance assessment objectivity through the annual multidimensional assessment of all employees. Regarding organizational performance assessment, it is operated not only to regular but also to irregular workers. In particular, we operate a system of paying performance-based pay differentially to the security guards in charge of port security, based on the results of the daily work assessment system as an individual performance assessment system. Performance assessment for management is divided and operated into the government’s management assessment and the Port Committee’s management assessment. When the organization is selected as a public agency for assessment, the head is assessed in terms of leader-led management, management efficiency, and major businesses based on the management contract signed with the Oceans and Fisheries Minister. If the organization is excluded from assessment, however, the results of the Port Committee’s agency management assessment are applied. The director general is assessed in terms of management performance by the president of UPA, based on the Port Committee’s agency management assessment as per the management contract entered into with the UPA president. In other words, UPA builds a performance management system in linkage with internal assessment in terms of indicators by field, according to the scope of senior management assessment.

Win-Win Labor-Management Culture

Labor Union Activities

UPA’s labor union was formed in December 2011 and was excluded from the membership object scope as of the end of 2012. Thus, there is no problem in port security management despite the occurrence of disputes and emergency. Currently, 37 employees out of the 48 membership objects are union members, and the membership rate is 77.1%. Those excluded from the membership object are grade 3 workers or higher and with department head position, management, and personnel such as secretary, driver, staff in charge of HR, labor, and IT. Security guards who account for about 1/3 of UPA employees are excluded from the union membership object. For this reason, there is no problem in port security in case of a dispute occurs or in emergency.

Labor-Management Cooperation

UPA and its labor union mutually recognize that both have very close relationship-similar to a lake and a boat floating on it-and strive to contribute to national development and that of UPA as a public corporation and labor union. Labor union executives and officers, who are UPA’s core talents, participate in various management-improving activities and task force teams actively and fulfill their roles as core personnel in important departments and as labor union executives; thus, faithfully playing the role of partners in UPA’s business. UPA actively lets union executives engage in new-employee interviews, work as internal IT personnel for various UPA-ordered services and important external services, and participate in UPA’s management. In this way, they can experience and share our management transparency. We minimize any likelihood of conflict between labor and management through frequent meetings with labor union executives. We also foster common competency for labor-management relations management with the labor-management common declaration including the 7IT Labor-Management Agreement in March 2012 and labor-management social contribution activities. In addition, we operate actual communication channels including the activation of pre-working level consultation for the stable operation of the Labor Management Council.

Employees’ Grievances Handling Process

UPA appoints and operates grievances handling committee members from labor and management for the smooth handling of employees’ grievances. The union member chairman is appointed as the workers’ representative, and the director general of the Management Division (vice president), as the employer representative. In particular, since 2011, actual grievances handling has been done by raising the position of employer representative from team leader to director general, which is the rank of vice president.

Fostering a Culture of Gender Equality

In the aspects of employment, wage, assessment, and education/training, we operate a system through which gender equality is embodied in employment rules, HR regulations, compensation regulations, and performance management regulations. We regularly offer education on sexual harassment and see trade prevention. We also take action to avoid excessive workload through the employment contracts with pregnant women, and minors; thus, they are prohibited from overtime work.

<table>
<thead>
<tr>
<th>Assessment type</th>
<th>Reflection of HR affairs</th>
<th>Communication Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization-based performance assessment</td>
<td>• Frequent meetings by position and hierarchy</td>
<td>Dialogue with organization head</td>
</tr>
<tr>
<td>Individual performance assessment</td>
<td>• Operation of dialogue channel with management (in-house groups, email, bulletin board)</td>
<td></td>
</tr>
<tr>
<td>Individual competency assessment</td>
<td>• Meritocracy improvement activities</td>
<td>Athletic training of employees</td>
</tr>
<tr>
<td>Multi-dimensional assessment</td>
<td>• Management-improving activities</td>
<td>Autonomous experience</td>
</tr>
<tr>
<td>Fast tracking, appointment conversion</td>
<td>• Sharing experience and personal management plans, business plans and budget in person and provide promotion conversion systems</td>
<td></td>
</tr>
<tr>
<td>Filtering of HR affairs related to promotion</td>
<td>Organization head is speeded to take action</td>
<td>Grievances handling instrument</td>
</tr>
<tr>
<td>Multidimensional assessment</td>
<td>• Increasing difficulties of labor welfare services and security guards, asking their inputs to customer satisfaction surveys</td>
<td></td>
</tr>
</tbody>
</table>

Diagram of UPA’s Performance Management System
Labor-Management Communication Channel

UPA holds the labor-management council meeting quarterly for labor-management communication and consults with council members representing the workers regarding UPA’s management status and various pending issues. For urgent management issues, we solve them through special council meetings. In 2012, 4 regular labor-management council meetings and 2 special meetings were held. By regularly convening each month the Fun Management Committee chaired by the CEO, the CEO lists matters for improvement as raised by hierarchical representatives; the discussed matters are then presented in the executives’ meeting, and the measures to implement them are prepared and enforced. We have created our own labor-management problem technique, the LP-JIP technique (labor problems just in time: a technique applying the JIT technique, an inventory management technique in the production management sector), and have continually made efforts to solve issues immediately upon their occurrence to prevent labor-management issues from becoming full-blown conflicts. We also opened a conversation room with the CEO in the in-house groupware to shape an organizational culture without a wall of communication between management and employees, not only to share management values but also to establish direct communication. Furthermore, we operate various programs including frequent meetings by position and hierarchy, meeting with onsite workers including what/then/now, and regular athletic meet. In particular, we have carried out since 2011 autonomous experience group activities lasting for 2-4 days; here, the organization head and employees participate, making them an arena for fostering mutual trust, harmony, and communication.

Major Labor-Management Cooperative Activities in 2012

UPA held in 2012 a 717 Labor-Management Joint Workshop attended by 7 workers’ representatives, 1 conflict management expert (coordinator), and 7 employee representatives for intensive consulting to solve urgent pending issues affecting labor-management relations and wage/bargaining issues (one night and two days, March 2-3). The labor-management came to an agreement by bargaining wages for general positions and contractual positions with non-fixed term in 2012, deliberated on the following agenda items, and reached agreements: change in individual differential performance payment standards, improvement of the 2012 performance assessment system, and revision of employment rules including congratulatory and consultancy benefits and holiday pay standards, adoption of one-strike-out system for zero corruption, and amendment of the Labor Management Council operation regulations. Moreover, we held the athletics meet of employees in the first half of 2012 (May 2012), employees’ table tennis competition (August 2012), Hiking to Beautiful Autumn Mountains (October 2012), and Bell Challenge of Employees (December 2012) as joint labor-management events. On the other part of joint labor-management social contribution activities we participated in the Beautiful Partnership (September 2012) and Charity Walking Event (October 2012).

Employee Satisfaction (on a point)

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>80.2</td>
</tr>
<tr>
<td>2012</td>
<td>63.8</td>
</tr>
</tbody>
</table>

Bolstering Port Operation Capabilities

We operate various HR fostering programs to realize our mission and vision and enhance port service quality by consolidating HR competencies.

Fortifying HR Competencies

HR Fostering Program

UPA has established mid- and long-term HR development plans aimed at HR fostering to achieve our mission and vision, set mid- and long-term HR development goals, and conduct systematic training. We analyze the needs of HR development that can carry out timely, effective training and mid- and long-term development strategies and diagnose the current HR’s competencies. We then conduct training through training prioritization. To enhance the feasibility of the training plan’s execution, we search for training needs by field and hierarchy and survey training demand. All in all, we apply properly combined employees’ training methods of in-house training and entrusted training. Our education/training is operated by adopting a CRCF (competency-based curriculum) education/training system and is made up of 9 fields: common competency consolidation training, core talent fostering training, hierarchical training, unique job training, labor-management partnership, organization activation, mandatory training, basic quality education, and self-development.

Training for common competencies and leadership fortification is operated focusing on the in-house training courses we developed. Job competency course befitting the trainee’s level is conducted by consolidating HR competencies.

Status of Operation of HR Fostering Program

UPA has operated various HR fostering programs, such as training on common competencies fortification, training by dispatching to overseas ports, education at overseas graduate schools, and hierarchical training. We recorded a total of 6,402 hours of training annually and 82.5 hours per employee.

Diagram of CRCF-Based Annual Training System

<table>
<thead>
<tr>
<th>Category</th>
<th>Core HR-fostering</th>
<th>Social contribution</th>
<th>Education at overseas graduate schools</th>
<th>Self-development</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Core HR-fostering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social contribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education at overseas graduate schools</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Training Hours and Results of Training Expenses Execution

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual training hours</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training department</td>
<td>1,880</td>
<td>1,274</td>
<td>2,877</td>
</tr>
<tr>
<td>Training personnel</td>
<td>98.6</td>
<td>85.3</td>
<td>92.5</td>
</tr>
<tr>
<td>Training cost</td>
<td>KRW 1,544 thousand</td>
<td>KRW 1,544 thousand</td>
<td>KRW 2,571 thousand</td>
</tr>
<tr>
<td>Total training cost</td>
<td>KRW 1,544 thousand</td>
<td>KRW 1,544 thousand</td>
<td>KRW 2,571 thousand</td>
</tr>
</tbody>
</table>
Establishment of Ethical and Integrity Management (EIM) System

We instill an anti-corruption mindset among the staff at the beginning through the proactive adoption of strict anti-corruption and integrity policies.

EMI Activities and Performance

Reinforcement System to Improve Integrity

UPA has been enhancing the practice of ethical management by presenting ethical standards suitable for the people’s demand and value, and constantly supplementing the ethics charter and code of conduct to prevent corruption in advance in the corruptive people management aspect. In 2012, UPA revised in part the employees’ code of conduct, operation guidelines for internal public interest reporting, and integrity mileage system. We consolidated disciplinary action standards for cases of offering and receiving money, valuables and entertainment less than KRW 500,000 in relation to the job. Moreover, we amended the employees’ code of conduct to the same extent of public officer’s consideration (lecture commission, etc.) for external lectures related to the job. On the other hand, by revising the operation...
guidelines for internal public interest reporting, we encourage reporting for public interest by adopting voluntary reporting on employees’ corruption and conscientious reporting on irregularities (voluntary reporting). We also stipulated the necessary matters including informant/reporting person’s protection and procedures for reporting handling. By expanding the additional point offering items in the integrity mileage system, we adjusted the allocated points. In this manner, we strove to compliment the activation of such system.

Operation of One-Strike-Out System to Realize Zero Corruption
As UPA’s business becomes diverse, and the business structure becomes complex, the likelihood of ethical accidents has gone up, and corruption including public money embezzlement and offering and receiving money and valuables due to paternalism cannot be ignored. Therefore, we have adopted the One-Strike-Out System wherein anyone involved in public money embezzlement (even if the amount involved is just KRW 1) is slapped with harsh disciplinary action such as dismissal. Aside from public money embezzlement, offering and receiving entertainment and money and valuables worth KRW 1 million or more can be grounds for dismissal, and performance-based pay for the relevant year is withheld. Moreover, the department head concerned should allocate zero points for the department’s common indicator “integrity assessment” so that the entire department is jointly responsible.

Building a Network of Port-related Agencies
UPA jointly implements integrity policies with agencies related to the Port of Ulsan, builds integrity-related solidarity between domestic port authorities, spreads the integrity culture of each of these agencies, and enhances synergy effects. In 2012, the Maritime Affairs & Port Administration, Coast Guard, Customs house, Quarantine station, Immigration office, Korea Marine Environment Management Corporation (public agencies related to the Port of Ulsan), and Ulsan Port Authority conducted integrity education jointly. Those agencies plan to expand gradually the solidarity scope including integrity policy sharing and joint production of organization head’s message in the future; they have also established a clean belt building plan for the Port of Ulsan. Likewise, we consult and exchange information on audits with Busan, Incheon, and Yeosu/Gwangyang Port Authority by signing an MOU.

Internalization of Operation of Integrity Ombudsman
The Integrity Ombudsman is a system for enhancing operational transparency by citizens or external experts’ participation in the agencies’ business and fields vulnerable to corruption. In 2011, UPA established the Integrity Ombudsman -- which consists of 9 people: 2 in construction, 2 in port operation, 3 in IT and communications, 1 in accounting, and 1 in law -- and entrusted its composition and operation. The Ombudsman presents opinions on our anti-corruption policy plan and performance, routinely monitors voices of customers, or gives advice on routine audits upon placing orders for the main projects. In 2012, the Ombudsman reviewed design documents by debating on operational performance and operational direction for the following year by holding a regular meeting, and inputting an IT specialist Ombudsman in the IT sector. The Ombudsman also attended the Integrity Ombudsman Debate Convention.

Activities to Disseminate the Integrity Culture
Our employees practice the integrity practicing resolution adopted through a resolution convention on integrity practice to spread the integrity culture. The organization head signed a job integrity contract with the Port Committees chairman, and it strives to fulfill integrity obligations. Our newcomers draw up an integrity oath and receive mandatory integrity education upon being assigned. On the other hand, by operating the integrity mileage system, we offer incentives for employee’s ethical activities characterized by integrity to promote the establishment of an integrity culture. We also conduct diverse activities of sharing the integrity culture, such as holding the integrity slogan contest, producing and distributing integrity brochures, sending integrity letters, writing columns in local newspapers to disseminate the integrity culture, and disseminating best practices of congratulatory and condolatory activities and requesting the handling of other agencies.

Ethical and Integrity Education Activities
UPA conducts integrity education in line with employees’ life cycle and hierarchy. We set forth the completion of basic integrity education in case of new assignment, promotion, assignment as team leader, taking office of an executive, and change in position or grade. For education by lifecycle, there are 31 sessions in 9 education courses entrusted to the Anti-Corruption and Civil Rights Commission (ACCRC) and 15 sessions of cyber education. In principle, our employees need to complete the entrusted education; if they do not attend the education, we completer the education with the Easy Public Officials’ Code of Conduct (15 hours) and cyber integrity education (15 hours). We separately offer integrity education to newly assigned employees, whereas Audit Team personnel need to complete 25 hours, 7 hours, and 45 hours for promotion, middle managers, and cyber education, respectively, in terms of the integrity education of ACCRC.

We help our employees internalize integrity by autonomous learning through self-check integrity learning. Every week, we post on the groupware integrity board Q&A and detailed description by code of conduct standard focusing on cases (Conquering the Code of Conduct) for 16 weeks prior to the integrity learning; we guide employees on the learning period, method, object, and assessment method. In addition, we diagnosis performance through the comprehensive assessment of learning, with the assessed results reflected on the department common assessment indicator (integrity). We also conducted education to embody zero corruption and internalizes integrity awareness by holding presentations on public office service management and anti-corruption and integrity plans. By watching a play titled “batman’s Day” (Sejong Industrial Education Institute) with integrity as subject, we enhanced the educational effect since integrity education may be slightly dull. Likewise, by inviting an ACCRC instructor, we offered joint education together with five port-related public agencies under the topic “Public Officials and Integrity.” Six port-related public agencies also received joint education under the topic “Change and Competitiveness” by inviting a specialist instructor. We recorded an average of 19 hours of ethical and integrity education per employee in 2012.

Reporting System for Ethical Norm Violation and Response
UPA strives to prevent irregularities by establishing the prosecution procedure and detailed guidelines for job-related crimes. We also operate the Clean Reporting System, a tip-off system that can be used by internal and external stakeholders including our employees and partner firms regarding civil complaints involving unethical acts such as UPA’s irregularities and corruption. We have actively used business cards, calendars, diaries, email
Employees’ Health Support System

UPA annually offers general medical checkups to all employees for their health management. In particular, we operate the fitness center which accommodates more than 20 people at a time. The fitness center is equipped with modern facilities, and it has considered the users’ convenience. One safety guard is appointed in the fitness center. Since the safety guard is employed as a socio-equitable employee, we reap employment creation effects as well. On the other hand, we value the enhancement of employees’ physical strength and encourage participation in club activities by supporting sport clubs for employees.

Fringe Benefit System

UPA pursues a 3-dimensional welfare model to embody a fringe benefit system that contributes to employees’ labor productivity improvement. The 3-dimensional welfare model pursues the following:

1. A welfare system that can contribute to employees’ property and stability of life. We operate the low interest-bearing housing mortgage system for employees, retirement pension system, no-interest bearing tuition loan system for employees and their children who are in college, tuition support for secondary school students, private academy tuition assistance of up to KRW 100,000 monthly to subsidize the private education cost for secondary school students using Infra-Company Labor Welfare Fund, family allowance according to the size of family, and selective fringe benefit payment system.

2. A welfare system enabling healthy and joyful working life as a mental welfare model. We operate annual medical checkups, private compensation for internal and external emergency accidents, support for various clubs, sound leisure with colleagues at the workplace, subsidy of foreign language education cost to aid in self-development, and assistance system for after-work learning clubs to improve job capability.

3. A welfare system related to labor conditions and job environmental improvement as an environmental welfare model. We offer male and female employees the following: resting place that they can use during break time; company cafeteria supported by UPA for convenient meals; installation of large-scale air cleaners in each office to measure and improve regularly the indoor air quality in view of the office features, i.e., located within the industrial complex; state-of-the-art fitness center for employees, which can be used before or after business hours, and offering of vouchers for one-day recreational facility use to enhance the holiday user’s convenience. We apply the same fringe benefits to both regular and irregular workers with at least one year of service. This way, we fundamentally prevent discrimination between regular and irregular position holders.

Making a Great Workplace

UPA operates a system that offers various fringe benefits to improve the quality of working life. We actively promote harmony between work and life.

Monitoring Activities for Ethical and Integrity Management

To inspect and check whether ethical and integrity management (EIM) is properly enforced, our Audit Team conducts monitoring. For the enforcement result, feedback is given for constant improvement, we bolster incentives for ethical performance in linkage with internal assessment. Through EIM inspection and improvement process, we diagnose the level of ethical management experience of employees and use the results for institutional improvement and as data to set the EIM direction.

Although UPA is excluded from ACCRC’s integrity assessment, we diagnose the integrity level by investigating integrity on our own and establish ethical management by diversifying improvement measures. We then use the result to set the EIM direction for the following year. Our own integrity survey is carried out in the same manner as the government survey on external and internal integrity by commissioning a specialist agency to enhance the survey’s objectivity. As a result of the 2012 survey, we garnered 8.92 points in general integrity (9.23 points for external integrity, 8.05 points for internal integrity) and ranked among the top tier of all public corporations in comparison with ACCRC’s integrity assessment among all public agencies in 2012. Note, however, that our internal integrity fell by 0.17 points compared with 9.09 points in 2011; thus, we make an effort to analyze and improve the causes. We actually improve the anti-corruption system, including enhancing the internal tip-off system’s effectiveness and ensuring the appropriateness of disciplinary actions and penalties considering the relatively lower integrity level. Simultaneously, we enhance fairness of HR, budget execution and job instructions.

Operation Performance of the Fringe Benefit System

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of irregular work system users</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>No. of paid leave days</td>
<td>0+</td>
<td>0+</td>
<td>0+</td>
</tr>
<tr>
<td>Total paid leave</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Paid leave to retirement pension</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Status of operation &amp; in- house welfare fund</td>
<td>Contributed amount</td>
<td>KRW 400 million</td>
<td>KRW 200 million</td>
</tr>
<tr>
<td>Employee fund</td>
<td>Standard amount</td>
<td>KRW 30 million</td>
<td>KRW 77 million</td>
</tr>
</tbody>
</table>

Fringe Benefit Satisfaction (%) 2011 | 61.6 | 2012 | 72.1
III. Securing Future Growth Engines

Key Strategy

We at UPA have established mid-and long-term plans to foster the Port of Ulsan as Northeast Asia's oil hub, and we are concentrating our capabilities on it. We have developed Port Hinterland and Ulsan New Port for a logistics-centered port. We continually improve port infrastructure and enhance the competitiveness of Ulsan port by managing and operating it as a safe port.

Key Issues

- Developing a large-scale port
- Automation/Advancement of logistics
- Increase in needs for safety of products and services (service quality improvement)

Key Figures

- Emergency maintenance/repair: KRW 260 million
- No. of loading/unloading safety accident victims among 1,000 workers: 38 cases
- Repair/Reinforcement construction: 38 cases
- No. of accidents resulting from safety accidents among 1,000 workers: 10.26
Improving Port Infrastructure

We continuously improve and build infrastructure for the Port of Ulsan and enhance competitiveness through activities for port efficiency enhancement as well as promote user convenience.

Plan for Port Infrastructure Improvement

UPA improves port infrastructure to secure future growth engines and enhance corporate value based on four strategic tasks. As a result of safety inspection and diagnosis, we have established plans for mid- and long-term infrastructure improvement considering policies, change in external environmental factors, and customer needs together with facility, equipment status, and grade. We also operate the detailed execution tasks we have selected.

Activities for improvement of port infrastructure

Activities for Emergency Maintenance/Repair

UPA seeks to minimize inconvenience of use of the port by repairing damaged facilities of the port as a matter of urgency. Activities for emergency maintenance are a series of processes wherein, after inspection of the site, the repair company is selected at the user’s request. In 2012, we carried out 36 cases of emergency maintenance/repair including fence and drain repair as well as pavement and electricity repair. We contribute to promoting customer satisfaction by minimizing customer complaints and inconvenience through activities for emergency maintenance. In addition, we enhanced the durability of the facilities in the port by removing hazardous elements, preventing safety accidents and repairing damaged facilities.

Expansion of Amenities and Operation of Facilities for Port Users

To enhance the convenience of Ulsan New Port users, we operate the seamen’s lounge we have built at the completed Onsan Port tugboat mooring location. With the setup of the resting facilities, 10 tug boats are deployed, which helps cut down shipping companies’ logistics cost. We were rated highly for our efforts to improve seamen’s welfare and shipping support services. The Ulsan Main Port has integrated and relocated to a tentative building form the wharf/terminal operators scattered within the existing wharf/terminal zone, and the existing wharf/terminal operators’ sites are used as open storage yard. With such operation of wharfterminal operators in an integrated manner, efficient port operation and security have been reinforced. The increase of open storage yard contributes to productivity enhancement and job capability improvement.
UPA secures navigating ships’ safety by securing proper water level through dredging to maintain the water level. In 2012, we have additionally secured a tug boat standby safe water zone for the Onsan Port through the dredging of the Onsan Port tug boat mooring place. Through the installation of LED lights at the breakwater, we increased navigation safety at the Port of Ulsan. Similarly, by installing 382 LED lights on the Ulsan New Port’s central breakwater bridge, we let ships navigating around the central breakwater at night easily identify port facilities. The installation of LED lights was designed to use the bridge structure’s features well, thus providing a good and harmonious night view, which is acclaimed as a landmark of the Ulsan New Port.

Activities for Enhancing Wharf Operation Efficiency
We have reorganized the site at the back of the no. 3 berthing as open storage yard to secure open storage yard for Yoonpo Wharf, which lacks open storage yard, and incorporated the existing road as open storage yard. For the secured open storage yard, we prepared drain facility and set up a fence for port security. Accordingly, we secured more convenient and efficient port operation. Together with concrete pavement for the damaged road within the Ulsan Port zone, we performed repair construction by reorganizing a gate of the main wharf/demurrals. By repairing the road damaged by heavy vehicles, we have secured vehicle passage safety and realized additional budget cut by minimizing paved surface damage. We also ensured smooth vehicle passage and reinforced port security by reorganizing the gates.

R&D Activities for Port Facilities Maintenance
UPA uses port facilities management as an opportunity to create public demand and reinforce capability by approaching at the R&D level. We search for measures for improvement through case studies of maintenance/repair of port facilities and then apply them to repair. Consequently, we enhance port efficiency by cutting down facility maintenance/repair cost. For facility repair/reinforcement construction in 2012, we applied fire-retardant ERFP and transparent GRID construction methods. The fire-retardant ERFP construction method is a method of using epoxy panel that combines glass fiber with epoxy and anchor and attaching them on the concrete structure to reinforce load carrying capacity by charging epoxy. The transparent GRID construction method involves unifying grid reinforcing materials such as carbon and glass fiber with transparent panel, and then increasing strength by injecting resin and attaching epoxy adhesive on concrete structure. UPA has received internal/external experts’ advice to secure transparency and retain objectivity in selecting such construction methods. By selecting and applying the most suitable and verified methods, we maximized the durability-increasing effect of structures.

Building an Oil Hub Base

Project of Fostering Northeast Asia’s Oil Hub

Background
As a business opportunity emerges in the region’s oil market against the backdrop of high crude oil demand by three Northeast Asian countries and limit of Singapore’s Asian oil hub, Northeast Asia’s oil hub project is aimed at securing in a timely manner the infrastructure for oil storage trade to preempt Northeast Asia’s oil logistics market. In February 2008, the project was selected as one of the government’s top 100 state tasks, with the Ministry of Knowledge Economy (currently known as the Ministry of Trade, Industry, and Energy) participating in the project. Thus, the driving force has become stronger. The Knowledge Economy Ministry finally chose the Port of Ulsan as Northeast Asia’s oil hub candidate site in March 2009, and it implements port and storage facilities construction.

Port of Ulsan’s Oil Hub Location Environment
The water level of the Port of Ulsan is deep. Its tidal difference is small, and it is gifted with rich natural conditions and temperate climate. Thus, the port has been the center of marine trade for a long time. In 2012, about 200 million tons of cargo was handled in the Port of Ulsan, more than 80% of which was liquid cargo including crude oil and petroleum products. Located in the main sea route of liquid cargo for America and Asia, the Port of Ulsan meets the high demand of domestic and international customers since it is equipped with sufficient industrial infrastructure such as liquid cargo storage tanks. The Port of Ulsan has the most favorable conditions as Northeast Asia’s oil hub, considering the geopolitical location, oil industry and port infrastructure development, and deep water level as well as nature-blessed port conditions. UPA aims to make the Port of Ulsan as the fourth largest oil hub port next to the U.S., Singapore, and Rotterdam.

Effects of the Project of Fostering Northeast Asia’s Oil Hub
According to the 2009 preliminary feasibility study of the Ulsan region for Northeast Asia’s oil hub project, the project’s economic ripple amount was estimated to reach KRW 4.4447 trillion nationwide; KRW 2.5419 trillion or 56.94% of the total amount was estimated to be generated in Ulsan City in terms of production and employment creation effect. In terms of wage-induction effect, it was pegged at KRW 65.9 billion nationwide; approx. KRW 32.3 billion or 53.87% was assumed to be generated in the Ulsan region.

Employment creation effect and job inducement effect in Ulsan City were 54.13% and 52.24%, respectively. Value-added-induction amount within the region was calculated to be KRW 948.2 billion, thanks to the Northeast Asia’s oil hub project. The regional economic activation index of the project was 1.92% based on gross production of KRW 49.3669 trillion within Ulsan City in 2008. This value was higher than 0.18% as the average regional economic activation index of 40 targeted areas for the preliminary feasibility survey in 2007. It was also higher than other areas in terms of impacts on the regional economy.
Ulsan Port promises a bright future as a Global Hub Port through the Port Hinterland and the development of Ulsan New Port.

**Project of Developing the Port Hinterland**

UPA established a plan for the port hinterland complex development project, and it has been pursuing the project since 2008 in support of export and import in the Yeongnam Region and in aid of the function of the surrounding industrial complex as well as to activate the pan-East Asia and trading with northern regions. According to the results of the quantitative analysis on the cargo handling capacity, port facility size, and second open site of the Port of Ulsan, the demand area of the port hinterland complex was forecast to be 936,000 ɝ by 2015 and 1,800,000 ɝ by 2020. UPA has established a plan to secure an additional 423,000 ɝ by 2020. KRW 135.5 billion is invested in this project, the first-phase development plan is divided into sections 1 and 2 according to the master plan, with the second-phase development plan scheduled to be executed section 3.

Equipped with a logistics function, Port Hinterland in Ulsan New Port is expected to contribute to the regional economy and national industrial development. As a result of analyzing the project’s economic ripple effect, the production inducement effect is pegged at KRW 321.6 billion in all industries. In particular, the storage and warehousing industry is forecast to have the biggest effect of KRW 153.0 billion or 46.7% of the total inducement amount. Likewise, the value-added inducement effect is estimated to be KRW 150 billion. The storage and warehousing industry accounts for more than half of the total with KRW 181.4 billion or 51%. Because of the synergistic effect, which is estimated to be a total of 2,275 people, and employment inducement effect of a total of 1,983 people according to the analyzed value-added inducement effect and production inducement effect, the feasibility of business progress has been ascertained.

**New Port Development Project (building 2 berths in the northern quay of Ulsan New Port)**

UPA implements the new port development project to cope actively with changes in the logistics environment including additional fostering of large-scale free trading zone in the hinterland region of the Port of Ulsan, Ulsan’s national industrial complex, and investment expansion of domestic and international companies. The project of building 2 berths in the northern quay of the Port of Ulsan was originally intended to build 4 berths in the North Port of the Ulsan New Port and was established based on the revised plan of the nationwide port master plan in 2006. Toward this end, after launching the master and execution design services in 2009, UPA actually revisited the project plan as a result of reviewing the master plan considering the design condition changes. We started the design of the project in 2009 and completed it in November 2016, taking us 8 years. The plan involves building one 20,000 DWT berth and one 30,000 DWT berth including 120,000 ɝ of port site. We expect the project to cost KRW 52.4 billion including service and facility. We expect to enhance the role of the Ulsan Port as a logistics stronghold in the Northeast region to cope with the increase in cargo volume following the new port development and promote the activation of the regional economy.
Enhancing Safety of Port

UPA implements a safe port by promoting safety awareness among workers and starting activities on the active prevention of safety accidents.

Plan for a Safe Port

Due to the dualization of the employment structure (cargo handling suppliers, port transport union) and diversification of cargo handling method according to the loading and unloading of various cargoes, loading and unloading accidents repeatedly occur every year. Thus, we have drafted a plan for a safe port. UPA establishes a safe port plan each year according to the comprehensive management plan for loading/unloading of the Port of Ulsan. We actually carried out safety education for loading/unloading workers, designation of a Zero-accident Port Operation Month, loading/unloading site inspection by the organization head, and video production on loading/unloading safety management. Consequently, the Port of Ulsan conducts the following activities focusing on port loading/unloading safety management.

- Performance of Safety Management Training for Loading/Unloading Employees in 2012
- Inspection and Improvement of Port Facilities

Activities for a Safe Port

Efforts for Loading/Unloading Safety Management

UPA observes a zero-accident port operation month twice a year in summer and winter. During the zero-accident month, we carry out various activities focusing on port loading/unloading safety management for the protection of loading/unloading workers and prevention of safety accidents within the wharf through the establishment of order within the port. We are doing our very best for loading/unloading safety management including the following:

- Safety education of the Busan Training Center of the Korea Port Trading Institute, port safety campaign, operation of Loading/Unloading Safety Management Association (22), the description of safety accident status & presentation of cases of port operators figuring in many accidents, training on first aid method (Ulsan Nam-gu Chemical Rescue Squad), guidance activities for safety management including vehicles and open space piling of cargo for the establishment of order within the port, and operation of the Ship Evacuation Association to cope with typhoons.

Efforts for Marine Safety Management

In May 2012, we installed LED lights in the central quay and nightvision identification LED recognition panels at the Dolphin Wharf to inspect and maintain nighttime lighting facilities and ease the restriction on nighttime arrival and departure, so that safety accidents are prevented during nighttime loading/unloading. We also conducted port-maintaining dredging in four areas within the port-Main Port, Orsan Port, New Port, and Jangsaengpo Port-to secure safety during nighttime arrival and departure. Meanwhile, we have organized and operate the Ship Evacuation Council together with 32 council members from 25 agencies chaired by the UPA Operation Division heading to secure the ship’s safety, present marine pollution, and protect port facilities through the timely evacuation of ships in case of inclement weather such as typhoon and tsunami.

Inspection and Improvement of Port Facilities

UPA prevents accidents particularly hazardous safety factors in advance through timely repair and reinforcement via the safety diagnosis and precise inspection of port facilities. In 2012, we carried out diagnosis and inspection on 21 locations including Yanggok wharf inspected and maintained life-saving equipment in 37 locations in Ulsan Main Port and Orsan Port. We carried out 38 cases of repair and reinforcement of port facilities in 2012 and managed hazardous safety factors. By implementing a project to build a smart intelligent port operation system, we have constructed communications infrastructure for the surveillance system (infrared ray-CCTV) and mesh-based wireless network throughout all sections within wharves/terminals. With all these, we can do real-time image transmission between the security center and patrol vehicles, take quick initial action upon the occurrence of safety accident and fire, and prevent hazardous safety factors within the wharves/terminals.

Performance of Safety Management Training for Loading/Unloading Employees in 2012

<table>
<thead>
<tr>
<th>Training name</th>
<th>Details</th>
<th>Object</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repair training of personnel managing hazardous liquid safety</td>
<td>Training in safety management personnel managing hazardous liquid safety</td>
<td>Personnel managing hazardous liquid safety</td>
</tr>
<tr>
<td>Security diagnosis for port facility</td>
<td>Security diagnosis for port facility</td>
<td>Inspection of port facility</td>
</tr>
<tr>
<td>Improvement of nighttime lights, easing facilities’ restriction on nighttime arrival and departure</td>
<td>Improvement of nighttime lights, easing facilities’ restriction on nighttime arrival and departure</td>
<td>Inspection of port facility</td>
</tr>
</tbody>
</table>

Sustainability Strategy III

Enhancing Safety of Port

2010 2011 2012

Total No. of accidents

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Electricity, lighting</th>
<th>Fender</th>
<th>Manhole, road</th>
<th>Quay, pavement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>38 cases</td>
<td>12 cases</td>
<td>62 cases</td>
<td>13.1 cases</td>
<td>20 cases</td>
</tr>
<tr>
<td>2011</td>
<td>39 cases</td>
<td>10.26 cases</td>
<td>25 people</td>
<td>16 people</td>
<td>25 people</td>
</tr>
<tr>
<td>2012</td>
<td>39 cases</td>
<td>16.76 cases</td>
<td>16 people</td>
<td>10.26 cases</td>
<td>16 people</td>
</tr>
</tbody>
</table>

Sustainability

- Safe and excellent workplace management
- Safety education for loading/unloading workers
- Safety diagnosis for port facilities
- Repair/Reinforcement construction of port facilities
- Inspection and Improvement of Port Facilities
IV. Realizing Customer Impression

Key Strategy

UPA identifies the economic, environmental, and social responsibilities that its many stakeholders expect UPA to fulfill and reflects them in its overall management activities through various types of communication with these stakeholders. We also build a support system to cooperate with our stakeholders. We establish active marketing strategies and practice them to let our stakeholders know about the capabilities and competitiveness of the Port of Ulsan.

Key Issues

- Globalization of port logistics
- Engagement of stakeholders and reflection of their opinions
- Increase of trading volume in East Asia
- Diversification of customer needs
- Improvement of civil complaints related to human rights (grievances handling)
- Increase in consumers valuing health and eco-friendly society

Key Figures

- Customer Information Protection and Information Security: 498
- Public service satisfaction index (PCSI): 89.1
- Reinforcing Global Marketing Strategy for Marketing Consolidation: 8,000
Establishing sisterhood relations with Ningbo Port, China

We propel marketing to attract new cargo and investment from global customers beyond Korea so as to enhance capabilities constantly including the competitiveness of the Port of Ulsan.

Strategy for Marketing Consolidation

We focus on letting people know about the value of the Port of Ulsan based on our marketing vision and strategies to promote port users’ use of the Port of Ulsan; we also increase cargo volume by enhancing customer satisfaction with the port and contribute to increasing UPA’s earnings by activating the attraction of investments. Our marketing vision and strategies pursues marketing centered on cargo owners instead of shipping companies, considering the features of the Port of Ulsan. The marketing vision and strategies have been established to attract liquid cargo vigorously as a liquid logistics hub port, fortify the brand of the Port of Ulsan, which focuses on exports and imports, and enhance recognition of the port. We have set as mid-term marketing vision the “Construction of liquid cargo hub port in Northeast Asia” through the attraction of liquid logistics, including 3 marketing strategies and 8 strategic tasks. We also have devised action plans by establishing annual action plans by strategic task. As for the direction of global marketing activity to attract liquid cargo for UPA, crude oil transported through ESPO (Eastern Siberia-Pacific Ocean Oil Pipelines) from Russia will be actively attracted to the Port of Ulsan. We will make our utmost efforts to revitalize marketing activities to develop our port as one benefiting from handling energy logistics by proactively participating in the development of the North Pole Route, as route development looms.

Results of Marketing Activities

Marketing Activities to Strengthen Investment Attraction

UPA is in charge of the Infrastructure facilities of Northeast Asia’s oil hub, with Korea National Oil Corporation (KNOC) handling Northeast Asia oil hub terminal facilities (tanks and pipes). Therefore, KNOC actually organizes the attraction of oil hub project investments, but UPA is making marketing efforts targeting global liquid cargo, corporations to ensure the success of the oil hub project. UPA visits the HQ and Asian branches of tank terminal companies located in the Port of Ulsan, hold presentations on the Northeast Asia’s oil hub project, and invites investment. By visiting the Asian branches of global tank terminal operators Vopak and Odfjell, we explained the circumstances of the Port of Ulsan according to the building of Northeast Asia’s oil hub, asked their investments, and listened to their bottlenecks and difficulties. In the case of Vopak, we also visited its HQ in the Netherlands, and carried out marketing activities. As a result, we signed an MOU for the attraction of investment, including expansion of tank terminal and input of large-scale ships with Odfjell in March 2012.

Marketing Activities to Secure Cargo

The Port of Ulsan’s export/import cargo consists of more than 80% of liquid cargo such as crude oil, petroleum products, and chemicals. Attracting new cargo was a difficult task in view of the features of liquid cargo, but we carry out marketing by establishing an attraction plan for liquid transshipment cargo. UPA has carried out target marketing for the Ulsan Port in Japan to attract liquid transshipment cargo. We held a business presentation on the Port of Ulsan in Tokyo, Japan, with some 70 Japanese business people in attendance including manufacturers and logistics firms. Through the presentation, we enhanced recognition of the Port of Ulsan and introduced the hinterland complex development of the Port of Ulsan. We have endeavored to create new cargo volume through the origin destination (OD) analysis of cargo volume by cargo type and cargo owner for liquid cargo.

Marketing Activities to Enhance the Brand of the Port of Ulsan

The Port of Ulsan realizes that its recognition is comparatively lower than that of other commercial ports in Korea. Therefore, we have set “Consolidation of the brand of the Port of Ulsan” as a marketing strategy to enhance recognition of the port. We strive to increase cooperation for exchange among world ports and bolster the port’s recognition. In 2012, we participated in Singapore’s ST O& Chemical Networking event, formed a human network with liquid cargo owners and tank terminal operators, and publicized our port and the Northeast Asia’s oil hub project. We spur marketing activities by participating in domestic and international expos related to shipping and ports. We have endeavored to share information between ports by reestablishing sisterhood relations with Ningbo Port Corporation of China and going through the procedures for reenacting sisterhood relations with the Port of New Orleans and Port of Portland in the U.S. We signed an agreement on cooperation for exchange with China’s Yantai Port Affairs Bureau. By visiting the Port of Rotterdam Authority, we signed our intention of cooperating for exchange related to personnel dispatch and developing the North Pole Route. We also debated with the Port of Antwerp to strengthen amity and exchange. In this manner, we have made efforts to enhance cooperation for exchange.

Reinforcing Global Marketing

We propel marketing to attract new cargo and investment from global customers beyond Korea so as to enhance capabilities constantly including the competitiveness of the Port of Ulsan.
Win-Win Cooperation with Port Stakeholders

UPA conducts diverse activities to foster the Port of Ulsan as a first-class liquid cargo hub port by sharing port values, enhancing mutual understanding, cooperating, and consolidating customer satisfaction services through the establishment of direct and indirect cooperative relations with stakeholders. We have selected customer satisfaction as a strategic task for sustainability management, based on the CEO’s solid commitment to customer satisfaction management. We actively execute the strategies we have established for increasing cooperation with port stakeholders to carry out such strategic task. We actually manage value delivery and customers intensively by type, including comprehensive bodies related to the Port of Ulsan, shipping companies, cargo owners, and port facilities lessors.

Activities for Cooperation with Stakeholders and Results

Consolidating Ties with Port Stakeholders

UPA has cyclically carried out meetings with port users by customer type to listen to difficulties in their logistics activities, including communication activation with port stakeholders, sharing of policy directions, and value delivery, and reflected them on port operation. We have also solved user inconveniences through the timely repair/reinforcement construction of port facilities, installation of convenience facilities (toilets, parking lot, seamen’s lounge), operation of automatic call receipt conversion for service improvement in receiving telephone calls, and structure improvement of the civil service center.

Win-Win through Cooperative Businesses with Port Stakeholders

So far, despite the need for the urgent introduction of new port loading/unloading equipment, loading/unloading companies could not invest in new equipment due to the high prices of the equipment and burden of new borrowings. Thus, UPA has implemented the fund assistance project for port loading/unloading equipment modernization to cut down the interest of borrowings in part. We operate the project systematically by selecting the companies to be assisted and establishing a plan to manage the project. With improved cargo handling capabilities through the introduction of state-of-the-art equipment, a synergy effect between socio and land transportations has been created, and the effects of reducing the ship’s duration of stay in the port and demurrage rate have been demonstrated. In this manner, we contribute to easing loading/unloading companies’ burden and enhancing the port’s productivity and competitiveness.

Building a Cooperative System with Stakeholders

By building a cooperative system with various stakeholders related to the Port of Ulsan, UPA pursues win-win growth through win-win cooperation.

Consolidating Port Users’ Capabilities and Supporting the Prevention of Various Safety Accidents

UPA offers opportunities for free training to people engaged in port work based on budgetary support from the Korea Port Training Institute. We not only foster and supply personnel specializing in ports, but also provide various opportunities to acquire national technical license. To prevent and reduce various port accidents, we offer programs for port accident prevention focusing on onsite workers who are vulnerable to safety accidents and help them access safety manuals and videos on/offline easily by producing them.

Improvement of the Working Environment and Welfare-Enhancing Services for Port Users

Environment Improvement within the Port

UPA encourages the construction of tentative warehouses to store dust-causing cargo in loading/unloading companies as a means of improving the deteriorating working environment and declining productivity due to dust generated from the loading/unloading of auxiliary raw materials and coal cargo within the Main Port. With the completion of those warehouses, port workers can work in a more pleasant working environment owing to the sharp reduction of dust.

Implementation of Projects of Improving Port Users’ Convenience and Welfare

Since there was only one tug boat mooring place within the Port of Ulsan, stakeholders experienced inconveniences including additional tonnage fees owing to the long-distance movement from the Ulsan Main Port to Orsan Port and New Port for the towing of ships arriving at and departing from Orsan Port and New Port. To address this problem, we promoted the reduction of shipping companies’ logistics cost by additionally constructing and completing the tug boat mooring place of the Orsan Port/New Port; we also operate the New Port tug boat sailing workers’ resting place we have built to minimize the inconveniences of tug boat-related workers in relation to the building of the new tug boat pier. In addition, we operate one port workers’ resting place we have built for port users’ convenience. To address the problem of supply compared to demand, we are building a new port resting place at Ulsan Port No. 5 wharf as well.

Supporting Workers for Win-Win Cooperation

UPA strives to improve the quality of labor by supporting various goods and cultural life for the enhancement of port workers’ welfare through an MOU for loading/unloading work development of the Port of Ulsan. We help ease the burden of shipping and port workers with regard to their children’s education and promote a stable learning environment through scholarship offering. Through the signing of an MOU, nighttime loading/unloading work is done for the ship’s arrival and departure at night; thus, we offer unique, differentiated high-level of port services.
Enhancing Customer Satisfaction

Based on the CEO’s solid commitment to customer satisfaction management, we listen to VOCs (voices of customers) and reflect them on our management activities strategically as well as protect customers’ information safety. In this manner, we are doing our very best for customer satisfaction activities.

System for Customer Satisfaction Management

UPA carries out customer satisfaction management (CSM) at the enterprise level to be the best port logistics partner that communicates with customers and which is influenced by them. Based on our CEO’s robust CSM leadership, our Customer Satisfaction Team supervises CSM processes.

CSM Process

- CEO’s commitment to CS
  - Establishing CS vision and strategy
  - Developing action plan
  - Selecting measuring indicators
  - Establishing education marketing plan
- CS Vision
  - CS Team Leader
- CS Implementation Council
  - CS Organizations Engaged in by Customers
- CS Practice Committee (onsite CS body)
  - Holding a monthly regular meeting
  - Semiannual meeting (meeting for activity reporting)

CSM Strategy System

- Foster the Port of Ulsan as a competitive logistics hub port and contribute to national economic development.
- Liquid cargo volume: 250 million tons
- Future port as a global hub
- Building a relationship among public agencies
- Top-tier CS among public agencies
- Enhancing corporate value
- Best port logistics partner that communicates with customers and which is affected by them
- Polishing and diffusing a customer-trusted culture
- Enhancing human resources management
- Customer index
- Adaptation to policy
- People’s feeling

CSM Organizations and VOC Handling Process

UPA’s CS management is carried out by internal organizations as well as an external advisory organization. With regard to internal organizations, we run the CS Practice Committee, a type of CS action organization, and CS Management Committee, a decision-making body. Every quarter, we convene the CS Implementation Council consisting of user representatives of the Port of Ulsan as an external advisory organization. UPA operates a VOC process optimized for port services and rigorously improves the quality of operation service of the port using such VOC process. Actions on VOC-collected through various channels including meetings, visits, job councils, telephone and fax, homepage, and SNS—are taken after identifying the causes via rigorous analyses. Specifically, we focus on problem solving through long-term and repetitive VOC management considering the B2B firm’s features, i.e., having no general public customers, and the port services’ special attributes of having almost no change in.

Management of CSM Index

UPA measures the quality of customer MOT (customer-oriented performance management) from a quality management perspective, i.e., having no general public customers, and the port services’ special attributes of having almost no change in.

Management of CSM Index

UPA offers CS education to all employees based on annual CS plans and operates the assessment system. For the dept. in charge of CS, staff members need to complete the expert level of competency experience management, and CS survey. For the dept. in charge of customer MOT, staff members need to complete the entrusted training on MOT service quality. We offer specialistic security training for the Port Security Part. We also build a CS assessment system, carry out a CS survey by organization, a survey on adaptability to policy, and a survey on peoples feeling, set a performance goal for internal satisfaction, and link the results of these with the management assessment. We operate a compensation system for employees’ voluntary engagement and increasing self-esteem.

Activities for Customer Satisfaction Management and Results

Customer Communication Channel

UPA has built a CSM system through which it can actively respond to changes in the management environment, including conversion into a semi-market type of public corporation, building of a 4-port authority system nationwide, take-off as an oil hub port, and fierce competition among liquid cargo hub ports nationwide. We vigorously enhance customer services by fortifying internal and external CS networks. We standards and deduces matters for improvement. For customer-oriented performance management from a quality management perspective, we manage various indices including the achievement of port operation goal thru no holidays all year round, and rate of compliance with standards for civil complaints handling.

Reinforcing CSM Capability/Competency

UPA offers CS education to all employees based on annual CS plans and operates the assessment system. For the dept. in charge of CS, staff members need to complete the expert level of competency experience management, and CS survey. For the dept. in charge of customer MOT, staff members need to complete the entrusted training on MOT service quality. We offer specialistic security training for the Port Security Part. We also build a CS assessment system, carry out a CS survey by organization, a survey on adaptability to policy, and a survey on peoples feeling, set a performance goal for internal satisfaction, and link the results of these with the management assessment. We operate a compensation system for employees’ voluntary engagement and increasing self-esteem.

Activities for Customer Satisfaction Management and Results

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operate a variety of customer communication channels to offer customer-desired optimal services as quickly as possible by defining the customer type and precisely identifying customer needs and preferences according to value flow.

Activities for Customer Satisfaction Management

Operating a System Exclusively in Charge of Customers

UPA actively solves its port users’ difficulties and enhances port services through the system exclusively in charge of customers; this is a form of close customer management at the enterprise level. We received various types of VOCs related to the operations of UPA and the Port of Ulsan through the system exclusively in charge of customer (one employee, one customer) up to 2010 and the system by 4 departments belonging to the Operation Division between 2011 and 2012. Actually, we have been managing the process as follows; review—action—feedback process.

Operation of Systems for Open Budget Organization

We have been enhancing awareness of sharing to fulfill our responsibilities. Specifically, we operate and develop the Port of Ulsan through a system that actively reflects needs of stakeholders based on the establishment business plans and organizing budgets since 2011. We earned ratings for having organized and executed the KRW 4.2 billion budget for customer needs in 17 cases, including dredging at 5 wharves of the Main Port for 2 years up to 2012 and KRW 2 billion quay construction.

Enhancing Satisfaction through Creative and Innovative Activities for Port Operation

UPA's efforts head to contribute to national economic development and enhance CS through the fortification of competitiveness and inducement of logistics cost savings. By building a section of the breakwater as what for the first time in Korea, we cut down wharf construction cost and enable smooth loading/unloading work involving liquid cargo. We actually handled 218 million tons of cargo from domestic ships and ocean-going vessels in 2012. By actively accommodating the requests of port users and companies located close to the port with regard to improvement of the port environment including the reduction of harmful dust, we have carried out port management and operation since 2013 based on ISO 14001.

Building an RFID Port Access System

Reflecting port users’ request for the simplification of the port access system, we built the RFID-based access system for UPA’s wharf/terminal management in 2012. Through the system, we sharply improved logistics flow and prevented security accidents by minimizing the inconveniences arising from access control and check by security guards during port access and by enabling smooth access by vehicles.

Customers’ Human Rights Protection Activities

UPA operates an officer system responsible for the code of conduct the Ocean Reporting Center and links to its banner zone with ADE’s banner to protect customers’ human rights and action to take problems. We have no received human rights complaints from customers over the last 2 years.

Customer Satisfaction Assessment

Based on the Act on the Public Agency’s Operation, we conducted a CS survey among customers aged between 20 and 64 years and who had experienced port services in service, port facilities rental, and port security services with UPA at least once within the recent one year. UPA’s PCSI (public service satisfaction index) score continually rose from 3 years to 2010, thanks to activities for customer service enhancement through company-wide efforts for CS improvement.

Customer Information Protection and Information Security

Activities for Strengthening Personal Information Protection

ICT services are offered in diverse sectors of society alongside the rapid development of digitalization society. In such process, dependence on personal information and its utilization are gradually growing. As the need for collection and use of personal information rises in keeping with the advancement of digitalization society, the risk on people’s privacy breach is also on the rise due to excessive personal information collection and abuse. In this regard, we are fully prepared against personal information violation incidents by analyzing beforehand the impacts on privacy by businesses related to personal information handling, establishing measures for improvement, and performing an assessment of personal information impact and subsequently reflecting the assessment results on the actual business.

As such, we have conducted privacy impact assessment to find out the risk of personal information breach in advance, prevent errors in building and operating the information system, and establish effective measures. We strive to prevent accidental personal information violation in advance by devising a privacy protection system as well as protection actions in each stage of personal information handling, by nonranging privacy protection organizations in keeping with the improvement plan dedicated based on the impact assessment.

Activities for Fortifying Technical Security to Prevent Cyber Accidents

UPA has physically placed the Internal network and internet through network division to prevent cyber accidents in advance. Physical network division involves separately building the external network and internal network. We can directly see the divided status, thanks to secured visibility through physical network division, we can also ensure systematic safety. Through this, we have laid the foundation for preventing breaches from the outside and outflow of information from the inside. By nonranging current security solutions, we improved the security level technically.

Fact-Finding Assessment of Information Security Management

UPA has gone through fact-finding assessment of information security management, which was organized by the National Intelligence Service in May 2013. As a result, we have been rated excellent in terms of formulation of disaster accident recovery system, efforts to improve the security level (security point system), enactment of information security regulations and manual to respond to cyber crisis, adoption of portable security storage media management system, and separate use of the system for confidential and general uses. We plan to take actions by consulting with the National Intelligence Service and Ministry of Oceans and Fisheries regarding our areas for improvement, such as the lack of information security personnel and non-execution of training on responding to our own cyber crisis.

Activities to Improve Weak Areas in Information Security Management

UPA strives to build the G-ISMS (Government Information Security Management System) to improve weak areas in information security management. The information security management system is a comprehensive management system for an organization to respond organizationally to cyber violation threats and to protect its information property. G-ISMS refers to a comprehensive information security management system established according to the features of organizations such as government administrative agencies and their services. We plan to apply for G-ISMS certification, which is valid for 3 years. We should have active preventive system for violation accidents by building G-ISMS and minimize damages on e-government services. We also expect to be able to prevent the outflow of personal and national information beforehand, establish comprehensive management, technology, physical information security measures, and respond systematically to serious legal requirements related to information security/protection. Comprehensive security benefits-through which we can embody information protection measures together with actions to ensure a safety against new security threats-can be had with constant information protection management.
Sustainability Strategy

V. Creating Shared Values

Key Strategy

UPA is doing its best to fulfill social responsibility through various partnership activities with communities and social contribution (SC) expansion. Likewise, we strive to solve bipolarism in society and integrate society by conducting activities for win-win growth. We plan to practice vigorously a corporate culture enabling the establishment of such activities in our future strategic management activities.

Key Issues

- Increased need for social responsibility and role in communities
- Communities [social contribution]
- Potential impacts on communities
- Offering employment creation opportunities
- Government’s request for sustainability management to public agencies
- Responding to the need for win-win growth
- Increase of rights and roles of partner firms
- Promotion of social responsibility within the scope of corporate influence

Key Figures

- 16,700: Number of Social contribution activities
- 1,645: Hours of Social contribution activities
- 14: Hours of Engagement in Social contribution activities per person
- 525,842: Thousand purchase of Onnuri gift certificates
- 44: Million
UPA carries out social contribution (SC) activities by establishing implementation strategies and systems. These are in accordance with the mid- and long-term SC plans to search and operate strategic SC programs in line with UPA’s establishment purpose and business areas.

**Social Contribution Strategies**

UPA conducts various SC activities to spread the culture of sharing as a public agency and expands one-off money donation into activities combining donations and volunteer services. Centered on “Volunteer Service Corps to Share Love,” our SC organization, the atmosphere of engagement in our employees’ SC activities spreads, and a corporate culture of practicing sharing is fostered. In this manner, we strive for win-win growth and develop it further by sharing our capabilities with society. Strategies for our SC activities are established and executed considering the aspects of sharing management, job creation, and win-win growth. We cooperate with communities through various SC activities and put SC into practice together with underprivileged neighbors. We select the SC object annually through internal deliberation and review the budget of each service or project. We review SC strategies by operating the Social Contribution Advisory Committee and choose priorities. In this way, we receive consulting from the committee.

**Social Contribution Organizations**

Our SC activities are carried out through “Volunteer Service Corps to Share Love” consisting of our employees. Headed by the CEO, the corps is made up of 4 volunteer service groups such as planning, publicity, arrangement, and execution. The corps conducts SC activities at the site centered on leaders, their annual performance is analyzed, and the future direction is then set. In 2012, the corps numbers numbered 103 in all, and volunteer services were conducted 3 or 4 times monthly on the average.

**Procurine the Social Contribution Fund**

SC activities are operated through a matching grant fund. The matching grant fund is a system wherein the company contributes the same ratio of donation in proportion to the fund deducted from employees’ monthly salaries/wages according to the number of accounts opened voluntarily by employees. In other words, the company makes donation according to employees’ donation amount at a rate of 1:1 and accumulates fund. We have been operating this system since 2011.

**Social Contribution Activities and Performance**

Aside from activities assisting the underprivileged class, and community support activities, UPA conducted various SC activities including environmental preservation and community supporting activities in 2012. Our employees engaged in such activities for 14 hours per person, for a total of 1,645 hours. Our activities spearhead the practice of sharing of love to embody a socially respected company and lay the foundation for sustainability management system, and they have been recognized externally. Moreover, we had the honor to be selected as the best sustainability management company in the 2013 Korea Management Awards organized and sponsored by the Korean Society of Consumer Studies, Ministry of Trade, Industry, and Energy, and Ministry of Science, ICT, & Future Planning.

**Programs to Support the Underprivileged**

Volunteer Service to Share Love with Severely Disabled People

UPA’s Volunteer Corps to Share Love has provided voluntary services such as facility cleaning, meals assistance, bathing, and emotion sharing at facilities for severely disabled people (accommodating 281 severely disabled people), in commemoration of the corps’ 5th anniversary. We also visited a social welfare corporation, Dongyangwon, and delivered love and smiles to neighbors suffering from difficulties in the facilities. We will constantly carry out SC activities to share hopes with the disabled in the communities.

**Subsidizing the Cost of Surgery for Eyegight Recovery by Hiking on Beautiful Mountains**

Some 50 employees of UPA held a beautiful mountain hiking event around the Umyeonsan Pass of Mt. Gajian, Uju-gun in November 2012. The event was intended to raise funds by finishing the hiking with the participating employees wearing a pace counter and to practice sharing to support alienated people. The raised funds are used to cover the cost of surgery for eyegight recovery for those who are nearly blind through the Korean Foundation for the Prevention of Blindness. The employees’ mountain hiking is not merely a rally to strengthen unity; it also helps underprivileged people by raising funds. The event becomes a model case of SC activities in the community.

**Sharing Young Radish Kimchi of Love**

In September 2012, we bought 5 tons of young radishes at Yeum market and made Kimchi for the winter for the ‘deliver briquettes’ and white rice of love and shared it with those who are near-blind through the Korean Foundation for the Prevention of Blindness. The employees’ mountain hiking is not merely a rally to strengthen unity; it also helps underprivileged people by raising funds. The event becomes a model case of SC activities in the community.
Establishing Sisterhood Relations for One Company, One Traditional Market

By establishing sisterhood relations for one company, one traditional market, we vigorously engage in the activation of the community economy by helping ordinary people. Based on sisterhood relations forged with the Merchant Association and Prosperity Association of ‘Yaeum Market’ around UPA, we promote the activation of the traditional market by establishing and operating an event dubbed ‘Day of going to the traditional market.’ Every quarter, we contribute to local economic development by waging a campaign of purchasing Onnuri gift certificates and goods and reinventing the traditional market.

Sponsoring Multicultural Families in Visiting Their Motherland

As a specialistic social contribution program, UPA plans and assists visits to their motherland by model multicultural families who live uprightly as part of Korean society. We subsidize the return ticket and sojourn cost for the people recommended by social welfare agencies to sponsor the Sungshim Hope Center and multicultural families visiting their motherland. In 2012, we showed compassion to neighbors in need by supporting the ‘Visit to the Home of Married Woman’s Parents’ by those who wish to do so but have financial difficulties.

Purchase and Donation of Social Companies’ Products

UPA promotes social companies’ renovation by purchasing soap and detergents produced by Disabled Friends’ Village, a social company, and donates the purchased products to welfare facilities and facilities for severely disabled people in the community. This way, we practice love of sharing.

Education Support Programs

Scholarship Support

UPA contributes to the improvement of customer satisfaction and community development by delivering scholarships each year for children of employees of shipping and port-related agencies and companies. In 2012, we gave away KRW 23 million worth of scholarships to those children. As part of the Education Meconet campaign, we forged sisterhood relations based on one company, two schools and awarded KRW 19.42 million worth of scholarships each quarter for 4 quarters to the underprivileged of Sungshin High School. In 2017, based on sisterhood relations established with Janggaenong Elementary School, we delivered 3 PDP TVs and 20 types of rocks as part of an education project for environmental improvement.

Sponsoring the Making of Hopeful Nest

Another specialistic social contribution program of UPA is sponsoring the ‘Making of Hopeful Nest.’ We do remodeling for the improvement of the residential environment for children of poor families living in an inferior residential environment based on recommendation from the Child Foundation; thus offering them a pleasant residential environment. In this manner, we contribute to fostering the independence of children and keeping their hopes and dreams alive.

Organizing the Talent Donation Volunteer Service Group and Activities

Amid the recent increase in social interest in pro bono activities, UPA carries out various talent donation activities including knowledge sharing by simple volunteer service. We organized a Talent Donation Volunteer Service Group with 9 employees in November 2012. The service group supported students foreign language learning for 1 hour and 30 minutes every fortnight on Thursday at the study room in the alienated area. The group also donated songs while holding a senior citizens’ consolation event by inviting the elderly living alone. We plan to continue the talent donation service in diverse fields such as beauty care and haircut, management/tax consulting, cultural Macenat campaign, small visiting concert in linkage with arts organizations with which sisterhood relations were established, and national traditional music class.

Community Development Programs

Fortifying Win-Win Growth

UPA spearheads the practice of win-win growth to solve the problem of social bipolarism and realize sustainable growth and society integration.

Product Purchase on Win-Win Growth Dimension

UPA reflects the government’s policy of ‘Purchase Execution Rate’ on its departments’ KPI and establishes annual public procurement plans for win-win growth with small and medium businesses (SMBs). We actively publicize preferentially purchased products including the products of SMBs and spearhead the purchase of such products. Since 2013, we have allowed special terms to be included in the contract terms and conditions regarding the purchase of green products and social company’s products in case of construction contracts worth more than KRW 100 million. Through this, the other contracting party must buy green products when purchasing the goods and materials required for construction, and social companies need to purchase those green products preferentially. In this manner, we continually expand indirect purchase of SMBs’ products. We have waged a campaign for sisterhood relations with traditional markets, based on which we purchase products in traditional markets to promote society-friendly value creation through win-win development by strengthening ties as a member of community, in an effort to contribute to the activation of the traditional market. We strive for the continuous purchase of those products.

Support for Small and Medium Businesses

UPA makes advance payments of up to 70% for SMBs to secure liquidity and pays the same goods/construction cost in full and in cash. By preventing illegal subcontracts in advance and executing the direct payment system and payment checkout system, we curb cost payment delay or wage payment delay.

Education Support Programs

Scholarship Support

UPA has produced and distributed a standard contract manual. We also enforce a One-Strike-Out system targeting our employees to prevent unfair and corruption-inducing factors beforehand.

Furthermore, we restrict the bid engagement qualification of companies with corruption factors by setting all contracts stipulate special terms of the integrity contract from the bidding process. Through the consolidation of competitive bids and expansion of e-bid contracts, we quickly handle contract work and disclose the assessment results on the e-bid system. In this manner, we strive to foster a fair and transparent culture in bids, contracting, and contract performance.

Presentation on the Purchase of Social Companies’ Products Targeting Staff in Charge of Purchasing 2011

UPA promotes social companies’ reinvigoration by purchasing products including the products of SMBs and spearhead the purchase of such products. Since 2013, we have allowed special terms to be included in the contract terms and conditions regarding the purchase of green products and social company’s products in case of construction contracts worth more than KRW 100 million. Through this, the other contracting party must buy green products when purchasing the goods and materials required for construction, and social companies need to purchase those green products preferentially. In this manner, we continually expand indirect purchase of SMBs’ products. We have waged a campaign for sisterhood relations with traditional markets, based on which we purchase products in traditional markets to promote society-friendly value creation through win-win development by strengthening ties as a member of community, in an effort to contribute to the activation of the traditional market. We strive for the continuous purchase of those products.

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<table>
<thead>
<tr>
<th>Year</th>
<th>No. of e-Bids and Amount</th>
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<tbody>
<tr>
<td>2013</td>
<td>33</td>
</tr>
<tr>
<td>2014</td>
<td>43</td>
</tr>
<tr>
<td>2015</td>
<td>104</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SMEs (unit: cases)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>37.5</td>
</tr>
<tr>
<td>2014</td>
<td>26.3</td>
</tr>
<tr>
<td>2015</td>
<td>46.8</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchase of Onnuri Gift Certificates (unit: KRW million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>35</td>
</tr>
<tr>
<td>2013</td>
<td>44</td>
</tr>
</tbody>
</table>
### Economic Performance

#### Summarized Financial Statements/Income Statement (unit: KRW million)

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summarized financial statements</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>30,030</td>
<td>25,179</td>
<td>29,156</td>
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<tr>
<td>Non-current assets</td>
<td>178,216</td>
<td>523,266</td>
<td>543,022</td>
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<tr>
<td><strong>Liabilities</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Current liabilities</td>
<td>8,547</td>
<td>14,702</td>
<td>8,706</td>
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<tr>
<td>Non-current liabilities</td>
<td>30</td>
<td>62</td>
<td>11,648</td>
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<tr>
<td><strong>Stockholders’ equity</strong></td>
<td>209,649</td>
<td>543,681</td>
<td>551,724</td>
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<tr>
<td><strong>Capital stock</strong></td>
<td>154,499</td>
<td>440,488</td>
<td>440,488</td>
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<tr>
<td><strong>Summarized income statement</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>50,433</td>
<td>59,117</td>
<td>62,862</td>
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<tr>
<td><strong>Rent</strong></td>
<td>6,397</td>
<td>6,544</td>
<td>7,274</td>
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<tr>
<td><strong>Port facilities’ use fee</strong></td>
<td>44,035</td>
<td>52,573</td>
<td>55,588</td>
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<tr>
<td><strong>Sales cost</strong></td>
<td>14,908</td>
<td>19,570</td>
<td>33,413</td>
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<tr>
<td><strong>Gross profit</strong></td>
<td>35,525</td>
<td>39,548</td>
<td>29,449</td>
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<tr>
<td><strong>Selling and administrative expenses</strong></td>
<td>8,813</td>
<td>9,581</td>
<td>11,344</td>
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<tr>
<td><strong>Operating profit</strong></td>
<td>26,712</td>
<td>30,967</td>
<td>18,105</td>
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<td><strong>Non-operating profit</strong></td>
<td>1,417</td>
<td>1,446</td>
<td>1,334</td>
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<tr>
<td><strong>Net profit</strong></td>
<td>28,129</td>
<td>32,413</td>
<td>19,439</td>
</tr>
<tr>
<td><strong>Corporate income tax</strong></td>
<td>6,750</td>
<td>7,380</td>
<td>4,256</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>20,892</td>
<td>25,063</td>
<td>15,183</td>
</tr>
<tr>
<td><strong>Gross income</strong></td>
<td>31,388</td>
<td>40,043</td>
<td>46,196</td>
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<tr>
<td><strong>Gross expense</strong></td>
<td>30,516</td>
<td>36,020</td>
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#### Status of Corporate Income Tax Payment

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<th>Category</th>
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<th>2011</th>
<th>2012</th>
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<td>Corporate income tax</td>
<td>KRW million</td>
<td>6,750</td>
<td>7,380</td>
<td>4,256</td>
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### Social Performance

#### Status of Employees

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<th>Category</th>
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<th>2011</th>
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</thead>
<tbody>
<tr>
<td>Prescribed no. of employees</td>
<td>people</td>
<td>64</td>
<td>60</td>
<td>57</td>
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<tr>
<td>Current no. of employees</td>
<td>people</td>
<td>106</td>
<td>105</td>
<td>103</td>
</tr>
<tr>
<td>No. of female employees (total)</td>
<td>people%</td>
<td>111/10</td>
<td>195/17</td>
<td>122/13</td>
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<tr>
<td>No. of male employees (total)</td>
<td>people%</td>
<td>89/10</td>
<td>155/17</td>
<td>100/13</td>
</tr>
<tr>
<td>Disabled employees (total)</td>
<td>people%</td>
<td>4/5</td>
<td>4/5</td>
<td>3/5</td>
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<tr>
<td>Status of employment by position</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive</td>
<td>people</td>
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<td>3</td>
<td>3</td>
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<tr>
<td>Manager level</td>
<td>people</td>
<td>10</td>
<td>10</td>
<td>11</td>
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<tr>
<td>Employee level</td>
<td>people</td>
<td>56</td>
<td>62</td>
<td>68</td>
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<tr>
<td>Status of employees by age</td>
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<tr>
<td>19~29</td>
<td>people</td>
<td>12</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>30~39</td>
<td>people</td>
<td>27</td>
<td>27</td>
<td>30</td>
</tr>
<tr>
<td>40~49</td>
<td>people</td>
<td>29</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>50 and over</td>
<td>people</td>
<td>32</td>
<td>30</td>
<td>32</td>
</tr>
<tr>
<td>Regular position recruitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>people</td>
<td>1</td>
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</tr>
<tr>
<td>Disabled people</td>
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<td>Local talents</td>
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<tr>
<td>High school graduates</td>
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<tr>
<td>Science and engineering graduates</td>
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</tr>
<tr>
<td>Total</td>
<td>people</td>
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<td>0</td>
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<tr>
<td>Irregular position recruitment</td>
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<td>Interns</td>
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<td>2</td>
<td>2</td>
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<td>Dispatched workers</td>
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<td>0</td>
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<td></td>
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<td>0</td>
<td>5</td>
</tr>
<tr>
<td>No. of voluntary retirees</td>
<td>people</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Average number of years of continuous service</td>
<td>years</td>
<td>3 years and 2 months</td>
<td>4 years and 2 months</td>
<td>6 years and 8 months</td>
</tr>
</tbody>
</table>

#### Training of Employees

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual training hours</td>
<td>hours</td>
<td>7,373</td>
<td>6,821</td>
<td>6,602</td>
</tr>
<tr>
<td>Training hours per person</td>
<td>hours</td>
<td>15.7</td>
<td>18.3</td>
<td>18.5</td>
</tr>
<tr>
<td>Training expense per person</td>
<td>KRW thousand</td>
<td>1,544</td>
<td>2,617</td>
<td>2,706</td>
</tr>
</tbody>
</table>

#### Welfare of Employees

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee satisfaction</td>
<td>points</td>
<td>58.2</td>
<td>61.8</td>
<td>63.8</td>
</tr>
</tbody>
</table>

### Health Within the Workplace

#### Accident occurrence

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accident occurrence</td>
<td>cases</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Absence rate</td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Customer Satisfaction

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction of public agencies</td>
<td>points</td>
<td>85.1</td>
<td>85.9</td>
<td>89.1</td>
</tr>
</tbody>
</table>

#### Ethical Management

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance integrity (in-house assessment)</td>
<td>points</td>
<td>-</td>
<td>9.02</td>
<td>8.92</td>
</tr>
</tbody>
</table>

#### Contribution to the Community

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social contribution amount and donation</td>
<td>KRW thousand</td>
<td>876,113</td>
<td>579,330</td>
<td>525,662</td>
</tr>
</tbody>
</table>

### Environmental Performance

#### Total Environmental Protection Expenditures and Investments

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2010/2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental protection expenditure and investment</td>
<td>KRW 100 million</td>
<td>286</td>
<td>115</td>
</tr>
</tbody>
</table>

#### Environmental Load

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gas emissions</td>
<td>tCO₂-eq</td>
<td>211.8</td>
<td>188.8</td>
<td>679.34</td>
</tr>
<tr>
<td>Amount of electricity use</td>
<td>TJ</td>
<td>3,340</td>
<td>2,994</td>
<td>11,624</td>
</tr>
<tr>
<td>Amount of city gas use</td>
<td>TJ</td>
<td>-</td>
<td>-</td>
<td>9,387</td>
</tr>
<tr>
<td>Amount of diesel use</td>
<td>L</td>
<td>2,059</td>
<td>2,276</td>
<td>18,120</td>
</tr>
<tr>
<td>Amount of wastewater (sewage) discharge</td>
<td>ton</td>
<td>-</td>
<td>-</td>
<td>3,250</td>
</tr>
<tr>
<td>Amount of waterworks use</td>
<td>ton</td>
<td>-</td>
<td>-</td>
<td>3,250</td>
</tr>
<tr>
<td>Amount of direct energy use</td>
<td>MJ</td>
<td>3,368,000</td>
<td>2,984,000</td>
<td>11,824,000</td>
</tr>
<tr>
<td>Amount of indirect energy use</td>
<td>MJ</td>
<td>-</td>
<td>-</td>
<td>301,207</td>
</tr>
</tbody>
</table>

---

*Data are based on the financial year ending December 31. For the financial years ending December 31, 2012 and 2011, we excluded items from the data tables because they are difficult to arrange. For the case of partial building contribution calculation, calculation of the UPA building up to 2012.*
Guarantee Level and Materiality
The opinions specified in this assurance statement have been drawn up based on the materiality and moderate level of guarantee, according to LRQA’s professional judgment.

LRQA’s Opinions
As a result of the audit based on LRQA’s assurance method, we did not find any reason to suspect that UPA’s report breached AS1000AS principles. The following need to be noted regarding principles:

- **Materiality**  UPA has a review process to let internal and external stakeholders engage in the materiality test process and decide material issues. This report has reflected UPA’s key issues in a balanced manner; the Assurance Audit Team does not know whether there were material issues that have been excluded.

- **Responsiveness**  UPA has a process of responding to the government, employees, communities, partner firms, shareholders, and investors with various methods using many important functions. We did not find any reason to suspect that the specified performance data and information are not reliable.

As a result of audits, based on LRQA’s assurance method, we did not find anything that will give us reason to suspect that UPA’s report does not meet GRI G3.1’s application level A+.

August 13, 2013

TIF Shinseong Bldg., 67 Yeoinaru-ro, Yeongdeungpo-gu, Seoul, Korea on behalf of LRQA (Lloyd’s Register Quality Assurance)

**Assurance Audit Team Leader**
Lim Hee-jung
The Korean Standards Association (KSA) has developed a checklist for diagnosing the level of fulfillment of social responsibility, which may diagnose the processes regarding social responsibility fulfillment and 7 core themes: organizational governance, human rights, labor practices, fair operating practices, consumer issues, community engagement, and development. Under ISO 26000, a national administrative organization for ISO 26000, a designated educational institution for GRI guidelines, an ISO 14001-accredited body, and an operational institution of the Korean Sustainability Index (KSI). It enforces the following:

1. **Diagnosis Standard**
   - The KSA has conducted the following activities to collect relevant and proper information on the various needs of stakeholders. It is very encouraging that UPA set up risk prevention facilities for port users in relation to port operation-related decision making.

2. **Scope**
   - The KSA has conducted the following activities to collect relevant and proper information on the various needs of stakeholders. It is very encouraging that UPA set up risk prevention facilities for port users in relation to port operation-related decision making.

3. **Method**
   - The KSA has conducted the following activities to collect relevant and proper information on the various needs of stakeholders. It is very encouraging that UPA set up risk prevention facilities for port users in relation to port operation-related decision making.

4. **Results**
   - The KSA has conducted the following activities to collect relevant and proper information on the various needs of stakeholders. It is very encouraging that UPA set up risk prevention facilities for port users in relation to port operation-related decision making.

5. **Assessments of Social Responsibility Process**
   - The KSA has conducted the following activities to collect relevant and proper information on the various needs of stakeholders. It is very encouraging that UPA set up risk prevention facilities for port users in relation to port operation-related decision making.

6. **Assessment of Social Responsibility Performance**
   - The KSA has conducted the following activities to collect relevant and proper information on the various needs of stakeholders. It is very encouraging that UPA set up risk prevention facilities for port users in relation to port operation-related decision making.

7. **Conclusion**
   - The KSA has conducted the following activities to collect relevant and proper information on the various needs of stakeholders. It is very encouraging that UPA set up risk prevention facilities for port users in relation to port operation-related decision making.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>ISO 26000</th>
<th>ISO 26000 Key social responsibility</th>
<th>Reporting</th>
<th>Satisfaction</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>LR1</td>
<td>Business model incorporates social responsibility.</td>
<td>5,6.1,6.4</td>
<td>5,6.1,6.4.5</td>
<td>Partially Reported</td>
<td>5</td>
<td>UPA [23]</td>
</tr>
<tr>
<td>LR2</td>
<td>Products and services are designed to meet relevant social and environmental standards.</td>
<td>5,6.1,6.4</td>
<td>5,6.1,6.4.7</td>
<td>Partially Reported</td>
<td>5</td>
<td>UPA [23]</td>
</tr>
<tr>
<td>LR3</td>
<td>Business is transparent about the social and environmental impacts of its products and services.</td>
<td>5,6.1,6.4</td>
<td>5,6.1,6.4.7</td>
<td>Partially Reported</td>
<td>5</td>
<td>UPA [23]</td>
</tr>
</tbody>
</table>

UPA has drawn up this report according to GRI G3.1, the international guidelines for drawing up sustainability reports. It declares that the report meets the A+ level from the application level aspect.

---

Declarition of GRI G3.1 Application Level

UPA has drawn up this report according to GRI G3.1, the international guidelines for drawing up sustainability reports. It declares that the report meets the A+ level from the application level aspect.

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Declaration of GRI G3.1 Application Level

UPA has drawn up this report according to GRI G3.1, the international guidelines for drawing up sustainability reports. It declares that the report meets the A+ level from the application level aspect.
Reader’s Opinion Questionnaire

UPA welcomes the opinions of our stakeholders on the 2012 UPA sustainability report. Please fill out the following form regarding your opinions on the report and send it via mail, e-mail, or fax. Your opinions will be actively reflected on our sustainability management activities and the sustainability report to be published in the future.

Q1. In which category do you belong?
- Employee
- Customer
- Government
- Local government
- Port-related association and organization
- Partner firm
- Industry sector
- Academy
- Press and media
- Community and local resident
- Civic and social organization like NGO
- Expert in sustainability management
- Others

Q2. What is your main area of interest? (Multiple answers allowed)
- About UPA
- Vision and Strategy
- Creating Economic Value
- Governance
- Risk Management
- Fostering a High Value-Added Port
- Fortifying HR Competencies
- Securing Future Growth Engines
- Realization of Customer Impression
- Creating Shared Values
- Others

Q3. Assess the completeness of this report’s content and the usefulness of information.
- About UPA
- Vision and Strategy
- Creating Economic Value
- Governance
- Risk Management
- Fostering a High Value-Added Port
- Fortifying HR Competencies
- Securing Future Growth Engines
- Realization of Customer Impression
- Creating Shared Values
- Others

Q4. Please give your overall assessment on this report.
- Design is good, makes things easy to understand the report (legibility)
- I understand the context of the report (clarity)
- Material issues are sufficiently explained (materiality)
- The content and forms are clear and easy to understand (clarity)

Q5. Has this report aided in your understanding of UPA’s sustainability management activities?
- Very good
- Good
- Fair
- Not good
- Not very good

Q6. Please give your opinions on the sustainability management activities of UPA.

---

Material Issues Index of Sustainability Management

The core issues of sustainability management as deduced through the materiality test process are described in the relevant pages of the report.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Issue</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Increased need for social responsibility and role in the community</td>
<td>76-78</td>
</tr>
<tr>
<td>2</td>
<td>Economic performance (size of the port)</td>
<td>13-15, 30-32</td>
</tr>
<tr>
<td>3</td>
<td>Increase in demand for companies’ transparency</td>
<td>69-62</td>
</tr>
<tr>
<td>4</td>
<td>Increase of consumers’ valuing health, eco-friendliness, and society-friendliness</td>
<td>70-73</td>
</tr>
<tr>
<td>5</td>
<td>Creating a high-value-added port</td>
<td>79</td>
</tr>
<tr>
<td>6</td>
<td>Diversification of customer needs</td>
<td>79</td>
</tr>
<tr>
<td>7</td>
<td>Government’s demand for sustainability management to public agencies</td>
<td>76-78</td>
</tr>
<tr>
<td>8</td>
<td>Economic performance (size of the port) and increase in demand for companies’ transparency</td>
<td>66-67</td>
</tr>
<tr>
<td>9</td>
<td>Increase in demand for companies’ transparency</td>
<td>69-62</td>
</tr>
<tr>
<td>10</td>
<td>Increase in need for employee welfare and right</td>
<td>53</td>
</tr>
<tr>
<td>11</td>
<td>Expanding the development of ports</td>
<td>56-58</td>
</tr>
<tr>
<td>12</td>
<td>Expanding the development of ports</td>
<td>56-58</td>
</tr>
<tr>
<td>13</td>
<td>Increasing importance of the rights and roles of partner firms</td>
<td>79</td>
</tr>
<tr>
<td>14</td>
<td>Employee diversity and equal opportunity</td>
<td>53</td>
</tr>
<tr>
<td>15</td>
<td>Potential impact on the community</td>
<td>76-78</td>
</tr>
<tr>
<td>16</td>
<td>Automation and advancement of logistics</td>
<td>56-58</td>
</tr>
<tr>
<td>17</td>
<td>Corporate management’s transparency for stakeholders</td>
<td>69-62</td>
</tr>
<tr>
<td>18</td>
<td>Promotion of social responsibility within the corporate influence scope</td>
<td>79</td>
</tr>
<tr>
<td>19</td>
<td>Economic performance (size of the port) and increase in demand for companies’ transparency</td>
<td>66-67</td>
</tr>
<tr>
<td>20</td>
<td>Improving quality of life</td>
<td>53</td>
</tr>
<tr>
<td>21</td>
<td>Fortifying environmental regulations</td>
<td>35-37, 38-39</td>
</tr>
<tr>
<td>22</td>
<td>Education/Training of employees</td>
<td>47-48</td>
</tr>
<tr>
<td>23</td>
<td>Stakeholder engagement and feedback</td>
<td>76-78</td>
</tr>
<tr>
<td>24</td>
<td>Educational impacts of products and services</td>
<td>38-39</td>
</tr>
<tr>
<td>25</td>
<td>Diffusion of sustainability management/acceptance</td>
<td>47-48</td>
</tr>
<tr>
<td>26</td>
<td>Prohibition of discrimination/avoidance</td>
<td>53</td>
</tr>
<tr>
<td>27</td>
<td>Energy use and greenhouse gas emissions</td>
<td>38-39</td>
</tr>
<tr>
<td>28</td>
<td>Improvement in civil complaints related to human rights</td>
<td>70-73</td>
</tr>
<tr>
<td>29</td>
<td>Labor-management relations</td>
<td>62-66</td>
</tr>
</tbody>
</table>