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Committee on Government Procurement

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RESPONSES TO QUESTIONS FROM THE EUROPEAN COMMUNITY RELATING TO KOREA TELECOM (KT)

Communication from the Republic of Korea

Please find below Korea's responses to questions from the European Community regarding Korea's notification to the Committee on Government Procurement on the withdrawal of Korea Telecom (KT Corporation) from Annex 3 of Appendix I of the Agreement on Government Procurement (GPA) (GPA/W/207).

1. Please provide the names of facilities-based operators other than KT (fixed network operators and mobile network operators). What are their respective market shares (mobile; fixed voice - local, long-distance and international; data services; broadband access; etc.)? In respect of each service, what is the percentage of the population having the choice of another operator other than KT? What share of the equipment market does each operator have?

1. Current status of facilities-based operators (as of 25 February 2003):

(i) The total number of local, long-distance, international, and mobile service operators is 35.

- Local: 2, Long-distance: 4, International: 4, Telecommunication circuit lease: 18, Services provided over allocated frequencies: 22.
- A carrier providing multiples services is regarded as one operator.

* Please refer to Table 1 for further details.

[Table 1. Facilities-based Service Operators]

(As of 25 February 2003)

Service		Service Coverage	No. of Operators	Operators
Local Telephone		Nationwide	2	KT, Hanaro Telecom
Long-distance Telephone		Nationwide	4	KT, Dacom, Onse Telecom, Hanaro Telecom
International Telephone		Nationwide	4	KT, Dacom, Onse Telecom, Hanaro Telecom
Telecommunication Circuit Lease		Domestic International	6	KT, Dacom, Hanaro Telecom, Enterprise Networks, Space Broadband, EastSet
		Domestic	3	PowerComm, SK Global, Dreamline
		Long-distance International	3	SK Telecom, Hansol iGlobe, Onse Telecom
		International	6	Dacom Crossing, Seoul International Telephone, Samsung Networks, Thrunet, Ilsin C2C, Korea Reach
Services provided over allocated frequencies	Mobile telephone	Nationwide	1	SK Telecom
	PCS	Nationwide	2	LG Telecom, KT Freetel
	GMPCS	Nationwide	2	Dacom, Korea ORBComm
	Trunked radio system (TRS)	Nationwide	1	KT PowerTEL
		Regional	5	Seoul TRS, KB Telecom, Daegu TRS, PowerTel TRS, Jeju TRS
	Radio Paging	Nationwide	1	Real Telecom
		Regional	3	Seoul Mobile Communications, EyesVision, Centisce
	Wireless Data Communication	Nationwide	3	Air Media, Real Telecom, Hanse Telecom
	Very High-speed wireless Internet	Nationwide	1	Dacom
	IMT-2000	Nationwide	3	KtiCom, SK IMT, LG Telecom

2. Market share in terms of revenue (as of late 2002):

Local telephone

	KT	Hanaro Telecom	Total
Market Share (%)	96.1	3.9	100

Long-distance telephone

	KT	Dacom	Onse Telecom	Total
Market Share (%)	78.0	18.6	3.3	100

International telephone

	KT	Dacom	Onse Telecom	Resale	Total
Market Share (%)	44.6	19.8	11.4	24.2	100

Mobile telephone

	SK Telecom	KTF	LG Telecom	Total
Market Share (%)	59.2	29.1	11.7	100

Broadband Internet

	KT	Hanaro	Thrunet	Onse	Dreamline	Dacom	Others	Total
Market Share (%)	48.1	26.3	14.5	3.2	2.0	1.8	4.1	100

Private lines

	KT	Dacom	PowerComm	Others	Total
Market Share (%)	55.6	8.2	22.8	13.4	100

3. Market share in terms of No. of subscribers (as of late 2002):

Local telephone

	KT	Hanaro Telecom	Total
Market Share (%)	96.0	4.0	100

Long-distance telephone

	KT	Dacom	Onse Telecom	Total
Market Share (%)	86.8	8.6	4.6	100

Mobile telephone

	SK Telecom	KTF	LG Telecom	Total
Market Share (%)	53.2	31.9	14.8	100

Broadband Internet

	KT	Hanaro	Thrunet	Onse	Dreamline	Dacom	Others	Total
Market Share (%)	48.1	28.0	12.7	4.4	1.7	1.4	3.6	100

4. Please note that the government does not have any relevant data on the market share of the respective providers in the equipment market because such information is regarded as confidential by the companies.

2. *Could the Government of the Republic of Korea please provide figures regarding local access and respective market shares between competitive access providers (cable TV, KT and other competitive providers if any)? Could the Government of the Republic of Korea please provide figures related to the number of unbundled lines?*

1. The market share by local access types is as follows:

(i) KT and Hanaro Telecom are the two providers of local telephone services in Korea, and their respective market share is as follows: (as of late 2002)

Classification	KT	Hanaro Telecom	Total
Share of Revenues	96.1	3.9	100
Share of Subscribers	96.0	4.0	100

(ii) Broadband Internet market share by access providers (as of late January 2003):

Classification	Market Share (%)		Subscription Rate by Service Types (%)			
	Revenues	Subscribers	xDSL	Cable Modem	Apartment LAN	Satellite
Total	100	100	100	100	100	100
KT	48.1	48.1	77.3	-	46	100
Hanaro	26.3	28.0	20.1	37	34.2	-
Thrunet	14.5	12.7	-	36	0.7	-
Onse	3.2	4.4	-	12.9	0.6	-
Dreamline	2.0	1.7	1.2	2.3	0.2	-
Dacom	1.8	1.4	-	1.9	6.7	-
Others	4.1	3.6	1.1	9.5	11.0	-
Subscription rate by service types (%)			55.3	33.9	10.6	0.1

- Apartment LAN refers to a LAN-type broadband Internet service using telephone lines or UTP cables at apartments or collective housing.

2. With regard to unbundled lines, Korea notified standards on local loop unbundling in April 2002, and implemented the system in full swing afterwards.

- (i) The local loop unbundling system is not widely used as it is at the initial stage of the implementation. However, the Korea Communications Commission is making various efforts to establish the system in place such as charging W 2 billion in fines on KT for its violation of the Local Loop Unbundling Agreement in March 2003.

- (ii) The following is the achievement of the unbundling:

(as of 16 February 2003)

Classification	Full-unbundling	line-sharing	Total
Achievement	40 lines	67 lines	107 lines

3. *Please provide further details as regards the independence of the regulatory authority. Please confirm if our understanding is correct that the Korean Communication Committee (KCC) deliberates on regulatory issues (interconnection, accounting adjustment, mobility of numbers etc.).*

1. The Korean Government completely sold off its shares in KT and fully privatized the company. By doing so, Korea faithfully complied with GATS 4th Protocol Reference Paper that requires regulators to be de-facto and legally independent.

2. As EC understands, the Korea Communications Commission (KCC) is responsible for making a deliberation on the notification, standards or plans in relation to matters such as interconnection, accounting, and number portability.

3. In addition, KCC has the authority to carry out an independent investigation into and to impose correctional measures against activities of the telecommunications operators that undermine fair competition and the interests of the users.

4. Refer to the attached "Framework Act on Telecommunications" for the establishment and composition of the KCC that may either directly or indirectly relate to the independence of the Commission (Attachment 1).

4. *Are there any government officials on KT's shareholders' committee, board or management? Could the Government of the Republic of Korea please provide the list of previous members of the Management Board (prior to the sale by the government of its shares in KT) and the names and previous positions of the current members of the Management Board?*

No government officials have been on KT's shareholder's committee or management before and after the government's shares were unloaded.

As for the list of sitting directors, visit <http://www.kt.co.kr/kt/eng> and go to Investor Relations → Management Info. → Board of Directors.

5. *What is the size of purchases of KT in the different categories of equipment (access, exchanges, transmission, etc.)?*

The share of KT's purchases from foreign suppliers represented 9.8% in 1999, 4.9% in 2000, 1.8% in 2001 and 2.1% in 2002. The complete replacement of switching system and the global slowdown in the IT sector have contributed to the decline. The list of major foreign items procured is as follows:

- Y2K Solution from Lucent Technologies, Sagem SA, Ericsson Telecom AB
- Wide Band Digital Equipment from Marconi Communications
- Digital Circuit Multiplication from ECT Telecom Ltd.
- DSR from General Instrument

6. *Could the Government of the Republic of Korea please provide a copy of all recent legislation in relation to the privatization of KT?*

As explained during the bilateral consultations with the EU, KT was privatized on the basis of the following law:

- Act on Restructuring and Privatization of State Enterprises (hereinafter referred to as Privatization Act). For the details, please refer to Attachment 2.

7. *Please provide KT special regulations for foreign contracts, if any exist.*

KT's Special Regulations on International Contracts is contained in Attachment 3.

8. *Please provide any KT guidelines for challenging procedures on procurement.*

Please refer to KT's Guide on Dispute Settlement Regarding International Procurement contained in Attachment 4.

9. Please provide a list of shareholders in each of KT and SKT (South Korea Telecom), as well as the percentage values of each shareholder's shareholdings.

1. A List of KT Shareholders (Source: Financial Supervisory Service as of March 2003):

Shareholders	Percentage of Shareholdings (%)
Brandes Investment Partners	6.39
Employees Stock Ownership	5.98
Minority Shareholders(less than 5%)	87.63
Total	100.00

* The total foreign ownership is about 41.64%

2. A List of SKT Shareholders (Source: Financial Supervisory Service as of March 2003):

Shareholders	Percentage of Shareholdings (%)
SK	20.82
Citibank ADR	18.98
SK Telecom	10.21
Posco	6.83
Minority Shareholders (holding shares less than 5%)	43.16
Total	100.00

ATTACHMENT 1 - EC*

FRAMEWORK ACT ON TELECOMMUNICATIONS

CHAPTER V KOREA COMMUNICATIONS COMMISSION

Article 37 (Establishment and Composition of Korea Communications Commission)

(1) In order to create an environment of fair competition in the telecommunications business, to make a deliberation on and resolve matters related to the protection of the rights and interests of the users of telecommunications service, and to arbitrate the disputes among the telecommunications business operators or between the telecommunications business operator and the users, the Korea Communications Commission shall be established under the jurisdiction of the Ministry of Information and Communication.

<Amended on 30 December 1996; 28 January 2000; 26 December 2002>

(2) The Korea Communications Commission shall consist of not more than nine members including one chairman, and among the members, one shall be permanent.

<Amended on 30 December 1996>

(3) The members including the chairman shall be appointed or commissioned by the President, under the conditions as prescribed by the Presidential Decree.

(4) A secretariat shall be established under the jurisdiction of the Korea Communications Commission in order to manage the affairs of the Korea Communications Commission.

<Newly Inserted on 30 December 1996>

Article 38 (Qualifications, etc. for Members)

(1) The qualifications for members shall be as follows:

<Amended on 30 December 1996; 28 January 2000>

1. a person who holds or has held a post of public officials higher than Grade III;
2. a person who serves or has served as a judge, prosecutor or attorney at law for no less than fifteen years;
3. a person who has majored in law, economics, business administration, electronic engineering, communications engineering, and other courses of study related to telecommunications, and who serves or has served in a position higher than an associate professorship at a university under the Higher Education Act or an approved research institution, or who serves or has served at a position equivalent to it for no less than ten years;
4. a person who has served as the representative of organizations or institutions, or as an officer of a company related to telecommunications for no less than ten years; and

* Attachments 1-4 are in English only.

5. a person who serves or has served in a position related to the protection of users of telecommunications service for no less than fifteen years.

(2) The tenure of office for the members who are not government officials shall be three years, but he may be reappointed.

Article 39 (Guarantee of Status of Members)

The members of the Korea Communications Commission shall not be dismissed or withdrawn from his commissioned post against his own will, except for the following cases:

1. where he is sentenced to imprisonment without prison labour or heavier punishment; and
2. where he becomes unable to perform the duties due to the mental and physical weakness for a long period.

Article 40 (Functions of Korea Communications Commission)

The Korea Communications Commission shall deliberate on and resolve the matters falling under any of the following subparagraphs pursuant to this Act and other Laws and Ordinances, and make a ruling under Article 40-2:

<Amended on 28 January 2000; 26 December 2002>

1. matters relating to the provision of the telecommunications facilities, the joint utilization of subscriber's lines, the joint utilization of radio communications facilities, interconnection, the joint use, etc. of telecommunications facilities and equipment or the criteria for supply of information under Articles 33-5 (2), 33-6 (2), 33-7 (3), 34 (2), 34-3 (2), 34-4 (2) of the Telecommunications Business Act;
2. matters relating to the approval of criteria under Article 34-4 (4) of the Telecommunications Business Act;
3. matters relating to the supply, joint use, etc., interconnection or joint utilization of the telecommunications facilities and equipment, or the authorization or report of the agreement on supply of information under Article 34-6 of the Telecommunications Business Act;
4. matters relating to the formulation and modification of a plan for the administration of telecommunications numbers under Article 36 (1) and (2) of the Telecommunications Business Act;
5. deleted <26 December 2002>
6. matters relating to the measures against prohibited acts under Article 37 (1) of the Telecommunications Business Act;
- 6-2 matters relating to imposition, etc. of penalty surcharge on prohibited acts under Article 37-2 (2) of the Telecommunications Business Act;
7. matters relating to the implementation of the prior selection systems, the designation of the prior selection registration center and the method of dealing with its affairs under Article 38-3 (4) of the Telecommunications Business Act;

8. matters relating to the plans for number portability under Article 38-4 (4) of the Telecommunications Business Act;
9. matters prescribed by other Acts as the matters to be deliberated by the Korea Communications Commission; and
10. other matters deemed necessary by the Minister of Information and Communication for going through a deliberation by the Korea Communications Commission in order to create an environment of fair competition in the telecommunications business and protect the rights and interests of the users in the telecommunications service.

[This Article Wholly Amended on 30 December 1996]

Article 40-2 (Ruling by Korea Communications Commission)

(1) The telecommunications business operators or its users may make an application to the Korea Communications Commission for a ruling, in case where an agreement between the parties has not been reached, or they are unable to make an agreement on the matters falling under any of the following subparagraphs:

1. compensation for damages under Article 33-2 of the Telecommunications Business Act, or compensation for actual expenses under Article 46;
2. the supply of telecommunications facilities and equipment under Article 33-5 (1),(2) of the Telecommunications Business Act, the joint utilization of radio communications facilities under Article 33-7 (1),(2), interconnection under Article 34 (1), the joint use, etc. under Article 34-3 (1), or the conclusion of an agreement on supply, etc. of information under Article 34-4 (1);
3. the supply of telecommunications facilities and equipment under Article 33-5 (1) of the Telecommunications Business Act, the joint utilization of radio communications facilities under Article 33-7 (1),(2), interconnection under Article 34 (1), the joint use, etc. under Article 34-3 (1), or the implementation of an agreement on supply, etc. of information under Article 34-4 (1) or a compensation for damages; and
4. other matters prescribed by other Acts as the matters to be ruled by the Korea Communications Commission.

(2) The Korea Communications Commission shall, upon receipt of an application for ruling under paragraph (1), notify the other party of the relevant fact, and provide them with an opportunity to state an opinion with fixing a period: Provided, That this shall not apply in case where the interested parties fail to comply to it without any justifiable reasons.

(3) The Korea Communications Commission shall, in case where it makes a ruling on the application for ruling under paragraph (1), forward the document of such ruling to the parties concerned without delay.

(4) When the Korea Communications Commission makes a ruling, and where a lawsuit has not been initiated or it has been withdrawn concerning the content of the relevant ruling, within sixty days from the date when the authentic copy of the document of ruling is served to the parties concerned, an agreement which is identical with the content of the relevant ruling is deemed to have been reached between the parties concerned.

(5) A person who is dissatisfied with the amount which shall be paid or received by the parties concerned from among the rulings of the Korea Communications Commission, may request an increase or decrease of the relevant amount by a lawsuit, within sixty days from the date when he has been served with the written ruling.

(6) In the lawsuit under paragraph (5), the other party shall be the defendant.

[This Article Newly Inserted on 30 December 1996]

Article 40-3 (Good Offices of Disputes)

The Korea Communications Commission may, in case where deemed inadequate to make a ruling or when necessary, upon receipt of an application for ruling under Article 40-2 (1), set up the subcommission by cases of dispute, and offer its good offices thereon.

[This Article Newly Inserted on 30 December 1996]

Article 41 (Quorum of Voting)

The deliberation of the Korea Communications Commission shall be decided by a majority of registered members.

Article 42 (Exclusion, Avoidance, Refrainment of Members)

(1) Any member of the Korea Communications Commission shall, where he falls under any of the following subparagraphs, be excluded from the deliberation and resolution of a relevant case:

1. where he or his spouse or his former spouse is a party to the relevant case, or in a relationship of a cocreditor or a liable person with regard to the relevant case;
2. where he is or has been in a kinship with a party to the relevant case;
3. where he or a corporation whereto he belongs serves as a consultant or an advisor on the legal and management affairs, etc. of a party concerned;
4. where he or a corporation whereto he belongs testifies or appraises; and
5. where he or a corporation whereto he belongs intervenes or has intervened as an agent for a party concerned.

(2) A party concerned may, when the situation exists that makes it difficult to expect a fair deliberation or resolution, file an application for the avoidance. In this case, the Korea Communications Commission shall decide on it by a resolution.

(3) A member falling under the causes of paragraph (1) or (2) may refrain by himself from the deliberation or resolution of a relevant case.

[This Article Newly Inserted on 28 January 2000]

Article 43 (Investigation and Listening to Opinions, etc.)

The Korea Communications Commission may, in case where deemed necessary to deal with a case for ruling, carry out the acts falling under any of the following subparagraphs, upon a request from a party concerned or ex officio:

1. a request for the presence of a party concerned or a relevant witness, and listening to his opinions;
2. a request to an appraiser for an appraisal;
3. a request for the furnishing of any document or articles related to a case of dispute, and the provisional holding of furnished document or articles; and
4. an act of letting civil servants belonging to the Korea Communications Commission enter the business place of a party concerned and other places related to the case of dispute to examine and peruse the documents or articles, or copy such documents.

[This Article Newly Inserted on 28 January 2000]

Article 44 (Operation, etc. of Korea Communications Commission)

Matters necessary for the organization, operation, etc. of the Korea Communications Commission other than those stipulated in this Act shall be prescribed by the Presidential Decree.

Article 44-2 (Information and Communications Policy Deliberation Council)

(1) In order to deliberate on the major policies related to the information and communications falling under any of the following subparagraphs, the Information and Communications Policy Deliberation Council shall be established under the jurisdiction of the Ministry of Information and Communication:

1. basic plans for telecommunications under Article 5;
2. enforcement plan for technology promotion under Article 8;
3. permission for the key communications service under Article 5 (1) of the Telecommunications Business Act;
4. principal policies related to the information and communications industry; and
5. other matters recognized by the Minister of Information and Communication to require the deliberation by the Information and Communications Policy Deliberation Council.

(2) Matters necessary for the composition and operation of the Information and Communication Policy Deliberation Council under paragraph (1) shall be determined by the Presidential Decree.

[This Article Newly Inserted on 30 December 1996]

ATTACHMENT 2 – EC

ACT ON RESTRUCTURING AND PRIVATIZATION OF STATE ENTERPRISES

ACT NO. 6607

Article 1 (Purpose)

The purpose of this Act is to contribute to the creation of sound corporate culture and the balanced development of national economy, by introducing a management system run by specialized executives and to hold the management accountable for its performance, thereby enhancing management efficiency and facilitating privatization, while preventing the concentration of economic power in the process.

Article 2 (Applicable Enterprises)

This Act shall apply to those corporations falling into any of the following subparagraphs (hereinafter referred to as "Applicable Enterprises") <Amended 26 January 1999; 14 January 2002>:

1. **Korea Tobacco and Ginseng Corporation** transformed into a joint stock company subject to the **Commercial Law**, pursuant to the **Act on the Abolishment of Korea Tobacco and Ginseng Corporation Act**.
2. **Korea Telecommunication Corporation** transformed into a joint stock company subject to the **Commercial Law**, pursuant to the **Act on the Abolishment of Korea Telecommunication Corporation Act**.
3. **Korea Gas Corporation** established pursuant to the **Korea Gas Corporation Act**.
4. **HANJUNG (Korea Heavy Industry Incorporated)**.
5. **Incheon International Airport Corporation** established pursuant to the **Incheon International Airport Corporation Act**.
6. **Korea Aerospace Corporation** established pursuant to the **Korea Aerospace Corporation Act**.

Article 3 (Relationship with Other Laws and Regulations)

(1) This Act shall supersede other laws and regulations concerning the organization, shareholder rights, and the equity sale for privatization of Applicable Enterprises.

(2) Applicable Enterprises pursuant to Article 2 Paragraph 1 through 3, Paragraph 5, and Paragraph 6 shall not be considered as government Investment Institutions subject to the **Framework Act on the Management of Government-Invested Institutions**.
<Amended 26 January 1999; 14 January 2002>

(3) Matters concerning Applicable Enterprises (with the exception of **Korea Gas Corporation**) other than those provided for herein shall be stipulated by the **Commercial Law** provisions concerning joint stock company.

(4) Matters concerning **Korea Gas Corporation** other than those provided for herein shall be stipulated by the **Korea Gas Corporation Act**.

Article 4 (President)

(1) The president shall be appointed at the shareholders' general meeting.

(2) The term of the president shall be three (3) years, and cannot be dismissed without due reason except in the case set forth in Article 13 Paragraph 3.

(3) The president, in applying the **Commercial Law**, shall be deemed the chairman of Board of Directors.

Article 5 (Directors)

(1) Directors shall be classified into standing directors and non-standing directors, and shall be appointed at the shareholders' general meeting.

(2) The quorum of standing directors including president shall account for less than 50 per cent (%) of the total quorum of directors.

(3) The term directors shall be three (3) years. The term of successor to a vacant non-standing director's seat shall be the remaining term of the predecessor.

(4) One-third of the quorum of non-standing directors shall be appointed annually.

Article 6 (Board of Directors)

(1) The president shall convene a board of directors meeting *ex officio* or upon request by more than one quarter (1/4) of registered directors, and shall be the chairman.

(2) In case the president cannot participate in the resolution of the board of directors pursuant to this Act, or cannot perform the duty of the chairman of board of directors due to compelling reasons, the director as stipulated by the Articles of Incorporation shall act on the president's behalf.

Article 7 (Remuneration of the President and Standing Directors)

(1) The board of directors shall determine, upon its resolution, the criteria and payment method of the remuneration of the president and standing directors, and report to the shareholders' general meeting.

(2) The criteria of remuneration as set forth in Paragraph 1 shall be formulated in such a way as to reflect the management performance of Applicable Enterprise to the determination of remuneration.

(3) The president and standing directors cannot participate in the resolution of board of directors pursuant to Paragraph 1.

Article 8 (Recommendation of the Director Candidate)

(1) In case the president recommends the standing director candidate, the recommendation shall be approved by the board of directors. In this case, standing directors except the president cannot participate in the board of directors' resolution.

(2) Non-standing director candidates shall be recommended by either a shareholder or shareholder association, pursuant to the Articles of Incorporation.

Article 9 (Qualifications for Non-Standing Director)

(1) Candidates eligible for non-standing director shall be those with specialized knowledge or experiences in economics, business management, law, or relevant technology.

(2) Notwithstanding Paragraph 1, those with material interest in the Applicable Enterprise cannot be a non-standing director.

(3) The scope of those with material interest pursuant to provision set forth in Paragraph 2 shall be stipulated by the Articles of Incorporation.

Article 10 (Non-Standing Director's Rights to Demand Materials)

A non-standing director can request the president for the provision of materials required for performing duties. In this case, the president shall respond to the demand unless there are special circumstances.

Article 11 (President Recommendation Committee)

(1) For the purpose of recommending candidates for president, each Applicable Enterprise shall establish its respective President Recommendation Committee (hereinafter referred to as "Committee").

(2) The Committee shall be composed of a few non-standing directors, one of former or incumbent presidents pursuant to the Articles of Incorporation, and a few non-official members entrusted by the Committee (with the exception of the employees of Applicable Enterprise in question and government officials). In this case, the quorum of Committee members who are non-standing directors shall account for the majority of the total quorum of members.

(3) The number of non-standing directors entrusted with the Committee membership pursuant to Paragraph 2 shall be less than one half (1/2) of the total quorum of non-standing directors.

(4) The Committee chairman shall be appointed among non-standing directors by the board of directors. In this case, the president and standing directors cannot take part in the board of directors' resolution.

(5) The Committee shall make decisions, with the agreement of majority of registered Committee members, excluding the Committee chairman. In this case, the Committee chairman does not have voting rights.

(6) Necessary matters concerning the composition and operation of the Committee other than those provided for herein shall be stipulated by the Presidential Decree.

Article 12 (Appointment of President)

(1) The president shall be appointed among those who are qualified for a chief executive officer, with extensive knowledge on business management and economics or with extensive management experiences.

(2) Applicable Enterprise shall post a public notice on recruitment of president candidates on major daily newspapers, and can separately investigate candidates for president who are deemed appropriate for the post, or request a specialized agency for investigation.

(3) Committee shall examine those recruited pursuant to Paragraph 2, according to the Presidential Candidate Examination Criteria as determined by the board of directors.

(4) In selecting the president candidates, the Committee shall consult with those to be recommended as candidates on the terms and conditions of contract on management target determined by the board of directors, and where it is deemed necessary in the process of consultation, can modify the contract terms and conditions determined by the board of directors.

(5) In accordance with the results of examination pursuant to Paragraph 3 and consultation pursuant to Paragraph 4, the Committee shall both recommend the presidential candidates and submit draft contract to the shareholders' general meeting.

(6) Standing directors including the president, cannot attend the board of directors' meeting held for the purpose of determining the Presidential Candidate Examination Criteria pursuant to Paragraph 3, and the president cannot attend the board of directors' meeting held for the purpose of determining the terms and conditions of the contract on management target pursuant to Paragraph 4. In this case, the chairman of the board of directors shall be the Committee chairman.

Article 13 (Contract with the President)

(1) Upon the approval by shareholders' general meeting of the draft contract submitted pursuant to Article 12 Paragraph 5, the Applicable Enterprise shall sign the contract with the president. In this case, the Committee chairman shall sign the contract as the representative of the Applicable Enterprise.

(2) Pursuant to Paragraph 1, the board of directors can evaluate the performance of contract signed with the president, or request a specialized agency for the evaluation. In this case, the president and standing directors cannot participate in the resolution of board of directors.

(3) In case the evaluation results pursuant to Paragraph 2 leads to a determination that the president's performance falls short of management target, the board of directors can propose the president's dismissal to the shareholders' general meeting. In this case, the president and standing directors cannot participate in the board of directors' resolution.

Article 14 (Establishment of Shareholders Association)

(1) Where it is deemed necessary for the effective operation of shareholders' general meeting, as stipulated in the Presidential Decree, the Applicable Enterprise can establish and operate a shareholders association composed of some shareholders.

(2) Necessary matters concerning the qualifications for the shareholders association membership and its operation shall be stipulated by the Articles of Incorporation.

Article 15 (Provisions on Special Cases Concerning Audit by the Board of Audit and Inspection)

Inspection of Applicable Enterprises pursuant to Article 24 Paragraph 1 Subparagraph 3 of the **Board of Audit and Inspection Act** shall not be carried out unless there is an accident or a concrete evidence of the occurrence of accident.

Article 16 (Exercise of Shareholder's Right by the Government)

- (1) The shareholder's right of Applicable Enterprise's shares held by the government shall be exercised by competent minister, upon consultation with the Minister of Finance and Economy.
- (2) Necessary matters concerning the consultation pursuant to Paragraph 1 shall be stipulated by the Presidential Decree.

Article 17 (Exercise of Minority Shareholder's Right)

The provisions set forth in the **Securities Transactions Act** Article 191 Paragraph 13 and Article 191 Paragraph 14 shall be applied to the exercise of minority shareholder's right and shareholder proposal right, even when the Applicable Enterprise's shares are not listed on the securities market.

Article 18 (Single Person Stock Ownership Ceiling)

- (1) One (1) shareholder and the person in special relationship with that shareholder as stipulated by the Presidential Decree (hereinafter referred to as "Single Person") shall neither own stocks exceeding the ratio stipulated by the Article of Incorporation within 15 per cent (%) of total number of issued stocks with voting rights, nor de facto control the Applicable Enterprise <Amended 29 January 1999>.
- (2) In case a single person owns stocks above the ceiling stipulated in Paragraph 1 or de facto controls Applicable Enterprise, the single person shall immediately dispose of the exceeding amount of stocks. In this case, even before the disposal of exceeding amount, the scope of single person's voting rights exercise shall be restricted to the ceiling stipulated in Paragraph 1.
- (3) Single person's ownership or de facto control as stipulated in Paragraph 1 and Paragraph 2 means a single person exercising voting rights by owning stocks under its own or borrowed name, or by collusion.

Article 19 (Foreign Stock Ownership Ceiling)

- (1) Acquisition of the Applicable Enterprise's stocks by foreigner or foreign corporation can be separately restricted pursuant to the Article of Incorporation, in addition to the restriction pursuant to Article 18 Paragraph 1.
- (2) The provisions set forth in Article 18 Paragraph 2 shall be applied *mutatis mutandis* to those foreigners or foreign corporations owning stocks above the ceiling or de facto controlling Applicable Enterprise, as stipulated in the Articles of Incorporation pursuant to Paragraph 1 <Inserted 29 January 1999>.

Article 20 (Equity Sale Method)

- (1) The stocks held by the government, government-invested institution, or **Korea Development Bank** established pursuant to the **Korea Development Bank Act** (hereinafter referred to as "Government-equivalent") can be sold on consignment or assignment to agencies stipulated by the Presidential Decree, including but not limited to financial institution and securities firm.
- (2) In selling stocks held by government-equivalent, where it is deemed necessary for alleviating the repercussions on stock market, widely diversifying stocks, and enhancing international competitiveness of the Applicable Enterprise, the Minister of Finance and Economy can restrict the

qualifications for the buyer of stocks in question or the amount of stocks available for purchase <Amended 29 January 1999>.

(3) Upon the request of an employee stockholders association member, government-equivalent can sell, with priority, the stocks to the employee stockholders association of the corporation in question within the ceiling as stipulated in Article 18 Paragraph 1.

(4) In case of selling stocks pursuant to Paragraph 3, matters including but not limited to the allocation of stocks to the employee stockholders association members, and the disposal of that stock shall be stipulated by the **Securities Transactions Act** Article 191 Paragraph 3.

(5) Notwithstanding the **Budget and Accounting Act**, the cost for selling government held stocks pursuant to Paragraph 1 can be disbursed from the proceeds from equity sale.

Article 21 (Preclusion from Application)

(1) Once an Applicable Enterprise falling into any of the Article 2 Subparagraphs 1 through 3 fulfils any of the requirements set forth in the following Subparagraphs, this Act shall not apply to that enterprise from the date of shareholders' general meeting first convened thereafter.

1. The ratio of voting stocks held by government-equivalent is within the ceiling set forth in Article 18 Paragraph 1.
2. The ratio of voting stocks held by single person other than government-equivalent is larger than that held by government-equivalent.

(2) Among the stocks of **Korea Heavy Industry Incorporated**, Article 18 and Article 19 shall not apply to the person who acquires the stocks held by government-equivalent through the tendering for equity sale, and once the ratio of the stocks with voting rights held by single person and person falling into any of the following Subparagraphs exceeds 51 per cent (%) of the total issued stocks with voting rights, this Act shall not be applied from the date of shareholders' general meeting first convened thereafter.

1. Person who aims at joint capital participation and management pursuant to contract.
2. The person pursuant to Subparagraph 1 and person who is in special interest with the person as stipulated by the Presidential Decree pursuant to Article 18 Paragraph 1.

(3) In case the government made investment in-kind in Korea Development Bank, The Export-Import Bank of Korea, and Industrial Bank of Korea pursuant to the **Act on the Investment In-kind of State Properties**, Article 18 shall not be applied <Inserted 29 January 1999>.

ANNEX <NO. 5379, 28 AUGUST 1997>

Article 1 (Effective Date)

This Act shall take effect as of 1 October 1997.

Article 2 (Deleted <29 January 1999>)

Article 3 (Recommendation of the First Non-Standing Director)

(1) For the purpose of selecting the person to recommend as the first non-standing director (hereinafter referred to as the "Non-Standing Director Designee"), an Ad-hoc Committee on Non-Standing Director Recommendation shall be established under relevant department in Applicable Enterprises.

(2) The members of the Ad-hoc Committee on Non-Standing Director Recommendation pursuant to Paragraph 1 shall be composed of shareholder representative, non-official member with specialized knowledge in area relevant to Applicable Enterprise, and public official from relevant central government agency.

(3) Necessary matters concerning the composition and operation of the Ad-hoc Committee on Non-Standing Director Recommendation shall be stipulated by the Presidential Decree.

(4) The Ad-hoc Committee on Non-Standing Director Recommendation shall recommend the non-standing director designee to shareholders' general meeting as a non-standing director candidate.

(5) In recommending non-standing director designee as a non-standing director candidate pursuant to Paragraph 4, the Ad-hoc Committee on Non-Standing Director Recommendation, notwithstanding Article 5 Paragraph 3, shall equally divide the quorum of non-standing directors by three (3), and separately recommend non-standing directors with respective terms of one (1) year, two (2) years, and three (3) years. In case the quorum of non-standing directors cannot be equally divided by three (3), the recommended candidates for the longer-term directors shall be more than shorter-term director candidates.

Article 4 (Appointment of the First President)

(1) For the purpose of recommending candidate for the first president to be appointed at the shareholders' general meeting after the enactment of this Act, an Ad-hoc Committee on President Recommendation shall be established.

(2) Provisions of Article 11 and Article 12 shall be applied *mutatis mutandis* to the composition and operation of the Ad-hoc Committee on President Recommendation pursuant to Paragraph 1 and the appointment of the first president. In this case, "non-standing director" shall be interpreted as "non-standing director designee", and "board of directors" as "non-standing director designees' meeting".

Article 5 (Provisions on Special Cases Concerning Incumbent Executives of Applicable Enterprises)

(1) The term of incumbent chief director of Applicable Enterprise at the time of enforcement of this Act shall be deemed terminated at the point this Act is enforced.

(2) The president, directors, and auditor of Applicable Enterprise at the time of enforcement of this Act shall be deemed president, directors, and auditor pursuant to this Act, provided that their term is effective until new president, directors, and auditor are appointed at the shareholders' general meeting pursuant to this Act.

ATTACHMENT 3 – EC
KT'S CORPORATE REGULATION
SPECIAL REGULATIONS ON INTERNATIONAL CONTRACTS

Regulation No. 538 (30 December 2000)

Article 1 (Purpose)

The purpose of these Regulations is to define principles, procedures, etc. related to international tendering and contracts for Korea Telecom (hereinafter referred to as "the Company"), pursuant to the provisions of Article 87 of the Contract Regulations.

Article 2 (Definitions)

As used in these Regulations, the term:

1. "International tendering" shall mean a tendering procedure for contracts to be entered into with domestic and foreign entities or foreign entities only, to supply goods, construction, or services, and the contracts shall include a contract through limited tendering.
2. "International contract" shall mean the signing of a contract after an international tendering, as provided in these Regulations.
3. "List of Qualified Suppliers" shall mean a list of prospective suppliers (hereinafter referred to as "qualified suppliers") whose proposals have been evaluated pursuant to the provisions of Article 16 of the Company's Procurement Regulations, and found to be advantageous to the Company, in overall consideration of the characteristics of the project, the price, quality level of the proposed goods, convenience of the contract, stable supply, quality attainment, conditions of maintenance and repair, etc.
4. "Telecommunications goods" shall mean telecommunication network equipment and other telecommunication facilities, as well as incidental services and related software (programs and plans, technical specifications, and other documents used for programming).

Article 3 (Scope of Application)

(1) Any of the following cases shall be subject to international contracts:

1. manufacturing or purchase of goods, the cost of which is estimated to exceed 450,000 SDR. Provided, however, that in the case of telecommunications items, the cost of which is estimated to exceed 130,000 SDR;
2. construction, the cost of which is estimated to exceed 15 million SDR; or
3. if it is deemed favorable to the Company's interests to procure under an international contract.

(2) Notwithstanding the provisions of Subparagraphs 1 and 2 of Paragraph (1), the following cases may not be subject to international contracts:

1. if a contract through limited tendering is to be signed, pursuant to the provisions of Subparagraphs 2 through 8 of Article 37 of the Contract Regulations;
2. if an emergency contract is to be executed, pursuant to the provisions of Article 56 of the Contract Regulations; and
3. If it is barred from international tendering by other related laws and regulations.

(3) Calculation of estimated costs, stated in Paragraph (1), and the exchange rate of SDR to the Korean currency shall be as provided elsewhere.

Article 4 (Principles of International Contracts)

The official in charge of the contract shall select the other party to an international contract in an impartial manner, not provide contract-related information in a discriminatory manner, and abide by the following requirements:

1. the method of calculating the estimated price shall not be manipulated or a split order shall not be placed for the purpose of avoiding an international contract;
2. any rules of origin, which are different from the provisions of the Overseas Trade Act and the Customs Act, shall not be applied; and
3. a fixed ratio of localized parts, technology transfer, offsets, etc. shall not be called for in the process of evaluating the eligibility of prospective suppliers, evaluation of proposals, and award of contracts, with a view to restricting entries or contract conditions thereof.

Article 5 (Method of Contract)

International contracts may be concluded through open tendering, selective tendering, or limited tendering.

Article 6 (Language)

(1) The language used for international contracts shall, in principle, be Korean. Provided, however, that if contracting parties operate primarily in a particular region and it is deemed inevitable to use a foreign language, the language used in the region, or one language among English, French and Spanish may be used.

(2) In the case of announcing an international tendering, the official in charge of the contract shall state the following matters at the bottom of the tendering announcement in English, French or Spanish:

1. object of the contract;
2. deadline for presentation of tender and application for tendering; and
3. name and address of the organization in charge of execution.

(3) If multiple languages are allowed to be used in preparing the tender for an international tendering, the official in charge of contract shall include one or more languages among English, French and Spanish.

(4) If any provision written in a foreign language, pursuant to the provisions of Paragraphs (2) and (3), is different from what is stated in Korean, the Korean text shall prevail.

Article 7 (Eligibility and Review of Applicants for Open Tendering)

(1) The official in charge of the contract may establish the requirements for eligibility of applicants for open tendering, with regard to performance of a similar kinds of contracts, performing capability, technological capability, status of management, and other necessary matters, depending on the type and scale of the contract, in addition to the requirements stated in Subparagraphs 1 through 3 and 5 of Article 13 of the Contract Regulations, as deemed necessary for a successful concluding of an international contract.

(2) Upon request by a prospective applicant for open tendering, the official in charge of contract shall review the eligibility thereof, pursuant to the provisions of the above Paragraph (1), and notify the prospective applicant of the result.

(3) The official in charge of the contract may not conduct a review, as provided in Paragraph (2), of those registered in the List of Qualified Suppliers.

(4) The official in charge of the contract shall promptly take steps to review the eligibility, if any one who has not been through the eligibility review pursuant to the provisions of Paragraph (1) of Article 8, requests to participate in the tendering. If it is deemed that there is sufficient time for completing the eligibility review by the day before the deadline for tender submission, the official in charge shall allow him to submit the tender.

Article 8 (List of Qualified Suppliers)

(1) The official in charge of the contract may prepare and display the List of Qualified Suppliers in such a manner that all participants in the tendering may have ready access.

(2) In the event the List of Qualified Suppliers has expired or any party is removed from the List, the official in charge of the contract shall notify the parties concerned to that effect.

Article 9 (Public Notice)

(1) Tendering shall be announced 40 days prior to the day before the deadline for tender submission.

(2) Notwithstanding the provisions of Paragraph (1), if the tendering falls under any of the following circumstances and it is deemed impossible to procure the intended object under the contract under the normal schedule, tendering may be announced 10 days prior to the day before the deadline for tender submission:

1. if it is urgent; or
2. if tendering is to be announced again, pursuant to the provisions of Article 38 of the Contract Regulations.

(3) When public notice has been announced and the content thereof is revised or corrected, a correction notice shall be made with the submission deadline extended by at least 10 days.

(4) Notwithstanding the provisions of Paragraph (1), public notice of tendering may be made 25 days prior to the day before the deadline for tender submission, if it falls under any of the following cases:

1. if a separate 40-day pre-announcement has been made within the past 12 months; or
2. if individual requests for supply are made in a certain grouping or instalments under the contract (hereinafter referred to as "recurring contract"), and the notice is a follow-up to a previous one.

(5) The provision of Paragraph (1) of Article 17 of the Contract Regulations shall apply to any public notice of tendering, pursuant to the provisions of Paragraphs (1) through (4), as necessary.

Article 10 (Content of Public Notice)

If a public notice, pursuant to the provisions of Article 9, is to be made, the official in charge of the contract shall include the following matters, in addition to those set forth in the provisions of Article 18 of the Contract Regulations, in said public notice:

1. matters concerning any additional procurement conditions in regard to the said contract, and the scheduled date of public notice of a subsequent tendering in the case of a recurring contract;
2. method of open tendering or selective tendering, and whether negotiation procedures are included;
3. type of contract to be used by the organization that placed the order—purchase, lease, instalment purchase, etc.;
4. address, deadline for submission, and required language for the application for review of the eligibility for tendering, the application for tendering, tender, etc.; and
5. applicability of the GPA.

Article 11 (Submission and Receipt of Tender)

(1) The official in charge of the contract may receive tenders and related documents submitted by telegraph, telegram, fax, etc., as necessary.

(2) In the event tenders, etc. are submitted pursuant to the provisions of the above Paragraph (1), the applicant shall be requested to immediately submit hard copies thereof with signature for confirmation. In such case, if there are any discrepancies in the content between what is sent by telegraph, etc. and the signed hard copy submitted after the deadline, the copy sent earlier by telegraph, etc. shall prevail.

Article 12 (Determination of the Successful Applicant)

(1) The official in charge of the contract shall determine the successful applicants for open tendering by examining the applicants' capability of executing the relevant contract in the order of the lowest tender under the ceiling.

(2) The examination, stated in the above Paragraph (1), shall be made to determine the eligibility, considering the applicant's performance record, technological capability, financial status, faithful execution of previous contracts, etc., pursuant to a separate set of examination criteria.

(3) Notwithstanding the provisions of Paragraph (1), the capability of executing the relevant contract may not be reviewed in any of the following cases:

1. if the tendering is pursuant to the provisions of Subparagraph 3 of Paragraph (2) of Article 3;
2. if any party registered on the List of Qualified Suppliers, as stated in the provisions of Article 8, submits the lowest tender; or
3. if a party who has during the past three years supplied items equal to or higher than the level of the contract object to the Company or public organizations, as listed in Article 2 of the Act on Promotion of Small and Medium-Sized Companies and Purchase of Products, submits the lowest tender.

Article 13 (Release of Information, etc.)

(1) When the official in charge of the contract selects the successful applicant or the party to international contract (hereinafter referred to as "successful applicant"), the following matters shall be announced within seven (7) days of the selection of the successful applicant:

1. object, amount and price of the successful tender or the intended procurement through limited tendering;
2. name and address of the successful applicant or party to the contract through limited tendering;
3. address of the organization that placed the order;
4. procedures that were followed in determining the successful applicant or party to the contract through limited tendering;
5. procedures of public notice in the case of open tendering;
6. in the case of limited tendering, the reason for adopting the method of limited tendering; and
7. other matters regarding the determination of the successful applicant.

(2) If applicants for tendering request information related to the said tendering, the official in charge shall release the following information:

1. procurement practices and procedures of the organization that placed the order;
2. reasons for rejection of an application for review of eligibility for tendering, suspension of any existing eligibility, and not being designated as eligible; and
3. reasons for non-selection as the successful applicant, name of the successful applicant, characteristics and strengths of the successful tender.

(3) Notwithstanding the provisions of Paragraph (2), information about the successful tender may not be released in any of the following circumstances:

1. if release of the information, etc. is feared to undermine public interest;
2. if release of the information, etc. is feared to undermine due commercial interests of a particular company or adversely affect fair competition; or
3. if release of the information, etc. is feared to cause an inadvertent disclosure of the Company's commercial or corporate secrets.

Article 14 (Selective Tendering)

In the case of a selective tendering pursuant to the provisions of Article 34 of the Contract Regulations, the official in charge of the contract shall establish the eligibility of applicants for the selective tendering and standards of invitation, in consideration of the matters provided in Article 8 and characteristics of the subject matter of the contract, etc.

Article 15 (Designation and Notification of Applicants for Selective Tendering)

(1) If the official in charge of the contract deems it desirable to execute a selective tendering, he shall designate the eligible applicants who meet the invitation standards pursuant to Article 14, and at the same time notify the designated applicants of matters regarding the public notice of tendering, as set forth in Article 10.

(2) The provisions of Article 9 shall apply to the notification pursuant to the above Paragraph (1), as necessary. In the case of a selective tendering for which the List of Qualified Suppliers is not to be used, the deadline for submission of the application for selective tendering shall be at least 25 days prior to the day before the date of tendering announcement.

Article 16 (Application of Provisions on Open Tendering, as necessary)

The provisions of Articles 7 through 13 shall apply to selective tendering, as necessary.

Article 17 (Contract through Limited Tendering)

International contracts may be concluded through limited tendering in any of the following cases:

1. when an open tendering attracts no applicant; if tender by mutual consent is submitted; or, no tender meets the conditions required in the public notice of tendering, etc.;
2. if it is related to art works, patent rights, publishing rights and other proprietary rights for which there is no proper substitute or alternative, or if procurement must be made from a particular supplier for technical reasons;
3. if procurement cannot be made through open tendering within a given period, for reasons of extreme urgency;
4. if procurement is for replacement of parts of already supplied objects or expansion of facilities (this shall apply only to such case where manufacturing or supply of items by those other than the existing manufacturer/supplier of the said items may cause problems related to compatibility or interoperability);

5. if prototypes, etc. developed at the request of the organization that placed the order are to be procured (This shall not apply to the case where the subsequent items, not prototypes, are to be procured after such contract is fulfilled);
6. if additional construction services which were not included in the initial contract become necessary, through unforeseeable circumstances, and the organization that placed the order needs to award contracts for the additional construction services to the contractor carrying out the construction services concerned since the separation of the additional construction services from the initial contract would be difficult for technical or economic reasons and cause significant inconvenience to the organization. However, the total value of contracts awarded for the additional construction services shall not exceed 50 percent of the amount of the main contract;
7. if it is new construction service consisting of the repetition of similar construction services which conform to a basic project for which an initial contract was awarded through international tendering and for which the organization that placed the order indicated in the notice of intended procurement concerning the initial construction service that limited tendering procedures might be used in awarding contracts for such new construction services;
8. if goods are to be purchased from the raw materials market (commodity market, etc.);
9. if a contract is to be signed with the winner of a design contest; or
10. if procurement of items from a particular company is significantly more advantageous to the Company.

Article 18 (Filing of Objections, etc.)

Matters and specific procedures related to the formation, operation, etc. of a committee in charge of reviewing or resolution of objections to international contracts shall be based on "The Guide to Dispute Settlement Regarding International Procurement".

Article 19 (Relationship with the Contract Regulations)

The Contract Regulations shall apply to matters that are not specifically provided for in these Regulations. Provided, however, that this shall not apply to the provisions of Articles 30 through 33 and Paragraph (2) of Article 47 of the Contract Regulations.

Article 20 (Application of International Commercial Practices)

Notwithstanding the provisions of Article 19, the official in charge of the contract may execute international contracts, pursuant to international commercial practices, if it is unavoidable due to the currency, type and period of security payment, method of payment with L/C, inspection, and execution of other contract procedures.

Article 21 (Establishment of the Guide, etc.)

- (1) The official in charge of the contract may establish and enforce a guide for the sake of the enforcement of these Regulations.
- (2) If a guide is to be established pursuant to the provisions of the above Paragraph (1), approval of the Director of the Finance Office shall be obtained.

ADDENDA

These Regulations shall become effective on the date of promulgation.

ATTACHMENT 4 - EC
THE GUIDE TO DISPUTE SETTLEMENT REGARDING
INTERNATIONAL PROCUREMENT

Amended (April 10, 2002)
Enacted (July 6, 1999)

Article 1 (Purpose)

The purpose of this Guide is to prescribe matters concerning the establishment and operation of the Dispute Settlement Deliberation Committee (hereinafter referred to as the "Committee") to facilitate the settlement of conflicts involving international contracts, as stated in Article 18 of the Special Regulations on International Contracts.

Article 2 (Definitions)

As used in these Regulations, the term:

1. "The person who made the objection" shall mean a natural or juristic person who has filed a protest with KT (hereinafter referred to as the "Company"), in connection with an international contract.
2. "The organization that placed the order" shall mean an organization under the arm of the Company, which directly performs functions related to tendering, determination of the successful applicant, and signing of international contracts.
3. "Examination" shall mean the Committee's deliberation or mediation of objections filed.

Article 3 (Establishment and Formation of the Committee)

- (1) The Committee shall be established at the main office of the Company.
- (2) The Committee shall consist of up to seven (7) members, including the chairman, and the chairman, vice chairman and members as follows:
 1. Chairman: Chief of the Finance
 2. Vice Chairman: Chief of the Accounting Team
 3. Members: Up to five (5) related officials of grade 2 or higher, designated by the Chairman.
- (3) One (1) secretary shall be appointed to assist in the operation of the Committee. The manager of the related department in charge shall be the secretary.

Article 4 (Acting for the Chairman)

- (1) The Chairman shall manage the overall affairs and represent the Committee.

(2) In the absence of the Chairman, the Vice Chairman shall exercise the powers and discharge the duties of the Chairman.

Article 5 (Meeting and Voting)

(1) The Chairman shall convene a Committee meeting when an objection, as stated in Article 6, is received.

(2) The Committee shall require a quorum of a majority of its members duly designated and seated, and pass resolutions with the concurrence of two thirds of those members present.

Article 6 (Filing of Objection)

(1) Those who have objections to matters concerning the scope of a contract, eligibility of the bid applicant, bidding announcement, determination of a successful applicant, or matters provided for by related laws and regulations, in connection with the Company's international contract, may file an objection to either nullify or correct said error or omission. Provided, however, that objections shall not be received for matters in litigation or that have been already examined pursuant to this Guide.

(2) The objection under the above Paragraph (1) shall be made in writing, and the following matters shall be stated therein:

1. name, address and telephone number of the person making the objection;
2. name of the organization that placed the order, and tendering and contract numbers;
3. reason for the objection, and copies of documents that outline the legal basis and related grounds for the objection;
4. other matters required for intensive review; and
5. desired form of relief.

(3) The Committee may advise the person who desires to make an objection to consult with the contracting organization before actual filing of an objection.

(4) The person who is advised to that effect pursuant to the above Paragraph (3) shall consult with the contracting organization without delay, and submit the result of said consultation, in writing, to the Committee within three (3) days from consultation.

Article 7 (Period of Filing)

(1) An objection shall be filed within fifteen (15) days from the day when the event that is the cause for the objection takes place or within ten (10) days from the day when the said event becomes known. The person who made the objection shall forward a copy of the objection to the contracting organization without delay.

(2) In the case of an objection filed beyond the period set in the above Paragraph (1), if it is deemed that the time limit failed to be observed for justifiable reasons or that the objection could have serious impact on procurement procedures, the Committee may accept the objection. Provided, however, that the justifiable reasons shall be proven by the person who made the objection.

(3) In calculating the period, the first day of the period shall be included, but holidays shall not be included. The calculation shall be based on the Company's work days, unless otherwise provided.

Article 8 (Rejection of Objection)

(1) The Committee shall review the documents within seven (7) days from receipt of the objection and reject the objection in any of the following cases while notifying the person who filed the objection of the reason for rejection, in writing:

1. if the reason for not observing the time limit for the filing of the objection is not justified;
2. if the procurement is not subject to this Guide;
3. if it is a minor and meaningless objection;
4. if prior consultation with the organization that placed the order is not conducted after being advised to do so;
5. if it is an objection made by those who have no interest therein; or
6. if it is deemed that the matter is not appropriate for the Committee to review.

(2) In the event the objection does not fall under Paragraph (1), the Committee shall notify the organization that placed the order of the official acceptance of the objection, in writing, without delay.

Article 9 (Suspension of Procurement Procedures or Contract Execution)

(1) In the event an objection is officially accepted, the Committee may order the suspension of procurement procedures related to the said objection pending completion of the examination.

(2) Notwithstanding Paragraph (1), if procurement procedures need to be continued for some compelling reason, or if suspension of procurement procedures is deemed to have significant impact on the Company's interests or the public interest, the chief of the organization that placed the order shall make a written request for the Committee's approval to continue the procurement procedures.

Article 10 (Examination)

(1) The Committee may demand the person who made the objection and the organization that placed the order to submit explanations and related documents, if necessary, and request specialized related organizations to examine and give an opinion on the validity of such explanations.

(2) The Committee may order the persons concerned to attend the Committee meeting to express their opinions, if it is requested by the person who made the objection or the organization that placed the order, or deemed necessary by the Committee.

Article 11 (Result of Examination)

(1) The Committee shall finalize the written report on the result of its examination, which specifies partial or whole recognition, rejection, etc. of the objection, within 60 days from the filing of the objection.

(2) In the event the Committee finalizes the result of the examination to the effect of partial or whole recognition of the objection, it may prescribe the following relief measures:

1. issuance of a new explanation;

2. conducting of re-rendering;
3. re-examination of the successful applicant;
4. cancellation of the contract; or
5. recommendations, suggestions, etc. for the sake of resolving complaints.

(3) When the examination result is finalized, the Committee shall notify the person who made the objection and the organization that placed the order, in writing, of said result.

Article 12 (Expedited Examination)

(1) If the person who made the objection or the organization that placed the order makes a written request for an expedited settlement of the objection, the Committee shall receive and deliberate on such request.

(2) If expedited examination is requested, the Committee shall determine, without delay, whether such request should be granted, and notify the person who made the objection and the organization that placed the order of the determination, in writing.

(3) When the Committee gives notice of its decision to expedite the examination, it shall order the chief of the organization that placed the order to submit related documents without delay.

(4) Upon receipt of the related documents pursuant to the above Paragraph (3), the Committee shall notify the person who made the objection of the contents thereof, demand the person to submit his opinions, and notify the organization that placed the order, in writing, of the details of such opinions.

(5) The Committee shall finalize the result of an expedited examination within 30 days from the filing of the objection.

Article 13 (Request for Re-Examination)

(1) If the person who made the objection or the organization that placed the order requests a re-examination of the examination result under Article 11 for any of the following reasons, the Committee may accept such request:

1. if a clear legal error in the Committee's ruling is pointed out; or
2. if specific information, not considered earlier, is newly presented and it is deemed that the information may lead to the overruling of the decision.

(2) The request for re-examination, pursuant to the above Paragraph (1), shall be made within ten (10) days from receipt of the notification of the Committee's examination result.

(3) Procedures applicable to the request for re-examination shall be pursuant to the provisions of this Guide, except Article 9.

ADDENDA

This Guide shall become effective on the date of its promulgation.
