

Regulations on Practical Measures for Fair Selection (Registration) of Partner Companies

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I. Purpose

These practices aim to enhance transparency and fairness in the selection and management of subcontractors by the principal contractor, thereby contributing to the establishment of a fair subcontracting transaction order. They also establish general provisions for the prevention of violations of the "Act on Fair Subcontracting Transactions" (hereinafter referred to as the "Subcontracting Act") as outlined in the "Fair Subcontracting Transactions Guidelines."

II. Definition of Terms

1. "Partner Company" refers to a business entity that is either scheduled to be or is currently engaged in transactions with the principal contractor, such as manufacturing, construction, or service outsourcing transactions. This includes not only subcontractors as defined by the Subcontracting Act but also general contractors.
2. "Partner Pool" means a group of partner companies registered, managed, and operated by the principal company based on certain criteria.
3. "Cooperative Company Selection" means registration in the principal contractor's cooperative company pool.
4. "Cooperative Company Management" means the management of the cooperative company pool by the principal company according to certain criteria, including granting transaction initiation opportunities to companies selected and registered as cooperative companies and canceling their registration.

III. Practical Guidelines for Partner Selection and Management

1. Basic Principles

These implementation guidelines present only the minimum necessary general requirements to ensure autonomy, transparency, and fairness in the principal contractor's selection of subcontractors and management of the subcontractor pool. For matters not covered herein, the principal contractor may establish and operate individual, specific details considering all relevant conditions.

2. Practical Guidelines for Partner Selection and Management

a. Disclosure of Selection Criteria, Procedures, and Results for Partner Companies

(1) Matters concerning the criteria and procedures for selecting partner companies shall be publicly disclosed at the business site, electronic media (the principal contractor's website, hereinafter the same), etc., 15 days prior to the expiration of the partner company registration validity period or 30 days prior to the commencement of the registration (including renewal registration) review.

or more.

(2) If the selection criteria are changed, the revised criteria must be individually notified in writing (including electronic documents; the same applies hereafter) to companies subject to renewal registration at least 45 days in advance.

(3) The results must be individually notified in writing within 15 days of the cooperative company selection date. For companies not selected, the reasons must be stated in the written notification.

b. Specificity and Clarity of Selection Criteria

The principal contractor shall establish specific and clear criteria for selecting cooperative companies to prevent concerns of arbitrary interpretation.

C. Fairness of Selection Criteria and Procedures

(1) The criteria for selecting partner companies must be relevant to the outsourced transaction content, and the weighting distribution for each detailed selection criterion must be appropriate. Factors that can be considered when selecting partner companies are as follows, along with examples of selection criteria.

<Valid Selection Criteria and Application Examples>

- ① Possession of relevant professional licenses as required by applicable laws and regulations
- ② Financial soundness of the target company as assessed by an external specialized evaluation agency
- ③ History of violations of relevant laws such as the Subcontracting Act over a specified period
- ④ Possession of technical development achievements and equipment related to the transaction
- ⑤ Whether the company fulfills its social responsibilities, such as implementing ethical management and obtaining eco-friendly certifications
- ⑥ Other equivalent criteria

<Examples of Unfair Selection Criteria and Their Application>

- ① When selection criteria include whether the company is affiliated with retired executives, alumni networks, regional connections, or relatives
- ② Cases where excessive weighting is given to past transaction records, thereby hindering new companies from entering the market
- ③ Cases where disadvantageous treatment is given based on transactions with competitors or duplicate registration of cooperative companies

(2) The application and acceptance period for partner company registration must be at least 15 days.

(3) Companies that believe they were excluded from partner selection due to the principal's fault must be given an opportunity to file an objection within 15 days or more from the date of receiving the non-selection notice.

The period for filing an objection shall be at least 15 days from the date of receiving the notification of exclusion.

- (4) There should be no discrimination in the selection criteria between existing registered companies and newly registered companies without justifiable reason.

Fair Opportunity to Commence Transactions

Businesses selected and registered as cooperative partners shall not be restricted or discriminated against without just cause in opportunities such as bidding participation for initiating transactions.

E. Disclosure of Criteria and Procedures for Registration Cancellation

The principal contractor shall disclose the criteria and procedures for selecting cooperative companies and simultaneously disclose matters concerning the criteria and procedures for registration cancellation at the business site, through electronic media, etc., for at least 15 days.

E. Specificity and Clarity of Registration Cancellation Criteria

The principal contractor shall establish specific and clear criteria for revoking a cooperative company's registration to prevent arbitrary interpretation.

e. Fairness of Criteria and Procedures for Canceling Registration of Partner Companies

(1) The criteria for revoking a partner company's registration must be established based on objective and appropriate grounds. Factors that may be considered when revoking a partner company's registration are as follows:

<Justifiable Registration Cancellation Criteria and Application Examples>

- ① When the subcontractor has committed a serious and clear fault related to the subcontracting transaction
- ② When normal business operations become impossible due to bankruptcy, suspension of business, or closure
- ③ Violation of the Subcontracting Act or other relevant laws and regulations
- ④ When licenses are revoked under relevant laws and regulations
- ⑤ When the circumstances constitute grounds for contract termination or cancellation as stipulated in the contract
- ⑥ When the subcontractor's circumstances otherwise prevent continuation of the transaction

<Unjustified Registration Cancellation Criteria and Application Examples>

- ① Cases where registration is canceled on the grounds of non-cooperation with matters unilaterally proposed by the principal contractor, such as cost reduction plans or requests to lower supply unit prices
- ② Canceling registration on the grounds that the supplier is also registered as a partner of a competing company
- ③ Canceling registration due to the absence of transaction records, even though the subcontractor bears no fault, solely because the prime contractor failed to place orders or make consignment requests

and the subcontractor has no transaction history as a result (however, registration may be canceled if the subcontractor has no transaction history for a considerable period due to being eliminated in a legitimate competitive bidding process)

- ④ When registration is canceled on the grounds that the subcontractor refuses to comply with the principal contractor's instructions regarding personnel matters

(2) When canceling a cooperative company's registration, the reason must be stated in writing and notified. The company must be given at least 15 days from the date of notification to file an objection. If registration is canceled due to the principal contractor's fault, immediate re-registration measures must be taken.

c. The principal contractor shall impose corresponding disciplinary measures (e.g., personnel disadvantages) if its officers or employees intentionally or through gross negligence fail to comply with the implementation items.

3. Criteria for Determining Implementation and Operation of the Implementation Items

The determination of whether the principal contractor has introduced and implemented the action items shall be deemed to have been introduced and implemented if all of the following conditions are continuously met for the preceding one year:

- a. The content of the practices must be reflected in the standards related to the registration and operation of partner companies (company regulations, operational guidelines, etc.).
- b. The standards for registering and operating partner companies must be publicly disclosed (e.g., on the website).
- c. The content of the implementation items must have been adhered to during the registration and cancellation of partner companies.
- d. Fair opportunities to commence transactions must have been provided.

Supplementary Provisions (July 1, 2017)

This regulation shall take effect from July 1, 2017.

Supplementary Provisions (July 20, 2022)

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