

# ARTICLES OF INCORPORATION OF THE KOREA NATIONAL OIL CORPORATION

Adopted on Feb. 13, 1979  
Amended on Aug. 2, 1980  
Amended on May. 31, 1984  
Amended on Aug. 19, 1986  
Amended on Mar. 23, 1987  
Amended on Dec. 31, 1990  
Amended on Aug. 29, 1994  
Amended on Dec. 28, 1994  
Amended on Jun. 30, 1995  
Amended on Nov. 27, 1997  
Amended on Mar. 5, 1999  
Amended on Jun. 21, 2007  
Amended on Aug. 29, 2007

## CHAPTER I GENERAL PROVISIONS

### Article 1 (Purpose)

The purpose of the Corporation is to contribute to the stability in demand and supply of oil and the development of national economy by performing businesses relating to the development of oil resources, storage of oil reserves and improvement of the oil supply systems.

### Article 2 (Name)

The Company shall be established pursuant to the Korea National Oil Corporation Act and shall be named "Korea National Oil Corporation" (hereinafter referred to as the "Corporation"). The Corporation's name shall be abbreviated as the "KNOC".

### Article 3 (Location of Office)

The Corporation shall have its principal office in Gyeonggi-do and may establish divisions, branches, agencies and employ resident representatives at appropriate locations.

### Article 4 (Capital)

(1) The capital of the Corporation shall be 10,000,000,000,000 Won. <Amended on Aug. 29, 2007>

(2) The capital of the Corporation referred to in Paragraph (1) shall be contributed by the Korean Government.

### Article 5 (Method of Public Notice)

Public notice of the Corporation shall be made in a daily newspaper published in Seoul.

### Article 6 (Amending the Corporation's Articles of Incorporation ("Articles"))

To amend the Articles, an approval of the Minister of Commerce, Industry and Energy is required after the board of directors make a resolution regarding the amendments.

## CHAPTER II OFFICERS AND EMPLOYEES

### Article 7 (Number of Officers)

The Corporation shall have no more than 6 standing directors (including the President), no more than 7 non-standing directors and one auditor (hereinafter the "Auditor").

<Amended on Jun. 21, 2007>

**Article 7-2 (Appointment of Officers)**

(1) The Officer Recommendation Committee (hereinafter, the "Officer Recommendation Committee") pursuant to Article 12 paragraph 1 shall recommend more than one person for the position of the Corporation president (hereinafter, the "President"). The person who receives recommendation by the Officer Recommendation Committee for the position of the President shall be deliberated and passed by the Public Institutions Operations Committee (hereinafter, "Operation Committee") pursuant to Article 8 of the 「Act on Management of Public Institutions」, may be appointed as the President of the Corporation by the President of the Republic of Korea as motioned by the Minister of Commerce, Industry & Energy. <Amended on Jun. 21, 2007>

(2) Standing directors of the Corporation (hereinafter, "Standing Directors"), except for the President, shall be appointed by the President among those who have received multiple recommendations by the Officer Recommendation Committee. <Amended on Jun. 21, 2007>

(3) The non-standing directors of the Corporation (hereinafter, "Non-standing Directors") shall be selected from the experts from the private sector (except for public schools as defined under the 「Public Educational Officials Act」) who have ample expert knowledge and experience on management and have received multiple recommendations by the Officer Recommendation Committee, and appointed by the Minister of Planning & Budget upon deliberation and resolution by the Operation Committee. <Amended on Jun. 21, 2007>

(4) The person who receives multiple

recommendations by the Officer Recommendation Committee for the position of the Auditor, deliberated and passed by the Operations Committee shall be appointed by the President of the Republic of Korea as motioned by the Minister of Planning and Budget. <Amended on Jun. 21, 2007>

**Article 8 (Officer's Term of Office)**

(1) The President's term of office shall be 3 years, and the directors' terms of office shall be 2 years. <Amended on Jun. 21, 2007>

(2) An officer's term of office may be renewed by an increment of one year. <Newly established on Jun. 21, 2007>

(3) The President shall determine reappointment of standing Director, in consideration of the appraisal of actual result of execute performance agreement that is concluded between the President and standing Director and other actual results of performance of duties. <Newly established on Jun. 21, 2007>

(4) In the case of the Director is renewed pursuant to paragraph 2, the recommendation of the Officer Recommendation Committee is not required. <Newly established on Jun. 21, 2007>

(5) An officer retiring from office on account of the expiration of his term shall be vested with the rights and duties of the office until a new officer has been appointed.

**Article 9 (Duties of Officers, etc)**

(1) The President shall represent the Corporation, shall preside over its business and shall be responsible for the operation results of the Corporation during holding of office position. <Amended on Jun. 21, 2007>

(2) In the event that the interest of the business of the President is in conflict with that of the Corporation, the Corporation shall not be represented by the President, but by the Auditor. <Amended on Jun. 21, 2007>

(3) In the event that the President cannot perform his duties due to an unavoidable reason, the Senior Executive Vice President ("Vice President") shall act as the President. In the event of the Vice President cannot perform his duties due to an unavoidable reason, a standing director, in the order set forth in the Organization Regulations, shall act as the President. <Amended on Jun. 21, 2007>

(4) Directors shall deliberate on the agenda presented to the Board of Directors for discussion and participate in the voting. <Newly established on Jun. 21, 2007>

(5) The Auditor shall audit the business activity and accounts of the Corporation pursuant to the audit guideline established by the Government and report his findings to the Board of Directors. <Amended on Jun. 21, 2007>

(6) The President shall support the Auditor about appointment and arrangement of the staff which is needed for the Auditor's duties. <Newly established on Jun. 21, 2007>

#### **Article 9-2 (Title and Duty of Standing Directors)**

The title and duty of each standing Director shall be determined in accordance with the Organization Regulations.

#### **Article 10 (Disqualification of Officer)**

(1) Any person who falls under any of the following subparagraph cannot be an officer of the Corporation. <Amended on Jun. 21, 2007>

1. The person who falls under any of the subparagraph Article 33 of the 「State Public Officials Act」
  2. The person who is dismissed from Officer within 3 years.
- (2) Any Officer shall rightfully resign if he or she falls under any of the paragraph 1, or it is found that he or she fell under any

of the same on the date of his or her appointment. <Newly established on Jun. 21, 2007>

(3) In the case of such resignation pursuant paragraph 1, any activities that the resigned Officer was involved in prior to his or her resignation shall remain effective. <Newly established on Jun. 21, 2007>

#### **Article 11 (Remuneration standards of Officers, etc)**

(1) The standards for the remuneration of Officer shall be determined by the Board of Directors, in consideration of the following subparagraph.

1. President : the result of management performance of the Corporation, the contents and result of performance of the execute performance agreement.
2. Auditor : the appraisal of actual result of execute performance
3. Standing Director : the appraisal of actual result of execute performance

(2) The board of directors, by its resolution, may compensate non-standing directors for their research on the business development of the Corporation and the agenda of the meeting of board of directors.

(3) No officer having an interest can exercise his vote upon the resolution of the board of directors regarding the standards of remuneration and compensation of paragraphs (1) and (2)

#### **Article 12 (Officer Recommendation Committee)**

(1) The Corporation shall organize and manage the Officer Recommendation Committee in order to recommend candidates for officers and to carry out tasks relating to the Presidential candidate's contract. <Newly established on Jun. 21, 2007>

(2) The matters that is needed for

organization and operation of the Officer Recommendation Committee shall be determined by the provisions that is established by the Board of Directors pursuant to the related Acts. <Amended on Jun. 21, 2007>

**Article 13 (Standards for Officer Candidates, etc)**

(1) The Officer Recommendation Committee shall recommend a person who has sufficient knowledge and experience in the management and business of the Corporation and has the capability as the chief executive officer as a candidate for the President. <Amended on Jun. 21, 2007>

(2) The Officer Recommendation Committee shall recommend a person who has sufficient knowledge and experience in the management and business of the Corporation and has the capability as the standing Director and the Auditor as a candidate for the standing Director and the Auditor. <Newly established on Jun. 21, 2007>

(3) The Officer Recommendation Committee may recommend candidates for director by way of public recruitment. <Newly established on Jun. 21, 2007>

**Article 13-2 (Contract with the President, etc)**

(1) The President shall enter into a contract with the Minister of Commerce, Industry and Energy pursuant to the Article 31 paragraph 1 to 4 of the 「Act on Management of Public Institutions」 .

(2) Standing Director shall enter into a contract with the President. The President may appraise the actual result of performance of the execute performance agreement.

**Article 14 (Request for discharge, etc)**

(1) The Board of Directors may request the Minister of Commerce, Industry and Energy to propose the discharge of the President, in the case of the President cannot perform his or her duty due to the violation of the laws and the Articles of the Corporation and neglection while on duty. <Newly established on Jun. 21, 2007>

(2) The President may discharge the standing Directors if the appraisal of the actual result of the performance of the execute performance agreement is low or he or she neglects his or her duty. <Newly established on Jun. 21, 2007>

(3) Non-standing Director may request the Auditor to audit and inspect specific cases that is related to operation of the Corporation. In that case, The Auditor shall accept it with exception of the special reason. <Newly established on Jun. 21, 2007>

(4) Non-standing Directors may request information required for the performance of his or her duties from the President. In such case, the President shall grant such request with exception of the special reason.

**Article 15 (Appointment and Dismissal of Employees)**

All matters necessary for the appointment and dismissal of the employees shall be determined in accordance with the Personnel Regulations.

**Article 16 (Restrictions on Holding Concurrent Positions)**

A standing Officer or an employee of the Corporation shall not engage in any business for profit other than that of the Corporation. However, A standing Officer or an employee may engage in non-profit activities obtaining approval of following persons. <Amended on Jun. 21, 2007>

1. President : The Minister of Commerce, Industry and Energy
2. Auditor : Minister of Planning & Budget
3. Standing Director or employee : The President

#### **Article 17 (Appointment of Agents)**

The President may appoint an agent among employees who is authorized to take all legal actions, in or out of a court of law, with respect to the specified aspect of the business of the Corporation.

#### **Article 18 (Employee's Remuneration)**

Employees of the Corporation shall be compensated in accordance with the regulations as set forth by the resolution of the board of directors.

#### **Article 19 (Advisors)**

- (1) The President may appoint advisors.
- (2) The advisors shall advise the President on important matters regarding the management of the business of the Corporation.

### **CHAPTER III BOARD OF DIRECTORS**

#### **Article 20 (Establishment and Composition)**

- (1) The Board of Directors shall deliberate on, and resolve the matters assigned to the Board of Directors by the pertinent laws and this Articles of Incorporation, as well as important matters related to the Corporation's performance.
- (2) The Board of Directors shall consist of the Directors, including the President.
- (3) The President shall be the Chairperson of the Board of Directors.
- (4) If the President is unable to act as the Chairperson of the board of directors due to unavoidable circumstances, the provisions of Article 9, paragraph 3 shall be applied to. However, if the President's participation is

restricted by the provisions of article 19 paragraph 3 · article 31 paragraph 1 and article 33 paragraph 2 of the 「Act on Management of Public Institutions」, The Senior non-standing Director shall act as the presiding officer. If the Senior non-standing Director is unable to serve, the non-standing Director shall act as the presiding in the order of seniority, and then by the elder Director. <Amended on Jun. 21, 2007>

#### **Article 20-2 (Senior non-standing Director)**

- (1) The Corporation shall have one Senior non-standing Director.
- (2) The Senior non-standing Director is elected among the non-standing Directors.
- (3) The Senior non-standing Director may call for and preside over a non-standing Director's meeting to discuss the matters for resolution by the Board of Directors and other matters related to the management of the Corporation.

[Newly established on Jun. 21, 2007]

#### **Article 21 (Functions)**

- (1) The Board of Directors shall deliberate on and resolve the following items:
  1. Management objectives, budget and operational plan; <Amended on Jun. 21, 2007>
  2. Use of reserve funds and determine budget carry over;
  3. Settlement of accounts;
  4. Acquisition or disposition of basic assets;
  5. Incurring long-term debt, and issuing debentures and redemption plans thereof; <Amended on Jun. 21, 2007>
  6. Sale price of product or service;
  7. Disposition of surplus fund and guarantee for obligation; <Amended on Jun. 21, 2007>
  8. Investment to other enterprises;
  9. Revision and abolition of the regulations of Corporation; <Amended on Jun. 21,

2007>

10. Establishment or revision of regulations;
11. The proposed contract to consult with the candidate for the President;
12. Officers' remuneration;
13. Appointment of civilian members of the Officer Recommendation Committee;  
<Amended on Jun. 21, 2007>
14. Other matters considered necessary by the President for which the Board of Director's deliberation and resolution have been requested. <Newly established on Jun. 21, 2007>
15. Other matters considered necessary by the Board of Directors.

(2) The President shall report the following to the Board of Directors <Newly established on Jun. 21, 2007>

1. Matters noted by the audit by the National Assembly, accounting audit and audit by the Board of Audit and Inspection as well as planned corrective measures and performance thereof.
2. Outcome of the Corporation's collective bargaining and estimate of the required budget
3. Any other matters which the Board of Directors requires that the President to report

(3) The Board of Directors may delegate some of its duties to the President.

#### **Article 21-2 (Committee)**

The Board of Directors may create a committee in the event that a need for such committee is recognized. The Article 393-2 of the 「Civil Act」 shall apply to the details pertaining to the composition and authority of the committee.

[Newly established on Jun. 21, 2007]

#### **Article 22 (Attendance by Auditor)**

The Auditor may attend meetings of the Board of Directors and present his reports.

#### **Article 23 (Meetings)**

(1) The meeting of the Board of Directors shall be called by the Chairperson of the Board of Directors or upon the request of more than one third of the Directors, and the Chairperson shall preside over the meeting.  
<Amended on Jun. 21, 2007>

(2) The Board of Directors' meeting shall resolve matters by the affirmative vote of a majority of the directors in office. <Newly established on Jun. 21, 2007>

(3) The President or a Director may not participate in the resolution of proposals at the Meeting of the Board of Directors if he or she has special interest in the proposals. In such case, the Director who is excluded from the participation shall not be included in the number of Directors in office prescribed in paragraph 2 above. <Newly established on Jun. 21, 2007>

(4) The course of the proceedings of the Board of Directors and result thereof shall be recorded in minutes. Every directors present at such meeting shall affix their signatures and seal thereto. <Newly established on Jun. 21, 2007>

(5) Any items regarding the management of the Board of Directors including the decision process and the minutes shall be operated by the rules which is established by the Boards of Directors. <Newly established on Jun. 21, 2007>

**Article 24** (Deleted on Jun 21, 2007)

**Article 25** (Deleted on Jun 21, 2007)

## **CHAPTER IV BUSINESS ACTIVITIES**

## **Article 26 (Business)**

(1) In order to achieve the purpose of Article 1, the Corporation shall engage in the following business:

1. Exploration and development of petroleum resources;
  2. Export, import, store, transport, lease and sell crude oil, natural gas(including liquefied gas) and other petroleum products;
  3. Construction, management, operation and lease petroleum storage facilities;
  4. Investment, loans, guarantee debt obligation, and lease equipment to a juridical person who engages in a business related to energy and resources;
  5. Rendering technical support, conduct investigation and research and provide information to business related to Subparagraph 1 to 4;
  6. Engagement in businesses which are incidental to the businesses described in subparagraph 1 to 5;
  7. Engage in other businesses commissioned by the Government.
- (2) The Corporation may engage in any business in subparagraph of paragraph (1) out side of Korea.

## **CHAPTER V BORROWING OF MONEY**

### **Article 27 (Debentures and Foreign Loans)**

The Corporation, in order to conduct the business of the Corporation, may issue debentures upon resolution of the Board of Directors.

**Article 28** (Deleted on Nov. 27, 1997)

**Article 29** (Deleted on Nov. 27, 1997)

### **Article 30 (Borrowing)**

(1) The Corporation may engage in long-term loan capital (including foreign

loans) or short-term loan in the event of shortage of funds.

(2) The short-term loan shall be repaid in the year incurred. However, if it is impossible to repay such debt in full due to shortage of funds, the Corporation may carry over the amount of shortage to the next year.

(3) The debt carried over in above Paragraph (3) shall be repaid within the year to which the debt is carried over.

### **Article 31 (Repayment Plan)**

The Corporation shall make a plan at each fiscal year for repayment of long-term and for redemption of debentures.

## **CHAPTER VI ACCOUNTING**

### **Article 32 (Fiscal Year)**

The fiscal year of the Corporation shall be the same as that of the Government.

### **Article 33 (Budget, Settlement and Accounting)**

(1) In order to produce a clear account of the Corporation's performance and of the fluctuations in the value of the Corporation's assets, a business accounting methods shall be used.

(2) The accounting standards and procedures of paragraph (1) shall be determined by the Minister of Finance and Economy.

### **Article 34 (Disposition of Profit and Loss)**

(1) The profit of the Corporation in each fiscal year shall be disposed in the following order:

1. Offset the previous year's loss carried over;
2. Set aside two-tenth or more of its profits as the earned surplus reserve until the amount of it shall have reached half the amount of the capital;

3. Retain two-tenth or more of its profit as the business expansion reserve until the amount of it shall have reached the amount equal to the amount of the capital;

4. Contribute to the National Treasury or the Energy and Resources Business Special Account.

(2) The loss of the Corporation in each fiscal year shall be offset with the reserve funds in accordance with the order of the reserve provided for in Subparagraph (1) 3 and Subparagraph (1) 2 and any shortage in the amount of the offset shall be carried over to the next fiscal year.

## **ADDENDA**

### **Article 1 (Enforcement Date)**

This Articles of Incorporation shall enter into force as of the date of Incorporation of the Corporation.

### **Article 2 (First Fiscal Year)**

The first fiscal year of the Corporation shall be from the date of the incorporation of the Corporation through the last day of the relevant fiscal year of the Government.

### **Article 3 (Expenses of Incorporation)**

The Corporation shall bear the expenses of incorporation which shall not exceed 50,000,000 Won.

### **Article 4 (Names and Addresses of Incorporators)**

(1) The names and addresses of the incorporators shall be as described below.

(2) The Articles of Incorporation are made in order to establish the Korea Petroleum Development Corporation pursuant to Article 2 of Supplementary Provisions of the Act and the incorporators sign and impress their

seals hereon. Roster of Incorporators, Incorporation Committee, Korea Petroleum Development corporation

Name

Address

Signature

Yu, Kak-Chong

301-106 Inchon-Dong, Yongsan-Gu, Seoul, Korea

Kim, Hee-Sool

1-175 Yoido-Dong, Yongdungpo-Gu, Seoul, Korea

Kim, Young-Han

142-4-1 Nonhyun-Dong, Kangnam-Gu, Seoul, Korea

Han, Dong-Woo

208-28 Puam-Dong, Chongno-Gu, Seoul, Korea

Park, Duk-Hyung

1-989 Yoido-Dong, Yongdungpo-Gu, Seoul, Korea

## **ADDENDA**

### **Article 1 (Enforcement Date)**

This Articles of Incorporation shall enter into force as of August 2, 1980.

### **Article 2 (Interim Measure)**

The term of the officers appointed in advance before the enforcement date of this Article of incorporation shall be determined according to the provisions set forth in this Articles of Incorporation.

## **ADDENDA**



**Article 1 (Enforcement Date)**

This Article of Incorporation shall enter into force as of May 31, 1984.

**Article 2 (Interim Measures Concerning Appointment of Officers)**

(1) Officers on the enforcement date of this Articles of Incorporation shall perform the rights and duties set forth in the previous Articles of Incorporation until new officers and Executives are appointed in accordance with the provisions of this Articles of Incorporation.

(2) Officers on the enforcement date of this Articles of Incorporation, may be appointed to be Executives, notwithstanding the provision of Article 10-5, Paragraph (1).

(3) When officers on the enforcement date of this Articles of Incorporation are appointed to be officers or Executives in accordance with the provisions of this Articles of Incorporation, the period in office of the officers under the previous Articles of Incorporation shall be added to the period in office under this Articles of Incorporation in determining their terms notwithstanding Article 7, Paragraph (1) or Article 10-5, Paragraph (2).

**ADDENDUM**

This Articles of Incorporation shall enter into force as of August 19, 1986.

**ADDENDUM**

This Articles of Incorporation shall enter into force as of March 23, 1987.

**ADDENDUM**

This Articles of Incorporation shall enter into force as of December 31, 1990.

**ADDENDUM**

This Articles of Incorporation shall enter into force as of September 1, 1994.

**ADDENDUM**

This Articles of Incorporation shall enter into force as of January 1, 1995.

**ADDENDUM**

This Articles of Incorporation shall enter into force as of July 1, 1995.

**ADDENDA**

**Article 1 (Enforcement Date)**

This Articles of Incorporation shall enter into force as of November 27, 1997.

**Article 2** Omitted

**ADDENDA**

**Article 1 (Effective Date)**

These Articles of Incorporation shall become effective on March 5, 1999.

**Article 2 (Special Cases for the Initial Directors)**

(1) The initial standing directors can hold the offices of Senior Executive Vice President and Executive Vice President under the Organization Regulations as of the Effective Date until the amendment of the Organization Regulations.

(2) Notwithstanding Article 8 (1), the term of initial non-standing directors of the

Corporation after the Effective Date shall be 1 year, 2 years and 3 years. The number of directors whose term of office is 1 year and 2 years shall be two (2) or less and the number of directors whose term of office is 3 years shall be three (3) or less.

**Article 3 (Interim Measures on Executive Officers)**

The executive officers appointed under the former Framework Act on the Management of Government - Invested Institutions as of the Effective Date shall be regarded as the employees of the Corporation and shall perform their duties until the standing directors are appointed pursuant to paragraph 2 of Article 7-2.

**ADDENDA**

**Article 1 (Effective Date)**

These Articles of Incorporation shall become effective on Jun. 21, 2007, and apply on April 1, 2007.

**Article 2 (Interim Measure)**

The Director who has been in his or her term of office on April 1, 2007 shall be deemed to be appointed as the Director pursuant to the article 7 paragraph 2. In that case, his or her term of Office is followed by the Articles of Incorporation on the date of his or her appointment.

**ADDENDUM**

These Articles of Incorporation shall become effective on August 29, 2007, and apply on August 3, 2007.