

Basic Policies relating to Internal Control Systems

NEXON Co., Ltd. (the “Company”) hereby adopts/formulates the following basic policies relating to internal control systems (the “Policies”), in accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act. The purpose of internal control is to ensure effectiveness, efficiency and legitimacy of operations, whereby enhancing the corporate values in a sound and continuous manner. The Board of Directors of the Company shall always monitor the operational status of the internal control systems under the Policies and amend the Policies when necessary.

1. System to ensure that the execution of duties by directors and employees comply with laws and regulations and the articles of incorporation

(1) Board of directors

The meeting of the Board of Directors shall be held at least once a month in order to ensure the effective monitoring functions for directors’ performance.

(2) Statutory auditors

Statutory auditors shall attend the meeting of the board of directors to ensure the effective supervising functions for directors’ performance. In addition, statutory auditors shall enhance their expertise in their supervising functions by appointing external professionals as external statutory auditors.

(3) Internal audit office

The internal audit office shall be responsible for carrying out continuous internal audits of the business operations. The internal audit office shall report directly to President/CEO and maintain independence of internal audit.

(4) Legal department

The legal department shall serve as the contact point for matters concerning the compliance of business operations (“compliance”) to ensure compliance within the Company.

2. System to store and control information on the directors’ execution of their duties

Information on the directors’ execution of their duties including minutes of the meetings of the Board of Directors and requests for approval shall be recorded and stored in a document format or electromagnetic devices in accordance with the documentation control regulations. Directors and statutory auditors shall be allowed to access any of these records at any time.

3. System to ensure the reliability of financial reporting

The Company shall establish systems to prepare proper financial reporting and to review the effectiveness of the system on a regular or as needed basis.

4. Regulations and other systems to manage potential risks of losses

The Company shall develop risk management regulations to minimize the potential exposure to risk of incurring losses. In addition, the Company shall prepare for serious incidents by developing a risk management manual and establishing a system enabling timely response.

5. System to ensure efficient execution of duties by directors

(1) Directors shall report the status of executing their respective duties on a monthly basis at a meeting of the Board of Directors. Obstructive factors in the execution of duties, if any, shall be addressed to improve the situation in a timely manner.

(2) Directors shall facilitate the process of decision making and information sharing by taking advantage of the IT infrastructure.

6. System to ensure the proper execution of duties within the corporate group composed of the Company, its parent company and subsidiaries

While recognizing the independence of each entity due to unique local circumstances, the Company shall require each entity of the Group implement necessary measures, which are equivalent to the Company's systems to ensure legitimacy of the operations. Such measures will include the followings systems:

- (1) System concerning the reports to the Company about the matters relating to the execution of the duties of the directors and other executives of subsidiaries
The Company shall cause each subsidiary to make periodical reporting to the Company in relation to necessary and relevant matters, in accordance with the Management Rules for Affiliated Companies.
- (2) Regulations and other system to manage potential risks of losses of subsidiaries
The Company shall cause each subsidiary to reduce emergence of risks of loss of the subsidiary, by frameworks equivalent to the Risk Management Rules of the Company and to formulate a scheme to handle critical incidents that might take place, in a prompt manner and in cooperation with the Company.
- (3) System to ensure the execution of the duties of the directors and other executives of a subsidiary be performed in an efficient manner
Directors of subsidiaries shall report the status of executing their respective duties to the Company on a monthly basis, and obstructive factors in the execution of duties, if any, shall be addressed to improve the situation in a timely manner.
- (4) System to ensure that the execution of duties by directors and other executives and employees of subsidiaries comply with laws and regulations and the articles of incorporation
Directors, statutory auditors, Internal Audit Office and Legal Department of the Company shall collect and receive relevant information by way of audit, survey or other means and check the legitimacy of the operations at the subsidiaries, and shall cause the subsidiaries to take necessary measures including precautionous measures.

7. Matters concerning employees assigned to assist the duties of the statutory auditor at the request of statutory auditors

In case the statutory auditors request for assignment of employees that will assist their duties, the Company shall assign necessary number of employees for that exclusive purpose. While no full-time assistants are assigned, the statutory auditors, if deemed necessary, may require employees in the Internal Audit Office to assist statutory auditors in the execution of audit-related duties.

8. Matters concerning independence of the employees set out in the previous section from directors

Irrespective of whether or not serving exclusively for the statutory auditors, the employees set out in the previous section, who are assigned for the business of the statutory auditors, shall not be under supervision or direction by any director or other executives in connection with such assignments.

9. Matters concerning ensuring the effectiveness of directions by the statutory auditors to the employees set out in Section 7

Irrespective of whether or not serving exclusively for the statutory auditors, the employees set out in Section 7, who are assigned for the business of the statutory auditors, shall comply with supervision and direction by the statutory auditors in connection with such assignments. In addition, when some employees are exclusively assigned for the business of the statutory auditors, the Company shall have prior consultations with the statutory auditors in order to decide or amend the terms and conditions of employment (such as assignment, salary, etc.) of such employees.

10. System for concerning reports to statutory auditors

The Company will formulate a reporting scheme so that the statutory auditors can properly receive information relating to the Company and its Group. Such scheme shall include the following systems:

- (1) System for the directors and employees of the Company to report to the statutory auditors
Directors and employees shall immediately report to statutory auditors any facts that may cause substantial damages to the Company or the Group and any facts that execution of duties by directors is in violation of laws and regulations or the articles of incorporation.
- (2) System for the directors, statutory auditors, executives and employees of subsidiaries as well as any person that has received reports therefrom to report to the statutory auditors
Those directors, statutory auditors, executives and employees of subsidiaries as well as any person that has received reports therefrom shall be required to immediately report to statutory auditors of the Company any facts that may cause substantial damages to the Group and any facts that execution of duties by directors is in violation of laws and regulations or the articles of incorporation.

11. System for ensuring that the people who made reports under the previous section will not be treated in unfavorable manner, by reason of the fact of such reporting

Irrespective of whether or not it is based on whistle-blowing process, the Company or subsidiaries shall not treat those people who made reporting to the statutory auditors of the Company under the previous section in unfavorable manner, by reason of the fact of such reporting.

12. Proceedings for advancement or reimbursement of expenses to be derived from the execution of the duties of the statutory auditors, and other matters concerning policies in relation to processing of expenses or debts to be derived from the execution of such duties

In the event that any statutory auditor or the board of statutory auditors plan to expend some amounts for the purpose of consulting with attorneys, certified public accountants or other outside experts for professional opinion, engaging firms for survey, appraisal or other services, or making business trips towards subsidiaries, etc., the Company shall bear all such amounts as its expenses, unless such amounts are proved to be unnecessary for the execution of the duties of the statutory auditor or the board of statutory auditors.

13. Other systems to ensure effective performance of audit by statutory auditors

Statutory auditors shall hold periodic meetings to exchange opinions with each of President/CEO and the independent auditors. In addition, the head of the Internal Audit Office shall report to statutory auditors on the status of internal audit on a regular basis.

14. Basic policy and relevant system to eliminate anti-social forces

- (1) Basic policy to eliminate the threats posed by anti-social forces
The Company shall maintain a firm attitude toward anti-social forces that may pose threats to the order and security of the society and block any relationships including ordinary commercial transactions.
- (2) System to eliminate anti-social forces
The Company shall exercise its best efforts to block any relationships with anti-social forces by assigning the Legal Office to be in charge of dealing with anti-social forces and conducting customer reviews. In case the Company is approached by anti-social forces, a systematic response shall be taken jointly with external special agencies.

History

1. Enacted on May 30, 2006
2. Amended on April 1, 2009
3. Amended on May 1, 2010
4. Amended on May 1, 2011
5. Amended on September 15, 2011
6. Amended on May 22, 2015