

# Corporate Governance Report

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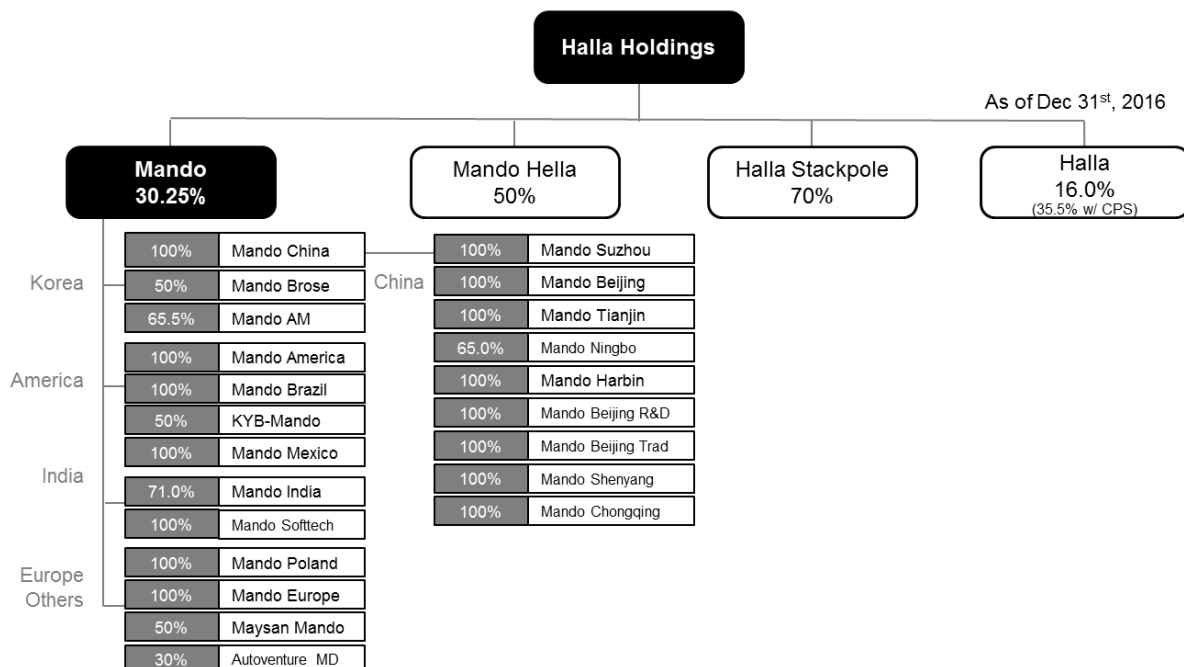
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## 1. Overview

Mando Corp. (“The Company”) was incorporated on September 2, 2014, after the manufacturing and sales units of Halla Holdings Corp. (“Halla Holdings”) were spun off on September 1, 2014, and the Company was listed on the Korea Exchange (KRX) on October 6, 2014.

The Company’s headquarters is located in the city of Pyeongtaek, Gyeonggi Province, South Korea, and Mando has extended its business operations in the global automotive market by investing in production, R&D and road test facilities by either forming affiliates or joint ventures with partners abroad. Today, the Company’s brake, steering and suspension systems are produced by Mando’s overseas affiliates in the U.S., China and India as well as joint ventures in Turkey and Malaysia. The Company also has three production facilities in Korea located in Pyeongtaek, Wonju and Iksan.

<Figure 1. Shareholding Structure>



## 2. Shareholders

### (1) Shares & Majority Shareholders

The combined number of the Company's shares to be issued is 100 million shares as per Article 5 of the Articles of Incorporation, and the par value per share is 5,000 won as per Article 6. The total number of issued, outstanding and treasury shares is 9,391,424, 9,364,928 and 26,496, respectively. All are common shares in registered form.

As of December 31, 2015, the majority shareholder is Halla Holdings (2,840,650 shares or 30.25 percent) followed by the National Pension Service (786,123 shares or 8.37 percent). Minority shareholders own under 5 percent.

Halla Holdings, the majority shareholder, was converted into a holding company on September 1, 2014, by spinning off its business operations. It also became an operating holding company by having its subsidiary, Halla Meister LLC merged into Halla Holdings on July 1, 2015 and Halla Holdings acquired the IT center business from its affiliate Halla Corp. on December 31, 2015.

Halla Holdings receives dividends from its affiliates and is the owner of the "Halla" and "Mando" brands. Its revenue consists of royalty payments and earnings from its IT center operations (both goods and services) and Halla Meister's distribution and logistics activities (automotive parts).

### (2) General Shareholders' Meeting: Schedule and Resolutions

The General Shareholders' Meeting is held within three months of the end of each fiscal year, and an extraordinary general meeting may be held irregularly whenever necessary.

The General Shareholders' Meeting is convened when thus resolved by the Board of Directors as per Article 362 of the Korean Commercial Code. In convening this meeting, the Company gives a public notice of the meeting's date and time through the Korea Investor's Network for Disclosure System (KIND) operated by KRX. Also, the Company gives written notice to each shareholder of the date, time and venue of the meeting as well as the items on the agenda at least two weeks prior to the meeting date.

Each shareholder shall have one vote for each share owned. Unless otherwise provided for in relevant laws and regulations, all resolutions are adopted by the affirmative votes of a majority of the shares represented by the shareholders attending the General Shareholders' Meeting, which shall not be less than a fourth of the Company's combined number of issued and outstanding shares.

### 3. Board of Directors

#### (1) Composition and Appointment

Article 33 of the Articles of Incorporation states that the Board of Directors shall comprise three or more directors, with at least a fourth of such members to be selected from outside directors. If the value of the Company's total assets exceeds 2 trillion won as of the end of the preceding business year, the Board of Directors shall be composed of three or more members; more than half of such members shall be selected from outside directors. Under the provision above, the number of incumbent board members is nine, including five outside directors selected from qualified candidates under Article 382 (3) and 542-8 (2) of the Korean Commercial Code. The resolution for the appointment of outside directors is adopted by the affirmative votes of a majority of shares represented by the shareholders attending the General Shareholders' Meeting, which shall not be less than a fourth of the combined number of the Company's issued and outstanding shares.

A director's term of office shall be three years. This term can be extended until the adjournment of the annual shareholders' meeting convened for that year's settlement term, if the term of office expires after the end of the settlement term.

Under Korean commercial law, the representative director is appointed by the affirmative votes of a majority of directors and authorized to direct the Company's overall operations on behalf of the Company. The Company may have (i) only one representative director (sole representative director structure); (ii) dual representative directors (dual representative director structure); or (iii) two co-representative directors (co-representative director structure). The first two models give each representative director equal power and authority, whereas under the third the two representative directors share the job of chief executive in a company. Mando Corp. has named Il-Mo Sung and Kyeong-Ho Jeong as dual representative directors.

#### (2) Board Members

The Board of Directors is composed of nine officers including four inside and five outside directors. Each inside director serves as CEO or CFO whereas each outside director is a lawyer, university professor, or legal or financial expert.

<Table 1. Board of Directors>

Director	Name	Date of Birth	Position & Rank	Date of Appointment	Date of Expiration
Representative Director	Il-Mo Sung	Oct. 1955	CEO, Mando Corp.	Sept. 2014	Sept. 2017
Representative Director	Kyeong-Ho Jeong	Feb. 1958	COO & Head of Mando Korea	Mar. 2015	Mar. 2018
Inside Director	Mong-Won Chung	Aug. 1955	Chairman, Halla Group	Sept. 2014	Sept. 2017
Inside Director	Cheol-Yeong Lee	Dec. 1963	CFO, Mando Corp.	Mar. 2016	Mar. 2019
Outside Director	Young-Soo Kim	May 1942	Chief Director, Research Center for Korean Youth Culture	Sept. 2014	Sept. 2017
Outside Director	Chong-Hwi Lee	Jan. 1949	President, Smile Microcredit Bank	Sept. 2014	Sept. 2017
Outside Director	Dae-Sik Kim	Jan. 1955	Professor, Dept. of Business Administration, Hanyang University	Sept. 2014	Sept. 2017
Outside Director	Wan Joo	Apr. 1959	Lawyer, Kim & Chang	Sept. 2014	Sept. 2017
Outside Director	Seong-Phil Hong	Nov. 1962	Professor, Yonsei University Law School	Sept. 2014	Sept. 2017



Representative director Il-Mo Sung is CEO of Mando and head of the automotive business division of Halla Group. He has held several high-level positions including chief of the office of overseas business (2008), management strategy division (2010–11) and Mando Beijing (2003–08). Sung obtained his bachelor's degree in electrical engineering from Hanyang University.

He began his career in 1978 with Mando's predecessor Hyundai International Inc. and has since served more than 30 years in various posts including market developer for China and Turkey. His remarkable contributions enabled the Company to be listed on the Korea Exchange in 2010. While responsible for global operations, Sung seeks to make the Company both technology- and customer-oriented.



Representative director Kyeong-Ho Jeong was appointed director in March 2015. He has headed Mando Korea and the brake system division since 2014, as well as leading the steering system division from 2010 to 2012. He received his bachelor's in precision mechanical engineering from Hanyang University.

Jeong began his professional career with Mando Machinery Corp. in 1981. His exemplary performance helped to shape the Company's world-class technology in braking and steering systems. As COO & head of Mando Korea, he seeks to improve labor-management relations.



Director Mong-Won Chung is chairman of Halla Group. He was the CEO of Mando Corp. from 2008 to 2012. Chung received a bachelor of business administration from Korea University and an MBA from the University of Southern California.

With extensive experience in the automotive parts industry, he played a pivotal role in 2008, when Mando was taken over by Halla Group, to build close business relationships with Hyundai Motor Group and other global automakers. He has laid the foundation for future vision and long-term strategy that Mando needs for successful and sustainable management.



Director Cheol-Yeong Lee is CFO and head of global management. He served as head of the group chairman's office from 2008 to 2015. Lee received his bachelor's degree in international economics from Seoul National University.

Lee started his career in 1993 at Halla Heavy Industries (predecessor of Hyundai Samho Heavy Industries, a key affiliate of the Halla Group) and has been a director in several companies including Current Korea and Sangwon IT. While corporate secretary to the Halla Group, he was actively engaged in planning and coordinating the group's overall operations. As CFO, Lee is today responsible for long-term strategic planning, sound financial structure and profitability.



Director Young-Soo Kim is chief director of the Research Center for Korean Youth Culture. He spent most of his life in high-level government posts including public prosecutor in the Ministry of Justice (1971), director of the National Intelligence Service (1990–92), member of the 14th National Assembly (1992–95), Minister of Culture and Sports (1995–97) and chairman of the Organizing Committee of the Incheon Asian Games 2014 (2014). He passed the bar examination in 1965 and earned his bachelor’s degree in law from Seoul National University. His rich experience in public service (prosecutor and Culture and Sports Minister as well as chairman of the Organizing Committee of the Incheon Asian Games 2014) has given him a broad and integrated perspective in decision-making.



Director Chong-Hwi Lee is the president of Smile Microcredit Bank. He began his career at Hanil Bank in 1970 and has spent most of his professional career in banking. Lee has held several managerial positions including vice president of Hanvit Bank (2000), president of Woori Bank (2008–11) and chairman of the Credit Counseling and Recovery Service (2011–14). He received a bachelor of business administration from Seoul National University. Based on his long experience in and knowledge of the Korean banking industry, including being the head of Woori Bank, one of Korea’s largest banks, Lee offers valuable insights on financing techniques and structural improvement.



Director Dae-Sik Kim is a professor of the Business Administration Department at Hanyang University. Before joining academia, he was a researcher in international finance for the Bank of Korea from 1978 to 1979. Kim also served as an outside director for SK Telecom (1998–2004) and Shinhan Bank (2004–07). He is also chairman of Korea Investment Corp.’s (KIC) Working Committee. Kim received a bachelor’s in business administration from Seoul National University and a master’s and Ph.D. in business administration from the Wharton School of the University of Pennsylvania. Kim was strongly recommended by key shareholders such as the National Pension Service because of his reputation in financial management and independent audit practices. His expertise broadly concerns the rights of minority shareholders, corporate governance systems and internal transactions. He is actively engaged in both the Board of Directors and Insider Trading Regulation Committee.



Director Wan Joo is a lawyer with Korea’s leading law firm Kim & Chang and also worked for Lee & Ko from 2008 to 2014. He served as the in-house legal counsel for Daewoo (1989–93) and legal adviser for the Ministry of Labor (1997), the Ministry of Education (2000–02), and the Federation of Korean Trade Unions (2005). He passed



the bar examination in 1983 and earned his bachelor's and master's degrees in law from Seoul National University.

Through his extensive knowledge of labor affairs and disputes, Joo spares no effort to give valuable legal advice and policy proposals. And as a member of the Audit Committee and Insider Trading Regulation Committee, he is involved in compliance activities, especially accounting and sales.



Director Seong-Phil Hong has been teaching international law, human rights and ethics in investment since 2005 at Yonsei University Law School. He was also a professor of the School of Law at Ewha Womans University. From 1996 to 2001, Lee served as legal adviser to the U.N. Sub-Commission on the Promotion and Protection of Human Rights in Geneva, Switzerland. In 2015, he was appointed chair-rapporteur for the UN HR Working Group on Arbitrary Detention. Lee received his bachelor's degree in law from Seoul National University and his master's degree and Ph.D. in law from Yale University.

Hong applies his vigorous activity outside the Company, his experience including being an outside director for Hankook Tire and the legal knowledge accumulated by teaching students at the university to his work at the Company monitoring compliance and internal transactions among affiliates.

### (3) Operations and Functions

The Board of Directors may have either a regular or extraordinary meeting as per Article 6 of the Regulations of the Board of Directors. The regular meeting shall be held at least once every quarter, and the extraordinary meeting may be called by any board member.

The quorum for holding a board meeting shall be a majority of all directors in office as per Article 7 of the Regulations of the Board of Directors. The Board of Directors shall resolve the following matters:

- ① Matters stipulated in the Korean Commercial Code
  - Convening the General Shareholders' Meeting
  - Issuance of bonds
  - Appointment and expiration of representative directors
  - Disposition and transfer of critical assets
- ② Important matters related to the Company's business operations
  - Approval of the annual business plan
  - Use of the Company's assets as collateral for loans;
  - Approval of paid-in capital or guaranty on loans for Company affiliates

- Any matter related to either the acquisition or disposition of critical assets
- ③ Any matter related to relevant laws and regulations or any agenda initiated by each director in the office with respect to Company operations

Unless otherwise stated in the Korean Commercial Code, all resolutions of the Board of Directors shall be adopted by the affirmative votes of a majority of directors attending the meeting.

#### (4) Board Committees

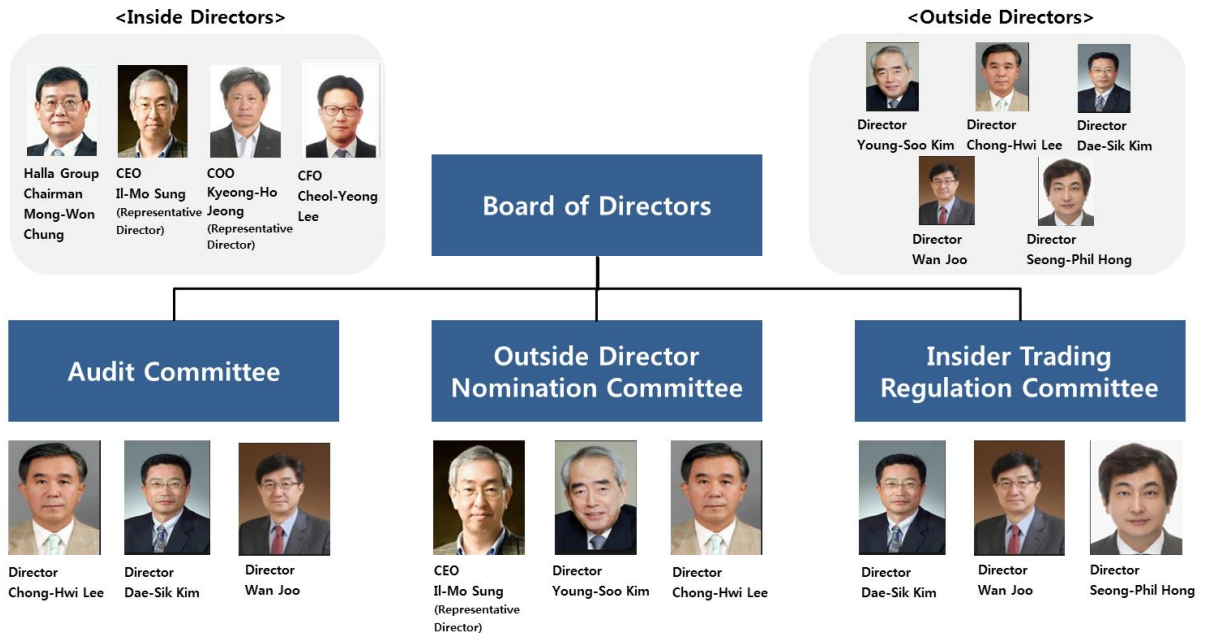
The Board of Directors has three working committees – the Outside Director Nomination Committee, Audit Committee and Insider Trading Regulation Committee – as per Article 45 of the Articles of Incorporation.

The Outside Director Nomination Committee is composed of one inside director (Il-Mo Sung) and two outside directors (Young-Soo Kim and Chong-Hwi Lee). The formation and operation of the Committee are implemented under Article 542-8 (4) of the Korean Commercial Code. To strictly ensure the independence of outside directors, the Committee recommends potential candidates, and then the appointment is approved by a resolution of the General Shareholders' Meeting.

The formation of the Audit Committee is in accordance with Article 542-11 and 542-12 of the Korean Commercial Code. Qualified and independent members are selected from the outside directors, and their appointments are approved by a resolution of the General Shareholders' Meeting. If any shareholder owns more than three percent of all issued and outstanding shares with voting rights, his or her voting right in excess shall be limited in a meeting for the election of external auditors. The Audit Committee is composed of three outside directors (Chong-Hwi Lee / Dae-Sik Kim / Wan Joo), and it is responsible for the Company's accounting and general operations. It also has the right to call a Board of Directors' meeting or request an affiliate to submit its business report whenever required.

The Insider Trading Regulation Committee is composed of three outside directors (Dae-Sik Kim / Wan Joo / Seong-Phil Hong). The Committee deliberates on and approves any transaction between the Company and affiliates, as well as reviews all materials related to internal transactions whenever necessary.

<Figure 2. Board of Directors and Committees>



<Table 2. Committee Members>

Director	Name	Audit Committee	Outside Director Nomination Committee	Insider Trading Regulation Committee
Representative Director	Il-Mo Sung		●	
Representative Director	Kyeong-Ho Jeong			
Inside Director	Mong-Won Chung			
Inside Director	Cheol-Yeong Lee			
Outside Director	Young-Soo Kim		●	
Outside Director	Chong-Hwi Lee	●	●	
Outside Director	Dae-Sik Kim	●		●
Outside Director	Wan Joo	●		●
Outside Director	Seong-Phil Hong			●

#### (5) Evaluation and Remuneration

The amount of annual remuneration for each officer is determined by negotiation as per the Remuneration Regulation. The ceiling on remuneration for directors is determined and approved by the General Shareholders' Meeting.

The ceiling of 10 billion won was approved by a resolution of the General Shareholders' Meeting in March 2016.

Also, remunerative incentives are awarded to each officer based on individual performance.

#### **4. Internal Audit**

The Company's independent watchdog is the Corporate Audit Office, whose duty is to review the feasibility of business operations and the fairness of contracts or transactions with partners and to request either alternations or corrections to corresponding bodies as per the Company's code of conduct and audit regulations.

The Corporate Audit Office may conduct both regular and special audits; the former are performed regularly under the annual audit plan and the latter may be done at the request of either the Company's executive management or the Corporate Audit Office whenever necessary.

#### **5. External Audit**

The Company appoints an external auditor with the approval of its professional and independent Audit Committee and reports the fact of their appointment to the General Shareholders' Meeting as per Article 4 of the Act on an External Auditor of a Stock Company. Since October 2014, Samil PricewaterhouseCoopers (PwC) has conducted audits for three consecutive years as per Article 4-(2) of the Act on an External Auditor of a Stock Company. The remuneration of the external auditors was 450 million won in 2015.

PwC holds a presentation in the Audit Committee meeting to report matters on the Company's accounts and general operations, including the annual audit schedule and results, contracts and recent accounting and auditing trends.

#### **6. Others**

##### (1) Communication with interested parties

To promote open and consistent communication with shareholders, potential investors and other interested parties, the Company provides timely and accurate information through disclosure, and also conducts various activities such as 1:1 meetings with investors.

First, the Company provides the Financial Services Commission or the Korea Exchange with general information about its business, financial conditions and performances on a timely basis in the format of quarterly and semi-annual business reports for investors' perusal per the relative laws and regulations. In addition, the Company makes regular announcements and fair disclosures through the announcement system of Korea Exchange so that investors can have an equal understanding of the major facts and details pertaining to the Company's decision-making and management that can influence their investment decisions.

The Company has enacted management regulations for announcement information so that the CEO can manage general matters related to the announcement system. The announcement director, appointed by the CEO, performs tasks such as reviewing, approving and enforcing announcement information and documents, as well as setting up and implementing training plans for staff and employees related to public announcements. In addition, the Company appoints as announcement manager a person with specialized knowledge about making public announcements. Under the direction of the announcement director, the announcement manager collects and reviews announcement information, writes announcement documents and makes the announcements.

Next, the Company operates a variety of programs to ensure smooth communication with investors. First, its quarterly performances are reported through conference calls to analysts. Any analyst interested in the Company's performance can participate in a conference call. After the report, the Company holds a non-deal roadshow (NDR) or participates in conferences or events organized by security companies to open individual or group meetings with investors from in and out of Korea. The CEO or CFO participates in such meetings at least once a year to explain the mid- and long-term strategies of the Company so that investors can better understand these strategies. By working with its R&D department, the Company is also opening investor forums such as technology seminars for investors.

## (2) Corporate social responsibility

Based on a corporate culture of "becoming a company that people love," the Company actively conducts social contribution activities for the needy as part of corporate social responsibility. The Company donates a portion of its profits to charity every year and also conducts systematic and continuous activities through social contribution agencies. The major programs of the Company are as follows.

First are social welfare programs. By organizing and operating volunteer groups for each business headquarters, the Company systematically and continuously seeks to support the needy in society. For example, blood donation campaigns, briquette delivery, scholarships for disadvantaged students, and support and sponsorships for social welfare events. The "Roly-poly Toy Wheelchair of Love" program is a leading

Company campaign that donates wheelchairs to people suffering from severe disabilities caused by traffic accidents. This illustrates the unyielding entrepreneurial spirit of Honorary Chairman Ungok Chung In-yeong, known as the "roly-poly toy entrepreneur" who got back on his feet again and again despite suffering countless setbacks.

Second are volunteer activities. The Company supports restoration work for damage caused by natural and man-made disasters and collects donations from management and employees for relief supplies that it then delivers to those in need. The Company's programs include childcare activities for the poor, voluntary home repairs and assistance for malnourished children, elderly people living alone, the disabled and orphans.

Third are sister relationships. The Company and its sister villages, Iksan Changpyeong and Wonju Cotton Village, are building friendship through ongoing exchange such as promoting each village, participating in the direct sales of agricultural products and helping villagers in the farming season.

Fourth is environmental conservation. The Company has played a major role in cleaning the mountains and rivers near each of its business headquarters and is actively participating in nature conservation campaigns conducted by the government as it takes the lead in preserving nature. Major activities include the "one company one river" and "one company, one mountain" restoration campaigns and a drive toward low-carbon green management, garbage cleanup and energy conservation.



<Roly-poly Wheelchair of Love>



<Scholarship for Young Tree of Hope Project>



<Helping elderly people living alone>



<"One Company, One River" restoration campaign>



# Article of Incorporation

## CHAPTER I. GENERAL PROVISIONS

**Article 1 (Name)** The name of the Company shall be Jushikhoisa Mando (주식회사 만도) in Korean and Mando Corporation in English (hereinafter referred to as the “**Company**”).

**Article 2 (Purpose)** The purpose of the Company is to engage in the following business activities:

- (1) design, assembly, manufacture, and supply of brake system, suspension system, steering system, and other automotive parts, and marketing and sale of automotive parts;
- (2) manufacture and sale of general machinery;
- (3) trade, export and import, and trade agency;
- (4) real estate leasing;
- (5) IT system and software rental;
- (6) education and training related service;
- (7) service area restaurant;
- (8) manufacture and sale of electric bicycles; and
- (9) other business and/or investment related to each of the aforementioned categories.

**Article 3 (Location of Head Office and Establishment of Branches, etc.)**

- (1) The head office of the Company shall be located in Pyeongtaek-si, Gyeonggi-do, Korea.
- (2) Branches, regional offices, local offices, and local subsidiaries may be established by the Company by resolutions of the Board of Directors, whenever necessary.

**Article 4 (Method of Giving Public Notice)** Public notice by the Company shall be made on the Company’s internet homepage at [www.mando.com](http://www.mando.com). However, in the case that public notice may not be made on such homepage due to network failure or other inevitable reasons, it shall be made through Maeil Business Newspaper, a Korean language newspaper of general circulation published in Seoul. However, in the case that it cannot be made through Maeil Business Newspaper due to discontinuance or suspension of publication, or other inevitable reasons, it shall be made through the Korean Economic Daily, a Korean language newspaper of general circulation published in Seoul.

## CHAPTER II. SHARES

**Article 5 (Total Number of Shares)** The total number of authorized shares shall be 100,000,000 shares.

**Article 6 (Par Value)** The par value of each share to be issued by the Company shall be 5,000 Won.

**Article 7 (Shares to be Issued at the time of Incorporation)** The total number of shares to be issued by the Company at the time of incorporation shall be 9,391,424 shares.

**Article 8 (Classes of Shares)** The shares to be issued by the Company shall be common shares in registered form.

**Article 9 (Types of Share Certificates)** Share certificates to be issued by the Company shall be in eight denominations of one(1), five(5), ten(10), fifty(50), one hundred(100), five hundred(500), one thousand(1,000) and ten thousand(10,000) shares.

**Article 10 (Issuance and Allotment of Shares)**

- (1) The Company may issue new shares by a resolution of the Board of Directors in accordance with the following Subparagraphs:
  - (i) grant of preemptive rights for the shareholders to subscribe for the new shares that may be issued by the Company in proportion to their respective shareholdings;
  - (ii) grant of preemptive rights to subscribe for the new shares that may be issued by the Company, by other means than as stipulated in the above Subparagraph (i), to certain person(s) (including the shareholders of the Company), to the extent that the number of such new shares does not exceed 20/100 of the total number of issued and outstanding shares if it is necessary for the introduction of important business skills, research and development, production, sale, capital tie-up, business tie-up, financial structure improvement, and accomplishment of other management purposes; and
  - (iii) grant of preemptive rights to subscribe for the new shares that may be issued by the Company, by other means than as stipulated in the above Subparagraph (i), to any person(s) (including shareholders of the Company) and provides allotment of new shares to the person(s) who have subscribed accordingly.
  
- (2) In the case of issuing new shares in the manner described in Subparagraph (iii) of Paragraph (1) above, new shares will be granted by a resolution of the Board of Directors in accordance with one of the following Subparagraphs:
  - (i) allotment of new shares to any unspecified subscribers without classifying the type of a person to be granted with the preemptive rights to subscribe for the new shares;
  - (ii) grant of preemptive rights to any unspecified person(s) for the new shares including the new shares that are(were) allotted, but unsubscribed, to members of the Company's Woorisaju Cooperation (Employee Stock Ownership Association) in accordance with relevant laws;
  - (iii) grant of preemptive rights to any unspecified person(s) if there



- remain unsubscribed shares after the shareholders are granted the preemptive rights to subscribe for the new shares; and
- (iv) grant of preemptive rights to certain person(s) in accordance with reasonable standards as set out in relevant laws and regulations such as demand forecasting prepared by investment dealers or agencies as guarantors or intermediaries.
- (3) If the Company allots new shares in accordance with Subparagraph (ii) or (iii) of Paragraph (1) above, matters stipulated in Paragraphs 1, 2, Subparagraph 2 of Paragraph 2, Paragraph 3, and Paragraph 4 of Article 416 of the Korean Commercial Code shall be informed or notified publicly to the shareholders at least two (2) weeks prior to the payment due date; provided, however that, such a notice may be replaced and/or waived by making public notice of report pertaining important matters to the Financial Services Commission and Stock Exchange pursuant to Paragraph 9 of Article 165 of the Capital Market and Financial Investment Services Act.
  - (4) In the case of issuing new shares in the manner described in one of the Subparagraphs of Paragraph (1), the class, number, price, and etc. thereof shall be determined by a resolution of the Board of Directors.
  - (5) When the Company allots new shares, in the case where preemptive rights to subscribe for the new shares are not exercised or in the case where the subscription price is not paid, such matters shall be managed by a resolution of the Board of Directors as set out in relevant laws and regulations such as propriety of equivalent value and etc.
  - (6) Fractional shares resulting from allotment of new shares shall be managed by a resolution of the Board of Directors.
  - (7) In the case of allotment of new shares in the manner described in Subparagraph (i) of Paragraph (1), the Company shall issue the certificate of preemptive rights to new shares to the shareholders.

#### **Article 11 (Stock Option)**

- (1) The Company may grant its officers and employees (including officers and employees of an affiliated company as defined in Article 30 of the Act on Implementation of Commercial Code, hereinafter the same) stock options by a special resolution of a General Meeting of Shareholders, to the extent not exceeding 15/100 of the total number of issued and outstanding shares. Notwithstanding the foregoing provision, the Company may grant stock options to a person who is not a director of the Company, by a resolution of the Board of Directors, to the extent not exceeding 1/100 of the total number of issued and outstanding shares. In the event that the Company grants stock options by a resolution of the Board of Directors, such grant shall be approved by the first General Meeting of Shareholders held after the grant. Stock options granted by a General Meeting of Shareholders or a resolution of the Board of Directors may be linked to the performance of the Company measured by targeted managerial

results or capital market indices.

- (2) Those eligible for a stock option shall be the Company's officers or employees who contribute or are capable of contributing to the Company's incorporation or management, overseas operation or technological innovation, etc.
- (3) The shares to be delivered as a result of the exercise of stock options (refers to the share which becomes the basis for calculation in case the difference between the share price at which such stock options are exercised and the market value of relevant share is paid in cash or treasury share) shall be determined among shares stipulated in the above Article 8 by a General Meeting of Shareholders or by a resolution of the Board of Directors.
- (4) The number of officers and employees who are eligible for stock options hereunder shall not exceed 30/100 of the total number of officers and employees then in office in the Company or being employed by the Company and the number of shares covered by a stock option that may be granted to an officer or employee of the Company shall not exceed 1/100 of the total number of issued and outstanding shares.
- (5) The per-share price at which stock options are exercised shall not be lower than either of the following prices and this provision shall also apply to where the relevant stock option exercising price is adjusted subsequently after the grant of stock options:
  - (i) if new shares are to be issued and delivered, the higher of the following prices:
    - (a) the market value of relevant shares evaluated, as of the date of such stock options granted; or
    - (b) the face value of relevant shares; or
  - (ii) in the case of transferring one's own shares, the actual value of relevant shares as of the date of such stock options are granted.
- (6) A stock option granted hereunder may be exercised within six (6) years from the date after two (2) years have elapsed from the date when the resolution mentioned in Paragraph (1) above is adopted.
- (7) A person who is granted a stock option is entitled to exercise the stock option only if he/she has been in office in the Company or employed by the Company at least for two (2) years from the date of the resolution mentioned in Paragraph (1) above; provided, however, that if the said grantee dies or resigns from the Company within two (2) years from the date of the resolution mentioned in Paragraph (1) above due to the age limit or any other reason not attributable to him/her, such stock option may be exercised within the period originally set for exercising the same.
- (8) The provision of Article 12 hereof shall apply, mutatis mutandis, with respect to

payment of dividends on the shares issued as a result of the exercise of stock options hereunder.

- (9) The grant of a stock option may be cancelled by a resolution of the Board of Directors, if:
- (i) after the grant of such a stock option, the grantee thereof has resigned voluntarily from the Company;
  - (ii) the grantee has caused material changes to the Company by willful acts or negligence;
  - (iii) the Company is unable to respond to the exercise of such a stock option, due to the Company's bankruptcy, dissolution or otherwise; or
  - (iv) there has occurred any event constituting a cause of cancellation thereof as provided in the relevant stock option agreement.

**Article 12(Commencement Date for Dividends on New Shares)** With regard to payment of dividends on the new shares issued by the Company as a result of paid-in capital increase, bonus issue, or stock dividends, such new shares shall be deemed to have been issued at the end of the fiscal year immediately preceding the fiscal year to which the time of issuance thereof belongs.

**Article 13 (Transfer Agent)**

- (1) The Company shall appoint a transfer agent (hereinafter referred to as “**Transfer Agent**”) in relation to the transfer of its shares.
- (2) The Transfer Agent, its office and the scope of services to be provided by the Transfer Agent on behalf of the Company shall be determined by a resolution of the Board of Directors.
- (3) The Company shall have the list of shareholders or a copy thereof kept and maintained at the office of the Transfer Agent and shall cause the Transfer Agent deal with the transfer of shares, registration or cancellation of pledges created on shares, registration or cancellation of the property in trust, issuance of share certificates, acceptance of reports and other share-related matters.
- (4) The procedure of dealing with such matters as mentioned in Paragraph (3) above shall be subject to the regulation concerning the securities transfer agency by Transfer Agent, etc.

**Article 14 (Report of Addresses, Names and Seals or Specimen Signatures, etc.)**

- (1) The shareholders and pledge registrants shall report to the Transfer Agent as specified in the provision of Article 13 hereof their names, addresses, seals or specimen signatures, etc.
- (2) Each of the shareholders and pledge registrants residing abroad shall designate and report to the Company his/her provisional address to which and his/her agent to whom notices may be given by the Company within the Republic of Korea.

- (3) Any change of the information mentioned in Paragraphs 1 and 2 above shall also be reported to the Company accordingly.

**Article 15 (Electronic List of Shareholders)** The Company shall register shareholders electronically.

**Article 16 (Suspension of Altering Entry in the List of Shareholders and Record Date)**

- (1) The Company shall suspend entry of alterations in the list of shareholders with respect to shareholders' rights from January 1 through January 31 of each year.
- (2) The Company shall deem those shareholders whose names appear in the list of shareholders on December 31 of each year to be the shareholders who are entitled to exercise their rights as shareholders at the annual General Meeting of Shareholders to be convened in respect of the said period for the settlement of accounts.
- (3) The Company may suspend entry of alterations in the list of shareholders with respect to shareholders' rights for a given period not exceeding three (3) months, if necessary for convening a special General Meeting of Shareholders or otherwise, or the Company may deem those shareholders whose names appear in the list of shareholders on the day specified by a resolution of the Board of Directors to be the shareholders who are entitled to exercise the rights as shareholders in relation to the aforementioned purpose. In such a case, the Board of Directors may designate such a record date, together with suspension of altering entry in the list of shareholders, if the Board of Directors deems it necessary; provided, however, that the Company shall provide two (2) weeks prior notice before making such change.

### **CHAPTER III. BONDS**

**Article 17 (Issuance of Bonds)**

- (1) The Company may issue bonds by a resolution of the Board of Directors.
- (2) The Board of Directors may delegate to the Representative Director, after prescribing the amount and type, the matters relating to the issuance of bonds within a period not exceeding one (1) year.

**Article 18 (Issuance of Convertible Bonds)**

- (1) The Company may issue convertible bonds to any person(s) other than the Company's shareholders by a resolution of the Board of Directors only if any of the following Paragraphs are applicable:
  - (i) issuance of convertible bonds pursuant to a method of providing an opportunity to subscribe for bond acquisition in order to allot bonds to

- certain person (including the Company's shareholders) by other means than as stipulated in Article 10, Paragraph (1), Subparagraph (i) in order to introduce important business skills, research and development, production, sale, capital tie-up, business tie-up, financial structure improvement, and accomplishment of other management purposes to the extent that their par value does not exceed five hundred billion Korean Won (KRW 500,000,000,000); or
- (ii) issuance of convertible bonds by providing an opportunity to subscribe for bond acquisition to unspecified person (including the Company's shareholders) by other means than as stipulated in Article 10, Paragraph (1), Subparagraph (i) and then allotting the bonds to the subscribers to the extent that the bond's par value does not exceed five hundred billion Korean Won (KRW 500,000,000,000);
- (2) In the case of allotting bonds pursuant to Subparagraph (ii) of Paragraph (1) above, the bonds shall be allotted pursuant to one or more of the following Subparagraphs by the Board of Director's resolution:
    - (i) allotting bonds to unspecified subscribers without classifying the type of subscribers of bond acquisitions;
    - (ii) providing the shareholders with priority to subscribe for bond acquisition and then offering the unsubscribed bonds, if any, to unspecified person for allotment; or
    - (iii) providing the rights to subscribe for bond acquisition to certain person(s) in accordance with reasonable standards as set out in relevant laws and regulations such as demand forecasting prepared by investment dealers or agencies as guarantors or intermediaries.
  - (3) As for the convertible bonds mentioned in Paragraph (1) above, the Board of Director may also issue such bonds on a condition that only parts be converted.
  - (4) The shares to be issued as a result of conversion of such bonds shall be common shares and the applicable conversion price shall be equal to or higher than the par value per share of such new shares, as determined by the Board of Directors at the time of issuance of such bonds.
  - (5) The period in which holders of convertible bonds are entitled to make a request for conversion hereunder shall begin on the day after one (1) month have elapsed from the date of issuance thereof and end on the day immediately preceding the maturity date thereof; provided, however, that the period for requesting conversion may be adjusted by a Board of Director's resolution within the aforementioned period.
  - (6) As for payment of dividends on the shares to be issued as a result of conversion hereunder and the payment of interest on such convertible bonds, the provision of Article 12 hereof shall apply, mutatis mutandis.

#### **Article 19 (Issuance of Bonds with Warrant)**

- (1) The Company may issue bonds with warrant to any person(s) other than the Company's shareholders by a resolution of the Board of Directors in case any of the following Subparagraphs are applicable:
  - (i) if the Company issues bonds with warrant to one of its business partners to acquire a certain technology, research and development, production, sale, capital tie-up, business tie-up, financial structure improvement, and accomplishment of other management purposes to the extent that their aggregate par value does not exceed five hundred billion Korean Won (KRW 500,000,000,000), it may issue bonds with warrant to give certain person (including the Company's shareholders) the opportunity to subscribe bond acquisitions to allot bonds by other means than as stipulated in Article 10, Paragraph (1), Subparagraph (i); or
  - (ii) if the Company issues bonds with warrant by providing an opportunity to subscribe for bond acquisition to unspecified person (including the Company's shareholders) by other means than as stipulated in Article 10 Paragraph (1), Subparagraph (i) and then allotting the bonds to the subscribers to the extent that the bond's par value does not exceed five hundred billion Korean Won (KRW 500,000,000,000).
- (2) If bonds are allotted in accordance with Paragraph (1), Subparagraph (ii), then the bonds shall be allotted pursuant to any of the following Subparagraphs with the Board of Director's resolution:
  - (i) allotting bonds to unspecified subscribers without classifying the type of subscribers of bond acquisitions;
  - (ii) providing the shareholders with priority to subscribe for bond acquisition and then offering the unsubscribed bonds, if any, to unspecified person for allotment; or
  - (iii) providing the rights to subscribe for bond acquisition to certain person(s) in accordance with reasonable standards as set out in relevant laws and regulations such as demand forecasting prepared by investment dealers or agencies as guarantors or intermediaries.
- (3) The amount entitled to request issuance of new shares shall be determined by the Board of Directors to the extent not exceeding the aggregate face value of such bonds.
- (4) The shares to be issued as a result of the exercise of such warrant hereunder shall be common shares and the applicable price thereof shall be equal to or higher than the par value per share of such shares, as determined by the Board of Directors at the time of issuance thereof.
- (5) The period in which holders of bonds with warrant are entitled to exercise such warrant hereunder shall begin on the day after one (1) month have elapsed from the date of issuance thereof and end on the day immediately preceding the maturity date thereof provided, however, that the period for exercising such warrant may be adjusted by a resolution of the Board of Directors within the aforementioned period.

- (6) As for payment of dividends on the new shares to be issued as a result of the exercise of such warrant hereunder, the provisions of Article 12 hereof shall apply mutatis mutandis.

**Article 20 (Application of Provisions concerning Issuance of Bonds)** The provisions of Articles 13 and 14 hereof shall apply mutatis mutandis to the issuance of bonds.

#### **CHAPTER IV. MEETING OF SHAREHOLDERS**

**Article 21 (Time to Convene Meeting of Shareholders)**

- (1) The Company's meetings of shareholders ("**General Meeting of Shareholders**") shall consist of annual meetings and special meetings.
- (2) The annual General Meeting of Shareholders shall be held within three (3) months after the end of each fiscal year and special meeting may be held at any time whenever necessary.

**Article 22 (Person Authorized to Convene General Meeting of Shareholders)**

- (1) Unless otherwise provided in relevant laws and regulations, the General Meeting of Shareholders shall be convened by the Representative Director of the Company with a resolution of Board of Directors.
- (2) If the Representative Director is absent or unable to execute his/her duties, the provisions of Article 39 Paragraph 2 hereof shall apply mutatis mutandis.

**Article 23 (Personal and Public Notice of Convening a General Meeting of Shareholders)**

- (1) In convening a General Meeting of Shareholders, the Company shall give notice in writing or electronically to each shareholder of the date, time and place of the meeting and the list of agenda to be dealt with at the meeting, at least two (2) weeks prior to the date set for such meeting.
- (2) For shareholders holding 1/100 or less of the total number of issued and outstanding shares with voting rights, the Company may insert twice or more in Maeil Business Newspaper and Joongang Ilbo Newspaper currently being issued in Seoul a public notice of its intention to convene such a meeting and the list of agenda to be dealt with at the meeting, in lieu of giving such notice mentioned in Paragraph (1) above.

**Article 24 (Place of Convening a General Meeting of Shareholders)** The General Meeting of Shareholders shall be held in the place where the head office of the Company is located and may also be held in any other place adjacent to it, whenever circumstances require.

**Article 25 (Chairman)**



- (1) The Company's Representative Director shall preside at all of the General Meeting of Shareholders as chairman.
- (2) If the Representative Director is absent or unable to serve as presiding officer, the provision of Article 39 Paragraph 2 hereof shall apply mutatis mutandis.

**Article 26 (Chairman's Authority to Maintain Order)**

- (1) The Chairman of a General Meeting of Shareholders may stop a person who significantly disturbs order in such a meeting (including with speech or behavior to interfere with the proceeding of the meeting intentionally) from speaking or may order such a person out of the meeting.
- (2) The chairman of a General Meeting of Shareholders may limit the duration and/or the number of times of speech by each shareholder, whenever the chairman deems it necessary for smooth proceedings of the meeting.

**Article 27 (Shareholders' Voting Rights)** Each shareholder shall have one (1) vote for each share he/she owns.

**Article 28 (Limitation on the Voting Rights of Cross-held Shares)** If the Company, its parent company and subsidiary(s), or a subsidiary(s) of the Company owns more than 1/10 share of a third company, then the shares of the Company held by that third company shall have no voting rights.

**Article 29 (Split Exercise of Voting Rights)**

- (1) If a shareholder having more than two (2) votes wishes to split his/her votes at a General Meeting of Shareholders, the said shareholder shall give the Company notice in writing of his/her intention to do so and the reason therefor at least three (3) days prior to the date set for such a meeting.
- (2) The Company may refuse to allow a shareholder to split his/her votes, except for the case where the said shareholder has shares in trust or hold shares on behalf of a third party.

**Article 30 (Exercise of Votes by Proxy)**

- (1) Each shareholder may exercise his/her vote by proxy.
- (2) In such a case, the proxy shall present to the Company an appropriate document (a power of attorney) evidencing his/her power of representation prior to opening of that meeting.

**Articles 31 (Method of Adopting Resolutions at General Meeting of Shareholders)** Unless otherwise provided in the relevant laws and regulations, all resolutions of a General Meeting of Shareholders shall be passed by the affirmative votes of a majority of the shares represented by the shareholders present at the General Meeting of Shareholders, which shall not be less than a quarter of the total number of issued and outstanding shares of the



Company.

**Article 32 (Minutes of General Meeting of Shareholders)** The proceedings and results of a General Meeting of Shareholder shall be recorded in minutes, which shall be kept in the head office and branches of the Company after chairman and all directors present at the meeting have signed and sealed the same or affixed their signatures thereto.

## CHAPTER V. Directors and Board of Directors

**Article 33 (Number of Directors)** The Company shall have not less than three (3) directors, and the number of outside directors shall not be less than a quarter of the total number of directors; provided, however, that if the total assets of the Company is two trillion Korean Won (KRW 2,000,000,000,000) or more as at the end of its most recent fiscal year, the Company shall have three (3) or more outside directors and should ensure that a majority of the total number of directors in office will be elected as outside directors.

### **Article 34 (Election of Directors)**

- (1) Directors shall be elected by a General Meeting of Shareholders.
- (2) A resolution for electing directors shall be passed by the affirmative votes of a majority of the shares represented by the shareholders present at the General Meeting of Shareholders, which shall not be less than a quarter of the total number of issued and outstanding shares.
- (3) In case two (2) directors or more are elected at a General Meeting of Shareholders, the cumulative vote stipulated in Article 382, Paragraph 2 of the Korean Commercial Code shall not apply.

### **Article 35 (Recommendation of Candidates for Outside Directors)**

- (1) The Committee for recommending candidates for outside directors (“**Committee for Recommending Candidates for Outside Directors**”) shall recommend candidates for outside director among those persons having such qualifications as set forth in relevant laws and regulations such as the Korean Commercial Code.
- (2) The details concerning recommendation of candidates for outside directors and screening of their qualifications shall be determined by the Committee for Recommending Candidates for Outside Directors.

**Article 36 (Term of Office)** The term of office of directors shall be three (3) years; provided, however, that such term of office shall be extended until the close of the annual General Meeting of Shareholders convened in respect of the last period for the settlement of accounts comprised in their term of office if their term of office expires after the end of the said last period for the settlement of accounts but before the close of the said meeting.

### **Article 37 (Election to Fill a Vacancy)**

- (1) If there is a vacancy in the number of directors, a director shall be elected at a General Meeting of Shareholders to fill such a vacancy; provided, however, that the foregoing provision shall not apply if the number of the existing directors in office is not less than the number of directors provided in Article 33 hereof and no hindrance is caused to carrying on the Company's business thereby.
- (2) If, as a result of resignation or death of an outside director, there is a vacancy in the number of directors as provided in Article 33 hereof, the requirements concerning such a vacancy shall be met at the first General Meeting of Shareholders convened after such a cause of vacancy has occurred.

**Article 38 (Appointment of Representative Director)** The Company may appoint one (1) and more representative director(s) ("**Representative Director**") by resolution of the Board of Directors.

**Article 39 (Duties of Director)**

- (1) The Representative Director shall represent the Company and direct the Company's overall business.
- (2) Executive vice presidents, senior executive directors, executive directors and directors shall assist the Representative Director and take charge of the Company's business as determined by the Board of Directors and, if the Representative Director is absent or unable to execute his/her duties, shall act as the Representative Director in accordance with the order set forth above.

**Article 40 (Directors' Obligations to Report)**

- (1) The director shall report the status of executing his/her duties to the Board of Directors at least once in every three (3) months.
- (2) If a director finds anything that is likely to cause material damages to the Company, he/she shall immediately report the same to auditor(s).

**Article 41 (Company's Mitigation of Directors' Liabilities)**

- (1) By the resolution of a General Meeting of Shareholders, the Company may exempt a director from liability, as stipulated in Article 399 of the Korean Commercial Code, for amounts in excess of six (6) times (three (3) times for an outside director) the remuneration (including bonuses and gains from the exercise of stock options, etc.) for the year immediately preceding the date of the acts leading to such liability.
- (2) The above Paragraph (1) shall not apply in case the director caused losses intentionally or by gross negligence or (ii) violated (a) Korean Commercial Code Article 397 (the provision on the prohibition of competitive business for directors), (b) Korean Commercial Code Article 397 Paragraph 2 (the provision on the prohibition of misappropriation of business opportunities), or (c) Korean Commercial Code Article 398 (the provision on the prohibition of transactions

between companies and their directors).

#### **Article 42 (Composition of Board of Directors and Convening of Meetings)**

- (1) The Board of Directors shall be composed of directors and make major decisions on the Company's business.
- (2) The Representative Director or other director separately appointed by the Board of Directors for his purpose, if any, shall convene all meetings of the Board of Directors by giving notice thereof to each director and auditor five (5) days prior to the date set for each of such meetings; provided, however, that, if all directors and auditor(s) unanimously consent to holding a meeting of the Board of Directors, the procedure of convening a meeting may be omitted.
- (3) The Chairman of the Board of Directors shall be the person who has the authority to convene meetings of the Board of the Directors pursuant to Paragraph (2) above.

#### **Article 43 (Method of Adopting Resolutions)**

- (1) A quorum for holding a meeting of the Board of Directors shall be a majority of all directors in office and all resolutions of the Board of Directors shall be adopted by the affirmative votes of a majority of directors present at the meeting; provided, however, that the resolutions of the Board of Directors relating to Article 397, Paragraph 2 (Prohibition of Misappropriation of Business Opportunities), and/or Article 398 (Prohibition of Transactions between Companies and their Directors) of Korean Commercial Code shall be adopted by the affirmative votes of more than two-thirds (2/3) of the directors.
- (2) The Board of Directors may allow all directors or a part thereof to participate in resolutions of the Board of Directors through the means of communication transmitting and receiving voices simultaneously, in lieu of attending such a meeting in person. In such a case, such director(s) shall be deemed to have attended such a meeting in person.
- (3) No directors having a specific interest in any resolution of the Board of Directors shall be allowed to exercise their vote upon such a resolution.

#### **Article 44 (Minutes of Meeting of the Board of Directors)**

- (1) The Board of Directors shall record the meeting of the Board of Directors.
- (2) The minutes shall include the agenda, procedure and results of the proceedings of the meeting, names of the directors against each resolution and the reason for their objection thereto and all directors and auditor(s) present at the meeting shall sign and seal the same or affix their signatures thereto.

#### **Article 45 (Committees)**

- (1) The Company shall establish committees in the Board of Directors, as described below:
  - (i) Committee for Recommending Candidates for Outside Directors;
  - (ii) Audit Committee; and
  - (iii) Internal Transaction Committee
- (2) The details concerning the composition, power and operation of each of such committees shall be determined by resolutions of the Board of Directors.
- (3) The provisions of Articles 42, 43, and 44 hereof shall apply mutatis mutandis to such committees.

#### **Article 46 (Directors' Remuneration and Retirement Allowances)**

- (1) Directors' remuneration shall be determined by a resolution of a General Meeting of Shareholders.
- (2) Retirement allowances for directors shall be paid in accordance with the Company's regulation concerning retirement allowances for officers which shall have been duly approved by a resolution of a General Meeting of Shareholders.

**Article 47 (Consultants and Advisors)** The Company may appoint a few consultants and advisors by a resolution of the Board of Directors.

### **CHAPTER VI. Audit Committee**

#### **Article 48 (Composition of Audit Committee)**

- (1) The Company shall establish an audit committee ("**Audit Committee**") pursuant to Article 45 hereof, in lieu of auditor(s).
- (2) The Audit Committee shall be composed of three (3) or more directors.
- (3) Two-thirds (2/3) or more of the total number of Audit Committee members shall be outside directors. An Audit Committee member, who is not an outside director, shall meet the qualifications under Article 452, Paragraph 10, Subparagraph 2 of the Korean Commercial Code.
- (4) If the number of shares held by any shareholder exceeds 3/100 of the total number of issued and outstanding shares with voting rights, the said shareholder may not exercise his/her voting rights with respect to the shares in excess of such 3/100 in electing any Audit Committee member who is not an outside director.
- (5) In electing the Audit Committee members none of whom is an outside director, if the aggregate total number of shares held by the largest shareholder who will exercise his/her voting rights and his/her related person(s), those who possess shares for account of the largest shareholder or his/her related person(s) and

those to whom the largest shareholder or his/her related person(s) have delegated their votes exceeds 3/100 of the total number of issued and outstanding shares with voting rights, such shareholders may not exercise their voting rights with respect to the shares in excess of such 3/100.

- (6) By a resolution, the Audit Committee shall appoint the person who will represent the Audit Committee, where the chairman shall be an outside director.

#### **Article 49 (Duties of Audit Committee)**

- (1) The Audit Committee shall audit the Company's accounting and general operations.
- (2) The Audit Committee may request the Board of Directors to convene a meeting of the Board of Directors by submitting a written request to a director (or a person who has the authority to convene the meeting as applicable), stating the agenda to be dealt with at the meeting of the Board of Directors and the reason for convening such a meeting of the Board of Directors.
- (3) If the director fails to immediately convene a meeting in lieu of the provision of Paragraph (2) above, the Audit Committee who requested the meeting may convene a meeting of the Board of Directors.
- (4) The Audit Committee may request to convene a special meeting of the Board of Directors by submitting a written request to the Board of Directors, stating the business to be dealt with at the proposed meeting and the reason for convening such a meeting.
- (5) The Audit Committee may request the Company's subsidiary(s) to make a report on its (their) operations, if the Audit Committee deem it necessary to perform its duties. In such a case, if the subsidiary(s) fails to immediately make such a report made by the subsidiary(s), the Audit Committee shall have the right to inspect that subsidiary's operations and status of assets.
- (6) In electing an independent auditor, the Audit Committee shall approve such an independent auditor duly elected.
- (7) In addition to the matters in Paragraphs (1) through (6) above, the Audit Committee shall deal with the matters delegated to it by the Board of Directors.
- (8) The Board of Directors shall not re-determine matters already adapted by the resolution of the Audit Committee.
- (9) The Audit Committee may request expert's assistance at the cost of the Company.

**Article 50 (Minutes of Meeting of the Audit Committee)** The Audit Committee shall prepare minutes of audit with respect to the audit conducted by him/her. The minutes of audit shall be signed and sealed by or shall bear the signatures of, the auditor(s) who has conducted

such audit.

## **Chapter VII. Accounting**

**Article 51 (Fiscal year)** The fiscal year of the Company shall commence on January 1 and end on December 31 of each year.

**Article 52 (Preparation and Maintenance of Financial Statements and Business Report)**

- (1) The Representative Director of the Company shall prepare and submit to auditor(s) for audit the following documents and their supplementary schedules together with a business report, six (6) weeks prior to the date set for the annual General Meeting of Shareholders convened for the fiscal year to which such documents are related, and upon auditor(s)' audit, shall submit the aforementioned documents and the business report to the annual General Meeting of Shareholders:
  - (i) Balance Sheet;
  - (ii) Income Statement; and
  - (iii) Statement of Appropriation of Retained Earnings or Statement of Disposition of Accumulated Deficit.
- (2) In case this Company falls under the category subject to completing the consolidated financial statements under the Enforcement Decree of the Korean Commercial Code, the consolidated financial sheets shall be included in each documents referred to in Paragraph (1).
- (3) The Audit Committee shall submit an auditor's report to the Representative Director at least by one (1) week prior to the date set for such annual General Meeting of Shareholders.
- (4) The Representative Director shall maintain the documents referred to in Paragraph (1) above and the auditor's report in the head office of the Company for five (5) years and their copies in the branch office(s) of the Company for three (3) years respectively, starting from one (1) week prior to the date set for the annual General Meeting of Shareholders convened.
- (5) Upon approval of the annual General Meeting of Shareholders with respect to the documents referred to in Paragraph (1) above, the Representative Director shall promptly give public notice of the Company's balance sheet and independent auditor's report.

**Article 53 (Appointment of Independent Auditor)** The Company shall appoint an independent auditor with approval of the Independent Auditor Appointment Committee under the Act on External Audit of Share Companies and shall report appointment thereof to the annual General Meeting of Shareholders to be convened following such appointment or to the shareholder listed in the recent shareholders list on the closing date by way of written or electronic notification or publish online on the Company website.

**Article 54 (Disposition of Profit)** The Company shall dispose of the unappropriated retained earnings of each fiscal year as the following:

- (i) legal reserve;
- (ii) other statutory reserves;
- (iii) dividends;
- (iv) voluntary reserve; and
- (v) other appropriation of retained earnings

**Article 55 (Dividends)**

- (1) Dividends may be paid in cash, shares, or other types of assets.
- (2) Dividends referred to in Paragraph (1) above shall be paid to the shareholders or pledgees whose names appear or are duly registered in the list of shareholders as of the end of each fiscal year.

**Article 56 (Interim Dividends)**

- (1) The Company may determine a specific date by a resolution of the Board of Directors, but no more than once each business year, to pay Interim dividends in cash to the shareholders.
- (2) Interim dividends shall be paid within the limit of not exceeding the amount of the net worth shown on the balance sheet as of the end of the immediately preceding period for the settlement of accounts less the amount of the following items:
  - (i) the amount of capital, as of the end of the immediately preceding period for the settlement of accounts;
  - (ii) the aggregate sum of the capital reserves and legal reserves appropriated up to the immediately preceding period for the settlement of accounts;
  - (iii) the unrealized gross profit amount as specified in the Enforcement Decree of the Korean Commercial Code;
  - (iv) the amount appropriated for dividends by a resolution adopted at the annual General Meeting of Shareholders convened for the immediately preceding period for the settlement of accounts;
  - (v) the amount of voluntary reserved appropriated for specific purposes in accordance with the provisions of the Articles of Incorporation or by a resolution of the General Meeting of Shareholders up to the immediately preceding period for the settlement of accounts; and
  - (vi) the amount of legal reserves to be appropriated for the current period for the settlement of accounts, as a result of such interim dividends.
- (3) If any new shares have been issued prior to the respective dates specified by the resolution of the Board of Directors and pursuant to Paragraph (1) above following the commencement date of the current fiscal year (including as a result



of capitalization of reserves, stock dividends, requests for conversion of convertible bonds to the capital stock and the exercise of warrant with respect to bonds with warrant), such new shares shall be deemed to have been issued at the end of the immediately preceding fiscal year with respect to interim dividends hereunder.

**Article 57 (Statute of Limitation to the Claim for Dividends)**

- (1) If a claim for dividends has not been exercised for five (5) years, the statute of limitation applicable thereto shall expire.
- (2) The dividends with respect to which the statute of limitation has expired pursuant to Paragraph (1) shall become vested in the Company.

**CHAPTER VIII. Addendum**

**Article 1 (Effective Date)** These Articles of Incorporation shall come into effect on the date of the Company's establishment.

**Article 2 (Special Regulation regarding fiscal year)** Notwithstanding Article 51, the first fiscal year of the Company shall be calculated from the date of the Company's establishment to the date of December, 31, 2014.

**Article 3 (Special Regulation regarding Directors' Remuneration)** Notwithstanding Article 46, the directors' remuneration on the first fiscal year shall be pursuant to the terms of the Spinoff Plan approved by the General Meeting of Shareholders of Mando Corporation prior to the Company's spinoff in July 28, 2014.

**Article 4 (Revised Effective Date)** These Articles of Incorporation shall take effect on March 20, 2015.

**Article 5 (Revised Effective Date)** These Articles of Incorporation shall take effect on March 18, 2016.



# Regulations of Board of Directors

## TITLE 1 GENERAL PROVISION

### Article 1 (Purpose)

The purpose of these Regulations of the Board of Directors of Mando Corporation (“**Board of Directors**”) is to set forth the fundamental governance principles for the Board of Directors in accordance with the Korean Commercial Code and the Articles of Incorporation.

### Article 2 (Scope)

Unless otherwise stipulated by the applicable laws or the Articles of Incorporation, all matters with respect to the composition and governance of the Board of Directors shall be carried out in accordance with these Regulations of the Board of Directors.

### Article 3 (Powers)

1. The Board of Directors shall, by its resolution, determine the matters set forth in the applicable laws or the Articles of Incorporation, the matters delegated by the General Shareholders’ Meeting, and the important matters in connection with the general management principles and operation of the Company.
2. The Board of Directors shall supervise the directors’ performance of their duties and obligations.

### Article 4 (Composition)

1. The Board of Directors shall consist of all directors of the Company.
2. There shall be a secretary department that supports Board of Directors’ performance of its duties and obligations. The Finance Team shall be the secretary department.

### Article 5 (Chairman)

The representative director shall be the chairman of a Board of Directors’ meeting (the “**Chairman**”), and if the representative director is absent or unable to perform his or her duties and obligations, the inside director in charge of planning, the inside director in charge of sales, the inside director in charge of R&D and the outside director shall take his or her place in the foregoing order. The same order is applicable to a Board of Directors’ meeting and a General Meeting of Shareholders.

### Article 6 (Convening Board of Directors’ Meeting)

1. A Board of Directors’ meeting shall be an ordinary Board of Directors’ meeting or an extraordinary Board of Directors’ meeting.
2. The ordinary meeting shall be convened once every quarter, and the extraordinary meeting shall be convened upon a request by any of the directors.
3. The representative director shall convene a Board of Directors’ meeting by giving notice at least five (5) days prior to the date of the meeting. The procedure for

convening a Board of Directors' meeting, however, may be omitted or shortened by a unanimous consent by all directors.

#### **Article 7 (Quorum and Resolution)**

1. A quorum of a Board of Directors' meeting shall be a majority of all directors.
2. Except where the Korean Commercial Code provides for more, a resolution of the Board of Directors shall be adopted by an affirmative vote of a majority of the directors present at the meeting.
3. The Board of Directors shall resolve the following matters:
  - a) Matters stipulated in Korean Commercial Code
    - 1) Convening of General Shareholders' Meeting
    - 2) Approval of business report
    - 3) Approval of statement of financial position; income statement; statement of appropriation of retained earnings or disposition of deficit and supplementary documents
    - 4) Issuance of bonds
    - 5) Issuance of new share(s); convertible bonds or bonds with warrants
    - 6) Approval of transfer of share(s)
    - 7) Grant or withdraw right to stock option
    - 8) Appointment and dismissal of representative director
    - 9) Decisions on ordinary business operations including disposition and transfer of critical assets, borrowing of large-scale property, appointment of manager, open/move or close of branch(s)
    - 10) Approval of either partial or total capitalization of reserves
    - 11) Approval of interim dividend
    - 12) Any matter related to transfer agent
    - 13) Any matter specified by the Korean Commercial Code
  - b) Important matters in connection with the management of the Company
    - 1) Approval of annual business plan
    - 2) Alternation or modification of the initial annual business plan
    - 3) Use of the Company's assets as collateral
    - 4) Approval of paid-in capital contribution to, or loan guarantee for, the Company's affiliate
    - 5) Transfer or licensing of important technologies, patents or other intellectual property rights
    - 6) Any matter related to capital increase
    - 7) Any matter related to either acquisition or disposition of important assets.
  - c) Other matters delegated by the applicable laws, Articles of Incorporation, or the General Shareholders' Meeting, or submitted by a director to a Board of Directors' meeting in connection with the operation of the Company.
4. The following matters shall be reported to the Board of Directors:
  - 1) Outcome, result or proceeding of any matter delegated to the Committee(s) by the Board of Directors

- 2) Any important issue pertaining to management
- 3) Any matter stipulated under the Korean Commercial Code and other applicable laws.

**Article 8 (Agenda)**

1. Agenda for a Board of Directors' meeting shall be submitted by each of the directors.
2. If a director intends to submit an agenda for deliberation, the director shall notify to the other directors of a summary of the agenda at least five (5) days prior to the date of the meeting.

**Article 9 (Director's Obligations)**

1. Each director shall keep confidential any and all management information he or she obtains in connection with performance of his or her duties and obligations, and shall not use any of the Company's confidential information for his or her own, or any 3<sup>rd</sup> party's, profit.
2. In case a director uses any management information for personal benefits notwithstanding Paragraph 1 above, such director shall be solely and fully responsible for any damage or loss in connection therewith.
3. Each director shall attend and exercise his or her voting right at a Board of Directors' meetings.

**Article 10 (Delegation)**

The Board of Directors, by its resolution, may entrust either the representative director or a competent officer with the power to determine and execute any matter subject to a Board of Directors' resolution, except those provided otherwise in the applicable laws and the Articles of Incorporation.

**Article 11 (Minutes of Meeting)**

1. The secretary of the Board of Directors shall record the proceedings of Board of Directors' meetings.
2. The proceedings and results of a meeting shall be recorded in minutes, and all attending directors must sign and seal the same or affix their signatures thereto.
3. The original copy of the Minutes of Meeting shall be kept with the secretary department.

**Article 12 (Secretary)**

1. The Board of Directors shall have a secretary.
2. The secretary shall be an officer in charge of finance, and undertake all administrative tasks as per the directives of the Chairman.

***ADDENDUM***

**Article 1 (Effective date)**

These Regulations of the Board of Directors shall take effect as of September 2, 2014.