

REGULATION OF THE AUDIT COMMITTEE

A005



**KUMHO
PETROCHEMICAL**

Audit Committee Regulation

Organizing Team	Strategy and Planning Team	Registration No.	A005
Team in Charge	IR Team	Enactment Date	April 1, 2007
Authorized Party	Audit Committee	Enforcement Date	January 1, 2019
Distributed To	All Workplaces		

Revision No.	Revision Date	Key Revisions	Grounds for Revisions
1 st	October 16, 2014	Change of team in charge	Organizational restructuring
2 nd	December 19, 2018	Articles 10, 13, 14, 15, 16 & 21	To incorporate revisions on the Commercial Act, the Act on External Audit of Stock Companies, and the accounting audit standards
3 rd	January 1, 2019	Change of team in charge	Organizational restructuring (Strategy and Planning Team → IR Team)
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CHAPTER 1 GENERAL PROVISIONS

Article 1 Purpose

The purpose of this Regulation is to provide for matters necessary to ensure the efficient operation of the Audit Committee (hereinafter “**Committee**”).

Article 2 Applicable Scope

Except as otherwise prescribed under relevant laws, the Articles of Incorporation or the Regulations of the Board of Directors, matters regarding the Committee shall be governed by this Regulation.

Article 3 Authority and Responsibility

1. The Committee shall perform audit on the Company’s accounting records and relevant matters.
2. The Committee may, at any time, request a director for the submission of business reports or investigate the Company’s financial status.
3. Other than the matters as set forth in the preceding two paragraphs, the Committee shall handle matters prescribed under the relevant laws or the Articles of Incorporation and matters delegated by the Board of Directors.

CHAPTER 2 ORGANIZATION

Article 4 Organization

1. The audit members of the Committee (hereinafter “**Members**”) shall be appointed at the general meeting of shareholders.

2. The Committee shall be comprised of three (3) or more directors, among which at least two-thirds of the Members shall be outside directors.
3. At least one (1) of the Members shall be an expert in accounting or finance as prescribed by relevant laws and regulations.
4. In the event that the ratio of outside directors within the Committee falls below the threshold as set forth in Paragraph 2 or the requirement set forth in Paragraph 3 has not been satisfied due to a Member's resignation, death, etc., such non-compliance shall be remedied at a general meeting of shareholders that is convened immediately succeeding the occurrence of the grounds for such non-compliance.

Article 5 Chairman

1. The Committee shall appoint the Chairman to represent the Committee among the outside directors by a resolution pursuant to Article 9. In this case, the Committee may decide that multiple outside directors jointly represent the Committee.
2. The Chairman shall oversee business affairs of the Committee and may allocate tasks among Members to ensure efficient operation of the Committee.
3. Upon the Chairman's absence, a Member designated by the Committee shall become the acting chairman and perform the Chairman's duties.

CHAPTER 3 MEETINGS

Article 6 Convocation of Committee

1. Meetings of the Committee shall be convened at General Meetings and Extraordinary Meetings.
2. The General Meetings shall be convened once a quarter, as a matter of principle, and

Extraordinary Meetings from time to time when necessary.

Article 7 Right to Convene

1. The Chairman shall convene the Committee.
2. Each Member may request the convocation of the Committee through submission of agenda and its reason to the Chairman. In the event that the Chairman fails to convene without any justifiable grounds, the Member who requested the convocation may convene the Committee.

Article 8 Procedure for Convening Committee

1. With respect to convening the Committee, the date of the meeting shall be determined and notified to each member two (2) days prior to the date of the meeting.
2. The Committee, upon unanimous consent of all Members, may hold the Committee at any time without following the procedures as set forth in the preceding paragraph.

Article 9 Method of Adopting Resolution

1. The Committee's resolution shall be passed by the attendance of a majority of the registered Members, followed by affirmative votes of a majority of the Members present.
2. The Committee may permit all or part of the Members who are not physically present at the meeting to participate in adopting the resolution by means of remote communication through which any Member may simultaneously convey or receive voice communication to and from all the other Members, and such participating Member(s) shall be deemed as having attended the Committee in person.

Article 10 Agenda

The agenda to be referred to the Committee are as follows:

1. Matters regarding the General Meetings of shareholders
 - (1) Request for convocation of Extraordinary Meetings
 - (2) Statement on the agenda and documents pertaining to the General Meetings
2. Matters regarding directors and the Board of Directors
 - (1) Duty of reporting to the Board of Directors
 - (2) Preparation and submission of audit reports
 - (3) Request for injunctive relief against directors' unlawful act
 - (4) Request for directors to prepare business reports
 - (5) Other matters delegated by the Board of Directors
3. Matters related to audit
 - (1) Examination on the Company's business and assets
 - (2) Examination on the Company's subsidiaries
 - (3) Receipt of directors' business report
 - (4) Representation of legal matters between directors and the Company
 - (5) Decision on filing claims against directors upon request by minority shareholders
 - (6) Request for nomination, change, and dismissal of outside auditor (hereinafter "Auditor")
 - (7) Receipt of Auditor's report pertaining to directors' wrongful act regarding the performance of his/her duties or any material breach of relevant laws or the

Articles of Incorporation

- (8) Receipt of Auditor's report on the Company's breach of accounting standards, etc.
- (9) Audit plan and result
- (10) Review feasibility as to the material change of accounting standards or assumptions and discuss key audit matters
- (11) Assessment and report of internal control systems (including internal accounting control system)
- (12) Evaluation of Auditor's performance
- (13) Confirmation of remedial measures based on the audit results

Article 11 Attendance by Relevant Persons, etc.

- 1. If deemed necessary for administration of business affairs, the Committee may have relevant executives, employees or auditors attend the meetings.
- 2. If deemed necessary, the Committee may seek advice from experts, etc. at the Company's expense.

Article 12 Minutes

- 1. The minutes of the Committee shall be prepared.
- 2. The agendas, proceedings, and results of the Committee, and the dissenting Members and their reason for dissent shall be recorded in the minutes, which shall bear the names, seals or signatures of the Members present.

CHAPTER 4 APPOINTMENT OF AUDITOR, ETC.

Article 13 Nomination and Appointment of Auditor

1. The Auditor for the Company shall be nominated by the Committee.
2. Detailed criteria and procedures as to the nomination and appointment of the Auditor shall comply with the “Criteria for Appointment of External Auditors”, a guideline separately established by the Committee.

Article 14 Change of Auditor

In the event that an appointed auditor falls under any of the following subparagraphs, the Company shall appoint a new auditor within two (2) months from the date of occurrence of the grounds that caused such event:

1. Where an auditor who is an accounting corporation dissolves due to bankruptcy or other reasons (excluding dissolution due to a merger);
2. Where the registration of an auditor who is an accounting corporation is revoked or the business of which is suspended as a whole or in part as set forth in Article 39(1) of the Certified Public Accountant Act;
3. Where the registration of an auditor who is the accounting corporation of a stock-listed corporation is revoked pursuant to Article 9-2(5) of the Act on External Audit of Stock Companies;
4. Where an auditor is unable to continue auditing of the relevant company due to measures taken in accordance with Article 29(3) or (4) of the Act on External Audit of Stock Companies; or
5. Other cases where acknowledged by the Securities and Futures Commission to the effect that an auditor is unable to perform accounting audits for the relevant business

year.

Article 15 Dismissal of Auditor

If the appointed auditor falls under any one of the following subparagraphs, the Company may dismiss the auditor upon the Committee's request within three (3) months following the end of each business year, even during the period of the three (3) consecutive business years. In this case, the Company shall appoint a new auditor within two (2) months after the dismissal of the existing auditor:

1. Where an auditor breached occupational duties, such as disclosure of the Company's confidential information;
2. Where an auditor causes any loss to the Company due to negligence in performing his/her duties;
3. If an auditor has made unreasonable demand or undue influence concerning with respect to accounting audits;
4. Where the Company is contributed by a foreign investor (excluding individuals) pursuant to Article 2(1)5 of the Foreign Investment Promotion Act, in which the Company's terms of investment limits the eligibility for an auditor; or
5. Where a parent company or a subsidiary as set forth in Article 3(1) of the Enforcement Decree of the Act on External Audit of Stock Companies, is required to appoint the same designated auditor who serves as the auditor for the other company in a parent-subsidiary relationship.

Article 16 Termination of Audit Contract

1. In the event that an auditor is in violation of Articles 21 or 33 of the Certified Public Accountant Act, the Company shall immediately terminate the audit contract with the auditor and shall appoint a new auditor within two (2) months from such termination.

2. In the event that an auditor requests for termination of the audit contract on the grounds set forth in the Act on External Audit of Stock Companies, the Company shall adhere to such request and shall appoint a new auditor within two (2) months from the date of occurrence of the grounds for termination.
3. In the event that the Company either terminates the audit contract or dismisses an auditor pursuant to Paragraph 1 and Article 15 hereunder, such measure shall be immediately reported to the Securities and Futures Commission.

Article 17 Former Auditor's Right to State Opinion

1. If the Company intends to appoint an auditor other than the auditor who audited the Company in the immediately preceding business year (hereinafter "Former Auditor") or to dismiss the Former Auditor according to Article 15, the Company shall provide the relevant Former Auditor with an opportunity to state his/her opinion to the Committee.
2. The Company shall notify the Former Auditor in writing that statement of opinion, in written or verbal form, is permissible pursuant to the preceding paragraph, until two (2) weeks prior to the conclusion of an audit contract with the newly appointed auditor.
3. In the event that an auditor subject to dismissal according to Article 15 makes a statement pursuant to paragraph 1, the Company shall immediately submit to the Securities and Futures Commission in writing the matters related to each of the following subparagraphs:
 - (1) Grounds for dismissal of the Former Auditor;
 - (2) Opinions stated by the Former Auditor; and
 - (3) Confirmation of, and signatures affixed to, the details prescribed under the preceding two subparagraphs by a majority of the Members.

Article 18 Request for Designation of Auditor to the Securities and Futures Commission

1. Upon obtaining approval from the Committee, the Company may request the designation of an auditor to the Securities and Futures Commission within the due period of appointment.
2. Detailed procedures as to the request for designation of an auditor to the Securities and Futures Commission shall comply with the “Criteria for Appointment of External Auditors”, a guideline separately established by the Committee.

Article 19 Independence

The Committee shall review matters that may impact the independence of an auditor, including material matters relating to an auditor’s relationship with the Company, and may present appropriate opinion to the Board of Directors to ensure the independence of an outside auditor.

Article 20 Exchange of Opinions

The Committee shall maintain a close cooperative relationship with an auditor, and may exchange opinions as to the Company’s internal control system and accuracy of the Company’s financial statements, etc.

Article 21 Assessment and Operation of Internal Accounting Control System

1. The Committee shall assess and report on the operational status of the internal accounting control system.
2. Upon receipt of notice from the auditor as to the Company’s violation of settlement of accounts, the Committee shall appoint an outside expert to investigate such breach, and according to the result of such investigation, shall request the representative

director for correction of the violation, etc.

3. The Committee shall promptly submit the investigation result and the Company's corrective action, etc. as set forth in the preceding paragraph to the Securities and Futures Commission and the auditor.
4. In relation to performing duties under Paragraphs 1 through 3, the Committee may request the representative director in writing to provide necessary documents, information, and expenses.
5. The Committee shall notify the auditor upon discovery of any unlawful acts related to a director's performance of his/her duties or any violation of relevant laws or the Articles of Incorporation.

CHAPTER 5 SUPPLEMENTARY PROVISIONS

Article 22 Establishment of Designated Department, etc.

1. In order to facilitate efficient performance, the Committee may establish and operate a designated department which will assist the Committee, or utilize the internal audit department of the Company.
2. The Committee may set a separate criteria pertaining to the establishment and operation of the designated department, recruitment of professional workforce, operating costs, and other necessary matters.

Article 23 Preparation of Audit Records

1. The Committee shall prepare audit records.
2. Audit records shall include details of audit protocols and the results, which shall bear the name, seal or signature of the Member who conducted the audit.

Article 24 Amendment and Repeal of Regulation

The amendment and repeal of this Regulation shall be passed by a resolution of the Committee.

ADDENDA

This Regulation shall take effect on April 1, 2007.

The revised Regulation shall take effect on October 16, 2014.

The revised Regulation shall take effect on December 19, 2018.

The revised Regulation shall take effect on January 1, 2019.