

Internal Accounting Management Regulations

LocknLock

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Regulation (Review)

Approval Sheet

Overview	Reg. Title	Internal Accounting Management Regulations			Reg. No.	LOCK-internal accounting 01
					Type	<input type="checkbox"/> Drafted <input checked="" type="checkbox"/> Revised <input type="checkbox"/> Nullified
	Drafted by	Internal Accounting Team	Author	Jang, Hye-jeong	Effective date	Feb. 16, 2022
	Purpose	To revise the internal accounting management regulations of the Company to ensure compliance with the amendments to the Act on External Audit of Stock Companies, etc.				

	Draft/Revision No.	Drafted/Revised	Description
History	REVISION 0	2010-01-01	Drafted
	REVISION 1	2018-12-31	Revised
	REVISION 2	2022-02-16	Revised

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Chapter 1 General Provisions

Article 1 (Purpose)

The purpose of these Regulations is to provide for matters required for improving the reliability of financial statements by designing/operating a reasonable and effective internal accounting management system that consists of policies and procedures required for designing, operating, assessing and reporting the internal accounting management system of the Company (the “Internal Accounting Management System” hereinafter) under Article 8 of the Act on External Audit of Stock Companies, etc. (the “Act” hereinafter), Article 9 of the Enforcement Decree of the said Act (the “Decree” hereinafter), and Article 6 of the Regulations on External Audit and Accounting, etc. (the “External Audit Regulations” hereinafter).

Article 2 (Applicability)

- ① These Regulations shall govern the internal accounting management system unless provided for otherwise in laws/regulations or the Articles of Incorporation.
- ② These Regulations shall apply to matters required for documenting/disclosing accounting information concerning consolidated financial statements.

Article 3 (Definitions)

Words used herein shall have the following meanings:

- ① ‘Internal accounting management system’ refers to an internal control system designed and operated to provide reasonable assurance that the Company’s financial statements have been developed/disclosed in accordance with generally accepted accounting standards to fulfill the purpose of internal accounting management, and consisted of these Regulations and processes continuously implemented by all members of the organization including the one managing and operating these Regulations.
- ② ‘Internal accounting manager’ refers to a person responsible for managing and operating the internal accounting management system under Article 8, Paragraph 3 of the Act as designated by the Representative Director.
- ③ ‘Assessment of internal accounting management system’ refers to a procedure to verify the effectiveness of internal accounting management system design and operation for a specified period, including the Representative Director’s procedure to check the effectiveness of the internal accounting management system and the Audit Committee’s procedure to assess the operational status of the internal accounting management system.
- ④ ‘Auditor’ refers to an accounting firm set forth in Article 2, Sub-paragraph 7, Item A of the Act.

Chapter 2 Management of Accounting Information

Article 4 (General Principles of Accounting Information Processing)

- ① The Company shall not develop accounting information without using the internal accounting management system or falsify, alter, damage or destroy accounting information developed by the internal accounting management system.

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② Accounting standards set forth in Article 5, Paragraph 1 of the Act shall apply to accounting processing including identification, measurement, classification, recording and reporting of accounting information.

Article 5 (Identification, Measurement, Classification, Recording and Reporting of Accounting Information)

① Accounting methods and records including identification, measurement, classification, recording and reporting of accounting information shall be processed under the general principles in Article 4 and the following requirements shall be satisfied:

1. Assets, liabilities, and capital recorded on financial statements shall actually exist as of the end of the reporting period.
2. Assets recorded on financial statements shall be owned by the Company and liabilities shall be repayable by the Company.
3. Transactions or events shall have actually occurred during the accounting period.
4. There shall be no assets, liabilities, transactions, or events not recorded on financial statements or matters not publicly disclosed.
5. Assets, liabilities, capital, profits and costs on financial statements shall be indicated in appropriate amounts under the general principles in Article 4.
6. Accounting transactions or events shall be recorded on financial statements in appropriate amounts and profits or costs shall be allocated to appropriate accounting period on an accrual basis.
7. Items consisting of financial statements shall be classified, described and publicly disclosed under the general principles in Article 4.

② All accounting information of the Company shall be recorded on vouchers (including electronic ones) along with original document copies.

③ Accounting information developed by the internal accounting management system shall be regularly reported to the internal accounting manager.

Article 6 (Control over Errors in Accounting Information, Correction and Internal Verification)

The Company and the Audit Committee shall verify whether accounting information of the Company has been developed under Articles 4 and 5 by conducting inspection under Article 17 and assessment under Article 18 to ensure that no error occurs in accounting information processing steps.

Article 7 (Management/Retention of Accounting Records)

① Accounting books shall be consisted of auxiliary accounting books including subsidiary ledger, general ledger, etc. and financial statements (deleted).

② Accounting books shall be stored in electronic components of information administration system and accessible, editable by authorized persons.

③ The Company shall not develop accounting information without using the internal accounting management system, falsify, alter, damage or destroy accounting information developed by the internal accounting management system, or instruct such activities.

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④ The Company shall develop and operate procedures such as security procedure and access control procedure to prevent accounting information from being falsified, altered, damaged or destroyed.

Chapter 3 Duties and Training, etc. of Executives/ Employees in connection with Internal Accounting Management System

Article 8 (Roles and Responsibilities)

The Company shall appropriately allocate roles among the executives/employees of the department responsible for developing/publicly disclosing reliable accounting information and specify their authorities and responsibilities.

Article 9 (Representative Director)

- ① The Representative Director shall be responsible for managing and operating the internal accounting management system and providing required supports.
- ② The Representative Director shall designate an internal accounting manager under Article 10-2.
- ③ The Representative Director shall inspect and report on the operational status of the internal accounting management system under Article 17, provided, however, that if deemed necessary by the Representative Director, the internal accounting manager may be delegated with the authority to report to the Board of Directors and the Audit Committee.
- ④ When delegating the reporting authority to the internal accounting manager under the proviso to Paragraph 3, the Representative Director shall submit a written statement of applicable reason to the Board of Directors and the Audit Committee in advance.
- ⑤ The Representative Director shall comply with a request from the 는 제11조 제4항에 따른 Audit Committee or the Auditor under Article 11, Paragraph 4 without delay, provided, however, that such a request may be rejected if there is specific reason otherwise and the reason is notified to the Audit Committee or the Auditor in writing.

제10조(internal accounting manager)

- ① The internal accounting manager shall oversee the design and operation of the internal accounting management system and provide necessary supports.
- ② The internal accounting manager shall check the effectiveness of internal accounting management system design and operation.
- ③ The internal accounting manager shall report on the operational status of the internal accounting management system to the Board of Directors and the Audit Committee pursuant to the proviso in Article 9, Paragraph 3.

Article 10-2 (Qualifications and Appointment/Dismissal Procedure of Internal Accounting Manager)

- ① The internal accounting manager shall be:

1. Well-versed in accounting or internal controls

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2. Permanent director or executive

② Notwithstanding the foregoing, if no one meets the requirements in Paragraph 1, Sub-paragraph 2, the requirement in Sub-paragraph 2 shall be deemed to refer to a ‘person who performs the duty of applicable director’.

③ Where an internal accounting manager is deemed incapable of or unqualified for conducting duties in connection with the internal accounting management system on the account of personnel appointment, etc., the Representative Director shall designate another internal accounting manager.

④ The internal accounting manager shall be appointed/dismissed according to in-house HR management regulations.

Article 11 (Audit Committee)

① The Audit Committee shall assess and report on the operational status of the internal accounting management system according to Article 18.

② When notified of accounting violation of the Company by the Auditor, the Audit Committee shall engage an external expert to investigate the violation and require the Representative Director to take corrective action, etc. accordingly.

③ The Audit Committee shall submit investigation findings and corrective action results of the Company under Paragraph 2 to the Korea Securities and Futures Commission and the Auditor immediately.

④ When conducting the duties in Paragraphs 1 through 3, the Audit Committee may request in writing the Representative Director to provide necessary data, information and expenses.

⑤ Upon finding an irregularity or material violation of laws/regulations or the Articles of Incorporation in relation to a director’s duty, the Audit Committee shall notify the Auditor.

Article 12 (Development and Execution of Training Plan)

① The Company shall develop training plans to help the Representative Director, the internal accounting manager, the Audit Committee and executives/employees developing and publicly disclosing accounting information (the ‘Representative Director, etc.’ hereinafter) understand laws/regulations and provisions herein pertaining to the internal accounting management system, and provide necessary training.

② The Company shall assess the outcomes of training under Paragraph 1 and reflect the results on next fiscal year’s training plan.

③ The assessment outcomes under Paragraph 2 may be linked to the compensation policy under Article 13, Paragraph 1.

Article 13 (Link between Audit Committee Assessment Outcome and Compensation Policy)

① The Company shall reflect the assessment outcomes of the Audit Committee under Article 18 on the HR management/compensation of the Representative Director, etc. and next fiscal year’s internal accounting management system operation plan.

② Details for applying Paragraph 1 shall be provided for by the ‘internal accounting management system guidelines’ under Article 24, Paragraph 4.

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Chapter 4 Design and Operation of the Internal Accounting Management System

Article 14 (Governing framework of internal accounting management system design and operation)

The Company shall design and operate the internal accounting management system in accordance with the 'internal accounting management system design and operation conception framework'(the 'conception framework' hereinafter) published by the internal accounting management system operation committee (the 'operation committee' hereinafter).

Article 15 (Design and operation of the internal accounting management system)

Details required for internal accounting management system design and operation shall be provided for by the 'internal accounting management system guidelines' under Article 24, Paragraph 4.

Chapter 5 Internal accounting management system assessment and reporting

Article 16 (Governing framework of internal accounting management system assessment and reporting)

The Representative Director, the internal accounting manager and the Audit Committee shall conduct inspection under Article 17 and assessment under Article 18 in accordance with the 'internal accounting management system assessment and reporting code (the 'Code' hereinafter) published by the operation committee.

Article 17 (The Representative Director's operation status check/reporting standard and procedure)

- ① The Company shall develop a set of objective performance indicators to check the effectiveness of the internal accounting management system.
- ② The Representative Director shall check the effectiveness of the internal accounting management system every fiscal year and report to the shareholders' meeting, the Board of Directors and the Audit Committee.
- ③ When reporting check results to the Board of Directors and the Audit Committee under Paragraph 2, the Representative Director shall report in person with a written document (the 'internal accounting management system operation status report' hereinafter).
- ④ Specific standards and procedures for the check and reporting under Paragraph 2 shall be provided for by the 'internal accounting management system guidelines' under Article 24, Paragraph 4 in consideration of the following:

1. The internal accounting management system shall be designed/operated in a manner suitable for the Company.
2. Constant/regular check system that can prevent risks to the development and public disclosure of reliable

accounting information or act on such risks in a timely manner shall be put in place.

3. Performance indicators under Paragraph 1
4. The Representative Director shall present a view on the effectiveness of the internal accounting management system of the Company in consideration of performance indicators under Sub-paragraph 3 and check on possible vulnerabilities of the internal accounting management system.

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5. When the internal accounting management system is audited, corrective actions recommended by the audit shall be reflected on the internal accounting management system corrective action plan.

Article 18 (The Audit Committee's operation status assessment/reporting standard and procedure)

- ① The Audit Committee shall assess the operation status of the internal accounting management system under Article 17, Paragraph 3, document the assessment findings (the 'internal accounting management system assessment report' hereinafter), and report to the Board of Directors every fiscal year. If available, ideas for improvement of the management and operation of the internal accounting management system shall be included in the report.
- ② The Audit Committee shall hold an in-person meeting for assessment under Paragraph 1.
- ③ The Audit Committee shall report on the assessment of the internal accounting management system to the Board of Directors in person no later than one week prior to the ordinary shareholders' meeting.
- ④ Specific standards and procedures for assessment and reporting under Paragraph 1 shall be provided for by the 'internal accounting guidelines' under Article 24, Paragraph 4 in consideration of the following:
 1. Whether the internal accounting management system is designed and operated to make sure that an individual who can have effective influence on the management leadership and corporate management is prevented from unlawfully engaging in accounting information development and public disclosure process
 2. Whether the internal accounting management regulations are operated effectively
 3. Whether the Representative Director complies with the standards and procedures for developing internal accounting management system operation status report

Article 19 (Retention of assessment report)

The Audit Committee shall keep copies of the internal accounting management system assessment report in the head office for five years.

Article 20 (Public disclosure of assessment outcomes)

- ① The Representative Director and the internal accounting manager shall enclose the business report submitted under Article 159 of the Act on Capital Market and Financial Investment Industry with a document stating the following (the 'internal accounting management system operation report' hereinafter).
 1. The internal accounting management regulations under Article 8, Paragraph 1 of the Act and information on the organization and resources managing/operating such regulations
 2. Auditor's review comment or audit opinion under Article 8, Paragraph 6 of the Act
 3. Internal accounting management system operation status report
 4. Internal accounting management system assessment report
(deleted)
- ② The internal accounting management system operation report to be enclosed with the business report under Paragraph 1 shall use the form in Exhibit 3 of the Detailed Enforcement Rules on External Audit and Accounting, etc.

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Chapter 6 Actions against Violation of Regulation, etc.

Article 21 (Actions against violation of relevant regulation, etc.)

The 'HR management regulations' shall apply to disciplinary actions against executives/employees who violated the internal accounting management regulations, including the following:

1. Development of accounting information in violation of regulations
2. Falsification, alteration, damaging or destruction of accounting information
3. Design, operation, assessment or reporting of internal accounting management system in violation of regulations
4. Instruction for any of the above

Article 22 (Actions against regulatory violation)

① Where the Representative of the Company or other executive/employee instructs another to develop or publicly disclose accounting information in violation of these Regulations, applicable executive/employee shall report to the internal accounting manager orally or in writing.

② The executive, employee who gave an instruction violating the internal accounting management regulations or the Company shall not subject an executive/employee who refused to follow such instruction to disadvantages in connection with such refusal.

③ In applying Paragraph 1, any of the following cases shall be reported to the Audit Committee or the internal reporting system:

1. Where the internal accounting manager instructs a violation of the internal accounting management regulations or is related to such violation
2. Where it is deemed inappropriate to report under Paragraph 1
3. Where disadvantages are imposed notwithstanding Paragraph 2

④ When the internal accounting manager receives a report under Paragraph 1 or the Audit Committee receives a report under Paragraph 3, the internal accounting manager and the Audit Committee shall review reported details, take necessary action and keep the identity of the reporter confidential.

Article 23 (Operation of internal reporting system)

① The Company shall operate an internal reporting system to prevent violation of the internal accounting management regulations.

② The internal reporting system shall protect the identity of a reporter and not subject the reporter, etc. to disadvantages directly or indirectly in connection with the report.

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③ Details for operation under Paragraphs 1 and 2 shall be provided for by the ‘internal reporting system operation regulations (stipulated separately by the Representative Director as delegated by the Board of Directors).

Chapter 7 Miscellaneous Provisions

Article 24 (Enactment/amendment of the regulations and details)

① These Regulations shall be enacted and amended upon approval of the Audit Committee and resolution by the Board of Directors.

② Notwithstanding the foregoing, minor details such as simple editorial changes or change of terminology resulting from changes in laws, regulations, other rules, or organizational structure may be changed with an ex-post report to the the Board of Directors and the Audit Committee.

③ The Audit Committee and the Board of Directors shall document reasons for enactment/amendment (including electronic document) and keep such document.

④ Details for efficient operation of these Regulations shall be provided for by the ‘internal accounting management system guidelines’ stipulated by the Representative Director as delegated by the Board of Directors.

Addenda

Article 1 (Effective date) These Regulations shall go into effect on February 16, 2022.

Article 2 (Applicability to items required for developing/publicly disclosing accounting information concerning consolidated financial statements) Amended provisions in Article 2, Paragraph 2 shall be applied from January 1, 2023.

Article 3 (Applicability to governing frameworks of internal accounting management system design/operation and assessment/reporting) The ‘concept framework’ and the code in Articles 14 and 16 respectively shall be applied from January 1, 2020.