

# Audit System and Audit Committee

Hankook Tire & Technology has four members of the Audit Committee who are all outside directors.

**The Audit Committee was established under the Commercial Code in accordance with the provisions of Article 415-2 of the Articles of Incorporation and the Commercial Code. The organization is as follows :**

## **I. Organization**

1. The audit committee shall be appointed by resolution of the general shareholders' meeting.
2. The committee shall consist of three or more directors, and over two thirds of the audit members shall be outside directors.
3. At least one of the audit committee members shall be an accounting or financial expert as prescribed in Article 542-11 (2) of the Commercial Code, and an audit member who is not an outside director shall meet the requirements of Article 542-11 (3) of the Commercial Code.
4. When an audit member who is an outside director fails to meet the organization ratio of an outside director under Article 2 or the committee's organization requirement under Article 3 due to the reasons such as resignation and death, the resolution shall be made in the general meeting which is first convened after the reason has occurred.

## **II. Duty and Authority**

1. The committee shall audit performance of the director's duty.
2. The committee may exercise its power over any of the following :
  - Request for sales reporting to directors and investigation of the company's business and its property status
  - Request for sales reporting to subsidiaries and investigation of their business and property status
  - Request for calling a temporary shareholders' meeting
  - Right to receive expert assistance at the company's expense
  - Stating opinions regarding removal of the audit member
  - Receive reports from directors
  - Request for maintaining director's illegal conduct
  - Company representative in litigation against directors or companies
  - Checking and reporting the facts and the related actions/keeping and reporting confidentiality regarding the reporter's identity and checking whether the reporter is disadvantaged when an internal report or notice of accounting misconduct is found
  - Consent to approval of the board of directors about the financial statements (including consolidated financial statements)
  - Approving establishment and revision of the internal accounting management regulation and evaluating the operational status
  - Selecting an outside audit member
3. The committee may request the following matters, and the person who receives the request shall respond unless there is a specific reason.
  - Matters concerning all materials, information and expenses in the company necessary to perform a job
  - Presence of attendees and their answer
  - Matters related to warehouse, safe, book and related documents, evidence, goods, etc.
  - Other Matters necessary for conducting audit work
4. The committee may request that the head of each department report any misconduct or serious negligence by employees without delay. In this case, the committee shall initiate a special audit without delay.

## **III. Duty and Responsibility**

1. The audit committee member shall conduct his/her job with good manager's duty to the company.
2. The audit committee member shall not disclose any trade secret of the company that learned on the job, not only during his/her tenure but also after his/her resignation.
3. The committee shall report to the board of directors when the director admits that he or she is likely to act or is in violation of laws or articles of incorporation.
4. When an audit committee member intentionally or negligently commits an act that violates laws or articles of incorporation or neglects his/her duty, such member is responsible for compensating for the company's damage. However, the audit committee's responsibility can be reduced as determined by the articles of incorporation.
5. When the audit committee member dismisses his/her duty due to any malicious or serious negligence, such member shall compensate the third party for any damage.

## **IV. Resolution Method**

1. The resolution of the committee shall consist of the majority of the enrolled members and the majority of the attending members.
2. The committee may allow all or a part of the audit committee members to participate in the resolution by means of a communication means that simultaneously transmits and receives voices without all or a part of them attending the meeting, where the audit committee member is deemed to have attended the committee in person. However, if a face-to-face meeting is required by the External Audit Act, it is permissible to participate in the resolution only by the remote video conferencing method in different places equipped with a device that simultaneously transmits and receives video and audio despite the act.
3. Those with a special interest in the committee's agenda shall not exercise their voting rights. In this case, the number of voting rights that can not be exercised shall not be counted with the number of the attending audit committee member's voting rights.

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## **V. Chairman**

1. The committee shall select a chairman to represent the committee from outside directors by resolution under Article 15. In this case, several audit committee members may decide to jointly represent the committee.
2. The chairman shall oversee the committee work and can assign work for each audit member for efficient operation of the committee.
3. When the chairman fails to deliver his/her duty, a committee member selected by the committee shall take over the chairman's duty.

## **VI. Meeting**

1. The committee is composed of regular and temporary committees.
2. In principle, the regular committee is held once every quarter. However, under a unavoidable circumstance, the chairman may postpone or suspend the holding.
3. The temporary committee shall be held from time to time as necessary.

## **VII. Convenor**

1. The committee shall be convened by the chairman.
2. The committee may hold a meeting at any time without the procedure of Paragraph 1 with consent of all the audit members. Under a certain circumstance, however, the chairman may postpone or suspend the holding.

## **VIII. Agenda**

The agenda to submit for committee shall be as follows:

1. Matters concerning the general shareholders' meeting
2. Matters concerning the directors and board of directors
3. Matters concerning the audit

## **IX. Minutes**

Keep the minutes about the opinions discussed in the committee.

The agenda, progress, its result, the objector and the reason for the objection shall be recorded in the minutes, which is signed by the attending audit member.

On the other hand, the company enacted the company's internal regulation, the 'Audit Committee Operation Rule' in order to facilitate access to management information necessary for the audit work of the Audit Committee, so that the committee can always report to the directors about sales or investigate the company's property status to establish the basis for our activities by specifying the information.