

Internal Audit Guidelines

July 31, 2020.

Yuhan Corporation

Chapter 1 General

Article 1 (Purpose)

These guidelines aim to contribute to the development of the Company by reviewing and evaluating the management, operating system, and business performance throughout the business activities of the Company from the perspective of legality and reasonableness, and providing advice and suggestions for improvement based on the results, thereby protecting the Company's property and promoting management efficiency.

Article 2 (Scope of Application)

- (1) Matters relating to the audit of the Company shall be as set forth in these guidelines.
- (2) These Regulations shall apply to all departments and all employees in the organizational structure of the Company.
- (3) This rule also applies to audits of affiliated companies.

Section 3 (Distinctions)

Audits shall be divided into regular audits, occasional audits, and special audits as set forth in the following subparagraphs.

- (1) Periodic audits are conducted at least once every two years by each department in accordance with the annual audit plan.
- (2) Occasional audits shall be conducted from time to time in such areas as may be deemed necessary.
- (3) A special audit may be conducted by order of the President and CEO on a specific department or a specific business without limitation on the time frame.

Article 4 (Methods)

The audit shall be conducted in the following manner.

- (1) A physical audit shall be conducted by checking the audited department through written audit, questioning, attendance, verification, due diligence, etc.
- (2) A written audit is performed by requesting documents or supporting documents necessary for the audit work from the audited department without the auditor traveling to the site.
- (3) The investigator shall conduct a forensic examination to establish the facts or truth of the matters deemed necessary to be audited.

Article 5 (Scope)

The scope of the audit shall be divided into business audit and accounting audit as set forth in the following subparagraphs.

1. When auditing work, diagnose, investigate, analyze, review, and evaluate the validity and efficiency of work execution using the following as audit items.

(1) Status of implementation of regulations and systems

(2) Work activity status

- A. Enforcement methods and procedures
- B. Performance against set goals
- C. Status of business improvement activity
- D. Preservation and management of company property
- E. Other business matters deemed worthy of audit

2. In the case of an accounting audit, the following items shall be considered as audit matters to verify the accuracy and reliability of the accounting data and to diagnose, investigate, analyze, review, and evaluate the adequacy and efficiency of the financial position and business performance presented in the accounting report.

- A. Accounting system
- B. Accounting procedures
- C. Funding
- D. Asset management
- E. Costing
- F. Other business matters deemed worthy of audit

Chapter 2 Audit Department, Auditors

Article 6 (Audit Department)

(1) The department performing audit duties shall be the audit team.

(2) In order to expedite and streamline the performance of audit duties, the head of the audit team may, if necessary, request assistance from employees of other departments for a certain period of time with the approval of the CEO.

Article 7 (Qualifications of Auditors)

(1) The monitor shall perform his or her duties from a position of independence where he or she is not bound in the performance of his or her audit duties on account of interference from persons with vested interests.

(2) The auditor shall have the following powers in the performance of his or her audit duties

A. Requiring the submission of books, certificates, items, and related documents

B. Demanding the attendance and response of the person concerned

C. Inspection and sealing of warehouses, vaults, books and goods, etc.

D. Suggestions and recommendations for improvements of business and the system E. Requesting research from related parties

F. Attend meetings deemed necessary for the performance of the audit function

G. Correction of illegal or unjustified audit findings and recommendation for reprimand of related employees

H. Other matters necessary for job performance

Article 9 Auditor's Duties

In performing his/her audit duties, the auditor shall comply with all of the following.

(1) The auditor shall always conduct impartial audits from an independent position and suggest improvement measures for the development of the Company.

(2) In performing their duties, auditors shall make objective judgments based on facts and evidence in accordance with applicable laws and regulations.

(3) An auditor shall not disclose, divulge, or otherwise use confidential information acquired in the course of his or her duties.

(4) The auditor shall endeavor to ensure smooth cooperation with the relevant departments so that the creativity and activity function of the business is not stagnated or atrophied.

Article 10 (Guaranteed Identity)

Auditors shall not be subjected to any disadvantageous treatment on account of their job position, unless they are subjected to disciplinary action for violating laws, regulations, or fail to perform their audit duties in good faith.

Chapter 3 Audit Department, Auditee

Article 11 (Obligations of the Audited Department, Auditor)

(1) The head of the audited department and the auditee shall not refuse to comply with the

requirements of Article 8 of these Regulations without justifiable reasons, and shall cooperate to facilitate the performance of the audit work.

(2) If the head of the audited department or the auditee fails to fulfill the matters specified in paragraph (1) without justifiable reasons, the auditor may report the matter to the CEO and take appropriate measures under his/her direction.

Chapter 4 Planning and Conducting an Audit

Article 12 (Audit Planning, Implementation)

When an auditor intends to conduct an audit, he/she shall establish an audit plan in accordance with the audit policy and implementation standards, and obtain the approval of the standing auditor.

(1) The content of the audit plan shall specify the following.

- A. Purpose of the audit
- B. Types of audits
- C. Audit targets and scope
- D. Audit items
- E. Audited periods and schedules
- F. Auditor

Article 13 (Substantiation Claims)

The auditor may obtain the following documents, signed by the head or person in charge of the audited department, if necessary to substantiate the audit findings.

- (1) Affidavit of accidental stamping
- (2) Copies of relevant documents
- (3) Other supporting documents or photos

Article 12 (Testimonials)

At the conclusion of the audit, the auditor shall explain to the head of the audited department the overview and opinions generated in the audit and listen to his/her comments and requirements.

Chapter 5 Audit Reporting and Handling of Findings

Article 15 (Audit Reporting)

(1) At the conclusion of the audit, the auditor shall prepare an audit report that includes the following information and submit the report to the CEO and the Permanent Auditor.

- A. Name of audited department
- B. Scope and methodology of audit
- C. Key audit findings
- D. Issues and criticisms of the audit findings
- E. Fixes and suggestions
- F. Audit assessment and opinion (Audit scorecard)

(2) Even during the course of an audit, if any of the following developments occur, the auditor shall immediately report them to the CEO and the Executive Auditor.

- A. Any matter that is recognized to have caused or is likely to cause material loss to the Company through intentional or negligent acts of the audited department or the auditee.
- B. Any other significant matter that requires urgent attention.

Article 16 (Handling of Audit Results)

The audited department shall establish corrective measures based on the audit results and points and notify the auditor, and the CEO shall instruct the auditor on the necessary matters such as measures and corrective measures for the audit results based on the audit report. Furthermore, the auditor shall notify the audited department of the corrective measures by item.

Article 17 (Verification of Corrective Action)

The auditor shall continue to check the follow-up results of the audited department's corrective actions, and for this purpose, a verification audit shall be conducted within six months after the regular audit.

Section 18 (Rewards, Penalties)

The auditor may reprimand and discipline the audited organization and its employees based on the result of the audit.

Chapter 6 Rules

Article 19 (Reporting of Incidents)

(1) The head of each department shall report any of the following incidents to the relevant authority without delay, and send a copy of the report to the audit team.

- A. Incidents involving criminal liability
- B. Incidents that can result in disciplinary action such as a reduction in pay
- C. Accidents with property damage of more than KRW 3 million won
- D. Loss of cash and securities worth more than KRW 1 million won
- E. Trading line suspension and bankruptcy over KRW 10 million won
- F. Injuries requiring more than 5 weeks of hospitalization

(2) If a person has caused significant damage to the Company by failing to report the occurrences under the preceding paragraph, or has damaged public reputation by causing trouble in society, the person may be suspended as part of disciplinary action.

Article 20 (Complaints, Petitions, Departments, etc.)

(1) The audit team shall receive and process complaints, petitions, letters, etc.

(2) An audit may be conducted if necessary on the matters reported under paragraph (1).

Article 21 (Relationship to Other Regulations)

These rules shall apply to matters that are linked with these rules in connection with audit engagement.

Addendum

1. (Effective Date) These regulations took effect on January 1, 1999.

2. (Revised) Effective on July 31, 2020, the Internal Audit Regulation was renamed the Internal Audit Guidelines.