

## Basic Policy on the System of Internal Controls

NEXON Co., Ltd. (“Nexon”) hereby adopts/formulates the following basic policy on the system of internal controls (the “Basic Policy”), in accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act. The purpose of internal controls is to ensure the effectiveness, efficiency and legitimacy of operations for the sound and sustainable increase of corporate value. Nexon’s Board of Directors shall constantly monitor the operational status of the system of internal controls under this Basic Policy and amend it as necessary.

### 1. A structure for ensuring that the execution of duties by directors and employees comply with laws and regulations and the Articles of Incorporation

#### (1) Board of Directors

The meeting of the Board of Directors shall be held at least once every three months in order to ensure the effective monitoring functions for directors’ performance.

#### (2) Directors who are members of Audit and Supervisory Committee

Directors who are members of Audit and Supervisory Committee shall ensure the effective supervising functions for directors’ performance by streamlining the design and operation of the system of internal controls through cooperation with the Internal Audit Section, Legal Department, Accounting & Finance Department and so on. In addition, they shall enhance their expertise in their supervising functions by appointing external professionals as external directors.

#### (3) Internal Audit Section

The Internal Audit Section shall be responsible for carrying out internal audits of business operations in an ongoing fashion. The Internal Audit Section shall conduct its activities as an organization directly reporting to the President/CEO, as well as directly respond to any instruction, request or similar from Audit and Supervisory Committee, and shall maintain the independence of internal audit.

#### (4) Legal Department

Compliance of internal business operations with laws and regulations (hereafter, “compliance”) shall be secured by having the Legal Department serve as the responsible department and contact point for matters of compliance.

### 2. A system for storing and managing information on the directors’ execution of their duties

Information on the directors’ execution of their duties including minutes of the meetings of the Board of Directors and requests for approval shall be recorded and stored in document format or electromagnetic devices in accordance with Document Management Rules. Directors shall be allowed access to any of these records at any time.

### 3. A structure for ensuring the reliability of financial reporting

Organizations shall be set up for proper financial reporting and for reviewing its effectiveness on a regular or as-needed basis.

### 4. Rules and other schemes for managing potential risks of loss

Risk Management Rules shall be established to minimize potential exposure to the risk of incurring a loss. To prepare for the occurrence of any critical incident, Crisis Management Manual shall also be established and a scheme for a swift response be in place.

## **5. A scheme for ensuring efficient execution of duties by directors**

- (1) Directors shall report the status of execution of their respective duties on a monthly basis at a meeting of the Board of Directors. When there is any factor hindering the execution of such duties, improvements shall be made in a timely manner.
- (2) Directors shall facilitate the process of decision making and information sharing by taking advantage of the IT infrastructure.
- (3) Once a year, the Board of Directors shall assess the directors' execution of their duties and conduct a review as necessary.

## **6. Schemes for ensuring the proper execution of duties within the corporate group composed of Nexon and its subsidiaries**

While the independence of individual Nexon Group entities shall be respected given their unique local circumstances, they shall also be required to take any necessary measures in accordance with Nexon's system for ensuring the proper execution of duties. Such measures will include the followings schemes:

- (1) A scheme for reporting to Nexon any matters related to the execution of duties by directors and other executives of a subsidiary  
Each entity shall be required to make regular reports on necessary matters based on Affiliated Company Management Rules.
- (2) Rules and other schemes for managing potential risks of loss of subsidiaries  
Each entity shall minimize potential exposure to the risk of loss in accordance with Nexon's Risk Management Rules and be required to establish a scheme for swiftly responding to any critical incident that may arise in cooperation with Nexon.
- (3) A scheme for ensuring efficient execution of duties by directors and other executives of a subsidiary  
Each entity shall be required to report to Nexon the status of its execution of duties on a monthly basis and make improvements in a timely manner when there is any factor hindering the execution of such duties.
- (4) A scheme for ensuring that the execution of duties by directors and other executives and employees of subsidiaries comply with laws and regulations and the Articles of Incorporation  
Nexon's directors, Internal Audit Section and Legal Department shall collect and obtain relevant information by way of audit, survey or other means to check the legitimacy of the operations at subsidiaries, and shall require subsidiaries to take necessary measures including any preventive measures.

## **7. Matters concerning directors and employees assigned to assist the duties of Audit and Supervisory Committee**

When Audit and Supervisory Committee requests the assignment of directors and employees ("Supportive Employees, etc.") who will assist its duties, a necessary number of Supportive Employees, etc. shall be assigned for that exclusive purpose. When no full-time Supportive Employees, etc. are assigned, Audit and Supervisory Committee may require employees in the Internal Audit Section to assist in audit-related work as necessary.

## **8. Matters concerning independence of Supportive Employees, etc. set out in the previous section from directors (excluding directors who are members of Audit and Supervisory Committee)**

Irrespective of whether they are serving exclusively in that capacity or not, Supportive Employees, etc., who are assigned for the business of Audit and Supervisory Committee, shall not be under the supervision or direction of any other executive, including representative directors, in connection with such assignments.

**9. Matters concerning ensuring the effectiveness of Audit and Supervisory Committee's directions to Supportive Employees, etc. set out in Section 7**

Irrespective of whether they are serving exclusively in that capacity or not, Supportive Employees, etc., who are assigned for the business of Audit and Supervisory Committee, shall comply with the supervision and direction of Audit and Supervisory Committee in connection with such assignments. In addition, when Supportive Employees, etc. are exclusively assigned, consultations with Audit and Supervisory Committee are required in order to decide or amend the terms and conditions of employment (such as assignment, salary, etc.) of such employees.

**10. A scheme concerning reports to Audit and Supervisory Committee**

A reporting scheme shall be formulated so that Audit and Supervisory Committee can properly receive information relating to Nexon and Nexon Group. This shall include the following schemes:

- (1) A scheme for the directors and employees to report to Audit and Supervisory Committee  
Directors and employees shall immediately report to Audit and Supervisory Committee in the event that any fact that may cause substantial damage to Nexon and Nexon Group, as well as any fact that directors' execution of duties is in violation of laws and regulations or the articles of incorporation, is found.
- (2) A scheme for the directors, statutory auditors, executives and employees of subsidiaries, or any person that has received reports therefrom, to report to Audit and Supervisory Committee  
Those directors, statutory auditors, executives and employees of subsidiaries, or any person that has received reports therefrom, shall be required to immediately report to Audit and Supervisory Committee of Nexon in the event that any fact that may cause substantial damage to Nexon Group, as well as any fact that directors' execution of duties is in violation of laws and regulations or the Articles of Incorporation, is found.

**11. A scheme for ensuring that no person who has made a report under the previous section is treated in a disadvantageous manner by reason of having made such a report**

No person shall be treated in a disadvantageous manner by reason of such person having made a report to Audit and Supervisory Committee of Nexon under the foregoing paragraph, irrespective of whether such report was based on the whistle-blowing process or not.

**12. Procedure for the advancement or reimbursement of expenses incurred from the execution of Audit and Supervisory Committee's duties, and other matters concerning policies in relation to the processing of expenses or debts incurred from the execution of such duties**

In the event that any Audit and Supervisory Committee member, or Audit and Supervisory Committee, plans to expend some amounts for the purpose of consulting with attorneys, certified public accountants or other outside experts for professional opinion, engaging firms for survey, appraisal or other services, or making business trips towards subsidiaries, etc., Nexon shall bear all such amounts as its expenses, unless such amounts are proved to be unnecessary for the execution of the duties of the Audit and Supervisory Committee member or Audit and Supervisory Committee.

**13. Other schemes for ensuring effective performance of audit by Audit and Supervisory Committee**

Audit and Supervisory Committee shall hold regular meetings to exchange opinions, respectively, with the President/CEO and independent auditors. The Internal Audit Section Manager shall regularly report to Audit and Supervisory Committee on the status of internal audit and the Legal Department Manager shall regularly report to Audit and Supervisory Committee on the compliance status.

**14. Basic policy and scheme for the elimination of anti-social forces**

- (1) Basic policy for the elimination of anti-social forces

Nexon shall maintain a firm attitude toward anti-social forces that pose a threat to the order and security of the society and block any and all relationships with them, including any transaction.

(2) A scheme for the elimination of anti-social forces

Nexon shall exercise its best efforts to block any relationships with anti-social forces by assigning the Legal Department to be in charge of dealing with anti-social forces and conducting reviews of business partners and other such measures. In case Nexon is approached by any antisocial force, a systematic response shall be taken jointly with external special agencies.

## **History**

1. Enacted on May 30, 2006
2. Amended on April 1, 2009
3. Amended on May 1, 2010
4. Amended on May 1, 2011
5. Amended on September 15, 2011
6. Amended on May 22, 2015
7. Amended on March 27, 2018
8. Amended on March 19, 2019