

Internal Control Guidelines on Short Selling

- ▶ The Internal Control Guidelines on short selling intend to prevent illegal short selling, such as naked short selling, which companies shall refer to and apply accordingly.

Article 1 (Purpose) The purpose of these guidelines is to present internal control guidelines on short selling which a company who intends to submit short selling orders (hereinafter referred to as a “Short seller”) shall follow, and thereby to prevent the submission of illegal short selling orders, such as naked short selling orders.

Article 2 (Scope of Application) These guidelines apply to companies which intend to conduct short selling of domestic stocks listed on the Korean stock market using borrowed stocks. However, these guidelines, except for the provisions of Articles 3-①, 4-2, 8, 9, and 10, shall not apply when a Short seller first deposits the borrowed stocks into a securities account and submits short selling orders.

Article 3 (Segregation of Duties) ① A Short seller shall specify the roles and responsibilities of employees performing tasks regarding short selling, such as securities lending and borrowing and submitting short selling orders.

② A Short seller shall designate a dedicated department for short selling management, which is not directly in charge of short selling trading (hereinafter referred to as a “Managing department, etc.”), such as compliance and securities lending and borrowing departments. The Managing department, etc. shall oversee, operate, and manage the internal position management system in order to ensure that illegal short selling orders, such as naked short selling, are not submitted.

Article 4 (Operational Rules on short selling) ① A Short seller shall establish and implement operational rules on short selling, including

records management for securities lending and borrowing transactions and net position management, to prevent illegal short selling orders, such as naked short selling. However, it shall be deemed that the operational rules have been established if an internal position management system is in operation in compliance with the Guidelines on Internal Position Management Systems.

② The operational rules in Paragraph ① shall include the following provisions:

1. Before submitting a short selling order, conduct a preemptive review of the necessity of the transaction, the appropriateness of the price, and legal and regulatory compliance.
2. When submitting a short selling order, record and manage information about the employee who submits the order, the trade date, the stock item and quantity of trading, and the reason for the trading for each transaction.
3. Before and after submitting a short selling order, calculate, record and manage the net position, the borrowed position, and the saleable position for each stock item.
4. Calculate the saleable position specified in Subparagraph 3 as the sum of the net position and the borrowed position. The calculation may be adjusted to reflect the characteristics of each Short seller, such as by deducting the borrowed position due for return for conservative management purposes.
5. Calculate the net position, the borrowed position, and the saleable position specified in Subparagraph 3 for each corporation and for each independent trading unit within the corporation (hereinafter referred to as a “calculation unit”) whose eligibility for short selling shall be determined.
6. Establish procedures to verify the quantity of the saleable position for each calculation unit before submitting a short selling order and to secure additional positions through stocks borrowing if the available quantity is insufficient.
7. Establish consistent operational procedures, including operation manuals, to ensure that any changes in the holding quantity due to

borrowing, returns, or off-market transfers are promptly reflected into the saleable position.

8. Establish additional verification procedures, such as requiring approval from a supervisor prior to submitting a short selling order, and block any order that exceeds the saleable position for each calculation unit.

9. Record and manage detailed information to prove the securities lending and borrowing transaction is settled prior to submitting a short selling order, including information about the counter-party, the trade date, and the item and quantity of the borrowed stocks.

10. Establish additional verification procedures, such as requiring approval from a supervisor, to prevent errors arising from modifications to the saleable position due to reasons other than market trades.

11. Verify the accuracy of positions and the legal and regulatory compliance of short selling orders before the start of the next trading session, whether on regular exchanges or alternative trading systems.

Article 4-2 (Simplified Operational Rules on short selling) A Short seller subject to Article 4-2 as specified in Article 2 shall establish and implement operational rules on short selling, including the following provisions:

1. Before submitting a short selling order, conduct a preemptive review of the necessity of the transaction, the appropriateness of the price, and legal and regulatory compliance.

2. When submitting a short selling order, record and manage information about the employee who submits the order, the trade date, the stock item and quantity of trading, and the reason for the trading for each transaction.

3. Verify the accuracy of positions and the legal and regulatory compliance of short selling orders before the start of the next trading session, whether on regular exchanges or alternative trading systems.

Article 5 (Identification Number for short selling) ① A Short seller subject to the obligation of establishing an internal position management system as specified in Article 4-① shall receive an identification number for short selling.

② The Short seller shall submit the identification number specified in Paragraph ① when placing a short selling order and when reporting to the Naked Short Selling Detecting System (hereinafter referred to as the “NSDS”).

Article 6 (Operation of Internal Position Management Systems) ① A Short seller who operates the internal position management system specified in Article 4-① shall follow the Guidelines on Internal Position Management Systems and the following provisions:

1. The Managing department, etc. shall authorize access to use and modify the system and restrict access for unauthorized employees.
2. Ensure that short selling orders blocked by the system cannot be approved as exceptions without any review.
3. Keep the system updated with short selling laws and regulations and the Guidelines on Internal Position Management Systems.
4. The Managing department, etc. shall verify the accuracy of positions in the system before the start of the next trading session, whether on regular exchanges or alternative trading systems.
5. The Managing department, etc. shall regularly verify the system logs and data within the internal position management system, including records of modifications and deletions. Related data and approval history shall be recorded and maintained to enable post-facto validation of the verification process.
6. If the verification process identifies any errors in the calculation of the saleable position or indicates the possibility of naked short selling, immediately halt short selling trades for the affected stock item and correct the errors. Resume short selling trades only after confirming the validity of the saleable position calculation.

Article 7 (Confirmation of the Internal Position Management System by Investment Brokers)

① A Short seller shall obtain confirmation from investment brokers regarding the internal controls on short selling and related internal regulations established in accordance with these guidelines before entrusting short selling orders to the brokers.

② A Short seller subject to the obligation of establishing an internal position management system as specified in Article 4-① shall comply with the following provisions:

1. A Short seller shall obtain verification from investment brokers regarding the compliance with the Guidelines on Internal Position Management Systems before entrusting short selling orders to the investment brokers. This verification shall be obtained at least once annually, and the results of the verifications shall be recorded and maintained.

2. For the purpose of verifying the compliance of the Short seller's internal position management system with the Guidelines on Internal Position Management Systems as specified in Subparagraph 1, the investment brokers shall have the authority to request documents regarding system operations from the Short seller, who shall promptly and faithfully submit the requested materials. The investment brokers may also request on-site inspections if necessary, to which the Short seller shall respond.

Article 8 (Monitoring) ① A Short seller shall establish specific inspection procedures, including periodic or ad-hoc inspection cycles, inspection methods, sample selection criteria, and responsible departments. Inspections and verifications according to these procedures shall be conducted by an independent third-party department, such as the audit department. This department must be separate from the short selling department and the Managing department, etc. to monitor compliance with these guidelines and relevant laws and regulations.

② Upon identification of any violations of these guidelines or short selling laws and regulations, the monitoring department specified in Paragraph ① shall halt short selling orders without delay and report the violations to the management.

Article 9 (Actions against Violations) Upon discovery of an employee's violation of internal control and short selling laws and regulations, the Short seller shall promptly take necessary actions to prevent the recurrence of similar violations, including imposing sanctions on the relevant employee or improving the internal control system. Any violation of internal control and the actions taken shall be notified to the investment brokers. Additionally, any violation of short selling laws and regulations and the actions taken shall be reported to the Financial Supervisory Service.

Article 10 (Records Retention) A Short seller shall preserve detailed records of the internal control activities in accordance with these guidelines for a minimum of five years. These records shall be managed in a manner that ensures their immediate availability for submission during inspections or investigations.

Guidelines on Internal Position Management Systems

- ▶ The Guidelines on Internal Position Management Systems intend to prevent illegal short selling, such as naked short selling, which companies shall refer to and apply accordingly.

Article 1 (Purpose) The purpose of these guidelines is to present a company who submits short selling orders (hereinafter referred to as a “Short seller”) with detailed standards regarding the internal position management system (hereinafter referred to as a “System”), and thereby to prevent the submission of illegal short selling orders, such as naked short selling, in advance.

Article 2 (Scope of Application) These guidelines apply to companies whose short position has exceeded or is expected to exceed 0.01% or ₩1,000,000,000 even once since January 1, 2023. However, these guidelines shall not apply in the following cases:

1. An undertaking to suspend short selling trades has been submitted
2. An undertaking to maintain the short position below 0.01% or ₩1,000,000,000 has been submitted
3. A short selling order is placed only after the borrowed stocks are deposited into a securities account

Article 3 (System Requirements) ① The System shall calculate the net position, the borrowed position, and the saleable position in real-time for each stock item held.

② The System shall calculate the saleable position specified in Paragraph ① as the sum of the net position and the borrowed position. The calculation may be adjusted to reflect the characteristics of each Short seller, such as by deducting the borrowed position due

for return for conservative management purposes.

③ The System shall calculate the net position, the borrowed position, and the saleable position for each corporation and for each independent trading unit within the corporation (hereinafter referred to as a “calculation unit”) whose eligibility for short selling shall be determined to prevent naked short selling.

④ The System shall complete the calculation of the Start of Day (SOD) quantity for each calculation unit before the trading session begins. Once the trading session has started, the System shall update the saleable position quantity in real-time, reflecting trade orders and executions.

⑤ The System shall send an alert to the Managing department, etc., such as the securities lending and borrowing department, in the event of a shortage in the saleable position quantity for each calculation unit. The System shall also require the replenishment of the deficient quantity for sale.

⑥ System shall update the saleable position quantity in real-time to reflect borrowing, returns, or off-market transfers. In the case of manual modifications, as opposed to automatic updates by the System, operational procedures, including operation manuals, shall be established to ensure that any changes in the holding quantity are promptly reflected in the System.

⑦ The System shall block in real-time any short selling order that exceeds the saleable position for each calculation unit.

⑧ The System shall record and manage detailed information to prove the securities lending and borrowing transaction is settled prior to submitting a short selling order, including information about the counter-party, the trade date, and the item and quantity of the borrowed stocks.

⑨ The System shall be equipped with control measures to prevent errors arising from manual modifications to the saleable position, as

opposed to automatic updates by the System. These measures shall encompass additional verification procedures, such as requiring approval from a supervisor, to reflect events like manual securities lending and borrowing transactions, bonus issues or rights issues.

⑩ The System shall be equipped with a framework to generate and report the data required by the NSDS, including the saleable position and external securities lending and borrowing information.

Checklist for Short Seller Review

Name of Short Seller	Identification Number for short selling	Brokerage Contract Period	Scope of Work	Order Channel	Dept. in charge	Person in charge (contact)
XX Ltd.	240000001	2024.6.1.~	Brokerage of short selling orders	DMA	Securities lending and borrowing Dept.	XX KIM (02-000-0000)

Category		Item	Status (Y/N)	
1	Internal Control	<ul style="list-style-type: none"> - Internal controls have been established in compliance with the Internal Control Guidelines on short selling. - Supporting documents: Internal regulations regarding internal controls on short selling 		
2	Segregation of Duties	<ul style="list-style-type: none"> - Roles and responsibilities are clearly assigned to employees handling short selling-related tasks, including securities lending and borrowing and short selling order submission. - Supporting documents: SoD Matrix 		
3		<ul style="list-style-type: none"> - A department dedicated to short selling management oversees, operates, and manages internal controls and the internal position management system to prevent the submission of illegal short selling orders such as naked short selling orders. - Supporting documents: Organizational charts and organization rules 		
4	Internal Position Mgmt. System	Operational Management	<ul style="list-style-type: none"> - The Managing department, etc. authorizes access to use and modify the system and restricts access for unauthorized employees. - Supporting documents: access authorization logs and activity logs 	
5			<ul style="list-style-type: none"> - The Managing department, etc. ensures that short selling orders blocked by the system cannot be approved as exceptions without any review. - Supporting documents: System reports on manual submissions of blocked orders 	
6			<ul style="list-style-type: none"> - The Managing department, etc. keeps the system updated with short selling laws and regulations and the Guidelines on Internal Position Management Systems. - Supporting documents: Compliance logs including system updates to reflect changes in relevant guidelines 	

Category		Item	Status (Y/N)
7	System Requirements	<ul style="list-style-type: none"> - Managing department, etc. verifies the accuracy of positions in the system before the start of the next trading session, whether on regular exchanges or alternative trading systems. - Supporting documents: Verification reports on the accuracy of positions 	
8		<ul style="list-style-type: none"> - The Managing department, etc. regularly verifies the system logs and data within the internal position management system, including records of modifications and deletions. Related data and approval history are recorded and maintained to enable post-facto validation of the verification process. - Supporting documents: System logs and approval logs 	
9		<ul style="list-style-type: none"> - The System calculates the net position, the borrowed position, and the saleable position in real-time for each stock item held. - Supporting documents: Screenshots of real-time calculations and the relevant database 	
10		<ul style="list-style-type: none"> - The System calculates the net position, the borrowed position, and the saleable position for each calculation unit whose eligibility for short selling shall be determined. - Supporting documents: Screenshots of calculations for each calculation unit and the relevant database 	
11		<ul style="list-style-type: none"> - The System completes the calculation of the SOD quantity for each calculation unit before the trading session begins and updates the saleable position quantity in real-time once the trading session has started, reflecting trade orders and executions. - Supporting documents: Screenshots of updates to the saleable position and the relevant database 	
12		<ul style="list-style-type: none"> - The System sends an alert to the Managing department, etc., such as the securities lending and borrowing department, in the event of a shortage in the saleable position quantity for each calculation unit and requires the replenishment of the deficient quantity for sale. - Supporting documents: Alert logs sent to the Managing department, etc. regarding deficiencies 	

Category		Item	Status (Y/N)
13		<ul style="list-style-type: none"> - The System updates the saleable position quantity in real-time to reflect borrowing, returns, or off-market transfers. In the case of manual modifications, operational procedures, including operation manuals, have been established to ensure that any changes in the holding quantity are promptly reflected in the System. - Supporting documents: Screenshots of real-time updates to the holding quantity, screenshots of manual modifications samples and relevant operation manuals 	
14		<ul style="list-style-type: none"> - The System blocks in real-time any short selling order that exceeds the saleable position for each calculation unit. - Supporting documents: Block logs of rejected orders 	
15		<ul style="list-style-type: none"> - The System records and manages detailed information for a minimum of five years to prove the securities lending and borrowing transaction is settled prior to submitting a short selling order, including information about the counter-party, the trade date, and the item and quantity of the borrowed stocks. - Supporting documents: Screenshots of messenger that can prove the execution time of the securities lending and borrowing transaction, and storage records of securities lending and borrowing transaction documentation 	
16		<ul style="list-style-type: none"> - The System is equipped with control measures to prevent errors arising from manual modifications to the saleable position, as opposed to automatic updates by the System. These measures encompass additional verification procedures, such as requiring approval from a supervisor, to reflect events like manual securities lending and borrowing transactions, bonus issues or rights issues. - Supporting documents: Supervisor approval logs for manual transactions 	
17		<ul style="list-style-type: none"> - The System is equipped with a framework to generate and report the data required by the NSDS, including the saleable position and external securities lending and borrowing information. - Supporting documents: Transmission logs of data sent to the NSDS 	

Category		Item	Status (Y/N)
18	Sample Inspection	<ul style="list-style-type: none"> - A sample inspection of short selling transactions has identified no issues. - Supporting documents: Records of the saleable position before and after the order submission, and records of securities lending and borrowing transactions 	

※ The **supporting documents** for each item are **examples** and shall be **collected, inspected, and stored** according to **the specific circumstances of each Short seller**.

◆ Confirmation by the Short seller

I* have inspected all the items on the review checklist and confirm that no issue was identified during the inspection.

* While the CEO is generally required to perform the confirmation, an executive with authority equivalent to the CEO for the corporation's internal position management system, according to the organizational structure of responsibilities, may perform the confirmation instead.

Confirmation Date: . . . (YY/MM/DD)

Position:

Name: (signature)

◆ Confirmation by the Investment Broker

I have inspected all the items on the review checklist and confirm that no issue was identified during the inspection.

Confirmation Date: . . . (YY/MM/DD)

Position:

Name: (signature)