

# Transparency Report

For the Fiscal Year Ended March 31, 2019

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한울회계법인  
Hanul LLC

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## A Message from Leadership

### To Clients and Stakeholders:

We hereby disclose the Transparency Report of Hanul LLC (the “Firm”) for the fiscal year ended March 31, 2019 pursuant to Article 22-2 of the 「External Audit and Accounting Regulations」 of South Korea.

The Firm as the sole member firm in South Korea of Crowe Global is dedicated to deliver high quality audit, tax, advisory, and risk services to clients. The Firm's core purpose is to satisfy the audit, tax, advisory, and risk needs of national and multinational clients.

As a top 7 national professional accounting firm, we recognize how important it is to have an unwavering commitment to quality. Delivering impeccable professional services enhances the credibility of our clients' national and global financial reporting and builds confidence and trust in our independent audit process.

The enclosed Transparency Report demonstrates to clients and stakeholders our dedication and commitment to audit quality. In it, you will find information including:

- The ways how the Firm achieves the audit quality standards expected.
- The legal structure and governance of the Firm.
- Details of quality control, independence and education support services that are available within the Firm.

Very truly yours,

A handwritten signature in black ink that reads "Hanul LLC". The script is cursive and fluid, with the letters connected.

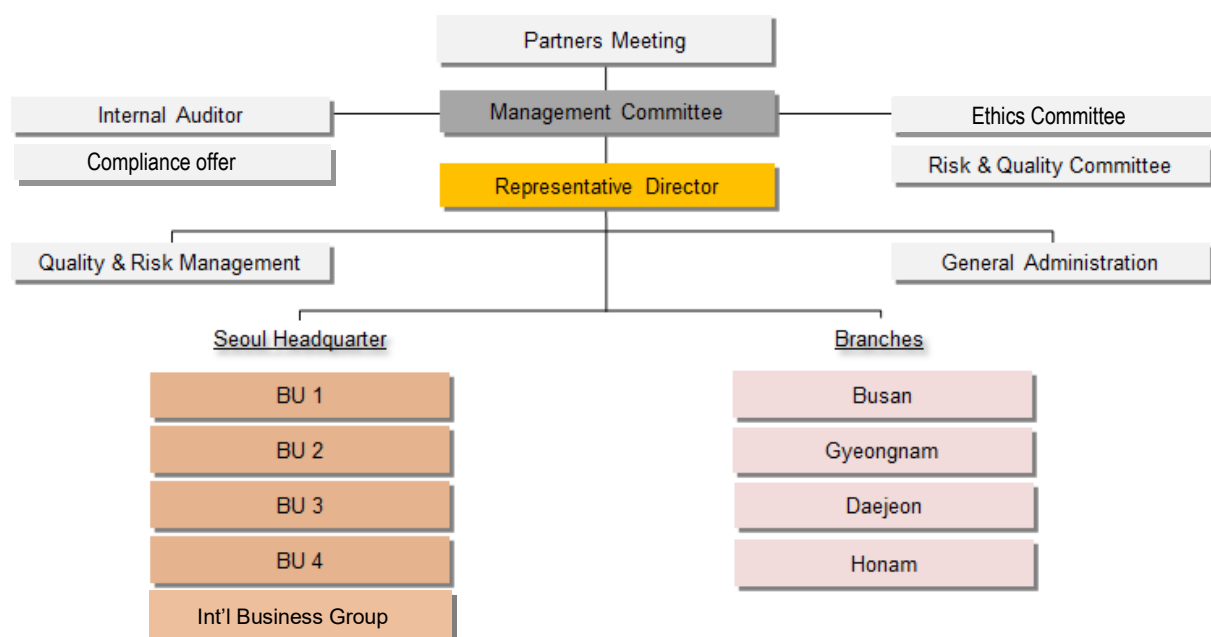
Seoul, Korea  
June 30, 2019

## 1. Leadership Responsibilities for Quality & Risk Management within the Firm

### 1) Establishment and Operation of Quality & Risk Management Standards

- Management Strategy of High Quality Based Practices
  - ① The Article of Incorporation and the organization management regulations of Hanul LLC (hereinafter the “Firm”) clearly states that the management including the corporate managing partner shall bear ultimate responsibility for quality and risk management.
  - ② The Firm continues to make best efforts to communicate to its member CPAs and other employees the Firm’s policies and guidelines in relation to the quality and risk management deliberated and adopted by the management committee, etc. in order to strengthen its quality and risk management.
- Operation of Fully Dedicated Quality & Risk Management Division
  - ① The Quality & Risk Management division is responsible for carrying out duties of quality control, monitoring, compliance with ethics regulations, etc.
  - ② At the initial professional service engagement stage, the Quality & Risk Management division conducts pre-review of compliance with independence and ethics standards, and performs pre and post-quality assurance review.
  - ③ By reflecting the findings during the course of quality and risk management process into performance evaluation of employees, etc., the Quality & Risk Management division ensures that the quality control standards are properly complied with ultimately at all times.

### 2) The Firm’s Legal Structure and Governance



- Current Status of Internal Committees:

Name of Committee	Purpose of Establishment	Number of Member	Remarks
Management Committee	Review and resolve on important corporate policies and regulations related to the operation of the Firm, and other important matters related to carrying out corporate duties and responsibilities	13	-
Ethics Committee	Resolve on rewards and disciplinary actions	10	-
Risk & Quality Committee	Resolve on matters that may cause significant risks to the Firm related to service engagement, conflicts of interest, assurance report issuance, etc.	10	-

- Current Status of Subsidiary Companies:  
Not Applicable.

- Quality & Risk Management Division Organization Chart and Manpower:

Division Name	Main Duties	Number of Member	Work credentials
Quality & Risk Management	Overall quality and risk management	1	28 years 1 month
Quality & Risk Management	Review, engagement acceptance approval, independence check, etc.	1	18 years 3 months
Quality & Risk Management	Review, quality standards advisory, education, etc.	1	12 years 4 months
Quality & Risk Management	Review, monitoring, etc.	1	13 years 5 months
Quality & Risk Management	Administrative support (IT, etc.)	2	-

## 2. Ethics Requirements

### 1) Ethics Regulations of The Firm

- ① In order to comply with the ethics and independence requirements under the relevant laws and regulations of Korea, including the Act on External Audit of Stock Companies, the Certified Public Accountants Act and its Enforcement Decree, Ethics Standards of the Certified Public Accountants, etc., the Firm has enacted and implemented its own Ethics Standards (including the Code of Ethics and its Enforcement Regulations).
- ② The Firm has enacted and implemented the Independence Regulations and Independence Confirmation Regulations in connection with conducting audit services.

### 2) Implementation of Ethics Regulations through Quality & Risk Management Division

- ① Independence Confirmation shall be requested from all partners and staff members in accordance with the Independence Regulations.

- ② Upon enrollment, all new member joining the Firm shall be required to submit Confidentiality Agreement and Written Oath for compliance with the corporate regulations.
- ③ Independence Confirmation Regulations are implemented to ensure independence check process is properly completed prior to engagement acceptance.
- ④ Independence shall be secured by segregation of engagement team for assurance services and non-assurance services.
- ⑤ Overall ethical considerations including independence are emphasized throughout the founding and operational philosophies of the Firm.
- ⑥ Ethical matters are constantly being reminded through internal training and partners' meetings.

### 3) Reporting of Violation of Ethics Regulations

- ① The Firm receives reports on unethical behavior in violation of Ethics Regulations as an action plan to promote compliance with the Code of Ethics, etc.
- ② The Firm institutionalized its reporting systems to receive reports through telephone, post mail, visit, email, or other means for any violation cases related to breach of independence, accounting audit fraud, quality control standards related matters, bribery, sexual harassment and unfair treatment at work, release of the Firm's intellectual property and client's confidential information, or any other violations of the Code of Ethics. Such reporting system has also been announced through the website of the Firm and the online reporting system is currently in operation.

## 3. Client Relationship and Engagement Acceptance and Maintenance Practices

### 1) Acceptance Procedure of Audit and Assurance Services

- ① Rigorous engagement acceptance evaluation procedures for assurance services are performed before engagement acceptance.
- ② For new assurance service engagement cases, the Firm determines ultimately whether to accept or reject client engagement based on a thorough review of the auditor's opinion in the prior year and evaluation of overall risks including the business failure risks (such as industry risks, financial risks, management risks, etc.), fraud or misappropriation risks (integrity, ethics, misrepresentation of financial statements, reliability of estimation, etc.), and any other risks.
- ③ For assurance service clients accepted through pre-risk assessment, the Firm determines audit risk rating and performs pre and post-monitoring procedures on its auditing services based on such audit risk rating.

### 2) Acceptance Procedure of Non-assurance Services to Non-assurance Clients

The Firm performs engagement acceptance procedures for various professional non-assurance services provided to non-assurance clients. For important engagements, the Firm reviews and decides engagement acceptance in accordance with the checklist established based on ethics standards prior to engagement acceptance.

### 3) Acceptance Procedure of Non-assurance Services to Assurance Clients

- ① The Quality & Risk Management Division supervises and manages compliance with the corporate policies and procedures relating to the engagement acceptance and maintenance, and accepting service engagements that are prohibited by laws and internal regulations are strictly restricted.
- ② In the case where non-assurance service engagement team provides services to assurance clients, the non-assurance service engagement team shall undertake the independence check procedures with the assurance service team, which shall then be reviewed by the Quality & Risk Management Division.
- ③ A separate independence check procedure has been adopted to check the independence in the case of accepting new service engagement for tax, advisory and internal accounting management system related services.

#### 4) Acceptance Procedure of Clients from Cross Border Referrals within Crowe Global Network

The Firm runs independence/conflicts of interest check when the new engagement is from cross border referrals within Crowe Global Network (mainly listed companies).

### 4. Human Resources

#### 1) Provision of Personnel Management Regulations

- ① Regulations on New Hire and Retirement  
The Firm has established regulations involving the new hire and retirement of employees
- ② Personnel Policy  
The Firm has established basic policies and procedures for efficient and consistent personnel management in order to meet clients' expectations and contribute to growth of the Firm.
- ③ Regulations on Rewards and Punishments  
The Firm has established the regulations on rewards and punishments in order to boost the morality of its employees and to maintain its corporate order.
- ④ Regulations on Performance of Partners and Distribution  
The Firm has established the regulations on performance distribution for registered partners based on the work performance of registered partners at corporate level.

#### 2) Performance Evaluation System and Rewards

- ① Compliance with the Firm's policies on quality control is being reflected in the employees' performance evaluation as an important factor.
- ② Regulations on rewards and punishments are being enforced to the employees in accordance with these performance evaluation systems.

#### 3) Education and Training System

The Firm operates regular education programs as well as non-regular education programs whenever determined necessary, and also provides opportunities to its employees to participate in collective education programs and online education programs administered by the Korean Institute of Certified Public Accountants and other outsourced education centers.

#### 4) Designation of Service Engagement Team

In accordance with the regulations on establishment and operation of the quality control system, the Firm determines the minimum staff resources to be assigned based on the size and type of a client, and the Head of the Quality & Risk Management Division may change or adjust the service engagement team if he determines that the existing team has shown poor performance as a result of the pre and post-quality assurance review.

### 5. Monitoring

#### 1) Monitoring Rules and Monitoring Procedures

- ① Under the supervision of the Firm's managing partner, the Quality & Risk Management Division systematically monitors on a monthly and quarterly basis whether or not the members of the Firm has complied with the various regulations including the regulations on professional procedures, etc.
- ② The subjects of such monitoring include compliance with engagement related regulations for assurance services and non-assurance services, compliance with ethics standards including independence, replacement of audit engagement partner or engagement team members, compliance with various regulations such as complying with mandatory education hours, etc.

#### 2) Quality Monitoring of Crowe Global

Crowe Global performs quality assurance review on the Firm regularly every 3 years in principle.

#### 3) Post Quality Assurance Review Procedures

After the external audit reports are issued, the Firm conducts post-quality assurance review on selected external audit reports and the selection is done based on pre-defined criteria by the Quality & Risk Management Division.



## 6. Setup and Operation of Stock Trade Monitoring System

### 1) Current Status of Stock Trade Control System

The Firm is operating an integrated ERP and quality management system, and also developed a registration system for stocks, bonds and debts (traded and/or owned by the Firm's partners and professionals) within its quality management system. Trading of stocks, bonds and debts should be registered in this system within two weeks from the trading date of related stocks, etc.

### 2) Monitoring Results of Stock Trade Control System

The Firm conducts a due diligence on stock transaction history of its members at least once a year, reconciles them with the stock trading control system records, and monitors whether or not there is a violation of independence. No violation has been found from the monitoring conducted in the current fiscal year.