

# SM ENTERTAINMENT 28<sup>th</sup> Annual General Meeting Details of Agenda

March 2023

# DISCLAIMER

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This presentation contains forward-looking statements, such as the terms <prospect>, <strategy>, and <plan>, of what the executives expect and plan based on current information they have. These forward-looking statements are essentially uncertain and are subject to number of factors (ex. change of management circumstance) that could cause actual results to differ materially from those described in these statements. The future prospects are prepared as of the date of writing this presentation based on the current market situation and the company's management direction, may be changed according to changes in the future market and strategy revision, etc., without any separate notice. The company is not liable for any supplement of forward-looking statements, even if any new information or event occur.

# Message to Shareholders from Jun Ho Kwak (Auditor of SM ENTERTAINMENT)

Dear Shareholders of SM ENTERTAINMENT,

I'm Jun Ho Kwak, the auditor appointed by shareholder proposal from ALIGN Partners last year, and appointed by minor shareholders, in the 27<sup>th</sup> AGM. After appointment of Auditor of SM, I reviewed on various governance issues with BOD. And SM BOD decided to move forward from largest shareholder-centered management to management for entire shareholders. Furthermore, the normalization of SM governance which many shareholders wished for a long time, finally began with the early termination of contract with Like Planning in last October. In the history of Korea's capital market, it is truly unprecedented that the BOD of a listed company voluntarily declared that it would represent the interests of all shareholders without replacing members.

And SM 3.0, recently announced, is the result of careful consideration by SM executives and employees, and the direction SM wants to move forward. After SM 3.0, many of the irrationality and inefficiency that have suppressed SM's growth potential will be resolved, and SM's best artist IP in Korea will be more loved by fans and will be able to exert a good influence to the world. And this fruit will be enjoyed by all shareholders, employees, fans, and artists through shareholder return, compensation system, and active reinvestment for fans.

However, there is continuing attempts to nullify these efforts recently. Lately, Soo-man Lee sold his stake to HYBE, the biggest competitor of SM, and HYBE is attempting a hostile M&A to acquire management rights of SM. And before the AGM, Soo-man Lee sent a shareholder proposal for the purpose of 'enhancing shareholder value'. I'm concerned that, if Soo-man Lee's shareholder proposal is accepted and HYBE takes control of SM, the directors recommended by HYBE will make decisions for HYBE and its shareholders only, so SM's shareholders, employees, fans, and artists will fall behind. After all, HYBE's acquisition of management rights on SM is highly likely to make the normalization of governance for "a leap forward to become a fan- & shareholder-centered global entertainment company" to be retrogressive.

SM is now at the new start line of SM 3.0. All Directors, including 6 Outside Directors with independence, expertise and diversity, will be newly formed, and all existing Inside Directors will resign. The new BOD will be composed of a majority of Outside Directors, so it will strive to enhance the shareholder value, not just a specific shareholder. While efficienating SM's creative business and making decisions for fans and shareholders, Board Committees will be established to strengthen the functions and independence of the BOD. I'll also monitor the whole procedure through the end, as an independence Auditor.

This 28<sup>th</sup> AGM is a milestone which will determine the future of SM. I wish you to exercise your valuable voting rights based on shareholder value only. Thank you.

Sincerely,  
Auditor of SM ENTERTAINMENT  
Jun Ho Kwak

## Statement of co-CEO and 25 senior managers (1)

### Statement of co-CEO and 25 senior managers towards SM Entertainment's largest shareholder's application for preliminary injunction and rumors of HYBE's acquisition

- We are opposed to all external hostile M&As including HYBE
- The strategic alliance with Kakao is based on the company's decision to accelerate the implementation of the SM 3.0 strategy and has nothing to do with the management dispute claimed by the largest shareholder.
- SM is opposed to privatization by specific shareholders/powers, and will do its best to establish a sound and transparent management structure and to protect the shareholder rights.

This is Sung Su Lee and Young Jun Tak, co-CEO of SM Entertainment (hereinafter "SM").

We announce this statement with the will of us co-CEO and 25 senior managers of Center Leaders or higher.

On February 3, SM announced its key future strategy, "The change from Like Planning's single producing to a multi-production center/label system, SM 3.0." However, as soon as SM 3.0 was announced, there were reports of discussions on attempts to sell and acquire shares that ignores not only SM's intense concerns and efforts but also the values SM has been pursuing with the artists.

SM has about 600 employees working hard with the dream of taking the leap to a global No. 1 entertainment company, and is a company that numbers of SM artists have proudly led K-POP based on all of these efforts of everyone. Now that SM is about to make change and take another step forward as a fan and shareholder-oriented company leading the global entertainment once again through the SM 3.0 era, we, shoulder to shoulder with all executives, employees, and artists would like to clearly state that we are opposed to all hostile M&As reported recently.

The strategic partnership between SM and Kakao, announced on the 7th, is the first step of SM 3.0 to secure the future growth engine for SM's new leap forward, and we are confident that it will create strong synergy in the process of utilizing SM's IP and strengthening its global capabilities. We have also fully communicated and agreed with Kakao about the meaning of the strategic partnership SM is picturing. In the end, we would like to clarify once more the strategic alliance with Kakao is based on management judgment to accelerate the implementation of the SM 3.0 strategy and has nothing to do with the management dispute claimed by the largest shareholder.

## Statement of co-CEO and 25 senior managers (2)

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### Statement of co-CEO and 25 senior managers towards SM Entertainment's largest shareholder's application for preliminary injunction and rumors of HYBE's acquisition

SM has maintained a producing contract with Like Planning, a private company of former producer Soo-Man Lee, since 2004 regarding how to build and utilize the artist's IP throughout its life cycle. As the founder of SM and the pioneer of the current K-POP, SM knows better than anyone else about the former producer's capabilities and achievements so far. However, because we were well aware of that, it is also true that we were not able to recognize the problem(s) of the producing contract at an early stage, and the internal voices pointing out the problem were insignificant as well.

However, specific opinions from shareholders and stakeholders have started to be presented in earnest since last year. With the issues of not being able to proceed shareholder returns such as dividends began to raise in earnest due to the structure of having the largest shareholder alone receiving a significant portion of the business profit every year (from a minimum of 27% to a maximum of 199% from 2015 to 2021), the problem was gradually being clearly noticed internally within SM as well. And we could no longer neglect the voices of proactive interest and concern of shareholders and stakeholders who love and encourage SM and SM artists more than anyone else.

Accordingly, SM conducted an objective review of the points where the shareholders have raised the conflicts of interest issue from the beginning, and made various efforts in order to prepare for a new future. As a result, former Chief Producer Soo-man Lee notified an early termination of the contract on September 15, 2022, and the contract was terminated on December 31, 2022 by the resolution of the company's board of directors on October 14, 2022.

Even at this moment, SM has about 600 dedicated employees who come up with ideas day and night and do their best in their respective positions. We understand how intense the efforts of SM artists are. SM released more than 30 albums in 2022, and there is no part where the passion and effort of all executives and employees haven't reached in order to release such albums from internally monitoring more than 400 demo songs every week to creating a concept, and promoting it.

## Statement of co-CEO and 25 senior managers (3)

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### Statement of co-CEO and 25 senior managers towards SM Entertainment's largest shareholder's application for preliminary injunction and rumors of HYBE's acquisition

Dear SM shareholders and stakeholders,

We will take a new leap forward through the SM 3.0 era. Moving away from the past when all authority and honor were concentrated on one person, we will be presenting a company where experts in each field and collective intelligence will gather to grow artists together and share such joy and rewards.

SM will take each step forward to a new leap together with executives, employees and shareholders. Please continue to watch and support us. And please look forward to and continue to support the follow-up announcement of SM 3.0 business strategy to enhance fan and shareholder value.

Thank you.

Sincerely from SM Entertainment co-CEO and management

# Statement of SM ENTERTAINMENT Employees Council

## Statement of SM ENTERTAINMENT Employees Council

'Illegality, Tax Evasion' HYBE with Soo-man Lee, Please stop the hostile M&A against SM.

Soo-man Lee, the former Executive Producer of SM, has sold his shares to a competitor he had disparaged and then ran away, as his illegal and tax evasion activities were on the verge of being exposed.

We, the employees of SM, have been used for Soo-man Lee's illegal activities, such as illegal profit-taking, tax evasion, etc. We cannot keep being used for such illegal and expedient activities of HYBE again, before the new start of 'SM 3.0' project.

Therefore, we, the 208 employees of SM ENTERTAINMENT felt furious at this illegal collusion between Soo-man Lee and HYBE, hereby announce this Statement as follows.

We will be going to protect the unique identity of SM and diversity of K-Pop. The culture of SM cannot be subordinated to the HYBE's assets.

We support and stand for the co-CEO' self-reflection, Sung-su Lee and Young Jun Tak, and the multi-producing strategy of 'SM 3.0'. Further, we demand much stronger protection from any harms to our fans and artists.

We hereby oppose the hostile M&A of HYBE and expedient attempts of entering into SM's board of directors. We will fight against this abnormal action from HYBE to occupy SM.

Although Soo-man Lee had ran away and left SM and Pink Blood,

We will stay here in Seoul Forest and protect SM and Pink Blood.

February 17, 2023.

All members of SM ENTERTAINMENT Employees Council  
(208 employees below the head of each team)

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# 1. Key Points

# Executive Summary

- Since beginning of 2023, SM ENTERTAINMENT (“SM”) is in cataclysmic change. However, SM wants to use this crisis as an opportunity to become a company for all shareholders, fans, and artists, not just a specific shareholder.
- From February 3, SM began sequential announcement of 'SM 3.0', which aims to become a fan- & shareholder-centered global entertainment company, by multi-production center/label system conversion, IP monetization strategy, and global strategy, investment strategy, etc. Now, SM plans to build a fundamentally sustainable business model not relying on a single outsourcing producer. SM will establish sustainable corporate governance first by independence, expertise, and diversity of the BOD and by introducing advanced Articles of Incorporation, as the following agendas below.
- 1) Plan for cash dividend of KRW 1,200 per share (32% of consolidated net profit), due to the record-high performance centered on the main business in 2022.
- 2) Amend the Articles of Incorporation, focusing on strengthening the responsibilities and functions of the BOD and other issues.
- 3) Recommend Candidates with the highest level of expertise and independence in various fields, who will faithfully work for all shareholders' profits, not just for specific shareholders.
  - ✓ Current inside directors decided to resign from their positions as registered directors as of March 2023 without consecutive terms in order to take responsibility for the problems of the Soo-man Lee system.
  - ✓ And, we recommend CFO Cheol Hyuk Jang, an expert in finance/accounting/M&A who has led the improvement of corporate governance at SM, Ji Won, head of Marketing Center, and Jeongmin Choi, head of Global Business Center, who have worked for SM for 20+ years.
  - ✓ For outside directors, we recommend 6 experts from each field, including corporate governance, law, technology/platform, global business, and accounting/taxation, who have been recommended and verified by the Temporary Outside Director Recommendation Committee. The majority of BOD will be composed of Outside Directors to secure independence and expertise.
  - ✓ For Part-time Directors, we recommend (1) Chang Hwan Lee, ALIGN Partners' CEO, an expert in corporate governance and M&A who led SM's governance improvement campaign, and (2) Yoon Joong Jang, the Kakao Entertainment's GSO, to cooperate with Kakao Group for SM 3.0 global expansion strategy.
- Committee, which will be created later, we will link at least 50% of the compensation of all our key executives with the achievement of the target stock price of SM 3.0, for shareholders' profits and a strong responsible management system.
- Soo-man Lee, who was the largest shareholder of SM but recently sold most of his holdings, recommended appointment of 3 Inside director candidates, 3 Outside director candidates, 1 Part-time director candidate, and 1 Part-time auditor candidate; and proposed the amendment to Articles of Incorporation..
- However, SM's BOD recommends to “disapprove” the agenda on appointment of directors and auditor from Soo-man Lee's Shareholder Proposal, because, 1) basically, it is a shareholder proposal from the one who is responsible for damaging our corporate value, 2) 3 Inside Director Candidates are from HYBE, our biggest competitor, and we are concerned about a serious conflicts between them and SM & SM shareholders., 3) Among the Director and Auditor candidates, there are a number of people who had damaged corporate value in the past and not independent, 4) there are concerns about conflicts with SM & its shareholders as the Candidates were recommended in the process of a hostile takeover by a competitor.

# Fan/shareholder-focused Global Entertainment Company via SM 3.0

## SM 3.0 Key Strategy

1

### [IP Strategy] Multi 'Production Center/Label' System

- ▶ For the details, please refer to below  
'SM 3.0 : IP Strategy – Multi 'Production Center/Label' System'  
(click. [website](#) / [Youtube](#))

2

### [Business Strategy] IP Monetization Strategy (Digital Recordings, IP license, etc.)

- ▶ For the details, please refer to below  
'SM 3.0 : IP Monetization Strategy' (click. [website](#) / [Youtube](#))

3

### [Global Strategy] Expansion of Global Business (JP, US, SEA, etc.)

- ▶ For the details, please refer to below  
'SM 3.0 : Global expansion & Investment Strategy' (click. [website](#) / [Youtube](#))

4

### [Investment Strategy] Investment to Global music publishing, Label M&A, Fandom Economy Business, Metaverse, etc.

- ▶ For the details, please refer to below  
'SM 3.0 : Global expansion & Investment Strategy' (click. [website](#) / [Youtube](#))

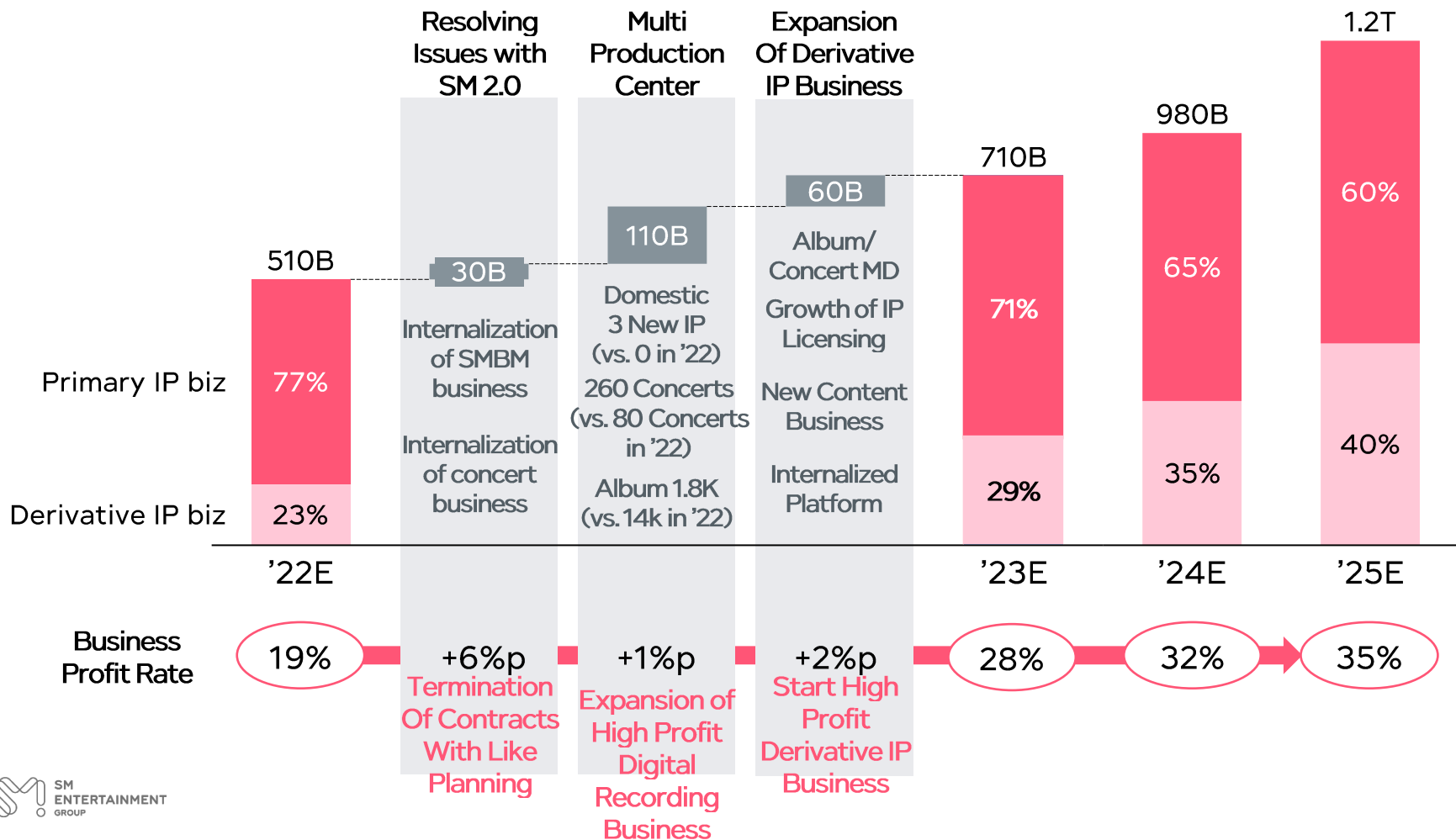
5

### [Shareholder Return] Capital Allocation / Shareholder Return Policy Based on Target Capital Structure

- ▶ Please refer to page 16

# SM 3.0, separate sales of KRW 1.2T and operating profit of KRW 430B in 2025

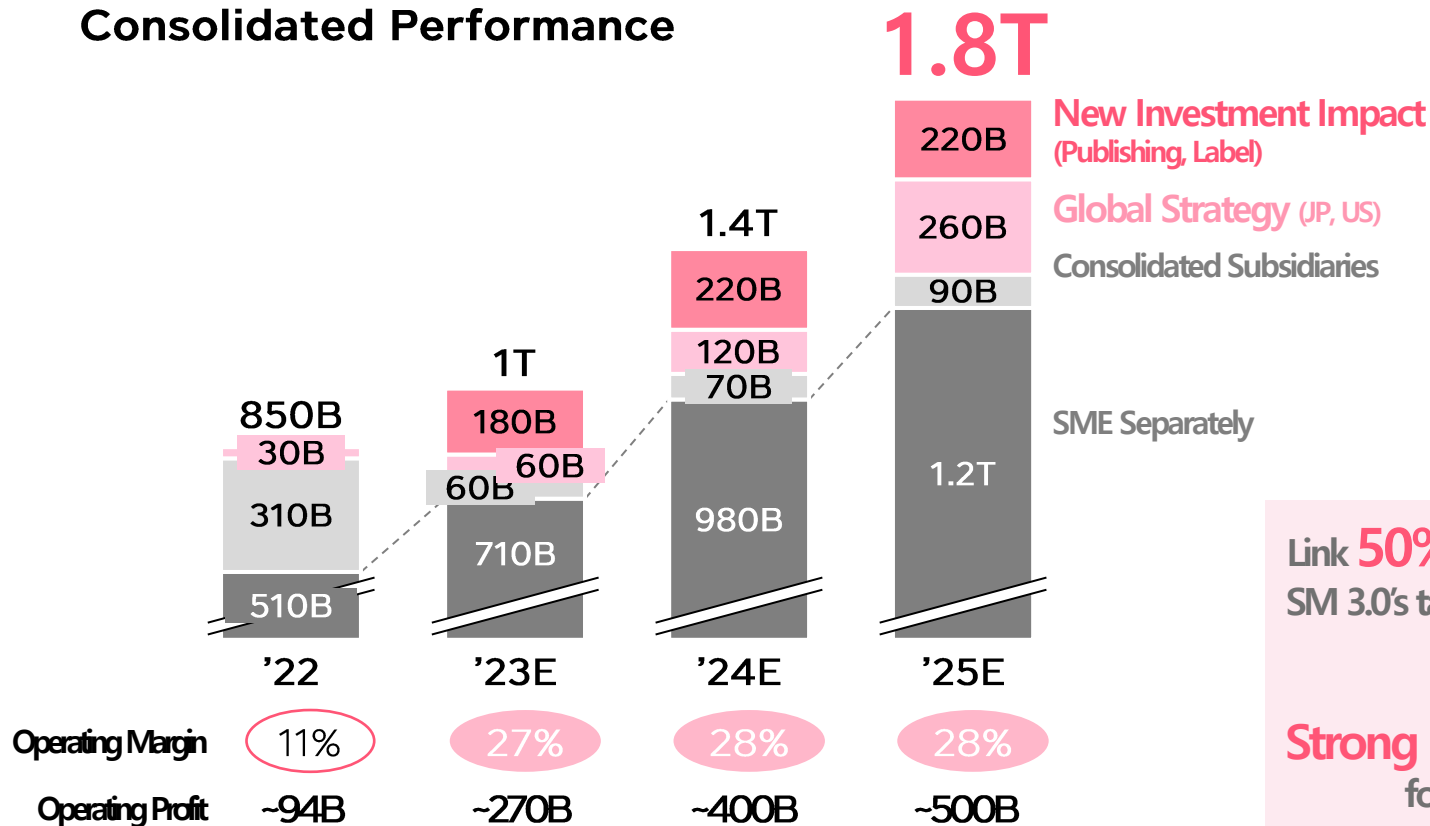
Expect to achieve the goal of separate sales of KRW 1.2T and operating profit of KRW 430B (Business Profit rate 35%) in 2025, by resolving problems with SM 2.0, adopting Multi Production Center and Expansion of derivative IP business



# KRW 360,000, Target stock price by 2025

SM will achieve the top position in the K-Pop industry in name and reality, via SM 3.0, and conduct responsible management (link more than 50% of executive compensation to stock price) with a stock price target of KRW 360,000 by 2025

## Consolidated Performance



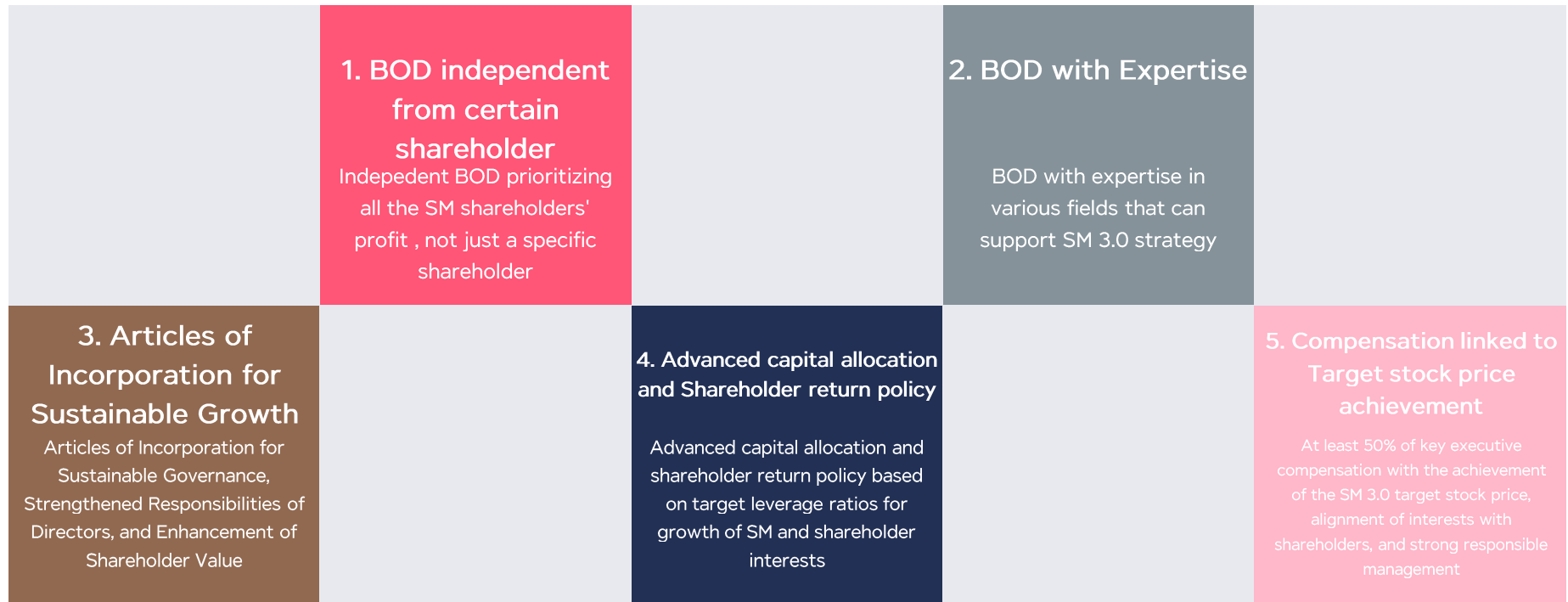
'25  
Target Stock  
Price  
KRW  
360,000

Approximately 25% discount to peer LTM P/EBIT of 25.0x, excluding impact of shareholder return to be announced later

Link **50%+** of executive compensation to SM 3.0's target stock price and performance achievement

**Strong responsible management** for all shareholders' benefits

# Essentials for Shareholder Value-focused SM 3.0 Strategy



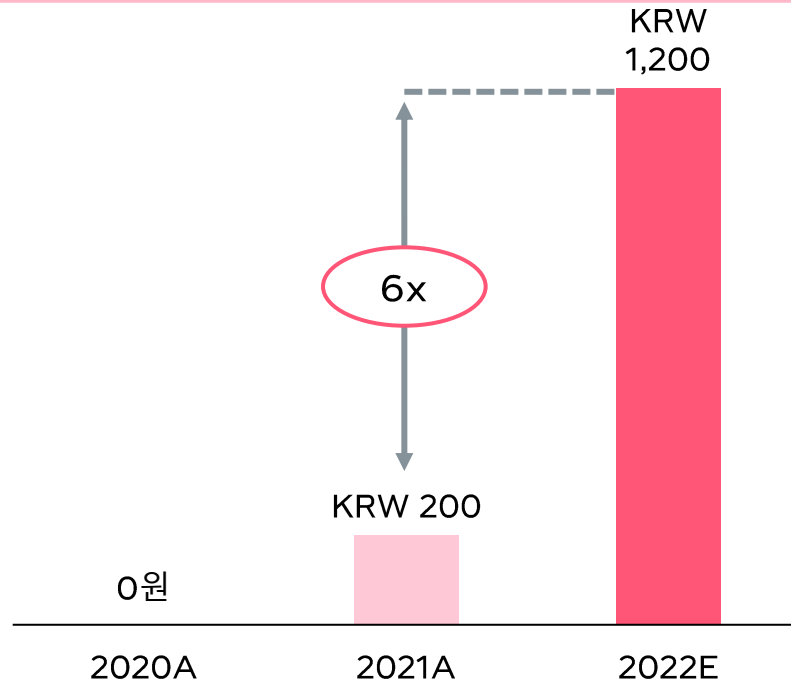
SM Entertainment promises to become a global K-POP leading company that spreads the good influence of K-POP to the world, beyond Korea and Asia, through the advanced governance focused on shareholder value and SM 3.0 strategy in 2023.



# Highest Dividend Payout Ratio in the Industry and YoY 6x Dividend

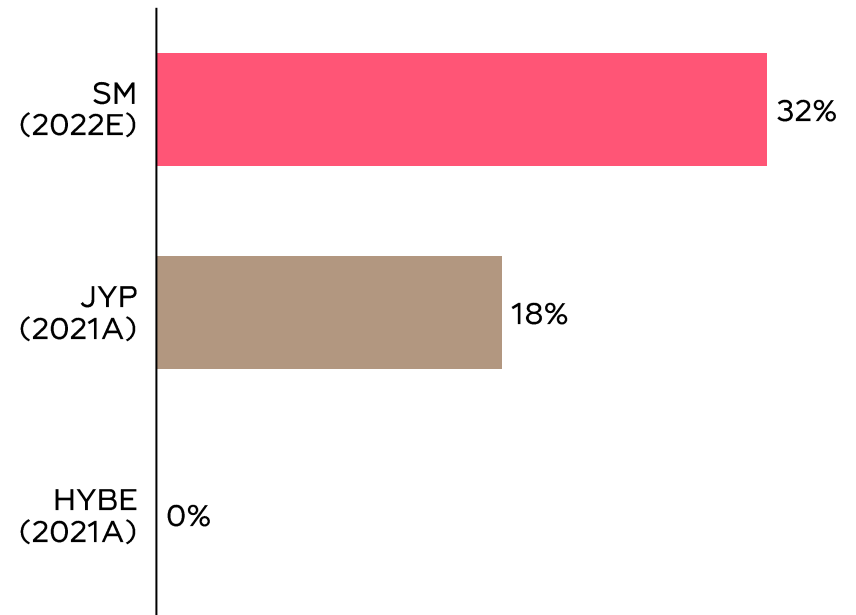
In 2022, thanks to the record-high performances, we plan to pay a cash dividend of KRW 1,200 per share, which is the highest in the industry with a dividend payout ratio of 32% based on consolidated net profit.

## SM Dividend per share trend over the past 3 years



Following the first dividend after listing in 2021  
2022 Dividend Increase 6x YoY

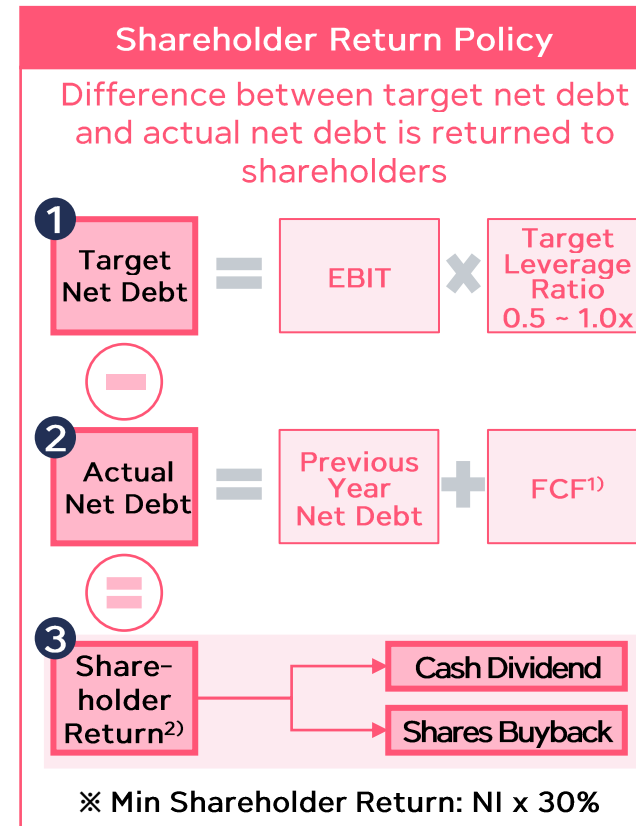
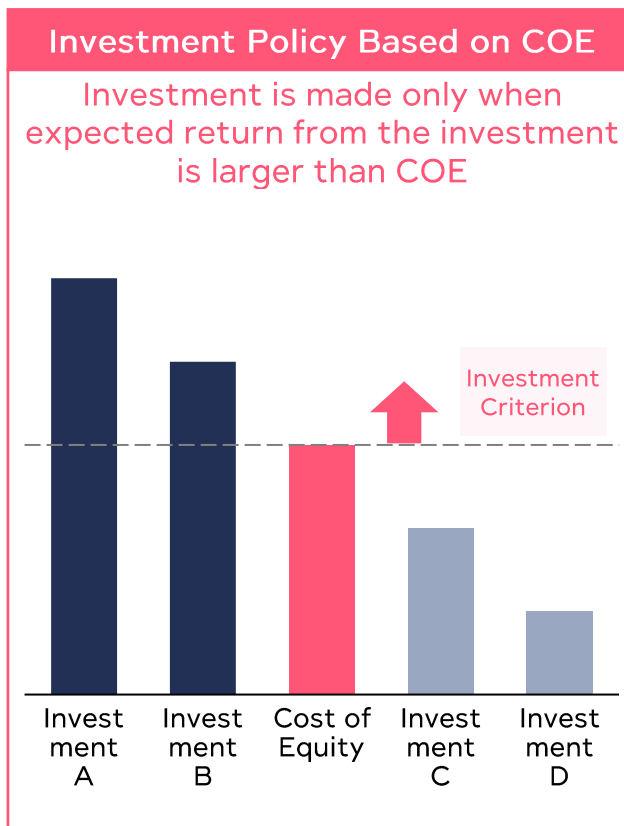
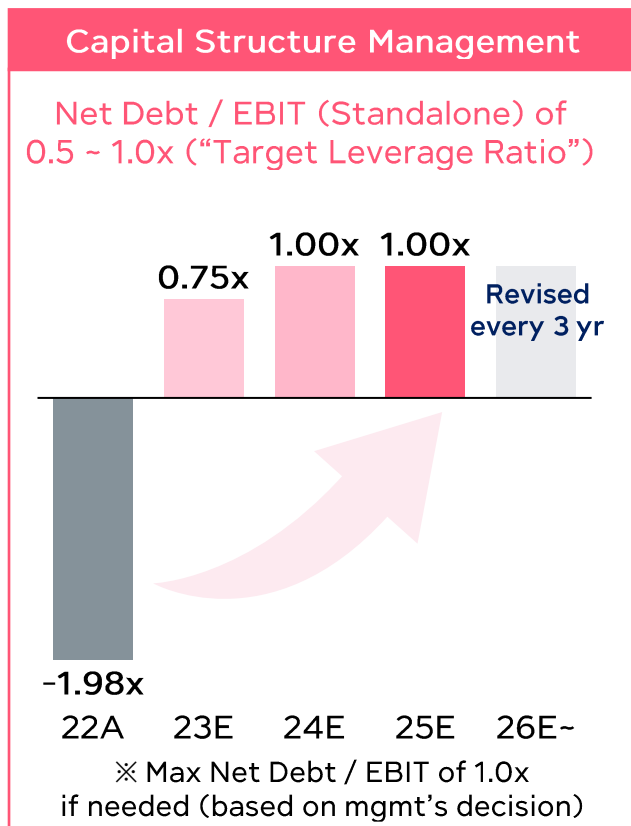
## Big 3 Ent. Company Dividend payout ratio on a consolidated basis



Dividend payout ratio based on consolidated net income  
for 2022 is 32%, Ranking 1<sup>st</sup> in the industry

# Mid-to-long Term Capital Allocation and Shareholder Return Policy Based on Target Capital Structure

In SM 3.0, SM will introduce capital allocation / shareholder return policy based on target capital structure and cost of equity to maximize shareholder value



Reference 1)  $\text{EBIT} + \text{Non-cash Operating Expense} + \text{Net Non-operating Income} / (\text{Expense}) - \text{Tax Expense} - \text{Capex} +/- \text{Chg in NWC}$

Reference 2) If Actual Net Debt is larger than Target Net Debt, shareholder return is not determined by the policy; instead, minimum of 30% of net income is returned to shareholders ("Min Shareholder Return")



# Soo-man Lee's Shareholder Proposal

발신의원인 주주 이수만

제목 주주제안, 주주명부 열람 및 등사 청구 서신

In 2003, he was sentenced to 2 years in prison and 3 years of probation for embezzling KRW 1.15B of Company funds and using them for stock acquisition.

Like Planning

DREAM MAKER

SMBM

CT Planning Limited

⋮

주식회사 에스엠엔터테인먼트(이하 “에스엠”) 이사진 귀중

1. 본인(주주 이수만)은 에스엠이 발행한 보통주식의 3% 이상에 해당하는 주식을 보유하고 있는 주주로서, 상법 제363조의2 및 제542조의6 제10항에 따라 에스엠이 향후 개최할 제28기 정기주주총회에서 본인이 제안하는 사항들을 주주총회의 목적사항을 추가할 것을 제안하고, 상법 제396조 제2항에 따라 에스엠의 주주명부의 열람 및 등사를 청구하고자 하며, 당 법무법인은 본인의 법률대리인으로서 본 서신을 제출합니다.
2. 본인은 에스엠을 가장 모범적인 지배구조가 실현되는 기업으로 도약하게 하고, 주주들의 권익을 최우선하는 것이 본인의 책임을 다하는 자세이고, 이로써 기업가치 및 주주가치가 함께 제고될 수 있다고 생각합니다. 에스엠의 중·장기적 지속가능한 발전을 위해서는 정관 등이 선진적으로 정비될 필요가 있으며, 나아가 풍부한 경험과 전문성을 갖춘 이사회 구성원들로 하여금 회사 경영을 담당하게 하여 회사 경영의 전문성과 의사결정의 투명성을 도모할 필요가 있습니다.

(Extract of Soo-man Lee's Shareholder Proposal written in Korean)

Soo-man Lee was sentenced to prison in 2003 for embezzlement of company funds; and also, is the one who damaged shareholder value through Like Planning, Dream Maker, SMBM, and CT Planning Limited. Ironically, he made shareholder proposal for the purpose of introducing an exemplary governance structure and enhancing corporate value and shareholder value.

# SM BOD's Comments on Main AGM Agenda (1)

	Agenda	SM BOD's Comments	BOD Recommendation
1st Agenda	Agenda No. 1-1: Approval of Financial Statements (※ Dividend: KRW 1,200 per share)	Thanks to the record-high performance centered on main business in 2022, we plan a cash dividend allocation of KRW 1,200 per share (32% of consolidated net profit).	Approval
2nd Agenda: Amendments to the Articles of Incorporation	Agenda No. 2-1 : Amendments to the Articles of Incorporation to improve Articles	Approved, for correction of typos and reflecting amendments on laws, etc.	Approval
	Agenda No. 2-2: Addition of Article 24-2 (BOD Proposal & Soo-man Lee's Shareholder proposal)	Approved, the agenda is about introduction of an Electronic Voting System at AGM, which will enhance the convenience of shareholders exercising their voting rights	Approval
	Agenda No. 2-3: Addition of Clause 5 to Article 30 (BOD Proposal & Soo-man Lee's Shareholder proposal)	Agenda regulating deprivation of Director for those who have been sentenced to imprisonment or heavier punishment for breach of trust and embezzlement within 3 years	Approval
	Agenda No. 2-4: Amendment to Article 34-2 (BOD Proposal & Soo-man Lee's Shareholder proposal)	Agenda regulating Directors' fidelity and fiduciary duty and confidentiality duty.	Approval

# SM BOD's Comments on Main AGM Agenda (2)

		Agenda	SM BOD's Comments	BOD Recommendation
2 <sup>nd</sup> Agenda: Amendments to the Articles of Incorporation	Agenda No. 2-5: Amendment to Article 38  (Choose 1 between BOD Proposal and Soo-man Lee's shareholder proposal)	Agenda No. 2-5-1: Separation of the CEO and the Chairman of BOD and convening procedure for BOD, and the composition principles of BOD	Approved, the agenda is regulating that the Chairman should be appointed annually among Outside Directors by Board resolution and enhances independence of BOD.	Approval
		Agenda No. 2-5-2: Separation of the CEO and the Chairman of BOD and convening procedure for BOD, and the composition principles of BOD (Soo-man Lee's Shareholder Proposal)	The agenda is regulating that the Chairman to be appointed annually by a BOD resolution among non-inside directors. This might led the situation that directors such as Part-time Directors will also be appointed as the Chairman and undermine the independence of BOD.	Dis-approval
	Agenda No. 2-6: Addition of Article 38-2  (Choose 1 between BOD Proposal and Soo-man Lee's shareholder proposal)	Agenda No. 2-6-1: Establishment and Composition of Board Committees	The agenda is regulating that Outside Director Recommendation Committee is composed entirely of Outside Directors, and other Committees (Internal Transactions Committee and the Compensation Committee, etc.) are composed only of Non-Inside Directors, but at least 2/3 should be Outside Directors)	Approval
		Agenda No. 2-6-2: Establishment and Composition of Board Committees (Soo-man Lee's Shareholder Proposal)	The agenda is only regulating that at least 2/3 should be Outside Directors in all Board Committees, so there is possibility of Inside Directors to join Board Committees, including the Outside Director Recommendation Committee.	Dis-approval
		Agenda No. 2-7: Addition of Article 38-3 (BOD Proposal & Soo-man Lee's Shareholder proposal)	The agenda is about appointment of 1 or more Compliance Assistants and establish and operate compliance control standards	Approval

## SM BOD's Comments on Main AGM Agenda (3)

3 <sup>rd</sup> Agenda: Appointment of Inside Directors	Agenda	SM BOD's Comments	BOD Recommendation
	Agenda No. 3-1: Appointment of Inside Director, Cheol Hyuk Jang	This candidate, a CPA, is currently the CFO of SM and an expert in accounting/taxation/M&A. He can greatly contribute to the improvement of financial efficiency and investment decision-making for SM 3.0 strategy. So, we approved that this candidate is suitable for the current situation of SM.	Approval
	Agenda No. 3-2: Appointment of Inside Director, Ji Won Kim	This candidate, inside director, is currently the head of the SM Marketing Center who has worked for SM more than 20 years. We approved this candidate because we believe that she can greatly contribute to expanding the marketing network for IP sales, which is one of the key points of SM 3.0 strategy in the future.	Approval
	Agenda No. 3-3: Appointment of Inside Director, Jungmin Choi	This candidate is currently the head of the SM Global Business Center who has worked for SM for more than 20 years. We approved this candidate as she will greatly contribute to SM 3.0 into overseas markets in the future.	Approval
	Agenda No. 3-4: Appointment of Inside Director, Jae Sang Lee (Shareholder Proposal)	This candidate is proposed by Soo-man Lee who caused damage to corporate value in the past, and is an employee of HYBE, competitor that is currently conducting a hostile takeover. Thus, we disapprove with this candidate due to concerns on conflicts of interest, such as decision-making only for the HYBE's benefits.	Dis-approval
	Agenda No. 3-5: Appointment of Inside Director, Jin Soo Jeong (Shareholder Proposal)	This candidate is also the employee of HYBE, and there are concerns about conflicts of interest, such as decision-making only for the HYBE's benefits. Further, we disapprove this candidate because he damaged shareholder value by carrying out mutual equity investments with Netmarble Games to defend management rights while working at NCSOFT.	Dis-approval
	Agenda No. 3-6: Appointment of Inside Director, Jin Hwa Lee (Shareholder Proposal)	This candidate is proposed by Soo-man Lee who caused damage to corporate value in the past, and is an employee of HYBE, competitor that is currently conducting a hostile takeover. Thus, we disapprove with this candidate due to concerns on conflicts of interest, such as decision-making only for the HYBE's benefits.	Dis-approval

# SM BOD's Comments on Main AGM Agenda (4)

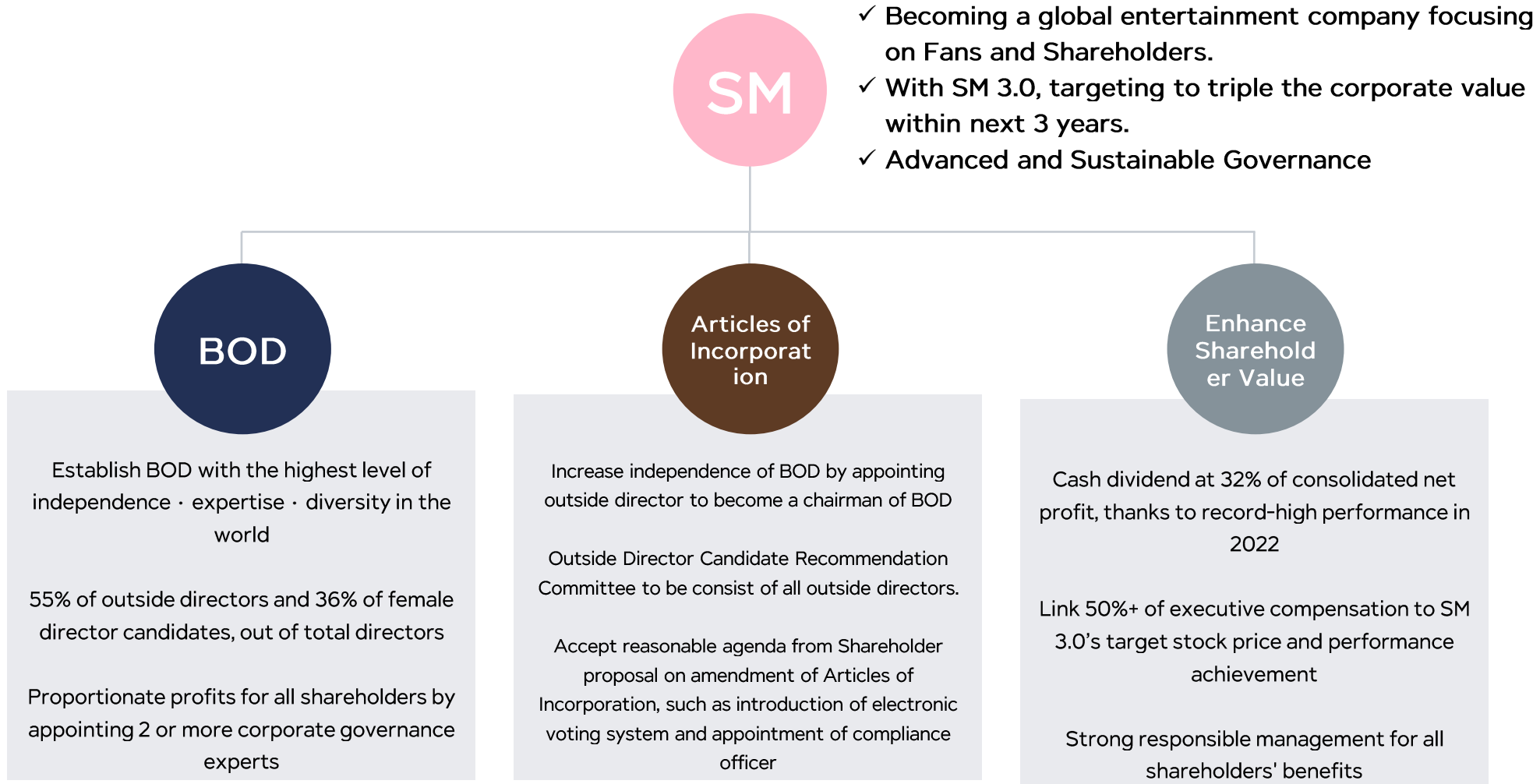
4 <sup>th</sup> Agenda: Appointment of Outside Directors	Agenda	SM BOD's Comments	BOD Recommendation
	Agenda No. 4-1: Appointment of Outside Director, Kyu Shik Kim	This candidate is the current chairman of the Korea Corporate Governance Forum and a governance/law/investment expert who has worked for multiple asset management companies. So, we approve this candidate as he can greatly contribute to SM's sustainable advanced governance.	Approval
	Agenda No. 4-2: Appointment of Outside Director, Taehee Kim	This candidate is a representative lawyer at Pyeongsan Law Firm with 15 years of experience in tax affairs at the National Tax Service. Thus, we approve this candidate as she can contribute significantly to preventing and responding to tax issues that may arise in the future.	Approval
	Agenda No. 4-3: Appointment of Outside Director, Jeong Bin Moon	This candidate is a professor at Korea University Business School who studies ESG management and global strategy. So, we approve this candidate for SM's advanced governance and believe that he can greatly contribute to establishing a global expansion strategy.	Approval
	Agenda No. 4-4: Appointment of Outside Director, Kyung Hwan Min	This candidate is a partner of Blocore, a blockchain project investment company. We approve this candidate as he will be able to make a significant contribution from a strategic point of view when expanding new businesses such as SM's NFT and blockchain.	Approval
	Agenda No. 4-5: Appointment of Outside Director, Seungmin Lee	This candidate is a Korean and UK lawyer, and an expert in IP and international disputes. So, we approve this candidate as she can contribute to the board of directors based on the necessary legal expertise in expanding SM's global IP business.	Approval
	Agenda No. 4-6: Appointment of Outside Director, Seong Moon Cho	This candidate is the CEO of Chartmetric, which provides music big data analysis services. We approve this candidate as he can make a significant contribution from a strategic point of view when expanding SM's data-based global physical album/digital recording business.	Approval
	Agenda No. 4-7: Appointment of Outside Director, Nam Kyu Kang (Shareholder Proposal)	This candidate is proposed by Soo-man Lee who caused damage to corporate value in the past. Further, we disapprove this candidate since we already have a legal expertise proposed by BOD.	Dis-approval
	Agenda No. 4-8: Appointment of Outside Director, Soon Man Hong (Shareholder Proposal)	This candidate is proposed by Soo-man Lee who caused damage to corporate value in the past. Further, we disapprove this candidate since we already have an accounting expertise proposed by BOD.	Dis-approval
	Agenda No. 4-9: Appointment of Outside Director, Dae Woong Lim (Shareholder Proposal)	This candidate is proposed by Soo-man Lee who caused damage to corporate value in the past. Further, we disapprove this candidate since we already have an ESG expertise proposed by BOD.	Dis-approval

## SM BOD's Comments on Main AGM Agenda (5)

	Agenda	SM BOD's Comments	BOD Recommendation
5 <sup>th</sup> Agenda: Appointment of Part-time Directors	Agenda No. 5-1: Appointment of Part-time Director, Chang Hwan Lee	This candidate is the representative of ALIGN Partners, which has led termination of contract between SM and Like Planning and governance improvement campaign. Thus, we approve this candidate since he can contribute to BOD as a corporate governance and M&A expert.	Approval
	Agenda No. 5-2: Appointment of Part-time Director, Yoon Joong Jang	This candidate is proposed by Kakao, the core partner for SM 3.0, can contribute to the creation of synergy between the two companies. He is the former CEO of Sony Music Korea, and currently, he is GSO of Kakao Entertainment. We approve this candidate since he is expected to contribute to BOD as an expertise on global entertainment business.	Approval
	Agenda No. 5-3: Appointment of Part-time Director, Byeong Moo Park (Shareholder Proposal)	We disapprove this candidate, because, he served as Non-executive directors of NCSOFT from 2007 to the present, and in 2015, together with Candidate Jin Soo Jeong, carried out mutual equity investments with Netmarble Games for the purpose of defending NCSOFT management rights and caused damage to shareholder value.	Dis-approval
6 <sup>th</sup> Agenda: Appointment of Part-time Auditor	Agenda No. 6-1: Appointment of Part-time Auditor, Kyu Dam Choi (Shareholder Proposal)	In 2015, this candidate served as head of NCSOFT finance strategy team and caused damage to shareholder value by carried out mutual equity investment with Netmarble Games, with the candidate Jin Soo Jeong. Further, as this candidate had been worked with the candidates Jin Soo Jeong and Byeong Moo Park in the past, we disapprove this candidate due to lack of independence.	Dis-approval

## **2. Advanced Governance Structure focused on Shareholder Value**

## 2. Key Points of Advanced Governance focused on Shareholder Value





## 2-1. BOD with the highest level of independence · expertise · diversity in the nation

SM BOD		
Inside Director	Outside Director	Part-time Director
<p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>✓ Excluded the former inside directors and admitted the mistake of former SM BOD centered on Soo-man Lee</li> </ul>	<p><b>Candidates recommended by Temporary ODRC</b></p> <ul style="list-style-type: none"> <li>✓ Candidates are recommended and verified by Temporary ODRC<sup>1)</sup> composed of 1 Inside Director, 1 Outside Expertise, 1 Recommended Personnel from general shareholder</li> </ul>	<p><b>Advanced Corporate Governance</b></p> <ul style="list-style-type: none"> <li>✓ Chang Hwan Lee, Align Partners' CEO, who led the shareholder action to improve corporate governance is recommended for Part-time Director.</li> </ul>
<p><b>Best Expertise in Entertainment Industry</b></p> <ul style="list-style-type: none"> <li>✓ Ji Won Kim and Jeongmin Choi are recommended as long-term employees in SM for more than 20+ yrs and who have expertise in global business and Artist PR to support SM 3.0 strategy.</li> </ul>	<p><b>Tribune for General Shareholders</b></p> <ul style="list-style-type: none"> <li>✓ Kyu Shik Kim, a corporate governance expert, is recommended to protect the general shareholders' benefits.</li> </ul>	<p><b>Active Strategic Cooperation</b></p> <ul style="list-style-type: none"> <li>✓ Jang Yoon-joong, Kakao Enter's GSO, is the key strategic partner of SM 3.0 and is recommended for Part-time Director.</li> </ul>
<p><b>The Best for Management</b></p> <ul style="list-style-type: none"> <li>✓ Cheol Hyuk Jang is recommended as the one leading corporate governance at SM and has expertise in finance, accounting, M&amp;A</li> </ul>	<p><b>33% of Outside Directors are Females</b></p> <ul style="list-style-type: none"> <li>✓ 2 female Candidates for Outside Directors, in total</li> </ul>	<p><b>Best Expertise in each field</b></p> <ul style="list-style-type: none"> <li>✓ Candidates for Part-time Directors are the best expertise in the M&amp;A field and entertainment industry that can actively support the SM 3.0 strategy</li> </ul>
<p><b>55% are Outside Directors and 36% are Female Directors among Candidates recommended by SM</b></p>		

TO-BE  
BOD  
Keyword/  
Characteristic

## 2-1. Outside Director Candidates elected by Temporary ODRC

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Enhance transparency of the BOD and Shareholder trust  
via fair and reliable nomination process for Outside Director Candidates

Temporary ODRC is composed of 3 members.



30+ experts in various fields considering the SM's business model and future plans

Reviewed more than 30 Candidates with global consulting firms and search firms



Optimal Candidates in consideration of independence, eligibility verification and board skill matrix

Checked the Commercial Law requirements, standard of disqualification  
and conflicts of interest with SM, and conducted reference checks

A Candidate group who can satisfy all items of the BOD skill matrix with 30+ Candidates



Recommendation of 6 Final Candidates for Outside Directors who has accepted the position

Final Candidates: Kyu Shik Kim (Chairman of the Korea Corporate Governance Forum),  
Taehee Kim (Attorney at Pyeongsan Law Firm), Jeong Bin Moon (Professor at Korea University), Kyung Hwan Min  
(Blocore's Partner), Seungmin Lee (Partner Attorney at Peter & Kim), Seong Moon Cho (CEO of Chartmetric)

## 2-1. SM's Director Candidates\_Board skill matrix

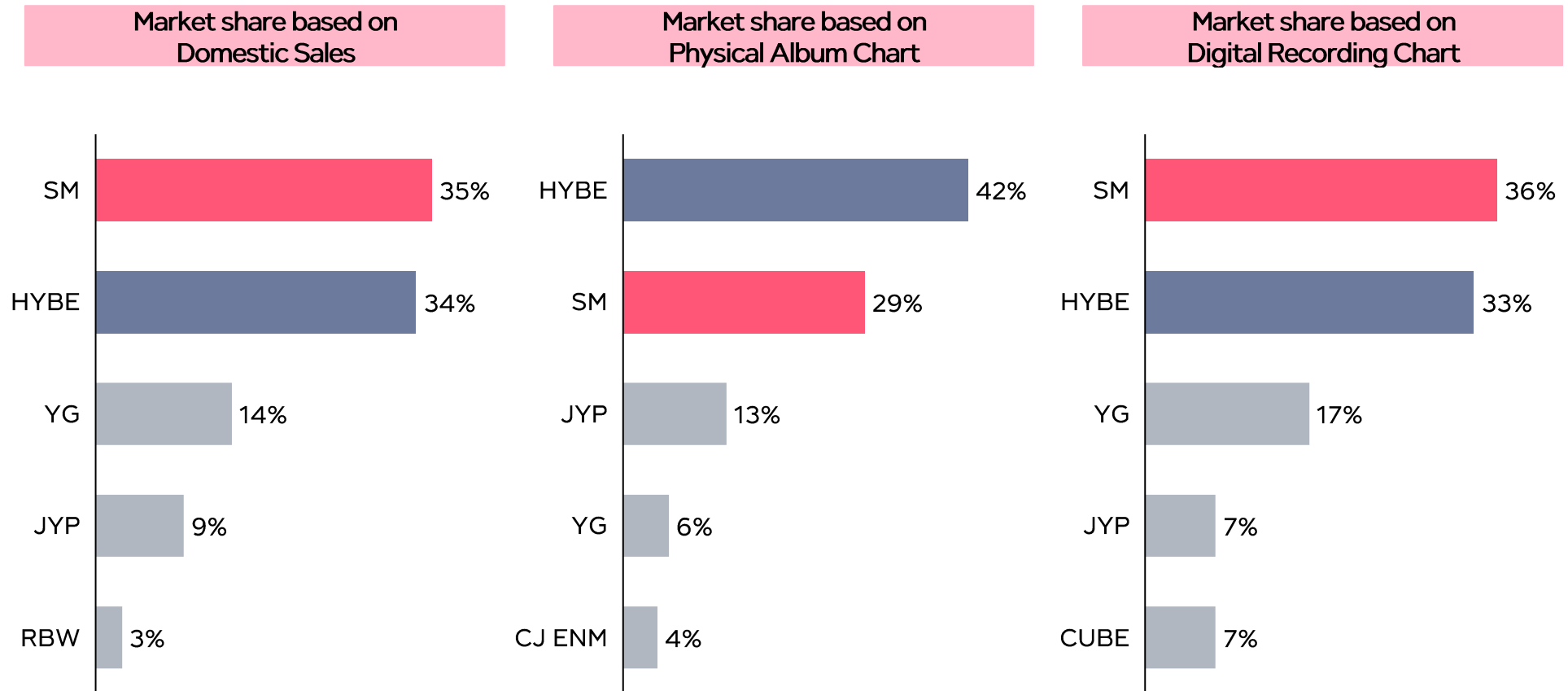
			Protect Shareholder s' Rights		NFT, Fan Platform		US, JP Expansion		Inorganic Growth	
			Management	K-Pop	Governance	Legal	Tech/Platform	Global	Finance/M&A	Accounting / Taxation
Inside Director	Cheol-hyuk Jang (Male)	SM Entertainment's CFO	✓						✓	✓
	Jiwon Kim (Fem.)	SM Entertainment's Head of Marketing Center		✓				✓		
	Jeongmin Choi (Fem.)	SM Entertainment's Head of Global Business Center		✓						
Outside Director	Kyu-shik Kim (Male)	President of Korean Governance Forum			✓	✓				
	Taehee Kim (Fem.)	Attorney at Pyeongsan Law firm (Specialized in Taxation)				✓				✓
	Jeongbin Moon (Male)	Professor at Korea University (Specialized in ESG)			✓			✓		
	Kyung-hwan Min (Male)	Blocore's Partner	✓				✓		✓	
	Seungmin Lee (Fem.)	Partner Attorney at Peter & Kim (Specialized in IP)				✓		✓		
	Seongmoon Cho (Male)	Chartmetric's CEO	✓	✓			✓	✓		
Part-time Director	Changhwan Lee (Male)	ALIGN Partners's CEO	✓		✓				✓	
	Yoonjoong Jang (Male)	Vice-president of Kakao Entertainment (Global Strategy team)	✓	✓				✓		

## 2-1. Candidates from Soo-man Lee's Shareholder Proposal\_Board skill matrix

			Management	K-Pop	Protect Shareholder s' Rights Governance	Legal	NFT, Fan Platform Tech/Platform	US, JP Expansion Global	Inorganic Growth Finance/M&A	Accounting / Taxation
Inside Director	Jaesang Lee (Male)	CEO of HYBE America	✓	✓				✓		
	Jinsoo Jeong (Male)	HYBE's CLO				✓				
	Jinhwa Lee (Fem.)	HYBE's head of management strategy team	✓							
Outside Director	Namkyu Kang (Male)	Gaon Law firm's Representative Attorney			none	✓	none			
	Soon-man Hong (Male)	Professor at Administration Department from Yonsei University							✓	✓
	Daewoong Lim (Male)	BNZ Partners CEO								
Part-time Director	Byeongmoo Park (Male)	VIG Partners Representative Partner				✓		✓		
Part-time Auditor	Kyu-dam Choi (Male)	NCSOFT's Director				✓		✓	✓	

Lack of expertise in governance and technology/platform among directors and audit candidates recommended by Soo Man Lee

## 2-1. SM and HYBE are competitors to each other for 1<sup>st</sup> and 2<sup>nd</sup> place

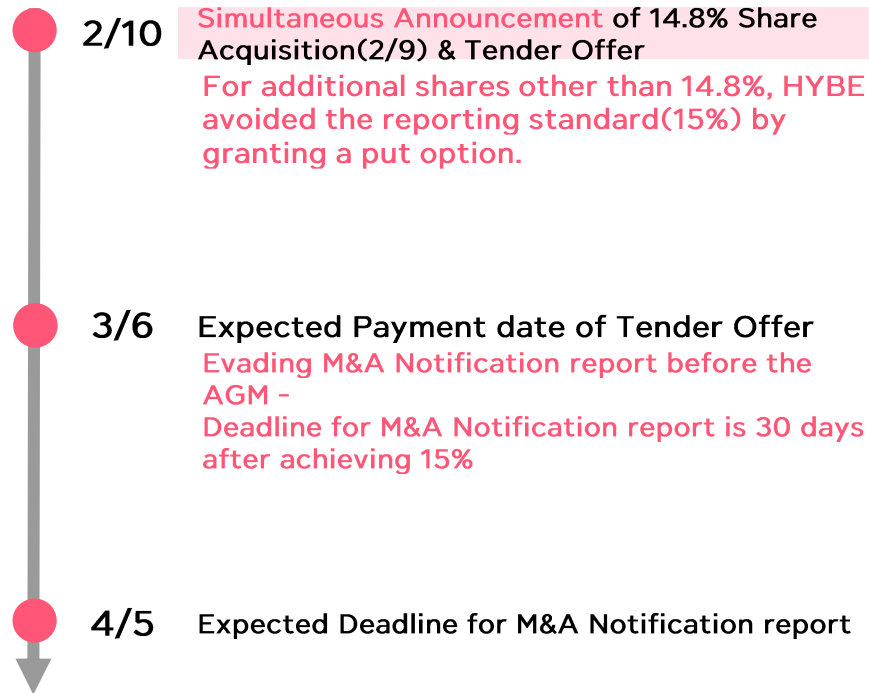


Reference: DART, Circle Chart Annual Chart Top 100

Based on cumulative performance in 3Q of 2022 of domestic agencies with a market capitalization of over KRW 50B

## 2-1. HYBE evades report of M&A Notification to the FTC

HYBE evades report of M&A Notification to the FTC, even though it planned a share acquisition and a tender offer at the same time.



### Major Risks according to FTC's Review

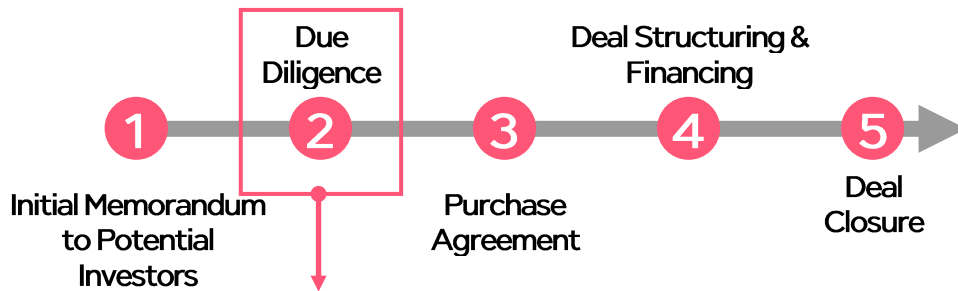
Rejection	High probability of stock price plunge due to massive stake resale
Conditional Approval	Risk of Reduction of SM's business to comply with FTC's conditions.
Delay of Review	Growth business delay due to continued Uncertainty

Reference: Dispatch, "2023.02.17. "744.3B made of Embezzlement of 1.1B"...Soo-man Lee and Betrayers to SM', Soo-man Lee's Shareholder Proposal

## 2-1. “Big Deal” without any due diligence

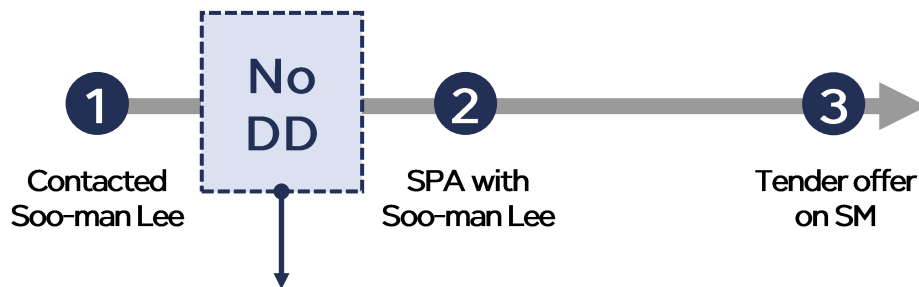
Unlike typical M&A processes, HYBE didn't conduct any due diligence on SM. This is similar to a case where NPS rejected to vote for a director candidate who didn't perform due diligence during the M&A process

### General M&A Process vs. HYBE's attempt to takeover SM



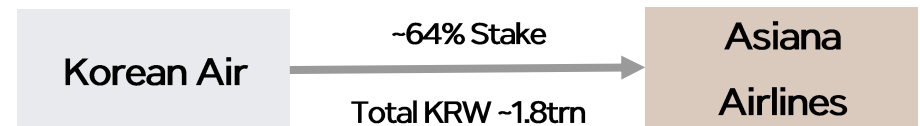
Commercial/Financial/Legal/Tax due diligence conducted before signing the purchase agreement

vs.



No due diligence on SM before signing the contract

### No due diligence during Korean Air – Asiana Airlines M&A



Although the acquisition was a significant deal worth KRW ~1.8trn, no DD was carried out

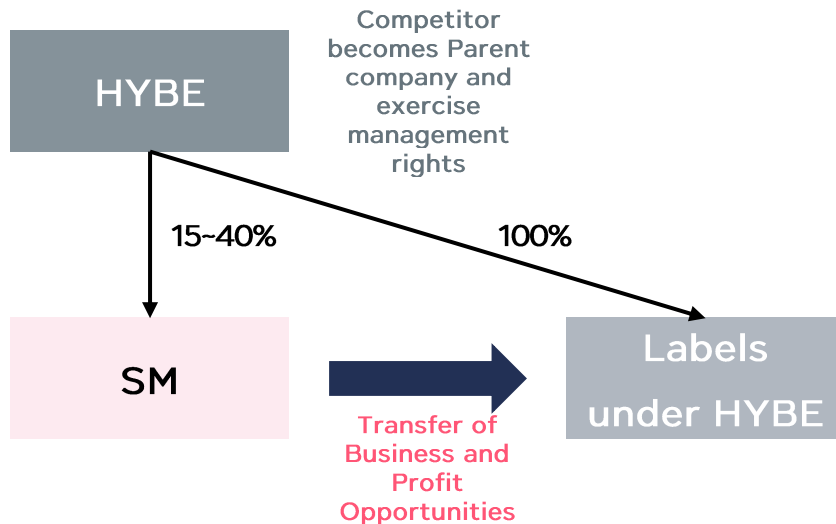
### NPS (March 2021)

“Possibility of being negligent on monitoring potential shareholder rights infringement such as conducting no due diligence during the acquisition process of Asiana and agreeing to unfavorable contracts”  
→ Opposed to the appointment of Cho Won-tae and Lim Chae-min

## 2-1. What if HYBE's employees become Inside Director? (1)

If HYBE employees, doing the same entertainment business with SM, become SM's inside directors, core management information of SM may be leaked to HYBE, and there is a possibility that the directors will vote in favor of an agenda that is favorable to HYBE, not for SM.

### Governance Structure by Hostile M&A



### Expected Main Problems (Examples)

#### Release of Artist and Album

The number of new albums released by both companies exceeds the limited number of new song releases (100 per year) → Risk of SM Artists being neglected

#### Fan Platform and Commerce

Entry into Weverse leading to SM's abandonment of the platform biz, and then to lower corporate value and lost commerce biz opportunities

#### Loss of new business

Losing new business opportunity to develop SM 3.0 → Such opportunity will be highly likely allotted to HYBE's 100% owned subsidiary

Conflicts of interest between HYBE shareholders and SM shareholders are inevitable, which is highly likely to lead to damage to SM shareholder value, under current governance structure of hostile M&A in which HYBE holds only 15-40% of SM shares. If HYBE really prioritizes SM, it is HYBE's breach to HYBE's stockholders.



## 2-1. What if HYBE's employees become Inside Director? (2)

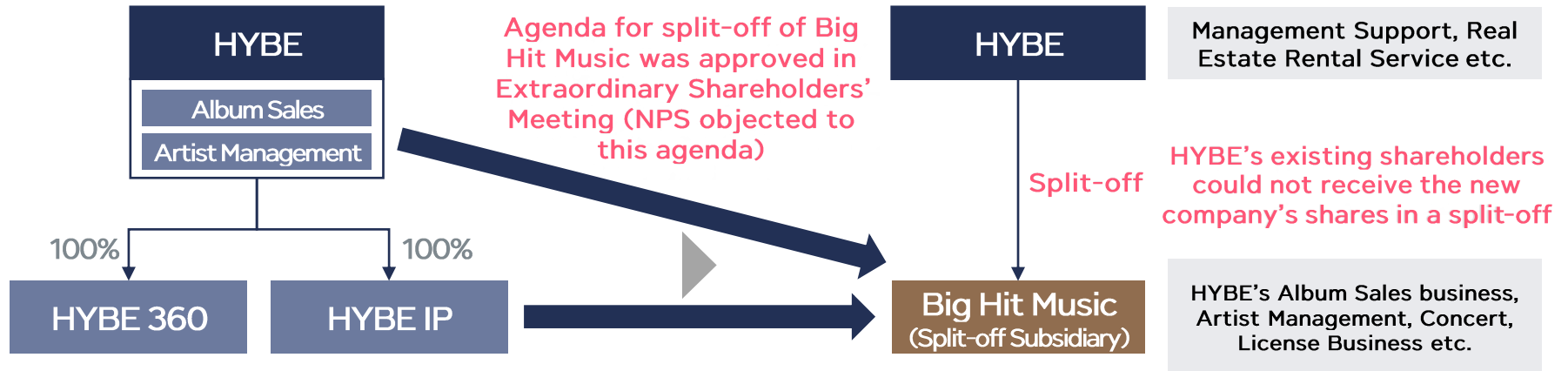
Synergy claimed by HYBE is for HYBE shareholders, not SM shareholders



Conflicts of interest between HYBE shareholders and SM shareholders are inevitable in major decision making of SM

## 2-1. Soo-man Lee's candidates for Inside Director were involved in a deal which was objected by NPS

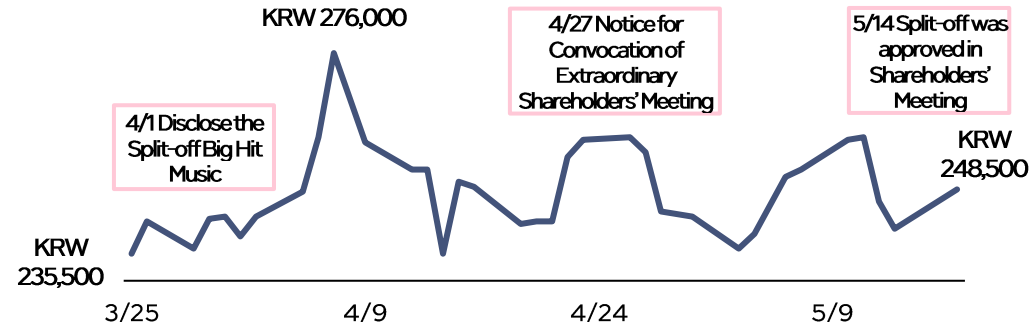
Soo-man Lee's Candidates (Jae Sang Lee, Jin Hwa Lee) had carried out split-off of HYBE's core business ("Big Hit Music") which was objected by NPS while they served as executives and key positions of HYBE



Positions of these candidates at HYBE in 2021

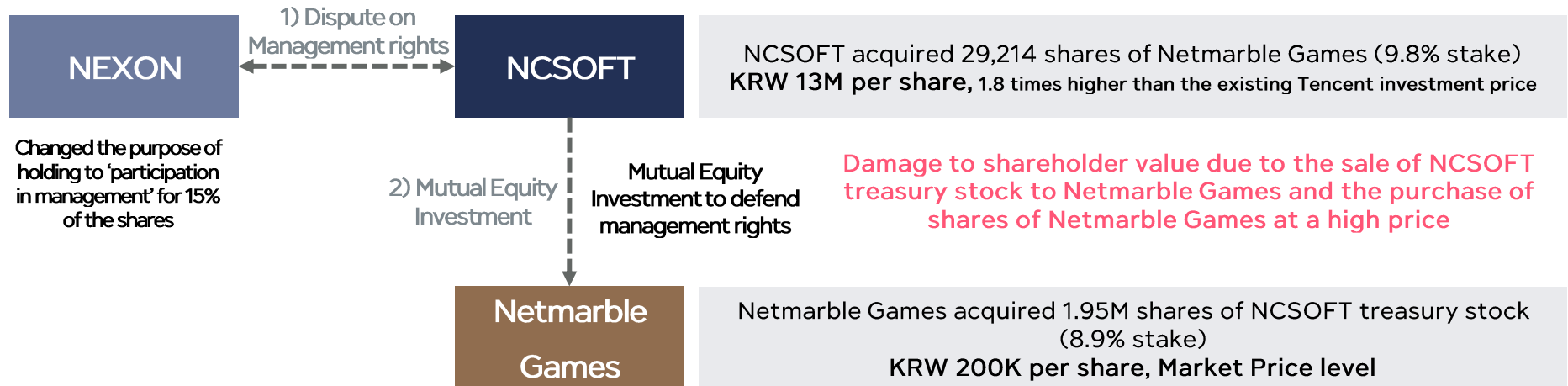
Jae Sang Lee	CSO	Candidate from Soo-man Lee for Inside Director in 2023
Jin Hwa Lee	Head of Biz Planning division	Candidate from Soo-man Lee for Inside Director in 2023

Fluctuation of stock price after Split-off of "Big Hit Music"



## 2-1. Soo-man Lee's candidates for Director and Auditor had damaged to shareholder value in the past

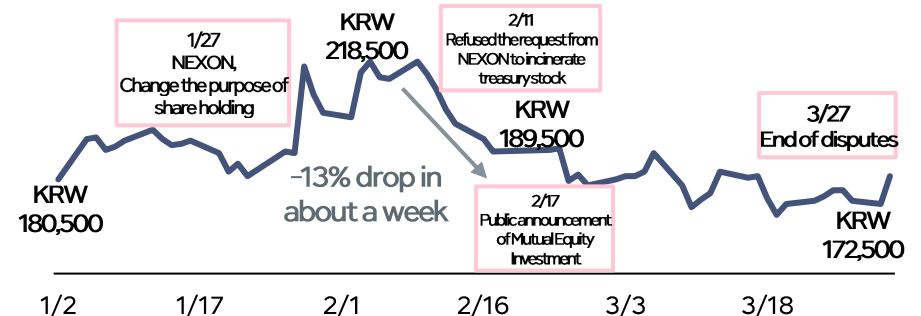
Soo-man Lee's Candidates, (Jin Soo Jeong, Byeong Moo Park and Kyu Dam Choi) had carried out mutual equity investment to depend management rights and damaged to shareholder value in the past, while they served at NCSOFT for management rights.



### Positions of these candidates at NCSOFT in 2015

Jin Soo Jeong	COO	Candidate from Soo-man lee for Inside Director in 2023
Byeong Moo Park	Part-time Director (Advisory on Management)	Candidate from Soo-man lee for Part-time Director in 2023
Kyu Dam Choi	Head of Finance Strategy team	Candidate from Soo-man lee for Part-time Auditor in 2023

### Fluctuation of stock price after Mutual Equity Investment between NCSOFT and Netmarble Games



## 2-2. Advance Articles of Incorporation for sustainable development of SM

SM accepts reasonable agendas among Shareholders Proposals & Reinforce independence of BOD by making the chairman of the BOD an Outside Director and the Outside Director Recommendation Committee consisting only of Outside Directors

SM  
BOD  
Proposals

Appoint  
Outside  
Director as  
the Chairman  
of BOD

Independence of  
entire BOD

vs. Shareholder Proposal  
Chairman will be appoint  
among who are not inside  
directors → Possibility of  
appointing Part-time Director as  
the Chairman

No Inside  
Directors in  
Board  
Committees

More authority of  
Outside Directors

vs. Shareholder Proposal  
Only 2/3 or more of Board  
Committees are outside  
directors → Possibility of  
participation of inside director

Accept  
reasonable  
shareholder  
proposal  
agenda

Protect shareholder's rights &  
Accept Agenda for  
improvement of Governance

Electronic Voting System,  
Good Faith & Due Diligence of Director,  
Establishment of Board Committees  
(ex. Internal Transaction Committee,  
Compensation Committee, etc.)  
Appointment of Compliance Assistant

## 2-2. Comparison between Shareholder Proposal and HYBE's Article of Incorporation and Shareholder Returns

Clauses (Amendment to Articles of Incorporation)	Shareholder Proposal from Soo-man Lee/HYBE	HYBE's Articles of Incorporation
Organization of BOD	Separate CEO and Chairman of BOD; and Appoint Director who are not Inside Director as the Chairman, by resolution of BOD	HYBE's Chairman of BOD is Si-Hyuk Bang, who is Inside Director and Largest Shareholder
Electronic Voting System	Specify the introduction of Electronic voting system for enhancement of shareholder value	No specification of the introduction of an Electronic Voting System
Compliance Assistant	Strengthen the company's internal control through strict compliance control standards and appoint Compliance Assistant, to decrease risk of violation of laws	No specification of the establishment of a Compliance Assistant
<p>By the revision of the Commercial Act in April 2011, it is forced the compliance control and establishment of a Compliance Assistant for listed companies with total assets of KRW 500B or more.            → After exceeding KRW 500B in total assets in 2018, SM appointed a Compliance Assistant in 2019<sup>1)</sup>            → HYBE did not appoint Compliance Assistant until the 3Q of 2022, despite exceeding KRW 500B in total assets in 2020.</p>		
Items	Press release related to Soo-man Lee/HYBE's shareholder proposal	HYBE's Shareholder Returns
Shareholder Returns	Demanded to maintain an active SM dividend payout within 30% of net profit, after acquiring SM.	No Dividend Payout until 2022.

# **3. Details of Main Agenda for 28<sup>th</sup> Annual General Meeting**

# List of Agenda for 28<sup>th</sup> Annual General Meeting (1)

---

1) Approval of Financial Statements for the 28th Fiscal Year (dividend in amount of KRW 1,200 per share)

## 2) Amendments to the Articles of Incorporation

2-1) Amendments to the Articles of Incorporation to improve Articles (BOD proposal)

2-2) Addition of Article 24-2 (BOD Proposal & Soo-man Lee's Shareholder proposal)

2-3) Addition of Clause 5 to Article 30 (BOD Proposal & Soo-man Lee's Shareholder proposal)

2-4) Amendment to Article 34-2 (BOD Proposal & Soo-man Lee's Shareholder proposal)

2-5) Amendment to Article 38

2-5-1) Separation of the CEO and the Chairman of BOD and convening procedure for BOD, and the composition principles of BOD (BOD proposal)

2-5-2) Separation of the CEO and the Chairman of BOD and convening procedure for BOD, and the composition principles of BOD (Soo-man Lee's Shareholder proposal)

2-6) Addition of Article 38-2

2-6-1) Establishment and Composition of Board Committees (BOD proposal)

2-6-2) Establishment and Composition of Board Committees (Soo-man Lee's Shareholder proposal)

2-7) Addition of Article 38-3 (BOD Proposal & Soo-man Lee's Shareholder proposal)

# List of Agenda for 28<sup>th</sup> Annual General Meeting (2)

## 3) Appointment of Inside Directors

- |                      |   |
|----------------------|---|
| 3-1) Cheol Hyuk Jang | 3-4) Jae Sang Lee (Soo-man Lee's shareholder proposal)  |
| 3-2) Ji Won Kim      | 3-5) Jin Soo Jeong (Soo-man Lee's shareholder proposal) |
| 3-3) Jeongmin Choi   | 3-6) Jin Hwa Lee (Soo-man Lee's shareholder proposal)   |

## 4) Appointment of Outside Directors

- |                     |                     |   |
|---------------------|---------------------|---|
| 4-1) Kyu Shik Kim   | 4-4) Kyung Hwan Min | 4-7) Nam Kyu Kang (Soo-man Lee's shareholder proposal)  |
| 4-2) Taehee Kim     | 4-5) Seungmin Lee   | 4-8) Soon Man Hong (Soo-man Lee's shareholder proposal) |
| 4-3) Jeong Bin Moon | 4-6) Seong Moon Cho | 4-9) Dae Woong Lim (Soo-man Lee's shareholder proposal) |

## 5) Appointment of Part-time Directors

- |                      |                                      |
|----------------------|--------------------------------------|
| 5-1) Chang Hwan Lee  | 5-3) Byeong Moo Park                 |
| 5-2) Yoon Joong Jang | (Soo-man Lee's shareholder proposal) |

6) Part-time Auditor Kyu Dam Choi (Soo-man Lee's shareholder proposal)

7) Approval of the Limit of Remuneration for Directors

8) Approval of the Limit of Remuneration for Auditor



# 1. Approval of Financial Statements for the 28th Fiscal Year

## 1) Consolidated P/L Summary

(KRW: bn)	FY2022	FY2021	YoY	Main Issues
Revenues	8,484	7,016	20.9%	Expansion of Artist Fandom and Strong Records Sales
Operating Profits	935	675	38.5%	Leverage effect due to size increase
Net Income	891	1,332	-33.1%	Negative Base Effect due to One-off Income in same period with previous year

## 2) Consolidated B/L Summary

(KRW: bn)	FY2022	FY2021	YoY	Main Issues
Total Assets	14,652	13,149	11.4%	Current Asset (YoY +8.7%), Non-current Asset (YoY +15.3%)
Total Liabilities	5,721	5,265	8.7%	Financing Lease Liabilities (YoY +KRW xxx)
Total Capitals	8,931	7,884	13.3%	Earned Surplus (YoY +32.4%), Capital Surplus (YoY +1.4%)

## 3) Surplus appropriation statement (Proposal)

(KRW: bn)	FY2022	FY2021	YoY	Main Issues
Appropriations of Retained earnings	(312)	(51)	456.9%	Dividend KRW [1,200] per share (Consolidated dividend payout Ratio [32]%)

## 2. Amendments to the Articles of Incorporation

### 2-2) Addition of Article 24-2 (BOD Proposal & Soo-man Lee's Shareholder proposal)

AS-IS

TO-BE

(Addition of New Article)

#### Article 24-2. (Exercise of Voting Rights electronically)

- ① By resolution of BOD, Company may allow shareholders to exercise their voting rights electronically (hereinafter, "Electronic Voting") without participation to the Annual General Meeting.
- ② In the case of Clause 1, when convening a general meeting, Company shall inform that shareholders can do Electronic Voting, and provide forms and references necessary for exercising voting rights to shareholders electronically.
- ③ In case Company decides on Electronic Voting pursuant to Clause 1, shareholders may vote electronically via electronic signature after the shareholder verification procedure as prescribed by the relevant laws and regulations.
- ④ To ensure the efficiency and fairness of Electronic Voting, Company may designate an institution and entrust management of Electronic Voting procedures, such as shareholder verification procedures.
- ⑤ Company, the institution managing Electronic Voting designated pursuant to Clause 4, and the person in charge of the operation of Electronic Voting shall not disclose the results of Electronic Voting or use them for purposes other than duties until the votes are counted at the Annual General Meeting.

## 2. Amendments to the Articles of Incorporation

### 2-3) Addition of Clause 5 to Article 30 (BOD Proposal & Soo-man Lee's Shareholder proposal)

AS-IS	TO-BE
(Addition of New Article)	<p><b>Article 30. (Appointment of Director and Auditor)</b></p> <p>⑤ A person for whom three years have not elapsed since a sentence of imprisonment or heavier punishment for breach of trust or embezzlement in connection with Company or its affiliates shall not become a director of Company.</p>

### 2-4) Amendment to Article 34-2 (BOD Proposal & Soo-man Lee's Shareholder proposal)

AS-IS	TO-BE
<p><b>Article 34-2. (Directors' duty to report)</b></p> <p>When director discovers a fact that is likely to cause significant damage to Company, director shall immediately report it to auditor</p>	<p><b>Article 34-2. (Director's duty to report)</b></p> <p>① Directors shall faithfully perform their duties for Company in compliance with the laws and the Articles of Incorporation.</p> <p>② Directors shall perform their duties for Company with fiduciary duty.</p> <p>③ Directors shall not disclose Company's trade secrets acquired in the course of their duties, not only during their tenure but also after their retirement.</p> <p>④ When director discovers a fact that is likely to cause significant damage to Company, director shall immediately report it to auditor.</p>

## 2. Amendments to the Articles of Incorporation

### 2-5) Amendment to Article 38

#### 2-5-1) Separation of the CEO and the Chairman of BOD and convening procedure for BOD, and the composition principles of BOD (BOD proposal)

AS-IS	TO-BE
<p><b>Article 38. (Composition and convocation of BOD)</b></p> <p>① The BOD is composed of directors and resolves material matters of Company's business.</p> <p>② In case there is a representative director(CEO) or a director separately designated by the BOD, such designated director shall convene the BOD meeting by notifying each director and auditor by the day before the meeting.</p> <p>③ Other directors who are not designated as convening authority pursuant to the Clause 2 may request the convening of the BOD meeting by director who has convening authority. If director who has convening authority refuses to convene the BOD meeting without a proper reason, the other directors who requested the convening may convene the BOD meeting under joint names.</p> <p>④ In case all directors and auditors agree, the convening procedure in Clause 2 may be omitted.</p>	<p><b>Article 38. (Composition and convocation of BOD)</b></p> <p>① The BOD is composed of directors and resolves material matters of Company's business.</p> <p>② The chairman of BOD is appointed annually among outside directors by resolution of BOD.</p> <p>③ The BOD meeting is convened by the chairman of BOD (or designated director, if there is one designated by the BOD) by notifying each director and auditor one week prior to the date of the meeting.</p> <p>④ Other directors who are not designated as convening authority pursuant to the Clause 3 may request the convening of the BOD meeting by director who has convening authority. If director who has convening authority refuses to convene the BOD meeting without a proper reason, the other directors who requested the convening may convene the BOD meeting under joint names.</p> <p>⑤ In case all directors and auditors agree, the convening procedure in Clause 3 may be omitted.</p> <p>⑥ All directors of BOD shall not be composed of directors of a specific gender.</p>

## 2. Amendments to the Articles of Incorporation

### 2-5) Amendment to Article 38

#### 2-5-2) Separation of the CEO and the Chairman of BOD and convening procedure for BOD, and the composition principles of BOD (Soo-man Lee's Shareholder Proposal)

AS-IS	TO-BE
<p><b>Article 38. (Composition and convocation of BOD)</b></p> <p>① The BOD is composed of directors and resolves material matters of Company's business.</p> <p>② In case there is a representative director(CEO) or a director separately designated by the BOD, such designated director shall convene the BOD meeting by notifying each director and auditor by the day before the meeting.</p> <p>③ Other directors who are not designated as convening authority pursuant to the Clause 2 may request the convening of the BOD meeting by director who has convening authority. If director who has convening authority refuses to convene the BOD meeting without a proper reason, the other directors who requested the convening may convene the BOD meeting under joint names.</p> <p>④ In case all directors and auditors agree, the convening procedure in Clause 2 may be omitted.</p>	<p><b>Article 38. (Composition and convocation of BOD)</b></p> <p>① The BOD is composed of directors and resolves material matters of Company's business.</p> <p>② The chairman of BOD is appointed annually by a resolution of the BOD among non-inside directors.</p> <p>③ The BOD meeting is convened by the chairman of BOD (or designated director, if there is one designated by the BOD) by notifying each director and auditor one week prior to the date of the meeting.</p> <p>④ Other directors who are not designated as convening authority pursuant to the Clause 3 may request the convening of the BOD meeting by director who has convening authority.</p> <p>⑤ In case all directors and auditors agree, the convening procedure in Clause 3 may be omitted.</p> <p>⑥ All directors of BOD shall not be composed of directors of a specific gender.</p>

## 2. Amendments to the Articles of Incorporation

### 2-6) Addition of Article 38-2

#### 2-6-1) Establishment and Composition of Board Committees (BOD proposal)

AS-IS	TO-BE
<p>(Addition of New Article)</p>	<p><b>Article 38-2. (Board Committee)</b></p> <p>① Company establishes the following Board Committees by resolution of BOD.</p> <ol style="list-style-type: none"> <li>1. Outside Director Recommendation Committee</li> <li>2. Internal Transaction Committee</li> <li>3. Compensation Committee</li> <li>4. Governance Committee</li> <li>5. Other Board Committee deemed necessary by BOD</li> </ol> <p>② Among the committees under Clause 1, the Outside Director Recommendation Committee shall consist of three or more outside directors, and the remaining committees shall consist of three or more non-inside directors each, with at least two-thirds of the total number being outside directors, and the chairman of each committee shall be among outside directors.</p> <p>③ Details of the composition, authority, and operation of each committee shall be determined by a resolution of BOD.</p> <p>④ The Board Committee shall apply correspondingly to provisions of Articles 38 Clauses 3 through 5, Article 39 and Article 40.</p>

## 2. Amendments to the Articles of Incorporation

### 2-6) Addition of Article 38-2

#### 2-6-2) Establishment and Composition of Board Committees (Soo-man Lee's Shareholder Proposal)

AS-IS	TO-BE
<p>(Addition of New Article)</p>	<p><b>Article 38-2. (Board Committee)</b></p> <p>① Company establishes the following Board Committees by resolution of BOD.</p> <ol style="list-style-type: none"> <li>1. Outside Director Recommendation Committee</li> <li>2. Internal Transaction Committee</li> <li>3. Compensation Committee</li> <li>4. Governance Committee</li> <li>5. Other Board Committee deemed necessary by BOD</li> </ol> <p>② The committees under Clause 1 shall consist of three or more directors, with at least two-thirds of the total number being outside directors, and the chairman of each committee shall be among outside directors.</p> <p>③ Details of the composition, authority, and operation of each committee shall be determined by a resolution of BOD.</p> <p>④ The Board Committee shall apply correspondingly to provisions of Article 39 and Article 40.</p>

## 2. Amendments to the Articles of Incorporation

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### 2-7) Addition of Article 38-3 (BOD Proposal & Soo-man Lee's Shareholder proposal)

AS-IS	TO-BE
(Addition of New Article)	<p><b>Article 38-3. (Compliance Assistant)</b></p> <p>① Company shall appoint one or more compliance assistant in charge of compliance with compliance standards through a resolution of BOD, and establish and operate compliance control standards in accordance with Article 542-13 of the Commercial Act.</p> <p>② The compliance assistant shall inspect compliance with the compliance control standards and report the results to the BOD.</p> <p>③ Other issues necessary for compliance control standards and compliance assistant shall be in accordance with Article 542-13 of the Commercial Act.</p>



## 3-1. Appointment of Inside Directors, Cheol Hyuk Jang

***Currently the CFO of SM, a CPA, expert in Finance/Accounting/M&A***

***For SM 3.0, this candidate is capable of improvement of financial efficiency and making investment decisions***



**Cheol Hyuk Jang/ born in 1974**

Newly Appointed

### [Main Career activities]

- For 13 years at KPMG and PwC, served for accounting audit, acquisition/sale advisory, acquisition due diligence, corporate valuation, and sales/purchase advisory of non-performing loans.
- Served for BodyFriend's overseas business, planned and executed all business processes, for establishment of subsidiaries in Shanghai and LA, setting up overseas subsidiaries, and B2C/B2B sales.
- Served as CFO at Skin Food and Donga Tanker, the PE investees of Pine Tree Partners, and performed organizational improvement work to turn around insolvent companies
- Joined SM as CFO in 2022 and in charge of Accounting, Tax, Finance and IR

### [Academic Career / Backgrounds ]

- Master's degree in Business Administration at Korea University
- Bachelor's degree in Business Administration at Korea University
- CFO of SM ENTERTAINMENT (Present)
- CFO of Skin Food / DongaTanker
- Head of Global Biz and M&A at BodyFriend
- Director of Samil PwC Accountings Deal Divisions 2
- Worked at KPMG Auditor Division 2

### [Plan for the Future]

- **This candidate will increase the financial efficiency through the sale of non-core assets and efficient fund management, for SM 3.0.**
- Execute only the necessary investments through careful examination on the establishment of music publishing subsidiaries and related investments, independent decision-making for internal and external labels, acquisition of labels in the music field, etc.
- He will settle ERP project currently being built by SM by 2023 to improve accounting transparency and systematize management accounting.

## 3-2. Appointment of Inside Directors, Jeongmin Choi

***Head of the SM ENTERTAINMENT Global Business Center with expertise in International A&R and global business expansion. This candidate can establish global PR strategy and maximize overseas branch profits under SM 3.0 through careful business review.***



**Jeongmin Choi/ born in 1978**

Newly Appointed

### [Main Career activities]

- Cooperated with overseas partners and Global marketing for SM Artists, as a Head of Global Marketing/Business Center.
- In charge of SMTOWN performances, successfully completed performances in LA and France.
- Established SM Entertainment USA and produced BoA's US album. Focused on discovering and managing famous/rookie choreographer.
- Built a cooperative system with overseas composers and producers in Europe, the U.S., and Australia, and pioneered a new field of international A&R work in Korea, since 2004.

### [Academic Career / Backgrounds ]

- Bachelor's degree in Music Management at Georgia State University
- Head of Global Business Center of SM ENTERTAINMENT (Present)
- Head of International Support Center of SM ENTERTAINMENT
- Head of International Marketing Team of SM ENTERTAINMENT
- Head of International Agency Team of SM ENTERTAINMENT
- Producing/marketing manager of SM ENTERTAINMENT USA
- Worked for SM ENTERTAINMENT's A&R/Publishing Team
- Worked for SM ENTERTAINMENT's Casting/Training Team

### [Plan for the Future]

- Under SM 3.0, no difference on schedule of album releases and MDs between domestic and foreign countries, and enhance the synergy of global PR by allowing global fans more opportunities for SM's performances and songs upon release.
- Maximize synergy with the HQ and profits of overseas branches through reorganization and expansion of business, by careful review of talent recruitment, budget execution, strategy, and business structure.

## 3-3. Appointment of Inside Directors, Ji Won Kim

**After joining SM in 2000, this candidate established marketing strategies and external PR for 20 years, and is currently the head of SM Marketing Center. An external PR expertise optimized for SM 3.0 who can lead global PR strategy establishment**



**Ji Won Kim/ born in 1976**

Newly Appointed

### [Main Career activities]

- Joined the company in 2000, she has been in charge of Media PR and external PR of the Artists for the past 20 years, enhancing the value of IP through effective communication with the media.
- After becoming the Head of the Marketing Center from 2020, she has established marketing strategies for Artists in line with the fast-changing media environment such as YouTube, Facebook, and Twitter.
- By using IT Tech, she opened an official communication channel between artists and global fandoms, and planned contents to strengthen Fandustry by enabling on/off-line communication with fandoms.

### [Academic Career / Backgrounds ]

- Bachelor's Degree in French Language and Literature at Cheongju University
- Head of Marketing Center of SM ENTERTAINMENT (Present)
- Executive of SM ENTERTAINMENT (Present)
- Head of Media Planning Division of SM ENTERTAINMENT
- Head of Media PR team of SM ENTERTAINMENT

### [Plan for the Future]

- For establishment of a multi-production center, the core of SM 3.0, enhance communication capabilities of each team for specialized external PR for each Artist and manage IP Archive and maximize IP value.
- To expand SM Fandustry, develop various contents for our fans, while focusing the capabilities of the relevant teams increasing profits through the fandom business.
- Contribute to global business expansion through a comprehensive external PR strategy that integrates domestic and foreign markets for SM 3.0 Global Strategy.

## 4-1. Appointment of Outside Directors\_Kyu Shik Kim (1)

*As an Attorney, Portfolio Manager and Chairman of the Korea Corporate Governance Forum,  
Specialized to establish global standard corporate governance and enhance shareholder value for the success of SM 3.0*



**Kyu Shik Kim/ born in 1968**

Newly Appointed

### [Main Career activities]

- As an attorney, he has advised several shareholder activism funds and ESG funds for 10+ years and is familiar with the laws and regulations related to corporate governance.
- Worked as full-time legal advisor at Brain Asset Management(BAM), the former major shareholder of SM and has a high understanding of the factors hindering SM's growth.
- Served as an outside director of Park Systems since 2019 and Reappoint in 2022.
- Working as Hedge Fund portfolio manager, he mainly invests in growth stocks in the US and KR markets.

### [Academic Career / Backgrounds ]

- Bachelor's degree in Public Law at Seoul National University
- Chairman of Korean Corporate Governance Forum's (Present)
- Portfolio Manger of Ternary Fund Management (Present)
- Outside Director of Park Systems Corp. (Present)
- Executive Director of Prime Asset Management
- Legal Advisor of Financial Supervisory Service
- Attorney of Jehyun Attorneys at Law

### [Plan for the Future]

- This candidate will establish SM's corporate governance in line with global standards, for success of SM 3.0, while maintaining diversity and autonomy of SM, based on expertise in investment/law/corporate governance accumulated while serving as a attorney, portfolio manager, and chairman of the Korea Corporate Governance Forum.
- This candidate will fulfill duty in good faith for the growth of profits for all shareholders, based on the belief that sustainable growth can be achieved only by the independence of BOD being secured.

# 4-1. Appointment of Outside Directors\_Kyu Shik Kim (2)

## Kyu Shik Kim(Current Outside Director of Park Systems Corp.)'s Participation Certificate to BOD meeting of Park Systems Corp.

**Park Systems Corp.** www.parksystems.com

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Enabling Nanoscale Advances

문서번호 : GA2023- 07호  
 작성일자 : 2023년 02월 20일  
 수 신 : 김규식 사외이사  
 참 조 :  
 발 신 : 파크시스템스㈜ 전무이사 조연욱  
 제 목 : 이사회 참석 확인서

1. 귀하께서는 당사의 사외이사로서 항상 적극적인 참여와 의견개진을 해 주시는 점에 대하여 감사의 말씀을 드립니다.
2. 귀하께서는 아래와 같이 당사의 2021년도 정기이사회에 모두 참석하였음을 확인합니다.

- 아 래 -

일자	참석여부	참석방법
2021.02.10	참석	Zoom
2021.05.13	참석	Zoom
2021.08.11	참석	Zoom
2021.11.10	참석	대면참석

- 온라인 참석 증빙은 첨부 회의사진 참조

3. 다만 대면소집의 이사회였고 전자서명을 위한 IT 미비로 인하여 Zoom으로 참석한 김규식 이사의 서명을 의사록에 받지 못하여 공시자료에는 불참으로 표시하였습니다.
4. 항상 도움 주심에 깊은 감사드립니다.

파크시스템스㈜ 경영지원부 전무이사 조 연 욱

날짜	이사회	증빙
2021-02-10	2021년 4분기 결산 이사회	
2021-05-13	2021년 1분기 이사회	
2021-08-11	2021년 2분기 이사회	

The absence Kyu Shik Kim to BOD meeting written in the Park Systems' announced documents is due to the lack of IT for electronic signature. Kyu Shik Kim attended all Park Systems regular BOD meetings held in 2021.

## 4-2. Appointment of Outside Directors\_Taehee Kim

*Specialized in Finance, Tax, Accounting by (approx.) 26 years of practical experience as an administrative official, court judge, and attorney.  
This candidate can support the establishment of SM's internal control system and response to tax issues  
as a representative attorney (present) of Pyeongsan Law Firm*



**Taehee Kim/ born in 1975**

Newly Appointed

### [Main Career activities]

- Performed in field of tax administration, corporate law, corporate crime, and provided dispute resolution and advisory services in the fields of finance/tax/accounting for 26 years, as a public official of the National Tax Service and a former court judge.
- Served as a judge at the Civil Agreement Department and the Seoul Administrative Court, and specialized in responding to administrative sanctions and taxation due to corporate violations
- After serving as a partner attorney at Law Firm Lee & Ko, she became a representative attorney at Law Firm Pyeongsan. She is also specialized in taxation, finance/accounting, corporate crime-related issues and responding to investigation, and rehabilitation.
- Published 'Act on Punishment of Tax Offenders' and is continuously publishing revised editions.

### [Academic Career / Backgrounds ]

- ABD in Korea University (Administrative Law)
- 39<sup>th</sup> JRTI Completion (passed 49<sup>th</sup> bar exam)
- Representative Attorney at Pyeongsan Law firm (Present)
- Non-executive Judge at Prime Minister Tax Tribunal (Present)
- Executive at Tax Law Association (Present)
- Partner Attorney at Lee & Ko
- Judge at Seoul Administrative Court
- Worked at National Tax Service

### [Plan for the Future]

- Expertise specialized in fields of transparent management, taxation, finance, accounting, corporate violations, administrative restriction, with 26 years backgrounds as representative attorney of Pyeongsan law firm (present), as well as an administrative official, court judge.
- Based on the above, as a member of BOD, this candidate will actively and faithfully perform duties to establish internal control, transparent management and fair distribution, and enhance corporate value.

## 4-3. Appointment of Outside Directors\_Jeong Bin Moon

***Governance Expert who devoted himself to ESG/sustainability management research as a professor at Korea University. This candidate can contribute to enhancing SM's sustainable shareholder value based on related expertise and backgrounds.***



**Jeong Bin Moon / born in 1972**

Newly Appointed

### [Main Career activities]

- Researched and lectured global strategy and ESG/sustainability management for 15 years, as a professor at Korea University. Since 2007, this candidate has devoted himself to ESG-related research and has published 16 papers about ESG in national/international academic journals.
- He lectured about ESG at many domestic listed companies, including Samsung and LG, and has contributed articles related to ESG through media such as SERI CEO and Dong-A Business Review.
- Served as a Supreme Prosecutor's Office case evaluation committee member, analyzing and evaluating cases of acquittal after indictment, including breach of trust by the CEO of a listed company.

### [Academic Career / Backgrounds ]

- Doctor's degree in Business Administration at UPenn
- Master's degree in Economics at LSE
- Bachelor's degree in Economics at Seoul National University
- Professor at Korea University (Business Administration)(Present)
- Chief Editor of Journal of Strategic Management (Present)
- Editor of Strategic Management Journal (Present)
- Member of Supreme Prosecutor's Office Case Evaluation Committee (Present)

### [Plan for the Future]

- Based on expertise and backgrounds on ESG/sustainability management, this candidate will perform its duties to make SM to become a sustainable company by enhancing long-term shareholder profits through coexistence with stakeholders.
- As this candidate has is no specific interests in SM or major shareholders, he can perform his duties independently as an Outside Director, and strive to enhance the sustainability of SM by improving performance in each aspect of ESG.

## 4-4. Appointment of Outside Directors\_Kyung Hwan Min

**Currently, Partner of Blocore, a leading blockchain project investment company, and Former Managing Director of Google Play Korea. Specialized in AI, metaverse, and blockchain, for SM ENTERTAINMENT's new growth engines.**



**Kyung Hwan Min/ born in 1979**

Newly Appointed

### [Main Career activities]

- This candidate, a partner of Blocore, is investing in global projects related to various new technologies such as blockchain, metaverse, and NFT, based on his various experiences in platforms, games, and contents.
- Led collaboration with various national/international developers and manufacturers such as Samsung for the successful development and launch of various technologies and devices such as VR, AR, and wearable devices.
- Led the Google Play business, and made Google Play becoming the largest mobile platform in Korea through partnerships with various apps and developers.

### [Academic Career / Backgrounds ]

- Bachelor's degree in Material Engineering in Seoul National University
- Partner at Blocore (Present)
- Executive director at Google Play Korea, Google
- Korean lead of Global Product Partnerships, Google
- Korean lead of AdSense, Google

### [Plan for the Future]

- This candidate will provide advise on AI, metaverse, and blockchain, which are currently hot topics in the global entertainment industry, based on IT expertise accumulated over 15 years and a deep understanding of companies and markets.
- He clearly understands that he must be in an independent position as an Outside Director from the largest shareholder, and plans to make transparent and independent decisions and perform duties for the long-term growth of SM and maximization of corporate value.



## 4-5. Appointment of Outside Directors\_Seungmin Lee

*A legal expert who holds both KR and UK bar licenses and has backgrounds in multiple cases of overseas IP disputes. This candidate is able to respond to legal issues accompanying SM ENTERTAINMENT's global business expansion.*



Seungmin Lee/ born in 1978

Newly Appointed

### [Main Career activities]

- This candidate is KR and UK attorney, was a key role in various high-profile international disputes since 2007 when she joined SHIN & KIM Law Firm after graduating from the JRTI.
- While in SHIN & KIM Law Firm, she served as a counselor at the LCIA Secretariat and as a foreign lawyer at a law firm in Singapore in 2016. Currently, she is head of the Singapore office of Peter & Kim, a law firm specializing in international arbitration.
- Multiple experiences in handling cases related to IP infringement and license disputes in overseas markets for Korean contents.

### [Academic Career / Backgrounds ]

- L.L.M. at National University of Singapore
- ABD in Seoul National University Law School
- Bachelor's degree in Humanities in Seoul National University
- Partner Attorney at Peter & Kim (Present)
- Partner Attorney at SHIN & KIM LLC
- Foreign Attorney at Oon & Bazul LLP

### [Plan for the Future]

- This candidate hold KR and UK attorney licence and is a head of Singapore office of Peter & Kim. Based on her experience and expertise in handling a number of disputes between shareholders and overseas IP disputes, she will provide advice for IP protection when SM ENTERTAINMENT expands its global business.
- She will utilize a number of overseas-related work and current Singapore work experiences and networks.
- By her experience of pleading in English in various disputes, She will be able to smoothly represent the interests of SM ENTERTAINMENT in overseas negotiations and meetings.

## 4-6. Appointment of Outside Directors\_Seong Moon Cho

***CEO of Charmetric, a music data analysis company serving global top-tier labels and music distributors as customers. This candidate can contribute to marketing strategy of SM 3.0 on adopting multi-label system, global business expansion, and big data analysis, which are the core strategies.***



**Seong Moon Cho/ born in 1977**

Newly Appointed

### [Main Career activities]

- Worked for 7 years as a founding member of Gamevil (now, Com2us Holdings), contributed to the growth of a 5-person company into a 100-person company.
- Invested in 10+ startups located in New York, San Francisco, and Seoul, such as Noom, Ringle English, and EO Studio, and as an investor, communicated with the CEO for a long time and helped the company grow.
- Chartmetric was founded in 2015 and has grown into a company with a unique position in the music industry, securing approximately 4K customers in the US and Europe, including the top 3 US labels.

### [Academic Career / Backgrounds ]

- M.B.A., UCLA Anderson School of Management
- Bachelor's degree in Electronic information engineering/Computer Engineering at Seoul National University
- CEO of Chartmetric (Present)
- Scrun Ventures Venture Partner
- Oracle Corporation Principal Product Manager
- Worked at VP Engineering team of Gamevil (now, Com2us Holdings)

### [Plan for the Future]

- Chartmetric has been active in the US music industry for 7 years since foundation, working with large and indie labels, artist management, and distributors as customers and partners, and has a good understanding of the US music industry ecosystem. Thus, this candidate can support SM, based on understanding of Multi Label System, the core strategy of SM 3.0.
- He can discover and recommend personnel who will help SM grow in the US and major countries, by diverse network of experts and young talents in the global music industry.

## 5-1. Appointment of Part-time Directors\_Chang Hwan Lee

***Experienced successful M&A and investee company management at global financial companies such as Goldman Sachs and KKR. This candidate is able to establish strategy for enhancing shareholder value, as the current representative of ALIGN Partners, which led the shareholder action campaign for SM.***



Newly Appointed

**Chang Hwan Lee / born in 1986**

### [Academic Career / Backgrounds ]

- Bachelor's degree in Business Administration at Seoul National University
- CEO and founder of ALIGN Partners (Present)
- Director of Kohlberg Kravis Roberts(KKR), in charge of Korean market
- Analyst at Goldman Sachs

### [Main Career activities]

- Conducted a shareholder campaign for SM ENTERTAINMENT, led the shareholder proposal for the appointment of auditor, and executed an agreement with SM on governance improvement.
- Led the acquisition of a 1% stake in Woori Financial Holdings and a 14% stake in JB Financial Holdings, and a shareholder campaign targeting 7 major financial holding companies, drawing acceptance from many companies.
- Awarded Innovator Award from '2022 1<sup>ST</sup> Korean Corporate Governance Forum'
- Selected as candidate of '10 Capital Market people of the year, 2022'
- Led/participated in successful trades such as OB Beer and KCFT, while working at KKR

### [Plan for the Future]

- This candidate will proceed with necessary measure to verify internal transactions with related parties and Soo-man Lee, through Inside Transactions Committee.
- He will lead the employee compensation plans, increase in the ratio of performance-linked compensation, and increase in the ratio of long-term stock-linked compensation, based on his experience at KKR.
- And he will lead the SM BOD to act for the proportionate benefit of all shareholders.
- In case of large-scale investments under SM 3.0, he will provide with advice on good investments and M&A that will benefit SM, based on his experience and network at Goldman Sachs and KKR.

## 5-2. Appointment of Part-time Directors\_Yoon Joong Jang

***Former CEO of Sony Music Korea, Global Strategy Officer of Kakao Entertainment (Present), Korea's top entertainment expert who was selected twice as an International Power Player by Billboard.***

***This candidate is able to contribute to the establishment and execution of SM's global business expansion strategy.***



**Yoon Joong Jang/ born in 1981**

Newly Appointed

### [Main Career activities]

- This candidate started at Sony Music, one of the 3 major global labels, as head of music/content digital licensing, new business, partner management, and external cooperation. After that, he served as vice president of marketing, A&R, business development, and digital business divisions, and served as CEO of Sony Music Korea and joint general manager of Asia Hub. Then he completed the C-level course, as being selected as the first Korean to become a Global C-level executive candidate at Sony Group.
- As a GSO of Kakao Entertainment, he is focusing on the global expansion strategy.

### [Academic Career / Backgrounds ]

- Bachelor's degree in English Linguistics/Sinology at HUFS
- GSO of Kakao Entertainment (Present)
- CEO of Kakao Entertainment USA (Present)
- General Director of More Vision Inc. (Present)
- CEO of Sony Music Entertainment Korea/Asia
- Consulting Analyst Frost & Sullivan ICT Division
- Worked for IT business team at LG INTERNATIONAL CORP.

### [Plan for the Future]

- This candidate is a global music expert serving as Vice President/GSO of Kakao Entertainment and CEO of Kakao Entertainment's USA, he has 15 years of expertise and backgrounds in global music and entertainment while serving as CEO/President at Sony Music Entertainment Korea. /accumulate know-how.
- Based on expertise in the global music and entertainment industry and understanding of the market, he will actively provide opinions for global expansion and transparent corporate governance, including the opinions on current management/operation issues of SM ENTERTAINMENT.

## 7. Approval of the Limit of Remuneration for Directors & Auditors

### 7. Approval of the Limit of Remuneration for Directors (KRW 6B)

- Compared to the previous year, the number of board members increased by up to 14, while maintaining remuneration limit

(KRW: bn)	FY2021	FY2022	FY2023
Number of Directors	4	4	Max. 18
Number of Inside Directors	3	3	Max. 6
Limit	60	60	60
Actual Remuneration	19.7	52.1	-
Limit Exhaustion Rate	33%	87%	-

### 8. Approval of the Limit of Remuneration for Auditors (KRW 200M)

- Maintaining Remuneration limit

(KRW: bn)	FY2021	FY2022	FY2023
Number of Auditors	1	1	Max. 2
Limit	2	2	2
Actual Remuneration	1.6	1.6	-
Limit Exhaustion Rate	80%	80%	-

# [APPENDIX]

# 1. Financial Statement Summary

## [Consolidated P/L]

(KRW bn)	FY2020	FY2021	FY2022
<b>Revenue</b>	5,799	7,016	8,484
Cost of Revenues	3,811	4,372	5,510
<b>Gross Profit</b>	1,988	2,644	2,974
Selling and Administrative Expenses	1,923	1,969	2,039
<b>Operating Profit</b>	65	675	935
Other Non-Operating Income	67	257	197
Other Non-Operating Expenses	313	176	101
Financial Incomes	44	80	127
Financial Expenses	138	68	60
Share of Profit(Loss) of Associates and JVs	(130)	263	154
<b>Income Before Income Tax</b>	(406)	1,731	1,253
Income Tax	398	399	362
<b>Net Income</b>	(803)	1,332	891

## [Consolidated B/S]

(KRW bn)	FY2020	FY2021	FY2022
Tangible Assets	6,465	7,695	8,365
Intangible Assets	4,224	5,455	6,287
<b>Total Assets</b>	10,689	13,149	14,652
Current Liabilities	4,338	4,007	4,597
Non-current Liabilities	189	1,258	1,125
<b>Total Liabilities</b>	4,527	5,265	5,721
Controlling Interest Equity	4,318	6,162	7,025
Capital Stock	117	119	119
Minority Interest	1,843	1,722	1,906
<b>Total Shareholder's Equity</b>	6,161	7,884	8,931
<b>Total Liabilities and Shareholder's Equity</b>	10,689	13,149	14,652

## 2. Financial Statement Summary

### [Separate P/L]

(KRW bn)	FY2020	FY2021	FY2022
<b>Revenue</b>	3,026	4,172	5,121
Cost of Revenues	1,861	2,455	3,035
<b>Gross Profit</b>	<b>1,165</b>	<b>1,717</b>	<b>2,087</b>
Selling and Administrative Expenses	803	976	1,086
<b>Operating Profit</b>	<b>362</b>	<b>741</b>	<b>1,000</b>
Other Non-Operating Income	54	249	104
Other Non-Operating Expense	156	60	72
Financial Income	45	84	91
Financial Expenses	76	41	53
Investment in Associates, JVs and Subsidiaries	(205)	(19)	-21
<b>Income Before Income Tax</b>	<b>24</b>	<b>953</b>	<b>1,049</b>
Income Tax	324	343	348
<b>Net Income</b>	<b>(300)</b>	<b>610</b>	<b>701</b>

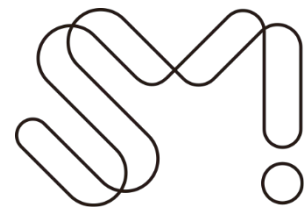
### [Separate B/S]

(KRW bn)	FY2020	FY2021	FY2022
Tangible Assets	2,089	3,204	3,724
Intangible Assets	3,327	3,849	4,409
<b>Total Assets</b>	<b>5,416</b>	<b>7,053</b>	<b>8,133</b>
Current Liabilities	1,556	1,540	1,856
Non-current Liabilities	81	992	932
<b>Total Liabilities</b>	<b>1,636</b>	<b>2,533</b>	<b>2,789</b>
Capital	117	119	119
Capital Surplus	2,390	2,557	2,651
Accumulated other comprehensive income	(2)	(58)	16
Other Capital	(48)	(94)	-44
Earned Surplus	1,323	1,997	2,601
<b>Total Capital</b>	<b>3,780</b>	<b>4,520</b>	<b>5,344</b>
<b>Total of Liabilities and Capitals</b>	<b>5,416</b>	<b>7,053</b>	<b>8,133</b>



### 3. Surplus Appropriation Statement

(KRW bn)	FY2020	FY2021	FY2022
Retained earnings before appropriations	1,323	1,997	2,597
Unappropriated retained earnings carried over from prior years	1,616	1,323	1,946
Net income	(300)	610	701
Remeasurement of the net defined benefit liability	7	1	25
Disposal of equity investments at FVOCI - reclassification of changes in fair val.	-	64	(75)
Appropriations of Retained earnings	-	(51)	(312)
Unappropriated Retained Earnings to be carried over to Subsequent Year	1,323	1,946	2,284



SM ENTERTAINMENT

**SM Makes it**