

Confirmation of agenda for Korea Zinc AGM is positive reflecting MBK/Young Poong's shareholder proposal, but chair of meeting should be BoD chair, not CEO

Independent directors should consider interests of all shareholders fairly, rather than interests of specific shareholders

The OECD emphasizes that competition for control must be allowed

Regarding the investment in the U.S. smelter, measures must be sought that do not dilute the interests of existing shareholders for investor protection

The board of directors needs to choose an option that maximizes benefits for minority shareholders among several alternatives

Vice Chairman Kim of Hanwha Group, Chairman Koo of LG Group, and Chairman Chung of Hyundai Motor Group are urged to sell their equity stakes in Korea Zinc

Duty of loyalty to shareholders is essential; it applies to the operation of the shareholder meeting too

The board should take the lead in re-announcing a value-up plan that can eliminate uncertainty and create predictability

The compensation of the honorary chairman in his 80s exceeds the total compensation of 13 independent directors; the three Presidents (incl Co-CEOs) do not hold any shares; stock reward should be introduced to correct this abnormal situation

On February 12th, Young Poong and MBK Partners announced that they submitted shareholder proposals to Korea Zinc to normalize corporate governance and restore shareholder value ahead of the 52nd AGM scheduled for March. On February 23th, the Korea Zinc board agreed to include all items in the MBK/Young Poong proposal in the AGM agenda except for the appointment of an interim chair for the AGM. The Forum welcomes the shareholder proposals sent to Korea Zinc and the board. We also are positive on the board's confirmation of the 2026 AGM agenda. The Korea Zinc board believes that the appointment of an interim chair for the AGM conflicts with its articles of incorporation; however, given that the recent shareholder meetings proceeded chaotically, it is more appropriate for the chair of the board to take on this role rather than the CEO, who has a high possibility of a

conflict of interest.

Executive Chairman Yun B. Choi, Co-CEOs Park and Jung, 12 independent directors and non-executive directors must approach the deliberation and resolution of agenda items with sincerity, considering the interests of all shareholders fairly rather than the private interests of specific shareholders. The following proposals from Young Poong and MBK will help enhance shareholder rights and increase certainty:

1. Restoring the original functions of the board:

- A. Specify the directors' duty of loyalty to shareholders through amendments to the articles of incorporation;
- B. Introduce an executive officer system;
- C. Change the articles of incorporation to have the chair of the meeting be the chair of the board rather than the CEO; and
- D. Extend the notice period for board meetings from one day before to three days before.

2. Financial proposals to enhance shareholder value:

- E. 10-for-1 stock split; and
- F. Convert the discretionary reserve of 392.4 billion won into undistributed earnings surplus that can be paid as dividends, ensuring that quarterly dividends can be provided even after the complete retirement of treasury stocks

3. Appointment of five independent directors and other non-executive directors

4. Amendment of excessive severance pay regulations

According to the G20/OECD Principles of Corporate Governance 2023, competition for control must be allowed (under the premise of efficiency and transparency). The OECD criticized existing management and boards for opposing attempts at takeover by third parties (building trenches) to evade responsibility. This process emphasized the duty of care and loyalty of the board of directors of the target company. Current and new directors of Korea Zinc are advised to prioritize the interests of all shareholders based on duty of care rather than serving the private interests of specific shareholders.

With the amendment of the Commercial Act, directors of Korea Zinc have legal responsibilities to consider not only the company's interests but also the overall interests of shareholders. In recent years, infringements on Korea Zinc shareholder rights have mainly occurred through capital increases, treasury stock swaps, and lopsided board and shareholders' meetings. Directors must always protect existing shareholders, but the duty of loyalty to shareholders has not been upheld. The board

approved share swaps mediated by treasury stocks with the LG Group and Hanwha Group in 2022. Under the pretext of establishing a strategic partnership, Korea Zinc and LG Chem exchanged treasury stocks worth 257.6 billion won in November 2022. LG Chem, which has seen its financial position deteriorate, still retains a 2% stake (391,547 shares) in Korea Zinc. Similarly, Hanwha-affiliated companies own 8% of Korea Zinc shares. The Hyundai Motor Group acquired a 5% stake in Korea Zinc through a third-party placement for its U.S. subsidiary HMG Global in September 2023.

The recently passed third amendment to the Commercial Act, which mandates the retirement of treasury stocks, aims to prevent the infringement of shareholder rights through such treasury stock use. The use of treasury stocks by leading Korean companies to form mutual shares poses a challenge to the National Assembly, government, market, and shareholders. Vice Chairman Kim of Hanwha, Chairman Koo of LG, and Chairman Chung of Hyundai Motor are encouraged to sell their holdings in Korea Zinc, which are 8%, 2%, and 5% respectively, in the market.

The cross shareholdings based on treasury stocks, the third-party equity placement related to the Hyundai Motor Group, together with sudden, large scale rights offerings have seriously infringed on the rights of minority shareholders in the past 1-2 years. In late 2024, the board resolved to repurchase treasury stock at W890,000 (W1.8 trillion), and shortly after, decided on a W2.5 trillion capital increase at W670,000. During that time, trust in the management and board plummeted, resulting in extreme volatility in the stock price for 4-5 months.

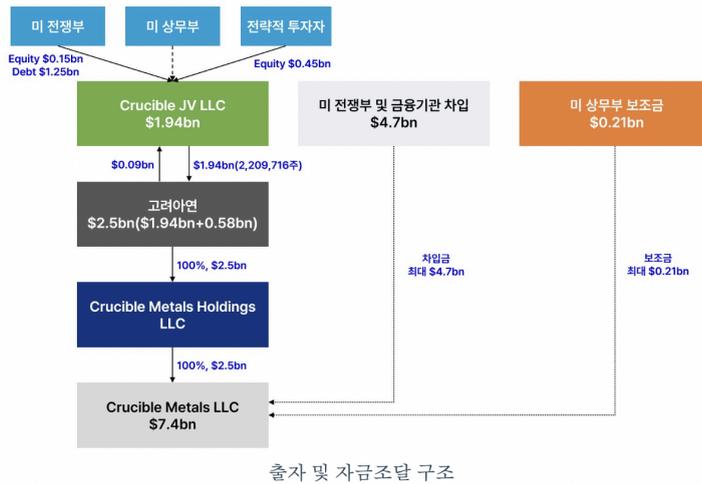
On December 16th of last year, Korea Zinc's stock price plummeted by 14% and remained weak for nearly a month. The reason was the announcement of a third-party equity placement of W2.85 trillion (US\$1.9 billion) that diluted existing shareholders' stakes by 10.3% while promoting the construction of a U.S. smelter. Since the duty of loyalty to shareholders was specified for directors in July of last year, in case of 3rd party equity placement, there must be a substantive review to determine whether it aligns with the protection of total shareholder interests and equitable treatment of all shareholders. The issuance of 2.2 million new shares to a third party should be demonstrated through disclosures as the method that "best protects the interests of all shareholders" among several alternatives, rather than simply being a "necessary method for business."

According to the directors' duty of loyalty to shareholders, when making significant decisions such as the investment in the U.S. smelter, the board must thoroughly review multiple possible options through cash flow forecasts and financial analysis, selecting the one that is in the best interest of all shareholders. However, there has been no adequate comparative review or explanation provided about why the third-party equity placement alternative was chosen in any public disclosures or company materials. From the perspective of minority shareholders, this is difficult to accept.

The current JV structure goes beyond unusual practical norms and is a shareholder-infringing measure that dilutes the equity value of existing shareholders via a 10.3% increase in the number of shares. Even in practical terms, the JV partner

being the U.S. government is unprecedented; acquiring new shares in Korea Zinc's parent rather than the JV subsidiary is rare. There are very few cases where the U.S. government acquires stakes in private companies, such as 10% in Intel and 15% in MP Materials. From the perspective of the duty of loyalty to shareholders, we believe the Korea Zinc board had an obligation to find other optimal alternatives that could pursue the JV without diluting the equity value of existing shareholders.

Chart: Korea Zinc capital increase and U.S. smelter investment structure



(Source: Korea Zinc)

Duty of loyalty to shareholders applies not only to equity transactions but also to the operation of shareholders meetings. Korea Zinc should have the chair of the board, not the CEO, preside over the fair conduct of the 52nd AGM. All independent directors must attend the AGM and listen to shareholder opinions. Over the past 1-2 years, shareholder rights have been undermined in Korea Zinc's shareholder meetings due to irregularities. Having someone who could gain benefit or suffer losses himself become the interim chair of the AGM is abnormal.

We have concerns over its value-up plan. Currently, management sets the value-up plan and reports the progress to the board. The roles have been reversed. The board should be in the driver's seat. Directors should take the lead in reviewing the value-up plan. We recommend the board review, update and present a modified version that can eliminate uncertainty and create predictability from the minority shareholder perspective. The value-up plan announced in October 2024 is lacking in content. It does not include minimum details such as capital costs and capital allocation principles, and it does not appear to have been led by the board.

Compensation should be transparent and reasonable, serving as both carrot and stick for executives, employees and directors. The Young Poong and MBK shareholder proposal emphasized the need to reasonably amend the excessive severance pay regulations that apply the same maximum payout rate to the two Honorary Chairmen, who are the small uncles of Chairman Choi, to prevent cash

outflows to the family. Honorary Chairman Choi Chang-young (81 years old) and Honorary Chairman Choi Chang-geun (79), who are registered as full-time, recently received annual compensations of W1.23 billion and W1.24 billion, respectively. It is abnormal that the compensation of an honorary chairman who has stepped down from active duty exceeds the total compensation of 13 independent directors, which amounted to W1.03 billion in 2025. Independent directors make important decisions, monitoring management and coaching on long-term strategies (on behalf of shareholders). It is shocking that all three President-level executives (including Co-CEO Park and Jung, together with Jeong Moo-kyung) do not hold any company shares. Equity compensation should be introduced for executives, employees and independent directors to create long-term alignment with the company.

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Korean Corporate Governance Forum

Chairman Namuh Rhee