

December 28, 2024

RE: 2nd Letter to Shareholders from CEO of Korea Zinc Company

Dear Shareholders,

In this 2nd letter to our shareholders, I am writing to you to seek your support for the current management and Board of Directors of Korea Zinc at the upcoming Extraordinary General Meeting (the “EGM”) on January 23, 2025. *The outcome of this EGM is of paramount importance: it centers on safeguarding the future of our Company against an unsolicited and hostile takeover attempt by MBK Partners (“MBK”) and Young Poong Co., Ltd. (“Young Poong”).* As shareholders in Korea Zinc, you are entrusted with making a critical decision.

This letter aims to provide you with a comprehensive understanding of why the current management is best positioned to lead Korea Zinc, ensure long-term growth, and uphold shareholder value.

The Critical Question: Who Should Run Korea Zinc?

The upcoming EGM poses a simple but important question: **who is better fit to run Korea Zinc?** To answer this question, I encourage our esteemed shareholders to break the question into two parts:

- *Who Has a Proven Track Record?*
- *Whose Interests Are More Genuinely Aligned with Those of Korea Zinc’s Shareholders?*

In this letter, I will try to provide you with useful information and objective metrics that might be relevant in answering these two questions and making your judgment.

Who Has a Proven Track Record of Success?

As you are probably well aware as a shareholder of Korea Zinc, Korea Zinc through its current management has consistently delivered strong financial and operational results. In 2023, Korea Zinc achieved a shareholder return ratio of approximately 69%, among the highest in Korea, through dividends and share cancellation. This performance reflects our commitment to delivering value while executing our three-pronged future growth strategy, *a.k.a. the “Troika Drive,”* which will position Korea Zinc as an undisputed global leader in non-ferrous metals refining.

It has been more than 3 months since MBK and Young Poong launched a hostile tender offer against Korea Zinc, but to this day, MBK and Young Poong have not presented a viable business plan for Korea Zinc’s future. Instead, their partnership raises concerns about governance, operational expertise, and alignment with shareholder interests.

1. Comparison of Korea Zinc and Young Poong’s Financial Performance

It should be noted that Young Poong, who serves the role of a strategic investor in its consortium with MBK, has a starkly different financial and operating performance record, compared to Korea Zinc. To assist your understanding of the stakes at hand, we highlight some of the key performance metrics of Korea Zinc and Young Poong for your reference as follows:

- Past 10-year EBITDA Trend (on a standalone financial basis)

(Unit: KRW Bn)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Korea Zinc	757.0	777.4	868.0	948.0	859.6	944.8	998.8	1,160.6	1,163.5	924.5
Young Poong	70.0	107.5	112.1	75.2	20.7	99.7	67.4	(32.0)	(66.8)	(110.4)

Source: Bloomberg

- Past 10-year Total Dividend Payout Trend

(Unit: KRW Bn)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Korea Zinc	114.9	150.2	150.2	176.7	194.4	247.4	265.1	353.5	397.3	302.7
Young Poong	12.9	16.8	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2

Source: Dart filings

Note: Dividend of Korea Zinc in 2023 does not include KRW100 billion of treasury share cancellation

- Past 10-year Payout Ratio Trend (on a standalone financial basis)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Korea Zinc	24.8%	30.7%	28.0%	33.3%	42.2%	43.6%	47.2%	46.9%	60.5%	68.8%
Young Poong	38.6%	28.9%	21.1%	28.7%	47.1%	22.6%	37.1%	N/A	N/A	N/A

Source: Bloomberg

Note: Payout ratio of Korea Zinc in 2023 includes KRW100 billion of treasury share cancellation

N/A denotes "not applicable", as Young Poong reported a net loss in the respective years (2021 – 2023)

- Past 10-year Price-to-Earnings Ratio Trend

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Korea Zinc	14.2x	16.3x	14.2x	13.9x	14.5x	11.9x	12.4x	11.2x	13.1x	19.1x
Young Poong	16.6x	14.6x	11.3x	7.6x	11.6x	4.8x	7.0x	9.1x	2.8x	N/A

Source: Bloomberg

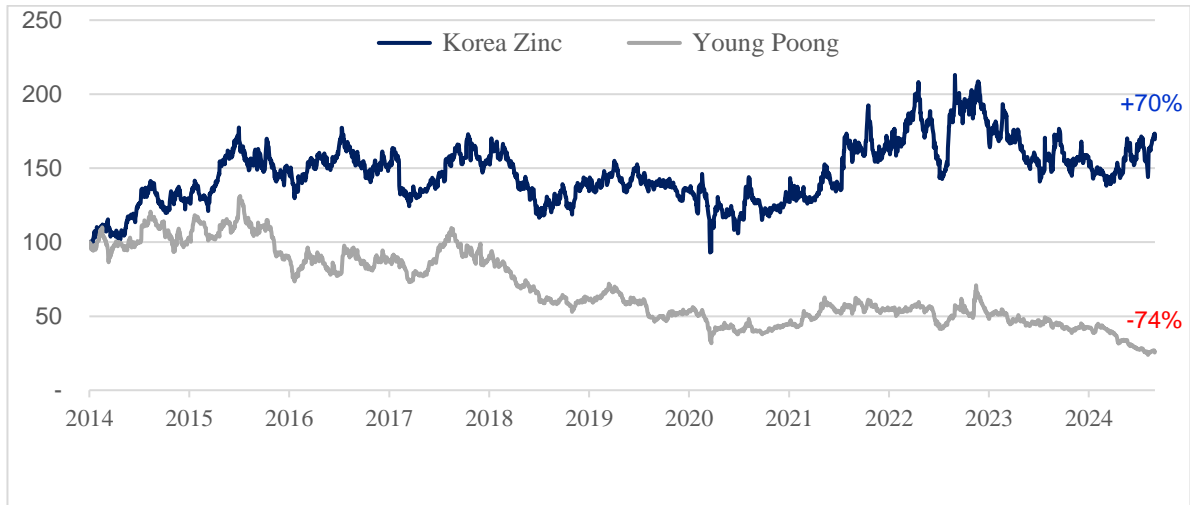
Note: N/A denotes "not applicable", as Young Poong reported a net loss in 2023 on a consolidated financial basis

- Past 10-year Price-to-Book Ratio Trend

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Korea Zinc	1.5x	1.6x	1.5x	1.5x	1.2x	1.1x	1.0x	1.2x	1.2x	1.1x
Young Poong	0.9x	0.7x	0.7x	0.6x	0.4x	0.3x	0.3x	0.3x	0.3x	0.2x

Source: Bloomberg

- Past 10-yr Share Price Trend



Period: Setting the start of 2014 to 100, Jan 2014 to the end of the month prior to MBK's tender offer commencement
Source: Bloomberg

- Korea Zinc has had no labor dispute for the past 36 consecutive years (since 1987), which is very rare in Korea.

2. Comparison of Korea Zinc and Young Poong's ESG Performance

Young Poong is a public company listed on the Korea Exchange and is the operator of a zinc smelter in Seokpo, Korea ("Seokpo Smelter"). That is where similarities between Young Poong and Korea Zinc end. Young Poong serves as a strategic investor of the consortium formed by Young Poong and MBK for their hostile takeover attempt against Korea Zinc. Korean investors and market participants familiar with Young Poong will find it difficult to understand why MBK, one of the largest private equity funds in Northeast Asia, has chosen Young Poong as its strategic partner due to Young Poong's consistent record of mismanagement.

On December 6, 2024, Young Poong was issued a 10-day suspension of operations by the Korean environmental agency due to a serious environmental and safety incident at its Seokpo Smelter (operating its sulfuric acid plant with gas detectors turned off for the second time). This serious violation of environmental and safety violation was preceded by a series of similar and grave violations. The Supreme Court of Korea ordered Young Poong, on November 1, 2024, to suspend its Seokpo Smelter operations for 60-day period due to wastewater discharge violations in connection with releasing massive amount of cadmium and other base metals into the adjacent river in violation of the Water Environment Conservation Act of Korea. Over the past decades, Young Poong's Seokpo Smelter has been continuously causing environmental damages, repeated safety accidents and workplace fatalities which resulted in the **incarceration of its CEO and COO**. Young Poong has been one of few companies scrutinized during the National Assembly audit almost every year for its environmental and safety violations and its persistent failure to provide viable solutions to its on-going environmental and safety problems. Please see below table for more details:

- Young Poong's Environmental & Safety Records

Category	Year	Violation Details	Remarks
Environmental	2018	Violation of Soil Environment Conservation Act	Orders for detailed soil investigation and remediation of contaminated soil, etc.

2018	Violation of Water Environment Conservation Act	Administrative action for illegal wastewater discharge, etc.
2019	Violation of Water Environment Conservation Act	Detection of improper operation of wastewater discharge and treatment facilities.
2019	Violation of Groundwater Act	Orders for groundwater purification and installation of leakage prevention facilities for contaminants, etc.
2019	Violation of Air Environment Conservation Act	Manipulation of measurement records for hazardous substances through measurement agency (1,868 cases over 3 years since 2016).
2023	Ongoing	As of the first half of 2023, cadmium concentration in sediment at Andong Dam exceeds grade 4 standards (toxic to marine and freshwater organisms, in a severely and clearly polluted state).
2024	Ongoing	An incident of cadmium emission exceeding air quality standards occurred at Seokpo Smelter. Inspection results from the Daegu Regional Environment Agency showed cadmium levels of 0.416mg/Sm ³ , 0.189mg/Sm ³ , and 1.013mg/Sm ³ in three mixing facilities, significantly exceeding the permissible limit of 0.1mg/Sm ³ . The agency plans to issue a corrective order.
2024	Violation of Water Environment Conservation Act	On November 1, 2024, the Supreme Court of Korea ordered Young Poong to suspend operations at its Seokpo Smelter for 60 days due to wastewater discharge violations under the Water Environment Conservation Act.
2024	Violation of Act on Integrated Control of Pollutant-Discharging Facilities	During the inspection from the Daegu Regional Environment Agency, it was found that Seokpo Smelter disabled the alarm function on its 7 sulfur gas detectors (1 with malfunctioning display). On December 6, 2024, the Agency imposed a 10-day shutdown

Category	Year	Violation Details	Remarks
Safety	1997	Fatal Accident	3 fatalities occurred.
	2023	Fatalities and Injuries	4 workers exposed to highly toxic 'arsenic gas' during impurity tank replacement work, resulting in 1 fatality and 3 injuries.
	2024	Fatality	1 subcontracted worker died during cooling tower cleaning work.
	2024	Fatality	1 subcontracted worker died from heatstroke.

- Comparison of ESG Performance Records between Korea Zinc and Young Poong

Korea	KCGS ⁽¹⁾		SUSTINVEST		Korea ESG Research	
	KZ	YP	KZ	YP	KZ	YP
2020	B	C	-	-	-	-
2021	B	C	-	-	A	B
2022	B	B	-	-	A+	B
2023	B	B+	A	B	A	B+
2024	B+	B	A	C	A	B+

Note: KZ and YP denote "Korea Zinc" and "Young Poong", respectively

(1) Korea Institute of Corporate Governance and Sustainability

Global	MSCI ⁽¹⁾		S&P (DJSI) ⁽²⁾		Moody's	
	KZ	YP	KZ	YP	KZ	YP
2020	B	-	-	-	-	-
2021	B	-	15	7	-	-
2022	BB	-	47	13	13	-
2023	BB	-	50	15	38	-
2024	BB	-	49	15	-	-

Note: KZ and YP denote "Korea Zinc" and "Young Poong", respectively

(1) Morgan Stanley Capital International

(2) Dow Jones Sustainability Indices

Are the Interests of MBK and Young Poong Aligned with Those of Korea Zinc's Shareholders?

Now, let's explore our second sub-question in depth. Whose interests are more aligned with that of the shareholders? Perhaps the first place to look should be the governance of Korea Zinc, as governance of a company is a systematic approach to make sure that the interests of the management are aligned with those of the shareholders and minimizing the risk of deviating from that alignment.

1. MBK's Claim that Korea Zinc's Governance Requires Improvement

I wholeheartedly agree that Korea Zinc's governance should be subject to continuous improvement and can of course, always be further improved. Our efforts must be continuous and unwavering. I have already highlighted specific measures by which we will continue to improve governance of Korea Zinc in my letter to the shareholders, dated December 10, 2024. I plan to write a separate letter with detailed agenda of the upcoming EGM which should make it clear that we are very serious about our commitment to continuously improve our governance.

However, one cannot but question the true intention and sincerity of MBK's claim that the primary objective of MBK's hostile takeover bid is to enhance corporate governance and increase shareholder value at Korea Zinc, especially when considering their choice of a strategic partner, Young Poong. *The most striking snapshot of Young Poong's poor ESG scorecard, perhaps, is the fact that, the decision to launch the hostile takeover tender offer with MBK was made by only 3 independent directors of its 5-person Board of Directors. This was because, the two inside directors, its CEO and COO, were both in jail for violation of safety regulations resulting in fatalities at its Seokpo Smelter. In the absence of any inside director being able to explain the purpose and details of the hostile takeover attempt and convince the 3 independent directors of the business judgment case for entering into a shareholder agreement with MBK in connection therewith, one cannot help but ask "who made this decision within Young Poong and put the question to its Board of Directors?" Was it Mr. Hyung-Jin Jang, an advisor to Young Poong with no ownership stake, but a clear patriarch of his family, which holds more than a majority stake in Young Poong? Or was it someone else? If so, under what authority did such person make this decision, when Mr. Hyung-Jin Jang holds no official position in Young Poong and bears no legal responsibility or corporate accountability?*

The notion of partnering with a company, whose CEO and COO have been detained for safety violations raises serious concerns. Young Poong, which appears to be run by its advisor, Mr. Hyung-Jin Jang, with no legal responsibility, coupled with its poor financial and ESG performance record noted above, trading at a mere 0.14 P/B multiple (one of the lowest in Korea) further exacerbates these concerns. It also calls into question the authenticity of MBK's claims about Korea Zinc's governance. As mentioned above, both of its two representative directors (CEO and COO) of Young Poong were imprisoned for violating the Serious Accidents Punishment Act in connection with worker fatalities at the Seokpo Smelter. While these representatives are currently out on bail, they will have to face prosecution for safety and environmental violations. The normal business operations at Young Poong are practically impossible due to unresolved environmental issues and a chronic lack of investment to improve its operations.

In 2022, Norges Bank, the central bank of Norway, decided to exclude Young Poong from its Government Pension Fund Global (GPF) due to the unacceptable risk posed by Young Poong's contribution to severe environmental damage. According to the exclusion recommendation by the pension fund's Council of Ethics, "*Young Poong has been accused of causing serious pollution as well as harm to both the environment and human health for many years.*" *The recommendation states that studies show that the Seokpo Smelter can be linked to "serious, persistent, and ongoing pollution," including the emission of heavy metals such as cadmium, zinc, lead, arsenic, and sulfur dioxide into the air.* If such management practices of Young Poong were to take over the current management of Korea Zinc, would it likely improve governance and shareholder value of Korea Zinc, or erode it? I trust the answer is rather obvious.

2. *The Undisclosed Shareholders' Agreement between MBK and Young Poong*

Before launching the hostile tender offer together, MBK and Young Poong entered into a shareholders' agreement. The existence of this shareholders' agreement and only a few select clauses thereof have been disclosed to the market. Concerningly, the full nature of the shareholders' agreement, detailing the partnership and the call option arrangements between Young Poong and MBK have not been disclosed to shareholders or the market, despite repeated requests. *It is troubling that the terms and nature of the partnership have not been disclosed, for without it, one cannot determine whether the interests of this consortium align with those of Korea Zinc's shareholders.* Questions regarding at what price the option is granted, the conditions under which the drag-along right is triggered, and whether there is any strategic goal pursued by the consortium in connection with helping Young Poong's troubled Seokpo Smelter at the expense of Korea Zinc, still remain at large, because the details of the shareholders' agreement between Young Poong and MBK have not been disclosed. It is troubling, to say the least, why they would continue to conceal this information.

It is worth reiterating that the decision in question to enter into a shareholders' agreement and option arrangement affects Young Poong's most valuable asset – 5,262,450 Korea Zinc shares – worth approximately 5.3 trillion Korean won, seven times more than Young Poong's entire market capitalization as of the date of this letter. *The failure to provide transparency regarding this monumental decision-making process at Young Poong raises serious concerns about the true nature of the arrangement and whose interests are being served.* As a shareholder of Korea Zinc, one must critically assess whether Young Poong's or Mr. Jang's interests align with those of the broader shareholder base.

So, I ask you again: Are the interests of MBK and Young Poong aligned with those of Korea Zinc shareholders? The answer is that we do not have sufficient information to properly answer this question. All MBK and Young Poong need to do to put us at ease and remove any questions of a potential conflict of interest is to disclose the aforementioned shareholders' agreement in its entirety.

The Ultimate Question: Who is Better Fit to Lead Korea Zinc?

Allow me to reiterate. The upcoming Extraordinary General Meeting will raise a crucial question for our shareholders: *who is best fit to lead and drive the future of Korea Zinc?* To answer this question, as outlined above, I encourage our esteemed shareholders to break the question into two parts:

1. *Who has a proven track record of success?*

Past performance remains the only data available for evaluation. A comparative analysis of past performances reveals that the current management of Korea Zinc has consistently delivered strong results compared to MBK's deal history, which includes Homeplus (2015), NEPA (2013), and D'Live (2008). Furthermore, Young Poong's consistently poor track record adds weight to this key question: who do you believe is better equipped to lead Korea Zinc into a sustainable and prosperous future?

- Past 10-year Operating Profit Trend (on a consolidated financial basis)

(Unit: KRW Bn)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Young Poong	(29.2)	(5.5)	(4.2)	159.4	(108.9)	84.4	46.7	(26.8)	68.9	(169.8)
Homeplus	240.9	(149.0)	309.1	(269.9)	151.0	160.2	93.3	(133.5)	(260.2)	(199.4)
NEPA	92.9	50.4	28.8	32.9	47.7	28.5	6.7	17.9	27.1	14.0
D'Live	96.6	73.9	72.5	78.3	53.9	22.9	36.6	2.5	11.3	5.0

Source: Bloomberg, DART

- Past 10-year Net Profit Trend (on a consolidated financial basis)

(Unit: KRW Bn)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Young Poong	100.6	89.9	127.4	272.3	46.2	207.4	85.4	170.1	415.6	(83.4)
Homeplus	(300.2)	(290.3)	323.1	233.9	176.2	(532.2)	88.3	(37.2)	(445.8)	(574.3)
NEPA	70.9	1.5	(9.7)	(85.3)	11.2	(0.9)	(116.8)	(91)	0.3	(105.5)
D'Live	38.0	10.3	25.2	26.3	0.9	(63.8)	(90.6)	(10.4)	(77.2)	(37.6)

Source: Bloomberg, DART

2. Whose interests are more aligned with those of Korea Zinc's shareholders?

I find it difficult to envision a scenario under which the current management of Korea Zinc, including myself, could gain at the expense of the shareholders' interests; to do well for myself, I need to deliver for our shareholders; if we lose the support of our shareholders, we have no chance of keeping our job. Therefore, our actions and objectives are entirely focused on maximizing shareholder value. We are committed to continuously enhance the independence, supervisory authority, and transparency of our Board of Directors to better serve the interest of our shareholders and stakeholders. The fact of the matter is that the current management cannot lead Korea Zinc without the trust and support of our shareholders and stakeholders, and therefore, we will never be able to betray their trust without jeopardizing the future of the Company

Can the same be said about MBK or Young Poong? Do MBK's objectives and key performance indicators truly align with the best interests of Korea Zinc's shareholders? Could there be scenarios where, once in control, Young Poong might prioritize its own interests over those of Korea Zinc's shareholders?

Knowing that there is a shareholder agreement between MBK and Young Poong whose details they refuse to disclose, do we have sufficient information to conclude that there is no conflict of interest or that their interests align to shareholders of Korea Zinc? Should you simply believe their words?

Looking at history, one should ask the following question: Has Young Poong treated its own shareholders with fairness and transparency? Or have there been instances where the interests of the minority shareholders of Young Poong were sidelined in favor of its management and/or the controlling shareholder? Given Young Poong's track record, there is a real risk that it could manage Korea Zinc in ways that undermine the company's core values and the long-term interests of its shareholders. Will Young Poong try to use Korea Zinc to solve their own environmental problems to the detriment of Korea Zinc and its shareholders?

Conclusion

Dear Shareholders, the upcoming EGM will be a defining moment for Korea Zinc. The ultimate question is: **who is truly best positioned to lead Korea Zinc towards a sustainable, transparent, and shareholder-focused future?**

I trust that our shareholders will make a wise and informed decision on this matter; I and the current management of Korea Zinc are steadfast in our commitment to serving the best and interests of our shareholders, with a clear focus on delivering sustainable value and long-term growth. We earnestly and humbly ask for your trust. In return, we pledge to honor that trust through unwavering dedication and by transforming our vision, Troika Drive, into tangible success for Korea Zinc.

Thank you.

Sincerely,



Yun B. Choi

Chief Executive Officer
KOREA ZINC COMPANY, LTD.