

We need **your valuable vote** to stop the Autocratic Management of Young poong's board, prevent further damage to corporate value, and improve shareholder returns (2/2)

**YPPC**

# Is sustainable management possible for Youngpoong?

## 1. Operations Suspension

- Following the recent Supreme Court ruling on violations of the Water Environment Conservation Act, Youngpoong has been subjected to an administrative suspension of operations from February 26, 2025, to April 24, 2025. Additionally, due to violations of the Environmental Pollution Facilities Act, the company will face an additional 10-day suspension from April 25 to May 4.

## 2. Safety Accidents

- Since 1997, numerous accidents have occurred, resulting in 15 fatalities. Additionally, due to a worker's death in December 2023, Youngpoong's CEO and smelter manager were arrested and prosecuted.

## 3. Fines Imposed

- In February 2025, Youngpoong filed a lawsuit against the Ministry of Environment's imposition of fines. The court acknowledged that cadmium had been discharged into the Nakdong River from Youngpoong's Seokpo Smelter between April 2019 and April 2021. The court ruled that the Ministry of Environment's decision to impose a fine of approximately 28 billion KRW on Youngpoong for operating the Seokpo Smelter was lawful. These ongoing environmental pollution issues, along with the resulting lawsuits and fines, continue to damage the company's value and reputation.

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## 4. Environmental Provisions

- In 2022, the Ministry of Environment granted operational approval for the Seokpo Smelting Plant on the condition that all jarosite cake (the final industrial waste remaining after zinc production) stored on-site for an extended period must be completely removed and processed externally by 2025.

- Depending on whether the permit conditions are met by the end of 2025, additional measures from administrative authorities and consequent resource outflows may occur.
- Although Youngpoong claims compliance, as of the end of the third quarter of 2024, it has recognized **a disposal provision of 60.67 billion KRW.**

- **Bonghwa** County has conducted a detailed soil investigation on the Seokpo Smelting Plant site and surrounding land, **and has issued multiple administrative orders for contaminated soil remediation.**

- Consequently, the costs for soil remediation are recognized as soil remediation provisions.
- As of the end of the third quarter of 2024, the soil remediation provision balance is a substantial 135.97 billion KRW.

- Daegu Environmental Office has issued a groundwater contamination remediation order due to violations of the Groundwater Act.

- **The groundwater remediation provision and restoration provision amount to 27.3 billion KRW.**

The total provision amounts to over 200 billion KRW.

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## 5. Incompetent and Unwilling Management

- The management of Youngpoong has already been stigmatized for their lack of managerial ability, including previously mentioned issues such as environmental, labor, and safety problems, as well as their lack of management skills.

- Youngpoong has been passive in capital investment, losing competitiveness in the smelting industry, and has recorded the worst business performance with three consecutive years of operating losses (on a separate basis).
- The stock price, which exceeded 1.5 million KRW per share in 2015, has plummeted by over 70%, falling to 420,000 KRW per share as of the end of February 2025.

- Nevertheless, the same mistakes are being repeated. I wonder if it's due to ignorance or recklessness.

- The three current outside directors of Youngpoong have not played a substantial role in overseeing the company's operations and management.
- Byung-Wook Park is a university alumnus of Advisor Hyung-chin Chang and was questioned about his independence by proxy advisory firms when he was appointed three years ago.
- Chang-Won Choi is an outside director of Korea Circuit, which recorded its worst performance with an operating loss in 2023 and a net loss of 121.7 billion KRW in 2024.
- Jung-Ok Park is a former KBS broadcast director and president of the KBS Symphony Orchestra, raising doubts about her expertise in Youngpoong's business.

Nevertheless, Youngpoong is requesting the reappointment of 3 outside directors.

Lack of a sense of crisis.

Youngpoong's management activities have completely disregarded the interests of its shareholders.



## Was the management cooperation agreement with MBK Partners legally executed?

### 1. Key Terms of the Agreement

- Joint exercise of voting rights for the appointment of directors of Korea Zinc / Mutual cooperation on major management matters
  - MBK will have one more director than the other party, and MBK's nominees will be appointed as CEO and CFO, with Youngpoong's cooperation
  - Existing shareholders (Youngpoong side) are prohibited from disposing of their shares to third parties for 10 years, and after 10 years, MBK will have the right of first refusal
  - MBK holds a call option on the shares of existing shareholders (Youngpoong side)
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- **Exercise Period(MBK):** The earlier of the date that is two years after the completion of the tender offer or the date on which Korea Zinc's management control is secured.
  - **Target Shares:** At the time of exercise, the number of shares corresponding to '50% + 1' of the shares owned by MBK and Youngpoong, minus the number of shares owned by MBK.
  - **Exercise Conditions:** MBK can exercise the call option only if, as a result of disposing of shares to a third party, the number of shares held by MBK after exercising the call option in full is less than the number of shares held by the existing shareholders and their related parties, or if the management cooperation agreement is terminated.

Youngpoong's management activities have completely disregarded the interests of its shareholders.

Did Youngpoong's management properly review and execute the agreement?

2. It seems like a biased agreement. Does Youngpoong have a different purpose, or are they being naive?

- MBK has **the authority to appoint one more director to Korea Zinc** than Youngpoong, thereby gaining management control of Korea Zinc in relation to Youngpoong. Additionally, **MBK holds the authority to appoint the CEO and CFO of Korea Zinc**.

- Youngpoong will be **contractually obligated not to dispose of its shares for 10 years**. After this period, **MBK will have the right to purchase Youngpoong's shares**. Additionally, if Korea Zinc's shares are sold to a third party, including overseas buyers, **Youngpoong's shares may also be sold together, resulting in a complete sale of the company**

- Additionally, **there are many contract terms that are unilaterally disadvantageous to Youngpoong** and difficult to understand from a common-sense perspective, such as granting MBK economic benefits equivalent to the difference between the option shares and the option price, and giving voting rights to the call option shares. **This raises suspicions that Youngpoong may have hastily entered into a contract with MBK without thorough review, possibly to address internal management issues**, including environmental problems such as pollution and waste disposal



**The Financial Supervisory Service (FSS) is examining the 'MBK-Youngpoong call option' contract. How was the contract made?**

*If the call option is set in favor of MBK, it could inevitably cause losses to Youngpoong, raising suspicions of breach of trust.*

The financial authorities are investigating the management rights dispute over Korea Zinc, which is heating up. They plan to look into allegations of unfair trade surrounding the tender offer for Korea Zinc, as well as the call option contract between Youngpoong and MBK Partners.

According to industry sources on the 10th, the FSS has launched an investigation into allegations of unfair trade that emerged during the tender offer process for Korea Zinc. The FSS plans to examine whether the competitive pricing process for the tender offer by Korea Zinc, Youngpoong, and MBK involved fraudulent transactions, market order disruptions, or price manipulation



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## MBK Partners is a private equity firm that manages funds from financial investors.

### 1. We cannot know MBK's true intentions.

With extensive experience in the capital market, MBK successfully negotiated a deal with Youngpoong, which has a valuable affiliate but is struggling with poor performance and internal management issues.

It is unlike MBK, which succeeded in the call option contract terms, to take out a multi-trillion won loan from a securities firm, not a bank, without any compensation for loss coverage, and to chase after skyrocketing shares due to a management rights battle

**Given that Homeplus filed for rehabilitation proceedings in early March 2025, it is natural to suspect that MBK, having sensed difficulties as early as the end of 2024, would have put measures in place to mitigate losses from this deal in some form**

### 2. Shareholder protection is the top priority.

**To protect Youngpoong and its shareholders, the truth about the call option contract between MBK and Youngpoong should be disclosed. If necessary, the relevant authorities should also actively step in to protect investors**

It is uncommon for private equity funds, which manage the capital of financial investors with the goal of maximizing returns, to adopt a strategy of chasing purchases while incurring losses. Chasing purchases, or buying more as stock prices rise, involves significant risk. Private equity funds typically make investment decisions through a more cautious and analytical approach, so this strategy is rarely used.

Name (Title)	Date of birth or business registration No., etc.	Date of change*	Acquisition/dispos- al method	Type of shares, etc.	Details of change			Acquisition/Dispos- al unit price**	
					Before change	Increase or decrease	After change		
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 06	Acquisition in exchange(+)	Voting share	1,502,746	10,000	1,512,746	1,942,594	-
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 09	Acquisition in exchange(+)	Voting share	1,512,746	5,950	1,518,696	1,572,723	-
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 10	Acquisition in exchange(+)	Voting share	1,518,696	19,400	1,538,096	1,572,472	-
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 11	Acquisition in exchange(+)	Voting share	1,538,096	14,555	1,552,651	1,440,798	-
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 12	Acquisition in exchange(+)	Voting share	1,552,651	15,401	1,568,052	1,324,193	-
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 13	Acquisition in exchange(+)	Voting share	1,568,052	16,825	1,584,877	1,285,514	-
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 16	Acquisition in exchange(+)	Voting share	1,584,877	11,650	1,596,527	1,201,606	-
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 17	Acquisition in exchange(+)	Voting share	1,596,527	10,800	1,607,327	1,145,375	-
주식회사 한국기업 투자홀딩	825-86-03185	2024. 12. 18	Acquisition in exchange(+)	Voting share	1,607,327	11,000	1,618,327	1,098,672	-

Excerpt from MBK's shareholding disclosure on December 19, 2024.

Youngpoong's management activities have completely disregarded the interests of its shareholders.



**They ignored the shareholders and contributed assets worth 3.9 trillion won as an in-kind contribution through a board resolution without a general meeting of shareholders**

## 1. It is a well-known fact that the assets of a corporation belong to its shareholders.

When a corporation intends to transfer significant assets, a resolution by the general meeting of shareholders is required. The value of Korea Zinc shares held by Youngpoong is approximately 3.9 trillion KRW, **nearly 4 trillion KRW. This represents over 70% of Youngpoong's total assets and more than 90% of its equity** (net assets)

Such significant assets were decided upon by directors who have led to three consecutive years of operating losses, environmental issues, safety problems, and poor management, and who have entered into disadvantageous contracts with MBK without any industry knowledge, relying instead on academic connections.

Are there any shareholders who approved this in-kind contribution?

## 2. Let's be clear about this.

For example, taking someone else's money and increasing it does not justify the act of taking it in the first place.

The value of these shares means that if Youngpoong were to distribute them as a dividend in kind to its shareholders, each shareholder would receive approximately 3 shares of Korea Zinc per share of Youngpoong.

This is an incident that significantly damages shareholder value, with each share worth approximately 2 to 3 million KRW.

Decision on Transfer of Shares or Investment Certificates of Other Corporations

1. Issuing company		Company name	고려아연(주)		
		Nationality	대한민국	Representative	박기덕
		Issued capital (KRW)	104,542,940,000	Relationship to company	Affiliated company
		Total number of shares issued (shrs.)	20,703,283	Main business	비철금속 제련업
2. Details of transfer	Number of shares to transfer (shrs.)	5,262,450			
	Disposal amount (KRW)(A)	3,926,529,705,450			
	Total assets (KRW) (B)	5,568,116,970,055			
	Ratio to total assets (%) (A/B)	70.52			
	Equity (KRW)(C)	4,282,768,794,784			
	Ratio to equity (%) (A/C)	91.68			
3. Number of shares held and shareholding ratio after transfer		Number of shares held (shrs.)	0		
		Shareholding ratio (%)	0.00		
4. Purpose of transfer		신규법인 유한회사 와이피씨 설립을 위한 현물출자			
5. Scheduled transfer date		2025.03.07			
6. Counterparty	Company name (Entity name)	유한회사 와이피씨			
	Issued capital (KRW)	4,385,375,000			
	Main business	지주사업			
	Location of head office (Address)	경기도 안산시 단원구 강촌로 139번길 9 (성곡동)			
	Relationship to company	Subsidiary company			
7. Transaction payment		신설법인의 설립을 자본으로 수취(주당 발행가 4,476,846원)			

Excerpt from Youngpoong's disclosure on March 10, 2025.



# As a shareholder of Youngpoong, Youngpoong Precision can no longer stand by and watch the company's value decline and its reputation be damaged.

Following the continuous operating losses since 2021, there are significant concerns that the business downturn will worsen in 2025 due to the suspension of operations. Additionally, shareholder returns have been notably low, with the company's cash dividend yield averaging only 1.7% over the past five years, which is significantly lower than the industry average.

Despite having a high retention rate, Youngpoong is not only stingy with investments and employment but also shows no interest in protecting shareholders or their interests. The stock price is falling, and they have entered into disadvantageous management cooperation contracts with dubious external capital. Furthermore, five directors and outside directors decided to transfer more than 70% of the company's total assets to a newly established corporation without a resolution from the general meeting of shareholders.

If the company's directors and auditors fail to fulfill their roles and merely act as rubber stamps for the largest shareholder's family, the path to normalization is distant. Despite this, Youngpoong has proposed the reappointment of three controversial and seemingly incompetent outside directors as an agenda item for the shareholders' meeting. It is clear that they still do not understand what the problem is.

# Youngpoong Precision's Shareholder Proposal for the Agenda of Youngpoong's General Meeting of Shareholders.

### introduction of dividends in kind

- Youngpoong's dividend payout ratio is around 1.7%.
- Recently decided on a cash dividend of 50 KRW per share (with a dividend yield of less than 0.01%).
- Retention rate left at over 40,000%.
- There is no reason not to introduce in-kind dividends for shareholder returns.

### Introduction of cumulative voting system

- Youngpoong has proposed the reappointment of three controversial outside directors at the regular general meeting of shareholders.
- Replacing them with more capable management is necessary to expect the normalization of Youngpoong.
- Through cumulative voting, there will be a greater opportunity to elect directors who can represent the positions of minority shareholders.

### Appointment of independent audit committee members

- We should not appoint candidates recommended by ineffective audit committee members or incompetent management.
- It is necessary to appoint candidates with outstanding independence and supervisory abilities to the audit committee to strengthen oversight and auditing of Youngpoong's board of directors.

## Agenda(introduction of dividends in kind)

# Partial Amendment of the Articles of Incorporation for the introduction of dividends in kind (Agenda Item No. 2-2)


- Currently, Article 42, Paragraph 1 of Youngpoong's Articles of Incorporation stipulates that dividends to shareholders can only be paid in cash and stock.
- From 2019 to 2023, the cash dividend was about 10,000 KRW per share, but this is significantly lower than the industry average, with an average dividend payout ratio of only 1.71%.
- Moreover, the cash dividend for 2024 is a mere 50 KRW per share, which is insufficient even for show **(with a dividend yield of less than 0.01%)**.
- In the context of Youngpoong's continued operating losses due to lax management, simply demanding an increase in cash dividends is not in the best interest of the company's growth and development as shareholders.
- Youngpoong holds shares in many Youngpoong affiliate companies.
- With a retention rate of over 40,000% and a management team that is stingy towards shareholders, please support the amendment to the Articles of Incorporation to allow for in-kind dividends.

Before	After	Reason for change	Request for Approval
<b>Article 42 (Distribution of Profits)</b> ① The distribution of profits to shareholders can be made in cash or shares to shareholders or registered pledgees. ② ~ ③ (Omitted)	<b>Article 42 (Distribution of Profits)</b> ① The distribution of profits to shareholders can be made in cash, shares, or other assets to shareholders or registered pledgees. ② ~ ③ (Same as left)	Introduction of dividends in kind (Shareholder Proposal)	○ For

## Agenda(Introduction of cumulative voting system)

### Partial Amendment of the Articles of Incorporation for the introduction of cumulative voting system (Agenda Item No. 2-4)

- When thinking of the board of directors of Youngpoong, what comes to mind are things like suspension of operations, safety accidents, fines, environmental issues, shareholder indifference, and unfavorable contracts with MBK Partners. There are no positive aspects and it is difficult to expect normalization of Youngpoong from such executives. This is the result of the largest shareholder arbitrarily forming the board of directors, ignoring shareholders, and managing the company recklessly, relying solely on their shareholding ratio.
- The largest shareholder does not mean owning 100% of the shares, but rather having the most shares among the shareholders. They should not act as if they own everything.
- The cumulative voting system is a method where, when electing two or more directors, each shareholder has voting rights equal to the number of directors to be elected for each share they own. They can concentrate their votes on one or several director candidates, and the candidates with the most votes are sequentially elected as directors.
- As a system to protect the rights of general shareholders that can be ignored in an ownership structure dominated by an absolute majority shareholder, recently, small shareholders and the market have been actively supporting the introduction of the cumulative voting system. Efforts are underway to amend the Commercial Act to make the cumulative voting system mandatory to strengthen the rights of general shareholders.

Before	After	Reason for change	Request for Approval
<b>Article 28 (Number of Executives and Method of Appointment)</b> ① ~ ② (Omitted) ③ The Company shall not elect directors by the cumulative voting method as specified in paragraph ①.	<b>Article 28 (Number of Executives and Method of Appointment)</b> ① ~ ② (Same as left) ③ (Delete)	The introduction of cumulative voting system (Shareholder Proposal)	

## Agenda(Appointment of independent audit committee members)



### Appointment of Kim Kyung-yul as an Outside Director to the Audit Committee (Agenda Item No. 4-2)

- Looking at the recent series of incidents at Youngpoong, I cannot help but question the role of the Audit Committee.

- **Auditing operations (auditing the execution of directors' duties and examining the company's business and financial status)**
- **The Audit Committee has the authority to request reports and conduct investigations, is involved in the board of directors and general meetings of shareholders, and reports misconduct (omitted)**

- Even without listing the roles of the auditor, we can understand the importance of the audit committee member and whether they have faithfully fulfilled their roles so far.

- Youngpoong's five directors, whose business and management capabilities have not been verified, arbitrarily disposed of approximately 4 trillion KRW worth of Korea Zinc shares, which account for over 70% of the company's assets, without consulting shareholders or following proper procedures. Additionally, there should be no more unfair decisions like the contract with MBK Partners.

- Expecting ESG management, which has recently become a hot topic, from Youngpoong is an excessive expectation.

- However, in a situation where there is internal and external turmoil, pressure from environmental authorities and local governments to rectify illegal activities, and even potential suspension of operations, they are trying to reappoint many of the directors who created and failed to prevent these issues.

- This is an act of ignoring minority shareholders, and it is impossible to expect an increase in shareholder value from Youngpoong, which is already uninterested in shareholder return policies.

## Agenda(Appointment of independent audit committee members)



### Appointment of Kim Kyung-yul as an Outside Director to the Audit Committee (Agenda Item No. 4-2)

- It is essential to elect an independent external audit committee member who can make decisions independently to improve corporate governance by separating from the Youngpoong owner family and current management.
- Shareholders should appoint outside directors to ensure transparent and rational decision-making by the board.
- Although Attorney Jeon Young-jun, recommended by Youngpoong's board, may have legal capabilities, the general shareholder who recommended him through a shareholder proposal has withdrawn the proposal, making it difficult for him to represent the interests of Youngpoong's shareholders.
- On the other hand, Accountant Kim Kyung-yul is not only the right person to address governance improvement, risk management, and corporate value recovery that Youngpoong faces, but he is also a candidate whose expertise and independence have been objectively verified, having served as a trustee responsibility specialist for the NPS.
- Of course, Youngpoong's management may want to appoint a favorable person to hide poor performance and management capabilities, but the audit committee member should be someone like Kim Kyung-yul, who can speak up on behalf of minority shareholders and aim for company normalization and shareholder value enhancement.

Name (Job)	Career Details		Transaction Details with Youngpoong	Request for Approval	
				(Kim Kyung yul)	(Jeon Young-jun,)
Kim Kyung yul Mirae Tax & Accounting Office KICPA	2003~ 2019 2025~	KICPA, Mirae Tax & Accounting Office Responsibility Specialist, National Pension Service Audit, Whois Co., Ltd	None	○ For	X Against