

# KUMHO PETROCHEMICAL



## KUMHO PETROCHEMICAL

**45<sup>th</sup> Annual General Meeting of  
Shareholders Reference Material**

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## Letter to Shareholders

Dear shareholders,

The COVID-19 pandemic has continued to be a major source of uncertainties, creating substantial challenges for the global economy. Notwithstanding such uncertainties and challenges, Kumho Petrochemical (“Kumho” or “the Company”), through consistent diligence, sound business practices, and learning from invaluable lessons from five decades in the petrochemicals business, has focused on delivering stellar performance and results across its businesses.

Thanks to the trust and support of our shareholders, the Company achieved another year of record-breaking financial performance while making forward strides in other areas of its businesses.

### Our Strong business performance

We are very excited to announce to our shareholders that the Company achieved remarkable and unprecedented business performance, far exceeding our forecasts: a record consolidated sales of KRW 8.46 trillion and operating income of 2.41 trillion, up 75.9% and 238.6%, respectively, from the previous year. Our achievements were the result of strong investment activity in strategic products, such as NB-Latex and Epoxy, and ongoing efforts to improve the product portfolio.

### Eusuring Sustainability for all stakeholders

Kumho Petrochemical is committed, over the next 50 years, to delivering sustainable outcomes for all stakeholders under the vision of ***‘Solution Partner Creating Our Common Future With Value Beyond Chemistry’***. We have made extensive efforts to increase performance in the environmental, social and governance (“ESG”) areas.

In furtherance of our commitment, we have also made extensive efforts to increase performance in the environmental, social, and governance (“ESG”) areas.

Over the past twelve months, as promised prior to the 2021 Annual General Meeting of shareholders (“AGM”), we reorganized the Board of Directors and Committees to ensure their independence in the pursuit of enforcing sound corporate governance practices. Details about the Board and Committee charters are available on the Company website.

After the Extraordinary General Meeting (“EGM”) of shareholders held in June 2021, the Company also successfully completed the transition to a professional management structure whereby three executives of the Company with years of experience and deep knowledge of the petrochemicals business related to sales, finance, and R&D joined the Board. The three new executive directors replaced the owner shareholder director and his affiliated directors to ensure the transformation of the Board into an independent decision-making entity and to complete the transformation to a professionalized management of the Company. We will continue to improve our governance practices to create long-term shareholder value along with ensuring sustainable growth.

Our ESG team, responsible for generating solid ESG performance and fostering any necessary internal reforms, recently established the “ESG Vision and Strategy for 2025” as part of Kumho’s commitment to pursue excellence in our ESG practices. We plan to disclose how we will deal with climate risk in accordance with the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework including participating in global initiatives.

In February 2022, the Company announced its Carbon neutral growth roadmap which includes five key strategies: (i) Accelerating carbon reduction across all business sites with conversion to clean energy; (ii) Conversion to eco-friendly products; (iii) Conversion to eco-friendly bio-based raw materials; (iv) Increase recycling; (v) Digitalization of carbon asset management. With these strategies, the Company targets a 29.3% reduction of carbon emission compared to BAU by 2030, while setting the year 2035 as the beginning of our journey to achieve carbon-neutrality by 2050.

Along with the Carbon-neutral growth roadmap, we have strengthened our existing business strategies to achieve our long-term vision of sustainable growth. We aim to achieve sales of KRW 12 trillion by 2026 by focusing on the the following three core strategies: (i) ESG-led business framework, (ii) intensive investment in our core businesses, and (iii) securing new growth engines for the future. Further details are set out in “Mid/Long-term Growth Strategy for Sustainable Business Management” of our attachment

## Board Changes

This year, we are seeking shareholder approval to appoint two additional independent directors with outstanding capabilities. The Board believes these two candidates to be the best candidates to enhance investor engagement and reflect the growing investor interest in ESG activities. Sangsoo Park has been working as a director of multiple public companies for over twenty years and has extensive knowledge and experience in auditing, risk management, and compensation. The Board strongly believes that his experiences in Investment Pool for Public Funds and Special Committee on Responsible Investment & Governance of National Pension Service will enhance the Board's understanding of investor and broader stakeholder expectations. Youngwoo Park is a top environmental expert who served as the head of UNEP Asia Pacific office and was Senior Advisor for Environmental Policy and Project Development of SACEP. He is currently serving as a director of Ecomom Korea, a non-profit organization that runs environmental education and leadership programs. The Board will benefit from his expertise in monitoring the risks and opportunities of climate change and achieving the ambitious goal of carbon-neutral growth.

## Dividend

Delivering sustainable shareholder value has always been one of our key focus areas. At the end of 2021, we announced the three-year dividend program of returning 25-35% of our non-consolidated net income to shareholders over the next three years. In line with such goals, the Board is declaring a final dividend of KRW 10,000 per common share and KRW 10,050 per preferred share. The total amount of dividend is KRW 281 billion and payout ratio to non-consolidated net income is 28.5%. The Board also decided to buy back shares worth approximately KRW 150 billion. As a result, we deliver the total shareholder returns of KRW 431 billion, which is a 272% increase compared to the prior year. The Board will continue its endeavors to create long-term sustainable growth in shareholder value.

## 2022 AGM

We invite our shareholders to join the 2022 AGM of Kumho.

Kumho recognizes and appreciates the voting rights of our shareholders. We encourage you to participate and exercise your voting rights in the upcoming AGM. Information on the meeting, including explanatory notes on the items of business, has been provided in the Convocation Notice.

Sincerely,

March 2022

On behalf of Kumho Petrochemical's Board of Directors

CEO of Kumho Petrochemical

Jong-Hoon, Baek



# Notice of General Meeting of Shareholders

**1. Date and Time:** March 25, 2022 (Friday) 09:00

**2. Place:** Grand Auditorium, 4F, East Bldg. of Signature Towers, 100, Cheonggyecheon-ro, Jung-gu, Seoul

## 3. Purpose of Meeting

### 1) Reporting:

Audit report, business report, report on details of transactions with the largest shareholder, etc., report on the status of operation of the internal accounting management system

### 2) Matters to be Resolved (Agenda):

#### Agenda No. 1: Approval of the 45th Fiscal Year's Financial Statements and Dividends

- o Agenda no. 1-1: Approval of financial statements for the 45th fiscal year (excluding statement of appropriation of retained earnings)
- o Agenda no. 1-2: Approval of dividends and statement of appropriation of retained earnings for the 45th fiscal year
  - Agenda no. 1-2-1: KRW 10,000 per share for cash dividend on common shares, and KRW 10,050 per share for cash dividend on preferred shares
  - Agenda no. 1-2-2: KRW 14,900 per share for cash dividend on common shares, and KRW 14,950 per share for cash dividend on preferred shares (proposed by shareholder Chul-Wan Park)

#### Agenda No. 2: Appointment of Two Outside Directors

- o Agenda no. 2-1: Appointment of Sang-Soo Park as outside director
- o Agenda no. 2-2: Appointment of Young-Woo Park as outside director
- o Agenda no. 2-3: Appointment of Sung-Yong Lee as outside director (proposed by shareholder Chul-Wan Park)
- o Agenda no. 2-4: Appointment of Sang-Moon Ham as outside director (proposed by shareholder Chul-Wan Park)

#### Agenda No. 3: Appointment of one Audit Committee Member

- o Agenda no. 3-1: Appointment of Sang-Soo Park as Audit Committee member
- o Agenda no. 3-2: Appointment of Sung-Yong Lee as Audit Committee member (proposed by shareholder Chul-Wan Park)

#### Agenda No. 4: Approval of Ceiling Amount of Remuneration for Directors

## 4. Matters Concerning Exercise of Voting Rights

Shareholders may attend a general meeting of shareholders and directly exercise their voting rights or delegate their voting rights to a proxy to exercise their voting rights.

### <Materials Required for Attending the General Meeting of Shareholders>

- In case of direct exercise: Identification card (resident registration card, driver's license or passport)
- In case of exercise by proxy: Power of attorney, identification card of the proxy, certificate of seal impression or copy of identification card of the shareholder

※ Matters to be stated in the power of attorney

- (i) Name, address and resident registration number of the delegator (in case of a corporation, its corporate registration number; hereinafter the same shall apply);
- (ii) Name, address, resident registration number and details of delegation of voting rights; and
- (iii) The delegator's seal or signature.

(Our template for power of attorney will be posted on the website below from March 12, 2021)  
<https://www.kkpc.com/kor/invest/disclosure/announcementList/>

## 2. Agenda

### Agenda No. 1: Approval of the 45th Fiscal Year's Financial Statements and Dividends

#### Agenda no. 1-1: Approval of financial statements for the 45th fiscal year (excluding statement of appropriation of retained earnings)

##### ■ Summary of the business status of the relevant business year

In 2021, Kumho Petrochemical (“**KKPC**”) recorded consolidated sales of KRW 8461.8 billion (75.9% increase from the previous year) and operating profit of KRW 2406.8 billion (224.3% increase from the previous year). Through extensive investments in strategic products and portfolio improvement focusing on high value-added products, KKPC turned the global pandemic crisis into an opportunity and achieved the largest sales and operating profit since its foundation.

With a sales strategy to reduce costs and forecast demands, KKPC has accomplished remarkable achievements in key business areas such as synthetic rubber, synthetic resin and phenol derivatives. The synthetic rubber segment saw a significant improvement from the previous year in profitability due to increased demand for NB-Latex, which is used as raw materials for medical gloves, and general purpose rubber for tires. The segments for synthetic resin and phenol derivatives also achieved high profitability due to a continuous demand in the downstream industry.

Please refer to Attachment 1 for the statement of financial position, income statement (comprehensive income statement) and statement of appropriation of retained earnings (deficit disposal statement) for the relevant fiscal year.

##### ■ Key financial results

##### Consolidated

(Unit: KRW million)	FY2021	FY2020	Change
Sales	8,461,842	4,809,536	75.9%
Operating income	2,406,836	742,160	224.3%
<i>Operating margin %</i>	28.4%	15.4%	13.0%p
Net income	1,965,577	582,982	237.2%
<i>Net profit margin (%)</i>	23.2%	12.1%	11.1%p
EPS-common stock (KRW)	70,433	20,881	237.3%
EPS-preferred stock (KRW)	70,417	20,992	235.4%

Assets	8,115,675	5,027,282	61.4%
Liabilities	3,032,766	1,878,049	61.5%
Equity	5,082,908	3,149,234	61.4%
<i>Debt/equity %</i>	59.7%	59.6%	0.1%p

ROE	38.7%	18.5%	20.2%p
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##### Stand-alone

(Unit: KRW million)	FY2021	FY2020	Change
Sales	5,501,282	3,489,720	57.6%
Operating income	1,342,782	514,923	160.8%
<i>Operating margin %</i>	24.4%	14.8%	9.6%p
Net income	986,987	434,324	127.2%
<i>Net profit margin (%)</i>	17.9%	12.4%	5.5%p
EPS-common stock (KRW)	35,370	15,556	127.4%

EPS-preferred stock (KRW)	35,354	15,667	125.7%
Assets	4,648,774	3,451,430	34.7%
Liabilities	1,570,407	1,315,604	19.4%
Equity	3,078,367	2,135,826	44.1%
Debt/equity %	51.0%	61.6%	-10.6%p
ROE	32.1%	20.3%	11.8%p

#### Agenda no. 1-2: Approval of dividends and statement of appropriation of retained earnings for the 45th fiscal year

- [Agenda no. 1-2-1] KRW 10,000 per share for cash dividend on common shares, and KRW 10,050 per share for cash dividend on preferred shares

#### (Proposed) Statement of Appropriation of Retained Earnings (Unit: KRW million)

Classification	Current year (Scheduled Date of Disposition: March 25, 2022)		Previous year (Date of Disposition: March 26, 2021)	
I. Unappropriated retained earnings		989,698		439,953
Unappropriated retained earnings carried over from previous year	12,541		5,170	
Net Income	986,987		434,323	
Re-measurement of net defined benefit liability	(7,873)		460	
Substitution from other comprehensive income to retained earnings	(726)		-	
Retirement of treasury stock	(1,231)			
II. Appropriation of retained earnings		978,956		427,412
Legal reserve	28,100		11,600	
Voluntary reserve	670,000		300,000	
Cash dividends				
Dividend per share (dividend rate):				
Common stock:				
Current year - KRW 10,000 (200%)				
Previous year - other shareholders: KRW 4,200 (84%)				
- largest shareholder, etc.: KRW 4,000(80%)				
Preferred stock:				
Current year: KRW 10,050 (201%)				
Previous year: KRW 4,250 (85%)				
III. Unappropriated retained earnings carried forward to subsequent year		10,742		12,541

In order to increase shareholder value in the mid- to long-term, KKPC has established a shareholder return policy that takes into account the Company's business performance and future investment resources (the "Shareholder Return Policy") (see Disclosure of Shareholder Return Policy on our website and the Data Analysis, Retrieval and Transfer System (DART) of the Financial Supervisory Service Electronic Disclosure System dated December 15, 2021). The 45th year-end dividend payouts are also based on the Shareholder Return Policy published at the end of last year (cash dividend: 20-25% dividend payout ratio based on a stand-alone basis), while the profit dividend plan is approximately 143% higher than the previous year to reflect this year's highest performance.

The year-end dividend for the 45th fiscal year is KRW 10,000 per common share, and the total dividend, including preferred shares (KRW 10,050 per share), is about KRW 280.9 billion, corresponding to a stand-alone dividend payout ratio of 28.5%.

In addition, as part of KKPC's Shareholder Return Policy, the board of directors of KKPC (the “BOD”) has also decided and announced its plan to acquire treasury stock (for the purpose of cancellation) (*see* Disclosure on Acquisition of Treasury Stock dated March 8, 2022). The acquisition size is set at KRW 150 billion, which is higher than our basic policy of 5% to 10% of net income for the current term, in order to ensure that the increase in the stock value leads to an increase in the shareholder value in the mid- to long-term. As a result, the shareholder return (i.e., dividend *plus* acquisition/cancellation of treasury stock) for the 45th fiscal year totals KRW 430.9 billion (43.7% of stand-alone net income), which is an increase of approx. 272% from the shareholder return (dividend) of the previous fiscal year.

KKPC has achieved the best results since its inception in 2021 by making efforts to switch to eco-friendly and high value-added products, and its total shareholder yield (TSR), an indicator of shareholder value creation, is also the highest in the industry (*see* p.4 of Attachment. Mid/Long-term Growth Strategy for Sustainable Business Management). KKPC aims to maximize the shareholder value by pursuing a stable and predictable shareholder return policy while achieving outstanding business results through active investment for growth and improvement of structure based on stable financial fundamentals.

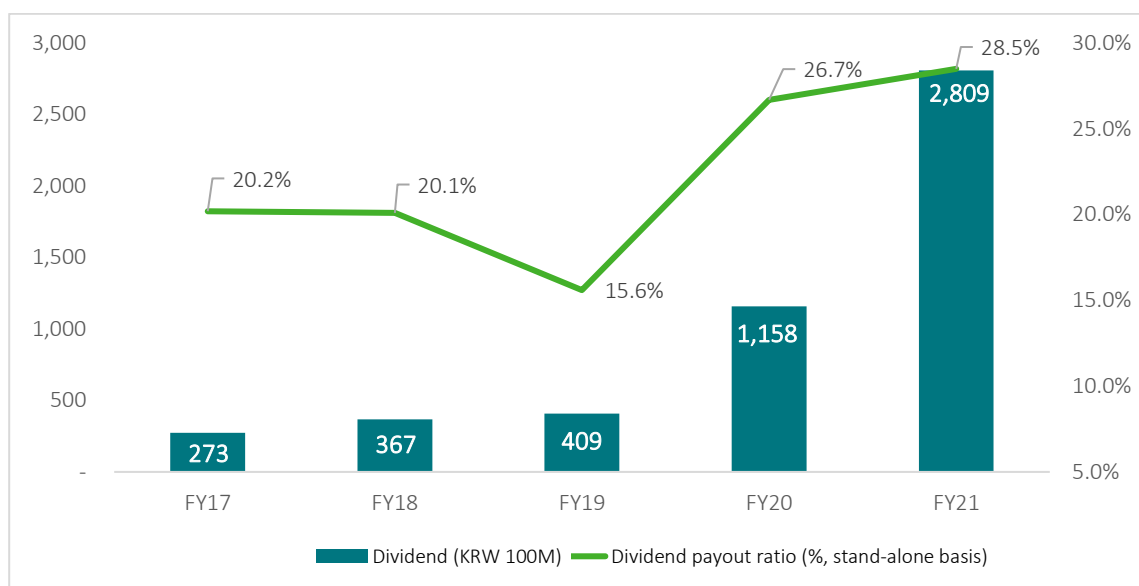
To this end, the key strategies include: (i) establishing leading ESG business structure (29% carbon reduction compared to the BAU in 2030, 30% eco-friendly business); (ii) intensive fostering of the core business; and (iii) securing future new growth momentum (re-valuation of shareholder value). We also plan to invest approx. KRW 3.5 to 4.5 trillion in strengthening the core business and securing new growth business over the next five years. (*see* p. 13 of Attachment. Mid/Long-term Growth Strategy for Sustainable Business Management).

The BOD has set the size of dividends and treasury stock acquisition by taking into account various investment resources to facilitate the above business strategy. On the other hand, the total dividend amount proposed by the shareholders is approx. KRW 418.4 billion, which is more than twice the total dividend amount in the past three years (FY2018-2020), and if the announced size of treasury stock acquisition/cancellation is included, cash outflow of approx. KRW 570 billion will be required. The aforesaid shareholder proposal may not only be inconsistent with KKPC's Shareholder Return Policy, which seeks to keep a stable and foreseeable level of shareholder return, but may also be an obstacle for KKPC to smoothly pursue its mid- to long-term growth plan designed for sustainable growth.

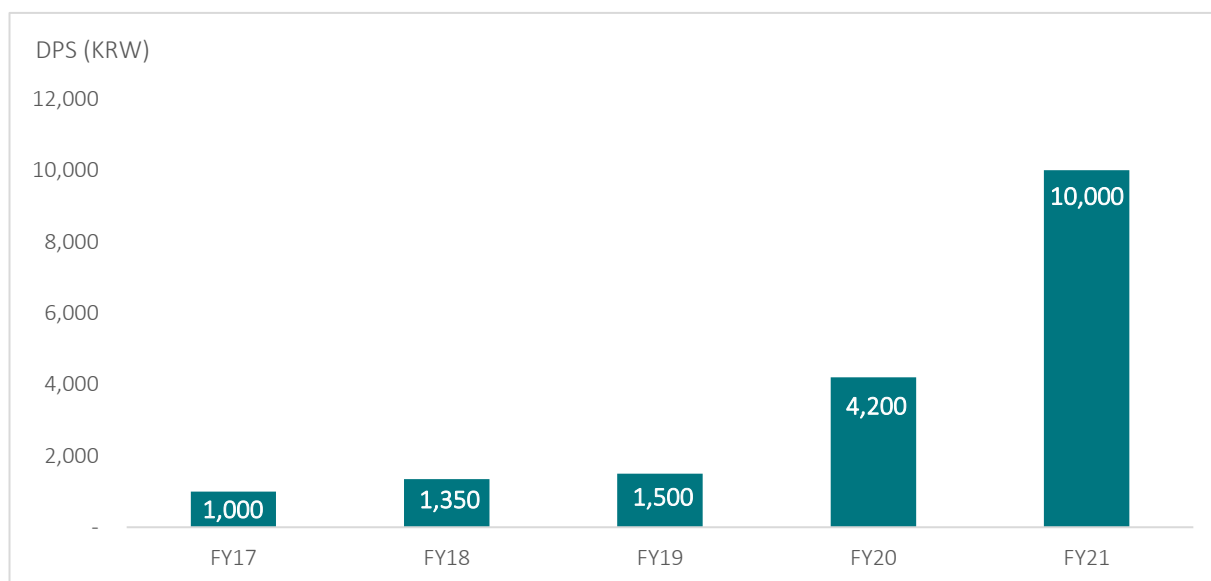
In particular, the chemical industry is sensitive to economic fluctuations. This year, global risks are expanding due to the prolonged COVID-19 crisis, geopolitical risks arising from the Ukraine conflict and scheduled increase in interest rates due to inflation. Given this unstable and volatile business environment, excessive cash outflow may negatively affect KKPC's responsiveness and resilience in unexpected situations. Therefore, the BOD hereby opposes the “shareholders' proposal for the 45th dividend payout,” and requests the shareholders to approve the BOD's proposal, which offers the size of shareholder return obtained by reviewing uncertain business environment, strategies for long-term growth and other various aspects that we believe is most suitable for the shareholders' interests.



■ KKPC's dividend record



■ KKPC's DPS and total shareholder refund (amount)



(Stand-alone basis)	FY17	FY18	FY19	FY20	FY21
Total amount of shareholder return (KRW 100 million)	273	367	409	1,158	4,309
Total shareholders' return	20.2%	20.1%	15.6%	26.7%	43.7%
Acquisition and cancellation of treasury stock					15.2%
Dividend payout ratio	20.2%	20.1%	15.6%	26.7%	28.5%

## **KKPC's Comprehensive Opinion on Agenda No. 2 to 3: Appointment of Directors (Outside Directors and Audit Committee Members)**

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KKPC has announced a plan to strengthen its existing business strategy to evolve into a sustainable company under the vision of "Solution Partner Creating Our Common Future with Value Beyond Chemistry." With the goal of achieving KRW 12 trillion in sales by 2026, KKPC plans to establish a leading ESG business structure, intensively foster KKPC's core business, and actively pursue large-scale investments to secure new growth momentum for the future. Specifically, while maintaining its global top position in the leading industries, KKPC plans to lay the foundation for carbon-neutral growth, expand its eco-friendly business share to 30% by 2030 and secure new M&A-based projects to become a company with sustainable growth.

In addition, recognizing the importance of ESG for sustainable growth, the BOD has developed a leading ESG strategy. Certain preemptive measures, such as governance, are already in place. In 2021, the BOD further strengthened its expertise and independence by transforming its management into a professional management system focused on sales/finance/R&D, creating the ESG Committee, the Intercompany Transaction Committee and the Compensation Committee, and reorganizing itself to be mainly composed of outside directors. The BOD also went through a corporate reorganization to establish a dedicated ESG Management Team, laying the foundation for the systematic and continuous ESG management strategies.

KKPC hereby proposes to organize the BOD by taking into account of the expertise of each sector, in order to upgrade the ESG implementation system in earnest and focus on pursuing mid- to long-term growth strategies starting from this year. Currently, the BOD of KKPC is composed of 10 directors (three executive directors and seven outside directors), and we would like to appoint two directors (two outside directors) among them at the 45th ordinary general meeting of shareholders. Candidates for outside directors of KKPC recommended by the Outside Director Candidate Recommendation Committee (which consists of outside directors) were finally selected after comprehensively reviewing their expertise and diversity. These candidates are experts in finance/policy/environment (climate change) and ESG.

The two candidates for outside directors proposed by KKPC are Sang-Soo Park (Finance/Policy/Risk Management sectors) and Young-Woo Park (ESG-Environment, Climate Change/Policy sectors). Sang-Soo Park is also a candidate for a member of the Audit Committee. Please refer to the details below for the reason why KKPC recommends each candidate.

For the candidates proposed by the shareholders, although it is difficult to determine specifically whether they are capable of contributing to the corporate value and shareholder value given the limited information on their relevance to business type and expertise in each sector, we do not believe that they are ideal candidates considering that their career and expertise are already well-established by the BOD.

In order to promptly respond to the uncertain business environment in the future and actively pursue measures to upgrade the ESG system and enhance shareholders' interests, Sang-Soo Park's experience in operating the financial/risk management policies and Young-Woo Park's expertise in the environment, especially in responding to climate change, will add synergy to the strategies planned by KKPC.

KKPC has proven its ability with its highest performance in 2021, and is preparing for a next leap forward, laying the foundation for sound governance for sustainable management. The candidates proposed by the BOD (i.e., Sang-Soo Park and Young-Woo Park) are the best candidates who will help maintain stable current business performance and effectively pursue future strategies. Therefore, we respectfully request that the shareholders collectively appoint the two candidates for outside directors as proposed by us and oppose the candidates proposed by the shareholders.


● BOD Member Skill Matrix

Classification	BOD Members	Management	Industry	R&D	Finance	Risk Management	Law/Policy	ESG	Gender Diversity	Remarks
Inside Director	Jong-Hoon Baek	○	○							Management Committee Chairperson ESG member
	Young-Hoon Ko		○	○						
	Young-Do Ko	○			○					Management Committee Member
Outside Director	Soon-Ae Park						○	○ (E)	○	ESG Committee Chairperson Compensation Committee Member
	Jae-Kyung Lee	○			○					Compensation Committee Chairperson Audit Committee Member Outside Director Candidate Recommendation Committee Member
	Jung-Mi Lee						○	○ (S)	○	Internal Transaction Committee Chairperson Outside Director Candidate Recommendation Committee Member ESG Committee Member
	Do-Soung Choi				○	○		○ (G)		Outside Director Candidate Recommendation Committee Chairperson Audit Committee Member ESG Committee Member
	Lee-Seok Hwang				○	○		○ (G)		Audit Committee Chairperson Internal Transaction Committee Member
	Sang-Soo Park				○	○	○			New appointment (Audit Committee Member)
	Young-Woo Park						○	○ (E)		New appointment

## Agenda No. 2: Appointment of Two Outside Directors / Agenda No. 3: Appointment of one Audit Committee Member

### Agenda no. 2-1: Appointment of Sang-Soo Park as outside director / Agenda no. 3-1: Appointment of Sang-Soo Park as Audit Committee memb

#### ■ Key background

Candidate	Skill Set	Main Occupation	Major Experience	
			Period	Details
 Sang-Soo Park (February 10, 1954)	Finance/Risk Management/Policy	Current Honorary Professor of Kyung Hee University Business School Former Professor of Department of Business Administration, Kyung Hee University (Ph.D. in Finance)	2019 - Present	Honorary Professor, Kyung Hee University School of Management
			1995-2019	Professor, Department of Business Administration, Kyung Hee University
			2012-2017	Chairman, the Self-Regulatory Review Committee of the Financial Services Commission
			2013-2016	Outside director, Audit Committee member and Risk Management Committee member, Hi Investment & Securities Co., Ltd.
			2018-2020	Chairperson, Specialized Committee on Stewardship Responsibility of National Pension Service

#### ■ Grounds for recommendation by the BOD

2-1/3-1	Appointment of Sang-Soo Park as outside director/ Appoinment of Sang-Soo Park as audit committee member
<b>1. Detailed profile of the candidate</b> <ul style="list-style-type: none"> <li>- 1977 Graduated from Business Administration Department, Seoul National University / 1981 Graduated School of Business Administration, Seoul National University</li> <li>- 1986 University of Chicago, MBA / 1990 University of Chicago, Ph.D. in Finance</li> <li>- 2019 - Present Honorary Professor, Kyung Hee University School of Management</li> <li>- 1995 - 2019 Professor, Department of Business Administration, Kyung Hee University</li> <li>- 1998 - 2013 Outside director and chairperson of Audit Committee, SKC Co., Ltd.</li> <li>- 2006 - 2007 Vice President of the Korean Finance Association</li> <li>- 2006 - 2007 Chairperson, Voting Right Exercise Expert Committee of National Pension Service</li> <li>- 2006 - 2013 Outside director, Audit Committee member and chairperson of Risk Management Committee of Kyobo Securities Co., Ltd.</li> <li>- 2006 - 2008 Head of Fund Management Evaluation Team, Ministry of Planning and Budget</li> <li>- 2009 - 2012 Dean of Kyung Hee University Graduate School of Business</li> <li>- 2011 24th President of the Korean Finance Association</li> <li>- 2012 - 2017 Chairperson, Self-Regulatory Review Committee of the Financial Services Commission</li> <li>- 2013 - 2020 Outside director and chairperson of Audit Committee, LG Uplus Co., Ltd.</li> <li>- 2013 - 2015 Financial supervisory advisor, Capital Market Division of the Financial Supervisory Service</li> <li>- 2013 - 2016 Outside director, audit committee member, risk management committee member, performance compensation committee member, Hi Investment &amp; Securities Co., Ltd.</li> <li>- 2018-2020 Chairperson, Specialized Committee on Stewardship Responsibility of National Pension Service</li> </ul>	

## 2. Background of Recommendation by the BOD

Sang-Soo Park, a candidate for outside director, has had no specific interests in transactions with KKPC or concurrent offices. As a Ph.D. holder in finance, Park is an expert in finance/financial/policy areas. He is a professor of business administration at Kyung Hee University's College of Business Administration, and served various positions including the head of Fund Management Evaluation Team, Ministry of Planning and Budget, the chairperson of the Voting Right Exercise Expert Committee of National Pension Service (NPS), the president of the Korean Finance Association, and a financial supervisory advisor of the Financial Supervisory Service as well as an outside director and auditor of listed companies in various industries (including SKC, Kyobo Securities, LG Uplus and Hi Investment & Securities).

The candidate is expected to contribute substantially to the BOD's decision-making process from a broader perspective based on his diverse and abundant experience and perspectives across the academic, public and economic circles, including his academic expertise in finance through a Ph. D., his leadership as the former dean of Kyung Hee University Graduate School of Business, his experience in activities at policy bodies such as the Ministry of Planning and Budget, the Financial Services Commission and the Financial Supervisory Service, and his experience of more than 20 years as a director of major listed companies. The candidate's expertise in finance is good enough to take over the roles (finance) of Directors Jin-Ho Chung and Yong-Sun Chung, whose terms expire this year, and at the same time he is expected to contribute to further strengthening the BOD's supervision function based on his experience of serving as an audit committee member and risk management committee member at listed companies in finance and other various industries.


Since 2018 when the NPS participated in the Stewardship Code, the candidate has served as the chairperson of the Specialized Committee on Stewardship Responsibility, which is responsible for the NPS's stewardship activities. The candidate not only played a role in the NPS's internalization of the Stewardship Code but also contributed greatly to the spread of the institutional investor stewardship in the Korean capital market. Based on this experience, the BOD believes that the candidate will contribute substantially to the BOD's better understanding and meeting the expectations of our investors.

Meanwhile, KKPC always takes into account the independence and expertise of BOD members not only in the composition of the BOD itself but also of the committees within the BOD, as part of our continuous efforts to establish advanced governance and enhance the role of the BOD and the committees within the BOD. As a result, KKPC has appointed Audit Committee members to include a number of experts with experience in finance or accounting more than as required by laws.

Candidate Sang-Soo Park is a candidate for the Audit Committee member who suits KKPC's roadmap as above, and is the best candidate who can fully utilize his experience in overseeing the business of KKPC and the BOD.

## Agenda no. 2-2: Appointment of Young-Woo Park as outside director

### ■ Key background

Candidate	Skill Set	Main Occupation	Major Experience	
			Period	Details
 Young-Woo Park (February 7, 1954)	ESG/Environment-Climate Change/Policy	Current Director of EcoMom Korea Current Planning Committee Member of Korea Green Foundation	2020-Present	Director of EcoMom Korea
			2020-Present	Planning Committee Member, Korea Green Foundation
			2003.09-2006.04	(Director-General) International Cooperation Bureau of the Ministry of Environment
			2008.10-2013.12	Head of Asia-Pacific office, United Nations Environment Programme (UNEP)
			2020.01 - 2020.11	Sustainable Development and Climate Change Policy Advisor, SACEP

### ■ Grounds for recommendation by the BOD

2-2	Appointment of Young-Woo Park as outside director
	<p><b>1. Detailed profile of the candidate</b></p> <ul style="list-style-type: none"> <li>- B.A. in economics, U.S. Southern Methodist University</li> <li>- M.A. in economics, Southern Illinois University</li> <li>- Ph.D. in Natural Resources &amp; Environmental Economics, Iowa State University</li> <li>- January 2020 - Present Director of EcoMom Korea</li> <li>- Mar. 2020 - Present (Planning Committee Member) Korea Green Foundation</li> <li>- Sep. 2003 - Apr. 2006 (Director-General) International Cooperation Bureau of the Ministry of Environment</li> <li>- May 2006 - Sep. 2008 (President) Sustainable Management Institute, Korea Chamber of Commerce and Industry</li> <li>- Oct. 2008 – Dec. 2013 Head of Asia &amp; Pacific Office, United Nations Environment Programme (UNEP)</li> <li>- Jul. 2014 – Dec. 2016 (Vice Dean Professor) Institute of Environmental Sustainable Development (IESD), Tongji Univ. in Shanghai, China</li> <li>- Aug. 2017 - Feb. 2019 Sri Lankan Waste Policy Advisor, Waste Management Authority</li> <li>- Jan. 2020 – Nov. 2020 Sustainable Development and Climate Change Policy Advisor, South Asia Co-operative Environment Programme (SACEP)</li> </ul> <p><b>2. Background of Recommendation by the BOD</b></p> <p>Young-Woo Park, a candidate for outside director, is an environmental and climate change expert who has had no specific interests in transactions with KKPC or concurrent offices, and served as the first Korean representative and head of the Asia &amp; Pacific office of the United Nations Environmental Programme (UNEP), which oversees the environmental affairs of the UN.</p> <p>The candidate has always emphasized the importance of international environmental agreements related to climate change and chemical control as well as their impact on the competitiveness of companies and nations.. Serving as the President of the Korea Chamber of Commerce and Industry's Sustainable Management Institute, the candidate has carried out various projects to support companies in the field of ESG by suggesting, through best practices, that the practice of sustainable management and corporate social responsibility is helpful to strengthen companies' international competitiveness and expand</p>

their markets long before ESG became more important in Korea. During his service as the head of the UNEP office, the candidate launched the Asia-Pacific Climate Change Adaptation Network and the Clean Air and Climate Change Network (CCCN), both of which have now expanded and developed into global networks. The BOD is confident that this candidate's expertise and experience will greatly contribute to the development and promotion of KKPC's ESG strategy, in particular to the identification of climate change-related risks and opportunities as well as the strengthening of the Company's competitiveness in these areas.

In addition, the candidate developed programs to respond to global environmental regulations and to strengthen corporate competitiveness (e.g., developing clean manufacturing technologies, cultivating clean manufacturing capacity and supply chain management with suppliers), which leading Korean companies such as Samsung, Hyundai Motors and SK as well as national research institutes jointly participated, contributing to the practical improvement of environmental impact and strengthening of competitiveness. Based on the various experiences described above, we expect that candidate Park will provide in-depth feedback on our ESG policy, and we are confident that he will further contribute to establishing a sustainable management system. Therefore, we would like to appoint the candidate as an outside director of KKPC.

#### Agenda No. 4: Approval of Ceiling Amount of Remuneration for Directors

##### ■ Number of directors and total remuneration or ceiling amount

(Current year)

<b>Number of directors (number of outside directors)</b>	10 (7)
<b>Total Remuneration or ceiling amount</b>	KRW 6.5 billion

(Previous year)

<b>Number of directors (number of outside directors)</b>	10 (7)
<b>Total remuneration actually paid</b>	KRW 5.4 billion
<b>Ceiling amount</b>	KRW 6.5 billion

### 3. Governance

#### Composition and Operation of the BOD

##### ■ Composition of the BOD

KKPC's board of directors is composed of a total of 10 directors, including seven outside directors who were appointed by the general meeting of shareholders upon the recommendation of the Outside Director Candidate Recommendation Committee, which is a committee within the BOD, and is a key decision-making body that provides important decision-making and advice in management activities.

All decisions made by the BOD aim to represent the interests of shareholders and maximize the corporate value from a long-term perspective. KKPC has at least a majority of its directors as outside directors to enhance its independence and expertise (70% outside directors).

Item	Composition		
	Chairman	Executive Director	Outside Director
BOD	Jong-Hoon Baek (Executive Director)	Young-Hoon Ko Young-Do Ko	Soon-Ae Park Jae-Kyung Lee Jung-Mi Lee Yong-Sun Chung* Jin-Ho Chung Do-Soung Choi Lee-Seok Hwang
Audit Committee (4)	Lee-Seok Hwang (Outside Director)		Jae-Kyung Lee Jin-Ho Chung* Do-Soung Choi
Outside Director Candidate Recommendation Committee (3)	Do-Soung Choi (Outside Director)		Jae-Kyung Lee Jung-Mi Lee
Intercompany Transaction Committee (3)	Jung-Mi Lee (Outside Director)		Yong-Sun Chung* Lee-Seok Hwang
Compensation Committee (3)	Jae-Kyung Lee (Outside Director)		Soon-Ae Park Yong-Sun Chung*
ESG Committee (4)	Soon-Ae Park (Outside Director)	Jong-Hoon Baek	Jung-Mi Lee Do-Soung Choi
Management Committee (2)	Jong-Hoon Baek (Executive Director)	Young-Do Ko	

Note) \* Directors whose term expires in March 2022

##### ■ BOD committees

KKPC operates the Audit Committee (four outside directors), the Outside Director Candidate Recommendation Committee (three outside directors), the Intercompany Transaction Committee (three outside directors), the Compensation Committee (three outside directors), the ESG Committee (three outside directors, one executive director), and the Management Committee (two executive directors).

As an internal control organization, the Audit Committee enhances transparency in corporate management, enhances reliability of accounting information, and maintains objectivity in an independent position from the BOD, management and other executive organizations. It consists of at least three directors; two-thirds or more of the total members are outside directors, and at least one of the members is accounting or finance specialist as set forth in applicable laws and regulations. Currently, KKPC has a total of four Audit Committee members, all of whom are outside directors including accounting or finance experts and provides independent opinions on management's business decisions.



The Outside Director Candidate Recommendation Committee searches, examines and recommends capable outside director candidates through fair procedures, and the Management Committee deliberates and resolves on major management status of KKPC.

In addition, starting from 2021, KKPC has established and operated the Intercompany Transaction Committee and the Compensation Committee consisting of all outside directors and the ESG Committee where two-thirds of the members are outside directors, aiming to strengthen the independence and expertise of the BOD and establish KKPC's ESG strategy and sustainable management system.

<b>Role of the Audit Committee</b>	<b>Role of the Outside Director Candidate Recommendation Committee</b>
<ol style="list-style-type: none"> <li>1. Oversee the work of directors and management;</li> <li>2. Approve selection of external auditor; and</li> <li>3. Other matters prescribed by the articles of association or by-laws in relation to audit.</li> </ol>	<ol style="list-style-type: none"> <li>1. Establish, inspect and supplement the principles for appointment of directors;</li> <li>2. Recommend director candidates to be appointed at the general meeting of shareholders; and</li> <li>3. Manage and verify candidates for directors at all times</li> </ol>
<b>Role of the Intercompany Transaction Committee</b>	<b>Role of the Compensation Committee</b>
Deliberate and resolve on intercompany transactions pursuant to the Commercial Code (the “KCC”), the Monopoly Regulation and Fair Trade Act, etc.	Deliberate and resolve on matters concerning remuneration or compensation of directors, such as the ceiling amount of remuneration for directors and the compensation system and mechanism
<b>Role of the ESG Committee</b>	<b>Role of the Management Committee</b>
Establish, manage and evaluate KKPC's strategies and policies on ESG	Establish major management strategies or policies of KKPC, and deliberate and resolve on major management status

## ■ Operation of the BOD

According to Article 5 of KKPC's BOD Regulations (the “**BOD Regulations**”), the BOD shall, in principle, hold a BOD meeting every quarter. From January to March, at least two BOD meetings are held for the submission of the financial statements to the Audit Committee six weeks prior to the general shareholders' meeting and the BOD's approval of the same, the BOD's prior approval of the agenda for the general shareholders' meeting and the convocation of the ordinary general shareholders' meeting in March. In addition, extraordinary BOD meetings are held from time to time when there is an irregular matter requiring BOD approval and it is difficult to submit it to the next scheduled BOD meeting.

Pursuant to Article 7, Paragraph (1) of the BOD Regulations, each BOD meeting should be convened by the Chairman and pursuant to Article 7, Paragraph (3) of the BOD Regulations, a notice for a BOD meeting should be given to each director at least two days prior to the meeting, which convocation procedure may be waived with the consent of all directors.

## ■ Strengthening expertise of the BOD

KKPC selects the right person to serve as our outside director by verifying the grounds for disqualification based on the qualifications for outside directors required under the KCC, carefully examining the qualifications such as independence, expertise, work-related impartiality, ethical accountability and faithfulness, and thoroughly reviewing experienced persons in various aspects.

In addition, the BOD and the Outside Director Candidate Recommendation Committee are closely reviewing whether a recommended director candidate's career and expertise can make a substantial contribution to the corporate management. As such, directors with diverse backgrounds and expertise such as corporate

management, finance, accounting, law, risk management, ESG and gender diversity are involved in the BOD to enhance its expertise and strengthen its control over management. In particular, we apply more stringent requirement to the Audit Committee members than as required by laws to include at least two experts with experience in finance or accounting.

In June 2021, KKPC appointed two new executive directors at an extraordinary general meeting of shareholders in order to change its governance structure to a professional manager system and strengthen the management centering on the BOD. We will do our best to promote the improvement of ESG management and further enhance the expertise of the BOD by ensuring the three directors who are professional managers in sales, finance and R&D serve as one of the pillars of the BOD and participate in major decision-makings.

## Activities of the BOD

### ■ Matters resolved by the BOD in 2021

Date of Meeting	Agenda	Approval	Attendance
February 9, 2021	• Approval of Financial Statements for the 44th Fiscal Year (FY 2020)	Approval of original agenda	10/10
	• Approval of Business Report for the 44th Fiscal Year (FY 2020)	Approval of original agenda	
	• Approval of Payment Guarantee for China Joint Venture Company (Rizhao Kumho Jinma Chemical Co., Ltd.)	Approval of original agenda	
	• Report on the Operation Status of the Internal Accounting Management System	Report completed	
February 23, 2021	• Execution of SPA for Acquisition of Kumho Resort Co., Ltd.	Approval of original agenda	10/10
	• Execution of Share Purchase Agreement for Acquisition of Kumho Holdings (H.K.)	Approval of original agenda	
	• Execution of Joint Investment Agreement for Acquisition of Kumho Resort Co., Ltd.	Approval of original agenda	
March 9, 2021	• Convocation of the 44th Ordinary General Meeting of Shareholders	Approval of original agenda	10/10
	- Agenda No. 1: Approval of Financial Statements for the 44th Fiscal Year and Dividends		
	- Agenda No. 2: Partial Amendment to the Articles of Incorporation		
	- Agenda No. 3: Appointment of one Outside director to be Audit Committee Member		
	- Agenda No. 4: Appointment of one Executive Director		
	- Agenda No. 5: Appointment of Three Outside Directors		
	- Agenda No. 6: Appointment of one Outside Director and Audit Committee Member		
	- Agenda Item 7: Approval of Ceiling Amount of Remuneration for Directors		
	• Re-approval of Business Report for the 44th Fiscal Year	Approval of original agenda	
	• (Audit Committee) Report on Evaluation of Internal Accounting Management System	Report completed	
April 6, 2021	• Appointment of Representative Director	Approval of original agenda	10/10
	• Approval of Amendment of Regulations	Approval of original agenda	
	• Approval of Safety and Health Plan	Approval of original agenda	
May 4, 2021	• Approval of Re-establishment of Turnover Limit for Import Loan	Approval of original agenda	10/10

	<ul style="list-style-type: none"> <li>• Participation in Capital Increase of Kumho Resort Co., Ltd.</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Approval of Payment Guarantee for China Joint Venture Company (Rizhao Kumho Jinma Chemical Co., Ltd.)</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Convocation of Extraordinary General Meeting of Shareholders</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Progress Report on Equity transfer of China Joint Venture Company (Nanjing Kumho GPRO Chemical Co., Ltd.)</li> </ul>	Report completed	
	<ul style="list-style-type: none"> <li>• Progress Report on Acquisition of Shares in Kumho Polychem Co., Ltd.</li> </ul>	Report completed	
	<ul style="list-style-type: none"> <li>• Report on Business Performance for 2021 1Q</li> </ul>	Report completed	
May 11, 2021	<ul style="list-style-type: none"> <li>• Execution of SPA for Kumho Polychem Co., Ltd.</li> </ul>	Approval of original agenda	10/10
	<ul style="list-style-type: none"> <li>• Execution of Equity Transfer Agreement with China Joint Venture Company (Nanjing Kumho GPRO Chemical Co., Ltd.)</li> </ul>	Approval of original agenda	
June 22, 2021	<ul style="list-style-type: none"> <li>• Appointment of the Chairman of the BOD</li> </ul>	Approval of original agenda	10/10
	<ul style="list-style-type: none"> <li>• Approval of Regulatory Enactment (Regulations of the ESG Committee, the Intercompany Transaction Committee, the Compensation Committee and the Management Committee)</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Appointment of Members of the Outside Director Candidate Recommendation Committee</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Appointment of Members of the ESG Committee</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Appointment of Members of the Intercompany Transaction Committee</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Appointment of Members of the Compensation Committee</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Appointment of Members of the Management Committee</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Approval of Annual Borrowing and Payment Guarantee Limit</li> </ul>	Approval of original agenda	
	<ul style="list-style-type: none"> <li>• Approval of Facility Investment (NB Latex, Ulsan)</li> </ul>	Approval of original agenda	
August 24, 2021	<ul style="list-style-type: none"> <li>• Report on Business Performance for the First Half of 2021</li> </ul>	Report completed	10/10
	<ul style="list-style-type: none"> <li>• Report on Matters Resolved by Committees within the BOD</li> </ul>	Report completed	
October 26, 2021	<ul style="list-style-type: none"> <li>• Report on Capital Reduction with Consideration by Kumho Petro Holdings (Hong Kong) Co., Ltd.</li> </ul>	Report completed	10/10
	<ul style="list-style-type: none"> <li>• Report on Business Performance for the Third Quarter of 2021</li> </ul>	Report completed	
	<ul style="list-style-type: none"> <li>• Report on Matters Resolved by Committees within the BOD</li> </ul>	Report completed	
December 10, 2021	<ul style="list-style-type: none"> <li>• Approval of Annual Borrowing and Payment Guarantee Limit</li> </ul>	Approval of original agenda	10/10
	<ul style="list-style-type: none"> <li>• FY2021 Business Performance and FY2022 Business Plan</li> </ul>	Report completed	
	<ul style="list-style-type: none"> <li>• Report on Matters Resolved by Committees within the BOD</li> </ul>	Report completed	
	<ul style="list-style-type: none"> <li>• (Proposed) Schedule for the 45th Ordinary General Meeting of Shareholders</li> </ul>	Report completed	
December 15, 2021	<ul style="list-style-type: none"> <li>• Execution of Share Purchase Agreement between Kumho Petrochemical Co., Ltd. &amp; OCI Co., Ltd.</li> </ul>	Approval of original agenda	10/10
	<ul style="list-style-type: none"> <li>• Decision to Cancel Treasury Stocks</li> </ul>	Approval of original agenda	

■ **Matters resolved by the Audit Committee in 2021**

Date of Meeting	Agenda	Approval	Attendance
February 9, 2021	• Report on the Operation Status of the Internal Accounting Management System	Report completed	4/4
	• Report on the Financial Statements for the 44th Fiscal Year (FY 2020)	Report completed	
	• Report on the Activities of the Audit Committee in 2020	Report completed	
	• Report on the Review Results of Matters Subject to Supervision in Internal Accounting Management System by the Audit Committee in 2020	Report completed	
March 9, 2021	• Preparation of Evaluation Report on Internal Accounting Control System	Approval of original agenda	4/4
	• Preparation of Audit Report by the Audit Committee	Approval of original agenda	
	• Communication with the Auditor for 2021 Q1	Meeting completed	
May 4, 2021	• Communication with the Auditor for 2021 Q2	Meeting completed	4/4
	• Report on 2021 Audit Committee Activity Plan	Report completed	
	• Report on the Evaluation Plan for the Internal Accounting Management System in 2021	Report completed	
	• Report on 2021 Internal Audit Activity Plan	Report completed	
	• Evaluation of Auditor's Audit Activities in 2020	Approval of original agenda	
	• Appointment of the Chairperson of the Audit Committee	Approval of original agenda	
September 14, 2021	• Communication with the Auditor for 2021 Q3	Meeting completed	4/4
	• Report Appointment Procedures of External Auditor (Designated Auditor)	Report completed	
	• Consolidated Internal Accounting Management System and Countermeasures	Completion of training	
November 26, 2021	• Approval of Appointment Procedures of External Auditor and Candidate Evaluation Criteria	Approval of original agenda	4/4
December 10, 2021	• Communication with the Auditor for 2021 Q4	Meeting completed	4/4
	• Status of the Audit Committee's Inspection of the Internal Accounting Management System in 2021	Report completed	
	• Evaluation and Selection of Candidates for External Auditor	Approval of original agenda	
December 15, 2021	• Approval of External Audit Agreement	Approval of original agenda	4/4

■ **Matters resolved by the Outside Director Candidate Recommendation Committee in 2021**

Date of Meeting	Agenda	Approval	Attendance
March 9, 2021	• Recommendation of Outside Director Candidate	Approval of original agenda	2/2

■ **Matters resolved by the Intercompany Transaction Committee in 2021**

Date of Meeting	Agenda	Approval	Attendance
June 22, 2021	• Appointment of the Chairperson of the Intercompany Transaction Committee	Approval of original agenda	3/3
December 8, 2021	• Report on Operation Plan of the Intercompany Transaction Committee	Report completed	3/3
	• Report on the Status of Internal Transactions with Affiliates (2021, 2022)	Report completed	

■ **Matters resolved by the Compensation Committee in 2021**

Date of Meeting	Agenda	Approval	Attendance
June 22, 2021	• Appointment of the Chairperson of the Compensation Committee	Approval of original agenda	3/3
December 7, 2021	• Operation Plan of the Compensation Committee	Report completed	3/3
	• Status of KKPC Regarding Payment of Remuneration for Registered Directors in 2021	Report completed	

■ **Matters resolved by the ESG Committee in 2021**

Date of Meeting	Agenda	Approval	Attendance
June 22, 2021	• Appointment of the Chairman of the ESG Committee	Approval of original agenda	4/4
September 16, 2021	• Report on the Results of ESG Management Strategy Establishment Project	Report Completed	4/4
	• Report on Operation Plan of the ESG Committee	Report Completed	
December 7, 2021	• Report on Performance of ESG Management Strategy	Report Completed	4/4
	• Report on Mid- to Long-Term ESG Management Plan for 2022	Report Completed	
	• Report on Review of ESG Initiative Membership	Report Completed	
	• Report on Recent ESG Issues	Report Completed	

■ **Matters resolved by the Management Committee in 2021**

Date of Meeting	Agenda	Approval	Attendance
June 22, 2021	• Approval of General Loan Agreement with Shinhan Bank	Approval of original agenda	2/2
September 14, 2021	• Renewal of Agreement on Payment Guarantee for Comprehensive Foreign Currency with KB Kookmin Bank	Approval of original agenda	2/2
October 20, 2021	• Approval of Renewal of Loan Agreement with KDB	Approval of original agenda	2/2

November 22, 2021	• Approval of Renewal of Comprehensive Limit Agreement with KEB Hana Bank	Approval of original agenda	2/2
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■ **Status of training for outside directors (Audit Committee members) in 2021**

Date of Meeting	Agenda	Approval	Attendance
June 22, 2021	• Introduction to Kumho Petrochemical Co., Ltd.	Completion of training	Outside Director (July 7)
September 14, 2021	• Consolidated Internal Accounting Management System and Countermeasures	Completion of training	Audit Committee (April 4)
October 26, 2021	• Mid/Long-term Growth Strategy of Kumho Petrochemical Group, etc.	Completion of training	Outside Director (July 7)

■ **Attendance rate of the BOD meetings**

Classification	Name	2019	2020	2021	Total		
					Number of BOD Meetings	Frequency of participation	Attendance Rate
Executive Director	Chan-koo Park	9/9	9/10	6/6	25	24	96%
	Seong-Chae Kim	2/2	-	-	2	2	100%
	Dong-Jun Moon	9/9	10/10	3/3	22	22	100%
	Woo-Sung Shin	6/7	10/10	6/6	23	22	96%
	Jong-Hoon Baek	-	-	8/8	8	8	100%
	Young-Hoon Ko	-	-	5/5	5	5	100%
	Young-Do Ko	-	-	5/5	5	5	100%
Outside Director	Soon-Ae Park	-	-	8/8	8	8	100%
	Ock-Ryeol Song	8/9	10/10	3/3	22	21	95%
	Yong-Man Rhee	9/9	1/3	-	12	10	83%
	Jae-Kyung Lee	-	7/7	11/11	18	18	100%
	Jung-Mi Lee	-	-	8/8	8	8	100%
	Hwi-Sung Lee	8/9	10/10	3/3	22	21	95%
	Myung-Kee Jang	9/9	10/10	3/3	22	22	100%
	Woon-Oh Jeong	9/9	10/10	3/3	22	22	100%
	Yong-Sun Chung	7/7	10/10	11/11	28	28	100%
	Jin-Ho Chung	9/9	10/10	11/11	30	30	100%
	Do-Soung Choi	-	-	8/8	8	8	100%
	Lee-Seok Hwang	-	-	8/8	8	8	100%

■ Attendance rate of the Audit Committee meetings

Name	2019	2020	2021	Total		
				Number of BOD Meetings	Frequency of participation	Attendance Rate
Yong-Man Rhee	6/6	1/2	-	8	7	88%
Jae-Kyung Lee	-	3/3	7/7	10	10	100%
Hwi-Sung Lee	5/6	5/5	2/2	13	12	92%
Woon-Oh Jeong	6/6	5/5	2/2	13	13	100%
Jin-Ho Chung	6/6	5/5	7/7	18	18	100%
Do-Soung Choi	-	-	5/5	5	5	100%
Lee-Seok Hwang	-	-	5/5	5	5	100%

■ Attendance rate of the Outside Director Candidate Recommendation Committee meetings

Name	2019	2020	2021	Total		
				Number of BOD Meetings	Frequency of participation	Attendance Rate
Yong-Man Rhee	1/1	1/1	-	2	2	100%
Jin-Ho Chung	1/1	2/2	1/1	4	4	100%
Woon-Oh Jeong	-	1/1	1/1	2	2	100%

■ Attendance rate of the Internal Trading Committee meetings

Name	2019	2020	2021	Total		
				Number of BOD Meetings	Frequency of participation	Attendance Rate
Jung-Mi Lee	-	-	2/2	2	2	100%
Yong-Sun Chung	-	-	2/2	2	2	100%
Lee-Seok Hwang	-	-	2/2	2	2	100%

■ Attendance rate of the Compensation Committee meetings

Name	2019	2020	2021	Total		
				Number of BOD Meetings	Frequency of participation	Attendance Rate
Jae-Kyung Lee	-	-	2/2	2	2	100%
Soon-Ae Park	-	-	2/2	2	2	100%
Yong-Sun Chung	-	-	2/2	2	2	100%

■ Attendance rate of the ESG Committee meetings

Name	2019	2020	2021	Total		
				Number of BOD Meetings	Frequency of participation	Attendance Rate
Soon-Ae Park	-	-	3/3	3	3	100%
Jong-Hoon Baek	-	-	3/3	3	3	100%
Jung-Mi Lee	-	-	3/3	3	3	100%
Do-Soung Choi	-	-	3/3	3	3	100%

■ Attendance rate of the Management Committee meetings

Name	2019	2020	2021	Total		
				Number of BOD Meetings	Frequency of participation	Attendance Rate
Jong-Hoon Baek	-	-	4/4	4	4	100%
Young-Do Ko	-	-	4/4	4	4	100%



## Consolidated Statements of Financial Position

(In millions of won)

	December 31, 2021	December 31, 2020
<b>Assets</b>		
<b>Non-current assets</b>	<b>4,670,464</b>	<b>3,321,801</b>
Property, plant and equipment	3,416,204	2,280,446
Right-of-use asset	92,660	50,054
Investment property	82,613	36,273
Intangible assets	51,339	15,833
Investments in associates and joint ventures	645,082	654,312
Financial assets at fair value through other comprehensive income	336,248	236,688
Financial assets at fair value through profit or loss	5,823	4,846
Net defined benefit assets	4,781	-
Derivative financial assets	90	-
Loans and other receivables	27,311	25,862
Deferred tax assets	6,731	16,332
Other non-current assets	1,582	1,155
<b>Current assets</b>	<b>3,445,210</b>	<b>1,705,481</b>
Inventories	780,319	531,853
Financial assets at fair value through profit or loss	-	121
Derivative financial assets	54	-
Trade receivables	832,139	581,760
Loans and other receivables	1,172,047	160,553
Cash and cash equivalents	622,937	418,223
Other current assets	37,611	12,971
Current tax assets	103	-
<b>Total assets</b>	<b>8,115,674</b>	<b>5,027,282</b>

(In millions of won)

	December 31, 2021	December 31, 2020
<b>Equity</b>		
<b>Equity attributable to owners of the Company</b>	<b>5,081,790</b>	<b>3,148,227</b>
Capital	167,456	167,456
Capital surplus	378,261	356,466
Capital adjustment	(37,950)	(40,412)
Accumulated other comprehensive income	8,957	(62,726)
Retained earnings	4,565,066	2,727,443
<b>Non-controlling interests</b>	<b>1,118</b>	<b>1,007</b>
<b>Total equity</b>	<b>5,082,908</b>	<b>3,149,234</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>	<b>672,486</b>	<b>667,802</b>
Other payables	104,178	400
Long-term accrued expenses	10,137	8,572
Borrowings	243,472	485,338
Lease liability	70,306	40,450
Net defined benefit liabilities	17,465	28,070
Deferred tax liabilities	185,650	92,754
Derivative financial Liabilities	908	12,218
Provision	155	-
Other non-current liabilities	40,215	-
<b>Current liabilities</b>	<b>2,360,280</b>	<b>1,210,246</b>
Trade payables	443,426	402,332
Other payables	464,797	232,204
Borrowings	714,275	374,820
Lease liability	5,362	6,965
Current tax liabilities	571,507	155,126
Derivative financial Liabilities	533	-
Provision	14,380	18,045
Other current liabilities	145,977	20,741
Financial guarantee liabilities	23	13
<b>Total liabilities</b>	<b>3,032,766</b>	<b>1,878,048</b>
<b>Total equity and liabilities</b>	<b>8,115,674</b>	<b>5,027,282</b>

## Consolidated Statements of Income

(In millions of won, except earning per share information)

	2021	2020
Revenue	8,461,842	4,809,536
Cost of sales	5,763,735	3,858,767
<b>Gross profit</b>	<b>2,698,107</b>	<b>950,769</b>
Selling, general and administrative expenses	291,271	208,609
<b>Operating income</b>	<b>2,406,836</b>	<b>742,160</b>
Other income	140,534	61,512
Other expenses	96,358	66,336
Financial income	36,760	56,893
Financial expenses	58,262	83,702
Share of profit of equity accounted investees	188,610	56,420
<b>Profit(loss) before income tax</b>	<b>2,618,120</b>	<b>766,947</b>
Income tax expense	652,543	207,292
<b>Profit(loss) for the year from continuing operations</b>	<b>1,965,577</b>	<b>559,655</b>
Profit(loss) for the year from discontinued operations	-	23,328
<b>Profit(loss) for the year</b>	<b>1,965,577</b>	<b>582,983</b>
<b>Profit attributable to:</b>		
Owners of the Company	1,965,465	582,899
Non-controlling interests	112	84
<b>Net profit for the year</b>	<b>1,965,577</b>	<b>582,983</b>
<b>Earnings per share (In Korean won) :</b>		
Basic and Diluted earnings per share(common stock)	70,433	20,881
- Earnings per share(common stock) from continuing operations	70,433	20,045
- Earnings per share(common stock) from discontinued operations	-	836
Basic and Diluted earnings per share(preferred stock)	70,417	20,992
- Earnings per share(preferred stock) from continuing operations	70,417	20,156
- Earnings per share(preferred stock) from discontinued operations	-	836

## Consolidated Statements of Comprehensive Income

(In millions of won)

	2021	2020
<b>Profit(loss) for the year</b>	<b>1,965,577</b>	<b>582,983</b>
<b>Other comprehensive income(loss) for the year, net of income tax</b>	<b>60,884</b>	<b>(22,418)</b>
1. Items that will not be reclassified subsequently to profit or loss :		
- Remeasurement of net defined benefit liabilities/assets	(9,505)	(2,120)
- Valuation gain (or loss) from financial assets at fair value through OCI	54,765	(20,742)
- Net change in retained earnings of investments in associates	846	835
2. Items that will be reclassified subsequently to profit or loss :		
- Foreign currency translation differences for foreign operations	5,025	10
- Valuation gain (or loss) from derivative financial instruments	771	(391)
- Net change in unrealized gain on valuation of investments in associates	8,982	(10)
<b>Total comprehensive income(loss) for the year</b>	<b>2,026,461</b>	<b>560,565</b>
<b>Total comprehensive income(loss) attributable to:</b>		
Owners of the Company	2,026,349	560,481
Non-controlling interests	112	84
<b>Total comprehensive income(loss) for the year</b>	<b>2,026,461</b>	<b>560,565</b>

## Consolidated Statements of Changes in Equity

(In millions of won)

	Capital	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
<b>Balance at January 1, 2020</b>	167,456	356,466	(40,381)	(41,593)	2,186,700	923	2,629,571
Changes in accounting policies	-	-	-	-	-	-	-
<b>Balance at January 1, 2020 after applying changes</b>	167,456	356,466	(40,381)	(41,593)	2,186,700	923	2,629,571
<b>Total comprehensive income for the year</b>							
Net profit(loss) for the year	-	-	-	-	582,899	84	582,983
Valuation gain (or loss) from financial assets at fair value through OCI	-	-	-	(20,742)	-	-	(20,742)
Foreign currency translation differences for foreign operations	-	-	-	10	-	-	10
Effective portion of changes in fair value of cash flow hedges	-	-	-	(391)	-	-	(391)
Net change in unrealized gain on valuation of investments in associates	-	-	-	(10)	-	-	(10)
Net change in retained earnings of investments in associates	-	-	-	-	835	-	835
Remeasurements of net defined benefit liability	-	-	-	-	(2,120)	-	(2,120)
<b>Transactions with owners of the Company, recognized directly in equity</b>							
Conversion of convertible bond	-	-	-	-	-	-	-
Changes in a parent's ownership interest in subsidiaries	-	-	-	-	-	-	-
Additional acquisition of shares of subsidiaries	-	-	(31)	-	-	-	(31)
Disposal of shares of subsidiaries	-	-	-	-	-	-	-
Writing down subsidiary's treasury stocks	-	-	-	-	-	-	-
loss of control of a subsidiary	-	-	-	-	-	-	-
Other capital adjustment	-	-	-	-	-	-	-
Dividends	-	-	-	-	(40,871)	-	(40,871)
<b>Balance at December 31, 2020</b>	167,456	356,466	(40,412)	(62,726)	2,727,443	1,007	3,149,234
-	-	-	-	-	-	-	-
<b>Balance at January 1, 2021</b>	167,456	356,466	(40,412)	(62,726)	2,727,443	1,007	3,149,234
Changes in accounting policies	-	-	-	-	-	-	-
<b>Balance at January 1, 2021 after applying changes</b>	167,456	356,466	(40,412)	(62,726)	2,727,443	1,007	3,149,234
<b>Total comprehensive income for the year</b>							
Net profit(loss) for the year	-	-	-	-	1,965,465	112	1,965,577
Valuation gain (or loss) from financial assets at fair value through OCI	-	-	-	56,905	(2,140)	-	54,765
Foreign currency translation differences for foreign operations	-	-	-	5,025	-	-	5,025
Effective portion of changes in fair value of cash flow hedges	-	-	-	771	-	-	771
Net change in unrealized gain on valuation of investments in associates	-	-	-	8,982	-	-	8,982
Net change in retained earnings of investments in associates	-	-	-	-	846	-	846
Remeasurement of net defined benefit liabilities/assets	-	-	-	-	(9,505)	-	(9,505)
<b>Transactions with owners of the Company, recognized directly in equity</b>							
Changes in a parent's ownership interest in subsidiaries	-	(65)	-	-	-	-	(65)
Disposal of treasury stock	-	21,860	1,231	-	-	-	23,091
Retirement of treasury stock	-	-	1,231	-	(1,231)	-	-
Dividends	-	-	-	-	(115,812)	(1)	(115,813)
<b>Balance at December 31, 2021</b>	167,456	378,261	(37,950)	8,957	4,565,066	1,118	5,082,908
-	-	-	-	-	-	-	-

## Consolidated Statements of Cash Flows

(In millions of won)

	2021	2020
<b>Cash flows from operation activities</b>	<b>2,127,031</b>	<b>771,534</b>
Cash generated from operation activities	2,366,243	881,398
Interest received	4,757	2,671
Interest paid	(18,946)	(26,468)
Dividends received	19,819	19,513
Income tax paid	(244,842)	(105,580)
<b>Cash flows from investing activities</b>	<b>(1,758,508)</b>	<b>(200,047)</b>
Increase in short-term financial instruments	(1,303,000)	(97,000)
Proceeds from sales of short-term financial instruments	277,000	48,791
Proceeds from sales of long-term financial instruments	10	-
Increase in short-term loans	-	(5,126)
Collection of short-term loans	5,528	-
Increase in long-term loans	(375)	(360)
Collection of long-term loans	631	2,021
Acquisition of investments in associates and joint ventures	-	(13,000)
Sales of investments in associates and joint ventures	15,614	-
Acquisition of property, plant and equipment	(353,776)	(175,440)
Sales of property, plant and equipment	1,375	46
Acquisition of intangible assets	(1,219)	(2,823)
Sales of intangible assets	480	-
Acquisition of financial assets at fair value through OCI	(79)	-
Acquisition of financial assets at fair value through P/L	-	(750)
Sales of financial assets at fair value through P/L	-	4,041
Sales of business	-	39,754
Acquisition of other investments	(371)	(201)
Increase in cash due to change in scope of consolidation	(400,326)	-
<b>Cash flows from financing activities</b>	<b>(166,557)</b>	<b>(278,524)</b>
Net proceeds(repaysments) of short-term borrowings	(2,001)	(152,912)
Proceeds from issuance of bonds	-	23,678
Proceeds from long-term borrowings	25,579	91,600
Repayments of current portion of long-term borrowings	(62,933)	(174,450)
Repayments of long-term borrowings	(1,000)	(20,000)
Payments of lease liability	(10,177)	(8,764)
Proceeds from derivative instruments	-	3,237
Dividends paid	(115,809)	(40,871)
Disposal of treasury stock	(151)	-
Payment for share issuance costs	(65)	(42)
<b>Effect of exchange rate fluctuations on cash held</b>	<b>2,748</b>	<b>(2,548)</b>
<b>Net increase in cash and cash equivalents</b>	<b>204,714</b>	<b>290,415</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>418,223</b>	<b>127,808</b>
<b>Cash and cash equivalents at the end of year</b>	<b>622,937</b>	<b>418,223</b>

## Separate Statements of Financial Position

(In millions of won)

	December 31, 2021	December 31, 2020
<b>Assets</b>		
<b>Non-current assets</b>	<b>2,764,807</b>	<b>2,262,234</b>
Property, plant and equipment	1,515,968	1,484,527
Right-of-use asset	27,453	14,957
Investment property	66,454	67,412
Intangible assets	16,129	11,535
Investments in subsidiaries, associates and joint ventures	780,412	422,556
Financial assets at fair value through other comprehensive income	335,814	230,938
Financial assets at fair value through profit or loss	5,049	4,760
Net defined benefit assets	4,781	-
Loans and other receivables	11,961	12,666
Deferred tax assets	-	12,096
Other non-current assets	786	787
<b>Current assets</b>	<b>1,883,967</b>	<b>1,189,196</b>
Inventories	458,400	406,557
Trade receivables	479,554	378,825
Loans and other receivables	447,505	46,468
Cash and cash equivalents	478,080	350,192
Other current assets	20,428	7,154
<b>Total assets</b>	<b>4,648,774</b>	<b>3,451,430</b>

(In millions of won)

	December 31, 2021	December 31, 2020
<b>Equity</b>		
Capital	167,456	167,456
Capital surplus	298,065	276,205
Capital adjustment	(37,604)	(40,066)
Accumulated other comprehensive income	(2,148)	(59,023)
Retained earnings	2,652,598	1,791,254
<b>Total equity</b>	<b>3,078,367</b>	<b>2,135,826</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>	<b>164,677</b>	<b>393,072</b>
Other payables	19	18
Borrowings	125,472	356,821
Lease liability	23,258	9,003
Deferred tax liabilities	8,255	-
Long-term accrued expenses	6,765	6,477
Net defined benefit Liabilities	-	13,971
Derivative financial liabilities	908	6,782
<b>Current liabilities</b>	<b>1,405,730</b>	<b>922,532</b>
Trade payables	266,642	310,995
Other payables	185,251	168,817
Borrowings	545,586	293,880
Lease liability	2,615	4,713
Derivative financial liabilities	188	-
Current tax liabilities	311,042	115,756
Provisions	3,728	14,582
Financial guarantee liabilities	14	13
Other current liabilities	90,664	13,776
<b>Total liabilities</b>	<b>1,570,407</b>	<b>1,315,604</b>
<b>Total equity and liabilities</b>	<b>4,648,774</b>	<b>3,451,430</b>

## Separate Statements of Income

(In millions of won, except earning per share information)

	2021	2020
Sales	5,501,282	3,489,720
Cost of sales	3,960,194	2,809,648
<b>Gross profit</b>	<b>1,541,088</b>	<b>680,072</b>
Selling, general and administrative expenses	198,306	165,149
<b>Operating income</b>	<b>1,342,782</b>	<b>514,923</b>
Other income	63,526	110,971
Other expenses	35,846	41,141
Financial income	17,937	43,067
Financial expenses	32,179	62,855
<b>Profit(loss) before income tax</b>	<b>1,356,220</b>	<b>564,965</b>
Income tax expense	369,234	153,969
<b>Profit(loss) for the year from continuing operations</b>	<b>986,986</b>	<b>410,996</b>
Profit(loss) for the year from discontinued operations	-	23,328
<b>Profit(loss) for the year</b>	<b>986,986</b>	<b>434,324</b>
<b>Earnings per share (In Korean won) :</b>		
Basic and Diluted earnings per share(common stock)	35,370	15,556
- Earnings per share(common stock) from continuing operations	35,370	14,720
- Earnings per share(common stock) from discontinued operations	-	836
Basic and Diluted earnings per share(preferred stock)	35,354	15,667
- Earnings per share(preferred stock) from continuing operations	35,354	14,831
- Earnings per share(preferred stock) from discontinued operations	-	836

## Separate Statements of Comprehensive Income

(In millions of won)

	2021	2020
<b>Net profit(loss) for the year</b>	<b>986,986</b>	<b>434,324</b>
<b>Other comprehensive income(loss) for the year, net of income tax</b>	<b>48,276</b>	<b>(22,431)</b>
1. Items that will not be reclassified subsequently to profit or loss :		
- Remeasurement of net defined benefit liabilities/assets)	(7,873)	460
- Net change in fair value of financial assets	55,533	(22,466)
2. Items that will be reclassified subsequently to profit or loss :		
- Effective portion of changes in fair value of cash flow hedges	616	(425)
<b>Total comprehensive income(loss) for the year</b>	<b>1,035,262</b>	<b>411,893</b>

## Separate Statements of Changes in Equity

(In millions of won)

	Capital	Capital Surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total equity
<b>Balance at January 1, 2020</b>	<b>167,456</b>	<b>276,205</b>	<b>(40,066)</b>	<b>(36,132)</b>	<b>1,397,341</b>	<b>1,764,804</b>
Changes in accounting policies						-
<b>Balance at January 1, 2020 after applying changes</b>	<b>167,456</b>	<b>276,205</b>	<b>(40,066)</b>	<b>(36,132)</b>	<b>1,397,341</b>	<b>1,764,804</b>
<b>Total comprehensive income for the year</b>						
Net profit for the year	-	-	-	-	434,324	434,324
Valuation gain (or loss) from financial assets at fair value through OCI	-	-	-	(22,466)	-	(22,466)
Valuation gain (or loss) from derivative financial instruments	-	-	-	(425)	-	(425)
Remeasurements of net defined benefit liability	-	-	-	-	460	460
<b>Transactions with owners of the Company, recognized directly in equity</b>						
Conversion of convertible bond						-
Dividends	-	-	-	-	(40,871)	(40,871)
<b>Balance at December 31, 2020</b>	<b>167,456</b>	<b>276,205</b>	<b>(40,066)</b>	<b>(59,023)</b>	<b>1,791,254</b>	<b>2,135,826</b>
<b>Balance at January 1, 2020</b>	<b>167,456</b>	<b>276,205</b>	<b>(40,066)</b>	<b>(59,023)</b>	<b>1,791,254</b>	<b>2,135,826</b>
Changes in accounting policies						-
<b>Balance at January 1, 2020 after applying changes</b>	<b>167,456</b>	<b>276,205</b>	<b>(40,066)</b>	<b>(59,023)</b>	<b>1,791,254</b>	<b>2,135,826</b>
<b>Total comprehensive income for the year</b>						
Net profit for the year	-	-	-	-	986,986	986,986
Valuation gain (or loss) from financial assets at fair value through OCI	-	-	-	55,533	-	55,533
Substitution from other comprehensive income to retained earnings	-	-	-	726	(726)	-
Valuation gain (or loss) from derivative financial instruments	-	-	-	616	-	616
Remeasurement of net defined benefit liabilities/assets	-	-	-	-	(7,873)	(7,873)
<b>Transactions with owners of the Company, recognized directly in equity</b>						
Conversion of convertible bond						-
Dividends	-	-	-	-	(115,812)	(115,812)
Disposal of treasury stock	-	21,860	1,231	-	-	23,091
Retirement of treasury stock	-	-	1,231	-	(1,231)	-
<b>Balance at December 31, 2020</b>	<b>167,456</b>	<b>298,065</b>	<b>(37,604)</b>	<b>(2,148)</b>	<b>2,652,598</b>	<b>3,078,367</b>

## Separate Statements of Cash Flows

(In millions of won)

	2021	2020
<b>Cash flows from operation activities</b>	<b>1,144,956</b>	<b>578,775</b>
Cash generated from operation activities	1,318,133	627,082
Interest received	2,972	1,813
Interest paid	(13,415)	(19,219)
Dividends received	14,568	70,213
Income tax paid	(177,302)	(101,114)
<b>Cash flows from investing activities</b>	<b>(913,358)</b>	<b>(64,023)</b>
Increase in short-term loans	166	-
Increase in long-term loans	(235)	(330)
Collection of long-term loans	-	242
Increase in short-term financial instruments	(480,000)	(7,000)
Sales of short-term financial instruments	67,000	39,791
Sales of long-term financial instruments	7	-
Acquisition of property, plant and equipment	(137,531)	(130,510)
Sales of property, plant and equipment	15	5,466
Acquisition of intangible assets	(4,845)	(2,686)
Acquisition of investments in subsidiaries and associates	(357,856)	(8,000)
Acquisition of financial assets at fair value through OCI	(79)	-
Acquisition of financial assets at fair value through P/L	-	(750)
Sales of business	-	39,754
<b>Cash flows from financing activities</b>	<b>(106,103)</b>	<b>(227,217)</b>
Net proceeds(repaysments) of short-term borrowings	39,196	(132,059)
Proceeds from long-term borrowings	-	76,600
Repayments of long-term borrowings	-	(20,000)
Repayments of current portion of long-term borrowings	(24,000)	(108,734)
Net proceeds(payments) of derivative instruments	-	3,237
Payments of lease liability	(5,339)	(5,390)
Dividends paid	(115,809)	(40,871)
Disposal of treasury stock	(151)	-
<b>Effect of exchange rate fluctuations on cash held</b>	<b>2,393</b>	<b>(2,410)</b>
<b>Net increase in cash and cash equivalents</b>	<b>127,888</b>	<b>285,125</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>350,192</b>	<b>65,067</b>
<b>Cash and cash equivalents at the end of year</b>	<b>478,080</b>	<b>350,192</b>



# Mid/Long-term Growth Strategy for Sustainable Business Management

**KUMHO  
PETROCHEMICAL**

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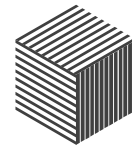
Mar. 08, 2022





# AGENDA

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**Performance Highlights/ Outlook**



Mid/long-term growth strategy



Shareholders policy

# Kumho delivered record performances in FY21 thanks to its ongoing efforts to switch to green/high-value products

## Strategic Focus

### Intensive investment in strategic products

- Maintain global no.1 position in NB-Latex
- Develop materials wind power generation materials (Epoxy)

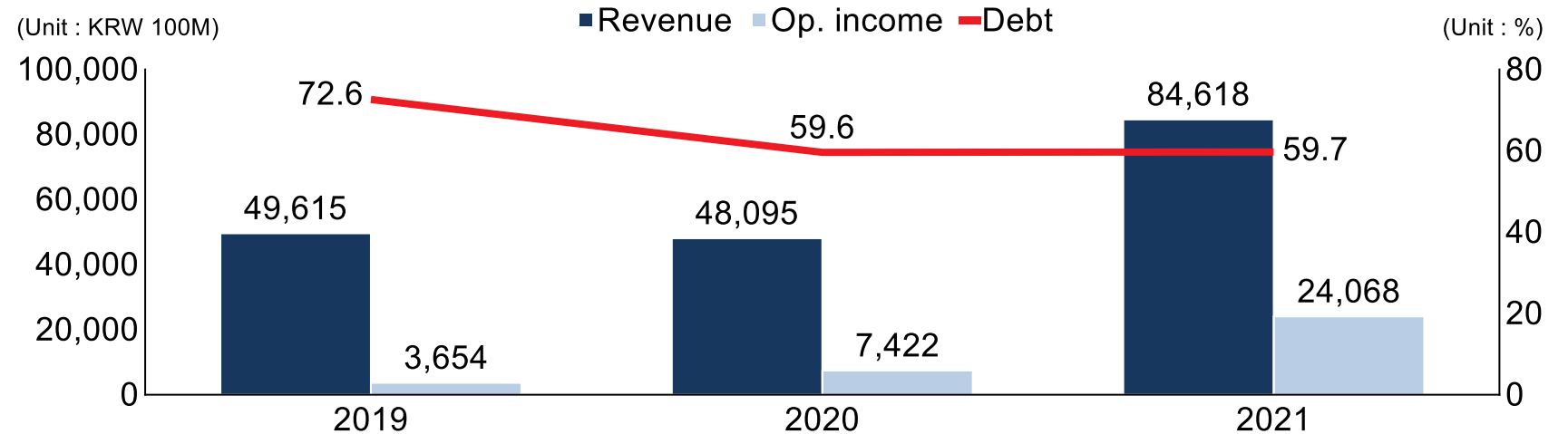
### Improvement of portfolio fundamentals

- Produce both general and high-value/ green products (SBS, SSBR)

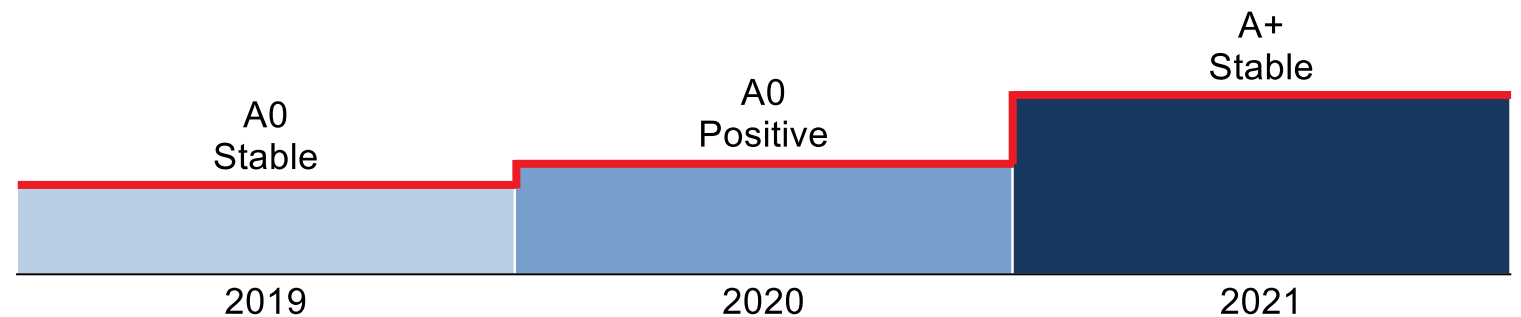
### 1<sup>st</sup> year of ESG strategy plan

- Enhance mgmt. transparency through ESG strategy set-up & governance improvement

## Financial Performance



## Credit Rating



# Kumho reached the highest TSR compared to its industry peers or Korean Top chem players

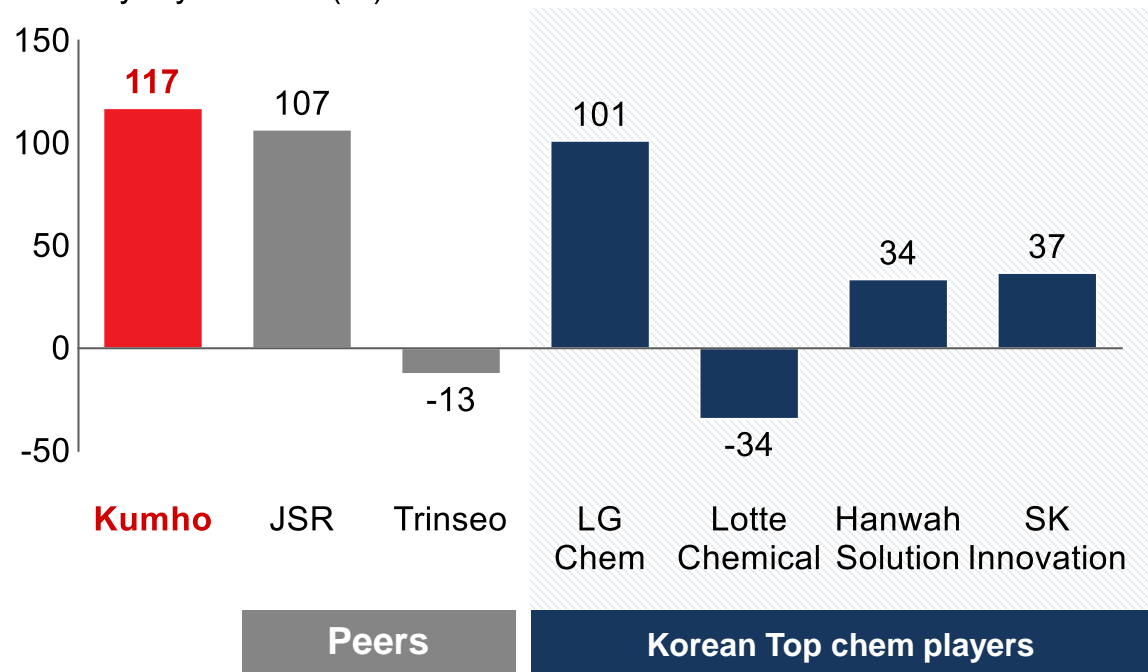
## What is TSR?

- TSR (Total Shareholder Return) measures the amount of value created for shareholders and indicates the total return gained by shareholders for a certain period of time
- Cumulative TSR=[(current price-purchase price)+dividends]/purchase price

## 5 Year-TSR

### Total Shareholder Return for 5 years

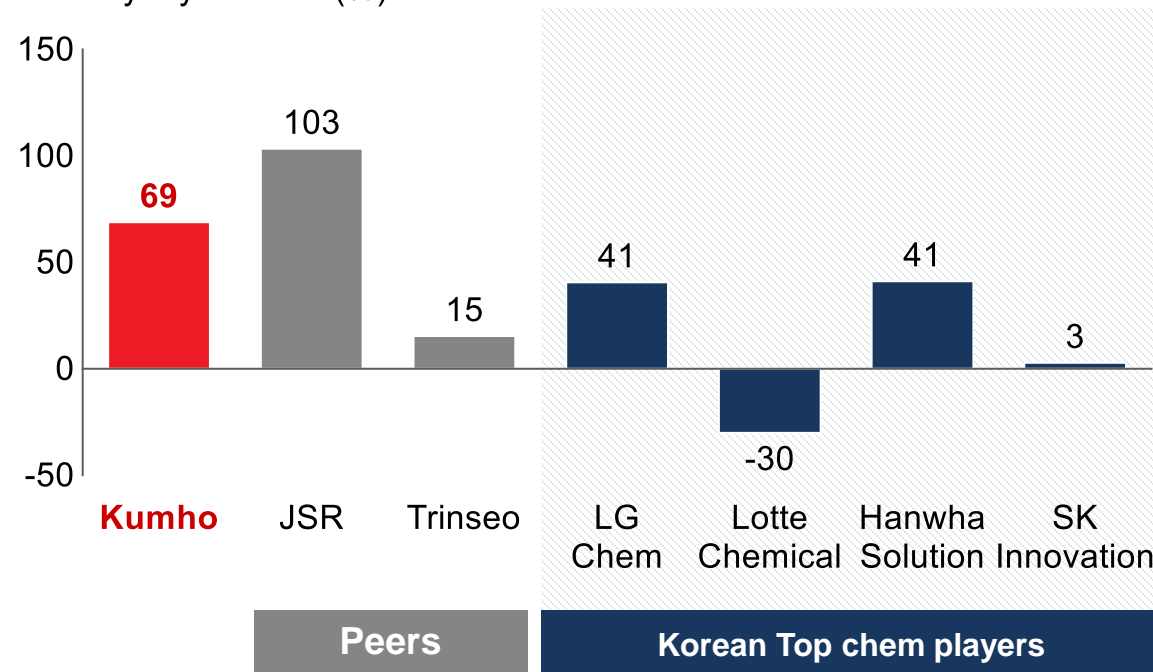
Industry 5 year TSR (%)



## 3 Year-TSR

### Total Shareholder Return for 3 years

Industry 3 year TSR (%)

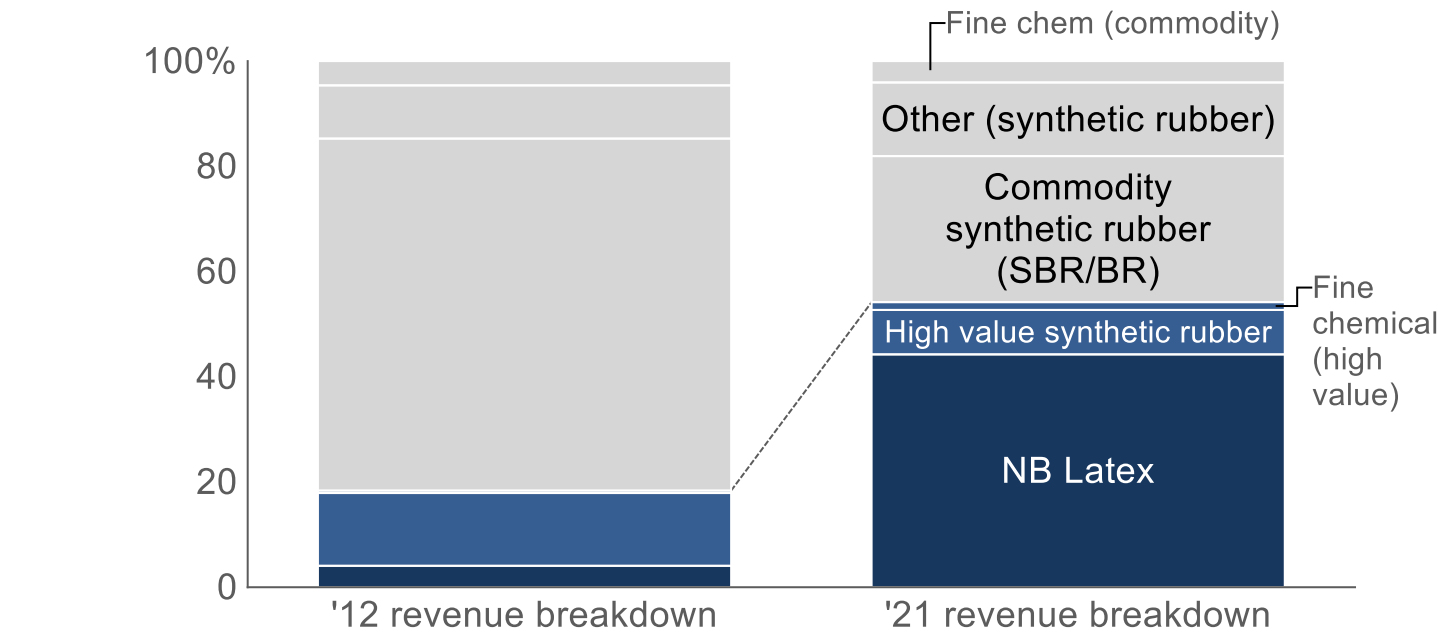


Note: 5 yr-TSR and 3 yr-TSR can increase by 17.7% and 14.1% respectively if including the dividend of this year  
Source: Capital IQ (stock prices, February 7, 2022)

# Strong business outcomes were driven by Kumho's continued efforts to improve the business fundamentals over the past decade

Revenue breakdown by business (improved fundamentals for Kumho's core businesses: synthetic rubber & fine chemical)

**Kumho improved the core business (synthetic rubber and fine chemical) by increasing high-value products in the business portfolio led to strong operating profit margin.**



% high value	18%	~3x up	59%
% operating margin*	3%	~13x up	39%

\* Synthetic rubber BU

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## Key Efforts

### Enhance Global Position in NB-Latex

- Enhanced of NB-Latex product capacity : 140K ton/year → 710K ton/year  
(End of FY12) (End of FY21)
- Market penetration/expansion through the portfolio combination of continuous + batch productions

### Migrate/Expand to High -Value Synthetic Rubber Production

- Improved the business fundamentals and respond flexibly to the market by utilizing of two-track lineup of commoditized ↔ high value/green synthetic rubber
  - HBR ↔ SBS (+45K ton/year, '21-end)
  - HBR ↔ SSBR (+60K ton/year, '22-end)

### Improve Sustainability of High Value Fine Chemical Products

- Optimized K-3020 manufacturing process
  - Reduce the amount of wastewater generated
- Established K-5010 green manufacturing process

# In line with ESG trends, Kumho develops an industry-leading level ESG strategy and proactively executes some of the early actions including governance improvements

## ESG Strategy Overview

ESG vision	Direction	Management Key Focus
<b>Let's Act, Advance, and Accelerate for ESG !</b>	<b>Act on Climate &amp; Environment</b>	Climate change response
		Stronger product liabilities
		Green mgmt. upgrade
	<b>Advance Social Value Management</b>	Safety & wellness improvement
		Human capital mgmt.
		SCM social responsibility upgrade
	<b>Accelerate Sustainable Portfolio</b>	Recycled/reused product development
		ESG product portfolio mgmt.
		ESG investment
	<b>Foundation for ESG mgmt.</b>	ESG mgmt. refinement
		ESG info mgmt. & disclosure
		ESG op. system build-up
		Compliance/risk mgmt.

## Key Achievements in '21

### Industry-leading level governance transparency

- **Shift to the professional management system**
  - 3-pillar management system (sales, finance, R&D) (May '21~)
- **Established additional committees (mostly independent directors) for stronger expertise/committee independence**
  - ESG Committee : To establish ESG strategy & Policy
  - Internal Transaction Committee : To provide better transparency for internal transactions with affiliates especially related persons
  - Compensation Committee : To provide objectivity and transparency in setting director compensation Setting
- **Disclosure of Board and Committee Charts on the official website.**

Committee	Independent Directors
Independent Director Candidate Recommendation Committee (3 members)	All Independent
Audit Committee (4 members)	All Independent
<b>ESG committee (4 members)</b>	<b>&gt;75%</b>
<b>Internal transaction committee (3 members)</b>	<b>All Independent</b>
<b>Compensation committee (3 members)</b>	<b>All independent</b>

# Despite the expected market headwinds, Kumho will deliver strong business performance through ongoing improving business fundamentals and enhancing ESG practices

## Key Strategy

### Enhance our response to business Cycle of core businesses

- Complete the two-track lineup of commoditized & high-value products portfolio
  - Focus on increasing profitable/qualitative growth
- Increase the Asia market share for short/mid-term\*

### ESG strategy articulation & strengthen execution

- Create a new growth platform for Net Zero 2035
- Accelerate green product/business development

### Intensive incubation of new business

- Drive mid/large-scale M&A deals in 3 areas\*\*
- Stabilize business operations in new businesses & build CVC\*\*\*

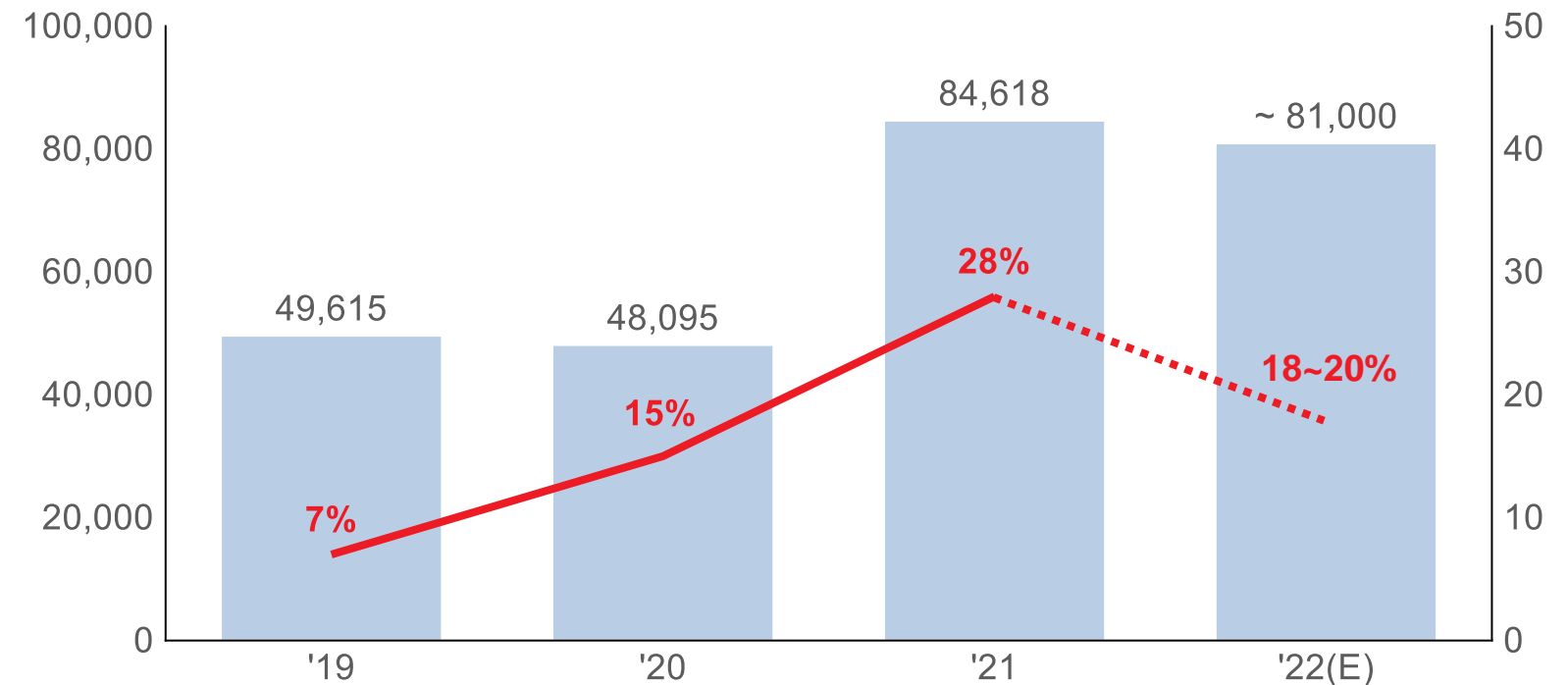
## Short/Mid-Term Performance Outlook

**Focus on the soft landing of our business operations from the pandemic impacts by strengthening the core businesses and executing ESG action plans as the world begins to embrace “living with COVID”**

(Unit : KRW 100M)

■ Revenue — Operating margin

(Unit : %)



- Minimize the impact of logistical disturbance expected to last until 2023 (However, continue to take proactive actions for mid/long-term plans such as spec-in for EU & NA customers);
- \*\*Green car solution, bio/green materials, high-value specialty areas;
- \*\*\* Corporate Venture Capital

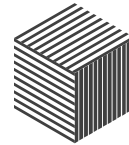


# AGENDA

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Performance Highlights/ Outlook



**Mid/Long-Term Growth Strategy**



Shareholders Policy



# Vision\* : A solution partner that co-creates future beyond chemical

## Corporate objective

### Company with Long-Term Sustainable Growth R.E.N.E.W: First Steps Towards Net Zero

(FY26 Target Total revenue KRW 12T, Green Biz Revenue KRW 2T, New Biz Revenue KRW 2T included)

## Key strategy

#### 1 ESG-led Business Structure

##### Initiate “2035 Net Zero Growth”

(Reduce carbon 29% by 2030, increase the share of green biz\*\* to 30%)

- 29% Reduction (vs. BAU\*\*\*) by 2030 with improving efficiency and migrating to renewables/hydrogen
- Expand the foundation for mechanical/chemical recycling, in order to increase the share of green biz to 30%
- Refine the foundation for ESG management and enablers

#### 2 Focus on Core

##### Maintain global top position in core business and secure the largest profitability

(Achieve KRW 10T in revenue, maintain profitability > 10%)

- Continue to maintain the global Top position in our leading business area (NB Latex)
- Focus on promoting sustainable products (green synthetic rubber and renewable energy power generation/materials)
- Continue to maintain the profitability of the base businesses (synthetic resin and phenol derivatives businesses)

#### 3 Future New Growth Engine

##### Build the third growth engine & conduct shareholder re-valuation

(Achieve over KRW 2T in revenue)

- Secure new businesses of KRW 1T or more through M&A activities
  - Green car solution
  - Bio/green materials
  - High-value specialties
- Build CVC\*\*\*\* for open innovation
- Create a new business growth platform (CNT, etc.)

## Core value

**P**assion

**R**espect

**I**ntegrity

**D**evelopment

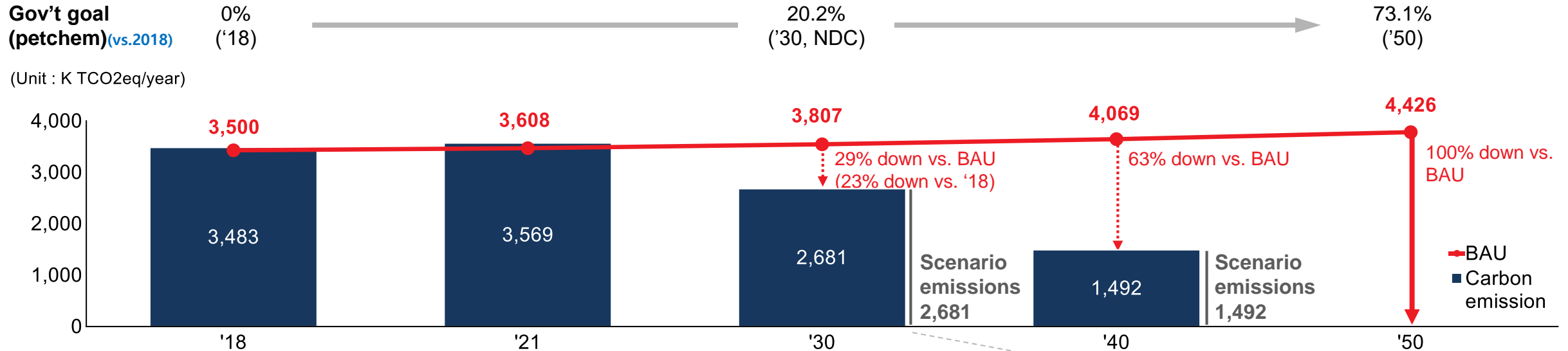
\* On December 18, 2020, announced New vision for the next 50 years, \*\* Green business: Manufacturing with green materials/methods or businesses helpful for environment improvement (Scope 3 carbon emission reduction, etc.)

\*\*\* BAU(Business As Usual) : Emissions outlook, \*\*\*\* Corporate venture capital

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# Strategy: **1** ESG Strategy\_Establish Net-Zero Growth Action Plan

## Carbon Emission Reduction Roadmap\* : Our target/action plan to reduce emissions 29% vs. BAU\*\* by 2030 and to achieve net-zero by 2050



### Initiative

#### Conversion and expansion to renewables

- Continuously increase biomass blending ratio
- Boost renewable energy inv.
- Adopt CCUS
  - In case of securing customers

#### Optimization of current business operations

- Optimize power generation energy
  - Use of high efficiency energy source
- Optimize plant operation
  - Shift to less energy-consuming process, etc.

#### Migration of energy Sources

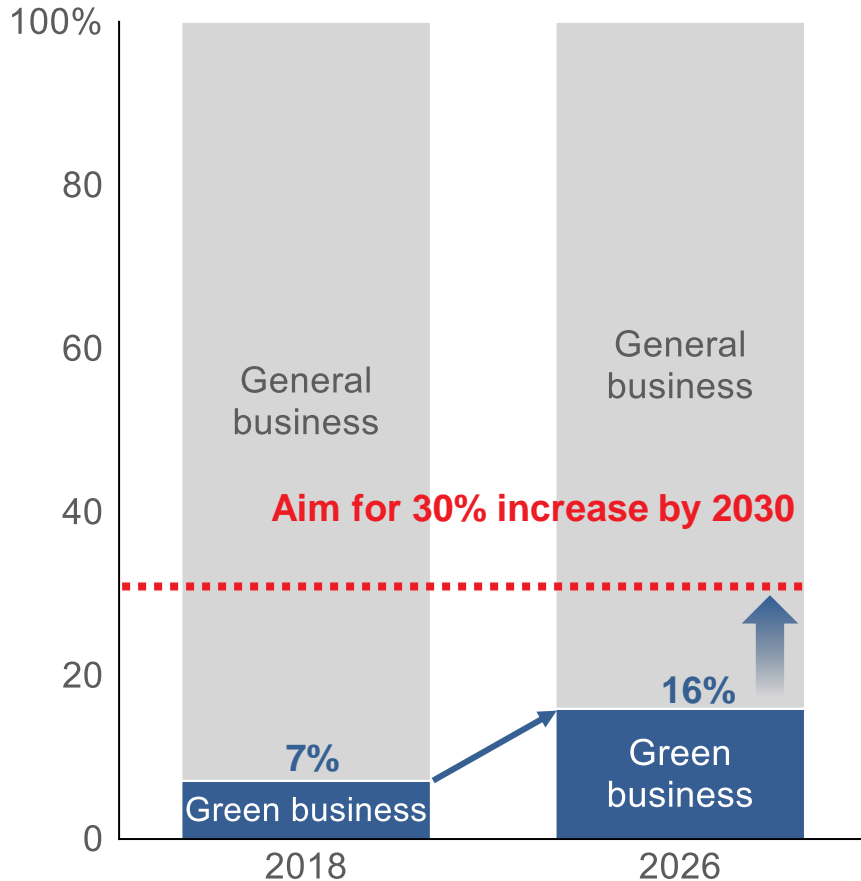
- Reduce fossil fuel use and switch to LNG/hydrogen
  - Technological/economic analysis required

- Develop a long-term roadmap for hydrogen-based energy in response to climate change by 2050: Execute Net-zero growth action plan after tech/economics review
  - Renewable vs hydrogen vs nuclear (SMR\*\*\*, etc.) vs CCUS

\* Scope 1,2, \*\*BAU(Business As Usual) : Emissions outlook, \*\*\*Small Modular Reactors

# Strategy: 1 ESG Strategy\_Expansion of Green Business

## Increase in Green Business\*



## Execution Strategy

### Bio-based Low Carbon Product

- Expansion of SSBR (for green car tires)
- Bio-balanced SSBR
  - Use of bio-silica, r-SM
- Bio-degradable NB-Latex
- Continue to develop ESG-compliant products (green CPP, etc.)



### Green Solution

- Expansion of PV/wind power materials
- Preparation for mechanical/chemical recycling business
- Expansion of EV/FCEV solution business
- M&A-driven entry into bio/green materials biz



### Green Energy Migration

- Expansion of biomass
- Renewable energy expansion (PV/wind, etc.)
- Hydrogen migration (long-term)



\* Green business: Manufacturing with green materials/methods or businesses helpful for environment improvement (Scope 3 carbon emission reduction, etc.)

# Strategy: **1** ESG strategy\_Action Plan Enablers

## Internalization of ESG strategy with establishment of committees, teams and systems for sustainable management

### Let's Act, Advance, and Accelerate for ESG !

- Develop the industry-leading level ESG Triple A strategy
- Articulate action plan & build enablers
- Join strategic initiatives home & abroad to expand sustainable management areas  
- UNGC\*, KBCSD\*\*

### ESG Management Team

- Oversee group & corporate-wide ESG management.
- In charge of strategy-performance-evaluation-disclosure/communication process to mitigate ESG risks and establish a committee reporting line



### Committee-led Operation

- Enhance ESG committee activities & Increase disclosure of ESG information
- Further Strengthen independence and transparency of the Board and committees with Independent director candidate recommendation committee, Internal transaction committee, and Compensation committee comprised of all independent directors

### Compliance System

- Establish a system separate from the current auditing system for the purpose of risk identification, assessment, and from an ESG perspective in order to strengthen monitoring and implementation of ESG strategy.

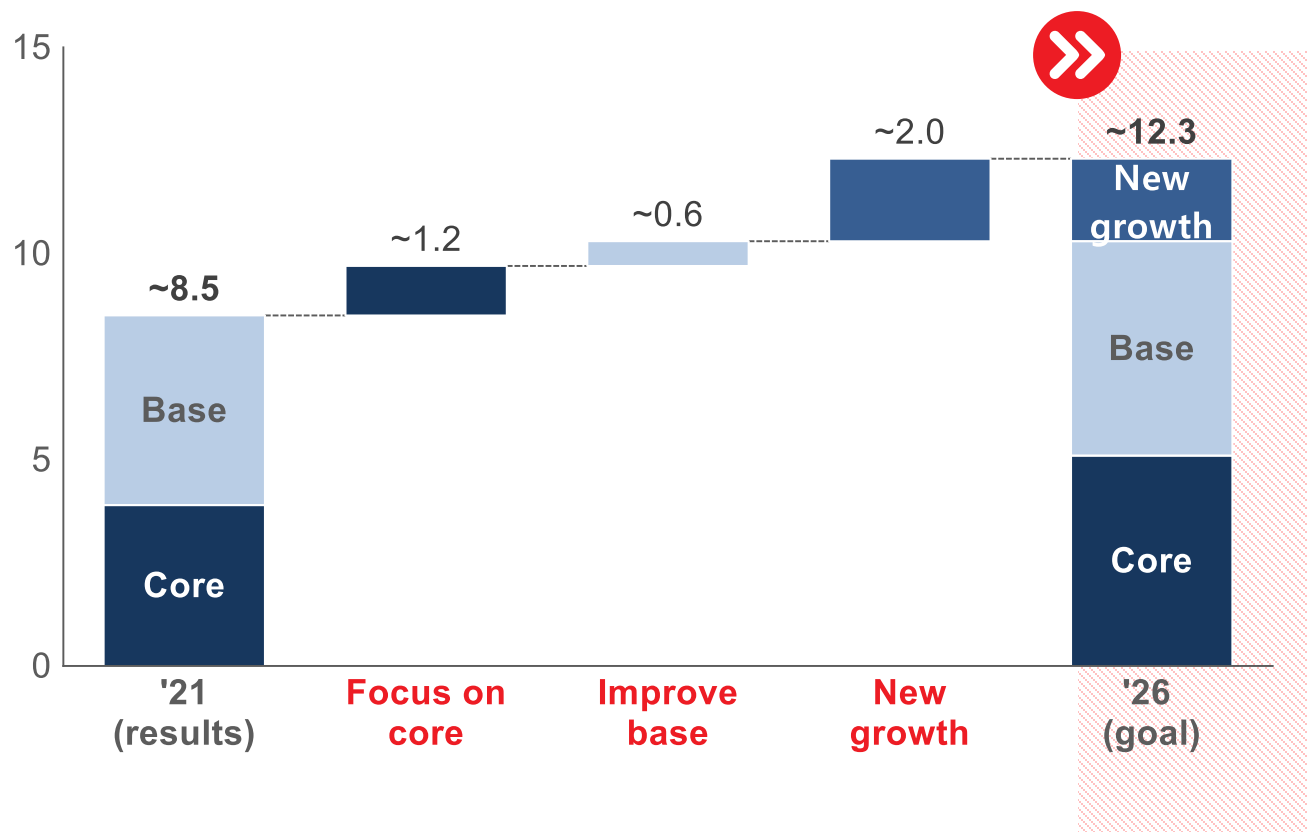
\*UNGC(UN Global Compact) : a UN organization, in cooperation with companies, that encourages companies to participate in sustainable & balanced growth and improve international societal ethics and environment

\*\*KBCSD(Korea Business Council for Sustainable Development): a Korean partner for the World Business Council for Sustainable Development, pursuing a harmonized growth of economy, environment and society

# Business Portfolio Transformation: **2 3** Focus on Core & Build New Growth Engines to Develop High-Growth Portfolio

## Corporate Revenue Goals\* (2021 → 2026)

(Unit: KRW T)



Inv.(KRW T)\*\*

**Plan to invest KRW 3.5~4.5T\*\*\* to drive growth in current and new business areas**

## Mid/Long-Term Key Strategic Initiatives

### Focus on Core

+KRW 1.2T

- **Maintain leading position** in the rapidly growing **NB Latex** market
- **Build no. 1 leadership** in Asia for synthetic rubber SSBR
- **Join global Top 5** in epoxy
- **Double** the global **M/S** in fine chemicals

### Improve Base

+KRW 0.6T

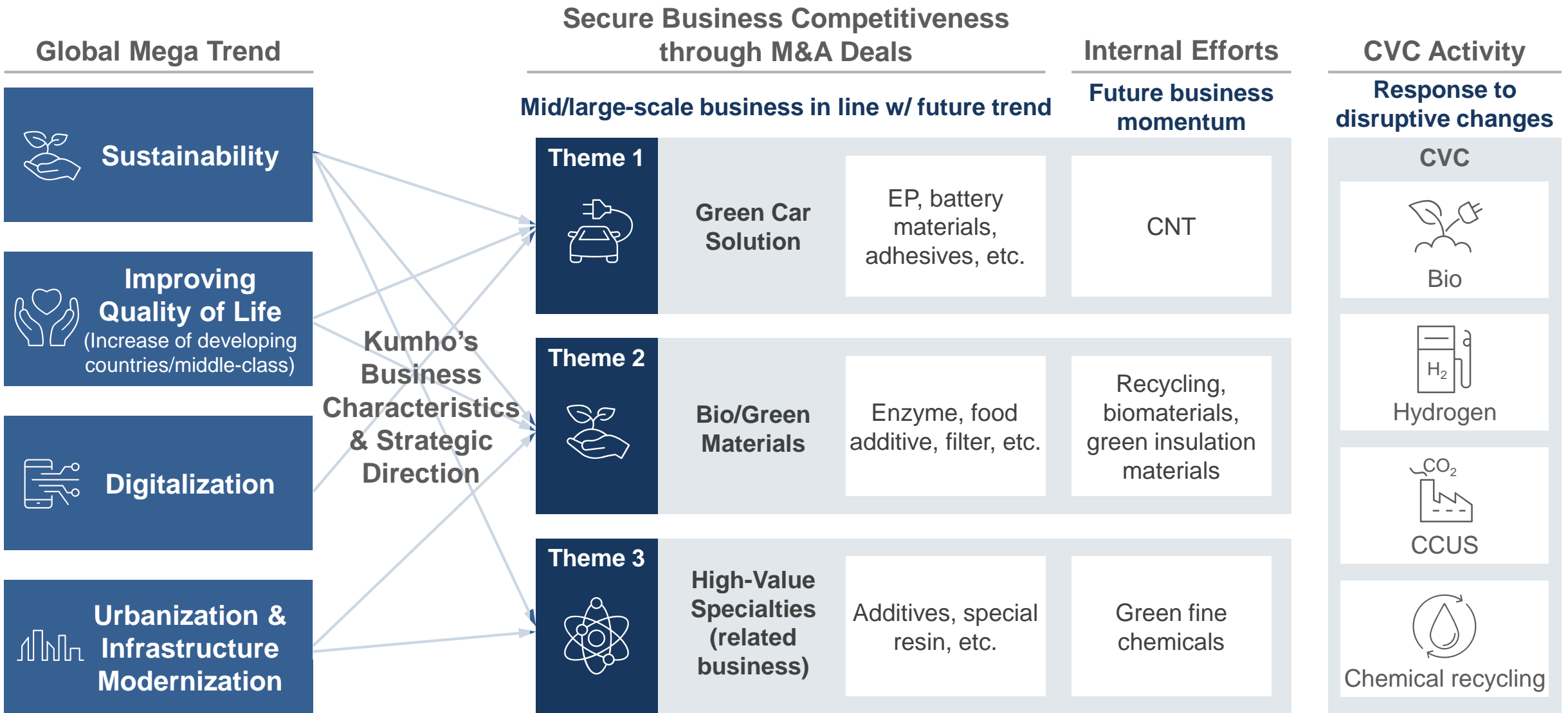
- Maximize profits through diversifying grades & product mix of **synthetic resin**
- Improve profitability of **phenol derivatives**
- Gradually downsize business for **the products facing the limit**

### Build New Growth Platform

+KRW 2.0T

- Establish **businesses** worth more than KRW 1T in **3 areas** through M&A deals
  - Green car solution
  - Bio/green materials
  - High-value specialty
- **Build CVC** for future growth

# Strategy: **3** Build New Growth Engines





# AGENDA

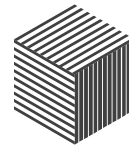
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Performance Highlights/ Outlook



Mid/Long-Term Growth Strategy



**Shareholders Policy**

# Kumho is enhancing & proactively executing its shareholder policy to deliver consistent and strong shareholder returns, allocating increased profit/values driven by business fundamental improvements

## Shareholder-Friendly Policy

25-35% of net profit (separate F/S basis) will be allocated as shareholder returns over the next 2-3 years

Cash Dividend  
payout ratio  
**maintained**  
**at 20-25%**  
of net profit



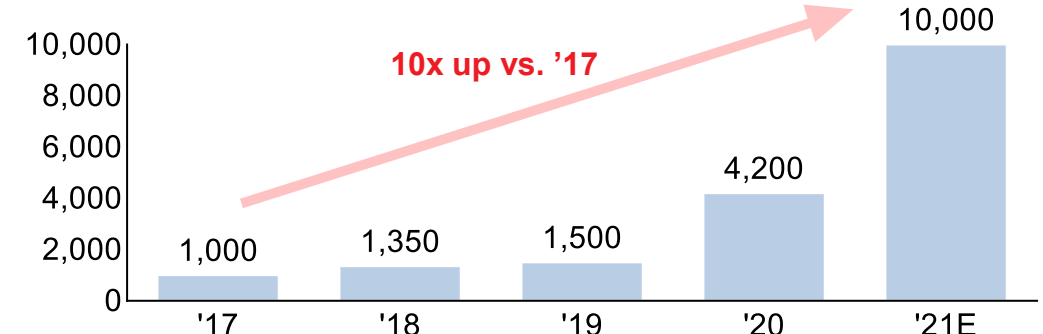
Stock Repurchase  
& Cancellation  
**5-10%**  
of net profit



**Gradual increase of shareholder returns  
by improving business fundamentals**

## Results

DPS Trend (KRW, '17~'21)



Total shareholder return (100M)	237	367	409	1,158	4,309
Resource for shareholder return	20.2%	20.1%	15.6%	26.7%	43.7%
Stock repurchase & cancellation					15.2%
Payout ratio	20.2%	20.1%	15.6%	26.7%	28.5%

\* Stock repurchase & cancellation : planned in March



**Kumho announced the shareholder policy including 'cancellation of some treasury stocks'**

As part of its shareholder return policy... Kumho decided to cancel ~170K shares worth KRW 31.5B ... up to 35% of the net profit set aside for shareholder return... "Stronger focus on shareholder-friendly policy. In addition to cancellation, also sold its shares for investment in new biz-materials acquisition, etc."

New daily Economy, Dec. 24, 2021



# Share-buy back program carried out during the restructuring process and those shares are currently held by Kumho due to lowered valuation; however, the shares will be utilized for strategic investment within 10 years

## Reasons for Holding Treasury Stocks

Stocks acquired during the restructuring will be strategically sold when valuation is high



Current treasury shares (17.3% of outstanding shares) are the remainder of **the shares acquired during the merger of a subsidiary in the past**

: The remainder after canceling the half of its treasury stocks acquired during the merger of Kumho Chemical, a synthetic resin maker



**Concerns over potential damage to future valuations** in case of immediate treasury stock sell since the market conditions of our core businesses have deteriorated since 2011

Consider selling at higher valuations after improving our business fundamentals rather than immediately selling at low valuations.

## Future Plan

Gradual sales & cancellation of treasury stocks over the next 10 years



**Utilizing some shares for future growth investment while canceling others**

### Fund for strategic partnership

- Resource to improve structural competitiveness via strategic partnerships
  - Consider partnerships with related industry players to create strategic synergies (stable feedstock sourcing, etc.)

### Fund for new growth platform

- Investment for future growth
  - Consider driving new business opportunities via M&A (green car solution, bio/green materials, high-value specialty, etc.)

2021

- Treasury stock sales: Dec., 171,847 shares (~31.5B)
  - Partnership with OCI for Bio ECH JV and strategic cooperation
- Treasury stock cancellation: Dec., 171,847 shares (~31.5B)

Kumho expects to gradually sell non-relevant assets acquired by Kumho Asiana Group once the valuation is recovered in order to fund the future investment plans

Unrelated Assets						
	Why acquired	FY2021 Ownership	Share value			
			'15	'17	'19	'21
Daewoo E&C	Acquired to share the Group's investment funding (decision made by Kumho Asiana Group)	3.36%	KRW 81.9B	KRW 82.6B	KRW 66.1B	KRW 80.5B
Asiana Airlines		11.02%	KRW 113.9B	KRW 111.5B	KRW 132.8B	KRW 164B
KDB Life Insurance		0.41%	KRW 2.8B	KRW 0.2B	KRW -B	KRW 0.9B
KDB consus value PEF	Acquired during financial structuring with creditors	4.97%	(Loss Offset)			



It will be used to funding for building our new future portfolio once the valuations recover

- Daewoo E&C Shares: Plan to sell in 2022
- Asiana Shares: Plan to sell when the valuation improves after deal closing with Korean Air



**Thank you**

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