

**KUMHO  
PETROCHEMICAL**



*Solution partner creating our common future  
with value beyond chemistry*

**KUMHO PETROCHEMICAL**

**2021 Extraordinary General Meeting of  
Shareholders Reference Material**

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## **Letter to Shareholders**

Dear valued shareholders,

Thank you for your continued investment and trust in Kumho Petrochemical (“the company”, “KKPC”). On behalf of our Board of Directors (“the Board”), I would like to invite you to attend our upcoming Extraordinary General Meeting of Shareholders (“EGM”) on Tuesday 9:00 AM KST, June 15<sup>th</sup>, 2021. The EGM will be held at 100, Cheonggyecheon-ro, Jung-gu, Seoul, Republic of Korea.

We are pleased to announce that KKPC has achieved our best quarterly performance in the first quarter since our establishment in 1970, despite the continued uncertainty of COVID-19. In the first quarter, KKPC recorded sales of KRW 1.9 trillion and operating profit of KRW 612.5 billion, an increase of 51.3% and 360% respectively, compared to the same period last year. It is very encouraging that the company has achieved excellent results across all areas such as synthetic rubber(including NB latex), synthetic resin and phenol derivatives.

Ahead of the 44<sup>th</sup> Annual General Meeting held in March earlier this year, the company announced its mid- to long-term growth strategy and pledged to improve the company’s corporate governance. In a short amount of time, we are already seeing improved results from our efforts. On May 4<sup>th</sup>, the Board discussed its operations and establishment of new committees and committed to maintain and uphold independence as a focus for its new and existing committees. The existing Audit Committee and Independent Director Candidate Recommendation Committee, as well as the newly established Related Party Transaction Committee and Compensation Committee are all composed of solely Independent Directors. The ESG Committee will also consist of a majority of Independent Directors and will be led by an Independent Chair. Material information on the Board, including committee charters and its composition, will be publicly disclosed through the website shortly.

Additionally, the Board have acknowledged shareholder’s demands and expectations from the AGM to see improvement in corporate governance and restructuring from the Board of Directors. We have sought to take steps in addressing these expectations, with Group CEO/Chairman Park Chan-koo agreeing that it would be in the best interest of shareholders to appoint new executives to lead the company and more discretion given to non-executive element of the Board. As a result, Mr. Park will be stepping down from his position as both CEO and Director effective from this EGM.

Mr. Park Chan-koo transformed the company that had faced serious difficulties, with a debt ratio of 660% just over 10 years ago, into the company it is today with solid results and a pace for change. The Board believes that his knowledge of industry, unparalleled experience, and insight into the market are still worth utilizing, while setting an exemplary governance structure. After this EGM, the newly formed Board will discuss the future role of Mr. Park in line with shareholders interests and the decision will be notified through future disclosures.

Following the resignation of Mr. Park and Executive Director Shin Woo-sung, the Board would like to appoint two new Executive Directors, Ko Young-hoon and Ko Young-do. Director Ko Young-hoon, the head of Central Research Center, joined Kumho Petrochemical in 1991 and has been working on synthetic rubber research for the past 30 years. Director Ko Young-do has extensive experience in finance, accounting, purchasing, and funding for 30 years since 1990. The two directors, respectively, have considerable experience in research and development and corporate finance. Combined with sales and marketing expert, Mr. Baek Jong-hoon (appointed from the AGM in March), the capabilities of the three Executive Directors will diversify the skillsket of the Board and will bring synergy in leading the company’s sustainable development. Information on the Director nominees standing for election can be found in this circular.

The Board hopes the information provided will bring insight and encouragement from all our valued shareholders to understand the Board’s decision to make an informed voting decision.

Your participation at the EGM is very important and whether you choose to attend the meeting or are unable to do so, we highly encourage you to exercise your right to vote.

The Board considers the nominated candidates for consideration and approval by the shareholders at the EGM are in line with the best interest of the Company, our shareholders, and our mid-to-long term growth strategy. Accordingly, the Board unanimously recommends that you vote IN FAVOUR of the proposed resolutions.

The EGM offers a valuable opportunity for you to meet the members of our Board and senior management and learn more about the financial and non-financial performance of the Company. I am also looking forward to updating you on the progress of our continued efforts to improve ESG practices and hearing your questions on the Company's performance and prospects. We value your participation and encourage you to vote. We warmly invite you to attend the EGM and look forward to meeting you. Health and safety of our shareholders remain utmost importance, as we navigate together the future of the Company.

Yours faithfully,

On behalf of the Board

CEO of Kumho Petrochemical Baek Jong-hoon



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# 1. Notice of Extraordinary General Meeting of Shareholders

## Meeting Description

- **Date/Time:** June 15, 2021 at 09:00 Korea Standard Time
- **Place:** 4<sup>th</sup> Floor East Building, Signature Towers, 100, Cheonggyecheon-ro, Jung-gu, Seoul, Korea
- **Record Date:** May 20, 2021

## Agendas to be Voted on

### Agenda Item 1: Appointment of two (2) Executive Director


- Agenda Item 1-1: Appointment of Ko Young-Hoon as an Executive Director
- Agenda Item 1-2: Appointment of Ko Young-Do as an Executive Director

## 2. Agendas

### Agenda Item 1: Appointment of two (2) Executive Director

#### Agenda Item 1-1: Appointment of Ko Young-Hoon as an Executive Director

■ Major Experience


Candidate	Skill Set	Detailed Experience	
		Period	Position
 Ko Young-Hoon (Age: 60)	Industry, Research and Development	2010-2016	Director, Head of Rubber Research Dept of Central Research Center of Kumho Petrochemical
		2017	Director, Head of Central Research Center of Kumho Petrochemical
		2018-2021	Managing Director, Head of Central Research Center of Kumho Petrochemical
		2021-Present	Vice President, Head of Central Research Center of Kumho Petrochemical

■ The Board's Reason for Recommending the Candidate

Mr. Ko Young-Hoon, head of Kumho Petrochemical's Central Research Center, received a Ph.D. in organometallic chemistry research from CNRS and University of Paul Sabatier in France, and was a researcher at the University of Southern California (USC) Locker Hydrocarbon Institute. His knowledge and experience make him an authority on synthetic rubber research in Korea, who has been devoted solely to synthetic rubber research for the past 30 years since he joined Kumho Petrochemical in 1991.

The competitiveness of Petrochemical industry stems from continuous and quality research and development, and the role of R&D is inevitably more important now and into the future as interest in the sustainability of business operations and its impact on the broader community increases. In this regard, the Board believes that Mr. Ko Young-Hoon, with his excellent experience and insights in R&D, will add expertise to the Board and provide the right vision for R&D for the company's sustainable growth.

**Agenda Item 1-2: Appointment of Ko Young-Do as an Executive Director**

Candidate	Skill Set	Detailed Experience	
		Period	Position
 Ko Young-Do (Age: 56)	Corporate Finance	2012-2013	Director, Head of Procurement and Funds Management of Kumho Petrochemical
		2014-2020	Director, Head of Procurement and Finance Management of Kumho Petrochemical
		2020-2021	Managing Director, Head of Procurement and Finance Management of Kumho Petrochemical
		2021-Present	Managing Director, Head of Management Dept of Kumho Petrochemical

■ The Board’s Reason for Recommending the Candidate

Mr. Ko Young-Do is the head of Kumho Petrochemical’s management department. He Graduated from the Department of Business Administration at Yonsei University and joined the financial team of Kumho group in 1990 and has the led the department as an expert in finance, accounting, purchasing, and funding for 30 years.

Kumho Petrochemical’s debt ratio has decreased from 660% in 2009 to 59.7% by the end of 2020, achieving a credit rating of A0. Mr. Ko, contributed to this feat in helping stabilize the financial structure over his tenure as head of procurement and financial management. The Board believes there will need to be a continued improvement on efficient capital management and expects Mr. Ko’s financial capabilities will be well qualified for this task and responsibility.

**Board Skill Matrix**

The Board is very aware of the importance and expectations of shareholders for diversity, which at the 2021 AGM the Board appointed two female Independent Directors to address this need. Additionally, there is close attention in ensuring the Board is collectively well equipped in various capabilities to successfully implement the company’s sustainable growth strategy. The two candidates for the EGM will enhance the Board’s skill composition and contribute to the company’s sustainable growth in establishing its three pillars of ‘Sales’, ‘Finance’, and ‘R&D’ under a triangular management system

Name	Position	Gender	Term expires	Biz	Industry	R&D	Finance	Acct.	Risk mgt.	Legal	Public Policy	ESG
Park Chan-Koo	Executive	M	Resign	O	O							
Shin Woo-Sung	Executive	M	Resign	O	O							
Baek Jong-Hoon	Executive	M	2024.3	O	O							

<b>Ko Young-Hoon</b>	Executive	M	2024.5		O	O						
<b>Ko Young-Do</b>	Executive	M	2024.5				O	O				
<b>Chung Jin-Ho</b>	Independent	M	2022.3				O					
<b>Chung Yong-Sun</b>	Independent	M	2022.3				O					
<b>Lee Jae-Kyung</b>	Independent	M	2023.3	O			O	O				
<b>Hwang Lee-Seok</b>	Independent	M	2024.3				O	O	O			O
<b>Choi Do-Soung</b>	Independent	M	2024.3				O	O	O			
<b>Lee Jung-Mi</b>	Independent	F	2024.3							O		O
<b>Park Soon-Ae</b>	Independent	F	2024.3								O	O



### 3. Corporate Governance

#### ■ Composition of the Board

According to the Articles of Incorporation, the Board of Kumho Petrochemical shall be composed of three to ten directors. As a listed company of more than KRW 2 Trillion in assets, pursuant to Commercial Act, we ensure that the Board has more than three (3) Independent Directors and that they make up the majority of the Directors.

As of May 2021, the Board consists of (2) CEOs, three elected (3) Executive Directors and seven elected (7) Independent Directors from General Meetings of Shareholders. Every Independent Director is nominated through the Independent Director Nomination Committee. The elected group of ten (10) Directors comprise the main decision-making body that discusses and advises business activities. All decisions are made with the aim of representing the shareholders' interests and maximizing the corporate value from a sustainable and long-term perspective.

As of May 2021	Members		
	Chair	Executive Directors	Independent Directors
Board of Directors	<i>Park Chan-Koo</i> * (Executive Director)	Baek Jong-Hoon <i>Shin Woo-Sung</i> *	Chung Jin-Ho Chung Yong-Sun Lee Jae-Kyung Hwang Lee-Seok Choi Do-Soung Lee Jung-Mi Park Soon-Ae
Audit Committee (4)	Hwang Lee-Seok (Independent Director)		Chung Jin-Ho Lee Jae-Kyung Choi Do-Soung
Independent Director Nomination Committee (2)	Chung Jin-Ho (independent Director)		Lee Jae-Kyung
Related Party Transaction Committee (3)	Lee Jung-Mi (independent Director)		Chung Yong-Sun Hwang Lee-Seok
Compensation Committee (3)	Lee Jae-Kyung (independent Director)		Chung Yong-Sun Park Soon-Ae
ESG Committee (4)	Park Soon-Ae (independent Director)	Baek Jong-Hoon	Choi Do-Soung Lee Jung-Mi

\*Names with *italics* are Directors who are expected to be replaced on June 15, 2021.

## ■ Diversity and Independence of the Board

The Company ensures a sufficient number of Independent Directors so that the Board can function independently from management and controlling shareholders. There is an independence ratio of 70% with three (3) Executive Directors and seven (7) Independent Directors. Independent Directors are nominated by the Independent Director Nomination Committee to ensure its independence throughout the process of nomination.

The Board acknowledges the expectation from stakeholders including investors on diversity and its importance. Two female Directors joined the Board at 44<sup>th</sup> AGM in March this year, in pursuit of our efforts to add diversity on the Board.

Further, Directors are selected with diverse backgrounds and expertise in areas including corporate management, macroeconomics, law, finance and accounting, public policy, risk management, and communication to provide broad expertise and to strengthen the control functions of the management.

## ■ Operation of the Board

According to Article 7 of the Charter of Board of Directors, the Board holds a meeting every quarter. The Board held 10 meetings in 2020 and all Independent Directors attended every meeting held. Additionally, Audit Committee and Independent Director Nomination Committee held five and two meetings respectively in 2020.

Each Board meeting is hosted by the Chair of the Board and the Directors must be notified two days in advance and this procedure may be omitted if all members consent.

## ■ Strengthened Expertise of the the Board

For the fair and transparent election of our Independent Directors, Kumho Petrochemical conducts verifications of the Independent Directors as required by the Commercial Act, and sufficiently checks for independence, professionalism, fairness in work processes, ethical responsibility, and dedication. Finally, the right person is selected by thoroughly reviewing potential directors with a diverse range of experiences.

Also, we carry out a detailed review to check whether their experiences and expertise can provide practical contribution to the corporate management upon nomination by the Board of Directors and the Independent Director Nomination Committee. Therefore, we cultivate expertise and strengthen control of management by selecting directors with diverse backgrounds and expertise in corporate management, macroeconomics, law, fair trade, risk management, communication, etc. In particular, the Audit Committee consists of at least two experts in the banking, accounting, and financial fields, which exceeds the standards required by law.

## ■ Board Committees

Since our AGM held in March 2021, KKPC established three additional committees – Related Party Transaction Committee, Compensation Committee, and the ESG Committee, having a total of five committees. All committees will comprise of solely Independent Directors other than ESG Committee, which consists of a majority Independent Directors and an Independent Chair.

Committee	Roles and Responsibilities
Audit Committee	<ul style="list-style-type: none"> <li>• Supervise the work of directors and executives.</li> <li>• Approve the list of external auditors.</li> <li>• Conduct other matters set forth in the terms and conditions relevant to auditing.</li> </ul>
Independent Director Nomination Committee	<ul style="list-style-type: none"> <li>• Establish, inspect, and Revise the directors' principles.</li> <li>• Recommend directors for the General Meeting of Shareholders.</li> <li>• Constantly manage nominees and assess candidates.</li> </ul>
Related Party Transaction Committee	<ul style="list-style-type: none"> <li>• Review and approve transactions with related parties and where conflict of interest exists.</li> </ul>
Compensation Committee	<ul style="list-style-type: none"> <li>• Review and approve the management compensation scheme.</li> <li>• Set performance targets and metrics.</li> <li>• Review and approve management performance and compensation.</li> </ul>
ESG Committee	<ul style="list-style-type: none"> <li>• Review ESG strategies and policies.</li> <li>• Review establishment of the company's sustainability management and social value creation strategies and policies.</li> <li>• Review and manage performance and problems in line with ESG policies.</li> </ul>

## 4. Financial Highlight

### ■ Income Statements

(Unit: KRW bn)

Classification	21.1Q	20.4Q	QoQ	20.1Q	YoY
Sales	1,854.5	1,369.5	35.4%	1,225.5	51.3%
Operating Profit	612.5 (33.0%)	275.1 (20.1%)	122.6%	133.1 (10.9%)	360.2%
EBITDA	654.1 (35.3%)	301.9 (22.0%)	116.7%	182.1 (14.9%)	259.2%
Pre-Tax Income	675.3 (36.4%)	277.4 (20.3%)	143.4%	139.0 (11.3%)	385.8%
Net Income	475.6 (25.6%)	209.4 (15.3%)	127.1%	127.5 (10.4%)	273.0%
Equity Income	59.3	18.4	222.3%	9.5	526.4%

\* Net Income is based on Controlling interests

### ■ Balance Sheet

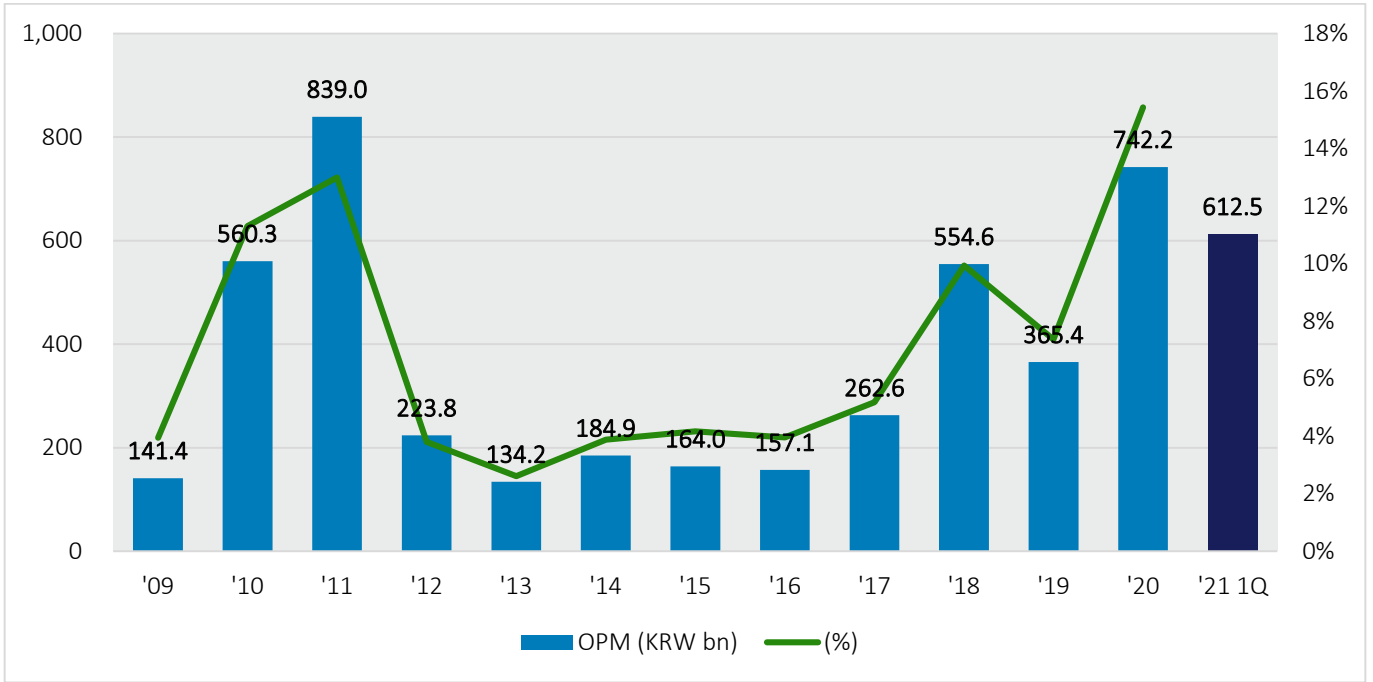
(Unit: KRW bn)

Classification	21.1Q	20 (End)	Change
<b>Asset (Cash and equivalents)</b>	5,681.3 (754.9)	5,027.2 (418.2)	13.0% (80.5%)
<b>Liabilities (Debt)</b>	2,134.3 (915.1)	1,878.0 (860.1)	13.6% (6.4%)
<b>Shareholder's Equity</b>	3,547.0	3,149.2	12.6%
<b>Liabilities/ Equity (%)</b>	60.2%	59.6%	0.5%p

### ■ Financial Ratios

Classification	21.1Q	20 (End)	Change
<b>Debt/Equity</b>	<b>25.8%</b>	<b>27.3%</b>	<b>-1.5%p</b>
<b>Net Debt/Equity</b>	<b>4.5%</b>	<b>14.0%</b>	<b>-9.5%p</b>
<b>Interest Coverage Ratio (x)</b>	<b>119.6</b>	<b>26.5</b>	<b>93.1</b>
<b>ROE</b>	<b>56.8%</b>	<b>20.2%</b>	<b>36.7%p</b>
<b>ROA</b>	<b>35.5%</b>	<b>12.2%</b>	<b>23.3%p</b>

■ OPM ('09~'21.1Q)



\* 21.1Q, the highest quarterly earnings for the company since establishment.