

2022 Extraordinary General Meeting of Shareholders

Transition to a Holding Company  
**& Business Strategies for 2030**

January 5, 2022

# 1 Proposed Structure to Enhance Growth and Valuations

The proposal to spinoff the steel business and transform the company into a Holding Company serves two main purposes.

**First, We accelerate a more balanced growth in group portfolio in order to respond towards revolutionary change in business environment.**

The speed and regularity with which innovation in green, digital and bio-technology has been emerging coupled with the rapid growth in eco-friendly businesses such as electric vehicles and renewable energy, has intensified global competition and put a strain on supply chain security.

The vertical spin-off and transition to a Holding Company structure would better support the management decision-making process and fortify expertise of each business segment.

- Transform steel business to a low-carbon eco-friendly production process and focus on global growth
- Strategically foster new growth business, such as secondary battery materials, hydrogen, etc.



Pursue  
balanced  
growth

**Secondly, the proposed structure is to shift the market perception on POSCO from a steel-only based company to a 'green' materials company so that the Company's efforts as a growth stock can be properly reflected in its corporate value.**

POSCO shares continued to be under-valued, underperforming the KOSPI, despite delivering record profits this year and the increased visibility of new business earnings growth. Growth from new business segments such as battery materials, lithium/nickel, and hydrogen, were exceptional through capacity expansion, commercial production and global partnerships establishments.

As such, we have decided to shift to a Holding Company in order to change the perception of a steel-based company while efficiently pursue new growth strategies and transition to eco-friendly production process.

posco	2007	2021
Steel Operating Profit	KRW 4.7 Tri.	KRW 8.0 ~ 8.5 Tri. (f)
Stock Price*(KRW/Share)	765thousand	275thousand
Market Cap*	KRW 67 Tri.	KRW 24 Tri.

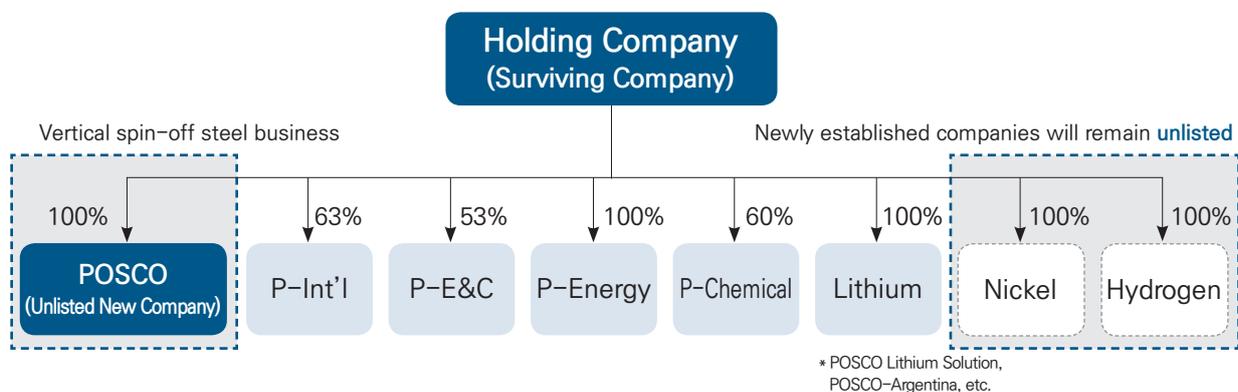
\* POSCO stock price and market capital data : Applied Oct 2, 2007 (2007 data), applied end of the year closing price for 2021

## 2 Proposed Structure and Corporate Governance Post Vertical Spin-Off

The Holding Company will strengthen its corporate governance structure by increasing management transparency based on Board of Directors, while ensuring unlisted steel subsidiary to focus on its core competence.

### Transition to Holding Company

After the spin-off, the Holding Company will wholly own the steel business as an unlisted subsidiary, to allow the Holding Company to focus on driving POSCO Group's vision for 2030.



### Corporate Governance Structure for POSCO Group

Steel company is to remain unlisted to prevent any conflicts of interest within the Holding Company and its subsidiaries and ensure existing shareholders of the Holding Company enjoy the benefits of the steel business performance. **The Articles of Incorporation for the new steel company will not include any articles required for listing and will mandate the added measure of requiring a special resolution from a shareholder meeting at the Holding Company level, in order to list.**

New businesses in hydrogen and nickel, will be unlisted after proposed spin-off. **Financing will primarily be executed on the Holding Company level, and in case of financing, equity financing from the Holding Company will take place, not through listing, in order to protect shareholders' value.**

To further strengthen Board-centric management of the Holding Company, the expertise of the BOD will be made more diversified and the portion of outside directors will increase. **As for the steel company, even though not listed, it will appoint outside directors and establish an ESG committee and Audit committee, to ensure management transparency and clear communication of key information.**

### 3 The Holding Company and ESG Management

The Holding Company will build balanced growth of group portfolio by creating business synergies and developing future business, and lead group-level of ESG management.

#### The Holding Company's integral role

The Holding Company will steer the group's growth strategy and oversee the development of the Group's future business portfolio, by identifying business opportunities and acquisition/investment targets. It will act as **the portfolio developer for future businesses**.

The Holding Company will also drive the **Group's R&D strategy** by exploring intra-Group and **partnership synergy opportunities**, thereby establishing a future new technology strategies.

##### Develop future business portfolio

- Establish growth strategy in group level
- Find new business opportunity
- Pursue new business, through M&As

##### Restructure group business and create synergy

- Diagnose and evaluate group business
- Nurture growth business and set the direction for restructuring
- Discover opportunities for synergy within businesses

##### Set R&D Strategy in group level

- Establish strategies to acquire new technologies for the future
- Recruit and nurture R&D talents
- Build group wide R&D cluster to develop future technologies

#### ESG management strengthened by Holding Company structure

POSCO Group plans to continue strengthening its ESG management through the Holding Company Board of Directors after the transition. The BoD of the Holding Company will not only establish the Group's ESG policy, but also monitor ESG issues of the subsidiaries and actively identify solutions. We also commit to establishing and strengthening internal ESG organization and headcount at key subsidiaries so that each business can hone their varying material ESG capabilities as required by each business segment or industry.

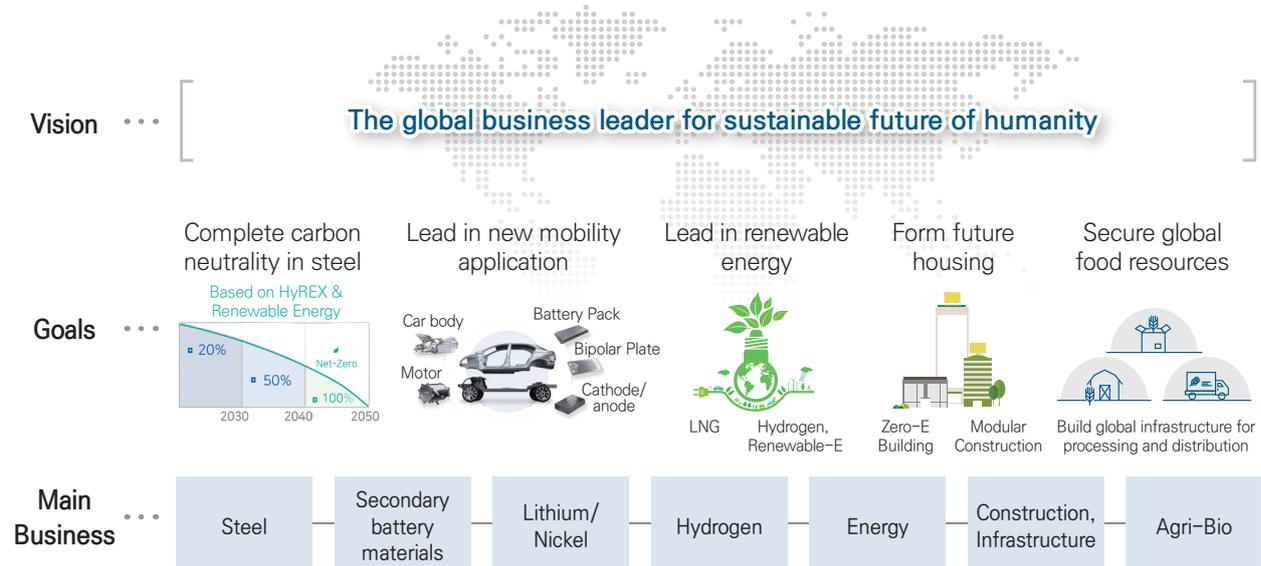
- **Strengthen 'ESG Committee' within Holding Company's BoD**
  - Composition : Majority of the committee will be composed of independent directors
  - Role : Establish Group-level ESG policy and management system, monitor Group's ESG issues, publish ESG report, communicate with investors, check ESG issues and regularly discuss strategies with the management of subsidiaries, etc.
- **Establish 'ESG Committee' on steel company's BoD**
  - Composition : Executive Director (CEO, Environment and Safety Officer) and Independent Director (ESG expert in steel business)
  - Role : Establish low-carbon policy and roadmap for implementation, formulate safety and health plan, manage ESG-related performance indicators, etc.
- **Establish 'Group ESG Council', led by CEO of Holding Company**
  - Composition : CEO of Holding Company and CEO of major subsidiaries
  - Role : Discuss and set ESG management system, identify risks and agree on approach/solutions for carbon neutrality, safety, health, environment, human rights, etc. issues. Report findings to the Holding Company's board or ESG Committee (at least once a quarter)

# 4 Posco Group's Vision and Enterprise Value

We are determined to become a global business leader contributing to usher for a sustainable future for humanity by accelerating balanced growth of our core businesses under the Holding Company structure.

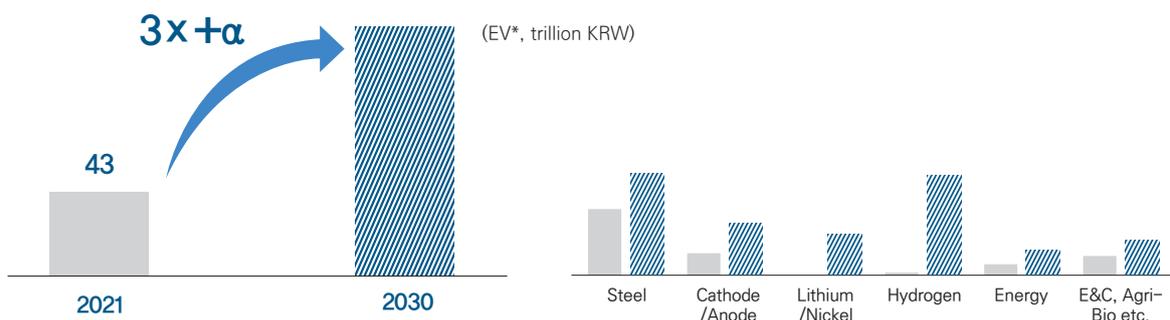
## POSCO Group's vision

With the target of achieving a balanced business portfolio by 2030, and the vision to become a global business leader contributing to ushering in a sustainable future for humanity, we aim to grow our main businesses and identify new opportunities centered around our 5 key goals below.



## Target to triple Enterprise Value by 2030

We plan to triple the Enterprise Value of POSCO by 2030, through building balanced group business portfolio.



\* Enterprise Value : Sum of business value estimated with the business plan (EBITDA, Sales, etc.) multiplies by market multiple

# 5

## 2030 Growth Strategy of Main Businesses

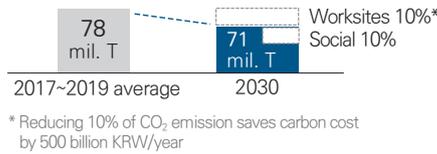
We will pursue growth opportunities in key businesses that can contribute to sustainability of our future society.

The steel business will focus to strengthen its 'green' steel capabilities in response to the global move towards carbon neutrality and pursue continuous growth in overseas regions competitively positioned in the eco-friendly space.

### Domestic Biz

- Gradual transition to carbon-neutral production system
- Build eco-friendly infrastructure
- Strengthen low-carbon product portfolio

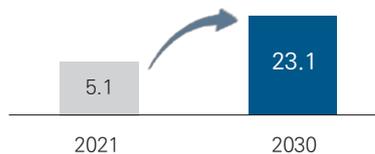
[20% reduction of CO<sub>2</sub> emissions] [Eco-friendly product portfolio]



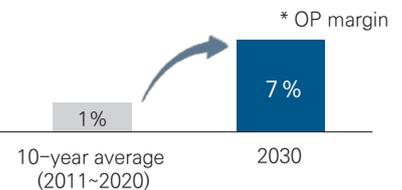
### Overseas Biz

- Preemptively secure demand from growth markets with green and global production
- Form partnership with miners and energy companies

[Secure 23 million tons of crude steel capacity]

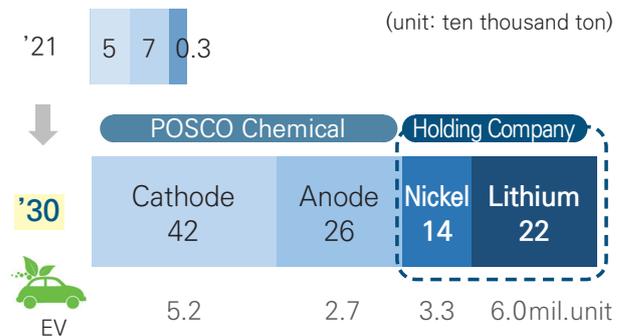


[Improve global steel profitability]



The secondary battery material and Nickel/Lithium business will actively increase production capacity and become a global top-tier player through expanding value chain from raw materials to products.

- Cathode materials : Become a top-tier producer with diversified global customer base and technological superiority
- Anode materials : Keep global competitiveness in graphite and enter silicon anode material segment
- Nickel : Achieve 140k ton capacity in 2030 with two-track strategy, minerals and recycling
- Lithium : Become a global top 3 player by building capacity of 220 K ton by 2030



For the Hydrogen business, the Company plans to build hydrogen production capacity up to 500k tons by 2030, and 7mil. tons by 2050 by establishing a global supply network of blue/green hydrogen and investment in key technologies.

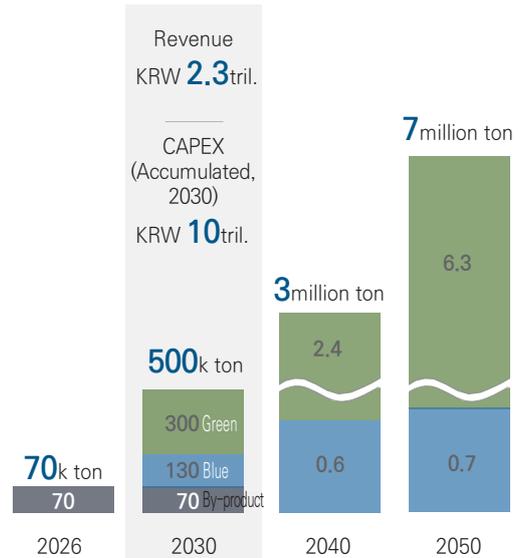
### Hydrogen Production Roadmap

Enter the market with by-product hydrogen, followed by full-scale overseas production of blue/green hydrogen

- By-product : Set supply facilities of max. 70k ton capacity in 2026
- Blue : Equity investment in projects with Middle East Oil Majors
- Green : Review projects related to steel biz in regions with abundant renewable energy source

[M&A and joint R&D with external research institution to secure key technologies]

- Ammonia Cracking, High temperature electrolysis, Hydrogen Turbine, and technology Investment etc.



## 6 Shareholder Return Policy

To enhance POSCO Holdings' shareholder value after the spin-off of the steel business, we will retire a portion of our treasury stock within 2022 and maintain a dividend policy that reflects the increased value of the Company.

### Use of Treasury Shares

The Company initiated a ₩1trillion share buyback program in 2020 to provide share price support amid the difficult business environment. There has been continued interest in the use of this treasury stock since.

The Company has cancelled treasury shares at various stages over the years to enhance shareholder value. This commitment continues, as we announce that a portion of our current treasury stock of 11.6mil. shares (13.3%) will be cancelled within 2022.

- History of Share Cancellation (Total of 9.3mil. shares)
  - Buyback and cancellation : 2.9mil. shares (2001), 1.8mil. shares (2003), 1.8mil. shares (2004)
  - Treasury share cancellation : 2.8mil. shares in 2002

### Dividend Policy

POSCO has been focusing its efforts on enhancing shareholder value by revealing detailed medium-term dividend policy.

POSCO Holdings will maintain a 30% payout ratio on a consolidated basis in 2022 and deliver a minimum dividend in excess of ₩10,000 per share onwards in tandem with corporate value.

- Medium-term Dividend Policy(FY2020 ~ FY2022) : Payout Ratio Around 30% based on consolidated net profit excluding minority interest
  - In calculating the profit attributable to owners of the controlling company, one-off costs not generating cash outflow will be adjusted
  - Year-end dividend will be decided after comprehensive consideration of factors such as mid-term business plan, dividend yield, and FCF
  - Mid-term dividend policy will be reviewed and announced on a 3-year basis

## POSCO Charter of Corporate Citizenship

Companies achieve lasting growth and sustainability by pursuing harmony within the society where businesses operate.

As a member of the social community, companies who have benefitted from resources provided by the society should look beyond profit, engage in addressing social issues and contribute to the prosperity of mankind and to making the world a better place.

We believe that this is the right way to move forward.

POSCO, under its management philosophy of '**Corporate Citizenship: Building a Better Future Together**', will engage and communicate with all stakeholders including customers, employees and shareholders, and continually seek changes and innovation in pursuit of sustainability by ultimately creating greater value for the company.

Accordingly, POSCO that embraces Corporate Citizenship complies with the following principles when conducting business.

### **1. We nurture a robust business ecosystem with business partners.**

- We practice the values of fairness, transparency and ethics across all business activities
- We pursue collaboration and mutual growth with partners and suppliers based on a culture of consideration and respect
- We support customer success by providing the finest products and services

### **2. We are at the forefront in addressing social issues and making society better.**

- We take a leading role in confronting social challenges at the corporate level with a sense of empathy
- We carry out activities for the common good for the development of local communities and environmental protection
- We actively participate in philanthropy as part of our commitment to sharing with our neighbors and the society

### **3. We foster a happy and fulfilling workplace by creating a corporate culture based on trust and creativity.**

- We create a safe and pleasant working environment to promote the health and well-being of our employees
- We pioneer a corporate culture of trust and harmony through fair HR management practices and stable labor relations
- We create a great workplace where diversity is respected and a healthy work-life balance can be realized

July 25, 2019 POSCO

**We look forward to your strong support.**

**Thank you**

**Green Tomorrow,  With POSCO**

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