

## Letter to Shareholders Ahead of 2022 EGM

Dear Esteemed Shareholders,

I would like to express my deepest gratitude for your continued support and interest in POSCO (ISIN KR7005490008).

On December 10th, 2021, POSCO's Board of Directors unanimously approved the proposal to vertically spin-off the steel business division and existing POSCO will transfer into a holding company. At the upcoming Extraordinary Shareholder Meeting("EGM") on January 28th, 2022, should you, our valued shareholders grant final approval, POSCO will transition into a holding company, called POSCO Holdings. **The Holding Company would 1) drive the development of the Group's future business portfolio, 2) conduct restructuring and create synergy within the businesses, and 3) lead ESG strategy on a group level.** Following the vertical spin-off, the steel business would become a wholly-owned subsidiary of POSCO Holdings. **We understand there is concern from shareholders regarding a potential listing of the steel business. We take this opportunity to unequivocally communicate the Board's unanimous decision not to list the spun-off steel business to ensure that the steel business performance continues to benefit our shareholders. We also note that this is consistent with the articles of incorporation of the steel company.**

For half a century, POSCO has continued to innovate and grow, proudly growing into a globally acknowledged company, maintaining its position at the pinnacle of its industry as the world's leading steel company for 12 consecutive years (World Steel Dynamics). Furthermore, the Company is delivering steady growth in its other businesses that enjoy synergies with our steel business, such as secondary battery materials, energy, trading and construction. However, the shifting business environment we are witnessing today foretells the arrival of unprecedented revolutionary change. The global low-carbon transition is shaking the core of the fundamental competitiveness of traditional industry, while the acceleration of technological innovation in green materials, mobility, digital and bio-technology, is introducing new growth opportunities. Companies unable to adapt to this change are facing serious risk.

The Board has discussed in length over the course of many discussions, to determine the optimal management structure that will enable and drive each business and medium-long term growth strategies effectively. As such, the Board came to the conclusion that a single entity managing the steel business as well the future growth of POSCO Group would suffer limitations on its ability to strengthen competitiveness of main businesses and drive growth for the overall group. Furthermore, it was concluded that an innovative management structure is critical for the Group to develop into a global business leader contributing to a sustainable future for the humanity.

POSCO achieved record profits in 2021, and is expanding into forward-looking business segments including cathode·anode, lithium, nickel, hydrogen businesses. Current cathode·anode production capacity stands at 114,000 tons per year, and with the imminent commercialization of the lithium and nickel, we expect to see this business start contributing to the Group's performance. As an integral component of the green steelmaking process as well as demand from the global push for energy transition, hydrogen production is closely linked to POSCO Group's future growth. Our vision is to develop hydrogen as part of the group's main business. We are currently reviewing green hydrogen projects with global companies and strengthening our business capabilities through R&D collaboration with leading organizations.

Despite the progress demonstrated in our new growth businesses, POSCO remains under-valued trading at less than mid-cycle valuations vs 2007 peak levels. I believe this is due to the persisting perception of the Company as a low-growth steel producer, deterring the market from factoring in the growth potential from new businesses. The steel business spin-off and holding company transition will enable the company to accelerate balanced growth in the Group's business portfolio and re-establish itself in the eyes of investors as a 'green' materials company so that its efforts as a growth stock can be properly reflected in its corporate value.

Regarding market concern on a potential share price decline resulting from the holding company transition, our standing policy not to list the spun-off steel business. As such, I would reiterate that the steel company's Articles of Incorporation therefore do not include any articles for listing. This decision was made based on the fact that the financial health of the steel company is very strong, eliminating any need for additional financing via a listing. Furthermore, this would prevent any conflicts of interest between the holding company and its subsidiaries on a fundamental level. In case of future spin-off of new businesses, we will not list them in order to keep the growth value to stay intact to the Holding company's shareholder value.

Despite remaining unlisted, the newly formed steel company will appoint outside directors and establish an ESG and Audit committee, to operate with the same level of transparency as it does now. By strengthening our 'green' competencies and expanding our global investment footprint, the steel business will continue to be one of the Group's main businesses. Even after the steel division becomes unlisted, key management information will be disclosed and communicated with our shareholders regularly.

We expect POSCO Holdings to enjoy more than a threefold increase in enterprise value by 2030 if balanced growth is realized on the back of accelerated growth into green businesses. The steel business will continue to strengthen its global leadership through capacity expansion and environmental leadership (production growth up to 68 million tons of crude steel capacity and lower domestic carbon emissions to 71mil. tons). Furthermore, POSCO Holdings, including POSCO Chemical business, expects to secure a global market share of 10% in the secondary battery materials and lithium businesses by 2030. The Company also plans to build the foundation on which to take on a global Top 10 spot for hydrogen producers.

Dear Shareholders,

Under our mid-term dividend policy, we will continue to maintain our 30% payout ratio (consolidated basis) into 2022. Furthermore, we commit to a minimum dividend payout exceeding ₩10,000 per share onwards. As disclosed in the material provided with this letter, we will also be cancelling a portion of our treasury shares this year.

All of us at POSCO are feeling a great sense of responsibility as we face a critical turning point in our corporate history and enter into the second-half century of our existence. We ask for your strong support in changing POSCO for the future. We will do our utmost to respond to your confidence by delivering greater growth going forward.

Thank you.

Jeong-Woo Choi, POSCO CEO

