

KAI SUSTAINABILITY REPORT 2023



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ABOUT THIS REPORT

KAI has published its first sustainability report this year. This report aims to transparently disclose various activities and achievements for sustainability management to various stakeholders and share strategic directions with them.

Reporting Period

The financial performance and sustainability activities in this report cover the period from January 1, 2022, to December 31, 2022. Quantitative data that requires trend reporting covers the performance over the three years (2020-2022) and, if necessary, some qualitative data also includes activities up to the first half of 2023.

Scope and Boundaries of Reporting

The reporting scope of this report covers the headquarters and Korean business places. Some information requiring attention regarding the scope and boundaries of the report is provided in separate notes for the convenience of readers.

Verification of the Report

The financial data in this report was independently audited by Samjung Accounting Corporation, and the non-financial data was independently verified by the Korea Productivity Center to secure objectivity, reliability and transparency.

Reporting Frequency

Yearly

Inquiries about the Report

This report can be downloaded from the KAI website. For additional information and feedback on the report, please contact KAI.

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Sustainability



CEO Message



FLY TOGETHER FOR A SUSTAINABLE FUTURE

Hello, This is Kang Goo-young, president of KAI.

To all of our customers, local communities, shareholders, partners, and employees, I would like to express my sincere gratitude for your continued interest and support for KAI.

With the pandemic becoming commonplace in 2022, the climate change clock is ticking fast, demanding both active policies and responses from countries around the world. It was a year that reminded us of the importance of realizing a "sustainable future," as extreme conflicts and uncertainties between countries and societies increased due to the accelerated global inflation caused by the Russia-Ukraine war, the European energy crisis, and the supply chain collapse.

In response, KAI has significantly strengthened its ESG management system to establish more sustainable management.

At the regular shareholders' meeting in March of last year, KAI announced ESG management and enacted a Corporate Governance Charter containing the ESG management philosophy for sound governance and fair corporate activities. The ESG Committee, which we established within the board of directors, serves as the company-wide control tower for promoting ESG management and serves as the highest review body for sustainability management. Under the new vision of "Global KAI Beyond Aerospace" and the ESG vision of "Make the world better with global citizens by creating future value based on clean and safe cutting-edge technology" the committee established a mid-to-long-term ESG management strategy system for the environment, society, and governance by setting six strategies for each area focusing on core values and strategic directions.

First, we will create eco-friendly future technologies using clean energy.

KAI will fulfill its social responsibility and its role in addressing climate change by switching to eco-friendly energy technology. KAI will develop its own new convergence technology using technologies

such as digital twin and the metaverse, and build an international ESG ecosystem through international cooperation projects for carbon neutrality and transitioning to renewable energy.

Second, we will create a safer and happier society through communication and cooperation with stakeholders.

KAI will create social value through healthy communication and warm cooperation with all stakeholders. We will strengthen educational programs to contribute to the local community, such as the Aviation Center, which is Korea's first donated education experience center, and the Aerospace Museum for people to experience aerospace technology. In addition, we will work with local governments and community organizations to solve social problems, such as by implementing measures against aircraft noise.

Third, we will establish a sound and transparent governance structure for the mutual growth of shareholders and employees.

KAI will build transparent governance with a sustainable and responsible management system. We will create an honest and fair corporate culture and strictly abide by laws and social norms to expand shareholder rights and maximize shareholder value. Sustainability management goes beyond corporate risk management and is recognized as a global competitiveness for customer satisfaction. Through corporate culture innovation, we apply ESG factors to our major decision-making and overall management activities and connect them to business competitiveness and management performance in order to practice substantial ESG management.

We ask for your deep affection and unwavering support for KAI's challenge for a sustainable future.

Thank you.

June 2023

Kang Goo-young,

CEO and President of Korea Aerospace Industries, Ltd.

Company Profile

About KAI

Since its establishment in 1999 as an integrated corporation for the aircraft businesses of three large corporations, KAI has been in charge of national security and aviation capabilities by successfully developing the KT-1 basic trainer, T-50 advanced trainer, multi-purpose helicopter Surion, unmanned reconnaissance aircraft Songgolmae, and LAH/LCH (light armed helicopters/light civil helicopters). Currently, we are accelerating the development of the KF-21 (Korean Fighter), which is considered one of the future core forces. In addition, we are the first private company in Korea to lead the development of next-generation medium-sized satellites and defense satellites, and we are expanding our business areas to include the space business, including the total assembly of Korean launch vehicles.

General Information

As of December 31, 2022

Company Name	Korea Aerospace Industries, Ltd.
CEO	Kang Goo-young
Major Business	Development, manufacture, and sale of aircraft, space satellites, launch vehicles, etc.
Foundation Date	October 1, 1999
Headquarters Location	78, Gongdan 1-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do, Korea
Organization/Employees	3 Sectors 1 Institute 2 Divisions 2 Centers 2 Offices / 5,079 Persons
Locations	(Korea) Sacheon Headquarters, Sancheong Factory, Jongpo Factory, Goseong Factory, Seoul Office (Overseas) Americas Corporation, Türkiye Office, Indonesia Office
Financial Status	Assets: KRW 7,772.4 billion / Sales: KRW 2,786.9 billion
Credit Rating	Korea Credit Ratings: AA- / Nice Credit Ratings: AA- (Corporate bonds)

Financial Summary

As of December 31, 2022
(Unit: KRW)

Sales	Operating Profit	Net Income	Total Assets	Capital
2.79 trillion	141.6 billion	115.9 billion	7.77 trillion	487.4 billion

ESG Ratings

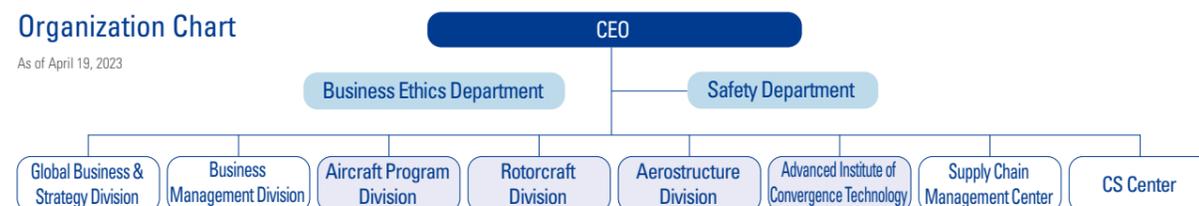
As of December 31, 2022

Environment (E)			Society (S)			Governance (G)			Integrated Ratings		
2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
A	A	B	A+	A+	A	B+	B+	C	A	A	B

*Korea Institute of Corporate Governance and Sustainability

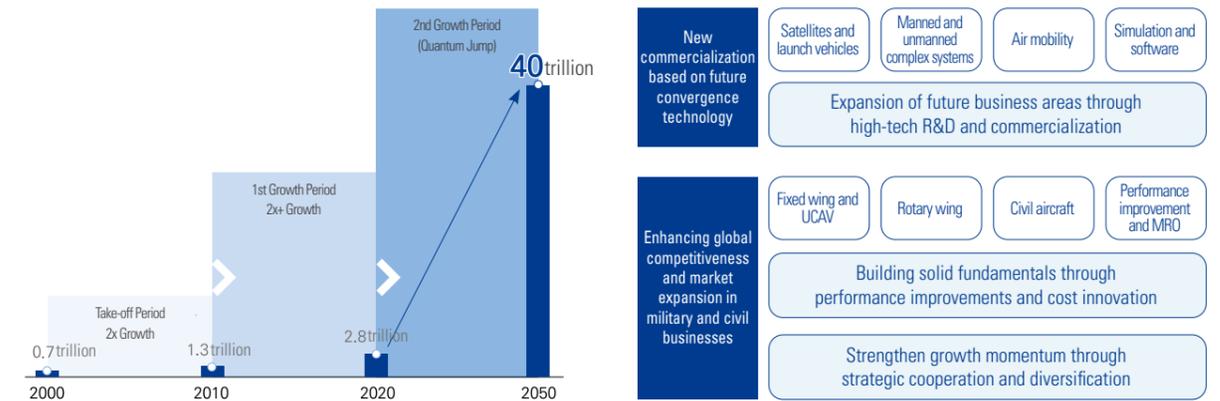
Organization Chart

As of April 19, 2023

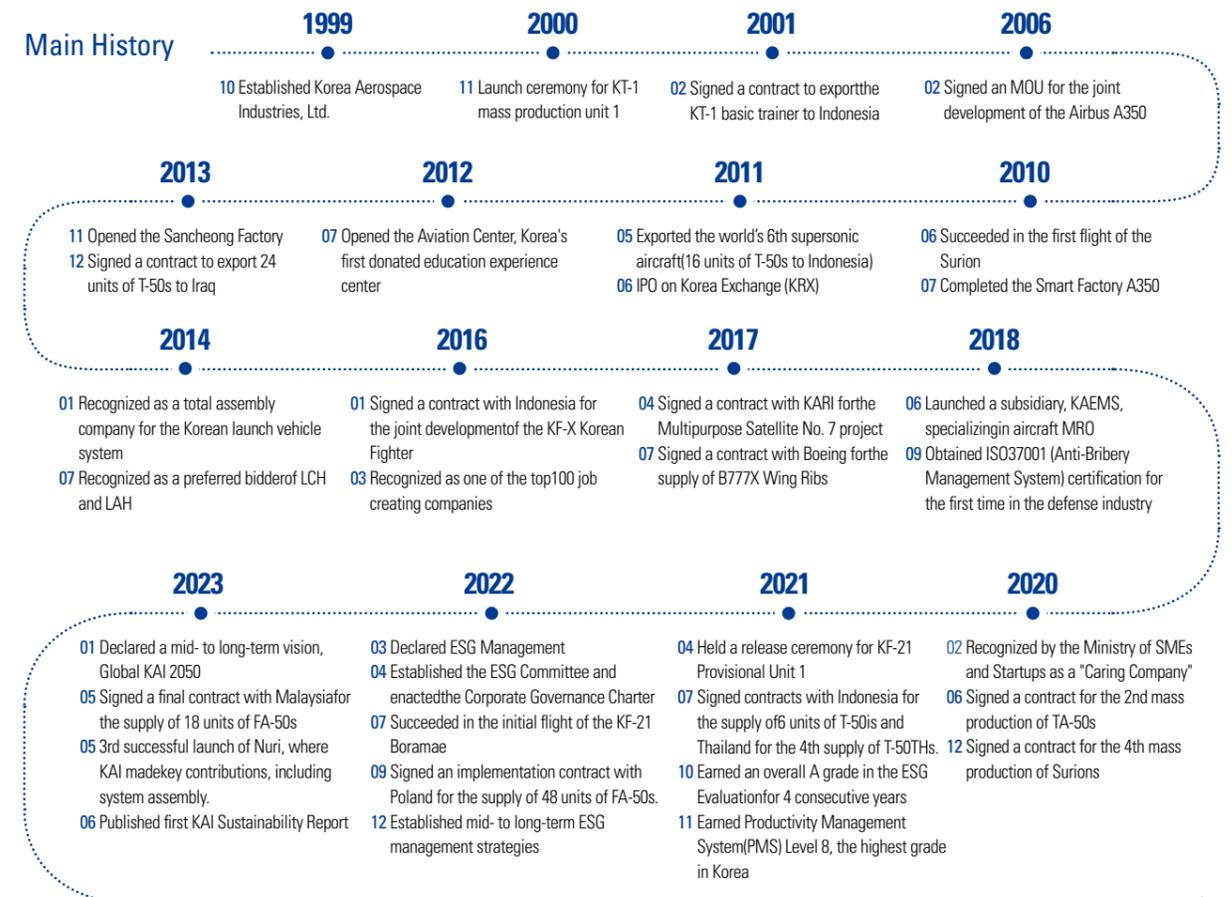


VISION 2050

Under the new vision "Global KAI Beyond Aerospace," KAI is engaged in fixed-wing, rotary-wing, airframe parts, performance improvement, MRO, space, and UAV businesses. After going through a period of growth based on various challenges, KAI has grown into Korea's representative aerospace system integration company, with sales of KRW 3 trillion. Additionally, we are expanding our sales and orders based on our robust export performance. In addition to the existing businesses, KAI will focus on growth businesses represented by AAV, manned and unmanned complex systems, satellite services, future training systems, and future businesses represented by next-generation aircraft, eco-friendly aircraft, and space exploration solutions. These diverse businesses will serve as stepping stones to achieve sales of KRW 40 trillion by 2050.



Main History



Business Overview

※ For detailed information by business group, see the Business section on the website.

Fixed Wing

The basic trainer KT-1, which is recognized for its exceptional performance in its class thanks to its outstanding stability and efficiency, the T-50 supersonic advanced trainer, which is recognized as an optimal trainer for training fighter pilots, and the FA-50 light attack aircraft equipped with precision-guided missiles and tactical data links, have proven their excellent performance and training results through operations in the Korean Air Force. They are also exported to various other countries, such as Southeast Asia, Europe, the Middle East, South America, and Africa, etc., and are building customer trust. In addition, KAI succeeded in developing the KF-21, a 4.5-generation supersonic fighter, making Korea the 8th supersonic aircraft developer in the world. Based on the KF-21 mass production and performance improvement, we will develop 5th and 6th generation fighters to take the Korean aviation industry to the next level.



KT-1



T-50



KF-21



KA-1



FA-50

Rotary wing

KUH (Surion) was developed as a mobile helicopter for the ROK Army. Surion is used in various roles as a military and official helicopter for amphibious maneuvers, medical evacuations, police, firefighting, forestry, and the coast guard. In addition, it has been recognized for its excellent performance and can stably operate in any environment, such as mountains, cities, or the sea, and through this, it is pioneering the Korean and overseas helicopter markets. The Light Armed Helicopters (LAH) and Light Civil Helicopters (LCH) will further strengthen KAI's position in the global helicopter market.



KUH and Its Derivatives



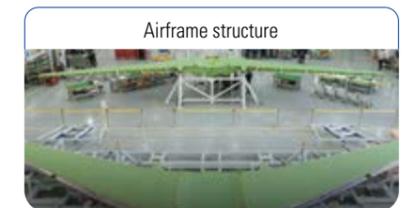
LCH



LAH

Aerostructures Commercial

On March 28, 2013, we acquired certification for light commercial aircraft by developing the 4-seater aircraft KC-100. We are currently participating in the design and production of airframes for medium and large commercial aircraft in partnership with various global manufacturers, including Boeing and Airbus. Based on this, we plan to secure elemental technologies through joint research on new technologies with global commercial aircraft manufacturers and will start developing mid-sized commercial aircraft that can meet the growing demand for passenger aircraft worldwide.



Airframe structure



Boeing



Airbus

Upgrade & Modification / MRO

We have accumulated MRO technology through performance improvements and the depot maintenance of various military aircraft. By expanding these efforts to civil aircraft, we are now in charge of the safe operation of Korean airlines, which have been dependent on overseas maintenance. Additionally, based on the depot maintenance of the P-3C maritime patrol aircraft and the performance improvement of the C-130H transport aircraft, we are enhancing our global competitiveness by improving the performance of the KT-1, T-50, and Surion to meet customer operating environments and needs. We will further expand the MRO technology and infrastructure and grow into an Asian Pacific MRO hub that responds to civil and military needs.



Performance improvement



Military MRO



Civil MRO

MRO : Maintenance, Repair, Operations

Space and UAV

We are preparing to pioneer the future aviation market with the goal of securing various derivative technologies of UAV based on the next-generation corps-level UAV currently under development and developing "Advanced Air Vehicles (AAVs)" and "eco-friendly aircraft" that can reduce carbon emissions by utilizing futuristic UAVs, electricity and hydrogen fuel. In the space sector, we are participating in the development of military and civil satellites, including geostationary orbit complex satellites, next-generation medium-sized satellites, and military reconnaissance satellites based on practical multi-purpose satellite technology. In addition, we are strengthening our capabilities in various space industries, such as with the complete assembly of Korean launch vehicles. In the future, we will improve our technological capabilities in line with the government's policy for the transfer of space technology to the civil sector, and pioneer an era of private-led space development, such as with satellite image analysis services.



Satellite



Launch vehicle



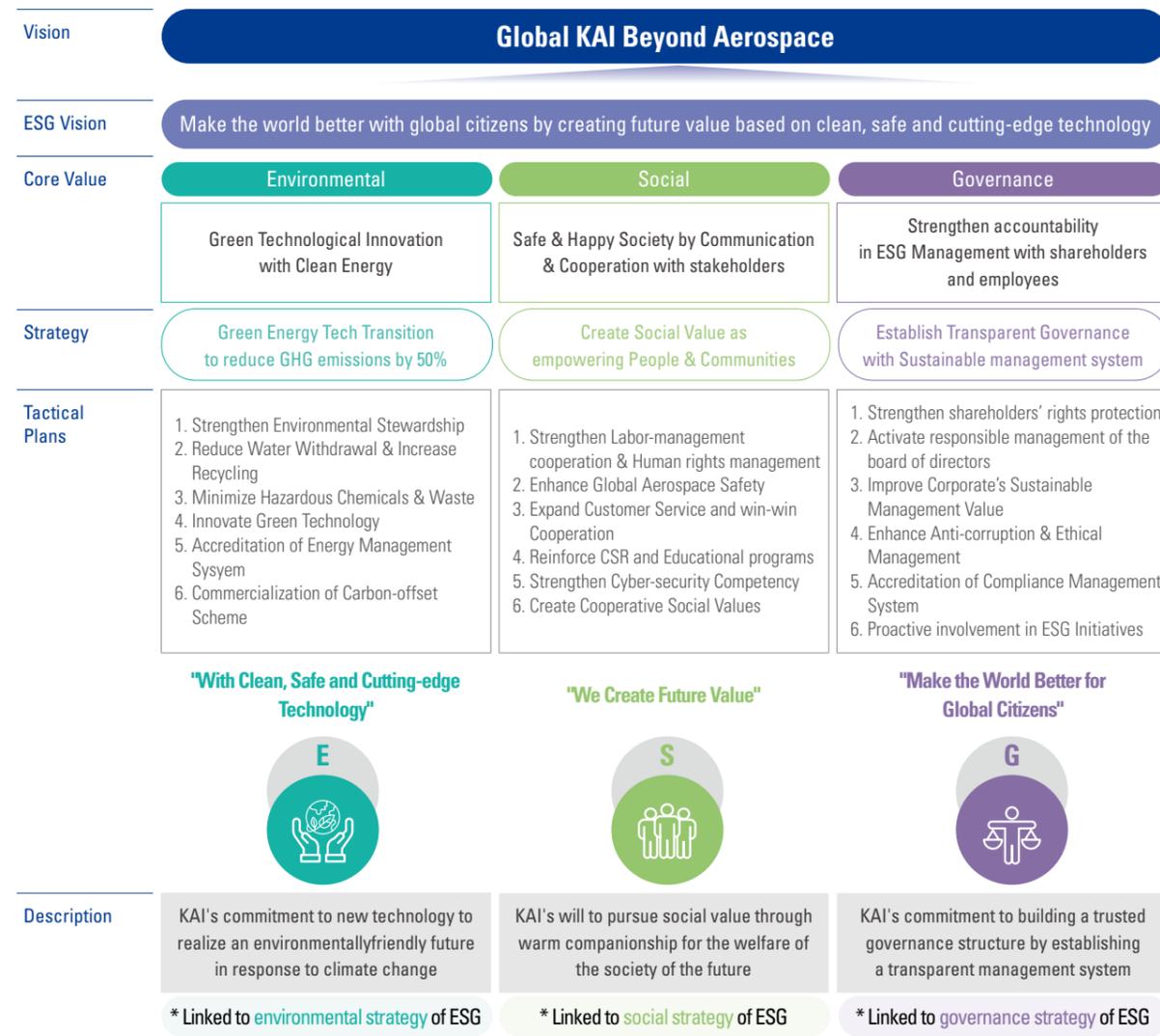
M&S (training system)

M&S : Modeling & Simulation

Sustainability

ESG Management Strategy

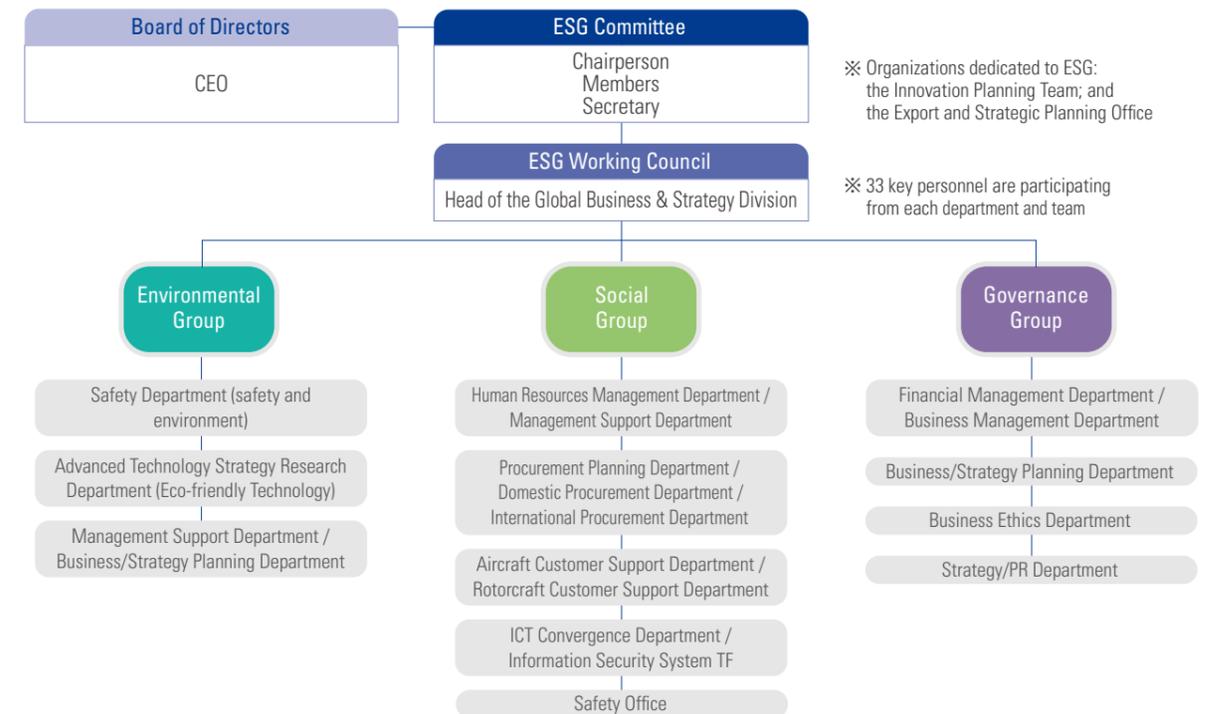
KAI pursues sustainable development based on environment-friendliness, social responsibility, and the improvement of the governance structure. Under the new company vision of "Global KAI Beyond Aerospace" and the ESG vision of "Make the world better with global citizens by creating future value based on clean and safe cutting-edge technology" we completed the ESG management strategy system in December 2022. This system includes six strategies from a mid-to-long-term perspective, focusing on core values and strategic directions for each of the three areas, including environment, society, and governance. Prior to this, KAI newly established the ESG Committee under the board of directors, enacted the Corporate Governance Charter, promised sound governance and fair business activities, and established the ESG management philosophy. Going through the stages of internalization and the advancement of ESG management, we will continue to check the progress of the implementation and realize sustainable development through the process of creating effective ESG performance.



ESG Governance

The ESG Committee is the highest review body for ESG management, serving as a company-wide control tower. This year, the committee plans to establish ESG management strategies and policies in order to make effective decisions on mid-to-long-term strategic directions, specify action plans for each sector, and review execution and performance to take the lead in helping the company achieve sustainable growth. Regular meetings of the ESG Committee are held once every quarter, and temporary meetings can be held as needed. The chairperson and two members of the ESG Committee (as of March 2023, the number of members increased to four) were all appointed from outside directors to ensure independence and transparency.

The ESG Working Council is an in-house council composed of 30 teams from 15 major organizations led by the head of the Global Export/Strategy Division. We are strengthening our ability to execute ESG activities through monthly inspections of the plans and implementation statuses for key tasks in each ESG sector. Additionally, a separate team dedicated to ESG (Innovation Planning Team) supports ESG strategy establishment, ESG internalization and competency improvement, communication with stakeholders, and risk management.



※ Organizations dedicated to ESG: the Innovation Planning Team; and the Export and Strategic Planning Office

※ 33 key personnel are participating from each department and team

ESG Committee (Committee Under the Board of Directors)

Composition	5 outside directors (including the Chairperson)
Role	Deliberation of the mid-to-long-term policies and strategies for ESG management Deliberation of the mid-to-long-term goals of ESG The supervision/management of planning and implementation of ESG management activities The supervision/management of ESG-related material risks
Operation	Regular meetings: Held once every quarter Temporary meetings: Held as necessary
Installation	April 8, 2022

※ Since March 2023, the total number of members has been increased to 5.

ESG Committee Activities

Date	Agenda	Approved or not
1st meeting (April 8, 2022)	Appointment of ESG Committee Chairperson Selection of Secretary	Approved Approved
2nd meeting (December 8, 2022)	Reporting of ESG management strategy for sustainable management	Reported
3rd meeting (December 15, 2022)	Approval of the ESG management strategy	Approved

※ As of December 31, 2022

Environmental

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Response to Climate Change

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Eco-friendly Technology

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Resource Circularity



Response to Climate Change

Response to Climate Change

As a company that received greenhouse gas (GHG) emission rights, KAI ranks 467th out of 688 companies with emission rights according to the public data of the National GHG Management System in 2021, maintaining a level of 0.009% of total emissions. As for our percentage of greenhouse gas emissions by source, 75% of the total is from electricity, 16% is from gas, 7% is from jet fuel and 2% is from other vehicles. Accordingly, as part of our greenhouse gas reduction efforts, we replaced 3,477 of our old floodlights with high-efficiency LEDs from 2013 to 2022, reducing a total of 833 tons of greenhouse gases based on lighting specifications. Also, from 2018 to 2022, we replaced 19 old boilers and burners to increase efficiency by 15%, reducing a total of 877 tons of greenhouse gases.

*Greenhouse gas data for 2022 will be released in the second half of 2023.

KAI complies with the energy saving plan according to the Green Buildings Construction Support Act to actively respond to climate change, which is a global issue. Since 2016, we have been applying energy-saving structures when building new buildings (7 large factories) and will continue to implement the conversion to environment-friendly energy by considering the use of a solar power system when building new factories. From 2023, we are making continuous investments to contribute to greenhouse gas reduction and renewable energy production by installing a solar power system in phases on existing buildings. By using self-produced renewable energy through this investment, we expect to reduce greenhouse gas emissions by about 3,000 tons annually from 2024 and also aim to achieve RE100. In the future, we will actively review and implement human and material support so that subsidiaries and partners can participate in responding to climate change. In addition, in order to calculate and manage emissions in line with Scope 3 targets, we are using the GHG emissions calculation methodology from 2022 to measure the energy use of employee travel vehicles, commuter buses, and transport (export and import). Based on this, we are continuing our efforts to reduce emissions through objective calculations and the disclosure of Scope 3 emissions through third-party verification. KAI will fulfill its social responsibilities through efficient GHG reduction activities while playing a pivotal role in international cooperation projects and pursuing sustainable growth.

KEY PERFORMANCE



GHG Emissions
Of the total emissions,
0.009%
2021 National GHG
Management System



GHG Emissions
Intensity per Sales
(tCO2eq / KRW 100 million)
Compared to 2021
0.06 reduction

| Greenhouse Gas Emissions, Energy Consumption, Intensity per Sales |

GHG Emissions (tCO2eq/yr)			Energy Usage (TJ/yr)			Intensity per Sales (tCO2eq / KRW 100 million)		
2020	2021	2022	2020	2021	2022	2020	2021	2022
49,141	58,148	61,701	980	1,181	1,246	1.75	2.28	2.22

| Direct and Indirect GHG Emissions by Year |

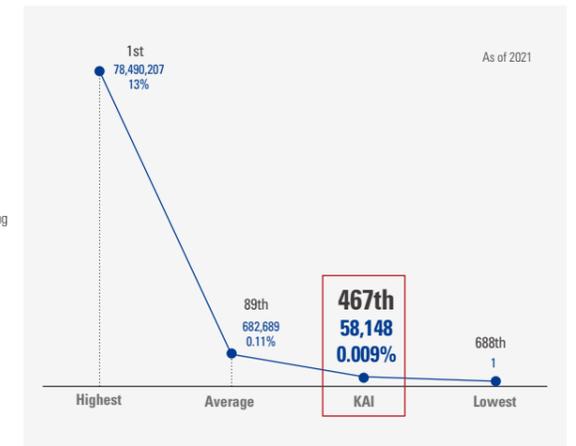
Since 2021, data has been aggregated by business place.

	2018	2019	2020	2021	2022
Headquarters	46,783	48,354	49,141	48,499	51,006
2nd Business Place	-	-	-	962	337
Sancheong	-	-	-	5,075	5,859
Goseong	-	-	-	2,479	3,416
Jongpo	-	-	-	759	678
Seoul Office	-	-	-	374	405
Gross total	46,783	48,354	49,141	58,148	61,701
SCOPE01 [Direct Emissions]	-	-	12,006	13,076	14,512
SCOPE02 [Indirect Emissions]	-	-	37,135	45,072	47,189

Among 688 companies that received emission rights, KAI ranks 467th, accounting for 0.009% of total emissions.

| Comparison of Companies with Emission Rights (as of 2021) |

	Management Company	Designated Industry	GHG Emissions (tCO2eq/yr)
1	**Co	Industry	78,490,207
2	****Power Plant	Transition	37,228,227
3	****Power Plant	Transition	34,457,856
4	****Power Plant	Transition	33,358,236
5	****Power Plant	Transition	33,093,129
6	****Power Plant	Transition	32,808,320
7	**Steel	Industry	28,489,305
8	**Electronics	Industry	14,494,447
9	**C&E	Industry	10,610,902
10	*-Oil Co. Ltd.	Industry	10,036,497
⋮			
467	KAI	Industry	58,148
468	**E&P	Industry	57,643
469	**Railroad	Transport	57,349
⋮			
687	**Environment	Industry	28
688	**Form	Transition	1



	Ranking	Emissions	Ratio (%)
Highest	1	78,490,207	13.24355
Average	89	682,689	0.115189
KAI	467	58,148	0.009811
Lowest	688	1	0.000000

Source_ National GHG Management System (NGMS)

| GHG Reduction Activities – Electric Power / City Gas (LNG) |

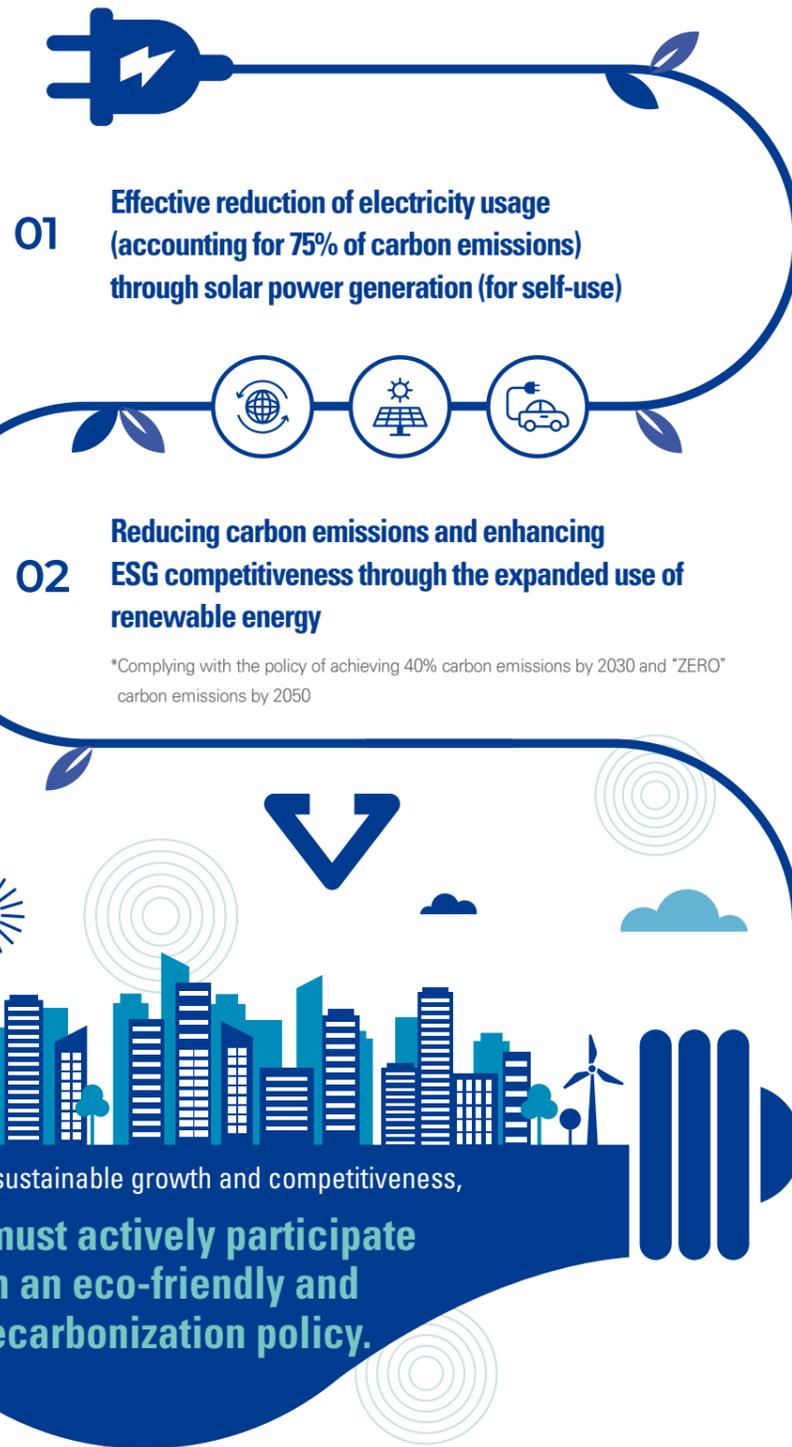
	Location	Quantity	Emissions (tons)
2013	Assembly building	690	213
2016	Fixed Wing building	743	475
	Parts building	1,145	
2021	Hangar	140	108
	Storehouse	243	
2022	A350	386	37
	Building for Painting Medium-sized Aircraft	130	
Total		3,477	833

Replacement with high-efficiency lighting [LED] → Calculation of the GHG emission reduction based on lighting specifications

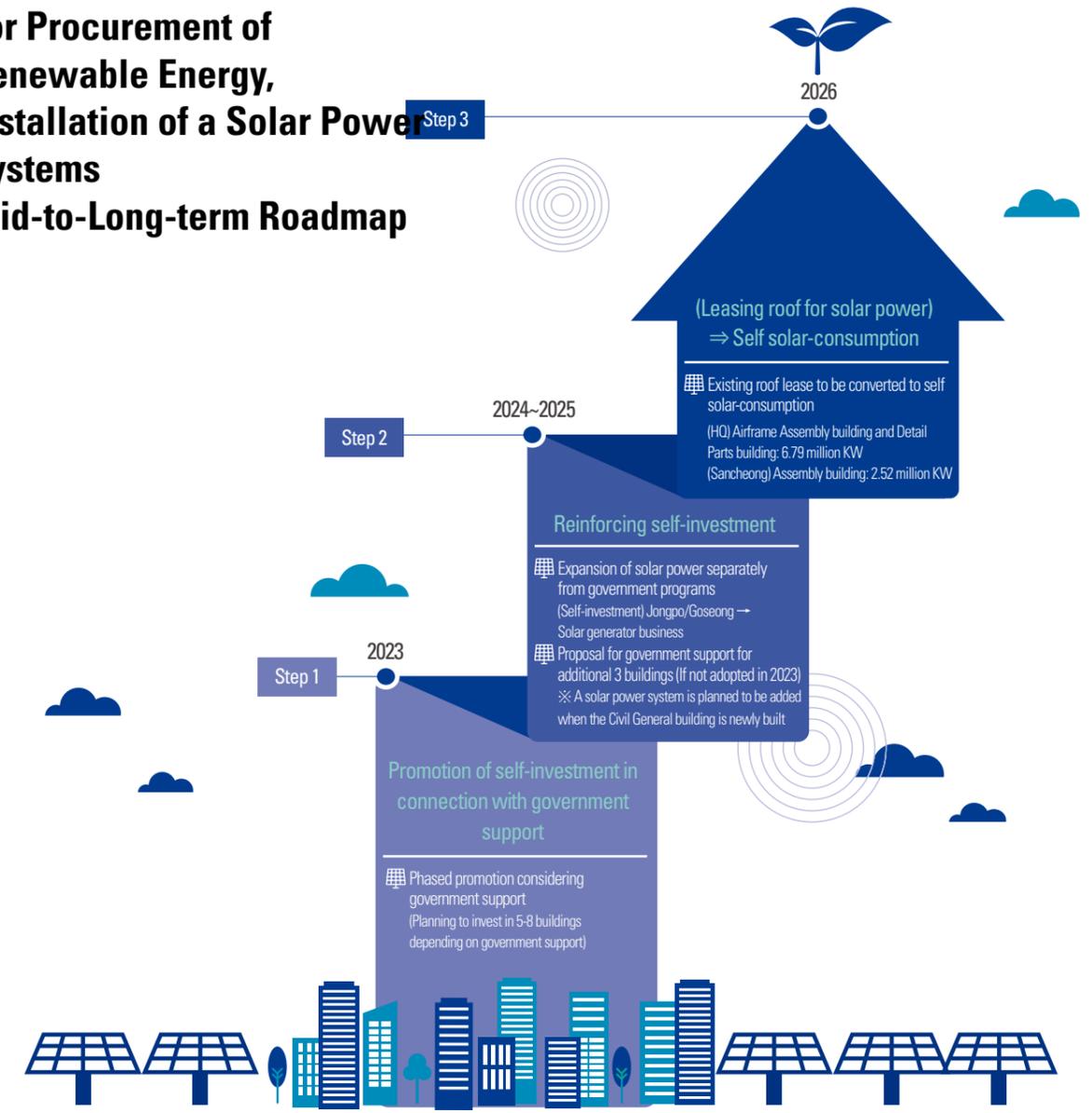
	Location	Quantity	Emissions (tons)
2018	Fixed Wing Service building	3	193
2019	Parts Service building	3	424
2020	Wellbeing Hall	2	54
	Welfare Hall	2	
2021	Composite Materials building	2	183
	Development Center	2	
2022	Rotary Wing building	3	23
	A350	2	
Total		19	877

Replacement with high efficiency burners for boilers/ water heaters → GHG emission reduction when efficiency is improved by 15%

For Procurement of Renewable Energy, Facility Investment Direction



For Procurement of Renewable Energy, Installation of a Solar Power Systems Mid-to-Long-term Roadmap



Expected Intangible Effects



Eco-friendly Technology

Aviation Carbon Neutral



KEY PERFORMANCE



Advanced Air Vehicle

(AAV, Advanced Air Vehicle),

Eco-friendly Aircraft

R&D is underway

Expansion of R&D

As the International Air Transport Association (IATA) has adopted a target of "zero (0)" net carbon emissions in the aviation industry by 2050, KAI is also preparing to develop eco-friendly aircraft that can offset the carbon emissions generated by existing aircraft. KAI is conducting R&D aimed at developing "Advanced Air Vehicles (AAVs)" and "eco-friendly aircraft" that can reduce carbon emissions by utilizing electricity and hydrogen fuel. Through this, we will lead the carbon neutrality of the aviation industry.

We are developing eco-friendly vertical take-off and landing air vehicles for commercialization, so that such AAVs can be used as Urban Air Vehicles (UAVs) such as air taxis and for transporting cargo/passengers between regions. Since AAV is used in urban areas, it must generate less pollution and noise, and it is important to develop a lightweight composite airframe at a low cost considering mass production, electric distributed propulsion system, vertical take-off and landing, and autonomous flight control. In particular, safety is the most important factor in AAV development. In order for air vehicles weighing more than 2 tons to fly in cities under various weather conditions, the safety of passengers as well as pedestrians on the ground must be guaranteed. To this end, it must be designed and manufactured to achieve a probability of catastrophic failure of 10⁻⁹. KAI is committed to the development of electric AAVs based on more than 30 years of aircraft development experience and technology.

Eco-friendly aircraft reduce carbon emissions by using electricity or hydrogen fuel. The development of small battery-powered aircraft and small- and medium-sized hydrogen fuel cell aircraft is actively progressing, and new and modified eco-friendly aircraft are expected to begin commercial operation in the mid to late 2020s. Starting with the development of prior technologies for electrically propelled aircraft based on batteries and hydrogen fuel cells, KAI will also develop small demonstrator technologies, and secure core technologies for short take-off and landing commuter aircraft powered by hydrogen fuel cells. Based on this, we will take the lead in introducing "zero" carbon emission aircraft by developing and commercializing eco-friendly civil aircraft.

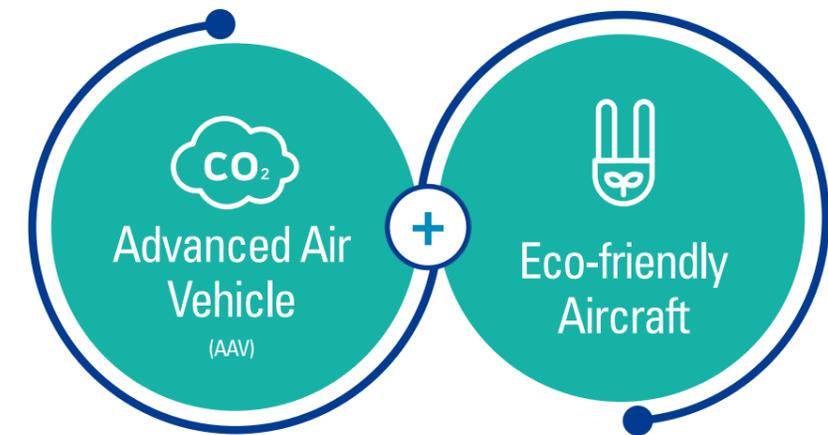
Digital Transformation

In the process of developing the "Korean Fighter KF-21 Boramae," KAI was able to successfully complete the development by utilizing digital engineering technology. Through digital continuity (a digital development platform, MBD, visualization technology, etc., integrated into a single source) and digital thread (digitally executing all processes, including "design-production-test-operation" based on a digital model), we have satisfied the diverse needs of customers and joint development partners in the process of manufacturing the KF-21 prototype. It has also dramatically reduced costs and overachieved quality and schedule targets. In this process, we introduced the Model Based Definition (MBD, 3D drawing) design methodology, which includes product manufacturing information (PMI), such as dimensions and tolerances, directly in the CAD 3D model. MBD allows 3D models to be used as a single source for product creation without 2D drawings (paperless). Through this, we reduced the time and errors in creating and analyzing design data and fundamentally solved the quality problems caused by the creation and use of 2D drawings. In addition, MBD has been recognized as national defense standard data for the first time in the defense business, contributing to the government's digital policy.

KAI has been steadily preparing for digital transformation for the sustainability and spread of digital engineering technology. Through these innovative preparations and efforts, we plan to become a role model for leading the Korean aviation industry. In addition, as we believe that manufacturing competitiveness in the aviation sector depends on the production capacity of the entire ecosystem, which includes many other companies. Therefore, we will continue to spread our technology to our partners and work together with them to create an ecosystem that respects the environment.

Net zero carbon emissions from the aviation industry by 2050

"Carbon Neutrality"



Resource Circularity

Environmental Management



Environmental Pollutant Management

KAI sets and complies with its own emission concentrations that are more rigorous than the legal standards for various environmental pollutants generated in the production process. We are also committed to providing eco-friendly value to customers in addition to protecting the environment and ecosystem by minimizing dust generation in our workplaces, and operating emission prevention facilities and eco-friendly facilities.

In addition, since 2015, in order to fulfill our social responsibility of reducing fine dust, we have been participating in the agreement on the voluntary reduction of fine dust led by Gyeongsangnam-do Province. We establish and implement our short- and mid-to-long-term goals to achieve a fine dust reduction target of 10%, and in times of high concentrations of fine dust, we frequently self-inspect emissions and prevention facilities to ensure their normal operation to reduce air pollutants.



<Major Content of Agreement>

- Agreement period: 2020-2024 (5 years)
- Reduction items: 4 items (dust, sulfur oxides, nitrogen oxides, volatile organic compounds)
- Reduction target: During the agreement period (5 years) Compared to the base year (2018) Reduction of 5.1 tons

Fine Dust Reduction Agreement Ceremony

Air Pollutant Management



Installation of ultra-low NOx boiler

KAI installs and manages optimized emission prevention facilities to reduce air pollutant emissions and improve the atmospheric environment. We operate a total of 98 air pollution prevention facilities in our business places, regularly monitor pollutants discharged by each facility, and install and expand high-efficiency air pollution prevention facilities to maintain the emission concentration at less than half the legal standards.

On June 14, 2018, we installed low NOx burners and ultra-low NOx burners on 21 boilers, which are our main emission facilities, and these are significantly reducing NOx emissions.

| Air Pollutant Emissions |

	Dust	NOx	SOx	Total emissions (ton)
2020	11.507	2.905	0	14.412
2021	10.229	4.387	0.048	14.664
2022	10.457	4.457	0.724	15.637

※ Data of the Headquarters

Water Pollutant Management



Operation of wastewater treatment facilities

Wastewater generated from processes such as surface treatment and heat treatment within KAI's workplaces is treated first at the in-house wastewater treatment facility, then secondarily treated at a public wastewater treatment facility before finally being discharged into drains. For proper and transparent water quality management procedures, we monitor wastewater, effluent, and discharged pollutants according to internal standards, and regularly request the analysis of these pollutants from a specialized organization, while also analyzing major pollutants on a daily basis.

In particular, the concentration of pollutants in the company's effluent is set at 50% or less compared to the law and is strictly maintained. As a result, it was confirmed to be at a 0-10% level compared to the law. In addition, we replace aging wastewater treatment facilities through aging assessments and operate wastewater reuse facilities to minimize wastewater generation.

| Emissions of Water Pollutants |

	BOD(ton)	COD(ton)	SS(ton)	T-N(ton)	T-P(ton)
2020	2.101	0.987	0.193	0.121	0.003
2021	0.344	0.575	0.279	0.436	0.002
2022	0.264	*0.347	0.363	0.325	0.005

※ Data of the Headquarters

* Since 2022, the organic matter indicator has been changed (COD → TOC)

Energy Management

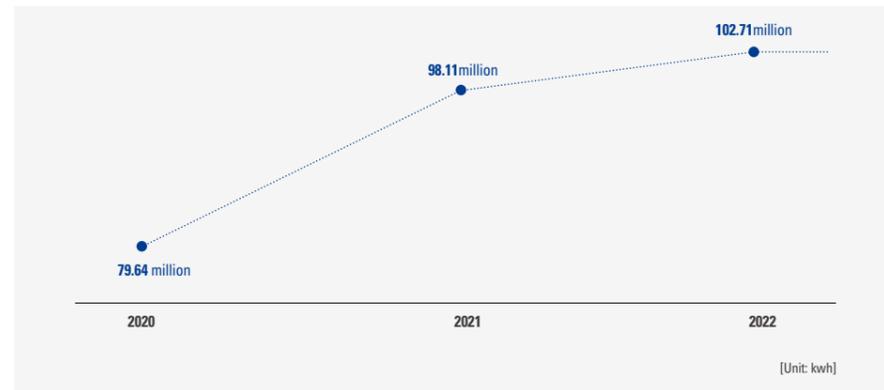


KAI has established a real-time monitoring system for energy consumption in workplaces to manage the energy use of major buildings and facilities in real-time.

※ We manage a certified environmental management system (ISO14001) to save and efficiently use resources and energy.

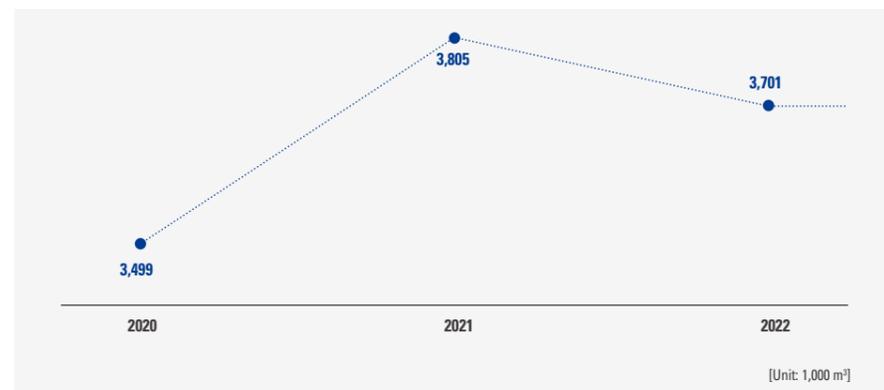
Additionally, we have been promoting company-wide energy reduction activities since October 2022, and as of April 2023, we achieved a 1.1% reduction in electricity use and a 7% reduction in gas use compared to the same month of the previous year. We plan to make eco-friendly ESG investments company-wide, so 2023 can be the first year to substantially reduce energy use and expand the use of renewable energy.

※ Energy usage performance: Including Sacheon Headquarters, Sancheong, Goseong, and Jongpo factories.



| Power |

	Electricity Consumption (kwh)	Rate of change (%)
2020	79,646,054	-
2021	98,111,366	23.1
2022	102,718,446	4.7



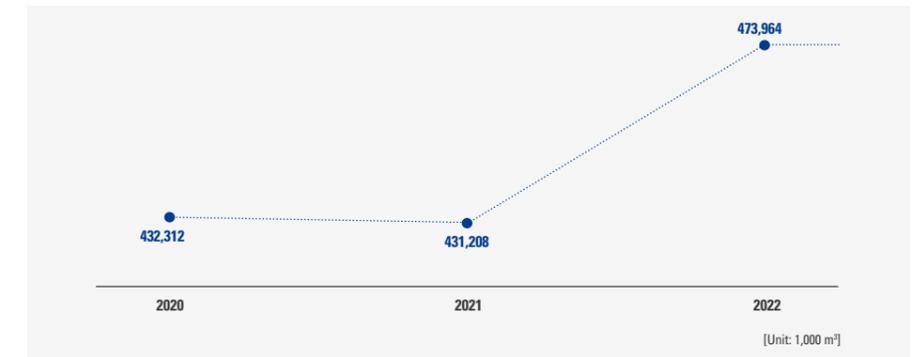
| City Gas (LNG) |

	Amount of gas (1,000 m³)	Rate of change (%)
2020	3,499	-
2021	3,805	8.7
2022	3,701	-2.7

Water management



KAI agrees on the need to use water resources efficiently and strives to reduce water use and minimize wastewater generation by continuously expanding and investing in water reuse facilities. For this purpose, we prevent leaks and monitor incorrect water use through real-time monitoring of daily water consumption and periodic analysis of water consumption.



| Water Consumption |

	Water consumption (1,000 m³)	Rate of change (%)
2020	432,312	-
2021	431,208	-0.3
2022	473,964	9.9

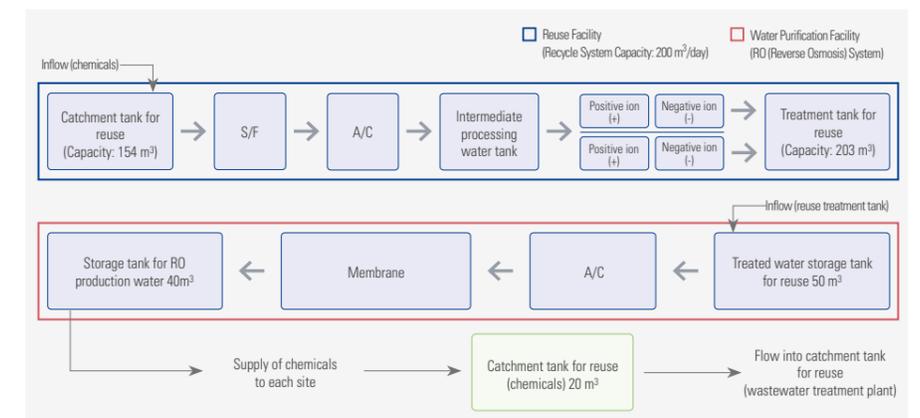
※ Data of the Headquarters, Sancheong, and Goseong

In order to reduce water consumption, we are practicing optimal water use. We first pre-treat the wastewater from the chemical process at a reuse facility, and after a second treatment at a water purification facility, we reuse it in the chemical process. We have built a facility that can recycle all the water used in the chemical processes at the Sancheong factory, and we also have facilities that can recycle water at two factories in the Headquarters. As a result, we were able to achieve a water recycling rate of over 10% by 2022.

| Water Reuse |

	Chemicals from Sancheong Factory (1,000 m³)	Headquarters (chemical process for parts)
As of 2022	51,065	Meters to be installed

| Water Reuse Facility |



Waste Management



KAI checks information on the new generation, licensing, and discharge of waste, separates waste by type, stores it in a storage facility, and then disposes of it through a legitimate disposal company.

When storing waste, we comply with the storage standards according to the Waste Management Act and keep a storage log, and monitor the waste storage area 24 hours a day in order to prevent environmental accidents and respond quickly to emergencies. We minimize legal risks by conducting on-site inspections of outsourced disposal companies once a year in order to monitor whether wastes are properly disposed of. We also transparently disclose the details of our waste discharge and disposal through the Allbaro System operated by the Korea Environment Corporation.

KEY PERFORMANCE



Waste Emissions
(excluding wastes sold)
5.13% reduction
Compared to 2021

| Waste Management Process |

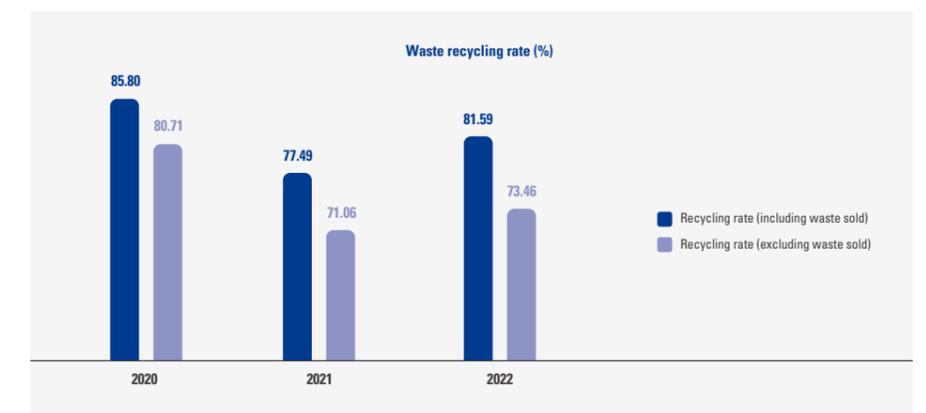


Waste Generation and Recycling Rate



KAI reports waste generation and disposal details every year. As a subject of resource circulation performance management, KAI strives to improve the utilization rate of recycled waste and reduce the amount of final disposal. When signing new waste disposal outsourcing contracts, we select companies that are capable of adequately recycling waste. We are targeting a 3% reduction in waste generation in 2023 by strictly managing separate waste collections and improving work processes.

In addition, we will sign an Agreement for the Resource Circulation of Electrical and Electronic Equipment with 2023 E-Circulation Governance, and will preemptively respond to the climate crisis with the ESG management system. Through diversified social contribution activities, we will participate in practicing resource circulation for electrical and electronic equipment to return the profits we have gained from society back to society.



※ Data of the Headquarters

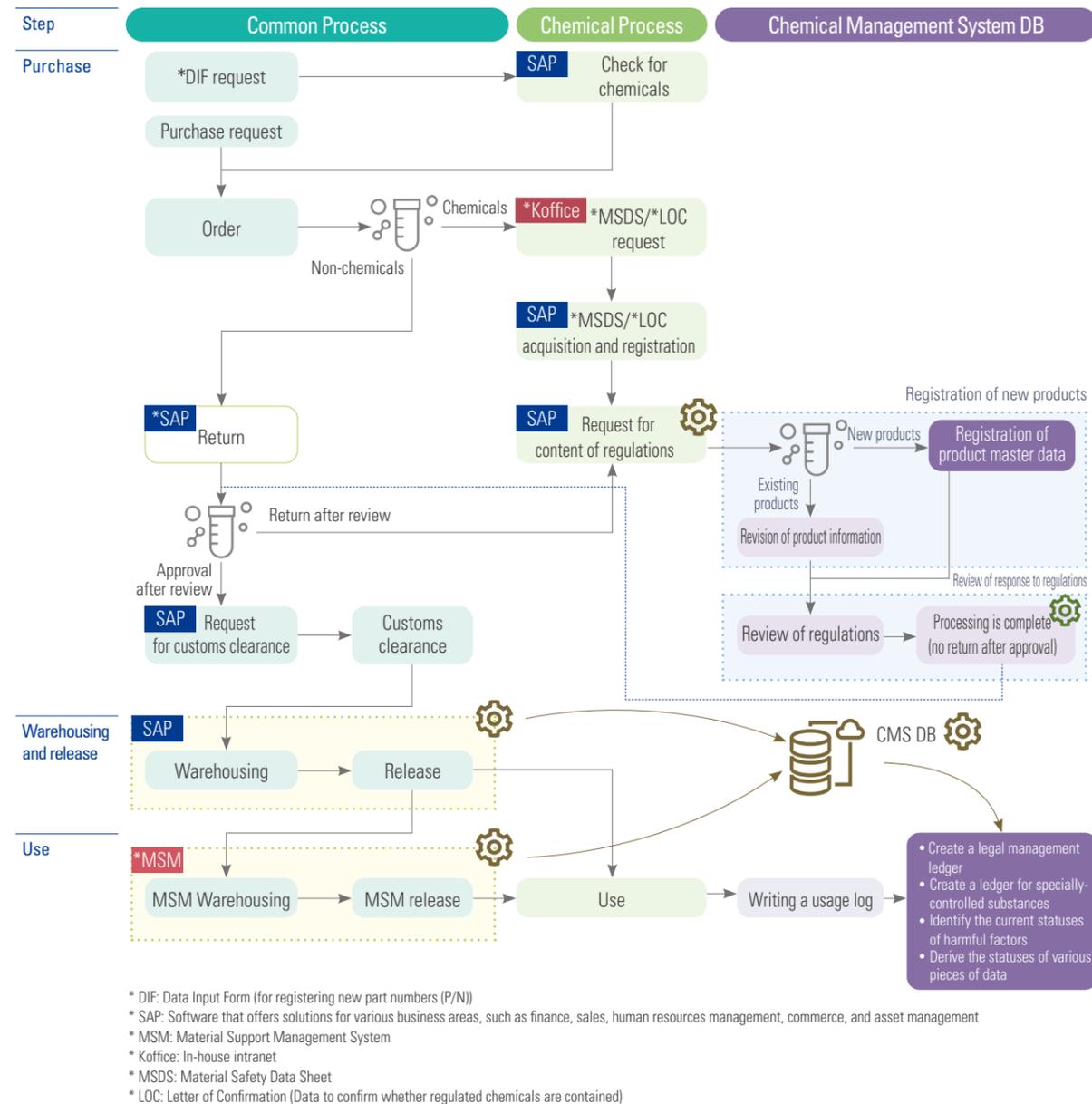
Chemical Management



KAI checks whether it is a chemical substance from the purchasing stage. The Safety Environment Team identifies whether the substance is a hazardous chemical that is subject to regulations and completes licensing and administrative procedures in accordance with the relevant laws and regulations, such as the Hazardous Chemicals Control Act, before its final use in the production process.

We conduct regular (weekly, monthly, and semi-annually) inspections of hazardous chemical handling facilities and improve our findings, inspect and calibrate leak detection equipment once a year, and perform emergency response drills to safely manage hazardous substance handling facilities to be prepared for leakage accidents.

Additionally, we continuously monitor the hazardous chemical substances used/discharged by the company through annual surveys on hazardous chemical usage and discharge. By strengthening the hazardous chemical management system (the reduction of the usage and application of alternative substances/systems), we aim to reduce the use of hazardous substances by 3% in 2023.



Chemical Safety Training



KAI provides chemical safety training to all employees (2 hours/year) and personnel directly handling hazardous chemicals (16 hours/2 years).

We also train hazardous chemical managers for each handling facility to strengthen safety management at the facility. Hazardous chemical substance managers enhance their expertise in handling facilities and hazardous chemical substances through 16-hour/2-year refresher training for the management of hazardous chemical substances.



Chemical Safety Training

Chemical Management System



All of the chemical substances used by KAI are registered and managed in the company's Chemical Management System. The Chemical Management System enables all employees to search the MSDS for chemical substances, and view information on the safe use of chemicals, such as the safety and health/risks and other current statuses.

We also minimize legal risks by keeping the logbooks and management ledgers required by the relevant laws and regulations, such as the Chemical Substances Control Act and the Act On The Safety Control Of Hazardous Substances, checking training status, and managing the designated quantity of hazardous substances.

	2020	2021	2022
Usage of hazardous chemicals (Ton)	271.08	213.94	204.76
Chemical emissions (Ton)	27.95	26.99	26.98

※ Data of the Headquarters



Social

32

Human Rights and Ethics

46

Collaborative Cooperation

54

Safety and Health

64

CSR



Human Rights and Ethics

Ethical Management System

As a global aerospace company, KAI is striving to successfully develop the Korean Fighter KF-21 and expand overseas exports of various air vehicles with the mission of protecting the safety of citizens around the world and leading national aerospace industry. In order to successfully meet demands for advanced R&D capabilities and increase in export opportunities, and to comply with national laws, including anti-corruption laws, we operate a Business Ethics Department, which consists of the Business Audit & Improvement Team, the Compliance Team, and the Security Planning Team.

In 2018, KAI obtained certification for the Anti-Bribery Management System (ISO37001) for the first time in the Korean defense industry. In addition, in 2023, we also acquired certification for the Compliance Management System (ISO37301), through which we intend to reduce the risk of legal violations and carry out transparent business.



Certification of the Anti-Corruption Management System

| Ethical Management Development Process and Plan |

01

- The Ethical Management Support Division was established in 2018 as an independent body, and its name was changed to the Ethical Management Support Sector, and then to the current Ethical Management Office.

02

- After acquiring the Anti-Bribery Management system for the first time in defense industry in Korea in 2018, we have conducted annual certification maintenance audits and renewal audits once every three years.

03

- We are participating in the IFBEC in 2018 (Paris), 2019 (webinar), and 2022 (USA) to carry out international compliance initiatives.

04

- Since 2018, we have participated in the Public-Private Council for Integrity led by the Defense Acquisition Program Administration every quarter, as well as the Integrity expert training provided by the Anti-Corruption and Civil Rights Commission.

05

- In 2023, we are pushing forward with the goal of acquiring certification for the Compliance Management System and building a fair trade *CP program.

*CP: Compliance

Expanding Ethical Management Practices to Partners

KAI is seeking cooperation with small and medium-sized enterprises (SMEs) that want to enter the aerospace field and nurture them into global companies, in addition to pursuing mutual prosperity through fair and transparent transactions. KAI appointed the Autonomous Compliance Manager for through the Fair Trade CP program, and company's Autonomous Compliance Council is creating a culture of mutual growth with partners. Currently, the Autonomous Compliance Manager is the head of the Business Ethics Department, and the members of the council consist of 4 Office Heads.

KAI's partners must sign a pledge to practice fair trade and companies that violate the law receive penalties in the bidding. Partner company training is provided every year. KAI offered training to 43 companies in 2021 and 50 companies in 2022 for the following courses: Subcontracting Laws, Enforcement Decree of the Acts on Contracts to Which the State Is a Party, Code of Conduct for Ethics and Compliance, and EL Compliance.

Ethical Management Internalization and Spreading the Culture

KAI raises employees' awareness of ethical management by mandatory pledge and posting the Improper Solicitation and Graft Act on the company-wide bulletin board routinely, and on New Year's Day and Chuseok holidays. Employees can check the Code of Conduct for Ethics and Compliance and the summary table for the Improper Solicitation and Graft Act attached to their business notes at any time.

Since 2018, KAI have evaluated risks using ethics POCs (Points of Contact personnel) and taken corrective measures for the results. In 2020, we held the company-wide quiz event, the Golden Bell Quiz for Ethics and Compliance.

| Operation status of Education on Ethics and Compliance |

Performance	Content
Ethics and compliance training	<ul style="list-style-type: none"> • CEO's Lecture (February and November 2022, surveillance responsibility of executives who violated the law) • Preventive education for related departments (February 2022, sanctions against law-breaking partners) • Training for new and experienced employees, and new team leaders (February and May 2022, Code of Conduct) • Training on the FCPA for US corporations (September 2022) • Training for partners and all employees (October and November 2022, Act on Contracts to Which the State Is a Party)

| Major Activities of Compliance Officers |

Performance	Content
Management of the ISO37001 certification	• Anti-Bribery Management certification (2022) (August 2022)
Risk identification and management	<ul style="list-style-type: none"> • Risk assessment date: June to July 2022 • Subjects : Teams related to government officials, agents, and foreign public officials (based on 14 types of improper solicitation designated by the Anti-Bribery and Civil Rights Commission) • Method: In-depth interviews after the distribution of a risk factors sheet containing 20 questions (about improper solicitation, bribery, and foreign public officials) • Items: In order of higher risk, "provision of money," "prohibition of solicitation," "Corruption reporting," and "foreign public officials". • Results: Implementing pop-up windows for processing expenses, providing trainings on the code of ethics, revision of the penalty provision for those who do not complete the training, making provisions to prohibit the disclosure of an informant's identity, training on reporting, awareness and confirmation of the permitted scope when contacting public officials.
Communication with external organizations	<ul style="list-style-type: none"> • Participated in the International Defense Ethics Forum (IFBEC) (September 2022) • Participated in the CP Forum hosted by the Korea Fair Trade Mediation Agency (December 2022) • Participated in the Public-Private Council for Integrity led by the Defense Acquisition Program Administration (half-yearly)
Establishment/Revision of company rules	• Held a total of 5 deliberations on company rules, including regulations, standards, guidelines, etc.

| Performance of Education on Ethics and Compliance |

2020			2021			2022		
Education Topic	Period (months)	Participants	Education Topic	Period (months)	Participants	Education Topic	Period (months)	Participants
Online education on the Code of Ethics for all employees	Jul. to Sep.	4,851	Ethical management training for managers	Mar.	40	Ethical management training for CEO and executives	Nov.	74
Ethical management education and pledges for all employees	Jan. to Dec.	5,064	Online training on the Code of Ethics for all employees	Nov. to Dec.	4,822	Ethical management training and pledge for all employees	Jan. to Feb.	5,237
Training for major departments (Management and Purchase)	Jun.	550	Ethical management training and pledge for all employees	Jan. to Feb.	5,336	Online training on ethics and compliance for all employees	Apr. to May	4,664
Training by position	Sep. to Oct.	1,000	Training for site managers	Dec.	21	Offline training on ethics and compliance for all employees	Nov. to Dec.	4,955
Training for new employees	Nov.	37	EL control training for defense trade	May to Dec.	3,031	Training for career positions in Iraq	May	25
			Training for new employees	Jun.	38	EL control training for defense trade	May to Jun.	4,824
			Ethics and compliance training for Partners	Dec.	43 companies	Training for Purchasing Department	Jun.	150
			Training for new managers	Oct.	20	Ethics and compliance training for Partners	Oct.	50 companies

Employees

Talent Recruitment and Operation

KAI operates recruitment, education, welfare, and personnel systems with the goal of fostering "future-oriented talents with upright character and competence," who are not afraid of challenges with a creative mindset, and who are willing to cooperate with the whole. KAI is working hard to build a positive corporate culture.



Job-oriented talent recruitment

We carry out job-oriented recruitment in order to select the right talent for our company based on applicants' capabilities and experience. In order to increase reliability and suitability when recruiting, we go through various evaluation processes, such as document screening, AI competency tests, and contact-free interviews (first and second rounds).

Expansion of contact-free recruitment

We have been actively adopting contact-free recruitment since 2020 to minimize the impact of COVID-19. This method has allowed us to quickly and efficiently recruit various talents, regardless of their location and distance, and has provided a more convenient and safe recruitment environment for applicants. It has also reduced unnecessary regional travel for both applicants and us, which has given us an economic advantage as well.

Employee job rotation system

We use a job rotation system to help our employees build various job experiences and personal capabilities. In particular, we have established a principle of open recruitment within the company to emphasize the importance of utilizing human resources from a company-wide perspective and also reviewed the introduction of a system to support employees' voluntary career development.

Evaluation and Reward System

In order to effectively achieve the company vision and mid- to long-term strategy, KAI operates a goal-setting process, in which mid- to long-term strategies, company-wide goals, organizational goals, and individual goals are matched. We conduct performance management and monitoring on a monthly basis, and depending on the results, differentiate compensation such as incentive pay, basic pay, promotions, and positions.

Evaluation system

Regardless of gender and nationality, KAI's evaluation system integrates various evaluation methods, including performance evaluations (MBO method), competency evaluations, and multi-faceted evaluations, implementing them fairly and transparently. Performance evaluations are done twice a year on the degree of goal achievement and job performance results based on the goal management system. Through competency evaluations, we evaluate the various competencies of employees once a year, along with a multi-faceted evaluation that focuses on the various aspects of employees.

Compensation system

KAI's wage system is largely composed of fixed pay, supplementary pay, and variable pay. The fixed pay consists of basic pay and a fixed bonus and is raised differently each year depending on individual performance. The supplementary pay consists of work-life balance incentives, homecoming/vacation expenses, etc., and is paid based on the basic pay at certain times. Variable pay includes incentives based on individual evaluation results, as well as corporate performance and the achievement of management goals. KAI strives to inspire employees' will to work through fair compensation linked to their performance.

Training and Education

Competency reinforcement education programs for talents

With the mission of "becoming a global company that is trusted by customers with the best technology and products and fulfills its social responsibilities," we provide education tailored to leadership, job competencies, and global commercialization to strengthen the professionalism and business competitiveness of our employees. Considering the impact of COVID-19, we operate a real-time online learning center (smart learning) and also provide language education (telephone, video, and intensive courses) and support for language test fees, giving additional points to language proficiency in the promotion to strengthen global competencies.

Through cooperation with universities, we also provide master's and doctoral degree courses for the continuous improvement of our employees, along with various other programs for steady self-development.



Development of the national aviation industry and support for fostering future talents

In order to overcome the business difficulties faced by partners due to the impact of COVID-19, we cooperated with the government and Human Resources Development Service to expand joint education and train 4,565 partner employees for 3 years (2020-2022) through a new system of paid training leave. This has contributed greatly to surmounting the crisis in the aviation industry.

We have been awarding the Aerospace Paper Award in cooperation with the Ministry of Trade, Industry, and Energy under the Korean Government for the past 20 years to play a major role in promoting research in the aerospace field and nurturing future talents in the Korean aerospace industry. We contribute to securing and developing Korea's aerospace technology by promoting research in all fields of the aerospace industry and publishing around 620 papers.

We will become a company trusted by customers with the best technology and products by listening to various opinions and providing training courses for developing the national aviation industry. We will also fulfill our social responsibilities by diversifying and upgrading our curriculum to include employees, college students, and employees of partners.



2022 Aerospace Paper Award

Employee Welfare Benefits

KAI operates a variety of welfare benefit programs in five areas for its employees: economic support, family stability, self-development, and leisure in life. These various welfare benefits are designed based on the individual's life cycle and fair benefits, from joining the company to retirement. In addition, through annual labor-management consultations, we improve the system, supplement standards, and introduce various new systems to increase employees' satisfaction with welfare benefits.

| Welfare Benefits System |



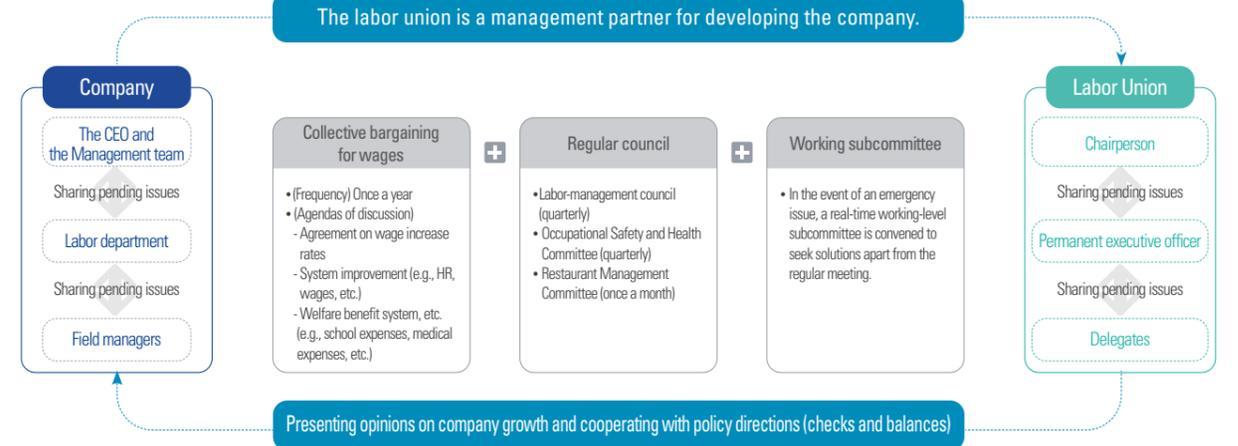
Household Stability <ul style="list-style-type: none"> • Interest support by the Housing Stabilization Fund • Dormitory (1 room per person) • School expenses (kindergarten to university, overseas) • Travel expenses for transfer of employees • Workplace daycare 	Dormitory 	Workplace daycare 		
Health Care <ul style="list-style-type: none"> • Medical expenses (employee and family) • Comprehensive health checkups • Personal pension and group insurance • Physical therapy room/Fitness room • Infirmary • Nursing room • Psychological counseling 	Physical therapy room 	Fitness room 	Psychological counseling room 	Nursing room
Convenience in Work <ul style="list-style-type: none"> • Commuter buses • In-house cafeteria • Work uniforms • On-site laundry of uniforms • In-house convenience facilities - Banks, canteens and cafeterias • Gender equality counseling - Sexual harassment, workplace bullying, etc. 	Commuter buses 	In-house cafeteria 	Convenience store 	Cafeteria
Motivation <ul style="list-style-type: none"> • Support for purchasing holiday gifts • Support for congratulations and condolences • Long service leave and congratulatory money • Support for retirees • Proud KAI Award • Parents' invitation event for new employees 	Retirement event 	New employee event 	Proud KAI Award 	
Cultural and Leisure Life <ul style="list-style-type: none"> • Resorts (Kumho and Daemyung) • Club operation support (34) • Cultural events 	Resorts 	Clubs 		

※ We operate a variety of welfare benefit programs in five areas for employees: economic support, family stability, self-development, and leisure in life.

Labor-management Relations

KAI has established a virtuous cycle of labor-management relations through regular communication between labor and management. KAI allows the labor union annual collective bargaining for wages, holds a quarterly labor-management council, and forms working-level subcommittees for each issue to seek solutions between labor and management. We also hold an annual management briefing session with employees to enhance their understanding of the company's management goals and current issues and to communicate with them so that they can actively participate in achieving the company's goals.

| Labor-Management Communication |



| Labor-management Agreement Procedures |



| Agendas Handled by the Labor-Management Council (for 3 years) |

2020	2021	2022
15cases	51cases	28cases



Labor-Management Joint Declaration (2020)



Ceremony for the Joint Declaration of Labor-Management Harmony (2020)



News articles related to the Joint Declaration of Labor-Management Harmony

| Status of Union Membership (for 3 years) |

	Number of people eligible	Number of people who joined	Unionization rate
2020	4,153	3,145	75.70%
2021	4,150	3,335	80.40%
2022	4,262	3,341	78.40%

Organizational Culture

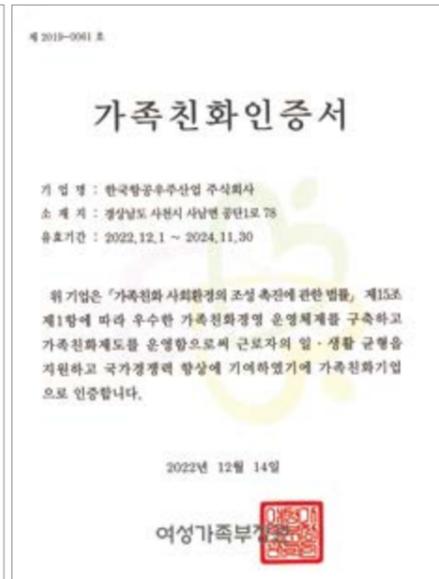
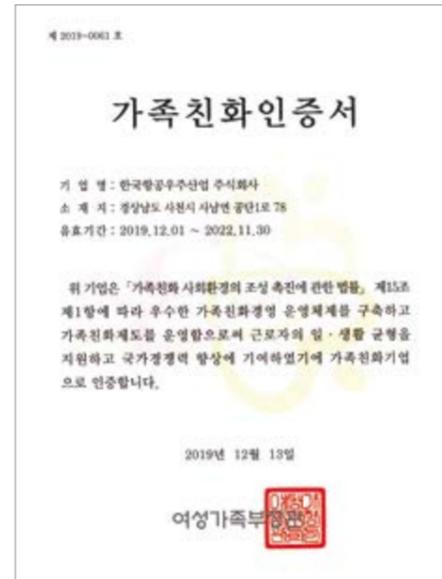
Certified for Family-friendly Business

KAI actively supports workers so that they can harmoniously balance their home and work lives in the process of social change, such as with the low birth rate and aging according to the corporate culture. We operate various systems to support childbirth and childrearing and to create a family-friendly workplace culture, such as reduced working hours during pregnancy, family care leave or vacation, worker counseling, family invitation events, flexible work systems, and PC Off. Based on this, employees' average length of service has reached 13.9 years. In 2019, the Ministry of Gender Equality and Family recognized our efforts and certified us as a family-friendly company.

KEY PERFORMANCE



Recertified as a Family-friendly Business
(December 2022)



PC-OFF

To encourage leaving work on time, the program prevents workers from accessing the company's internal system after a certain time.



Employee family invitation event (Kamily Day)



Family Invitation event for new employees



Family engagement program



Aviation family camp

Event for Multi-children Families

In November 2022, KAI invited the families of employees with multiple children (three or more) to the Sacheon Headquarters and held a "Kadungi-Day" event. This event was held as part of family-friendly management to join the government's childbirth promotion and preferential policies for families with multiple children. Also, as a company representing the western region of Gyeongsangnam-do, this implies our will to actively participate in solving the problems of low birth rates and population decline in the local community.

Starting with this event, KAI will develop an organizational culture and enhance employee pride through family-friendly corporate activities such as childbirth promotion in cooperation with local governments and various in-house childbirth promotion policies.



Compliance Management

Compliance Management Philosophy

KAI has progressed grown into a transparent and reliable company by preventing corruption, unfair trade, and legal violations in advance and by operating an effective cyber reporting system. Recognizing the importance of ethical compliance obligations and the responsibilities of executives, employees, and partners, we are committed to fair and transparent mutual cooperation through continuous training on anti-bribery laws and the Code of Conduct for Ethics and Compliance, as well as a reward and punishment system.

Compliance Management Policy

KAI implements its ethical and compliance management policy based on the ethics compliance regulations and the Code of Conduct for Ethics and Compliance. The main content of the code of conduct includes creating a transparent corporate culture, compliance management between business partners, information security, and accounting management.

- ▶ Creating a transparent corporate culture includes protecting company assets, prohibiting their use for purposes other than business, prohibiting the use of defective parts that impede product performance, prohibiting false data, forgery and falsification of supporting documents.
- ▶ For compliance management between business partners, the Improper Solicitation and Graft Act must be applied to expenses for food, congratulations and condolences, and gifts provided to public officials related to duties. Frequent offering or receiving meals to or from vendors is also prohibited, even as ordinary expenses.
- ▶ For contract transparency, multiple quotations and competitive bidding is mandatory when purchasing goods, and the process must be reported to the head of the department. For bidding, employee who is in conflict of interest must be excluded in the process and should be reported to the manager.

Compliance Management System

The ethical compliance management system follows PDCA cycle which consists of system establishment, prevention activities, inspections, analyses and evaluations, and the complement of the system. As a dedicated organization, the Compliance Team seeks to practice ethics and compliance management through anti-bribery and regulatory compliance, audit, and export license regulations. The Business Audit & Improvement Team manages cyber reports.

- ▶ System establishment includes the appointment of a Compliance Officer, the establishment of ethical management regulations, and the distribution of employee guidelines.
- ▶ Prevention includes the declaration, training of employees and partners, and compliance pledge of employees.
- ▶ Inspection includes a risk assessment, an inspection of compliance with the accounting management system, and audit.
- ▶ The analysis and evaluation include a risk analysis and follow-up, and reporting to the CEO and the board of directors.
- ▶ The complement of the system includes the complement of the regulations, the application of international regulations, external activities such as IFBEC conference.

Anti-Corruption

KAI's anti-corruption largely consists of policies, activities, transparent practices, management, and management reviews.

- ▶ Regarding our anti-corruption policy, we established and applied (C&ABMM) Compliance and anti-bribery management manual. As detailed procedures, we practice anti-corruption by conducting management system, risk assessment, training related laws, partners and supplier audit, internal audit, and management reviews by CEO and the Board.
- ▶ Our anti-corruption policies include *E/L control and management in defense trade, regulations for internal accounting management, and recruitment management standards.
- ▶ Anti-corruption activities include the operation of compliance control standards. This is to carry out independent control activities through a compliance officer. Control activities include ISO37301 & ISO37001 certification management, ethics and compliance training, risk assessment, the enactment and revision of company regulations, and activities.
- ▶ The Anti-Bribery Law Registry includes the Improper Solicitation and Graft Act, the International Anti-Bribery Act, the U.S. FCPA, the U.K. BA, and the OECD Anti-Bribery Convention.
- ▶ Transparent practices include the operation of the supplier committee, the registration of partners, contract signing and execution management, the performance evaluation and management of suppliers and partners, and procedures for marketing partners.
- ▶ Anti-corruption management includes audit regulations and cyber reporting standards.
- ▶ Under the leadership of the CEO, we establish and achieve anti-corruption goals and evaluate the effectiveness of the system by reviewing the results. In accordance with the Board regulation, the results are periodically reported to the board of directors and audit committee.

Export License: approval for export

Cyber Reporting

Since 2011, KAI has been operating a reporting system on the company intranet (Koffice) and the cyber reporting page on the KAI website. In 2017, we attached hotline posters throughout the company to establish a desirable ethical mindset, improve work efficiency, continuously raise awareness to prevent corruption and errors and provide training to prevent recurrence. Additionally, we have enhanced transparency by posting the status of receipts and the processing of cyber reports on our website.

KEY PERFORMANCE



Processing rate of cyber reporting
100%



Cyber reporting system on the website



Hot line poster for cyber reporting

| Reporting Status (Receipt and Processing) |

	Receipt	Processing	Processing rate (%)	Total (cases)
2020	27	27	100	105
2021	39	39	100	
2022	39	39	100	

*Excluding advertisements, inquiries, and technical proposals that are not subject to reporting

Information Security

Management and Operating System of Information Security

Organization dedicated to information security

KAI appoints a Chief Information Security Officer (CISO) to strengthen defense technology and operate and supervise the management system for information protection. A dedicated organization has been formed to systematically carry out information security tasks for strengthening technical, physical, and human security and for privacy protection under the regular management and supervision of the Information Protection Committee. By organizing a 24x365 security control organization with in-house personnel, we have internalized our ability to respond to cybersecurity incidents and internal information leakage incidents. We also strengthened our ability to respond to security incidents by performing parallel control with a company specializing in remote security control.

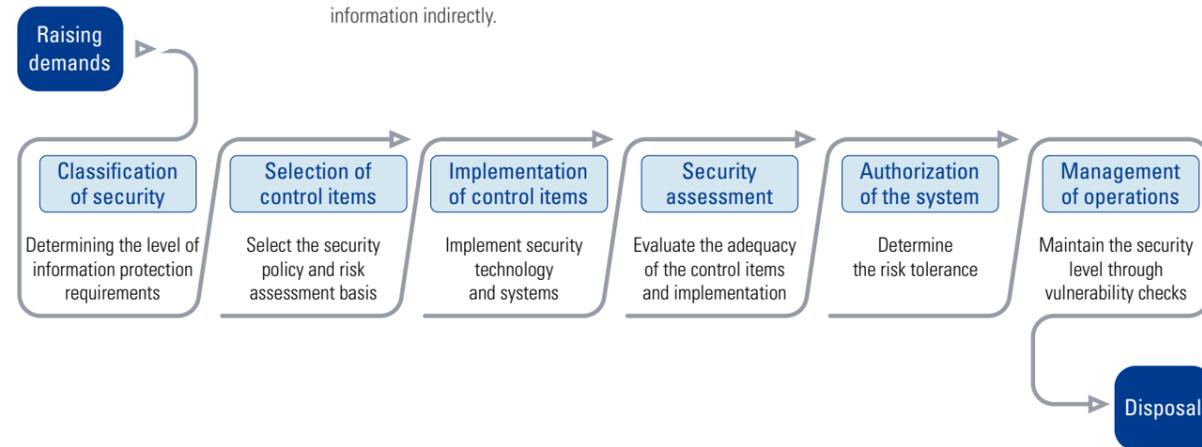
Certification of international standard information protection

KAI plans to acquire ISO27001, an international standard for information protection, to promote the development of next-generation fighter KF-21 and the overseas export of supersonic fighter FA-50s, as well as to enhance the stability and continuity of information security. We will also respond to requests to obtain *CMMC certification to prepare for hacking attacks on the supply chain of the strategic materials of the Ministry of National Defense.

*Cybersecurity Maturity Model Certification by the Department of Defense

Disclosure regarding information protection

KAI has been conducting information protection disclosures through the Korea Internet & Security Agency (KISA) since 2022. This strengthens the responsibility and reliability of information protection by autonomously disclosing details related to information protection to the market and enables users to identify the levels of various pieces of information indirectly.



Activities to Internalize Information Security

Raising employee security awareness

KAI provides various preventive measures to all executives and employees to enhance their awareness and understanding of information security. We designate a "Cyber/Technology Protection and Security Diagnosis Day" every month to give guidance on the importance of information protection by providing hacking simulation training using e-mail and technology protection and security training to all employees, including resident partners. We also conduct security evaluations through frequent internal security checks and enhance information security through additional training that is provided for executives and employees who violate security measures.

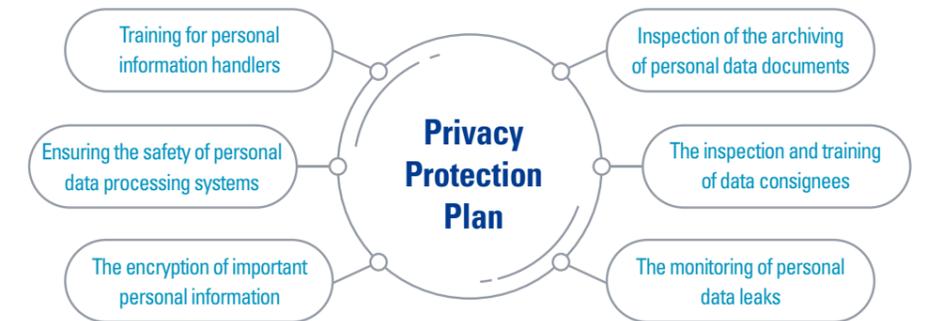
Provide and manage technology and information protection training to partners

We provide training to personnel from external partners to prevent information security incidents they cause. We also prevent the leakage of technology and information through security inspections and enhance security through periodic inspections, guidance, and management.

Privacy Protection

Under the guidance of the Chief Privacy Officer (*CPO), KAI regularly checks on and improves the status of personal information storage and management. We establish a "privacy protection plan" every year to provide education to personal information handlers, secure the safety of personal data processing systems, encrypt important personal data, check the storage statuses of privacy documents, inspect and train personal data consignees, and monitor personal information leakage. We also take various administrative, physical, and technical measures to protect personal information safely without loss, theft, leakage, alteration, or damage. A more detailed explanation of the purposes of the use of personal data and the protection policy can be found in the Privacy Policy on the company website.

*CPO: Chief Privacy Officer



Protection of Defense Technology

In accordance with the Defense Technology Security Act, KAI is subject to regular/frequent fact-finding surveys every year by the Defense Acquisition Program Administration, the National Intelligence Service, and the Defense Counterintelligence Command. Through this, KAI has been evaluated as above average in its technology protection level in defense technology identification and management, personnel and facility security, information security, military secret management, and defense research and development projects. In particular, to prevent the leakage of defense technology data, we have improved the system so that defense technology can be handled only in the technology protection zone. We also check and manage the identities of information handlers every five years.



Cybersecurity

Operation of cybersecurity activities

Management of cybersecurity operations

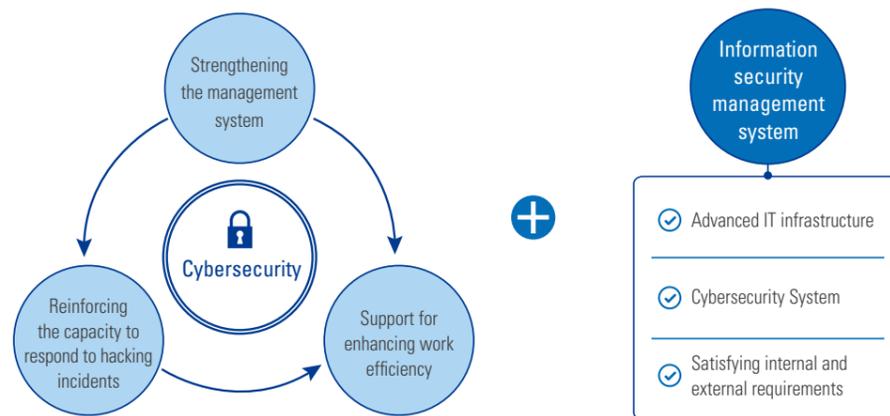
- In order to intelligently respond to and prevent information leaks in a changing business environment, we have established and operated a continuous security level maintenance system through the advancement of our cybersecurity systems.
- For company-wide key systems and information assets, we use storage media controls, a server security OS, and access control systems to control information leaks and the prevention of intrusions strictly.
- We prepared for infringement incidents and cyberattacks and strengthened our ability to respond to security incidents through parallel control by our internal organization and a company specializing in remote surveillance for 24-hour security control.

The establishment of a system to prevent the leakage of internal information

- We have established security systems such as physical separations between work networks and Internet networks, advanced document encryption, the encryption of external mail attachments, *EDR, *MDM, etc. We also strictly control the entry and exit of personal portable devices.
- KWe established a company-wide security log analysis environment with an anomaly monitoring system based on big data, laid the foundation for continuous security level improvements, and established a preemptive response system to prevent information leaks.

*EDR: Endpoint Detection and Response
*MDM: Mobile Device Management

Safe (security incident prevention) and convenient (work environment improvement) operation of cybersecurity infrastructures



Cybersecurity System

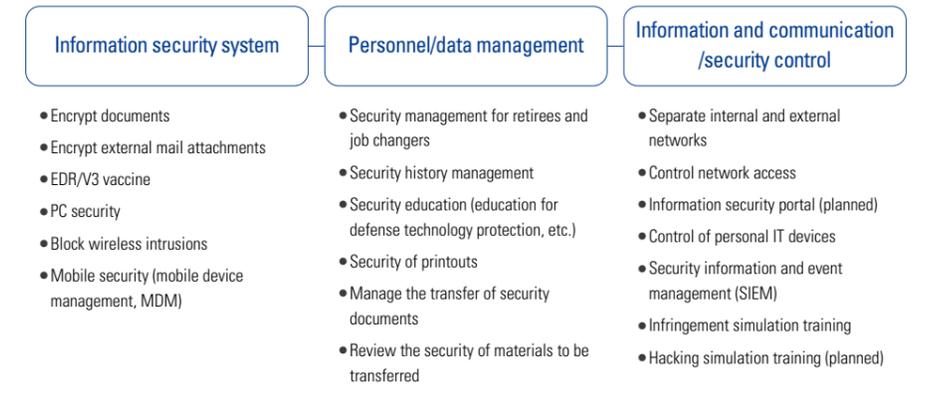
Composition of the Cybersecurity Management System

Composition of the Cybersecurity Management System



*DRM: Digital Rights Management
*DLP: Data Loss Prevention
*NAC: Network Access Control
*Firewall (F/W): Intrusion prevention system

Cyber Security Management Measures



Collaborative Cooperation

Building a Sustainable Supply Chain

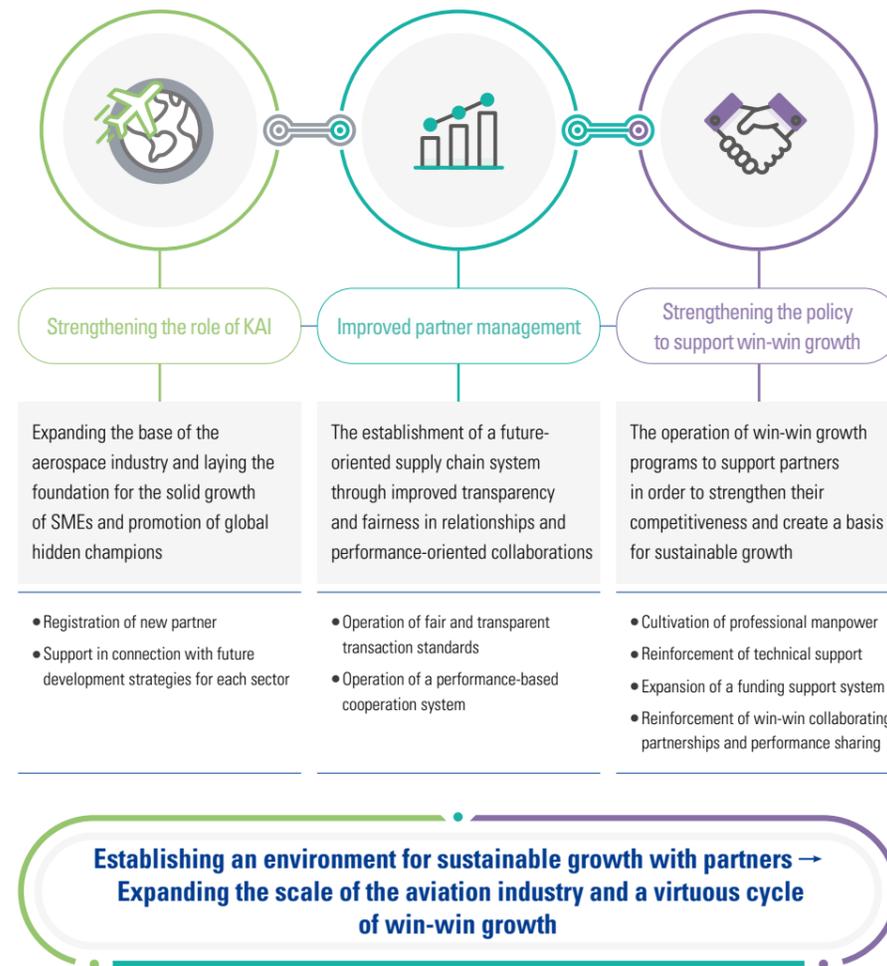
Philosophy

KAI is practicing win-win management to discover small and medium-sized enterprises that want to enter the aerospace field and support them into global hidden champions. We will continue to build a transparent and fair relationship with our partners and strengthen programs for collaborative cooperation in order to build a sustainable supply chain.

Philosophy of practice

Based on the principle of open competition, we grant opportunities to all partners with competence in each field. We will promote the development of the aviation industry by laying a foundation for the solid growth of small and medium-sized enterprises and the promotion of global hidden champions, and by registering more domestic partners. We will expand our collaborative cooperation programs to enhance the competitiveness of the supply chain, strengthen the capabilities of partners, and establish a culture of sustainable win-win growth.

| Core Strategy |



Registration and Selection of partners

In order to build a sustainable supply chain, KAI operates a registration system for new partners and selects partners based on four subcontracting practices.



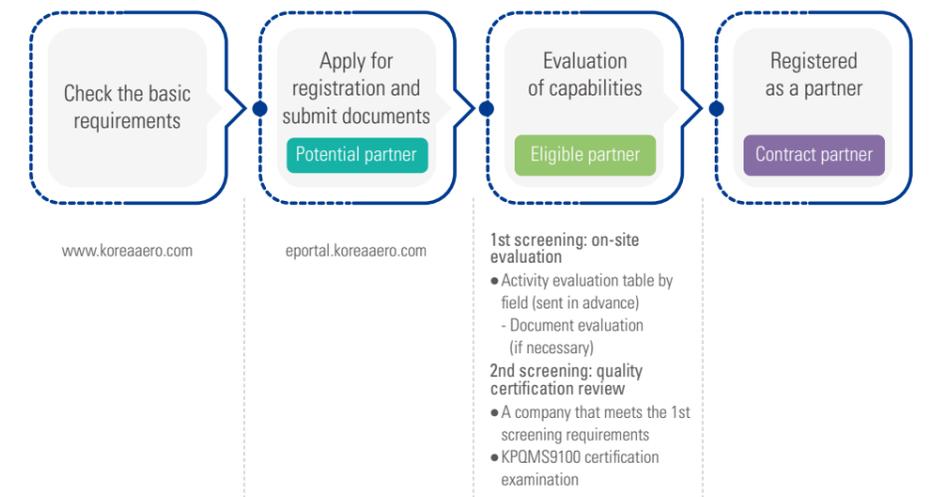
The evaluation of partners

We regularly evaluate our business partners and provide various incentives and training according to the evaluation results to encourage the improvement of competitiveness in the supply chain.

Status of partners

KAI is cooperating with 1,347 (as of 2022) partners around the world for the development of the aerospace industry.

| Registration Process for partners |



Collaborative Cooperation

Collaborative Support Policy for Partner

KAI is realizing the value of "togetherness" and practicing vigorous companionship in order to strengthen the competitiveness of the aviation industry and make the workplaces of partners happy and enjoyable based on the concept of win-win growth.

Win-Win policy declaration and the selection of Caring Companies

In February 2020, KAI announced the "KAI Win-Win policy" for newer and stronger win-win growth for the development of the aviation industry and overcoming the crisis with attendees, including the Minister of SMEs and Startups, the Governor of Gyeongsangnam-do Province, and the heads of local governments. KAI was also selected as the first mid-sized company to be selected as the 11th "Caring Company" (a model company for voluntary collaborative cooperation) by the Ministry of SMEs and Startups.



Win-Win policy declaration



Ceremony for the Caring Company Business Agreement

Contributing to the Collaborative Cooperation Fund

In May 2020, we donated KRW 10 billion to the Korea Foundation for Cooperation of Large & Small Business, Rural Affairs for the "Collaborative Cooperation Fund" to improve the working environments and processes of our partners and to establish a Technological Innovation Support System to transform into a smart production infrastructure.

Contributing to the Joint Labor Welfare Fund

In June 2020, KAI signed a "business agreement for contributions to the Joint Labor Welfare Fund" with local governments, including Gyeongsangnam-do Province, Sacheon City, Jinju City, Changwon City, and Gimhae City, along with 40 small and medium-sized partners. In this agreement, we agreed to jointly donate KRW 5.2 billion a year to the "Labor Welfare Fund," which will contribute to improving the quality of life for the employees of partners who are stuck in welfare blind spots due to COVID-19.



Agreement ceremony for contributing to the Collaborative Cooperation Fund



Agreement ceremony for contributing to Joint Labor Welfare Fund Contribution

Excellence in the Win-Win Growth Index

KAI has been recognized for its excellent performance and contributions to continuous win-win growth and collaborative cooperation and has obtained an excellent grade for 9 consecutive years in the Win-Win Growth Index evaluation hosted by the Korea Commission for Corporate Partnership.

Collaborative Cooperation Agreement between large and small-medium enterprises

In October 2022, KAI signed a "Collaborative Agreement between Large and Small-Medium Enterprises" with Gyeongsangnam-do Province and 30 partners for the growth and job creation of small and medium enterprises in the aerospace sector in Gyeongsangnam-do Province. KAI has agreed to cooperate with Gyeongsangnam-do Province and its partners for the following: relieving the financial burdens of partners through financial support and promoting growth and vitality; activating the inflow of new labor and solving labor shortages for partners through job security; improving the work environment by strengthening competitiveness and enhancing production efficiency.



Collaborative Cooperation Agreement ceremony between large and small-medium enterprises

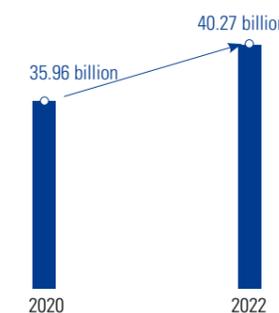
Collaborative Support Policy

Most of the civil aircraft business is operated as a collaborative contract program based on the production volumes of partners. In the collaborative programs, KAI makes initial investments to support technology development and the private supply of materials and jigs, and partners are responsible for production by providing labor and equipment. In Korean defense projects and the export of finished aircraft, about 90% of parts for airframe structures are produced through collaborative cooperation with small and medium-sized partners in the same way as above.

In February 2020, since the KAI's declaration of a win-win policy and being recognized as a caring company, the Manufacturing Subcommittee Council, a voluntary consultative body of KAI partners, has been operating, maintaining a close relationship for mutual development with KAI, the prime contractor. In the midst of a crisis due to COVID-19, where volumes are decreasing throughout the global aviation industry, KAI is expanding support further through collaborative support policies. We are committed to operating win-win support policies in three pillars: support for business stabilization funds, support for job stabilization, and support projects for enhancing competitiveness.

※ Performance for 2020-2022

Status of Collaborative Support



Enhancing industrial competitiveness based on win-win growth and establishing a pleasant and happy workplace for partners

Business stabilization projects	Competitiveness enhancement projects	Job stabilization projects
42 companies, KRW 72 billion supports <ul style="list-style-type: none"> Support: KRW 150 billion in operation Interest support for working capital loans Direct support/credit guarantee for companies having difficulty securing funds 	KRW 3.7 billion supported for 35 cases <ul style="list-style-type: none"> Improvement of poor working environment (5S) Reinforcement of new technology/competitiveness through process improvement Smart factory construction support 	57 companies, KRW 18.4 billion supported <ul style="list-style-type: none"> Support for the welfare systems of partners Reducing layoffs of idle workers due to COVID-19 Resolving the wage gap and maintaining employment

Win-Win Growth with partners - Support for Business Stabilization

KEY PERFORMANCE



Evaluation of the Win-Win Growth Index
For 9 consecutive years,
earned an excellent grade
(2014 to 2022)



Support for paid leave training
Cumulative number of trainees 5,500
About KRW 13.2 billion
Labor cost support

Win-Win Growth with partners - Support for Reinforcing Competitiveness

Interest support project through the Win-Win Fund

- Through an agreement with Gyeongsangnam-do Province and the Korea SMEs and Startups Agency, we aim to contribute KRW 100 billion to pay loan interest for investments and working capital. By 2023, KRW 22.3 billion was provided to 33 small and medium-sized enterprises (SMEs) for loan interest through this fostering fund.

Business Crisis Emergency Fund

- KAI is operating its own emergency operating fund worth KRW 10 billion to help partners experiencing temporary business crises, and it has provided KRW 23.3 billion to 17 companies so far.

Loan guarantee provided by the Win-Win Agreement

- In order to support SME loans, we have contributed KRW 180 million to the Collaborative Cooperation Fund to provide loan guarantees of up to KRW 3 billion for each company, and we have guaranteed loans of KRW 2.7 billion for three companies so far.

Rise in unit prices

- In order to promote the business normalization of our partners after the prolonged COVID-19 recession, we provided approximately KRW 20 billion in emergency financial support for unit price increases and compensation for business losses in 2020 and 2022.

Collaborative Cooperation Fund

- After signing the "Caring Company" agreement between the Ministry of SMEs and Startups and KAI, KAI promised to contribute a total of 10 billion won through the Korea Foundation for Cooperation of Large & Small Business Rural Affairs. This fund provides support for partners' technology and competitiveness enhancement, smart factory distribution/proliferation, working environment/process improvement, and R&D tasks, and also shares performance and provides incentives. KAI provided KRW 4.95 billion to a total of 131 companies by 2022.

Sharing incentives and performance with partners

- KAI awards up to 100 million won every year to partners who have achieved excellent performance in regular partner evaluations. As a rule, employees of award-winning partners directly benefit from the rewards. In addition, through the "Win-Win Proposal System" for partners, we pay incentives according to the grade of the innovative proposals. We also hold "Innovation Briefing Sessions" with partners to support them in establishing a sustainable and independent culture of innovation and to share and spread a culture of innovation.



Win-Win Management Briefing



Innovation Briefing Sessions with Partners



Win-Win Growth with Partners - Job Stabilization Support



Pilot Project Agreement for Urgent Region-Specific Vocational Training

Joint Labor Welfare Fund

- Through matching between local governments, large corporations (KAI), and SMEs, KAI contributed KRW 2.6 billion annually (2020-2022), and the government also promised to contribute KRW 2.6 billion. Through this, we have raised a fund of KRW 15.6 billion over three years to enhance labor welfare and quality of life for 4,000 employees of 40 suppliers and to help create a better working environment by providing gifts for holidays and anniversaries and support for clubs and sports events, etc.

Support for paid leave training

- The region-specific long-term paid leave training program was officially commercialized in 2022 after the Ministry of Employment and Labor launched the nation's first "Pilot Project for Urgent Region-Specific Vocational Training" in Gyeongnam-do Province in October 2020. In this program, KAI collaborated with Korea Polytechnic University (Jinju Campus) to provide paid vacation training to the idle workers of partners. A total of 5,500 people have completed training through this program. About KRW 13.2 billion was invested in labor costs, including support from the Ministry of Employment and Labor, Gyeongsangnam-do Province, and local governments, and 50% of social insurance premiums were supported to help partners maintain employment of their employees during the COVID-19 crisis.

Tomorrow's Mutual Aid

- In order to induce key employees of partners to stay long-term with their companies, KAI, partners, and their employees jointly contribute to help raise money for employees through an agreement with the Korea SMEs and Startups Agency. We collect KRW 330,000 per person every month and aim to raise about KRW 25 million per person for 5 years. We have supported 63 people from 15 companies so far.

Support for securing manpower

- In order to resolve the manpower shortages of our partners and support them in hiring overseas aviation experts, we proposed to the government to improve the E-7 visa policy. We are also focusing our efforts on securing domestic talents. In September 2022, we held an "Aviation Job Fair" jointly with Sacheon City and other related organizations, and 12 companies hired 38 people on-site.

Urgent need to secure manpower → All-out efforts to attract Korean manpower, along with foreign workers (demand for about 600 people by 2025)

Securing Korean manpower (Aviation Job Fair → expanding Korean manpower)

- Difficulties recruiting applicants for prospective employee training courses
 - Although the government subsidy has been increased (KRW 1 million per person), there are difficulties recruiting applicants

※ Recruitment record: 27 people in 2021, 28 people in 2022



Classification	Results of the 2022 Aviation Job Fair
Participants	33 companies (direct participation: 23, indirect participation: 10)
Organizer/Supervisor	Gyeongsangnam-do Province, Sacheon City, Korea Industrial Complex Corporation, Regional Skills Council, KAI
KAI Session	Briefing on the vision of the aviation manufacturing industry (held in a talk concert format)
Event Results	Job seeker participants: 700 people Resumes submitted: 256 On-site recruitment: 38 people by 12 companies (re-interviews after on-site interviews: 108 people)

Job Fair to be held regularly every year
(Sacheon City is in the process of expanding the budget)

Securing overseas manpower (Improving the policies for hiring foreign workers + activities in Korea and overseas)

- Two-track employment strategy for non-professionals (Ministry of Employment and Labor) and professionals (Ministry of Justice)

Management agency	How to Do It	Manpower Level (Visa Type)	Possible Occupations	Remarks
Human Resources Development Service of Korea	Employment permit system	E9 visa (non-professional workers) - Recruitment of 110,000 employees confirmed in 2023	Livestock/fishery, manufacturing, etc.	Ministry of Employment (Job Center)
Private recruitment agencies	Selected by companies	E7 visa (specialized technical personnel) - Recruitment of personnel specializing in aviation, long-term employment expectations	Shipbuilding welders, aircraft maintenance workers, etc.	Ministry of Justice/Ministry of Land, Infrastructure and Transport

Key Tasks

- Consultation on the recruitment of Vietnamese/Thai personnel and securing local business channels/routes (completed)
 - We visited the EPS center of the Human Resources Development Service of Korea and agreed on hiring Vietnamese/Thai workers
- Proposal to the government to improve the system for hiring excellent overseas talents (KAI's collaboration with related associations, etc.)
 - Request for the addition of a job category for aircraft parts manufacturers (Ministry of Justice and Ministry of Trade, Industry and Energy)
- Preparation of the necessary reasons and logic for aviation experts and specific recruitment demands
 - Refer to shipbuilding industry cases (Korea Offshore & Shipbuilding Association), etc.

Professional manpower (E7): System improvement such as adding a job type (Ministry of Justice/Ministry of Trade, Industry and Energy)
Employment Permit System (E9): Encouragement of applications and management between agencies (Ministry of Employment and Labor/Human Resources Development Service of Korea)

Reinforcement of Partner Competencies

Building the ESG foundation for the supply chain

● In line with global SCM standardization, supply chain ESG risk management is being strengthened and expanded globally, and KAI's major customers, Boeing and Airbus, are emphasizing supply chain ESG management. In order to preemptively respond to supply chain ESG management, we are promoting a "pilot project for ESG consulting for partners" from 2023 using the collaborative cooperation Fund, and plan to complete the ESG system for partners by 2025 after gradual expansion.

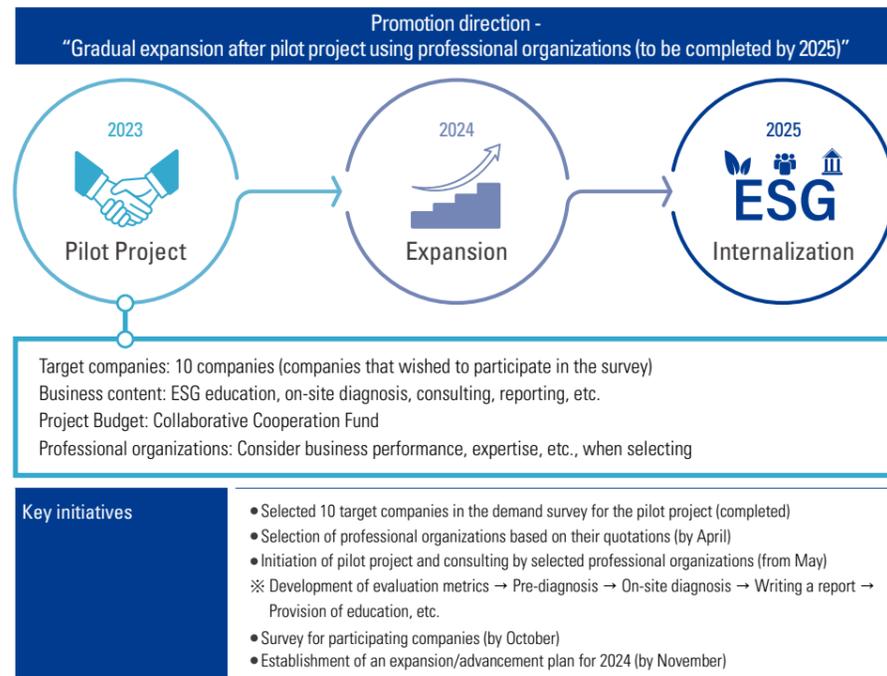
Preparing for the Aviation Parts Manufacturing Complex

● We are building a complex infrastructure for manufacturing aviation parts, a specialized project for innovative manufacturing, and securing global competitiveness through specialized and integrated production. Rather than unplanned integrated production, KAI aims to build an efficient production complex based on the basic concept of having a smart factory with a batch production line and digital twin and a sharing economy. For this project to be actualized, it was selected as a task by the Korea Industrial Complex Corporation in December 2022. In connection with this project, KAI plans to research and materialize the project by forming an industry-academia-institute consultative body with the Korea Industrial Complex Corporation, partners, and professional organizations.

Human Resources (Customized Education Support)

● Since 2015, we have been operating a joint training center for the sustainable development of Korea's aviation technology and industry. This agreement started with 57 business places in 2015 and has since expanded to 175 business places as of 2023, and so far, more than 6,000 people have completed the training. Through demand surveys, we have developed the training courses necessary for the signatories to the agreement and also prepared and provided systematic training support to enhance the technological competitiveness of the signatories. This agreement shows distinctive achievements in talent development in the aviation industry, such as receiving the highest grade in the performance evaluation of the 2022 National Human Resources Development Consortium.

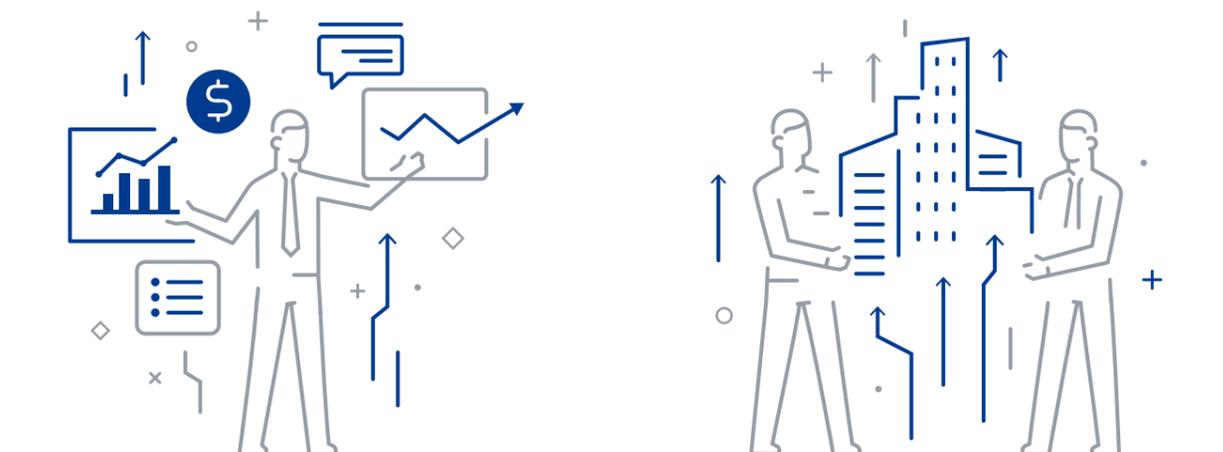
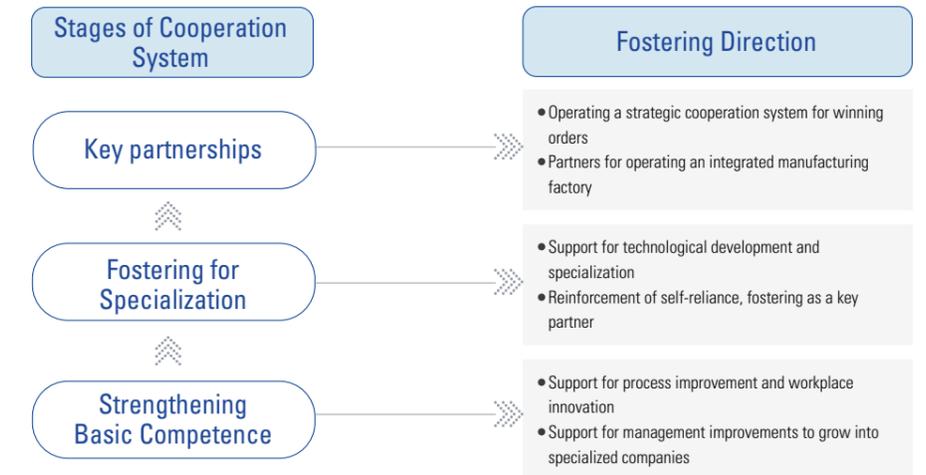
| Pilot Project for Partners' ESG Management |



Partner Fostering Roadmap

By establishing a strategic cooperation system tailored to the level of partners and core competencies, we intend to operate a "performance-oriented customized development system" step by step. The fostering system is divided into three levels: Key partnerships, fostering for Specialization, and Strengthening Basic Competence. "Key partnerships" establish a strategic partnership by operating a cooperation system for winning orders, targeting companies that have built independent business systems based on self-sufficiency. "Fostering for Specialization" is to nurture partners who need to develop specialized skills and competitiveness by supporting specialized skills to become key partners. "Strengthening Basic Competence" targets companies that need to strengthen their foundations for corporate growth and is made up of plans to improve their management and develop them into specialized companies by supporting process improvement and workplace innovation.

We also shape and optimize a step-by-step SCM ecosystem to strengthen global competitiveness and support our partners in manufacturing innovation, competency reinforcement, and manpower acquisition. In addition, we plan to reorganize and expand our domestic supply chain on a long-term and strategic basis, following the expansion of aircraft platforms for the production of finished products.

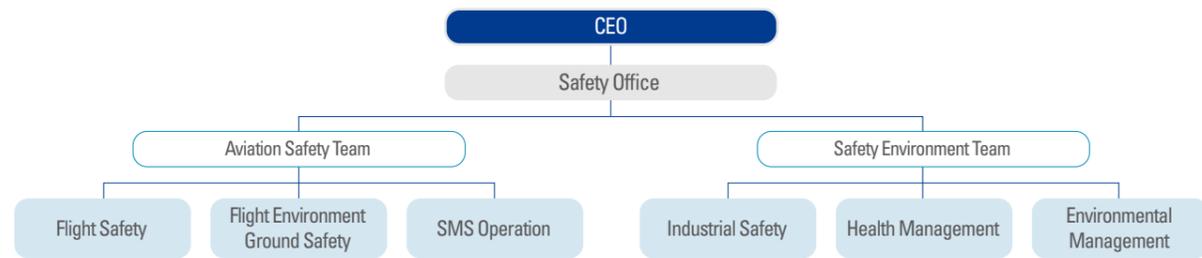


Safety and Health

Practicing Commitment to Safety

Chief Executive Officer's Commitment to Safety

In order to implement the strong will of the chief executive officer, who prioritizes company-wide safety, KAI newly established a Safety Office during the company-wide reorganization in 2023 (the existing safety team was promoted to an independent organization directly under the CEO). In addition, we formed the Aviation Safety Team and Safety Environment Team within the Safety Office to take charge of aviation safety, occupational safety, health, and the environment. Under the new vision "Global KAI Beyond Aerospace," we are always emphasizing and practicing safety as our top priority for growth into a world-class aerospace company.



| Aviation Safety |

The Aviation Safety Team implements the safety management standards of Annex 19 of the International Civil Aviation Organization (ICAO), obtains government approval for the Safety Management System (SMS) in accordance with the Korean Aviation Safety Act, and is responsible for the functions and roles for the continuous development, maintenance, and management of aviation safety.

| Safe Environment |

We have established a management system for the safety and health of the environment to create a safe working environment and a healthy organizational culture and implement functions and roles to prevent safety accidents and establish a safety culture through the preemptive prevention, identification, evaluation, and improvement of risk factors.

Aviation Safety

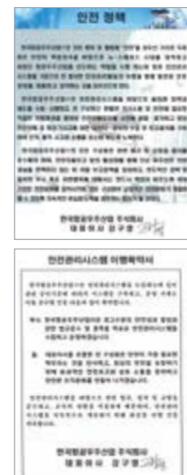
Aviation Safety Policy and Goals

KAI puts "safety" first of all its actions and activities and is pioneering a new space era based on a sense of responsibility to protect personal safety. Our top priority is to develop and establish an advanced safety culture through thorough safety management activities based on an aviation safety management system that can lead the cutting-edge aerospace industry.

In order to implement the aviation safety management system systematically and consistently, KAI formed an aviation safety organization composed of a general safety manager, a safety manager, department heads, and key safety staff under the CEO. Through this, we are strengthening our preemptive accident prevention activities for aviation safety.

In addition, we analyze and reset safety performance indicators and goals every year to achieve our aviation safety goals and to check and manage whether or not the goals are being achieved every quarter.

KAI performs aircraft emergency response drills 4-5 times a year so that employees can respond to emergencies promptly by cultivating their initial response capabilities and improving problems according to training evaluations.



T-50 emergency response training in the first half (rescuing pilots)



Surion emergency response training in the first half (rescuing pilots)

| Aviation Safety Performance Indicators/Goals for the 1Q of 2023 |

	Safety Performance Indicators	Goals	Results	Achievement
Common	Safety Self-reporting	≥65 cases/year	48 cases	Achieved
	Mission cancelled by fixed wing (failure/defects)	≤20 cases/every 50 h flight	8.95 cases	Achieved
	Mission cancelled by rotary wing (failure/defect)	≤30 cases/every 100 h flight	1.89 cases	Achieved
Ground	Aircraft safety accidents on the ground	≤1 case/year	0 cases	Achieved
	Safety accidents while operating ground equipment	≤1 case/year	0 cases	Achieved
flight	Aircraft accidents in flight	0/5 years (production) / ≤1 case/5 years (design)	0 cases	Achieved

Risk Management of Aviation Safety

KAI has established a risk management system for aviation safety, identifies and analyzes hazard factors in advance, evaluates the degrees of risks, and conducts preventive activities to mitigate said risks. We strengthen preventive measures through various safety data collection efforts, risk measurements, and analysis, and take appropriate mitigation measures depending on the degree of the risk in the risk assessment stage.

Guarantee of Aviation Safety

KAI conducts internal aviation safety audits twice a year, issuing corrective action requests for areas found deficient for improvements and continuously observing and managing the results and effects of actions. Based on the manual of the aviation safety management system, we analyze the results of internal aviation safety audits and reflect them in the next internal audit plan to enable continuous management rather than one-off action.

KAI has established measures to mitigate risk factors for aviation safety by season, and is preemptively implementing measures to reduce potential safety hazard factors in the flight/production sector by season. In order to prevent safety accidents that may be caused by increases in the number of test flights for aircraft development and mass production, an increase in difficulty, and seasonal characteristics, we always adjust, control, and manage all factors, including human, material, and environmental factors, through our own aviation safety supervision in order to minimize risks.

Classification	First half	Second half	Remarks
Audit status	<ul style="list-style-type: none"> Auditors: Safety Managers of the Aviation Safety Team (3 people) Audit schedule: Apr 18-Apr 21 (4 days) Audit targets: 10 departments, including the Flight Test/Support Team 	<ul style="list-style-type: none"> Auditors: Safety Managers of the Aviation Safety Team (3 people) Audit Schedule: Sep 19-Sep 22 (4 days) Audit targets: 9 departments, including the Flight Test/Support Team 	
Audit results	Results <ul style="list-style-type: none"> Inspection items: 481 items Inspection results: satisfactory 437, nonconforming/observation required 16, NA 28 	<ul style="list-style-type: none"> Inspection items: 466 items Inspection results: satisfactory 454, observation required 2, N/A 10 	NA items in the first half will be deleted from the inspection targets in the second half
	Findings <ul style="list-style-type: none"> Deficient FOD prevention management: 2 cases of minor nonconforming, 5 cases of observation required Deficient equipment management: 2 cases of minor nonconforming, 4 cases of observation required Total: A total of 16 cases (4 minor nonconforming, 12 observation required) 	<ul style="list-style-type: none"> Insufficient safety management: 2 cases - Expiration date on CO2 fire extinguishers is over - Safety expiration date on Tripod Jack has passed Total: 2 cases (observation required in 2 cases) 	Reduction in findings compared to the first half (14 cases ↓)

Promotion of Aviation Safety

Activities for the Promotion of Aviation Safety

KAI holds company-wide safety day events twice a year to raise safety awareness among all employees. KAI is carrying out activities to promote aviation safety and continue to improve safety management as follows: Reaffirming safety awareness, expressing our commitment to safety through the CEO's declaration of safety performance, acquiring new safety knowledge and information through special lectures by invited experts, etc. We also inspire pride and motivate individuals and groups who have contributed to safety activities by rewarding them. Additionally, we encourage employee participation by holding safety practice contests and safety symposiums concurrently.



Company-wide safety day event

We have developed cyber training courses for aviation safety to provide mandatory training to all employees twice a year. Our safety managers in each field are striving to strengthen their capabilities by participating in expert training courses by external institutions. In addition, safety experts are invited to give lectures for managers at least twice a year.

Year	Time	Subject name	Graduates
2020	First half	Basic understanding of aviation safety management system (SMS) Human factors in aviation safety	3,519
	Second half		3,521
2021	First half	Fatigue risk management Helicopter safety management	3,658
	Second half		3,646
2022	First half	Aviation safety management Aircraft accident investigation	3,708
	Second half		3,702



Aviation safety catchphrase

| Aviation Safety Merit Award |

Category	Goals	Period	Presenter
Grand Prize in the Safety Culture Promotion Sector			
Safety Self-reporting	- Excellence in Safety Self-reporting (3 persons)	Once/quarter	General Safety Manager
Award for an Excellent Department	- 1 department awarded for excellence in aviation safety	Once/year	General Safety Manager
Aviation Safety Achievement Award	- Company-wide Aviation Safety Day - Individual and Group Awards for Achievements in Aviation Safety (Award: determined by the Company-wide Personnel Committee)	Once/year	CEO
Safety Banners and Campaigns	- Raising safety awareness and establishing a safety culture through banner posting - Broadcasting for aviation safety campaigns	Whenever needed	

Health, Safety and Environment Management

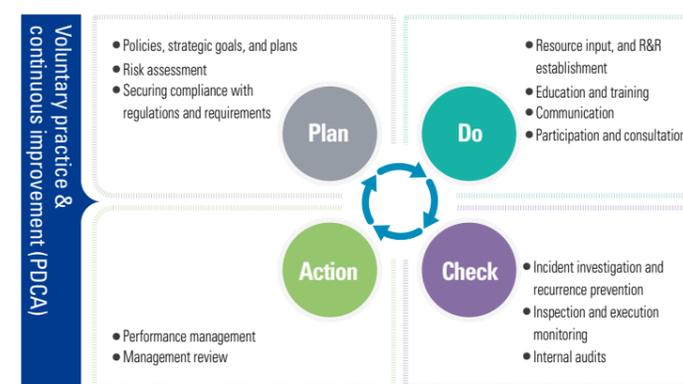
Promotion System for Safety, Health and Environment

Ⓢ Achieving Vision and Goals

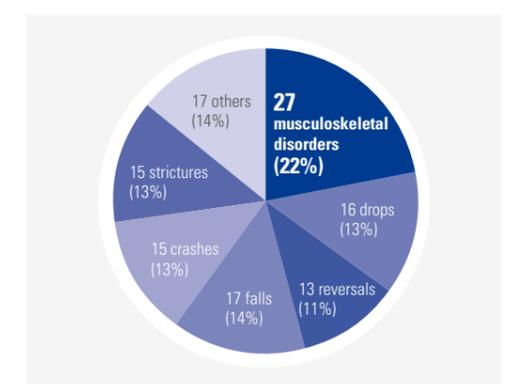
In order to achieve the vision "to establish an autonomous safety culture with continuous safety innovation, through which all employees are healthy and happy, and to grow into a company that leads the safety culture in the global aviation industry," KAI has set three goals ("Zero" case of serious accidents, "10%" decrease in accident rate, "Zero" case of environmental/fire accidents). KAI is implementing these goals by preparing specific action plans. We established the environmental management system (ISO14001) in 1996 and the safety and health management system (ISO45001) in 2019, and as of 2022, we are operating the systems at the headquarters and three business places (Sancheong, Goseong, and Jongpo). Every year, we establish safety, health, and environmental management goals, check performance, conduct in-house internal audits, and receive renewal/follow-up management audits from external organizations. Through this, we contribute to environmental improvements by preventing safety and environmental accidents and non-compliance with laws, strengthening awareness of safety, health, and the environment, improving employee health, saving energy, and reducing pollutants. We also strive to realize safety, health, and environmental management by encouraging all employees to recognize and practice the importance of safety, health, and the environment. Going forward, we will apply the PDCA (Plan-Do-Check-Action) system to each sector to manage the business environment more effectively, thereby advancing the level of safety, health, and the environment.



| Management System |



| Establishment of Reduction Measures by Disaster Type |



Response to the Serious Accidents Punishment Act

As social interest in safety has increased with the enforcement of the Serious Accident Punishment Act in January 2022, KAI made efforts to comply with this Act. We conducted on-site safety diagnoses through external professional organizations, fulfilled the obligation to secure safety and health for business owners, and supplemented and advanced the safety and health management system by making improvements based on consultations with law firms and the Ministry of Employment and Labor.

We also formed a team with dedicated personnel and reinforced major accident prevention management activities by recruiting dedicated partner management personnel to strengthen the safety management of partners in subcontracting, service, and consignment. After the implementation of the Serious Accidents Punishment Act, KAI has checked for the fulfillment of the obligations specified in this Act semiannually (fulfillment of safety and health-related laws, evaluation of safety and health managers, etc.) and actively improves deficiencies. We strive to actively listen to and reflect the opinions of employees at KAI and partners through the quarterly Occupational Safety Committee, meetings with managers and supervisors, and the Safety and Health Council for partners.

Confirmation of Fulfillment of Obligations under the Serious Accidents Punishment Act (Semiannually)

Content	Related Guidelines	Remarks
Confirmation of compliance with safety and health-related laws and regulations	DI-PE-204 (Internal audits on safety and health)	Report by the employer is complete
Inspection regarding hazard risk factors (replaced by risk assessment)	DI-RM-103 (risk assessment)	
Evaluation of safety and health managers, etc.	DI-PE-204 (Internal audits on safety and health)	
Reflection of workers' opinions	DI-SH-106 (Operation of the Occupational Safety and Health Committee) DI-SH-104 (Safety management of subcontractors and visitors)	Semiannual inspection completed
Responses to Serious Accidents	DI-SH-114 (emergency responses)	
Inspections of contracts, services, consignment, etc.	DI-SH-104 (Safety management of subcontractors and visitors)	
Establishing safety and health goals and management policies	SHMM (Safety and Health Management Manual)	Completed
Establishing a dedicated organization to oversee and manage safety and health tasks	DI-SH-001 (Safety and health management process)	Formation of a dedicated team completed
Provision of the manpower, facilities, and equipment necessary for accident prevention and budget preparation and execution for the improvement of harmful factors and risk factors	DI-SH-001 (Safety and health management process)	Completed

Management Policy for Health, Safety, and Environment

KEY PERFORMANCE



Environmental Management System(ISO14001)

Safety and Health Management System (ISO 45001) certification



Achieved an industrial accident rate of **0.16%**
(the average accident rate in the same industry is 0.99%)

"Zero" cases of serious accidents and environmental accidents

In order to protect the one and only Earth from the environmental pollution that is intensifying along with the development of the aerospace industry, and to pass down a cleaner environment to future generations, KAI saves and uses resources and energy efficiently based on the environmental management system (ISO14001). KAI is also fulfilling our social responsibilities by minimizing GHG emissions and environmental pollution.

In addition, achieving sustainable safety and health is an important task for KAI's corporate management, and all employees are practicing the management philosophy of achieving customer satisfaction through safety and health. Through the certification and operation of the international standard (ISO45001) for safety and health management systems under the safety and health management policy, we predict and remove risk factors that may be found in the workplace. By systematically managing the safety and well-being of not only our employees but also all the workers in the company, we are ultimately contributing to corporate profits as well.

As social interest in safety and health has increased since the implementation of the Serious Accidents Punishment Act, KAI will establish its own safety and health management system under the supervision of the Safety Environment Team to ensure that employees can work in a pleasant environment.

Environmental Management Policy

KAI manages sustainable environmental preservation as an important task of corporate management, and all employees practice the management philosophy of customer satisfaction through clean environments by complying with the following:

- KAI minimizes the impact of climate change through carbon-neutral activities and leads a sustainable future as a global company.
- Minimize the environmental impacts of all employee activities, products and services, and operate an efficient environmental management system.
- Promote continuous environmental improvements through the introduction of new technologies considering the environment and periodic environmental audits, and use clean resources to minimize environmental pollution.
- All employees voluntarily comply with domestic environmental laws, establish and implement reinforced in-house management standards for water and air quality, and minimize the impact of noise.
- To minimize waste generation, separately collect, reduce, reuse, or recycle waste where possible.
- Contribute to the local community by providing employees with environmental education and opportunities to raise their awareness of environmental conservation, and by supporting their participation in environmental conservation activities.



Safety and Health Management Policy

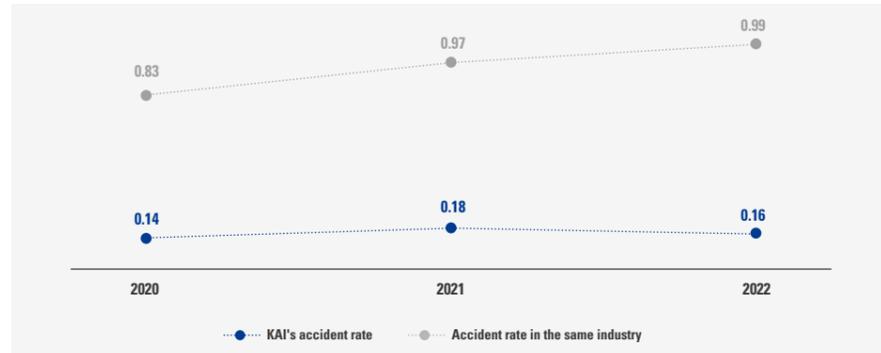
KAI manages continuous safety and health management as an important task in corporate management, and all employees must comply with the following to practice the management philosophy of customer satisfaction through safety and health:

- Minimize the safety and health risks of all employees' activities, products, and services, and operate an efficient safety and health management system.
- Create a pleasant working environment by continuously improving the working environment. To improve the environment, provide information to the employees and stakeholders residing in the company, listen to their opinions, and strive to utilize them.
- Provide all employees with safety and health education and opportunities to raise safety and health awareness and create a safe workplace by ensuring that employees voluntarily comply with safety and health-related laws in Korea.
- Lead the safety and health activities of the local community and maintain a joint community partnership to build a safety culture with partners.



Disaster Status

The accident rate of KAI in 2022 was 0.16, which was lower than that of the same industry (0.99). However, due to the nature of the aviation industry, many people work in confined spaces, and the incidence of musculoskeletal disorders is high (50%), so we perform continuous monitoring. We also take preventive measures against accidents other than musculoskeletal disorders in relation to the Serious Accidents Punishment Act.



	2020	2021	2022	
KAI's accident rate (%)	0.14	0.18	0.16	
Accident rate in the same industry (%)	0.83	0.97	0.99	
Average number of people per year	5,015	5,073	5,044	
Affected people	8	5	8	
Accident classification	Musculoskeletal system	4	2	4
	Accidental disaster	4	2	4
	During exercise	0	0	0
	Others	0	1	0

| Number of Annual Environmental Goals |

2020	2021	2022
15cases	15cases	14cases

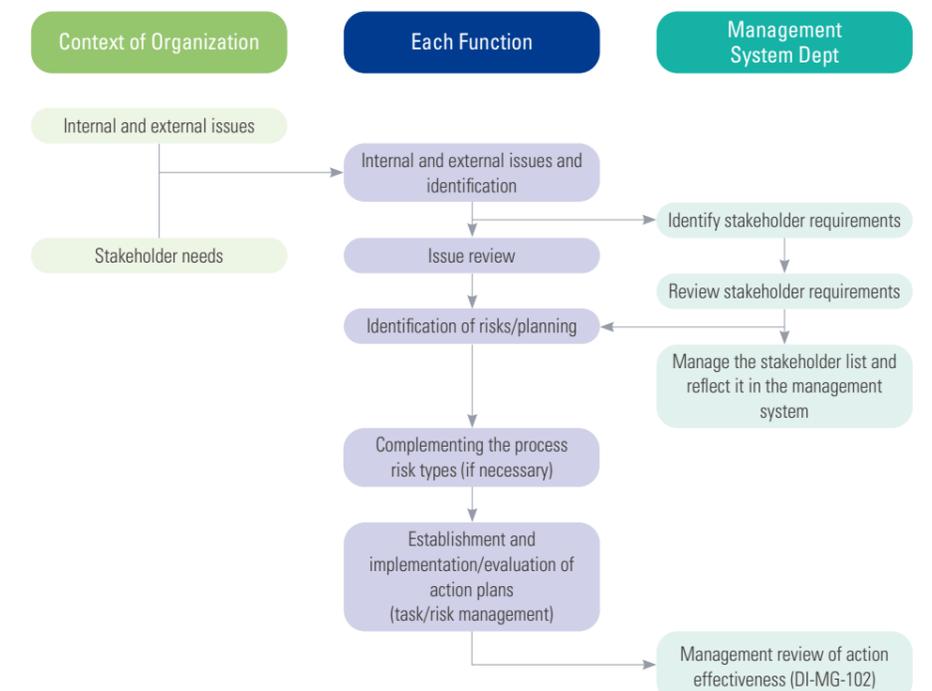
	2020	2021	2022
Environmental accident	0	0	0
Serious accidents	0	0	0
Number of violations of safety and health laws	0	2	0

※ Headquarters, Sancheong, Goseong, Jongpo, and leased locations [Seoul, and KAEMS]

Risk Management

🎯 Risk management for a safe environment

KAI prepares internal procedures for organizational management to analyze the internal and external issues of environmental safety and stakeholders' demands, identify risks and opportunities, and establish response plans based on the results. We also regularly conduct risk assessments and environmental impact assessments for our in-house business activities and production processes. As a result, we derived a total of 120 risk factors in the safety field. 39 cases that could be improved immediately were improved by each department, and 81 cases that needed long-term improvements were registered in the safety and health program and then monitored and improved through monthly evaluations by the Safety Environment Team. In the environmental field, we conducted environmental impact assessments for 92 processes. For items evaluated as having significant environmental impacts, we continuously seek countermeasures.



| Environmental Safety Issues and Identification Status |

	Number of Issues Identified	Priority Management	Company-wide Risk Listing
External issues	7 cases	5 cases	0 cases
Internal issues	15 cases	8 cases	0 cases
Stakeholder issues	28 cases	9 cases	0 cases

Emergency response system and training

KAI has a system for emergency responses by detecting failure conditions and leaks during the operation of environmental and chemical facilities and has established and operated an Integrated Monitoring Team that monitors and controls energy and utility facilities and detects firefighting situations. Additionally, in order to respond quickly in cases of emergencies, we provide emergency response training for each situation (pollutant leakage, fire, explosion, earthquake, etc.) to our employees every year.

| Responding to Chemical Leaks |



| Fire Response Training |



| Integrated Monitoring Team |

	How to Operate	Remarks
Electrical facilities	Monitoring of power consumption in substations (25 locations)	Power Analysis System
Utility facilities	Boilers (26 units), air compressors (14 units), freezers (15 units), monitoring and control equipment for water facilities	HMI System
Fire fighting facilities	Automatic fire detection, monitoring, and control systems	N-Mux, MXL
Automatic control equipment	Monitoring and control of heating and cooling facilities in offices and production sites- air conditioners, FCUs and Hoval	Metasys System



Safety and Health Management

Safety and Health Campaign

KAI is spreading the KAI safety and health culture through participatory campaigns to raise employees' safety and health awareness and promote interest. After selecting social issues or major safety and health topics in the company, we implemented campaigns to raise employees' safety and health awareness and attract their attention.

In the first quarter of 2022, we held a contest for safety slogans and the revision of KAI's 10 strict safety rules.

For the safety slogan, a slogan contest was held for safety in daily life as well as in the workplace, and the winning entry was "Stick to the rules, follow the principles, and stay safe" was selected. This phrase was posted on banners and placards in the workplace for all employees to see, aiming to achieve a visual effect.

| Safety and Health Campaign – Safety Slogan |



We are also responding to the paradigm shift concerning practical safety by revising KAI's 10 Strict Safety Rules in line with the rapidly changing trends of the times and the work environment. In the second quarter of 2022, we did anti-smoking, anti-alcohol, and MiRe3050 campaigns to promote the importance of health care. In particular, to prevent chronic diseases (hypertension, diabetes, etc.), we carried out the MiRe3050 campaign with the Sacheon Public Health Center and Inje University. Since it received a lot of attention and support from employees as the first case of chronic disease prevention and management targeting people in their 30s and 50s at a company, we plan to continue this event every year.

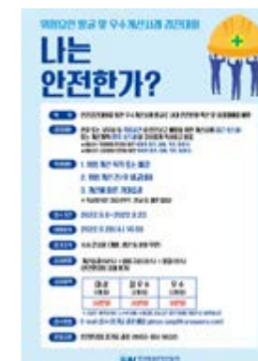


Health campaign

In the third quarter of 2022, we held a contest for the first time to present the best practices that identified and improved the risk factors that could occur within the company. Regardless of the field of work (R&D, production, etc.), employees participated in the best practices in their respective fields and successfully completed the event.

In the fourth quarter of 2022, we held a firefighting contest to raise awareness about fire prevention during the winter season and to learn how to use firefighting devices (fire extinguishers, fire hydrants), thereby developing emergency response capabilities. Existing firefighting contests included simple tasks such as using fire extinguishers and waterproofing hydrants. In the 2022 contest, patient transport and CPR were also added, which diversified the contest program to train staff on actual emergency procedures so they could respond quickly in real situations.

By issuing monthly newsletters on safety, health, and the environment containing issues related to safety, such as safety and health campaigns, we share information with employees so that everyone can see the safety and health issues of the month at a glance.



CSR

Social Contribution System

KEY PERFORMANCE



Donation amount
KRW 650 million



Cumulative number of Aviation Camp graduates
41,034

KAI aims to create a healthy society where we live together in harmony by fulfilling our corporate social responsibilities and practicing the joy of sharing and the happiness of working together for a prosperous future for humankind.

We are carrying out social contribution projects in three major directions. In 2002, we opened the Aerospace Museum, a landmark of the local community, and since 2010, we have been operating an Aviation Camp to nurture scientific talents. In 2016, we established the KAI Sharing Volunteer Group, through which we are carrying out various donation projects, including education donations and cultural sharing activities for the public.

Based on this, KAI will grow into a company that warmly comforts the socially underprivileged, a company that fulfills its role as a reliable partner in the local community, and a company that coexists for the mutual development of society and the country.



MISSION

Social responsibility activities through education donations and contributions

VISION

Realization of sustainable management through social contribution

VALUE

Creating corporate value through strategic social contribution

3 Social Contribution Principles

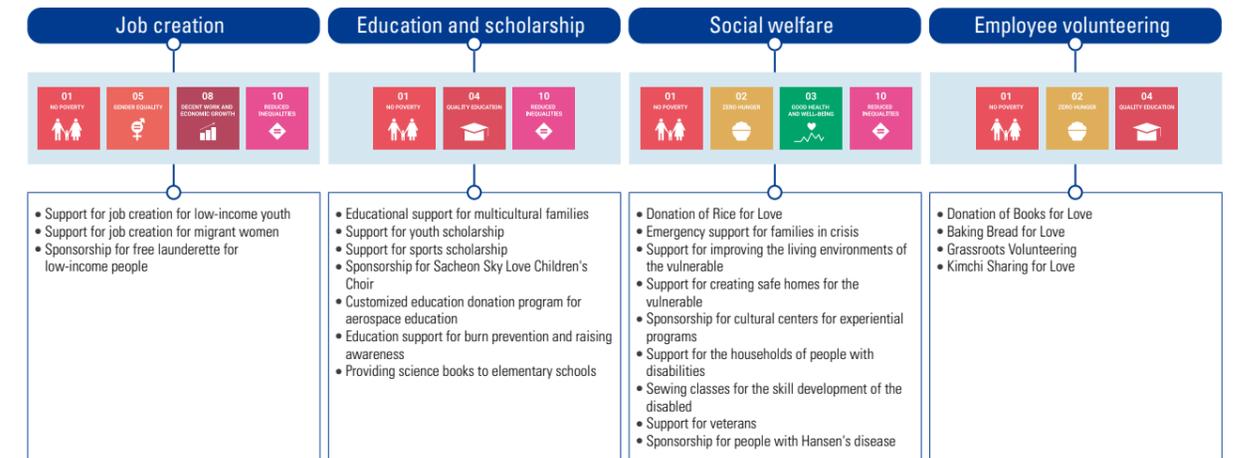


Activity Status

Let's fly together and share the world

Every year, KAI actively carries out social contribution activities in various fields such as social welfare, job creation, education, and scholarship. We will continue to work as a reliable partner, fulfilling our responsibilities in the community through continuous communication and sharing with the community.

| Social Contribution Activities |



Organization

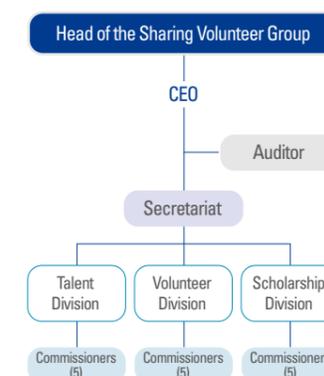
KAI Sharing Volunteer Group

The "Sharing Volunteer Group" began with the Dasom Volunteer Corps, which was created with the voluntary participation of executives and employees in the first year of the company's founding. This is a pure employee volunteer organization that was reorganized and launched in 2016 and promotes local social contribution activities through three divisions. Employees can voluntarily join or leave the company using the in-house KAI Sharing Volunteer Group Management System, and the donations taken from monthly pay are fully entrusted to the Gyeongnam Social Service Organization.

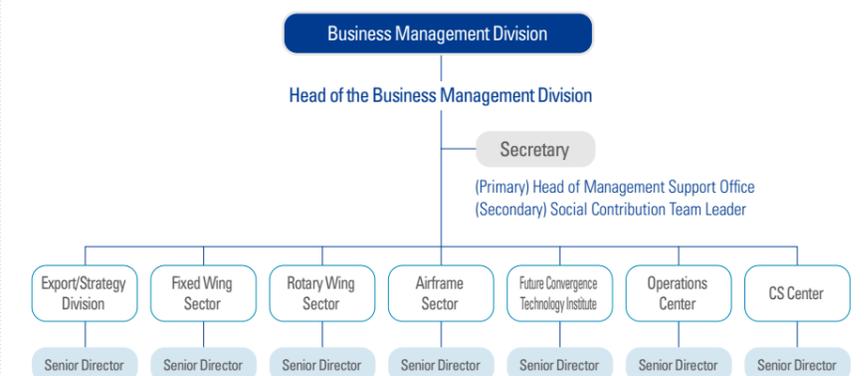
Social Contribution Group

We formed the "Social Contribution Group" to enhance transparency for sustainable social contribution projects, strengthen connections with ESG management and company development strategies, and express the will of the management. Through this, we have strengthened the deliberation functions for the active planning of social contribution projects and securing transparency.

| Organization of the Sharing Volunteer Group |



| Organization of the Social Contribution Group |



Aviation Camp (education donation)



The Beginning of Beautiful Donations, KAI

As a leader in the national aerospace industry, KAI developed creative experience and learning programs using the knowledge, experience, and space gained from the industrial field and began corporate social contribution activities through special education donations for the first time in Korea.

KAI Aviation Camp is a field study program where participants can directly experience and learn by connecting the basic science principles applied to the aircraft development and production process with the current curriculum. Since the faculty training program started in February 2010, it has been expanded to teachers and students across the country, drawing enthusiastic responses.

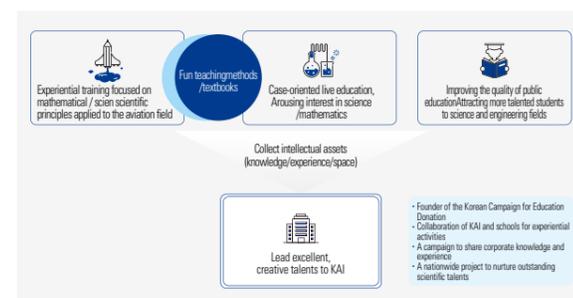
KAI established the KAI Aviation Center, Korea's first experiential learning center, through education donations in July 2012 to provide an experiential learning space to more students and teachers.

The KAI Aviation Center is used exclusively for Aviation Camp, and its facilities and educational programs are designed so that participants can learn in-depth knowledge about the entire process from understanding the aviation industry to aircraft design, production, assembly, and flight in an interesting way.

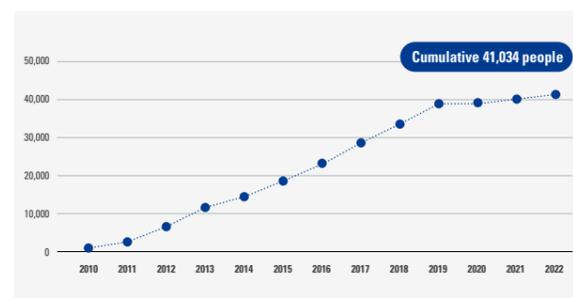
| KAI Aviation Center |

Overview of the establishment of the KAI Aviation Center		Aviation Camp	
Location	78, Gongdan 1-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do, Korea	Area	Total floor area 2,971.91 m ² (about 899 pyeong)
Training	About 30 people per class / 100 times a year (twice a week)	Major facilities	Exhibition Hall (Aviation Industry Hall, Experience Center), Education Hall, Outdoor Learning Center, and Observatory
Structure	2 stories above ground (partially 4 stories)	Content	Theory and experiential learning / Simulator riding / Factory tour
Courses	Bernoulli's principle, oxidation and reduction, Pascal's principle, electromagnetic induction, personal air vehicles (PAVs), principle of helicopters, etc.		

| Education Donation |

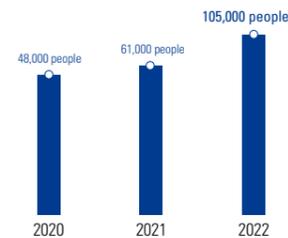


| Number of Graduates |



Aerospace Museum

| Visitor Status |



A public venue for experiencing aerospace culture

KAI opened Korea's first Aerospace Museum, which exhibits aircraft and security-related artifacts (transferred from the UN Korean War Association in 1995) at the Yeouido General Security Exhibition Center in Seoul. Through this, KAI aims to contribute to public education by presenting the technology and vision of the 21st century's cutting-edge aerospace industry along with a correct historical view of the Korean War and national security.

The museum has an indoor exhibition hall divided into the Aerospace Hall and the Freedom Guard Hall, as well as an outdoor exhibition hall. The first floor of the Aerospace Museum introduces the development history of the aerospace industry, and the second floor displays materials that show the future of the space industry. The Freedom Guard Hall mainly exhibits relics and materials related to the 6.25 Korean War. In the outdoor exhibition hall, actual aircraft, tanks, and artillery are permanently exhibited.

KAI, as an aircraft system integration company, aims to contribute to the revitalization of the local economy by building infrastructure for the aerospace industry and cultural tourism, exhibiting various types of aircraft, and distributing the history and knowledge of the aerospace industry to the public.

| Aerospace Museum |

Overview of the Aerospace Museum			
Opening	August 28, 2002	Museum name	Aerospace Museum
Location	78, Gongdan 1-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do	Type	Type 1 specialized museum (private museum)
Founder/Representative	Korea Aerospace Industries, Ltd.	Site area	46,281 m ² (14,000 pyeong)

| Contents of Exhibits |

Exhibition area	Content of Exhibition	Exhibition technique
Aerospace Hall	<ul style="list-style-type: none"> • Aviation Development History (World/Korea), Principles of Flight and Structure of Aircraft, Jet Engines, Various Aircraft Mockups • Mockups of astronauts, rockets, satellites, International Space Station (ISS), space shuttles, history of space exploration, development of aerospace science, etc. → The aerospace industry's yesterday, today and tomorrow's prospects 	<ul style="list-style-type: none"> • JET ENGINE • Real objects related to aerospace • Mockups related to aerospace • Photo pictorials and graphics
Freedom Guard Hall	<ul style="list-style-type: none"> • The horrors and nature of the 6.25 Korean War • Special exhibitions about the achievements of the 21 UN countries that participated in the war 	<ul style="list-style-type: none"> • Cannons and North Korean army motorcycles • Various firearms • War frames and various relics • Display of actual military equipment, keepsakes, souvenirs, etc.
Outdoor Exhibition Hall	<ul style="list-style-type: none"> • 27 real aircraft - 15 borrowed from the Korean Air Force, 12 owned by KAI • 5 tanks, 2 artillery pieces, a searchlight, and 2 Nike missiles • Physical display of 2 armored vehicles/jeeps, J47-GE-27 engine, etc. 	<ul style="list-style-type: none"> • VC-54 presidential plane, C-123K, and C-124C aircraft, revealing its cabin

Social Contribution Activities

※ For detailed activities in 2022, please refer to the White Paper on Social Contribution Activities.

Community

Support for job creation for low-income youth

"Cafe 831" opened on July 4, 2022 at the Sacheon city government building. The cafe is operated by the Sacheon Regional Self-Sufficiency Center, a non-profit organization that helps low-income residents achieve self-sufficiency. This organization was selected as the operator of the cafe through a private consignment competition. "Cafe 831" provides jobs to the young poor to help emotional self-sufficiency through social experiences and improved interpersonal relationships. At the same time, it helps young people to earn income and acquire various licenses to support economic self-sufficiency. KAI supported the construction cost of this cafe. The long-term goal of this cafe is to expand it into a space of coexistence and sharing that can contribute to all of society, including married migrant women, the elderly, and the disabled. We hope the cafe will provide stable jobs not only to young people, but also to people from all walks of life, thereby motivating them to pursue their dreams, gain a sense of achievement, and cultivate a spirit of embracing challenges through work.



Sponsorship of the Sacheon Sky Love Children's Choir

The Sacheon City Sky Love Children's Choir was founded in March 2017 with the support of KAI, and it consists of about 50 children from local children's centers and communal families. KAI supports the bright and healthy growth of children by sponsoring the choir program expenses. On September 28, 2022, the choir successfully completed a pre-performance to celebrate the success of the first flight of the KF-21 held at the Air Force Training Wing. The choir also won the grand prize in the chorus category at the 71st Gaecheon Arts Festival National Music Competition.



Support for creating safe homes for the vulnerable

On September 8, 2022, we delivered donations for the installation of wireless doorbells and remote control door locks to 50 single seniors and severely disabled households in Sacheon City. This was to alleviate the inconvenience posed to neighbors with reduced mobility and increase their accessibility to the welfare system.



Volunteer Work

Donating Books for Love / Baking Bread for Love

KAI employees donate books through the "Book Donation Zone for Love" prepared within the company. The donated books are delivered to local children's centers in Sacheon, where they can play a new role in nurturing children's knowledge and wisdom.

KAI volunteers bake warm bread for compassion every month at the Seobu Volunteer Center of the Korean Red Cross Gyeongnam Branch and deliver it to the children's welfare facilities in Sacheon City as snacks for the children. KAI volunteers provide high-quality snacks to children made by the entire family, helping children grow up healthy and spreading warmth and love within the community.

Mural painting

On October 15, 2022, about 30 members of the KAI Sharing Volunteer Group joined forces to paint a wall mural at Gonyang Elementary School. The mural painting volunteer activity was physically demanding compared to other activities, but it was meaningful in that the volunteers and their families completed the creation of a work of art together. Some of the walls of the school were old and harmed the beauty of the village, but the mural painted at the back gate of the school gave a much brighter and fresher impression. The volunteers were also able to create pleasant memories with their families and practice sharing activities to improve the environment of the local community.

Kimchi Sharing for Love

On December 10, 2022, as part of a year-end giving campaign, KAI held a Kimchi Sharing for Love event at the Wellbeing Hall Cafeteria to help the underprivileged in Sacheon City spend the winter. In this event, which was held for the first time in three years due to COVID-19, the approximately 160 participants included CEO Kang Goo-young, employees and their families, and officials and stakeholders from Sacheon City, the Sacheon City Volunteer Group Council, Sacheon City Volunteer Center, and the Gyeongnam Social Service Organization. In particular, 20 Lockheed Martin TAs residing at KAI also participated and experienced Korea's kimchi-making culture. KAI made 450 boxes of 10 kg kimchi with 1,900 heads of pickled cabbage and delivered them to children's welfare facilities, facilities for the disabled and the elderly, and households of the vulnerable in Sacheon City. On December 19th, an additional 750 boxes of finished kimchi were delivered to households of the underprivileged in the City, bringing the total amount of donations to 1,200 boxes.



Talent Development

Young Falcons of Korea / Gyeongnam Aviation High School

40 middle school students enrolled in the Leaders course of the Young Falcons of Korea visited the KAI Aviation Camp to see the aerospace development site. They said it was a meaningful time to nurture their dreams and find career paths in the aviation industry by experiencing KAI's excellent infrastructure and educational content.



Other visitors to the Aviation Camp were students from Gyeongnam Aviation High School located in Goseong, Gyeongsangnam-do Province. As students from an aviation high school, they were very interested in the aerospace industry. After all the courses were completed, several students expressed their aspirations to join KAI before returning home.

Education Donation 2.0, Metaverse Linked Camp

We held the Metaverse Linked Aviation Camp jointly with the Jeonnam Yeosu Office of Education. Before participating in the camp, 30 students toured the Aviation Experience Center in advance through the Gathertown link at school and then visited the Aviation Center to experience the educational program in person. Students were able to erase their mental barriers to the aviation industry in advance through prior learning using the metaverse, and thanks to that, they were able to further enhance their understanding of the aviation industry when visiting the experience center. We look forward to contributing to the development and performance of the camp based on Education Donation 2.0 in the future.



Korea Education Donation Fair

From October 7th to 10th, 2022, for 4 days, the 11th Education Donation Fair was held in Insa-dong, Jongno-gu, Seoul. Participants in this event included a total of 96 organizations, including companies, institutions, and local organizations related to education donation activities. KAI had the opportunity to introduce its unique aviation education donation program and promote it to middle and high schools and educational institutions nationwide in line with the ESG management environment. KAI operated an aviation industry experience program with 13 types of AR, VR, and PC content, a flight pilot simulator, and an FA-50 wooden airplane class. Although it was only for a short time, many people visited the event, and the VR, AR, and PC content prepared by KAI gained great popularity. As the only aerospace-related company among the companies participating in the fair, KAI drew a lot of attention. As Korea's first education donation company, we plan to continue more active education donation activities in the future.



Governance

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Governance policy

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Shareholder-friendly management

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Enhancing management transparency

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Risk management



Governance Policy

Governance Principles and Policy

KEY PERFORMANCE



Enactment of Corporate Governance Charter

(April 2022)

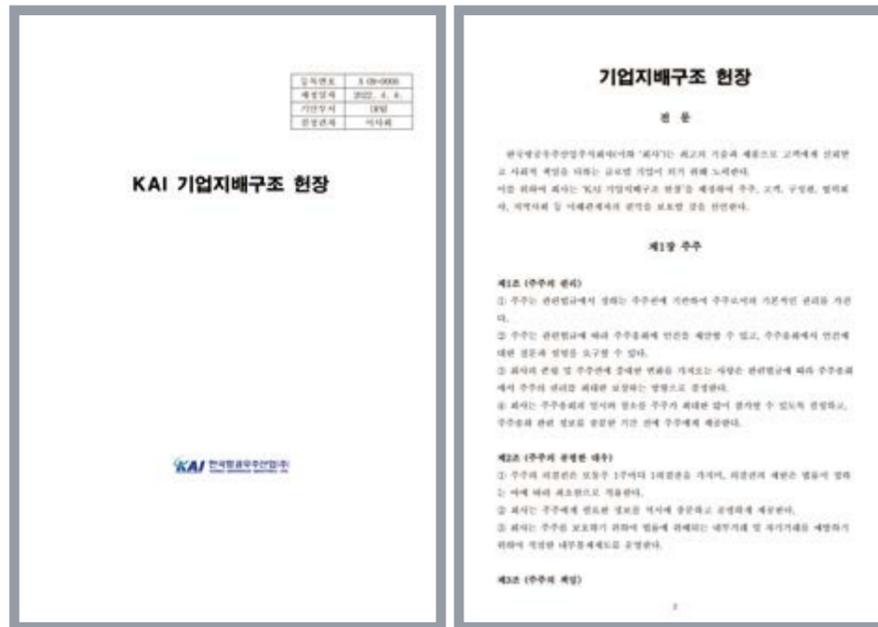
Appointment of a female director

(March 2023)

KAI secures transparency, soundness, and safety to enhance shareholder value and protect their rights and interests while having a governance structure that reflects an organizational culture for human rights protection and environmentally friendly technology development. We disclose corporate governance practices on our website, including the articles of incorporation, information on shareholders, the board of directors, and audit organization. The Corporate Governance Report, published annually, raises understanding of the company's governance structure and transparently discloses the operations status for stakeholders.

In addition, in order to realize the diversity and expertise of the board of directors, we appoint a wide range of experts in aerospace, accounting, finance, management, administration, ESG, or related technologies when appointing outside directors, so that they are not biased towards specific backgrounds or occupational groups. In addition, since outside directors account for the majority of the members of the board of directors and its committees, the board of directors effectively serves as a check on the management.

The above systems and devices establish a governance structure of mutual checks and balances between the board of directors and management.



Shareholder-friendly Management

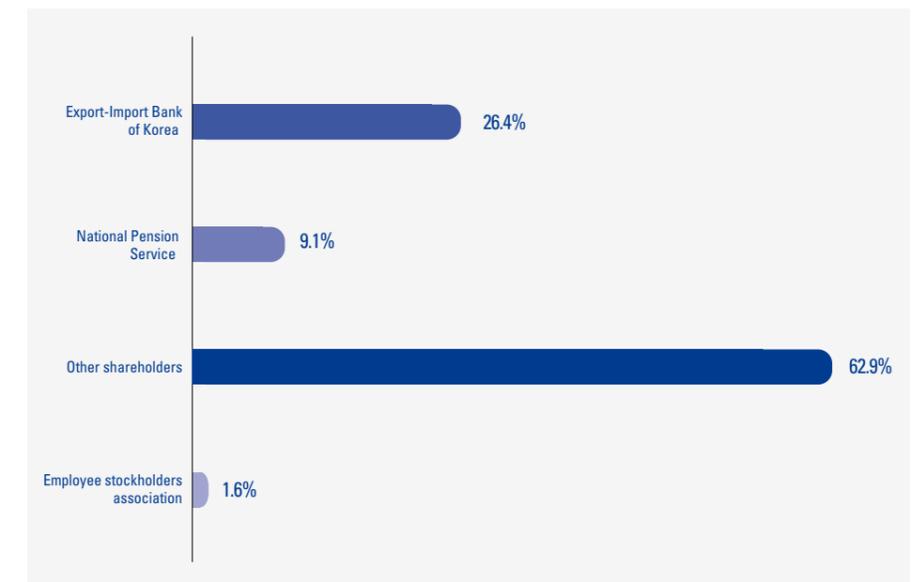
Shareholder-friendly

Shareholder Status

As of December 31, 2022, the total number of stocks issued by the company was 148,907,209 common stocks, and currently, the total number of listed common stocks is 97,475,107 (the number of stocks decreased is 51,432,102 stocks). The largest shareholder is the Export-Import Bank of Korea, which holds 25,745,964 shares, which is equivalent to 26.41% of the number of listed shares. The National Pension Service, the second-largest shareholder, holds 8,891,288 shares, equivalent to 9.12%, and the employee stockholders association holds 1,529,595, accounting for 1.57% of the company's total shares.

Our common stock has one voting right per share, and there are currently no preferred stocks or treasury stocks that do not have voting rights. KAI listens to the opinions of minority shareholders as well as large and major shareholders and guarantees the exercise of shareholders' rights in accordance with the relevant laws and regulations.

| Shareholder Status |



Shareholder Rights Protection

KAI enacted the Corporate Governance Charter in April 2022 to stipulate and ensure the rights of shareholders.

Specifically, at the regular shareholders' meeting on March 24, 2017, we implemented an electronic voting system for the first time to protect the rights of shareholders who could not attend the shareholders' meeting in person. Electronic voting has been used at all shareholders' meetings since the regular shareholders' meeting on March 27, 2020.

To make it easier for shareholders to exercise their voting rights, KAI recommends proxy voting, implements electronic voting and electronic power of attorney systems, and takes sufficient measures to encourage shareholders to participate as much as possible in general shareholders' meetings. We will continue to respect our shareholders' opinions and strive to reflect them in our decision-making.

| Corporate Governance Charter |

제1장 주주	
<p>제1조 (주주의 권리)</p> <p>① 주주는 관련법규에서 정하는 주주권에 기반하여 주주로서의 기본적인 권리를 가진다.</p> <p>② 주주는 관련법규에 따라 주주총회에 안건을 제안할 수 있고, 주주총회에서 안건에 대한 질문과 설명을 요구할 수 있다.</p> <p>③ 회사의 존립 및 주주권에 중대한 변화를 가져오는 사항은 관련법규에 따라 주주총회에서 주주의 권리를 최대한 보장하는 방향으로 결정한다.</p> <p>④ 회사는 주주총회의 일시와 장소를 주주가 최대한 많이 참가할 수 있도록 결정하고, 주주총회 관련 정보를 충분한 기간 전에 주주에게 제공한다.</p>	

Profit Return Policy to Shareholders

In accordance with the Articles of Incorporation, KAI pays dividends as a major means of returning a certain portion of company profits to shareholders in order to protect shareholder interests through resolutions at the board of directors and general shareholders' meetings. Dividends may be paid in cash and shares in accordance with the articles of incorporation. Matters related to dividends are decided by the Board of Directors after considering future investment plans, the financial structure, and dividend stability, in addition to current net income for the relevant business year, and are finalized at the general shareholders' meeting. The company pays dividends as part of a policy to return profits to shareholders, and information on dividends is provided through the "decision on cash and in-kind dividends" notice prior to the resolution of the board of directors or general shareholders' meeting.

We will prepare and continuously strengthen a shareholder-friendly dividend policy to enhance shareholder value and implement the policy so that investors can predict dividends. We have been paying steady dividends for the past 3 years, and the average dividend payout ratio over the past 3 years has reached 25%. We will prepare this as a policy measure and do our best to protect the rights and interests of our shareholders.

| Dividend Performance |

	2020	2021	2022
Total cash dividends (KRW million)	38,990	19,495	24,368
Dividend payout ratio (%)	26.1	30.5	21
Cash dividends per share (KRW)	400	200	250

※ Current net income based on shares owned by the parent company / Dividend payout ratio on a

Shareholder Communication

KAI is conducting various IR (Investor Relations) activities to actively communicate with shareholders. We are promoting regular IR activities to raise awareness of our vision and value as a company for large and major shareholders, institutional investors who are our major investors, and individual investors. Accordingly, the National Pension Service, the second-largest shareholder, visits us regularly after performance announcements, so we present the details of our performance and long-term vision. In addition, we inform asset management companies and domestic and foreign institutional investors of the management status and listen to investors' requests through non-face-to-face conference calls and non-deal roadshows (NDRs). We recognize that communication with stakeholders in the stock market is a very important activity in that it can be reflected in management decision-making. In addition, in the IR information section of the homepage, we post the company's management status and company analysis reports reported by stock market analysts. This helps individual investors make their investment decisions. We are also posting notices in English for foreign investors to minimize information asymmetry. Major IR activities in 2022 are shown in the table below.

| Major IR Activities in 2022 |

	Target	Method	Main Content
2022.02.11	Analysts, etc.	Conference calls	Announcement of 2021 provisional performance, and 2022 management goals
2022.02.14-17	Korean institutional investors	NDR for Korean investors	Announcement of 2021 provisional performance, and 2022 management goals
2022.05.02	Analysts, etc.	Conference calls	Announcement of provisional performance and management status for the 1Q of 2022
2022.05.03-10	Korean institutional investors	NDR for Korean investors	Announcement of provisional performance and management status for the 1Q of 2022
2022.08.08	Analysts, etc.	Conference calls	Announcement of provisional performance and management status for the 2Q of 2022
2022.08.09-11	Korean institutional investors	NDR for Korean investors	Announcement of provisional performance and management status for the 2Q of 2022
2022.10.31	Analysts, etc.	Conference calls	Announcement of provisional performance and management status for the 3Q of 2022
2022.11.01-04	Korean institutional investors	NDR for Korean investors	Announcement of provisional performance and management status for the 3Q of 2022
2022.11.07	Korean institutional investors	NDR for Korean investors	Announcement of provisional performance and management status for the 3Q of 2022

Strengthening Management Transparency

Composition of the board of directors

In accordance with the laws and the articles of incorporation, the KAI board of directors faithfully performs its essential functions, such as making decisions on the basic management policies of the company, executing major tasks, and supervising the performance of duties by the management. The KAI board of directors consists of six members, including five outside directors and one inside director. The outside directors are appointed through the approval of the general shareholders' meeting, and the inside director is appointed through the recommendation of the board of directors. When appointing outside directors, the Director Candidate Recommendation Committee selects individuals capable of professional and independent activities after verifying their interests in the company and their qualifications.



※ In March 2023, the board of directors was expanded by appointing two additional outside directors.

At the 23rd Annual General Meeting of Shareholders on March 30, 2022, three new outside directors (Kim Kwang-ki, Park Chun-seop, and Cho Jin-soo) were appointed, and Won Yoon-hee was reappointed as an outside director. Three outside directors (Jeong Bo-joo, Park Jong-jin, and Lee In) retired due to the expiration of their terms. At the board of directors meeting on September 5, 2022, inside director Kang Goo-young was appointed as the representative director. On September 30, 2022, Outside Director Park Chun-seop resigned for personal reasons. At the 24th regular shareholders' meeting on March 29, 2023, two outside directors (Kim Kyung-ja and Kim Geun-tae) were newly appointed.

The Board of Directors is held every year to resolve agendas related to quarterly and regular financial statements, and temporary board meetings are held from time to time as needed. In 2022, a total of 12 board meetings were held, and a total of 52 agendas were discussed, including 37 resolutions and 15 reports. The Audit Committee also met 4 times to discuss 10 agendas, and the ESG Committee met 3 times and deliberated on 4 agendas.

KAI's board of directors appointed inside director Kang Goo-young as the chairman, as he judged that he was fit for the role of coordinating opinions among directors and overseeing board activities. To secure management efficiency, the inside director serves as the chairman of the board of directors. In addition, the board of directors has a total of five committees (ESG Committee, Management Committee, Director Candidate Recommendation Committee, Audit Committee, and Internal Transaction Committee).

All members of the Audit Committee are outside directors appointed at the general shareholders' meeting, and they can perform an effective supervisory function in an independent position. The ESG Committee was established in 2022 to realize sustainable management. The committee sets up ESG management strategies and strives to achieve an ESG management culture throughout the company.

Composition of Board of Directors

Job title	Name	Date of First Appointment	Term of Office	Renewal of Terms	Background	Roles and Responsibilities
Inside director	Kang Goo-young	2022.09.05	3 years	N/A	A former pilot who graduated from the Air Force Academy, and participated in the T-50 test flight. An expert in the field of aviation who served as Deputy Chief of Staff of the Air Force and chair professor in the field of aviation at a university. He is expected to contribute to the development of the company based on his rich experience and knowledge. He was appointed because he was able to provide a sustainable growth engine for the company with his various experiences and professional knowledge while carrying out general management tasks such as those related to defense, civilians, and exporting.	Representative Director and General Manager, Chairman of the Board of Directors, and a member of the Director Candidate Recommendation Committee
	Kim Kwang-ki	2022.03.30	3 years	N/A	An expert in the media and ESG fields with experience in research and consulting on corporate ESG management. He is expected to improve the company's risk management and contribute a lot to ESG management.	Tasks related to overall management, the chairperson of the ESG Committee, and a member of the Audit Committee and the Director Candidate Recommendation Committee
Outside director	Won Yoon-hee	2019.03.29	3 years	Reappointment (1 time)	An expert in the field of finance, such as in finance and accounting, with long-term financial advisory and academic experience. He is expected to contribute to improving the transparency and reliability of accounting information.	Tasks related to overall management, Chairman of the Audit Committee, and a member of the Director Candidate Recommendation Committee and the ESG Committee
	Cho Jin-soo	2022.03.30	3 years	N/A	An academic expert in aerospace. He has excellent expertise in aviation-related fields and will be able to contribute to decision-making and development for the overall aerospace business of the company based on his extensive understanding of and experience with the company's internal/external environment and industry.	Tasks related to overall management, the Chairman of the Director Candidate Recommendation Committee, and a member of the Audit Committee and ESG Committee
	Kim Kyung-ja	2023.03.29	3 years	N/A	She has practical experience in finance, legal affairs, and external cooperation. An expert with specialized knowledge and many years of experience in compliance management and ESG management. She is expected to contribute to the company from a professional perspective based on her deep understanding of the field and industry.	Tasks related to overall management, a member of the Audit Committee, the Director Candidate Recommendation Committee, and the ESG Committee
	Kim Geun-tae	2023.03.29	3 years	N/A	Based on his excellent expertise in the defense sector and extensive understanding and experience of the company's internal/external environment and current business, he is expected to contribute to management decision-making and the company's development as an outside director.	Tasks related to overall management, a member of the Audit Committee, the Director Candidate Recommendation Committee, and the ESG Committee

Operational Statuses of Committees Under the Board of Directors

Committee Name	Composition	Affiliated Director Name	Authority
ESG Committee	3 or more (The number of outside directors must be at least half of the total number of members)	Outside Director Kim Kwang-ki Outside Director Kim Kyung-ja Outside Director Kim Geun-tae Outside Director Won Yoon-hee Outside Director Cho Jin-soo	<ul style="list-style-type: none"> Review of all matters necessary for the company's ESG policy and activities in progress
Management Committee	2 or more full-time directors	-	<ul style="list-style-type: none"> Matters concerning ordinary financial transactions Matters concerning the execution of investments below a certain size Customary business practices submitted for the Board's resolutions Other general business matters requiring prompt decision-making
Director Candidate Recommendation Committee	3 or more (The number of outside directors must be at least half the total number of members.)	Outside Director Cho Jin-soo Outside Director Kim Kyung-ja Outside Director Kim Kwang-ki Outside Director Kim Geun-tae Outside Director Won Yoon-hee Inside Director Kang Goo-young	<ul style="list-style-type: none"> Deciding who to recommend as candidates for outside directors, inside directors, and other non-executive directors
Audit Committee	3 or more (The number of outside directors must be at least 2/3 of the total number of audit committee members) - At least one member of the audit committee must be an accounting or finance expert.	Outside Director Won Yoon-hee Outside Director Kim Kyung-ja Outside Director Kim Kwang-ki Outside Director Kim Geun-tae Outside Director Cho Jin-soo	<ul style="list-style-type: none"> Business and accounting audits, audits of subsidiaries, decisions on external audits (appointment, dismissal, remuneration, and the working hours of external auditors), and requests for the convening of temporary shareholders' meetings
Internal Transaction Committee	3 or more (The number of outside directors must be at least 2/3 of the total number of members.)	-	<ul style="list-style-type: none"> Internal transactions with single or annual transaction amounts of 10 billion won or more (except matters requiring resolution by the board of directors) All matters necessary for the operation of other committees

Operations of the Board of Directors

Board Meetings and Procedures

Board meetings are convened by the chairman. Each director may convene board meetings by specifying the agenda and reason for convening it to the chairman of the board of directors. However, if the chairperson refuses to convene a board meeting without a justifiable reason, the director may do so. In order to convene a board meeting, each director must be notified of the time, place, and agenda of the meeting via an oral or written notice, fax or e-mail, etc., seven days prior to the meeting date. When all directors agree, the board of directors may hold a meeting at any time without carrying out the above procedures.

Board Resolution Method

First, the resolution of the board of directors requires the presence of a majority of directors and the affirmative voting of a majority of the directors present. However, resolutions of the board of directors on matters falling under Article 397-2 (Prohibition of the misappropriation of corporate opportunities) and Article 398 (Prohibition of self-dealing, etc.) of the Commercial Act shall be made by at least two-thirds of the directors. Second, instead of attending the meeting in person, all or some of the directors may be allowed to participate in the resolution through a communication method that transmits and receives voice communications simultaneously. In such cases, the concerned director is considered to have attended the meeting in person. Third, directors who have a special interest in the resolutions of the board of directors are prohibited from exercising their voting rights. Directors with a special interest pursuant to Paragraph 3 of the Board Regulations shall be included in counting the number of directors present, however, they shall be excluded from the counting quorum for resolutions.

Board of Directors Authority

First of all, the board of directors deliberates and decides on the matters stipulated in laws or the articles of incorporation, matters entrusted to them from the general shareholders' meeting, and important matters related to the company's basic policies and business execution. The board of directors oversees the execution of duties by the management. When the board of directors recognizes that a director has violated laws or the articles of incorporation, handles matters in an obviously unfair way, or is likely to handle a director in performing his/her duties, the board may request that the director submit the relevant materials and explanations for an investigation. The board of directors may then request that the director suspend or change the execution of the business.

Operations of the Board of Directors

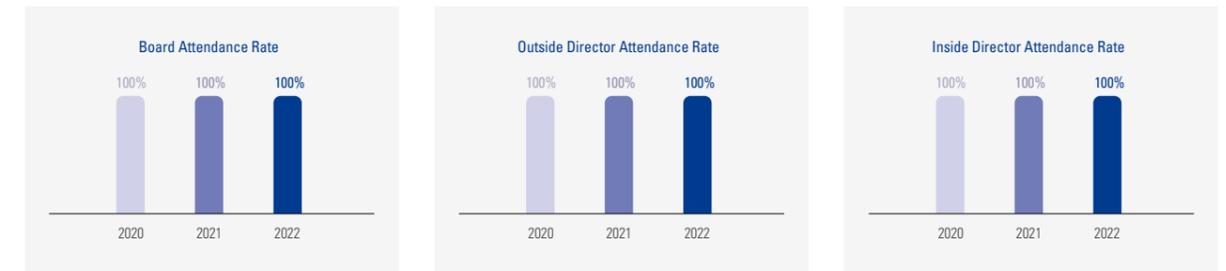
KAI's Board of Directors does not hold regular and temporary board meetings separately. However, regular board meetings are held as scheduled to approve the closing financial statements and quarterly financial statements, and temporary board meetings are held as needed. In 2021, a total of 10 meetings were held, and a total of 68 discussions were made, including 41 resolutions and 27 reports. In 2022, the Board of Directors had in-depth discussions on each agenda with a high participation rate of 100% attendance.

We provide internal training to enhance outside directors' understanding of the company and strengthen their professional capabilities. In 2022, a total of 6 training sessions were provided, and their main topics were as follows:

| Training for Outside Directors |

Training Date	Trainer	Outside Directors Who Attended	Reason for Absence	Main Topics of Training
April 8, 2022	Finance Team	Kim Kwang-ki, Park Chun-seop, Cho Jin-soo, and Won Yoon-hee	-	Watch corporate promotional videos
June 20, 2022	Finance Team	Kim Kwang-ki, Park Chun-seop, Cho Jin-soo, and Won Yoon-hee	-	Business briefing by sector
June 21, 2022	Finance Team	Kim Kwang-ki, Park Chun-seop, Cho Jin-soo, and Won Yoon-hee	-	Factory visit and tour
July 19, 2022	Finance Team	Kim Kwang-ki, Cho Jin-soo, and Won Yoon-hee	Park Chun-seop (separate schedule)	Attendance at the Farnborough Air Show
August 16, 2022	Ernst & Young Global Limited	Kim Kwang-ki, Park Chun-seop, Cho Jin-soo, and Won Yoon-hee	-	Training on the internal accounting control system
September 28, 2022	Finance Team	Won Yoon-hee, and Cho Jin-soo	Kim Kwang-ki, and Park Chun-seop (separate schedule)	Attendance at the KF-21 first flight ceremony

| Board Attendance Rate |



Features of the Board of Directors

Independence of the Board of Directors

KAI's director candidate recommendation system covers the recommendations and evaluations of all directors, including inside directors as well as outside directors. Starting in September 2017, the Outside Director Candidate Recommendation Committee was renamed the Director Candidate Recommendation Committee, expanding its functions. Director candidates are selected by the Director Candidate Recommendation Committee and are appointed through gaining approval at the general shareholders' meeting. In order to secure the independence of the directors from the management or controlling shareholders, we abide by the legal regulations for director appointment procedures and have stipulated them in the articles of incorporation, and all of our directors have been appointed in accordance with the legal procedures.

Out of a total of five board members, four are outside directors, accounting for more than half and maintaining the independence of the board. When appointing outside directors, we comply with the relevant laws, such as Articles 382 and 542-8 of the Commercial Act and Article 34-5 of the Enforcement Decree of the same Act. (However, after Director Park Chun-seop resigned in September 2022, we appointed an outside director in March 2023 in accordance with the related laws).

Board Diversity

KAI values the diversity of board members so that the board can make effective decisions from various perspectives without representing people or interests from specific backgrounds. Accordingly, in March 2023, we enhanced gender diversity by appointing one female outside director.

Board Expertise

To make more efficient decisions, KAI appoints directors with expertise in their fields, such as finance, accounting, aerospace, and ESG. We also have a separate team (Finance IR Team, responsible for tasks related to the board of directors and general meetings of shareholders, etc.) to support and assist outside directors so that they can perform their duties professionally on the board of directors and its committees. In addition, we provide materials in advance and hold a separate briefing session so that the relevant agendas can be fully reviewed prior to the board and committee meetings. We also provide our directors with information on other important internal issues from time to time and allow them to directly inspect our business sites and receive current status reports if necessary, in order to enhance their understanding of the company's management activities.

| Outside Director Support Organization |

Department (Team) Name	Number of Employees (Persons)	Position	Major Activities
Finance IR Team	12	1 team leader 1 Executive manager 5 deputy managers 4 managers 1 employee	<ul style="list-style-type: none"> Support for the general shareholders' meeting, and the operations of the board of directors and committees Training and job performance support for outside directors Building a database for director candidates Provision of information to each director for decision-making Practical support for meetings Recording minutes of board and committee meetings Work on corporate disclosure IR activities

Risk Management

Risk Management System

Risk Management Organization

Risk Management

As an aircraft system integration company, KAI is operating a risk management system to effectively respond to risks that may occur throughout its business, as well as in aircraft design, production, and operation. Aircraft system development is a long-term, high-volatility business, so it is most important to block risks in advance so that they do not spread in subsequent stages. Therefore, we are fully committed to implementing risk management by establishing a risk pool and operating a comprehensive system for constant monitoring.

KAI operates a dedicated organization for systematic risk management. The dedicated risk management organization constantly monitors risks so that large and small issues occurring in the field do not escalate into risks that affect the whole company, and it functions as a communication channel connecting each department. The dedicated risk management organization, as a direct organization under the CRO, is also responsible for promptly coordinating issues that cannot be resolved by a business unit itself, or that require cooperation between business units, and supports management's decision-making.



Risk Management Strategy

KAI has determined that preemptive risk management is most important to achieve its mission of being "a global company that is trusted by customers with the best technology and products while fulfilling its social responsibilities." Therefore, as our management policy for 2023, we set out "preemptive risk management and profitability enhancement for substantial management", and established a detailed code of conduct to implement this. We will thoroughly manage the development risks of major businesses, and comply with the detailed code of conduct, such as with the management of domestic/overseas business schedules and costs, structural innovations, etc., so that we can fulfill our responsibilities towards customers and society.

Risk Rating Formula

※ (Cost Impact + Schedule Impact + Performance Impact) X Probability of occurrence X Weight = Risk Assessment Score

Possibility of Occurrence	Risk Assessment Score (When a weight of 1.0 is applied)														
	1			2			3			4			5		
	Expense	Schedule	Performance	Expense	Schedule	Performance	Expense	Schedule	Performance	Expense	Schedule	Performance	Expense	Schedule	Performance
Almost certain: 80% or more	1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
Likely: 50-80%	1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
Possible: 10-50%	1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
Unlikely: 2-10%	1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
Very unlikely: less than 2%	1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
	1			2			3			4			5		
	Less than 0.5% compared to plan / Insignificant impact on performance			Less than 0.5-5% compared to plan/Minimum reduction of performance			5-10% less than planned/ Moderate reduction of performance			10-20% compared to plan/High reduction of performance			More than 20% compared to plan/Severe reduction of performance		
	Influence														
	Low: less than 28					Low: 28 or more - less than 56					High: 56 or higher				

[1] Risk assessment

Risks are managed by classifying them into "issues" and "risks" according to the stage of occurrence and the degree of the risks. An issue is a sub-concept of risk and is a large or small event that occurs during work. Issues have little impact on the whole company or are unlikely to occur, and they are not clearly identified. A risk refers to an issue that has a high probability of occurrence or can have a significant impact on the business environment when it occurs. New risks may arise during management activities, but when an issue expands, it can also turn from an issue into a risk. We also evaluate risks from time to time according to fluctuating circumstances and classify the degree of risk so that we can quickly recognize the severity of the risk.

[2] Division Risk Management

Each division is making strenuous efforts to end risks as soon as possible. Through risk review meetings for each business, we identify new business-related issues, check activities to mitigate existing issues, and operate a task force to resolve the risks depending on the case, making sure they do not get worse.

[3] Corporate Risk Management

Aircraft development requires the collaboration of numerous people from different fields with a common goal. Since the range of risks related to development is wide and difficult to manage, we are operating a separate system for overall management in cases of major projects such as the KF-21. This system enables joint access by the people in charge of each field, from aircraft design to production, enabling them to check the risk progress and update performance. Such a series of processes enables us to quickly identify and resolve the risks that may occur during the development process, leading to increased customer satisfaction and furthermore, corporate value.

[4] Risk management system

We operate a risk management system that allows us to identify risks early and monitor their progress at all times. Through the risk management system, we can check the current status of issues for each division or corporate risks listed, response plans, performance, trends of change, statistics, etc., in real-time, while accumulating data. When accessing the system, the progress of risks related to your work can be understood, and you can view related data and refer to risk pools or case examples to identify problems in advance.

As such, we are preparing for a better future by reviewing and reflecting on our risk management performance every year in order to present risk management technology that has grown to the next level.

Risk Management System



[5] Risk Management Council

Risks differ in severity depending on their content, so different manpower and costs are required to resolve them. In some cases, risks are addressed within each department, but in other cases, company-wide decision-making is required, or support and cooperation between different departments are required. Therefore, we operate a risk management council to promptly respond to current issues by coordinating work between departments or providing immediate company-wide support. The Risk Management Council is held according to the judgment of the risk management organization or at the request of related organizations. Such a council enables us to respond flexibly to changes in the business environment by promoting organizational cooperation and coordinating work.

Risk Management Process

Issue Identification

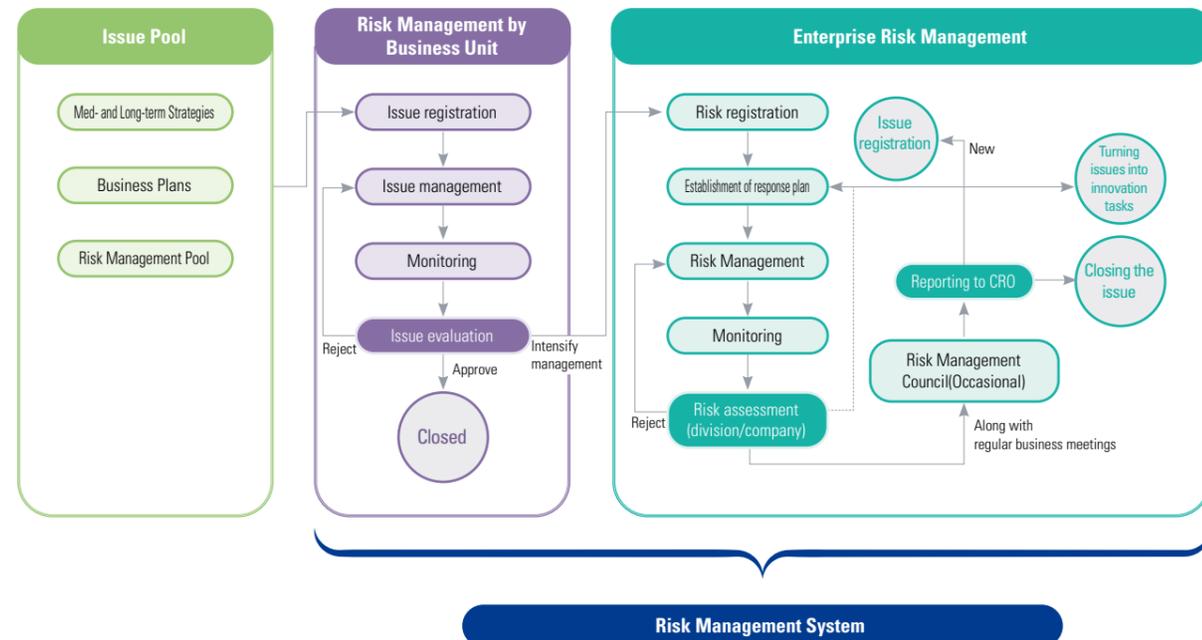
We built a risk pool to ensure that even small issues are not missed in the issue identification stage. This risk pool covers a wide range of fields, including strategies, finance, development, business and sales, operations, etc., and presents situations and conditions that may cause problems based on existing cases so that anyone can identify work-related problems and situations in advance easily. Due to the nature of the aircraft development industry, we systematically manage issues from the initial stage because even the smallest issues can spread to the company's business environment and cause human accidents or international issues.

Risk Identification

Risks that are not identified early can disrupt the company's development schedule or lead to order failure, which can act as a factor that deteriorates company profits. Therefore, we prioritize the process of identifying and addressing risks. Individuals register all issues discovered during work in the risk management system, and the risk management organization monitors the issues. In this way, we go through the process of double- or triple-checking to see if there are any problems that may be aggravated or omitted. In addition, we take the following issues up a notch and manage them as risks: Issues that are trivial within each division, but may cause corporate problems if they affect other businesses, or have a common impact across multiple sectors.

Risk Management

"Risk" refers to an issue that is certain to cause a setback in the company's management or that has a significant impact on the entire company when it occurs. We evaluate all risks and determine the importance of their management according to the evaluated rating. Risks that have been rated are constantly monitored and managed on a corporate level. Each business division responds to risks through self-inspection meetings, and for major risks, the CEO directly checks on their progress on a weekly basis. We seek complete resolution of risks by using different approaches to the risks by business period and risk level, as well as the methods and frequencies for handling them.



Risk Cases

When a long-term aircraft development project is completed, we record the progress of pending issues in each project in detail to accumulate and manage risk data in order to prevent similar cases from recurring. We categorize the possible risks at each business stage and identify the types, causes, impacts, and areas for improvement, then create a list of major checklists based on corporate risk cases and use them as a risk pool. In our cyclical risk management cycle, we identify issues through pools, and when a risk is closed, the corresponding data is accumulated in the risk pool. In this way, we minimize human errors that may occur during the development process and ensure that all employees can serve as risk managers.



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Independent Assurance Statement

Appendix



Materiality Assessment

Overview of Materiality Assessment

KAI analyzes related issues in consideration of the direction of management strategy and sustainability management. We select key issues based on the important economic, financial, social, and environmental issues that affect the company's management activities and report the progress and performance of the responses to the selected key issues through a sustainability report. We plan to manage these issues in the future and actively reflect them in our management activities.

1. Issue identification and issue pool composition

We formed a pool of 50 issues by analyzing global standard indicators, monitoring the industry status, analyzing internal and external data, media research, and government policies, and identifying the level of interest of internal and external stakeholders.

- Analysis of global standards and industry indicators: GRI, ISO, SDGs, TCFD, MSCI, DJSI, SASB, etc.
- Benchmarking of industry and other companies: 5 foreign companies, 5 Korean companies (a total of 10 companies)
- Analyzing internal and external data: mid- to long-term strategies, business reports, management performance data, etc.
- Media Research: A total of 250 cases related to our company and industry
- Identification of interests of internal and external stakeholders: interviews and surveys of shareholders, local communities, management, employees, etc.

2. Implementation of materiality assessments

After forming the pool of major issues, we interviewed the management and members of related departments to consider the short-term, mid-to-long-term goals of the management strategy and the priorities among ESG management strategies. Then, we performed a materiality assessment based on two criteria: urgency and manageability.

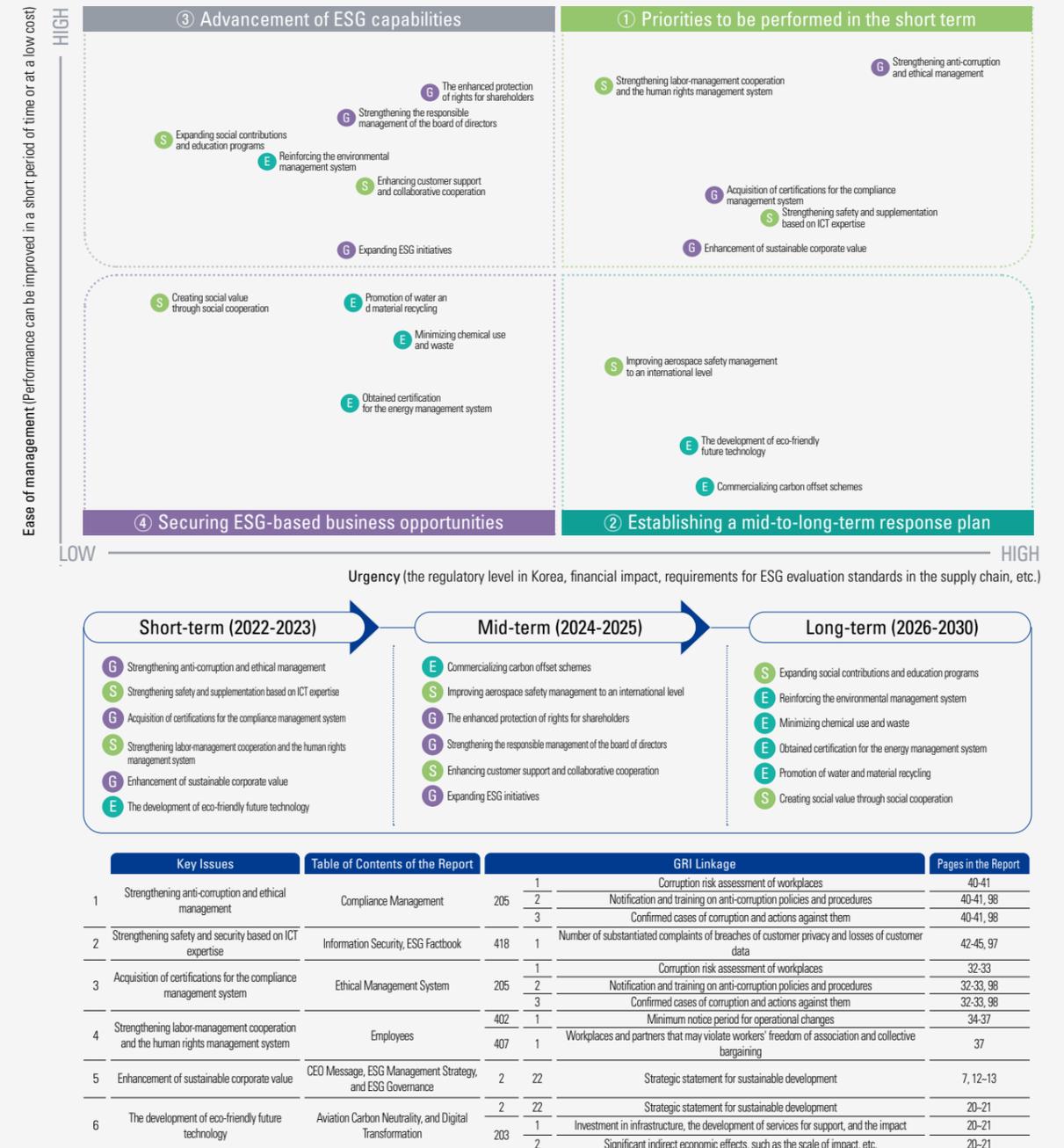
- Urgency: Evaluate the degree and possibility of financial and supply chain impacts from the occurrence of risks and opportunities related to information disclosure requirements, regulatory levels, and legislative progress in Korea and foreign countries
- Ease of management: Evaluate the time required to establish a management system, promote improvement activities, and secure risk management capabilities, appropriate execution timing linked to mid- to long-term strategies, and the level of costs required

Evaluation Perspective of ESG Management Indicators	Evaluation Criteria and Evaluation Considerations	Scoring Formula
Urgency (a)(b)	<p>(a) Probability of a financial impact when risks/opportunities occur</p> <ul style="list-style-type: none"> - Possibility of internalizing the financial impact when risks/opportunities occur - Magnitude of the financial impact when risks/opportunities occur <p>(b) Possibility of supply chain impact when risks/opportunities occur</p> <ul style="list-style-type: none"> - Possibility of internalizing the supply chain impact when risks/opportunities occur - Magnitude of the supply chain impact when risks/opportunities occur 	<p>5-point scale for evaluation</p> <ul style="list-style-type: none"> • Very low = 1 • Low = 2 • Medium = 3 • High = 4 • Very high = 5
Ease of management (c)(d)	<p>(c) Estimated time required for the establishment of a management system and improvement activities</p> <ul style="list-style-type: none"> - Ease of management when it can be improved in a short period of time <p>(d) Activities and resources needed to manage risk and build capacity</p> <ul style="list-style-type: none"> - Ease of management when necessary, such as for financial investment for internal process improvement, mid- to long-term R&D, external investment attraction, etc. 	

3. Derivation of key issues

Through the above materiality assessment, we derive key issues and related sub-issues from KAI's sustainability management.

Materiality Assessment



ESG Factbook - Economic

Consolidated Statement of Financial Position

	2020	2021	2022
Current assets	3,152,282,137,645	3,680,987,114,670	5,389,183,373,767
Cash and cash equivalents	661,887,560,788	886,586,722,282	2,023,716,102,131
Short term financial instruments	17,018,450,000	118,005,472,610	145,931,355,069
Financial instruments measured at fair value through profit or loss	1,001,446,575	71,348,822,243	20,038,609,167
Trade receivables	243,279,699,274	245,285,556,026	216,457,553,156
Contract assets	156,948,008,563	110,789,337,652	196,255,705,973
Other financial assets	33,726,732,989	11,692,174,383	14,005,545,801
Inventory	1,197,136,963,051	1,324,665,604,925	1,593,078,711,223
Current tax assets	361,501,932	80,151,830	10,495,177,131
Other assets	840,921,774,473	903,357,582,387	1,168,869,036,963
Non-current assets held for sale		9,175,690,332	335,577,153
Non-current assets	2,006,788,519,703	2,174,236,878,044	2,383,223,319,657
Financial instruments measured at fair value through profit or loss	59,712,723,857	65,783,321,730	67,844,576,976
Trade receivables	29,110,649,240	39,424,822,142	46,613,910,073
Contract assets	16,608,843,803	78,155,896,767	6,685,074,520
Other long-term financial assets	17,354,164,072	11,443,908,754	15,379,092,680
Subsidiaries, associates, and joint ventures	351,305,233	13,110,721,147	15,198,509,455
Tangible assets	917,149,499,039	865,262,169,081	827,057,313,193
Intangible assets	513,519,397,445	625,645,157,671	745,840,951,492
Deferred tax assets	371,713,268,312	380,653,230,873	356,026,695,989
Other assets	81,268,668,702	94,757,649,879	302,577,195,279
Total assets	5,159,070,657,348	5,855,223,992,714	7,772,406,693,424
Current liabilities	2,623,416,808,808	2,800,069,609,107	5,055,361,234,345
Trade payables	211,929,602,635	192,148,984,838	243,116,703,888
Other financial liabilities	193,031,131,911	191,559,707,476	371,564,487,390
Contract liabilities	943,372,256,757	1,015,375,295,778	2,189,306,435,993

	2020	2021	2022
Short-term borrowings	273,455,541,242	6,500,000,000	18,900,000,000
Current Long-term borrowings		20,459,083,951	27,206,108,103
The current portion of bonds payable	60,121,494,241	72,206,081,021	499,789,443,308
Current tax liabilities	26,991,723,121	6,921,170,254	176,081,843
Provisions	139,297,091,699	78,398,536,780	67,269,494,439
Other liabilities	774,513,770,986	1,215,910,944,306	1,637,677,140,666
Derivative financial liabilities	704,196,216	589,804,703	355,338,715
Non-current liabilities	1,301,373,928,885	1,757,710,376,169	1,263,828,633,213
Long-term debt	77,823,074,696	105,565,322,939	78,359,214,837
Bonds	568,793,758,022	998,446,196,803	499,461,684,282
Other long-term financial liabilities	98,203,644,485	107,738,281,536	220,253,974,709
Net defined benefit liabilities	426,648,918,200	408,680,033,865	356,280,397,132
Provisions	85,183,293,658	88,936,728,444	66,700,931,577
Other non-current liabilities	42,347,121,158	44,585,138,315	39,394,662,941
Deferred tax liabilities	2,374,118,666	2,396,527,019	1,998,758,759
Derivative financial liabilities		1,362,147,248	1,379,008,976
Total liabilities	3,924,790,737,693	4,557,779,985,276	6,319,189,867,558
Capital attributable to the owners of the parent company	1,195,431,276,040	1,269,425,155,795	1,427,802,657,469
Capital	487,375,535,000	487,375,535,000	487,375,535,000
Paid-in capital in excess of par value	124,077,485,927	124,077,485,927	124,077,485,927
Retained earnings	600,938,710,653	674,841,932,385	833,138,539,682
Other equity items	(16,960,455,540)	(16,869,797,517)	(16,788,903,140)
Non-controlling interest	38,848,643,615	28,018,851,643	25,414,168,397
Total equity	1,234,279,919,655	1,297,444,007,438	1,453,216,825,866
Total equity and liabilities	5,159,070,657,348	5,855,223,992,714	7,772,406,693,424

KAI ESG Data (Environmental Performance)

Classification		Unit	2020	2021	2022	Remark	
GHG emission (Scope 1 & 2)	Scope 1	tCO2-eq	12,006	13,076	14,512		
	Scope 2	tCO2-eq	37,135	45,072	47,189		
	Total	tCO2-eq	49,141	58,148	61,701		
GHG intensity	Revenue	KRW billion	2,812	2,548	2,772		
	Scope 1	tCO2-eq/KRW billion	4.27	5.13	5.24	※ Basis of business places in 2020: Headquarters	
GHG reduction	Scope 2	tCO2-eq/KRW billion	8,697.62	8,782.77	9,013.78	※ Basis of companies from 2021: Headquarters, Sancheong, Goseong, Jongpo, and leased sites (Seoul office and KAEMS)	
	Total GHG reduction	tCO2-eq	0	119	0		
Performance of emissions trading	Total GHG reduction rate	%	-	0.2	-		
	Quota	tCO2-eq	49,141	58,148	61,701		
Emissions	Emissions	tCO2-eq	49,141	58,148	61,701		
	GHG emissions (Scope 3)						
Energy usage and savings	Scope 3	Upstream transportation and logistics	tCO2-eq	-	-	138.092	
		Employee travel	tCO2-eq	-	-	798.060	
		Employee commuting	tCO2-eq	-	-	145.712	
		Downstream transportation and logistics	tCO2-eq	-	-	187.827	
	Total	tCO2-eq	-	-	1,269.7		
Energy intensity	Energy usage and savings	Electricity	kwh	79,646,054	98,111,366	102,718,446	
		LNG(natural gas)	ton	-	511.15	613.37	
		LNG(city gas)	1,000m³	3,499	3,805	3,701	
		Jet fuel	kℓ	1,398.852	1,112.68	1,437.797	
		Gasoline	kℓ	110.228	138.025	139.458	※ Basis of business places in 2020: Headquarters
		Kerosene	kℓ	0.02	0	0.4	※ Basis of companies from 2021: Headquarters, Sancheong, Goseong, Jongpo, and leased sites (Seoul office and KAEMS)
		Diesel	kℓ	220.153	122.2488	341.0861	
Energy savings	kwh	-	259,500	-			
Water Consumption	Sales	KRW billion	2,812	2,548	2,772		
	Electricity	kwh/KRW billion	28,324	38,505	37,056		
	LNG(natural gas)	ton/KRW billion	-	0.20	0.22		
	LNG(city gas)	1000 m³/KRW billion	1.24	1.49	1.34		
Waste generation	Water Consumption	Water and sewage consumption	1,000m³	432,312	431,208	473,964	※ Basis in 2020: Headquarters. Basis in 2021: Headquarters and Sancheong.
		Amount of water recycled and reused	1,000m³	-	41,063	51,007	※ Basis in 2022: Headquarters, Sancheong, and Goseong.
	Amount of waste by type	Water reuse rate	%	-	10	11	
Designated waste discharge		ton	590.06	494.63	494.99		
Waste generation	Amount of waste by type	General waste discharge	ton	1,684.84(2,500.27)	1,232.77(1,726.34)	1,143.71(1,867.89)	
		Total	ton	2,274.90(3,090.33)	1,727.40(2,220.97)	1,638.70(2,362.88)	
	Amount of waste by treatment method	Recycling	ton	1,836.08(2,651.51)	1,227.53(1,721.10)	1,203.74(1,927.92)	※ Data for the Headquarters
		Incineration	ton	200.19	249.2	291.29	
		Landfill	ton	30.78	62.21	44.1	
		Others	ton	207.85	188.46	99.57	

Classification		Unit	2020	2021	2022	Remark	
Pollutant generation	Air pollutant emissions	Dust	ton	11.507	10.229	10.457	
		Nitrogen Oxides (NO _x)	ton	2.905	4.387	4.457	
		Sulfur Oxides (SO _x)	ton	0	0.048	0.724	
	Wastewater generation		1,000m³	63.27	53.7	61.5	
		BOD	ton	2.101	0.344	0.264	※ Data for the Headquarters
	Water pollutant discharge	COD	ton	0.987	0.575	*0.347	
SS		ton	0.193	0.279	0.363		
T-N		ton	0.121	0.436	0.325		
T-P		ton	0.003	0.002	0.005		
Percentage of eco-friendly vehicles	Business vehicles	For business: long-term rental	vehicles	98	101	124	
		For business: purchasing	vehicles	46	52	55	
		Total	vehicles	144	153	179	
		Eco-friendly vehicle: Hybrid	vehicles	0	0	2	
		Eco-friendly vehicle: Hydrogen Electric	vehicles	0	0	0	
		Total	vehicles	0	0	2	
Percentage of eco-friendly vehicles	%	-	-	1.12			
Costs invested in environmental facilities	Investment in environmental facilities (※ Air quality and water quality cannot be distinguished)	KRW 1,000	1,288,140	1,305,710	1,597,409	※ Data for the Headquarters, Sancheong, Goseong, Jongpo, and leased sites (Seoul office and KAEMS)	
	Operating cost of environmental facilities	KRW million	1,387	905	990	※ Data for the Headquarters	
Environmental cost	General maintenance fee	KRW million	1,171	1,691	1,929	※ Data for the Headquarters, Sancheong, Goseong, Jongpo, and leased sites (Seoul office and KAEMS)	
	Use of hazardous chemicals	ton	271.08	213.94	204.76	※ Data for the Headquarters	
Industrial accidents	Chemical emissions	ton	27.95	26.99	26.98		
	Environmental accident	Cases	0	0	0		
Major certification status	Serious accidents		Cases	0	0	0	※ Data for the Headquarters, Sancheong, Goseong, Jongpo, and leased sites (Seoul office and KAEMS)
		Violations of safety and health laws	Cases	0	2	0	
	Industrial accident rate	%	0.14	0.18	0.16		
	ISO 14001 certification	Sites	4	5	5		
Acquired the Environmental Product Declaration Certification		numbers	0	0	0	※ Data for the Headquarters, Sancheong, Goseong, Jongpo, and leased sites (Seoul office and KAEMS)	
	Acquired the low-carbon product certification	numbers	0	0	0		
	ISO 45001 certification	Sites	4	5	5		

KAI ESG Data (Social Performance)

Classification		Unit	2020	2021	2022	Remark	
Manpower status	Total number of employees*	Persons	5,065	5,048	5,119	*As of the end of 2022, including those on leave	
	Total number of employees by gender	Male	Persons	4,718	4,693	4,718	
		Female	Persons	347	355	401	
	Total number of employees by age	Under 30	Persons	769	656	653	
		30 or older and under 40	Persons	1,503	1,512	1,509	
		40 or older and under 50	Persons	1,343	1,332	1,281	
	Total number of employees by rank	50 or older	Persons	1,450	1,548	1,676	
		Executives	Persons	36	34	32	
		Managers	Persons	250	265	270	
	Total number of employees by contract type	Employees	Persons	4,779	4,749	4,817	
		Regular workers	Persons	4,167	4,152	4,242	
	Employee diversity	Worker with fixed-term contract	Persons	898	896	877	
		Number of disabled employees*	Persons	85	84	82	*As of the end of 2022, including those on leave
	Ratio of disabled employees	%	1.78	1.74	1.66		
New hire status (employees)	Number of new hires	Persons	413	361	511		
	Number of new hires by gender	Male	Persons	338	286	402	
		Female	Persons	75	75	109	
	Number of new hires by age	Under 30	Persons	213	143	238	
		30 or older and under 40	Persons	119	90	124	
		40 or older and under 50	Persons	50	63	64	
	Number of new hires by position	50 or older	Persons	31	65	85	
		Executives	Persons	4	2	4	
		Managers	Persons	-	2	2	
	Number of new hires by contract type	Employees	Persons	409	357	505	
Regular workers		Persons	226	146	230		
	Worker with fixed-term contract	Persons	187	215	281		
Retirement status	Total number of retirees	Persons	313	361	441		
	Number of voluntary turnover	Male	Persons	99	123	160	
		Female	Persons	13	14	23	
		Total	Persons	112	137	183	
	Voluntary turnover rate	%	2.24	2.70	3.60		
	Number of involuntary turnover	Male	Persons	165	174	218	
Female		Persons	36	50	40		
	Total	Persons	201	224	258		

Classification		Unit	2020	2021	2022	Remark	
Retirement status	Involuntary turnover rate	%	4.02	4.42	5.07		
	Average tenure	Year	13.86	14.02	13.86		
Human resource development (education and training)	Total number of trainees	Persons	18,343	22,357	23,550		
	Total education cost	KRW 100 million	18.1	14.7	18.9		
	Total training hours	Hours	107,344	156,008	134,399		
	Training hours per person	Hours	21.6	31.0	26.5		
	Training cost per person	KRW 1,000/person	364.2	292.5	372.0		
	Satisfaction with training	Points	4.30	4.44	4.47		
Maternity leave usage	Number of employees who used maternity leave	Male	Persons	126	166	131	
		Female	Persons	8	10	9	
		Total	Persons	134	176	140	
Parental leave usage status	Number of employees using parental leave	Male	Persons	34	24	46	
		Female	Persons	9	9	10	
		Total	Persons	43	33	56	
	Return rate after parental leave	%	93.02	100.00	98.08		
Labor union membership status	Number of people eligible	Persons	4,153	4,150	4,262		
	Number of labor union members (collective agreement applied)	Persons	3,145	3,335	3,439		
	Ratio of labor union members (collective agreement applied)	%	75.7	80.4	80.7		
	Labor-management council meetings	Rounds	2	2	3		
Social contribution activities	Number of employees volunteering (including family members)	Persons	323	327	340		
	Employee volunteer hours	Hours	1,655	1,611	1,885		
	Volunteer hours per employee	Hours	5.1	4.9	5.5		
	Social contribution fund	KRW million	1,022	703	650		
	Number of beneficiaries	Persons	12,446	10,779	13,020		
Partner companies	Number of partner companies	Cases	75	78	79		
	Financial support for partner companies	KRW 100 million	213.6	237.9	159.9		
	Technical support for collaborative cooperation	Cases	2,602	1,824	1,989		
	Number of partners participating in ESG consulting	Cases	-	-	10		
Information/Cybersecurity	Number of information/cybersecurity incidents	Cases	-	1	-		
	Fines or penalties paid for accidents	KRW	None	None	None		
	Number of information security violations and incidents related to customer information	Cases	-	-	-		
	Number of customers affected by the data leaks	Persons	-	-	-		

KAI ESG Data (Governance Performance)

Classification		Unit	2020	2021	2022	Remark
Anti-corruption and ethical management	Employees who have completed ethics and compliance training (cumulative)	Persons	11,582	13,308	19,929	* Excluding 43 partners in 2021 and 50 collaborating companies in 2022
	Ratio of employees who participated in anti-corruption and integrity training	%	99	95.5	97	Based on online trainings
	Number of legal actions against unfair trade practices	Cases	1	1	1	
	Monitoring status ISO 37001		Acquired	Acquired	Acquired	
Status of Cyber reporting	Number of Cyber reporting received	Cases	27	39	39	
	Number of Cyber reporting processed	Cases	27	39	39	
	Ratio of Cyber reporting processed	%	100	100	100	
Board of directors	BOD operational performance	Number of board meetings	Rounds	9	10	12
		Number of agendas	Cases	46	68	53
		Ratio of outside directors	%	80	80	75
	Ratio of female directors	%	-	-	-	
	Board attendance rate	%	100	100	100	
	Total board remuneration	*Registered directors (excluding outside directors and audit committee members)	KRW million	619	631	1,276
*Outside directors (excluding audit committee members)		KRW million	-	-	-	* All of our outside directors are members of the Audit Committee.
Audit committee members		KRW million	250	250	253	

GRI Index

GRI STANDARD	DISCLOSURE	LOCATION	Remark
GRI 2: General Information Disclosure 2021	2-1. Organization profile	8-9	
	2-2. Business places included in the report	2-3	
	2-3. Reporting period, cycle, and contact point	2-3	Publication of the first report of the year
	2-4. Amended reports	X	
	2-5. Independent Assurance Statement	100-101	
	2-6. Value chain and business relationships	46-53	
	2-7. Employees	34-37	
	2-8. Self-employed workers	94	
	2-9. Governance structure and composition	74-81	
	2-10. Appointment and selection of the highest governance body	78-79	
	2-11. Chairman of the highest governance body	78-79	
	2-12. Role of the highest governance body in the oversight of impact management	82-85	
	2-13. Delegating responsibility for impact management	82-85	
	2-14. Role of the highest governance body in relation to the report	74-81	
	2-15. Conflict of interest	76-77, 80-81	
	2-16. Communication of material concerns	88-89	
	2-17. Enhancing/developing common knowledge of the highest governance body	81	
	2-18. Performance evaluation of the highest governance body	X	See the Business Report
	2-19. Remuneration policy	X	See the Business Report
	2-20. Procedure for determining remuneration	X	See the Business Report
	2-21. Annual total remuneration rate	X	See the Business Report
	2-22. Statement on the sustainable development strategy	12, 20	
	2-23. Commitment policy	12	
	2-24. Activities involving commitment policy	12-13	
	2-25. Procedures to remedy negative impacts	82-85	
	2-26. Alert and advisory mechanisms	76-77, 80-81	
	2-27. Compliance with laws and regulations	32-33, 40-41	
2-28. Membership of associations	X	See the Business Report	
2-29. Stakeholder engagement process	37, 41-42, 52-53, 76-77		
2-30. Collective bargaining agreement	37		
GRI 3: Material Issues 2021	3-1. How to determine material issues	88-89	
	3-2. List of material issues	88-89	
	3-3. Management of material issues	88-89	
GRI 201: Economic Performance 2016	201-1. Creation and distribution of direct economic value	X	See the Business Report
	201-2. The financial impact of climate change on the organization's activities and other risks and opportunities	16-19	
	201-3. Appropriation or reserves for liabilities under the defined benefits-type pension system of the organization	X	See the Business Report
	201-4. The government's financial support	19, 48-52	

GRI STANDARD	DISCLOSURE	LOCATION	Remark
GRI 202: Market Presence 2016	202-1. Ratio of basic starting pay or wages by gender to the local minimum wage	X	Preparing for disclosure
	202-2. Ratio of high-ranking management team members locally employed	X	Preparing for disclosure
GRI 203: Indirect Economic Impacts 2016	203-1. Investment in infrastructure, the development of services for support, and the impact	48-53, 64-70	
	203-2. Significant indirect economic effects, including scale of impact	48-53, 64-70	
GRI 204: Procurement Practices 2016	204-1. Ratio of expenditures paid by key business places to the local suppliers	46-53	
GRI 205: Anti-corruption 2016	205-1. Number and ratio of business places that assessed corruption risks, and significant risks discovered	32-33, 40-41	
	205-2. Disclosure of and training on anti-corruption policies and procedures	32-33, 40-41	
	205-3. Confirmed corruption cases and actions against them	32-33, 40-41	
GRI 206: Anti-corruption Practices 2016	206-1. Number of legal actions taken against unfair competition and monopoly practices and their results	32-33, 40-41	
	207-1. Approach to tax management	X	Insufficient information
GRI 207: Tax 2019	207-2. Tax-related governance, control and risk management	X	Insufficient information
	207-3. Tax-related communication with stakeholders and grievance-handling procedures	X	Insufficient information
	207-4. Disclosure of tax details by country	X	Insufficient information
	301-1. Weight or volume of raw materials used	X	Insufficient information
GRI 301: Raw Materials 2016	301-2. Ratio of recycled resources used	27	
	301-3. Percentage of the recycling of the products sold and packing materials	X	Insufficient information
	302-1. Energy consumption within the company	16-17, 24, 92	
GRI 302: Energy 2016	302-2. Energy consumption outside the company	X	Preparing for disclosure
	302-3. Energy intensity	92	
	302-4. Reduction of energy consumption	X	Preparing for disclosure
	302-5. Reduction of energy required by products and services	X	Preparing for disclosure
	303-1. Water use as a shared resource	23, 25, 92	
GRI 303: Water Use 2018	303-2. Management of impacts related to water disposal	23, 25, 92	
	303-3. Water collection	23, 25, 92	
	303-4. Water discharges	23, 25, 92	
	303-5. Water consumption	23, 25, 92	
GRI 304: Biodiversity 2016	304-1. Business sites owned, leased, or managed in or around zones with high biodiversity values	X	Preparing for disclosure
	304-2. Material impact of activities, products, and services on biodiversity	X	Preparing for disclosure
	304-3. Habitats protected or restored	X	Preparing for disclosure
	304-4. Number of endangered species inhabiting the business sites, designated by the IUCN and the country for protection	X	Preparing for disclosure
GRI 305: Emissions 2016	305-1. Direct GHG emissions (scope 1)	16-17, 92	
	305-2. Indirect GHG emissions from energy (scope 2)	16-17, 92	
	305-3. Other indirect GHG emissions (scope 3)	92	
	305-4. GHG emission intensity	16-17, 92-93	
	305-5. Reduction of GHG emissions	16-17, 92-93	
	305-6. Emissions of Ozone-Depleting Substances (ODS)	16-17, 92-93	
GRI 306: Waste 2020	305-7. NOx, SOx, and other significant air emissions	23, 93	
	306-1. Generation of waste and significant waste-related impact	26-27, 92	
	306-2. Management of significant waste-related impacts	26-27, 92	
	306-3. Amount and type of waste	26-27, 92	
	306-4. Waste recycling	26-27, 92	
306-5. Waste landfill	26-27, 92		

GRI STANDARD	DISCLOSURE	LOCATION	Remark
GRI 308: Environmental Assessment of Supply Chain 2016	308-1. New suppliers that were screened using environmental criteria	16-19, 52	
	308-2. Negative environmental impacts in the supply chain and actions taken	52, 58-59	
GRI 401: Employment 2016	401-1. Number of new hires and turnover	94-95	
	401-2. Welfare benefits provided only to full-time workers	36	
	401-3. Parental leave	38, 95	
GRI 402: Labor/Management Relations 2016	402-1. Minimum notice periods regarding operational changes	X	See the Business Report
GRI 403: Occupational Safety and Health 2018	403-1. Occupational safety and health management system	54, 57-59	
	403-2. Hazard identification, risk assessment, and incident investigation	55, 61-62	
	403-3. Occupational safety and health services	56, 63	
	403-4. Worker participation, consultation, and communication on occupational safety and health	55-56, 62-63	
	403-5. Employee training on occupational safety and health	56, 58	
	403-6. Promotion of worker health	63	
	403-7. Prevention and mitigation of occupational safety and health	54-55, 57-58, 60	
	403-8. Employees covered by an occupational safety and health management system	57, 59	
	403-9. Accident rate	59-60, 93	
	403-10. Work-related ill health	60	
GRI 404: Training and Education 2016	404-1. Average annual training hours per employee	35, 95	
	404-2. Employee skills development and transition programs	34-35	
	404-3. Percentage of employees who received performance and career development reviews	34-35	
GRI 405: Diversity and Equal Opportunity 2016	405-1. Diversity of governance bodies and employees by category	37, 81, 94	
	405-2. Ratio of basic salary and remuneration of women to men	X	See the Business Report
GRI 406: Anti-discrimination 2016	406-1. Number of discrimination incidents that occurred and actions taken	X	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1. Business areas or suppliers most likely to violate freedom of association and collective bargaining and preventive measures	X	
GRI 408: Child Labor 2016	408-1. Corrective actions taken to discontinue operations and suppliers with high risk for incidents of child labor	X	
GRI 409: Forced Labor 2016	409-1. Corrective actions taken to eradicate operations and suppliers with high risk for incidents of forced labor	X	
GRI 410: Security Practices 2016	410-1. Percentage of security personnel trained in human rights policies and procedures	X	Insufficient information
GRI 411: Indigenous Rights 2016	411-1. Number of infringements on indigenous rights and actions taken	X	Insufficient information
GRI 413: Local Communities 2016	413-1. Projects/Programs with local community engagement, impact assessments, and development programs	46-53, 64-70	
	413-2. Projects/Programs with significant actual and potential negative impacts on local communities	X	See the Business Report
GRI 414: Social Assessment of Supply Chain 2016	414-1. New suppliers that were screened using social criteria	X	Insufficient information
	414-2. Negative social impacts in the supply chain and actions taken	X	Insufficient information
GRI 415: Public Policy 2016	415-1. Political contributions	X	Insufficient information
GRI 416: Customer Safety and Health 2016	416-1. Percentage of major products and services assessed for health and safety impacts for improvement	X	See the Business Report
	416-2. Incidents of non-compliance concerning the safety and health impacts of products and services	X	See the Business Report
GRI 417: Marketing and Labeling 2016	417-1. Information and labeling requirements for products and services	X	See the Business Report
	417-2. Number and type of incidents of non-compliance with laws and voluntary codes concerning information and labeling of products and services	X	See the Business Report
	417-3. Incidents of non-compliance with laws and voluntary codes concerning marketing communications	X	See the Business Report
GRI 418: Customer Privacy 2016	418-1. Number of substantiated complaints of breaches of customer privacy and losses of customer data	X	See the Business Report

Independent Assurance Statement

To the Stakeholders of Korea Aerospace Industries, Ltd.

The Korea Productivity Center (hereinafter "Assurer") has received a request from KAI for a third-party verification of the "2023 KAI Sustainability Report" (hereinafter "report") and submits opinions based on the verification results as follows:

Responsibility and independence

KAI is solely responsible for the information and opinions presented in this report. As the Assurer of this report, KPC is responsible for the verification opinion. As an independent verification agency, KPC has not participated in the preparation of this report and had no interests that could hinder its independence.

Verification criteria and implementation method

This verification was conducted according to the moderate level of type 1 verification based on the AA1000AS (2008) v3 verification standard. We also reviewed compliance with the four principles presented by the AA1000AP (2018): Inclusivity, Materiality, Responsiveness, and Impact. We applied the configuration criteria required by the principles. We verified the balance, comparability, accuracy, timeliness, clarity, and reliability of the indicators and information presented in the report through information based on documents presented by the reporting agency and on-site interviews. However, information from outside of the organization, such as partners and contractors, was excluded from the scope of verification.

Verification methods

- We verified this report through the following checks and methods:
- Whether the requirements for GRI Standards 2021 were satisfied
 - Based on the GRI Standards 2021, compliance with the principles of the report content and quality
 - Compliance with the Universal Standards
 - The importance and relevance of topic-specific standards
 - A comparative analysis with other sources to confirm the suitability of the report and correct errors in expressions
 - The on-site inspection of Sacheon Headquarters to verify the basis for the key data and information, internal processes, and systems

Verification results

The Assurer confirmed that this report reflects KAI's sustainability management activities and performance in a sincere and fair manner. Additionally, this verification work confirmed that KAI's report satisfies the requirements for the reporting method of GRI Standards 2021. No violations were found regarding compliance with the principles presented in AA1000AP (2018). Details of the topic-specific standards are as follows:

Key Issues	Topic Specific Standards
Issue 1. Strengthening anti-corruption and ethical management	205-1, 205-2, 205-3
Issue 2. Strengthening safety and security based on ICT expertise	418-1
Issue 3. Acquisition of certifications for the compliance management system	205-1, 205-2, 205-3
Issue 4. Enhancing labor-management cooperation and human rights management	402-1, 207-1
Issue 5. Enhancement of sustainable corporate value	2-22
Issue 6. The development of eco-friendly future technology	2-22, 203-1, 203-3

• Inclusivity: stakeholder engagement

KAI promotes communication activities through communication channels by the stakeholder group to comply with the principle of inclusivity. KAI classifies its key stakeholders into shareholders, local communities, management, and members and establishes communication channels by stakeholder characteristics to collect their opinions. Collected stakeholder opinions are reflected in internal strategies, and the process of reflecting such opinions in management decision-making is considered a good practice.

• Materiality: Selection and reporting of key issues

KAI confirmed that the company's key issues are being selected through the materiality evaluation process. KAI has selected key issues for stakeholders through external environment analysis, including a review of international standards such as GRI Guidelines, UN SDGs, ISO26000, TCFD, and SASB, as well as media research and investigations into industry-related issues. In addition, it has been confirmed that KAI presents future response directions for key issues by reporting issues derived from the materiality test results in connection with the stakeholder matrix.

• Responsiveness: organizational response to issues

The Assurer has confirmed that KAI identifies key issues that affect stakeholder performance, establishes sustainability management strategies to respond to them, and properly describes them in the Report. In particular, the Assurer has identified objectively that KAI responds to key issues through stakeholder surveys and interviews every year. In addition, the Assurer has confirmed that KAI is faithfully disclosing its response activities and performance centering on key issues in sustainability management in the report.

• Impact: considering the impact of the company

KAI considers the company's impact on society by setting boundaries on the impact of key issues. The Assurer has confirmed in the report that KAI pays attention to the impact on environmental safety and social issues and discloses products and development activities to minimize negative impacts.

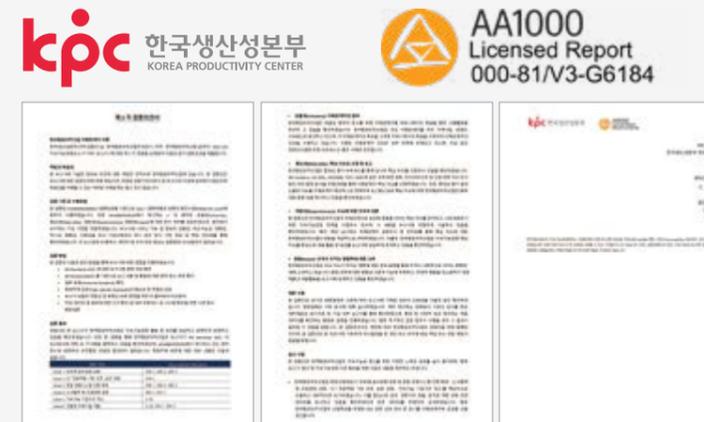
Restrictions

According to the scope and level of verification above, this Assurer has confirmed the reliability of the performance described in the report as follows: The on-site inspection was conducted at the headquarters in Sacheon. Financial data was verified through financial statements audited by an accounting audit agency, public disclosure data, and the company's internal reports, and environmental and social performance data were verified through collected data. The results may change if additional verification procedures are performed in the future. This verification statement is issued for KAI's management under the contract, and the Assurer shall not be liable or jointly liable for any compensation to the individual or organization that made the decision based on this statement.

Recommendations

The Assurer highly appreciates KAI's various efforts and achievements to enhance sustainability and proposes the following to improve the level of future reports and sustainability management.

As a defense industry company, KAI derived key issues to improve, which include "anti-corruption and ethical management, and acquisition of the certification for the compliance management system," "labor-management cooperation and human rights management," "safety and security based on ICT expertise," and "sustainable corporate value," then reported the issues in detail. The Assurer has confirmed that KAI reports the data related to the creation of ethical and economic values and the enhancement of employee capabilities, and the related data has been disclosed transparently. It is recommended that KAI share the management performance and disclosure of ESG-related performance reflecting the company's industry characteristics with the stakeholders in the future.



June 2023
 Chairman of Korea Productivity Center
 Ahn Wan-ki *[Signature]*

The Sustainability Management Center of the Korea Productivity Center is a verification agency officially certified by Accountability, the institution that established AA1000, the international standard for stakeholder engagement and verification, and is qualified to conduct independent verification. In addition, the Verification Committee is composed of experts who have accumulated experience and received professional training in the field of advisory and verification of sustainability management.

GHG Verification Statement

GHG Emission Verification Statement - Korea Aerospace Industries, Ltd.

1. Verification Scope

- Boundary: All business sites and emission facilities under the operational control of the organization
- Subject of verification: Headquarters of Korea Aerospace Industries, Ltd., its factories in Sancheong, Jongpo, Goseong, Sacheon, and the Seoul office
- Validation period: January 1 - December 31, 2022
- Verification scope of emission sources: direct emission sources (Scope 1), indirect emission sources (Scope 2)
- Assurance Level: Reasonable level of assurance (±5.0% of total emissions based on materiality)

2. Verification Criteria

- Guidelines for reporting emissions and certification under the Emission Trading Scheme (Ministry of Environment Notice No. 2022-279)
- Verification guidelines for the operation of the GHG Emission Trading Scheme (Ministry of Environment Notice No. 2021-112)
- KS A ISO 14064-1:2006, KS A ISO 14064-3:2006
- Emissions calculation plan distributed to NGMS

3. Verification Results

Classification	Direct emissions (Scope 1)	Indirect emissions (Scope 2)	Total (tCO2eq)
2022	14,512	47,189	61,701

4. Verification Opinion

The verifier confirms that Korea Aerospace Industries, Ltd. has appropriately calculated its greenhouse gas emissions for 2022.



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CEO Kim In-soo

Published date: June 01, 2023

GHG Scope 3 Verification Statement for Korea Aerospace Industries, Ltd.

1. Verification Scope

This Verification Statement has been prepared at the request of KAI. Shinwha Engineering Architecture Co., Ltd. received a verification request from KAI for Scope 3 greenhouse gas emissions in 2022. This report covers greenhouse gas emissions from 4 of the 15 Scope 3 categories: Upstream Transportation & Logistics, Employee Travel, Employee Commuting, and Downstream Transportation & Logistics.

2. Management Responsibilities

KAI's management is responsible for compliance with ISO 14064-1:2006, preparation of related claims and reports, and effective internal management of data and information.

The responsibility of Shinwha Engineering Architecture Co., Ltd. is limited to the assurance of the report under the contract with KAI.

3. Verification Approach

In order to verify at a limited assurance level whether the GHG data in the KAI report complies with ISO14064-1:2006, "Organization-wide rules and guidelines for the quantification and reporting of GHG emissions and removals," the verification was conducted in accordance with the "rules and guidelines for validation and verification of GHG declarations." Verification activities to draw conclusions were conducted through sampling, and in particular, the following activities were performed.

- The verifier reviewed the processes related to the management of GHG emission data and records.
- The verifier interviewed the staff responsible for the management of the GHG emission data and records.



- The verifier used the sum of greenhouse GHG data and records for 2022.

4. Assurance Level and Importance

Under the contract, verifiers targeted 4 out of 15 categories of Scope 3, and GHG emissions verification was conducted at a limited assurance level and a materiality criterion of 5%. The verification opinion derived in this way is contained in this Verification Statement.

5. Verification Opinion

As a result of verification based on its own approach, Shinwha Engineering Architecture Co., Ltd. found no significant inaccuracies in the four categories of Scope 3 GHG emissions as summarized in Table 1 below in terms of materiality. The verifier could not find anything that would cast doubt on the report's non-compliance with ISO 14064-1:2006.

Table 1. Summary of KAI Scope 3 GHG Emissions

Classification	Categories	GHG Emissions (tCO2eq)
Scope3	Upstream transportation and logistics	138.092
	Employee travel	798.060
	Employee commuting	145.721
	Downstream transportation and logistics	187.827
Total		1,269.7

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