

2024 KAI Sustainability Report



KOREA AEROSPACE INDUSTRIES
SUSTAINABILITY REPORT 2024

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Sustainability Report



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ABOUT THIS REPORT

KAI has been publishing the Sustainability Report since 2023 to transparently disclose its various activities and achievements in sustainability management to various stakeholders and to share its strategic direction.

Reporting Period

The reporting period for financial performance and sustainability management activities in this report is January 1, 2023 through December 31, 2023. Quantitative data, where trend reporting is required, covers three years of performance (2021–2023), and some qualitative data, where required, covers activities through the first half of 2024.

Scope and Boundaries of Reporting

The scope of this report includes the contents of the headquarters, the Sancheong, Jongpo, and Goseong factories, and the Seoul office, which differs from the scope of consolidation in the consolidated financial statements. For the convenience of the reader, some information that requires attention to the scope and boundaries of reporting is presented in separate notes.

Report Assurance

The financial data in this report has been independently audited by Samjong Accounting Corp., and the non-financial data has been independently verified by the Korean Standards Association to ensure objectivity, reliability, and transparency.

Reporting Frequency

The reporting frequency for this report is one year, with the last report published in June 2023.

Inquiries About the Report

This report is available for download from the KAI website. Please contact KAI for more information or to provide feedback on the report.

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CEO Message



FLY TOGETHER
FOR A SUSTAINABLE
FUTURE



ENVIRONMENTAL

SOCIAL

GOVERNANCE

APPENDIX

We would like to thank you all for your continued support for KAI's further growth and development.

The year 2023 was a challenging year for business activities due to the increase in various disasters caused by climate change around the world, as well as extreme conflicts between countries, an economic recession, and supply chain instability.

The aerospace industry requires international cooperation at its core, and sustainability management is becoming increasingly important to overcome fierce competition and crises in order to grow.

In the recent international ESG management environment, all three global ESG disclosure standards, such as those of Europe, the United States, and the International Sustainability Standards Board (ISSB), have been finalized. In Korea, the Korea Sustainability Standards Board (KSSB) of the Korea Accounting Institute has released draft domestic ESG disclosure standards, and the Financial Services Commission has also released draft guidelines for corporate value enhancement plans, recommending that companies use outside indicators.

In addition, the European Union (EU) has recently finalized (April 24, 2024) the EU Corporate Sustainability Due Diligence Directive (CSDDD), a new regulation that requires companies to disclose relevant information to prevent and remedy adverse impacts on human rights and the environment, and requires ESG management to be phased in for all companies in and outside the EU, depending on their turnover and number of employees.

Governance: Institutionalize the appointment of outside directors based on their area of expertise

In preparation for the rapidly changing ESG management environment at home and abroad, KAI is strengthening the responsible management activities of the Board of Directors to enhance sustainable corporate value. In governance, we are improving our expertise in international cooperation by institutionalizing and stabilizing the appointment of outside directors based on their expertise, conducting preliminary review meetings for major management matters, and establishing and operating an ESG committee within the board of directors. We are also actively engaging in independent and autonomous management activities in which the Board of Directors actively participates.

Environmental: Establish an energy transition plan to achieve substantial carbon neutrality

On the environmental front, since last year, we have established an energy transition plan to achieve substantial carbon neutrality and have implemented investments in solar power generation. We have already completed the first step of construction for our own use, followed by plans for the second step of investment in power generation and the third step of conversion of existing leased facilities for our own use, and we are actively working to reduce carbon emissions globally with the goal of "Achieving 100% Renewable Energy Procurement."

Social: Promulgate a human rights management declaration to express the commitment to and practice of active human rights management

In the social sector, we have strived for shared growth with our suppliers in the aerospace industry by promulgating a Human Rights Management Declaration to express our commitment to and practice active human rights management, donating funds for cooperation, rewarding incentives for our suppliers, and supporting job stabilization. In addition, we were recertified as a family-friendly company by the Ministry of Gender Equality and Family as a result of our labor-management cooperation to create a family-friendly social environment, and we increased the maternity incentive payment system, which is a national concern, to a maximum of 30 million won.

Notably, in 2023, among our key strategies for ESG, we were certified for energy management systems (ISO 50001) and compliance management systems (ISO 37301), and we also became the first company in the domestic defense industry to be certified for information security management systems (ISO/IEC 27001), establishing a globally recognized management system that reflects the changing digital environment, including the latest cloud services and artificial intelligence (AI), and laying the foundation for sustainability management.

Going forward, we will do our best to prepare for a sustainable future of shared growth by developing a mid-to-long-term carbon neutrality strategy, preparing to build an ESG data platform, implementing ESG education for suppliers, and establishing social value measurement standards based on this strategy in order to expand and consistently promote sustainability management.

We look forward to your assistance and collaboration.

June 2024






Kang Goo-young, CEO and President, Korea Aerospace Industries, Ltd.

Company Profile

About KAI

Established in 1999 as a consolidated corporation of the aircraft divisions of three major Korean companies, KAI has been responsible for the Republic of Korea's security and air force military strength, successfully developing the KT-1 basic trainer and T-50 advanced jet trainer, the Surion utility helicopter, the Songgolmae unmanned surveillance and reconnaissance vehicle, and the light-armed helicopter and light civil helicopter (LAH/LCH). It is also on the verge of production and deployment of the Korean KF-21 fighter aircraft, the core of future security. In addition, KAI is the first private company in Korea to participate in the development of next-generation mid-size satellites and defense satellites, and it is expanding into the space business through the final assembly of Korean launch vehicles.

Financial Summary

Revenue	Operating Income	Net Income
		
3.82 trillion	247.5 billion	221.4 billion
Total Assets	Equity	
		
7.14 trillion	487.4 billion	

General Information

Company Name	Korea Aerospace Industries, Ltd.
CEO	President Kang Goo-young
Main Business	Development, manufacture, and sale of aircraft, space satellites, launch vehicles, etc.
Date of Incorporation	October 1, 1999
Headquarters Location	78, Gongdan 1-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do, Republic of Korea
Organization/Employees*	3 divisions, 1 institute, 2 divisions, 2 centers, 2 offices, 4 groups / 5,121 employees
Business Locations	Korea: Sacheon Headquarters, Sancheong Factory, Jongpo Factory, Goseong Factory, Seoul Office Overseas: Americas Corporation; Offices in Turkey, Indonesia, etc.
Financial Status Credit Rating**	Assets: 7.1396 trillion won; revenue: 3.8193 trillion won Korea Investors Service: AA- / NICE Investors Service: AA- (corporate bonds)

*As of May 2024 / **As of March 2024

ESG Rating

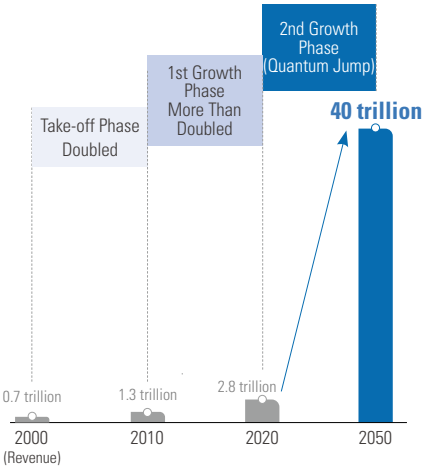
Classification		2021	2022	2023
Korea Institute of Corporate Governance and Sustainability	Total	A	C	B+
	Environmental (E)	A	B	B+
	Social (S)	A+	A	A
	Governance (G)	B+	D	B+
Sustainvest		-	A	AA
Carbon Disclosure Project (CDP)		D-	-	D

Main History

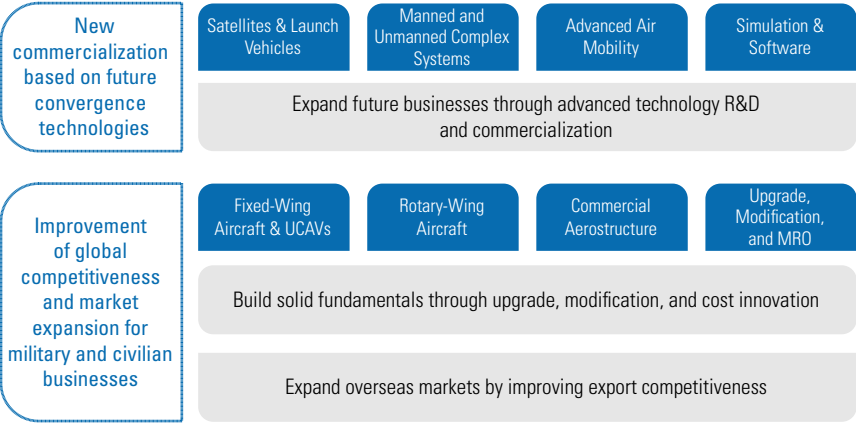
1999-2024

October 1999	Founded Korea Aerospace Industries, Ltd.	December 2013	Signed a contract with Iraq to export 24 units of the T-50	June 2020	Signed a contract for the second production of the TA-50	September 2022	Signed a contract with Poland to export 48 units of the FA-50
November 2000	Held a delivery ceremony for the first production unit of the KT-1	January 2014	Selected as the final assembler for Korean launch vehicle systems	October 2020	Built Goseong factory	December 2022	Established ESG mid-to-long-term management strategy
February 2001	Signed a contract with Indonesia to export the KT-1 basic trainer	July 2014	Selected as a preferred negotiating company for LAH/LCH	December 2020	Signed a contract for the fourth production of the Surion	January 2023	Declared the Global KAI 2050, a mid-to-long-term vision
February 2006	Signed an MOU for joint development of the Airbus A350	January 2016	Signed an agreement to co-develop the KF-21 Korean fighter aircraft with Indonesia	April 2021	Held a rollout ceremony for the KF-21 prototype 1	May 2023	Passed a provisional combat suitability evaluation for the KF-21
June 2010	Successfully completed the maiden flight of the Surion	March 2016	Selected as one of the top 100 job creators	July 2021	Signed a contract with Indonesia to export 6 units of the T-50i and a 4th contract with Thailand for the T-50TH	May 2023	Signed a contract with Malaysia to export 18 units of the FA-50
July 2010	Completed the A350 Smart Factory	April 2017	Signed a contract for the KAI-KARI Multi-purpose Satellite 7 project	October 2021	Achieved an overall ESG rating of A for the fourth consecutive year	May 2023	Contributed greatly to Nuri's successful third launch, including the final system assembly
May 2011	Became the sixth exporter of supersonic aircraft in the world (16 units of the T-50 to Indonesia)	July 2017	Signed a contract to supply the Boeing B777X W/R	November 2021	Achieved Level 8 Productivity Management System (PMS) certification, the highest level in the country	June 2023	Published the first KAI Sustainability Report
June 2011	IPO on the Korea Exchange (KRX)	June 2018	Established KAEMS, a company specializing in aircraft MRO	March 2022	Declared ESG Management	September 2023	Signed a contract to supply parts for the B787 and B777X
July 2012	Opened KAI Aviation Center, an aviation science experience center, Republic of Korea Donation for Education No. 1	September 2018	Became the first defense industry to achieve ISO 37001 (anti-bribery management systems) certification	April 2022	Established an ESG committee and adopted a corporate governance charter	December 2023	Signed a contract for the second production of the light-armed helicopter (LAH)
November 2013	Built Sancheong factory	February 2020	Selected as a "Thoughtful Corporation" by the Ministry of SMEs and Startups	July 2022	Successfully completed the maiden flight of the KF-21 Boramae	March 2024	Signed a contract to supply pylons for the EVE-100 eVTOL project

VISION 2050

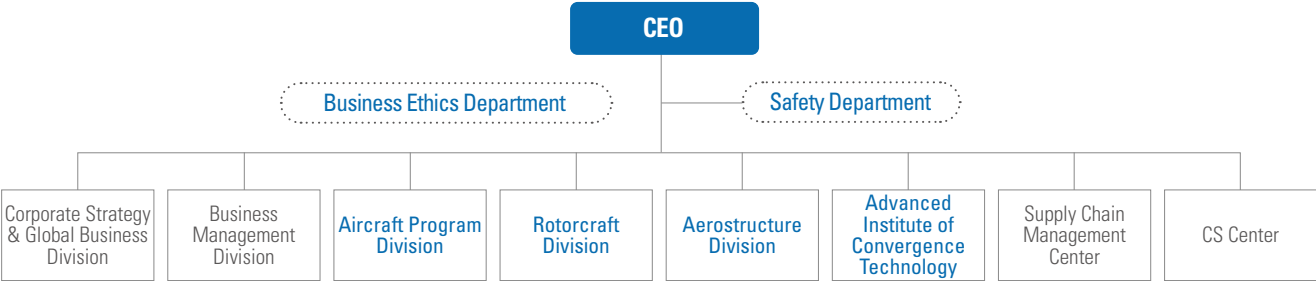


KAI's new vision, "Global KAI Beyond Aerospace," encompasses fixed-wing aircraft, rotary-wing aircraft, aero structures, upgrade and modification, and MRO businesses, as well as the space and unmanned aerial vehicle (UAV) businesses. Through a period of growth, KAI has become a comprehensive aerospace system provider representing the Republic of Korea, with sales of 3.8 trillion won, the highest since its establishment in 2023. KAI also continues to expand its sales and orders based on its strong export performance. In addition to its existing businesses, KAI will work toward achieving 40 trillion won in sales by 2050 by pursuing growth businesses represented by AAVs, manned and unmanned complex systems, satellite services, and future training systems, and future businesses represented by next-generation aircraft, eco-friendly aircraft, and space exploration solutions.



Organization Chart

As of May 7, 2024



Fixed-Wing Aircraft

The KT-1, a basic trainer recognized as the best in its class for its outstanding stability and efficiency; the T-50, a supersonic advanced jet trainer rated as the optimal trainer for training fighter pilots; and the FA-50, a fighter aircraft equipped with precision-guided munitions and tactical data links, have proven to be excellent performers for their stability and high availability rate. As a result, KAI has gradually succeeded in exporting its aircraft to Europe, Southeast Asia, the Middle East, South America, and Africa, establishing a security belt centered on indigenous aircraft. In addition, the Republic of Korea has successfully developed the KF-21, a 4.5-generation supersonic fighter, making it the eighth country in the world to develop a supersonic fighter aircraft that is ready for production and deployment. KAI will expand the export market for the FA-50 and KF-21 and develop fifth- and sixth-generation fighter aircraft and multi-role transport aircraft to strengthen the Republic of Korea's aviation industry.



KF-21



FA-50



T-50



KA-1



KT-1

Rotary-Wing

KAI developed the KUH (Surion) as a medium-utility helicopter for the Republic of Korea Army, which was deployed in 2013 and is currently being used as a variety of military and civil helicopters for the army, marine corps, police, firefighting, etc. In addition, KAI has developed LAH (light armed helicopter) and LCH (light civil helicopter) under the government's integrated civil-military helicopter development project, and the three platforms developed by KAI are being promoted to overseas markets through exports. KAI will then develop a next-generation utility helicopter that will more than double the performance and speed of existing helicopters, thereby elevating the Republic of Korea's helicopter business to a world-class level.



KUH



LCH



LAH

Aero Structures

With the development of the four-seat KC-100, KAI has become certified for the development of small commercial aerostructure (March 28, 2013) and is recognized as a preferred supplier of the world's leading aviation companies, such as Boeing and Airbus, participating in the design and manufacture of key structures. KAI, which has built state-of-the-art production facilities based on artificial intelligence and digital technologies, will conduct joint research on new technologies with global commercial aerostructure manufacturers to secure commercial aerostructure element technologies and will also challenge itself to develop its own medium and large commercial aerostructures to meet the growing global demand for passenger aircraft.



Aerostructure

Upgrade, Modification, and MRO

KAI developed its MRO technology via upgrades, modifications, and depot maintenance of various military aircraft, and it has now expanded this to commercial aerostructures, accepting responsibility for the safety of local airlines that traditionally relied on overseas maintenance. In addition, KAI is strengthening its global competitiveness by providing depot maintenance for the P-3C maritime patrol aircraft and upgrades and modifications for the C-130H Transport Aircraft, KT-1, T-50, and Surion. KAI will leap forward to become an Asia-Pacific MRO hub for both civil and military applications by promoting new businesses such as passenger-to-freighter conversion.



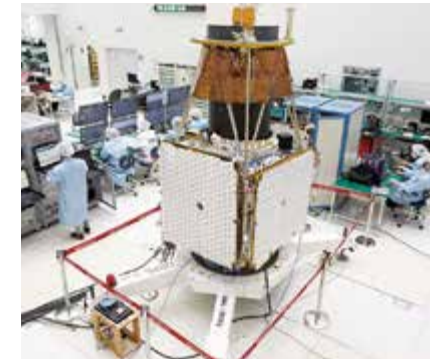
Upgrade and Modification



MRO

Space

KAI has participated in space projects with the government for the past 30 years, securing technologies for the development of various satellite platforms ranging from small to medium and large, and has also entered the service market, such as satellite image analysis, preparing for the privately-led New Space Era. In addition, KAI is the only company in Korea that has performed stage assembly of launch vehicles to final system assembly and will expand its business into space exploration mobility to explore limitless space by improving reusable launch vehicles and space mobility technologies.



Satellite



Launch Vehicle

UAV and Eco-Friendly Aircraft

KAI is preparing for the future era of UAVs by securing numerous derivative UAV technologies based on the next corps-class UAV that is presently being developed, as well as conducting various UAV developments such as unmanned combat aerial vehicles (UCAV) and vertical take-off and landing (VTOL) UAVs. KAI is also prepared to lead the future aviation industry by undertaking advanced research on electric and hydrogen-powered advanced air vehicles (AAV) and eco-friendly aircraft, which will serve as innovative solutions for transportation in the future.



Next Corps Surveillance UAV



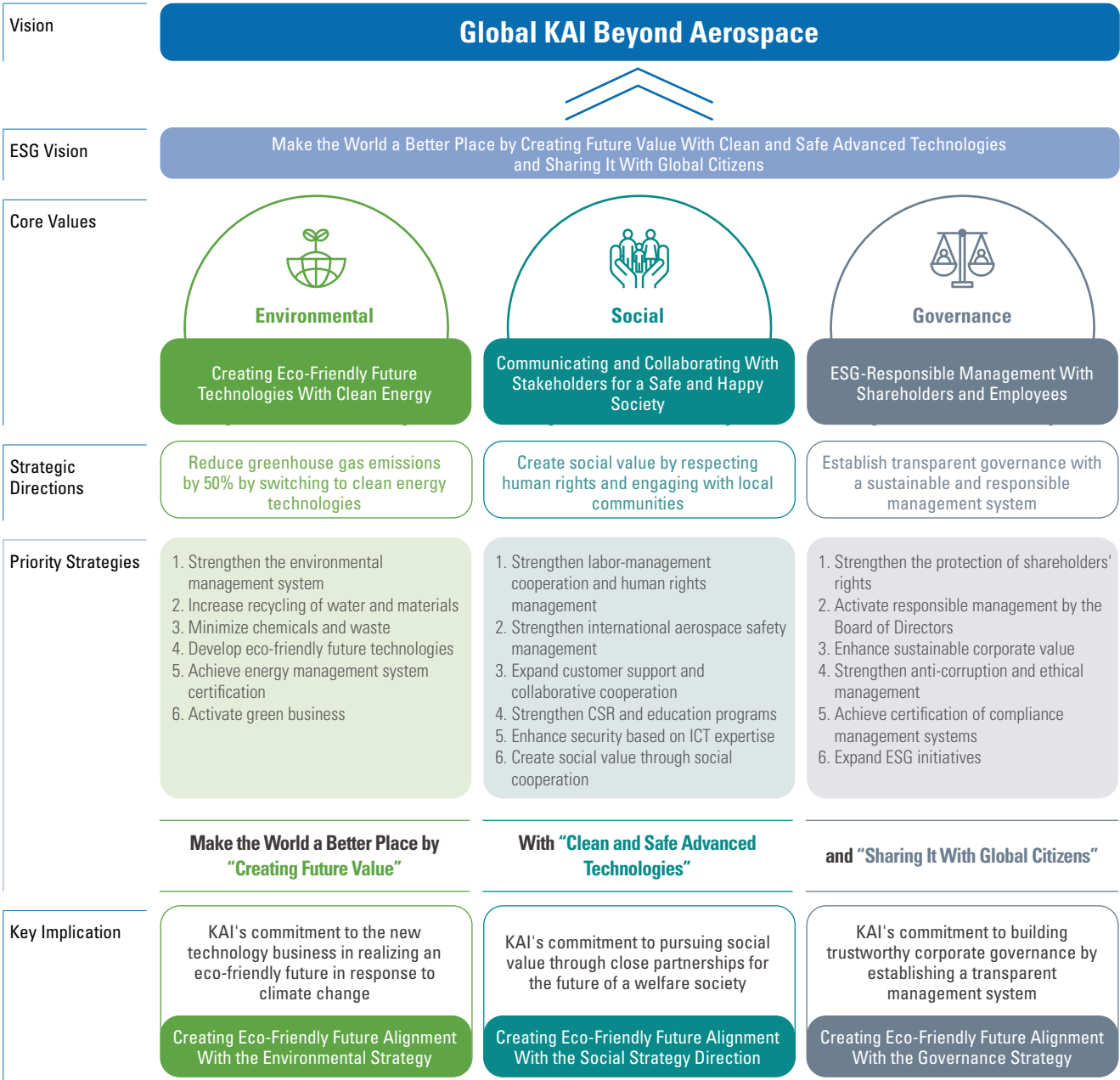
Advanced Air Vehicle

Subsidiaries

KAI works with four subsidiaries – Korea Aviation Engineering & Maintenance Service (KAEMS), which specializes in maintenance, repair, and operations (MRO); S&K Aerospace, which specializes in the manufacture of commercial aerostructures; Aviosys Technologies, which specializes in the development and manufacture of rotorcraft avionics components; and Korea Aerospace F.W. Inc., which supports exports to and purchases from the Americas – and five relevant companies to realize its mid-to-long-term vision and enhance customer value, creating a win-win ecosystem and new business partnerships.

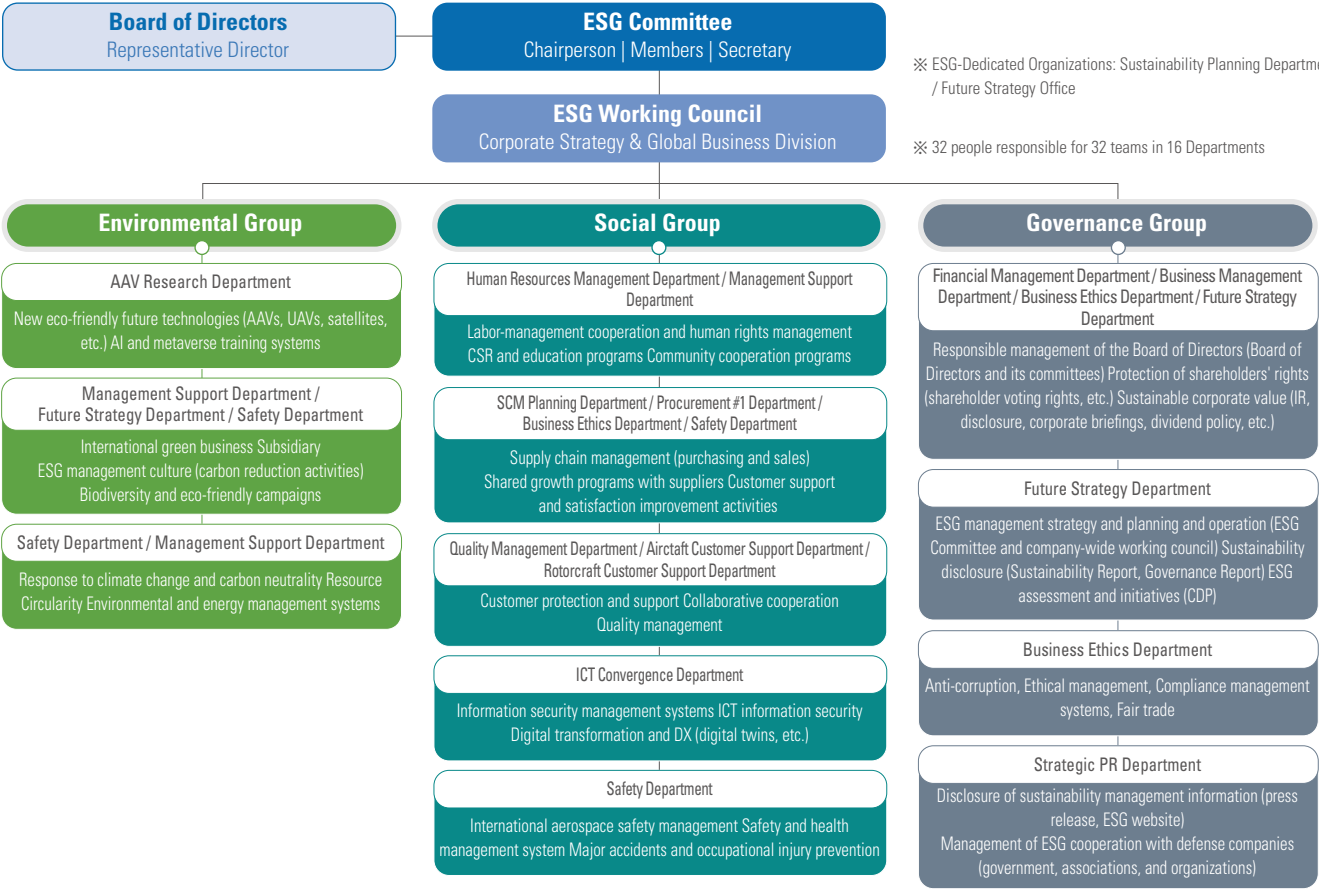
ESG Management Strategy

KAI pursues sustainable development that aims to be eco-friendly, enhance social responsibility, and improve governance. In line with its corporate vision of "Global KAI Beyond Aerospace" and its ESG vision of "Make the World a Better Place by Creating Future Value With Clean and Safe Advanced Technologies and Sharing It With Global Citizens," KAI has established an ESG management strategy system by defining six key promotion strategies for each area from a mid-to-long-term perspective based on its core values and strategic directions in the areas of environment, society, and governance. In December 2023, the Company strengthened its ESG management strategy by redefining the existing material issues based on important economic, financial, social, and environmental issues affecting the Company's business activities and actively promoting and managing these issues. Previously, KAI established the ESG Committee under the Board of Directors and adopted a Corporate Governance Charter, pledging to establish sound corporate governance and fair corporate activities and founding an ESG management philosophy. Going forward, KAI will continue to internalize and promote ESG management, continuously review the status of implementation, and create effective ESG performance to realize sustainable development.



ESG Governance

The ESG Committee is the highest deliberative body for ESG management and serves as a company-wide control tower. On a quarterly basis, it establishes ESG management strategies and policies for effective decision-making in mid-to-long-term strategic directions, specifies actions to be implemented in each area, and reviews the results and performance of the implementation to lead the Company to sustainable growth. The ESG Committee meets regularly once a quarter and may hold ad hoc meetings as needed. The ESG Committee consists of a chairperson and five members, all of whom are outside directors, to enhance its independence and transparency. The ESG Working Council is an internal council of 32 teams from 16 offices in key departments, chaired by the Head of Corporate Strategy & Global Business Division. It reviews plans and progress on key issues in each ESG area on a monthly basis to strengthen the execution of ESG activities. The ESG Committee also has a dedicated ESG Team (Sustainability Planning Team) to support ESG strategy formulation, ESG internalization and capacity building, stakeholder communication, and risk management.



ESG Committee (Committee of the Board of Directors)

Composition	5 outside directors (including the chairperson)
Role	Deliberate on ESG management mid-to-long-term policies and strategies Deliberate on ESG mid-to-long-term management objectives Oversee and manage the planning and implementation of ESG management activities Oversee and manage material ESG-related risks
Operations	Regular meetings: Held one every quarter Ad-hoc meetings: Held as necessary
Establishment Date	April 8, 2022

ESG Committee Activities

Meeting Date	Agenda Item	Approved or not
1st (March 10, 2023)	2023 ESG Work Plan	Reported
2nd (June 29, 2023)	Report on the publication of the Sustainability Report	Reported
3rd (September 22, 2023)	Report on ESG actions and plans for the first and second halves of the year	Reported
4th (December 14, 2023)	Proposal to approve the 2024 ESG Action Plan	Approved



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Response to Climate Change



Scope 3 Greenhouse gas (GHG) Avoided Emissions Certificate

KEY PERFORMANCE

GHG Emissions
0.011%
of total emissions
National GHG Management
System 2022



GHG Emission Intensity per
Unit of Revenue
(tCO2eq/100 million won)
0.5 reduced
compared to 2022



KAI is a government-designated greenhouse gas (GHG) allocation company and is ranked 452nd out of 708 business entities eligible for allocation in 2022 according to *the National GHG Management System Disclosure, accounting for 0.011% of total emissions. The Company's GHG emissions by source are as follows: electricity (73%), gas (14%), jet fuel (12%), and other vehicles (1%). As part of our own GHG reduction efforts, from 2013 to 2023, KAI replaced 3,477 high-efficiency LEDs to improve electricity consumption efficiency, reducing a total of 833 tons of GHGs based on the specifications of the lighting fixtures. It also replaced 19 aging boilers and burners from 2018 to 2023, reducing a total of 877 tons of GHGs with a 15% increase in efficiency. Thereafter, KAI will continue its efforts to improve energy efficiency.

*GHG statistics for business entities eligible for allocation in 2023 will be published in the second half of 2024. [National GHG Management System]

In order to participate in the global response to climate change, KAI has complied with the energy-saving plan under the Green Buildings Construction Support Act and has been applying energy-saving technologies in new buildings since 2016. In addition, KAI plans to actively participate in the eco-friendly energy transition by considering the installation of solar power when planning the construction of new factories. Moreover, in order to contribute to the reduction of GHG emissions and the expansion of renewable energy production through the gradual installation of solar power panels in existing buildings, KAI obtained a government support project for the installation of solar power in 2023 and completed it in March 2024. Through this investment, it is expected to reduce GHG emissions by about 3,000 tons per year by 2024 through the use of its own renewable energy, and it aims to achieve RE100 and CFE through further investment expansion. KAI will also actively provide both human and material support to its subsidiaries and suppliers so that they can participate in responding to climate change. In addition, for Scope 3 calculation and management, KAI applies the GHG emission calculation method to the data used for employees' business travel vehicles, commuter buses, and transportation (import and export) to ensure objective Scope 3 calculation, disclosure, and continuous reduction through independent verification from 2022. KAI plans to fulfill its social responsibility through efficient GHG reduction activities while playing a pivotal role in the international cooperation business and pursuing sustainable growth.

Status of GHG Emissions, Quantity of Energy Consumed, and Intensity per Unit of Sales Revenue

GHG Emissions (tCO2eq/yr)			Energy Usage (TJ/yr)			Intensity per Unit of Revenue (tCO2eq/100 Million Won)		
2021	2022	2023	2021	2022	2023	2021	2022	2023
58,148	61,701	65,285	1,181	1,246	1,299	2.28	2.22	1.72

Direct and Indirect GHG Emissions by Year

Applied as of 2021 on a company basis at the locations of business

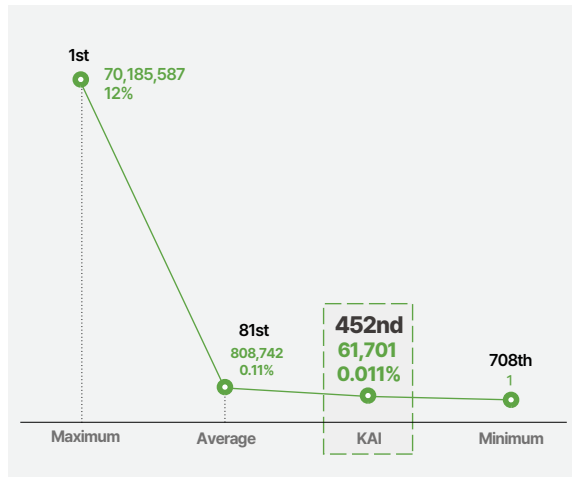
	2019	2020	2021	2022	2023
Headquarters	48,354	49,141	48,499	51,006	55,161
2nd Location of Business	-	-	962	337	220
Sancheong	-	-	5,075	5,859	6,227
Goseong	-	-	2,479	3,416	2,554
Jongpo	-	-	759	678	786
Seoul Office	-	-	374	405	337
Total	48,354	49,141	58,148	61,701	65,285
SCOPE01 [Direct Emissions]	-	12,006	13,076	14,512	17,823
SCOPE02 [Indirect Emissions]	-	37,135	45,072	47,189	47,462

Out of 708 entities eligible for allocation, KAI is ranked 452nd, representing 0.011% of total emissions

Comparison With Business Entities Eligible for Allocation (As of 2022)

Ranking	Controlled Emitter	Designated Business Type	GHG Emissions (tCO2eq/yr)
1	**CO	Industry	70,185,587
2	**** Power	Transition	35,384,901
3	**** Powe	Transition	35,330,479
4	**** Powe	Transition	31,840,511
5	**** Powe	Transition	30,159,229
6	**** Powe	Transition	29,155,229
7	**Stee	Industry	28,500,741
8	**Electronics	Industry	14,922,978
9	**C&E	Industry	10,670,032
10	**Corporation	Industry	9,386,360
⋮			
452	KAI	Industry	61,701
453	**E&P	Industry	61,601
454	**Co., Ltd.	Industry	61,498
⋮			
706	**Environmental	Waste	17
707	**Form	Industry	1

Source_ National GHG Management System (NGMS)



	Ranking	Emissions	Percentage (%)
Maximum	1	70,185,587	12.27184
Average	81	808,742	0.141407
KAI	452	61,701	0.010788
Minimum	708	1	0.000000

GHG Reduction Activities

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

Replaced with high-efficiency lighting [LEDs]

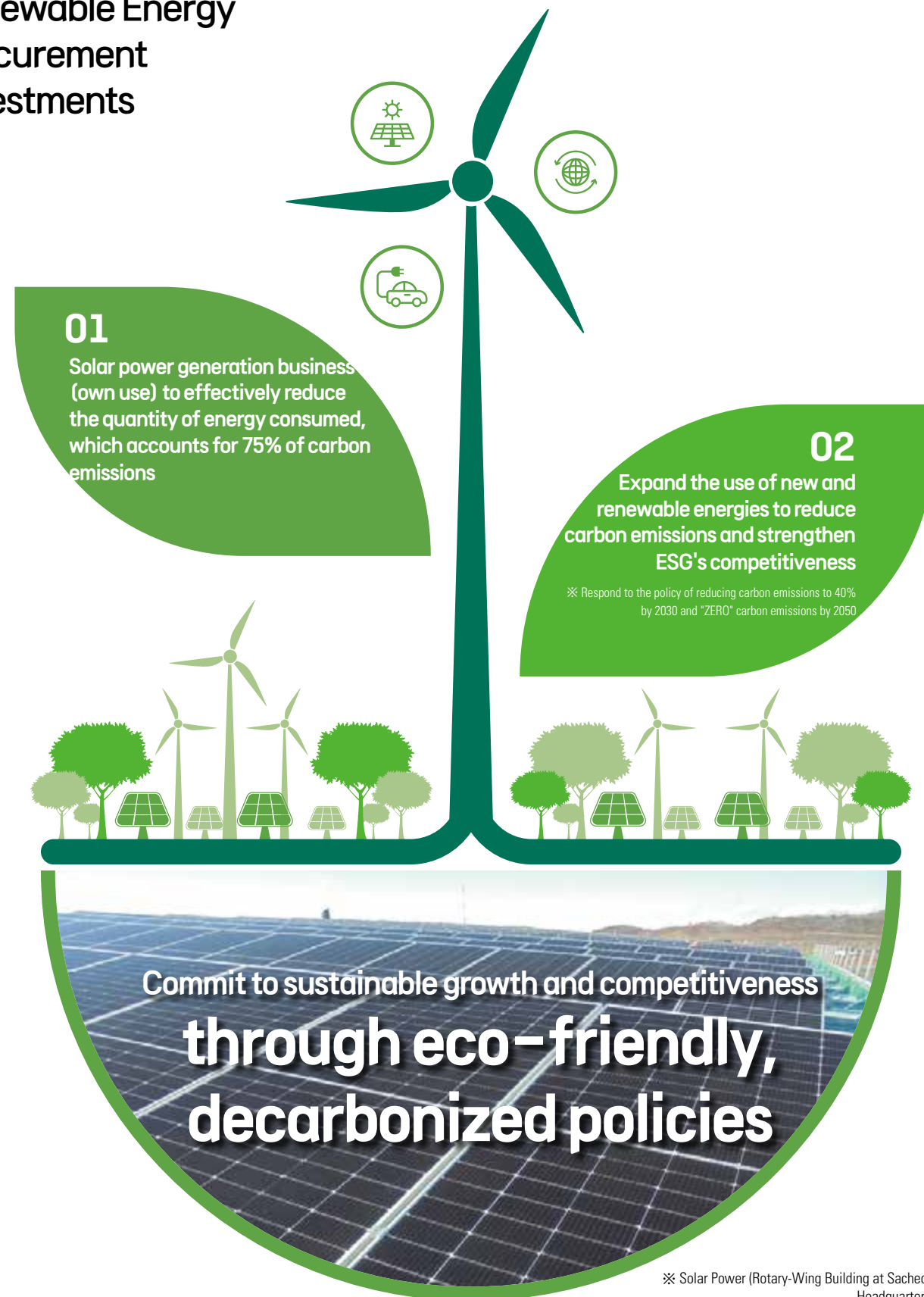
Reduced GHG emissions on the basis of lighting specifications

Urban Gas (LNG)	Place	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 Buildin	2	183
	Development Center	2	
	Rotorcraft Building	3	
2022	A350	2	23
Total		19	877

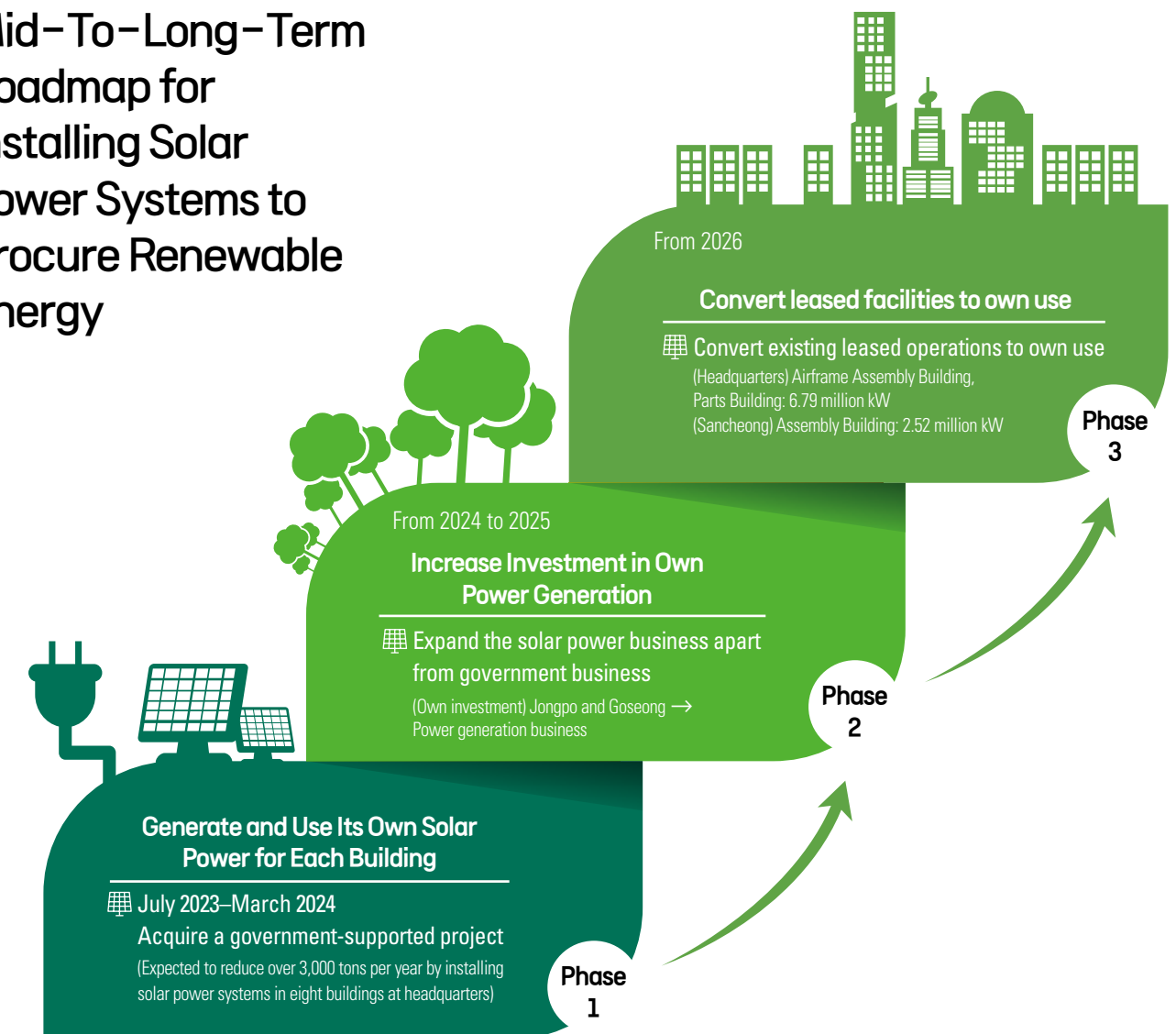
Replaced with high-efficiency boilers and water heater burners

Reduced GHG emissions based on a 15% efficiency improvement

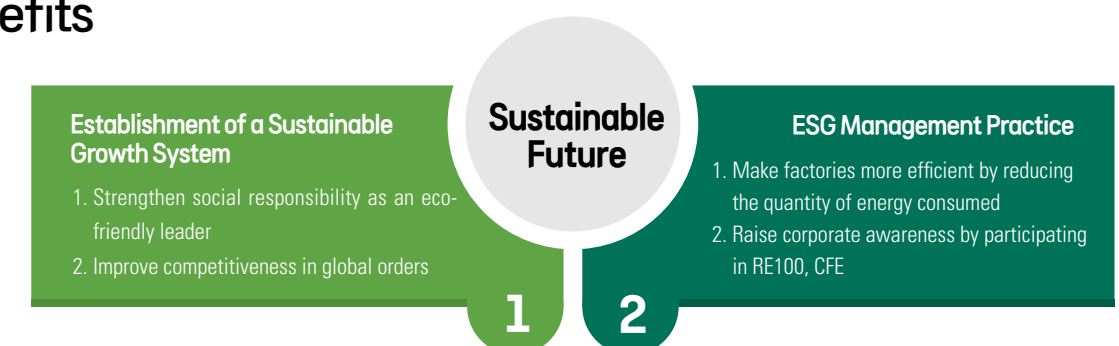
Direction of Renewable Energy Procurement Investments



Mid-To-Long-Term Roadmap for Installing Solar Power Systems to Procure Renewable Energy



Expected Intangible Benefits



Aviation Carbon Neutrality

Advanced Air Vehicle (AAV) Development Started

KEY PERFORMANCE

Advanced Air Vehicles
(AAV)

Development of Eco-Friendly Aircraft
R&D Efforts Expanded

Electric and Hydrogen Propulsion
Securing Core Technologies and Laying the Foundation

KAI has selected "advanced air mobility" as its core business in the "Global KAI 2050" vision announced in January 2023 and is in the process of securing key element technologies.

In addition, KAI has begun to develop the basic platform for AAVs to enter new businesses in the future. By developing its own eco-friendly electric and battery-based future mobility instead of the usual internal combustion engine, KAI intends to expand from the traditional aviation industry into the eco-friendly advanced mobility field. KAI aims to achieve its goal of "KAI Quantum Jump" by securing AAV-specific technologies (such as distributed electric propulsion) and more MEA-based technologies (more electric aircraft) to develop advanced air vehicles, with an investment cost of 55.3 billion won in 2024-2025 for the first phase of the electric propulsion system, followed by the second phase in the future.



Advanced Air Vehicles (AAV)

Expanded R&D for Eco-Friendly Aircraft

KAI is participating in collaborative research and development among industry, universities, and institutes for the development of next-generation hydrogen-fueled aircraft. On May 30, 2023, a kick-off meeting for the "Regional Innovation Megaproject Advanced Mobility Pilot Project" involving 11 institutions, including KAI, was held at Gyeongsang National University to launch the pilot study. The "Advanced Mobility" project, in which KAI is participating, is a technology research task for the development of future commuter aircraft with a hybrid distributed electric propulsion system based on hydrogen fuel cells. During the three years of the pilot project, KAI will conduct a pilot study to develop a hybrid power system based on hydrogen fuel cells, a distributed electric propulsion system, and technologies for low-carbon, low-noise, high-performance commuter aircraft in order to secure zero-carbon, eco-friendly hydrogen fuel cell aircraft-based technologies.



Regional Innovation Mega-Project

Execution of Eco-Friendly MEA Pilot Studies

KAI is conducting a pilot study to replace the mechanical tail rotor of rotorcraft with an electric tail rotor in order to secure and lay the foundation for core technologies for electric and hydrogen fuel propulsion. With a total project cost of 15.5 billion won over four years to 2025, KAI is conducting the development of aircraft motors and inverters, environmental and certification tests, and rig tests to conduct pilot studies on the installation of electric motors on aircraft and considerations.

Digital Engineering

In the development of the "Korean fighter aircraft KF-21 Boramae," KAI successfully applied digital engineering technologies to advance the project. Through the use of a single-source integrated digital development platform, MBD, visualization technology, and digital thread (which digitally executes all processes from "design-produce-test-operate" based on digital models), KAI was able to drastically reduce costs and exceed quality and schedule targets during the production of the KF-21 prototype, while incorporating various requests from customers and co-development suppliers. Among them, the introduction of the Model-Based Definition (MBD; 3D drawings) design methodology, which allows the inclusion of product and manufacturing information (PMI) such as dimensions and tolerances directly in the CAD 3D model, made it possible to use the 3D model as a single source for product manufacturing without the need for 2D drawings (paperless), reducing time and errors in the creation and interpretation of design materials and fundamentally eliminating quality problems caused by the creation and use of 2D drawings. In addition, KAI has contributed to the government's digital policy by being the first in the defense industry to recognize MBD as a defense specification material.

KAI continues to expand the scope of "Design by Digital Model" by securing digital models through 3D modeling on the outside and developing various dynamic physical models of aircraft on the inside. This is in line with the global trend of digital transformation, which is accelerating due to the advancement of AI and edge computing technologies, and is expected to contribute as a fundamental technology for aircraft development in the future.

In addition, KAI has been steadily preparing for digital transformation to ensure the sustainability and dissemination of digital engineering technology. Through these efforts and processes, KAI plans to make it a leading standard in the Korean aviation industry. KAI will also continue its efforts to disseminate technology to its suppliers and create an ecosystem that takes the environment into account, as KAI believes that the production capacity of the entire ecosystem, including numerous suppliers, leads to the manufacturing competitiveness of the aviation sector.

Providing a Platform for Building a Quality Digital Ecosystem

KAI is committed to building a quality ecosystem for the domestic aerospace and defense industries. In October 2023, KAI signed a memorandum of understanding with KAIA and the Korea Aerospace Manufacturing Subcouncil to provide a digital quality ecosystem-based system to develop quality and enhance global competitiveness in the aerospace and defense industries. By providing an integrated quality management system that suppliers can operate autonomously, KAI is preventing suppliers from duplicating investments in their systems and providing opportunities for management transformation to a digital system-based quality ecosystem in line with the Industry 4.0 trend.

KAI has also provided user training to expand the application of the donated systems since 2024. In the long term, KAI aims to provide an integrated quality management system (QMS) that can be shared by the aerospace and defense industries and to computerize and automate partner tasks, such as qualification management, obsolete material management, and measuring instrument management, to improve work efficiency and ensure data reliability.

*KAIA: Korea Aerospace Industries Association



MOU to Promote Quality in the Aerospace and Defense Industry

Deliverables	
Zero Defect (*QMS)	Operator qualification management (competence management, process management)
	Validity management (calibration equipment management, obsolete material management)
	Human error prevention (improvement management)
Electronic Documents	Digital electronic document management

*QMS : Quality Management System

Environmental Management



Autonomous Inspection Designation Certificate

Air Pollutant Management



Ultra-Low NOx Boiler Installation



- Main Contents of the Agreement -

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

Fine Dust Reduction Agreement Ceremony

Environmental Pollutant Management

KAI has established an environmental management system to minimize the generation of environmental pollutants in all its business activities, including the design, development, manufacture, follow-up support, upgrade and modification, maintenance, repair, and operation of military and commercial aerostructures and related parts, and to create an eco-friendly workplace.

As a designated autonomous inspection company in Gyeongsangnam-do, the Company is recognized for its autonomous management system for emission facilities (air, wastewater, and waste) and complies with all regulations. In addition, KAI implements advanced technologies such as air and water quality monitoring, environmental facility management, disaster prevention facility management, and the installation of oil separation tanks for stormwater drainage to reduce risks caused by environmental pollutants and operate an efficient environmental management system at its place of business. KAI also applies internal management standards that are stricter than legal standards to reduce environmental pollutants and strives to protect the environment and ecosystem by minimizing the generation of fugitive dust in the workplace, optimizing the operation of prevention facilities, and using eco-friendly equipment to provide eco-friendly value to customers.

KAI promotes various activities to improve the air environment by tightening emission limits for air pollutants and complying with environmental regulations, such as the seasonal fine dust management system.

In order to reduce the emission of air pollutants generated during the manufacturing process, the Company applies the best available technology (BAT) appropriate to the characteristics of the pollutants and sets internal management standards that are stricter than the legal emission standards to manage the emission situation.

To comply with these regulations and achieve its goals, the Company has made air-related investments, including new air pollution prevention equipment, improvement of existing prevention equipment, and replacement of old equipment, and has established a monitoring system to prepare for possible environmental accidents by regularly measuring air pollutants emitted and inspecting emission equipment and prevention equipment.

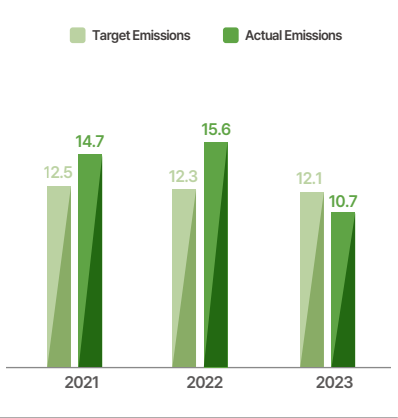
In particular, to reduce emissions of nitrogen oxide (NOx), which is classified as a major cause of climate change and air pollution, the Company has advanced its existing treatment technology by replacing old boilers with boilers equipped with ultra-low NOx burners. Since 2018, KAI has replaced 23 boilers, which are major emission facilities and continues to make active efforts to reduce nitrogen oxides.

In addition, in 2020, KAI signed a voluntary agreement with Gyeongsangnam-do to reduce fine dust generation during the high fine dust season (December to March), and each year KAI is given a stronger reduction target than the previous year, which it strives to meet.

Air Pollutant Emissions				
	Dust	NOx	Sox	Total Emissions (Tons)
2021	10.229	4.387	0.048	14.664
2022	10.457	4.457	0.724	15.638
2023	7.313	3.110	0.243	10.666

※ As of headquarters

Efforts to improve the reduction of air pollutants resulted in a decrease in emissions, as self-measurements showed a decrease in pollutant (dust, etc.) emission concentrations in 2023 compared to 2022



Water Pollutant Management



Emergency Response Drill for the Water Pollution Incident

Wastewater from processes such as surface treatment and heat treatment at KAI's facilities is collected at in-house wastewater treatment facilities. Subsequently, it is sent to primary physical and chemical treatment and secondary treatment at public wastewater treatment facilities before being discharged into external waters. To minimize environmental impact, KAI has established internal standards for water quality management, monitors its own water analysis for environmental pollutants in wastewater on a daily basis, and regularly requests analysis from an external agency to ensure the reliability of the data. In addition, KAI minimizes the amount of wastewater generated by replacing outdated wastewater treatment equipment through age assessment and introducing wastewater reuse facilities.

In particular, the pollutant management standards for internal wastewater are being tightened to within 50% of the regulations. The pollutant management standards are subject to separate discharge permit standards (Nakdong River Basin Environmental Office Notification No. 2020-6), and the average pollutant discharge concentration based on TOC in 2023 is 6.609 mg/ℓ, which is managed at a level of 4% compared to the discharge standard (170 or less).

Water Pollutant Discharge					
	BOD	TOC	SS	T-N	T-P
2021	0.344	*0.575	0.279	0.436	0.002
2022	0.264	0.347	0.363	0.325	0.005
2023	0.414	0.418	0.237	0.290	0.003

*This figure (in 2021) is COD emissions (the organic matter indicator changed from COD to TOC)

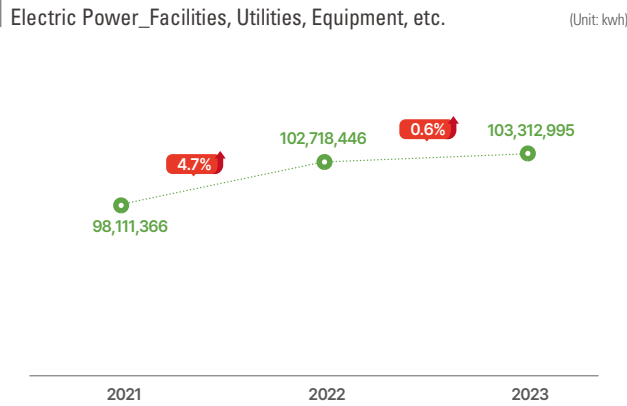
Wastewater Treatment Plant Operation			
	Wastewater Discharge	Scale of the Place of Business	Wastewater Prevention Facility Status
Headquarters	Maximum: 418 tons/day Average: 211 tons/day	Class 3	Wastewater treatment method: Physicochemical treatment Wastewater treatment capacity: 480 tons/day



Oil-Water Separation Tank

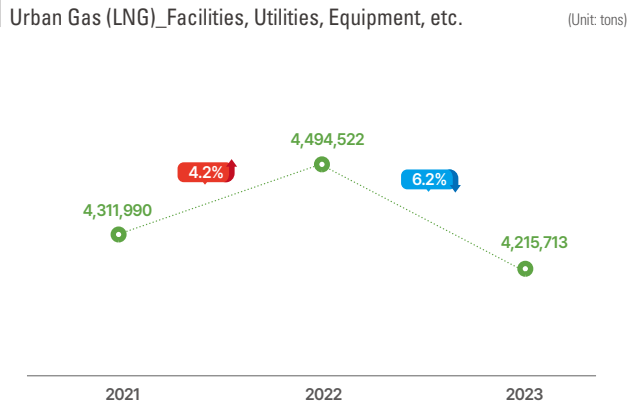
Energy Management

KAI manages the use of buildings and equipment at all times by establishing a system for monitoring energy consumption at its facilities. It also operates a systematic energy management system, certified with an energy management system (ISO 50001) in 2023. In addition, KAI has minimized the increase in the amount of electricity consumed at its facilities and achieved a significant year-on-year reduction in gas and water consumption through energy-saving activities at its headquarters and places of business. To continuously promote these energy reduction efforts, an energy portal system has been established and operated to easily check and analyze the total amount of energy consumed, and all management personnel systematically check and manage consumption and costs by organization, building, and facility.



	Electricity (kwh)	Rate of Change (%)
2021	98,111,366	-
2022	102,718,446	4.70
2023	103,312,995	0.60

※ Headquarters, Sancheong, Goseong, Jongpo (including leased sites)



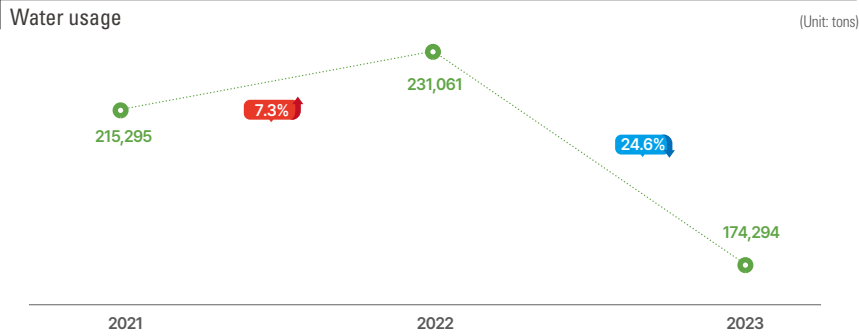
	Gas (tons)	Rate of Change (%)
2021	4,311,990	-
2022	4,494,522	4.20
2023	4,215,713	-6.20

※ Headquarters, Sancheong, Goseong, Jongpo (excluding leased sites)

Water Management

To manage water resources efficiently at its places of business, KAI is striving to reduce water consumption and minimize wastewater generation by investing in water reuse facilities.

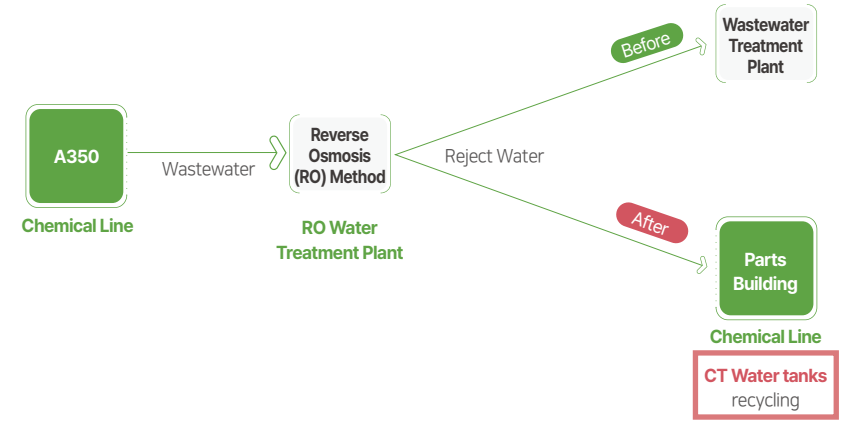
To this end, in the 2023 fiscal year, KAI conducted a detailed analysis of water consumption, inspected water pipes, and implemented measures to block leaks. In addition, facilities for reusing recycled water from the chemical production process instead of disposing of it were implemented and improved at the Sancheong Factory, and from 2024 on, KAI plans to build related facilities at its headquarters to reuse recycled water in large quantities.



	Water Consumption (Tons)	Rate of Change (%)
2021	215,295	3.5
2022	231,061	7.3
2023	174,294	-24.6

※ The figures in the table are calculated according to the CDP Water Protocol
※ Based on headquarters, Sancheong, Goseong, Jongpo

Water Reuse Facilities



The Sancheong Factory has established a facility to recycle 100% of the water wasted in chemical processes, and investments are underway to recycle water at the Sacheon Headquarters

Amount of Wastewater Reused

	Recycling and Reuse Volume (tons)	Percentage of Reuse (%)
2021	41,063	9.5
2022	51,007	11.10
2023	49,428	12.00

※ The completed A350 chemical process is included in the 2024 data

Major Improvements in 2023

1. Company-wide Energy Diet Campaign

- ① Implementation of an energy target management system by the organization
- ② Energy diet campaign activities and energy Consumption patrol activities



Target Management System

Energy Consumption Patrol

2. Launch of KAI Energy Portal

- ① Checking electricity, gas, and water consumption by building or organization
- ② Checking usage trends by major points and correlation by weekends and seasons



Energy Portal Screen

Waste management

KEY PERFORMANCE

Reduced Waste Generation Intensity in a Basic Unit

(excluding saleable waste)

by 22%

Compared to 2022

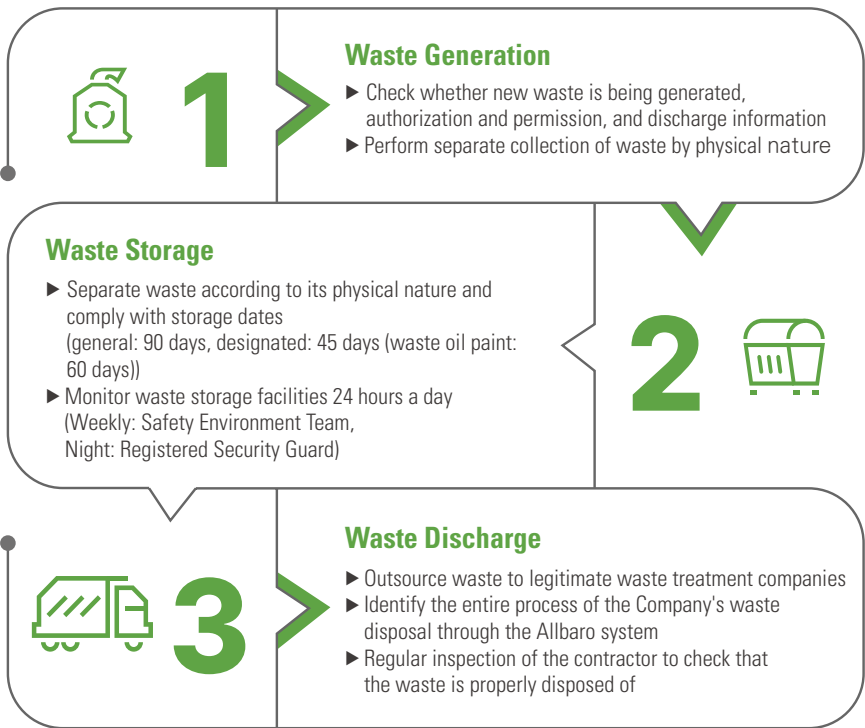


KAI identifies new waste generation, authorizes and permits, checks discharge information, collects waste separately by type, stores them in waste storage facilities, and conducts waste treatment through legitimate contractors.

The Company strives to prevent and quickly respond to environmental accidents by complying with legal storage standards under the Waste Control Act, keeping storage records, and conducting 24-hour monitoring of waste storage facilities.

KAI manages various items such as waste authorization and permission, waste transfer information, waste management ledger, and annual waste discharge performance through the Ministry of Environment's Allbaro system and visits waste contractors once a year to check authorization and permission, administrative disposal, transportation and treatment facilities, and management status to determine whether the waste is properly disposed of.

Waste Management Process



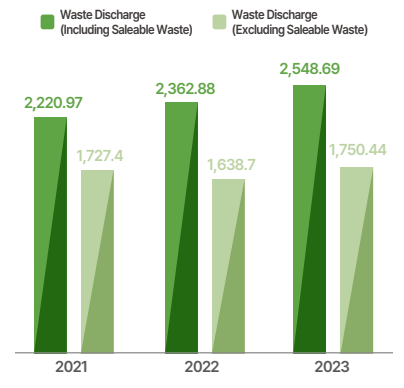
Waste Generation and Recycling Rate

KAI strives to minimize the amount of waste generated in the manufacturing process and reduce its impact on the environment. KAI aims to reduce the amount of waste generated by 3% from the previous year by improving work processes and strengthening management in painting, surface treatment, and cleaning processes, which generate a large amount of designated waste with a high environmental impact. In addition, KAI is improving the recycling rate of recyclable waste by treating all of it for recycling.

In 2023, the amount of waste generated was 1,750.44 tons, an increase of 6.8% from the previous year, but this is an inevitable increase due to the increase in orders; in fact, the amount of waste generated per billion won in sales was 0.458 tons, a decrease of 22% from the previous year. The waste recycling rate also increased to 77.09%, up 3.63% from the previous year.

In addition, KAI continuously monitors the amount of waste generated and the recycling rate every month through the SHEC [Safety and Health, Environment, Chemicals] integrated management system.

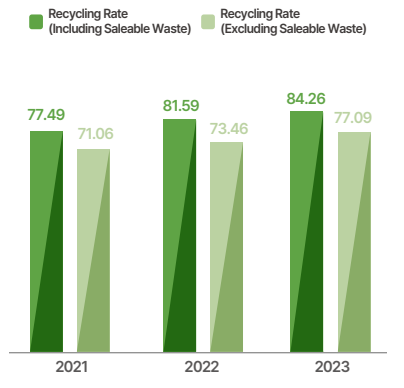
Waste Generated by Type (Unit: tons)



Waste Generation Intensity (Unit: tons / billion won)



Waste Recycling Rate (%) (Unit: %)



Category		Unit	2021	2022	2023	Remarks
Waste Generation	Waste Generated Waste generation	Designated Waste	ton	494.63	494.99	478.33
		General Waste	ton	1,232.77(1,726.34)	1,143.71(1,867.89)	1,272.11(2,070.36)
		Total	ton	1,727.40(2,220.97)	1,638.70(2,362.88)	1,750.44(2,548.69)
	Waste Recycling Rate	Recycling Rate_Designated Waste	%	14.97	21.81	25.31
		Recycling Rate_General Waste	%	93.57(95.41)	95.81(97.43)	96.56(97.88)
		Recycling Rate_Total	%	71.06(77.49)	73.46(81.59)	77.09(84.26)
	Waste Generation in a Basic Unit	Revenue Intensity	billion won	2,548	2,772	3,819
		Total Amount Generated	ton	0.678(0.872)	0.591(0.852)	0.458(0.667)
	As of headquarters					

Resource Circularity of Electrical and Electronic Products

KAI has signed an MOU with E-Cycle Governance to practice the resource cycle of electrical and electronic products in order to proactively respond to the climate crisis with an ESG management system and to participate in the practice of the resource cycle of electrical and electronic products by returning the benefits received from society through CSR activities.

In 2023, KAI successfully produced 5,514 kg of circulating resources and reduced 16,461 kg of Co2-eq by collecting 6,055 kg of waste electrical and electronic products.



MOU on Resource Circularity of Electrical and Electronic Products



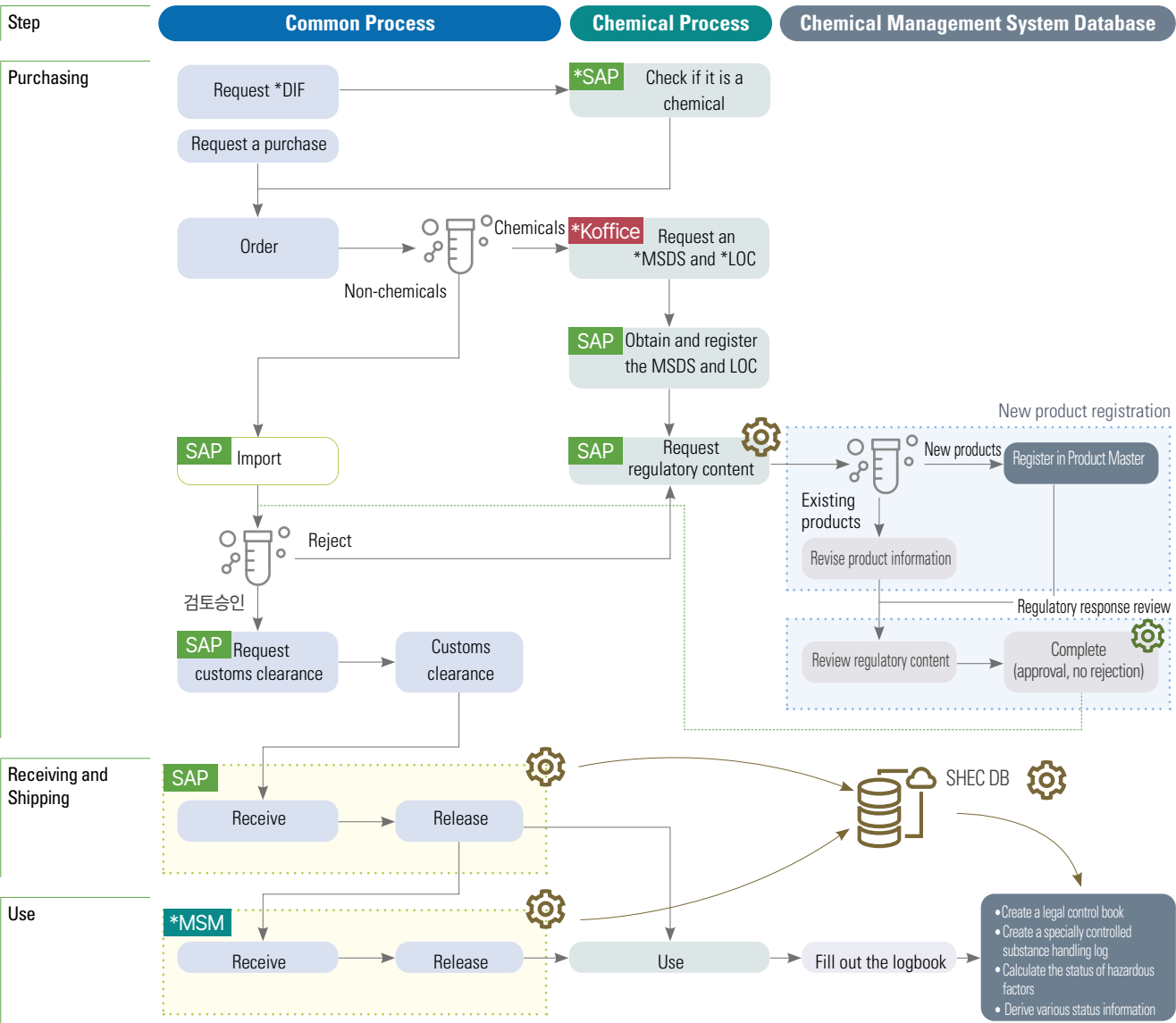
Resource Circularity Performance of Electrical and Electronic Products

Chemical management

KAI reviews and responds to regulated substances in accordance with relevant laws and regulations, such as the Chemical Substances Control Act, the Act on Registration and Evaluation of Chemical Substances, and the Occupational Safety and Health Act, from the purchasing stage of chemical substances and manages them through a system so that they can be used in the production process after final approval by the Safety Environment Team, in order to minimize legal risks and ensure safety in the use of chemical substances.

KAI endeavors to prevent chemical spills in advance by regularly inspecting facilities that handle hazardous chemicals and operating leakage and gas detection equipment. It also strives to minimize casualties of chemical spills by strengthening employees' emergency response skills through emergency response drills.

In addition, KAI continuously monitors the hazardous chemicals used and discharged by the Company through surveys of hazardous chemical use and emissions and aims to reduce use by 3% year on year by strengthening the hazardous chemical management system (reducing use, using substitutes, and applying systems).



Chemical Management System

KAI provides chemical safety training to all employees (2 hours/year) and those in charge of directly handling hazardous chemicals (16 hours/2 years) to ensure the stability of their use.

In addition, KAI trains hazardous chemical managers for each facility, and these managers receive specialized training in handling hazardous chemicals to strengthen safety management by gaining expertise in handling hazardous chemicals and operating facilities.

Chemical Training Status			
Curriculum	Subject	Institution	Outcomes
Hazardous Chemical Worker Training		In-house	5,718 people (2 hours/year) 2023
Hazardous Chemical Handlers Course	Employees and suppliers	Korea Environmental Engineers Association National Institute of Chemical Safety	399 people (16 hours / 2 years) 2022 Training planned for the first half of 2024
Hazardous Chemical Technician and Manager Course	Hazardous chemical managers	Korea Chemicals Management Association	16 people (16 hours / 2 years) in 2022 18 people (16 hours / 2 years) in 2023
Hazardous Chemical Manager Qualification Course	Hazardous chemical managers	Korea Chemicals Management Association	1 person (32 hours) in 2023

Chemical Management System

All chemicals used are registered and managed under the SHEC [Safety and Health, Environment, and Chemicals] Integrated Management System. The system provides all employees with information on the safe use of chemicals, including chemical MSDSs and safety and health/risk information. As regulatory standards for chemicals have been strengthened, data on chemicals provided to suppliers has been added to the system to strengthen the chemical management process. KAI regularly updates the database of relevant laws and regulations, such as the Chemical Substances Control Act and the Act On The Safety Control Of Hazardous Substances, and minimizes legal risks by creating a logbook and management register, identifying training status, and managing designated quantities.

	2021	2022	2023	Remarks
Hazardous Chemical Usage (Tons)	213.94	230.15	229.52	As of headquarters
Chemical Emissions (Tons)	26.99	26.98	28.63	





SOCIAL

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Human Rights Management Policy

KAI respects the human rights of all stakeholders, including its employees, business partners in business contracts, and local communities.

1) Human Rights Management Principles

Human rights management includes activities, goals, and systems to respect and protect the human rights of stakeholders and to fulfill responsibilities. KAI has established a compliance management system based on international standards such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the ILO Constitution, and the UN Convention on the Rights of the Child, and actively implements human rights management in accordance with social responsibilities and standards. KAI is committed to identifying, assessing, preventing, and resolving risks that may affect human rights and to making the protection of human rights a top priority.

KAI's 10 Principles of Human Rights Management



2) Human Rights Training

Every year, KAI conducts human rights training for all employees through various methods (online training, collective training, distribution of training materials, etc.), including legally required training on disability awareness and sexual harassment prevention.

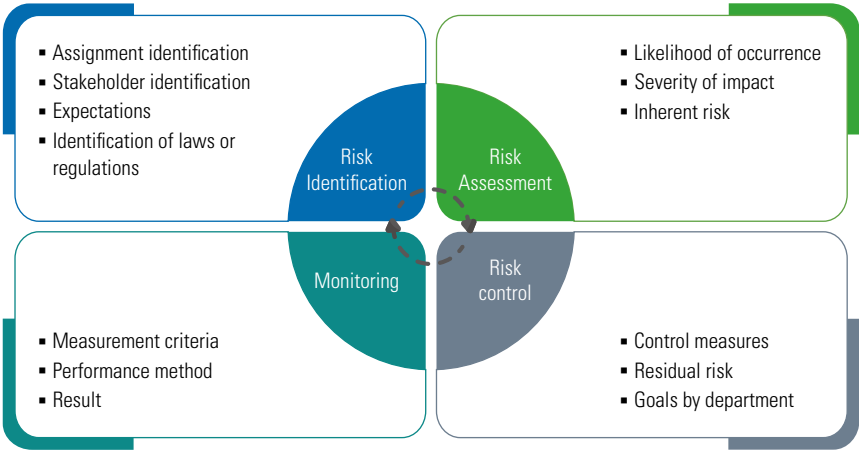
3) Grievance Procedure for Human Rights Violations

KAI operates an online and offline reporting system to protect the human rights of all stakeholders, including employees, business partners in business contracts with KAI, and local communities. KAI operates an online reporting system to report all human rights violations within and outside the company, as well as non-human rights issues such as local communities. The reports can be made anonymously and are only handled by the relevant departments (Compliance Team, Management Diagnosis Team, etc.) to protect the victims.

In addition, when KAI receives a complaint about offline human rights violations, the relevant department (HR Department) reviews the content and takes action, and if necessary, personnel measures are taken. Furthermore, KAI operates a grievance counseling center to provide free counseling on workplace harassment, sexual grievance, etc., and psychological testing to protect employees' human rights.

4) Human Rights Management Risk Management System

Based on the "Duty Identification and Risk Assessment" business standard, KAI identifies, controls, and monitors human rights management risks for all stakeholders, and inherent risks at a "medium" level or higher are set as control targets to manage risk mitigation systematically.



Inherent Risk Level (5X5 Risk Matrix)						
LIKELIHOOD (Likelihood of Occurrence)	1	VERY LOW	LOW	LOW	MEDIUM	MEDIUM
	2	LOW	LOW	MEDIUM	MEDIUM	MEDIUM
	3	LOW	MEDIUM	MEDIUM	MEDIUM	HIGH
	4	MEDIUM	MEDIUM	MEDIUM	HIGH	HIGH
	5	MEDIUM	MEDIUM	HIGH	HIGH	EXTREME
RISK EVENT	1	2	3	4	5	
	IMPACT (Degree of Impact)					

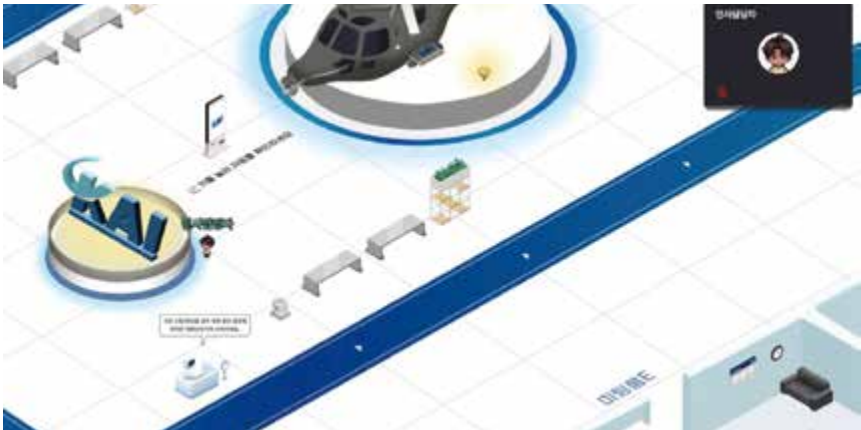
Employees

Talent Acquisition

KAI operates a systematic human resources management system to provide employees with a memorable work experience throughout their working lives, from joining the Company to leaving it. To secure excellent talent, KAI provides a positive perception of the Company through a series of processes ranging from recruitment promotion in various ways, such as online and offline job fairs and recruitment briefings with the CEO, to onboarding programs for new employees. After recruitment, KAI provides education and training programs to grow into core aerospace talents, a fair evaluation and compensation system linked to performance, and welfare benefits that consider the life cycle of individuals.

1) Recruitment Promotion

KAI actively promotes recruitment through various channels to secure key talents who will be leading the aerospace industry of the Republic of Korea. KAI provides information about aerospace and related jobs through YouTube, SNS, etc. to facilitate easy understanding. KAI conducts campus recruitment activities focusing on major universities for active communication with applicants, including CEO's visits to campuses for holding job fairs. KAI also conducts online recruitment fairs every year using the Metaverse space to meet diverse talents regardless of location and distance.



Metaverse KAI



Recruitment Briefing with CEO

2) Recruitment Process

To achieve its vision of becoming the world's seventh largest aerospace company with sales of 40 trillion won by 2050, KAI recruits talent through various methods, including rotational on-the-job training and recruitment of new and experienced employees. KAI conducts recruitment focusing on job performance to select the right talent for the Company based on applicants' skills and experience and various evaluation processes such as document screening, AI interview, and interview screening to enhance recruitment reliability and suitability.

KAI also conducts fair recruitment procedures to ensure no human rights discrimination based on gender, age, nationality, religion, or origin in the recruitment process.

Education and training

1) Human Resources Training

- To cultivate KAI talents who challenge the world's best technology, achieve high value-added in the aerospace business, and move toward a society that lives together, KAI has established and operates a customized human resources development system that pursues the creation of the highest value based on KAI's DNA of insight, creation, challenge, and collaboration. KAI provides training tailored to leadership, professional competence, and global commercialization to enhance employees' professional expertise and strengthen the Company's competitiveness.
- Through industry-university programs with universities, KAI operates master's and doctoral degree programs for the continuous development of employees and operates various training programs for continuous self-development.
- For the emotional and mental management of employees, KAI conducts change management training to implement sustainable positive energy and family camp training for healthy daily living and mental strength with not only employees but also their families.
- To promote sustainable employment, since 2021 KAI has been conducting career planning training for retirees in accordance with the Act on Prohibition of Age Discrimination in Employment and Elderly Employment Promotion, and by 2023, 178 people have completed the training. As of 2024, KAI plans to train 217 people.



2) Shared Growth for the Development of the Aerospace Industry

In order to build an aerospace ecosystem for sustainable shared growth, KAI developed a program to train 5,400 talents from suppliers from 2019 to 2023 by expanding consortium training and introducing a new paid leave curriculum in cooperation with the Human Resources Development Service of Korea and operating it as a support policy program for shared growth in the aerospace industry.

3) Support for the Development of Future Talents

In order to develop future human resources for the national aerospace industry, KAI is currently conducting the Aerospace Thesis Award Competition, now in its 21st year since 2003, organized by KAI and sponsored by the Ministry of Trade, Industry, and Energy and the Korean Society for Aeronautical & Space Sciences, to play a greater role in promoting academic interest in aerospace and cultivating human resources. As a result, research has been conducted in all areas of the aerospace industry, and more than 630 research papers have been published, contributing to the development of domestic aerospace technology.

For the development of the aerospace industry, KAI will strive to fulfill its responsibility as a company that nurtures human resources by diversifying and improving educational programs for employees, families, suppliers, and future aerospace talents.

Fair Performance Evaluation and Compensation System

1) Performance Evaluation System

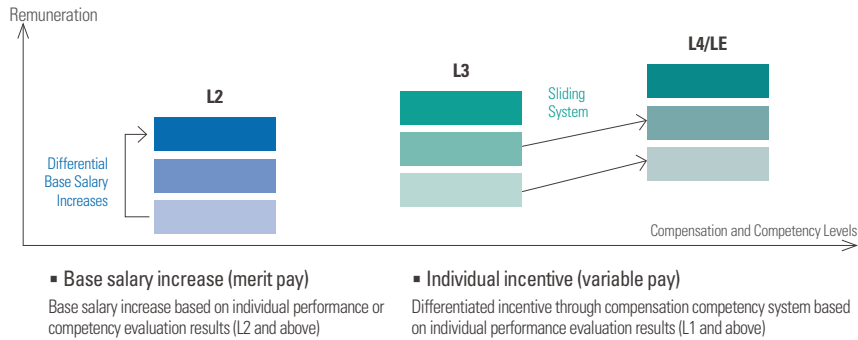
KAI's evaluation system is conducted fairly and transparently, as it synthesizes various evaluation methods such as performance evaluation (MBO method), competency evaluation, and multifaceted evaluation. Performance evaluation is based on the goal management system and evaluates the degree of goal achievement and job performance results twice a year. Competency evaluation is conducted once a year to evaluate various competencies of employees and multifaceted evaluation is also conducted to evaluate various aspects of employees.

Individual Evaluation Consists of Performance Evaluation, Competency Evaluation, and Leadership Evaluation for Organizational Managers			
Item	Performance Evaluation (Performance)	Competency Evaluation (Competency)	Multifaceted Evaluation (Leadership)
Focus	Performance improvement - Accurate performance measurement	Competency development - Competency review and development point check	Reference to appointment and dismissal of organizational managers - Competency review and development point check
Content	Job performance results (MBO method)	Job performance method (behavioral observation method)	Leadership performance level (behavioral observation method)
Subject	Supervisors	Supervisors	Subordinates, colleagues
Frequency	Twice a year (first half, second half)	Once a year	Once a year
Result Application	Individual incentive (first half, second half)	Individual base salary increase	Promotion, transfer, training

2) Compensation System





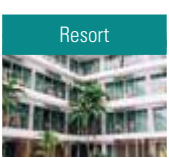

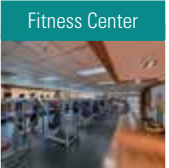
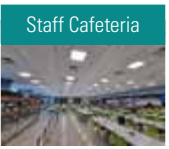






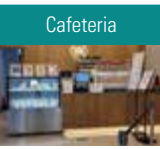
KAI's compensation system consists of fixed salary, fringe benefits, and variable salary. A fixed salary consists of a base salary and a fixed bonus that is increased annually based on individual performance. Fringe benefits consist of work-life balance incentives, homecoming and holiday bonuses, etc., and are paid based on the base salary at specific pay periods. Variable pay includes incentive pay, which is based on individual evaluation results, and performance pay, which is based on the achievement of Company performance and management goals.

Thus, KAI provides fair compensation linked to performance and strives to motivate employees by providing the highest level of compensation in the industry.



Employee Welfare Benefits

KAI operates a variety of welfare benefits in five areas to provide employees with a comfortable life, including family stability. The life cycle from joining the Company to retirement and the equity of welfare benefits are considered in designing these benefits. In addition, every year, KAI improves the welfare system and supplements the standards through labor-management consultation to increase employee satisfaction with welfare benefits.

Welfare Benefits				
Family Stability	Health Care	Convenience in Work	Motivation	Culture & Leisure
<ul style="list-style-type: none">Housing stability fund interest supportDormitory (single room)School expenses (kindergarten through university, study abroad)	<ul style="list-style-type: none">Medical expenses (employees and their families)Comprehensive health check-upIndividual pension and group insurance	<ul style="list-style-type: none">Commuter busStaff cafeteriaWork clothingLaundry for work clothes on site	<ul style="list-style-type: none">Assistance in purchasing holiday giftsSupport for congratulations and condolencesLong service leave and money for celebrating	<ul style="list-style-type: none">Resorts (Kumho and Daemyung)Support for clubs (34)Cultural events
<ul style="list-style-type: none">Relocation expensesWorkplace daycare	<ul style="list-style-type: none">Physical therapy clinic and fitness centerFirst aid roomNursing RoomPsychological counseling	<ul style="list-style-type: none">On-site amenities - Bank, grocery store, cafeteriaCounseling on gender equalitySexual harassment, workplace bullying, etc.	<ul style="list-style-type: none">Retiree supportProud KAI AwardsNew employee parents invitation event	
				
				
				
				

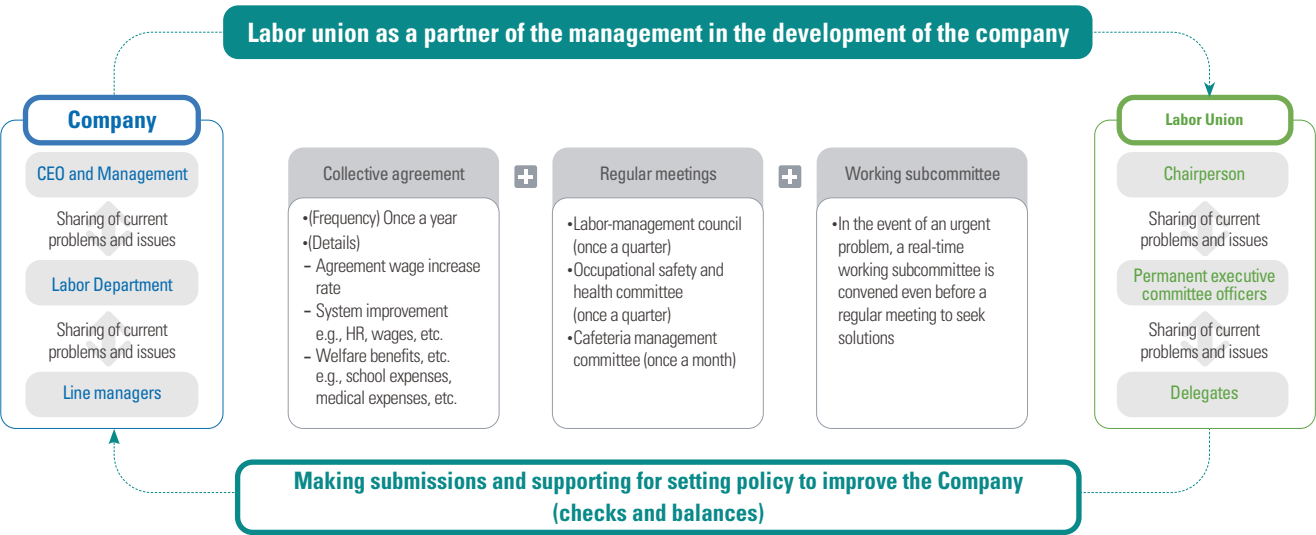
* With a few exceptions, such as personal pensions, benefits are the same for permanent and temporary or casual employees.

Human Rights Management

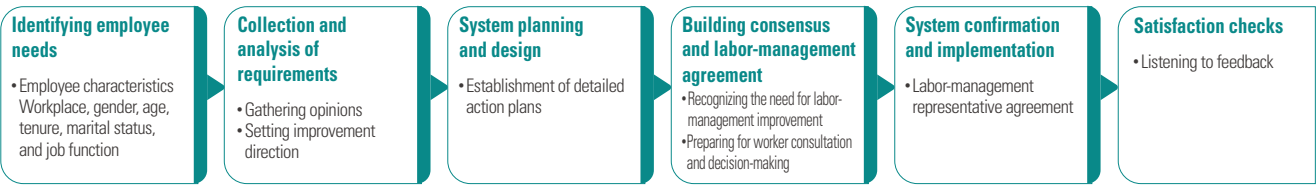
Labor-Management Relations

KAI builds a virtuous cycle of labor-management cooperation through regular and continuous communication through the Labor-Management Council. KAI holds annual collective bargaining meetings and quarterly labor-management meetings with unions and forms working subcommittees for each issue to seek solutions together. Furthermore, KAI holds annual management briefings for employees to enhance their understanding of the Company's management goals and issues and actively communicates with them so that they can actively participate in achieving the Company's goals.

Labor-management communication



Labor-management agreement process



Joint Labor-Management Statement (2020)



Union Newsletter (2023)



Management Briefing (2024)



Winner of the Gyeongnam Industrial Peace Awards (2023)



Winner of the Grand Prize at the Gyeongnam Labor-Management Cooperation Awards (2023)



Declaration on Cooperation Between Labor and Management (2023)



Joint Labor-Management Signature for Participation in Radom Air Show in Poland (2023)



Meeting With Trade Union Delegates Hosted by the CEO (2023)

Resolved Labor-Management Council Agenda Items (3 Years)

2021	2022	2023
51 cases	28 cases	42 cases

3-Year Union Membership Status

	Number of Persons Eligible for Membership	Number of Persons Admitted	Membership Rate (%)	Percentage of Employees Covered by Collective Bargaining (%)
2021	4,150	3,335	80.4	98.9
2022	4,262	3,341	78.4	98.5
2023	4,238	3,544	83.6	98.1

Human Rights Management

Corporateion Culture

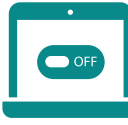
KEY PERFORMANCE

Best Family-Friendly Management Certification
Re-certified (December 2022)



PC-OFF

A program that encourages employees to leave work on time by preventing them from accessing the company's internal systems after a certain time



Best Family-Friendly Management Certified Company

KAI strives to help employees achieve work-life balance in an era of declining birth rates and an aging population and to create a work environment conducive to childbirth and child-rearing. Representative programs include PC-OFF, a flexible work system, reduced working hours during pregnancy, and family care leave. KAI also aims to create an organizational atmosphere where employees can "rest and recharge their batteries" through various cultural events such as family invitation events and in-house busking performances.

In addition, as a result of our labor-management partnership to create a family-friendly social environment, KAI was re-certified by the Ministry of Gender Equality and Family as a "Best Family-Friendly Management" company. As a policy measure to address the declining birth rates, a national concern, KAI increased our childbirth subsidy from 1 million won to 10 million won for one and two children and 30 million won for three children.



Best Family-Friendly Management Certification (December 2019)



Best Family-Friendly Management Recertification (December 2022)



Employee Family Day (Kamily Day)



Busking at Noon



Family Day for New Employees



Family Activity Program

Multi-Child Family Invitation Event

In January 2024, KAI held the second "Kadungi Day" event, inviting employee families with two or more children. This was the second time since 2022 that KAI held this event to participate in the government's policy of encouraging childbirth and favoring multi-child families and to raise awareness of the issue of declining birthrates and population decline in the local community as a representative company in the western Gyeongsangnam-do region.

KAI will continue to explore ways to cooperate with local governments to promote childbirth and will establish various internal policies to promote childbirth so that its employees can work comfortably and feel proud.



Open Committee

As a new Change Agent system, the "Open Committee" was launched in 2022 to empower junior employees, a driving force for future growth, with a leading role in improving corporation culture and to increase their sense of accomplishment and pride through the experience of creating a better corporate culture together.

About 20 members of the first term not only acted as a bridge for communication between management and employees but also actively conducted open culture activities, such as piloting a free dress code, introducing new employee ID cards, participating in culture days, and distributing envelopes calligraphed in Korean letters for Hangeul Day. In 2024, with the new members for the second term, the Committee is taking its root firmly as a Culture Creator by leading a progressive corporation culture through intergenerational coexistence.



Information Security

Information Security Management and Operating System

1) Operation of a Dedicated Information Security Organization
KAI has appointed an in-house Chief Information Security Officer (CISO) to oversee defense technology improvement activities and the operation of the information security management system. It has formed a dedicated organization to strengthen technical, physical, and personnel security and to protect personal information under the constant management and supervision of the Information Security Committee. KAI has internalized its ability to respond to cybersecurity incidents and internal information leakage incidents by organizing a 24/7, 365-day security monitoring organization with its own manpower. It has also strengthened its ability to respond to security incidents through parallel control with a remote security monitoring company.

2) International Standard Information Protection Certification
In order to activate the development of the next-generation KF-21 fighter aircraft and the overseas export of the FA-50 supersonic fighter aircraft and to improve the stability and continuity of information security operations, KAI obtained ISO 27001 Version 2022 International Standard Certification in 2023. Thus, KAI has been recognized for its international security level in the field of information protection, and it will maintain information protection activities through continuous improvement in accordance with the life cycle (PDCA cycle) required by information protection.

3) Information Protection Disclosure
KAI conducts information protection disclosure through the electronic disclosure system of the Ministry of Science and ICT to strengthen the responsibility and reliability of information protection by voluntarily disclosing information related to information protection to the market and indirectly providing various levels of information to users.

Information Security Internalization Activities

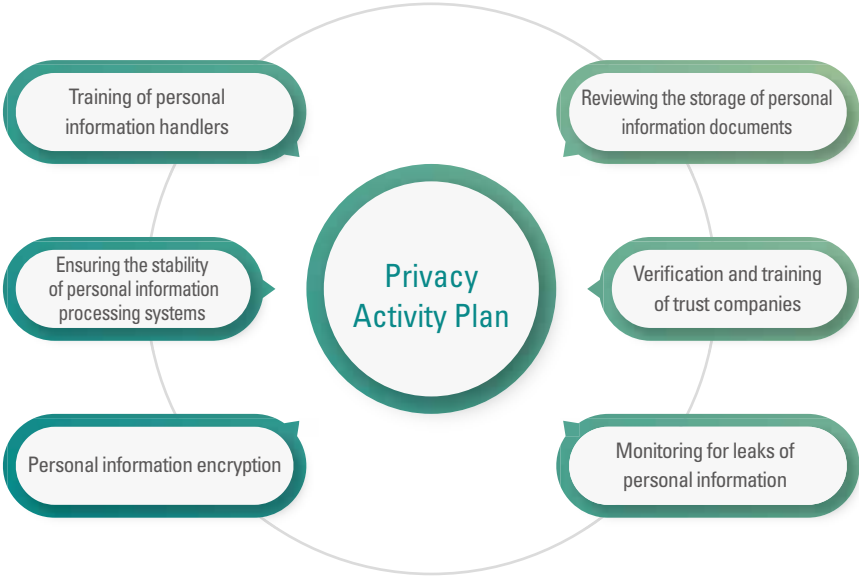
1) Raising Security Awareness Among Employees
KAI provides various security activities for all employees to raise their awareness and understanding of information security. KAI makes efforts to raise security awareness by conducting company-wide security improvement campaigns and security living. KAI designates "Defense Security and Cybersecurity Diagnosis Day" every month and conducts simulated e-mail hacking training and technology protection and security training for all employees, including on-site suppliers, to guide them on the importance of information protection. KAI also conducts security assessments through internal security checks from time to time and provides additional training to employees who violate security to strengthen information security.

2) Training and Management of Partner Technology and Information Protection
KAI conducts training to prevent information security incidents caused by external partners' personnel and regularly checks, instructs, and manages them to strengthen security to prevent leakage of technology and information by conducting security checks.

Privacy

KAI regularly reviews and improves the status of personal information storage and management under the leadership of the Chief Privacy Officer (*CPO). Every year, KAI prepares a " Privacy Activity Plan" to train personal information handlers, ensure the stability of personal information processing systems, encrypt personal information, check the status of personal information document storage, conduct training, monitor personal information leakage, and take various administrative, physical, and technical measures to ensure that personal information is protected from loss, theft, leakage, alteration, or damage. A more detailed explanation of the purpose of the use of personal information and the protection policy can be found in the privacy policy on the website.

*CPO: Chief Privacy Officer



Defense Technology Protection

In accordance with the Defense Technology Security Act, KAI is subject to annual and occasional investigations by the Defense Acquisition Program Administration, the National Intelligence Service, and the Defence Counterintelligence Command. As a result, KAI has been evaluated with above-average scores in the areas of defense industry technology identification and management, personnel and facility security, information security, military secrets management, and technology protection of defense R&D projects. In particular, KAI has improved its system of handling defense industry technology only in technology protection zones to prevent leakage of defense technology materials, and also conducts and manages background checks on handlers every five years.

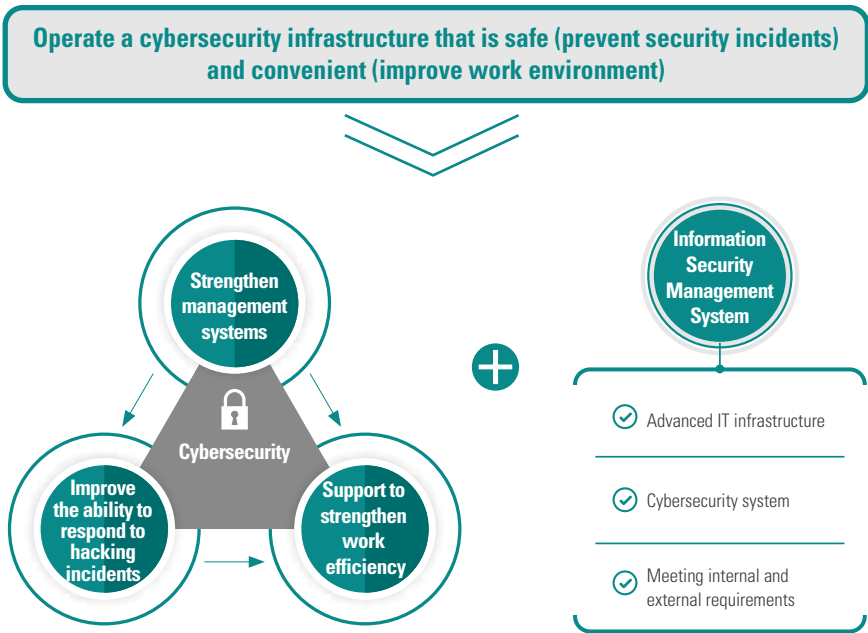


Cybersecurity

Cybersecurity operational activities

- 1) Cybersecurity Operation and Management
- KAI established and continues to operate a security-level maintenance system by improving the cybersecurity system to intelligently respond to and prevent information leakage in the changing business environment.
 - KAI applies storage media control, server security OS, and access control systems to major systems and information assets throughout the company to strictly control external leakage and intrusion prevention.
 - KAI has prepared for leakage, prevented intrusion, and strengthened its ability to respond to security incidents by internalizing a 24-hour security monitoring organization and conducting parallel control with a remote control company.
- 2) Establishing an internal information leakage prevention system and a company-wide security log analysis environment
- KAI has implemented physical network separation of corporate and Internet networks, improved document encryption, encrypted external e-mail attachments, and established security systems such as *EDR and *MDM. It also strictly controls the entry and exit of personal portable devices.
 - KAI has established a company-wide security log analysis environment based on big data to monitor anomalous signs, laid the foundation for continuous improvement of security standards, and established a preemptive response system to prevent information leakage incidents.

*EDR (Endpoint Detection and Response): endpoint threat detection and response
*MDM (Mobile Device Management): mobile device management system



Cybersecurity system

Cybersecurity Management System			
Information Security Operations	Information Security Diagnosis	Information Security Strategy	Security Control
<ul style="list-style-type: none">•Security system quality management and improvement•Security solution operation and management<ul style="list-style-type: none">- *DRM, *DLP, *NAC, *EDR, *F/W, etc.•Security solution user failure response<ul style="list-style-type: none">- Policy and rule management, etc.	<ul style="list-style-type: none">•Information system security vulnerability diagnosis and security audit•Breach response and trace investigation•Information protection certification response and risk assessment	<ul style="list-style-type: none">•Information security strategy development and planning•Analysis of the latest information security trends and technologies•Improvement work to increase the level of information security in the company	<ul style="list-style-type: none">•Responding to breach incidents and malware•Performing 24x365 security monitoring•Log and traffic analysis, report generation•Analysis of hacked emails, malicious files•Parallel control with a remote control company

*DRM (Digital Rights Management): document encryption
*DLP (Data Loss Prevention): data breach prevention
*NAC (Network Access Control): network access control
*F/W (Firewall): firewall, intrusion prevention system

Cybersecurity Management Measures		
Information Security System	Personnel and Materials Management	Information and Communications and Security Control
<ul style="list-style-type: none">•Document encryption•Encryption of external email attachments•EDR & V3 anti-virus•PC security•Wireless intrusion prevention•Mobile security (MDM)	<ul style="list-style-type: none">•Employee security management for retirees and job changers•Security history management•Security training (defense technology protection training, etc.)•Printout security•Managing the removal of security documents•Security review of materials to be removed	<ul style="list-style-type: none">•Separation of internal and external networks•Network access control•Information security portal•Control of personal information and communication devices•Security control system (SIEM)•Integrated log management system

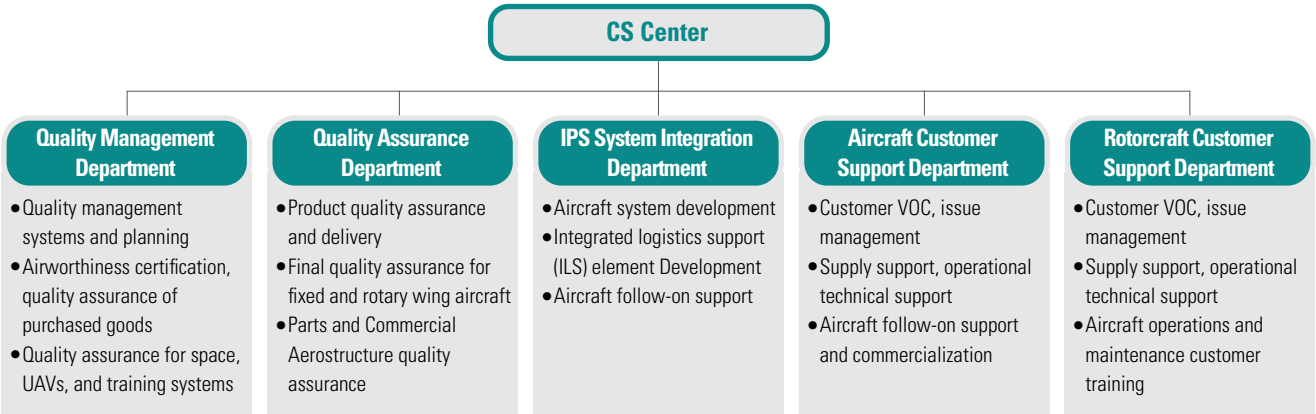


Quality Management

Organization Introduction

KAI's CS Center is an organization that aims to achieve customer satisfaction through organic cooperation among organizations, including quality, customer support, and *IPS functions. KAI has established a rapid customer response system to ensure total life cycle quality and secure customer trust, and strives to proactively identify and meet customer requirements.

*IPS: Integrated Product Support, Integrated System Support



Quality Management System

As a global company prioritizing customer satisfaction, KAI strives to provide the highest quality products and services to its customers.

KAI's efforts to provide the best products and services to its customers have been certified by domestic and international approval authorities, including DQMS (the Defense Quality Management System) and the AS Q 9100 (Aerospace Quality Management System). This demonstrates KAI's commitment to excellence and continuous improvement throughout the aircraft manufacturing process, from product development to production, maintenance, and customer service. KAI's commitment to customer satisfaction and trust is realized through strict quality standards and efficient processes.

Quality Policy

- 1

We shall thoroughly consider customer requirements and legal and regulatory requirements from the initial planning stage and incorporate customer evaluation results into production activities during design, production, delivery, and after-sales service to eliminate customer complaints after delivery.
- 2

All departments shall systematize and implement all quality assurance activities to minimize quality defects and costs in order to provide products and services that meet customer needs.
- 3

To design and produce the highest quality products, we shall conduct continuous quality improvement and innovation activities in which all employees participate in all processes of development, production, and support activities.

Quality Certification



Quality Management Activities

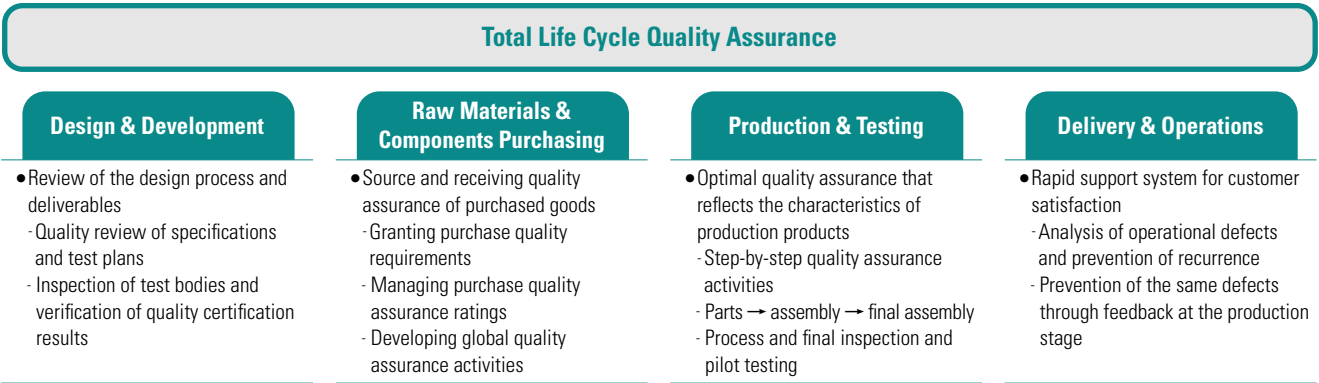
1) Product Safety

KAI's Quality Management Department uses a systematic "Total Life Cycle Quality Management" approach to identify and evaluate risks throughout the entire life cycle of products and services. All quality risks that may arise during the life cycle of an aircraft are identified in advance, and response plans are developed.

2) Day-To-Day Management

KAI conducts continuous training of employees to share the risks of potential quality risks and take preventive measures to respond quickly when problems arise; routinizes improvement activities for quality risks; and establishes communication channels for quality issues.

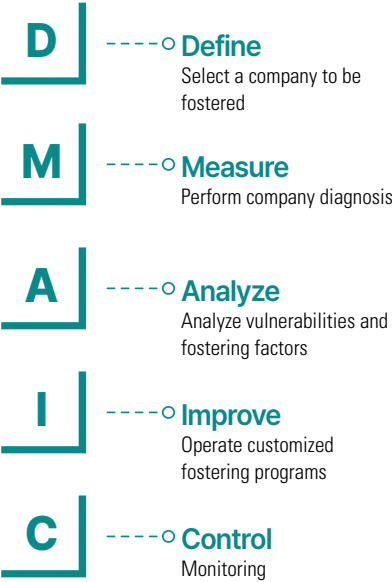
We conduct various activities, such as fail-safe systems, internal suggestions, and best quality awards, to evaluate employees' quality awareness and strive to provide better customer service.



Helping Suppliers Improve Their Quality Capabilities

KAI supports activities to improve the quality capabilities of its suppliers to ensure a stable supply chain and provide growth opportunities for them.

Partner diagnoses/fostering process



1) Diagnosis and Promotion Activities for Suppliers

KAI uses an evaluation system to assign quality ratings to potential suppliers and selects suppliers for promotion. It then diagnoses the detailed quality status of each type of business using 175 diagnostic items and provides fostering programs (training, consulting, assignments) for vulnerable items using the results. Through the continuous monitoring process, KAI lays the foundation for the fundamental growth of the quality capabilities of the targeted company.

In 2023, seven companies were selected for fostering and they participated in quality capability development activities. In this process, its employees provided on-site training and assignments to partners, and a total of 124 people received quality capability development training. In 2024, it is planned to continue the activities for eight companies.

2) Supporting Certification Audits and Sharing Information for Suppliers

KAI supports its partners in obtaining special process certification (*NADCAP) in various ways, including audit preparation, response methods, preliminary on-site inspection, and the establishment of an audit inquiry hotline. In 2023, 27 companies received audit support, and in 2024, 20 companies were selected for support.

Monthly forums are held for special process companies to share information and establish communication channels related to special processes. In particular, recent quality issues and best practices are shared to provide opportunities for partners to take the lead in preventive quality activities. In 2023, 37 companies participated in the activities, and there are plans to continue holding them in 2024.

*NADCAP : National Aerospace & Defense Contractors Accreditation Program

Customer Satisfaction



Customer Appreciation Event

Create New Business Opportunities and Enhance the Image of Domestic Aircraft Through Customer Satisfaction

1) Customer Appreciation Event

■ Fixed-Wing Aircraft
Starting with the delivery of the KT-1 001 basic trainer in August 2000 and the T-50 001 advanced jet trainer in December 2005, KAI has delivered 268 aircraft domestically and 152 to nine overseas countries. For domestically operated aircraft, KAI contributes to the stable operation of the aircraft after delivery and the end of the defect warranty through technical support contracts and PBL contracts, starting with the signing of a military support contract in 2014.

Since 2013, KAI has been conducting customer appreciation events for the Republic of Korea Air Force to express its gratitude to KT/A-1, T-50 series, and KT-100 pilots who have achieved 1,000, 2,000, or 3,000 accident-free flight hours to increase their pride, and to enhance the excellence and image of domestic aircraft. In addition, as of April 2024, KAI has presented 165 appreciation plaques to 165 pilots.

Since 2023, the program has been expanded to include not only pilots who have achieved accident-free flight hours but also excellent mechanics who provide behind-the-scenes support before, during, and after flights for stable aircraft operation. In the future, KAI plans to expand customer appreciation events to include not only domestic pilots but also pilots in nine countries who operate aircraft manufactured by the Company overseas.

■ Rotary-Wing
For customers who operate rotorcraft, KAI conducts seasonal customer VOC listening and aviation safety support activities. Starting with 9 bases, including the 15th Aviation Corps, in March 2023, KAI conducted aviation safety support activities for 52 bases, including 21 bases, including the 119 Honam Rescue Squadron, in June and July, 13 bases, including the Gyeonggi Nambu Provincial Police Aviation Corps, in September and October, and 9 bases, including the Army Headquarters, in November, to listen to customer VOCs and support the stable operation of aircraft.

2) Donations for Aviation Safety and Related Development at Domestic Fixed-Wing and Rotary-Wing Operating Bases (referred to as "Donations")

Since 2013, KAI has been making donations to bases that operate fixed-wing and rotary-wing aircraft manufactured and supplied by the Company. Initiated to create a friendly environment, strengthening communication with operating customers, and encouraging soldiers, the CS Center has delivered 230 million won of donations to 11 fixed-wing and 26 rotary-wing units.



Delivering the Force Development Fund

3) Customer Satisfaction Survey

The Fixed-Wing and Rotary-Wing Customer Support Office in the CS Center conducts customer satisfaction surveys once a year to obtain a comprehensive evaluation of the Company's customer support activities, analyze the results, and establish improvement plans. The survey is conducted based on the operational work guidelines of the Defense Technology Quality Institute and is administered to domestic aircraft support personnel at (7+32) domestic fixed-wing and rotary-wing operating bases. In 2023, KAI scored 89.9 points for fixed-wing aircraft and 84.8 points for rotorcraft as a result of the satisfaction survey, and KAI is striving to provide better services by seeking improvement measures for deficiencies and feedback of the derived improvement measures in the areas of customer support and technical support, as well as supply support and quality.



Conducting International Technology Cooperation Events and Conferences and CSR Activities



12th K-TCG & 6th SMG International Conference

1) *K-TCG & SMC

In order to strengthen international technology cooperation and enhance the confidence of overseas customers, KAI hosts and conducts the K-TCG & SMG International Conference organized by the Air Force for overseas members who operate domestic aircraft manufactured and supplied by the Company. Since the establishment of the K-TCG in 2009, the Air Force has been providing technical support and showcasing excellence to overseas exporters and potential sales countries based on accumulated data on the operational efficiency of domestic aircraft, including increased utilization rates and reduced maintenance, repair, and operating costs. Since 2016, the K-TCG meeting has been integrated with the *SMG meeting, which shares aviation safety information, to strengthen the reliability of domestic aircraft.

In 2023, 191 participants from the ROK Air Force, KAI, and seven overseas operating countries attended the meeting and had a meaningful time sharing operational status and technical information from each country and exploring ways to operate aircraft reliably in the medium and long term.

In order to effectively operate aircraft with a service life of 30 to 40 years, it is important to have an organic cooperative relationship between the military and manufacturing companies as customers and to share operational status and improvements among operating countries. The K-TCG and SMG international conferences, organized by the ROK Air Force and supported by KAI, help to solidify the cooperative relationship between the ROK Air Force and domestic aircraft operators while also contributing to the expansion of exports by increasing the reliability of domestic aircraft.

* K-TCG : Korean-Technical Coordination Group / SMG : Safety Management Group

2) Domestic Aircraft Technical Cooperation Meeting

KAI conducts the Domestic Aircraft Technical Cooperation Meeting twice a year (first and second half) for the purpose of mutual military cooperation, technical support, and exchange with the Republic of Korea Air Force. It is a meeting to discuss and derive solutions to various issues necessary to maintain stable operation of aircraft manufactured and supplied by the Company throughout their entire life cycle, such as improvement of modifications, technical inquiries, maintenance procedures, upgrades, and modifications, etc.

Through this cooperation conference, KAI will continue to make efforts to improve the mid-to-long-term operational reliability of aircraft, provide direction for the development of the domestic aviation industry as a whole, and ensure sustainable communication and development of operators, manufacturers, and suppliers.



Technical Cooperation Conference

3) Aviation Camp Event

KAI supports the children of rotorcraft operators to participate in its in-house aviation camp. Starting with the Army's 11th Aviation Corps in February 2023, KAI invited the children of the 17th Aviation Corps in March and the Special Warfare Command in July to participate in camps at the Company.

In addition, KAI continued its CSR activities by conducting aviation events for children in remote areas in cooperation with the Gyeongbuk and Gyeongnam Police Aviation Corps, introducing Surion helicopters and providing sports equipment, as well as public relations activities for the Company.

Certification of Customer Satisfaction Management System



Initial Certificate



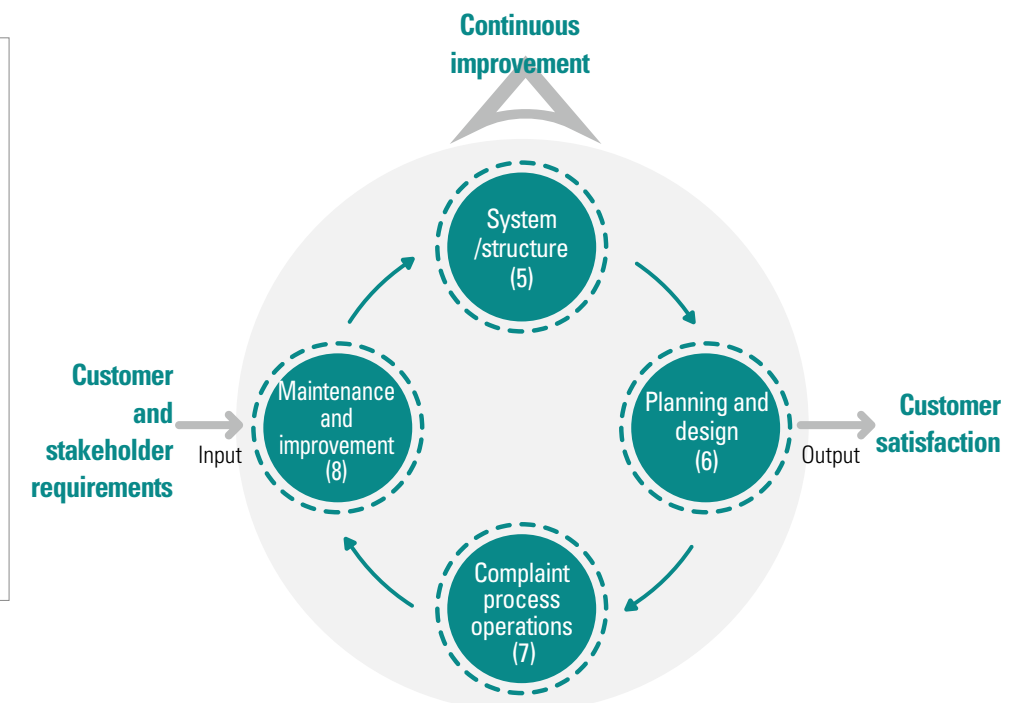
Renewal Certificate

In September 2019, KAI became the first company in the defense industry to obtain Customer Satisfaction Management System (ISO10002) certification to systematize and effectively manage its customer complaint-handling process. With this certification, KAI focuses on building a consistent complaint handling process unique to KAI to improve customer satisfaction and further develop customer service.

As a customer satisfaction management system guideline, ISO 10002 provides a framework guiding organizations to manage and handle customer complaints effectively. It also aims to improve the quality of customer service and customer satisfaction. For this certification, KAI has clearly written and implemented a complaint-handling process to transparently communicate what procedures will be followed to resolve complaints when they arise.

In addition, KAI collects and analyzes customer opinions and uses them as data to improve services, become more sensitive to customer needs and interests, and enhance its image through positive interactions with customers.

Starting with the initial certification in 2020, KAI has maintained its certification status through the renewal audit in 2022 and the follow-up audit in 2023, and obtaining the ISO 10002 Customer Satisfaction Management System certification is a worthwhile challenge that can make the company more competitive. This certification will enable KAI to improve the quality of customer service and increase customer satisfaction, which will have a great impact on the Company's long-term growth and development. In order to become a company that always puts customers first, KAI will continue to pursue ISO 10002 Customer Satisfaction Management System certification.



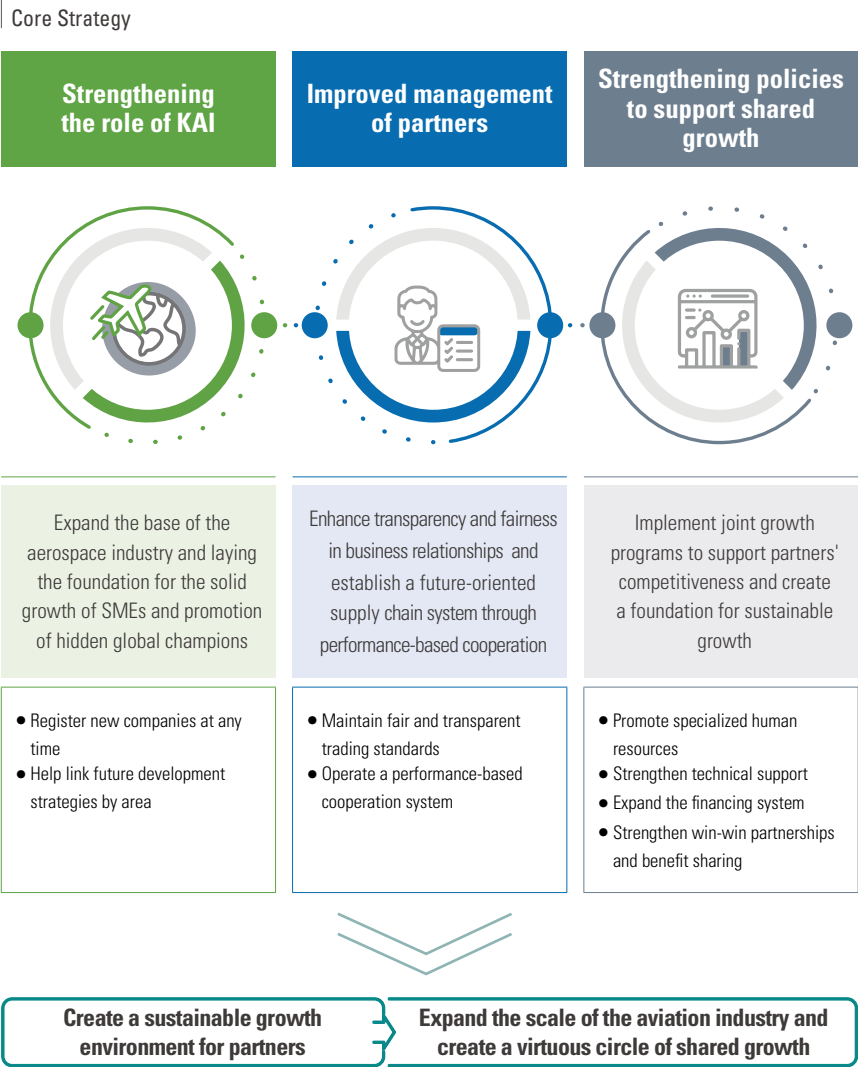
Building a Sustainable Supply Chain

Win-Win Management Philosophy

KAI is practicing win-win management to discover small and medium enterprises that wish to enter the aerospace industry and nurture hidden global champions. KAI will continue to establish transparent and fair trade relationships with relevant companies and strengthen collaborative cooperation programs to build a sustainable supply chain.

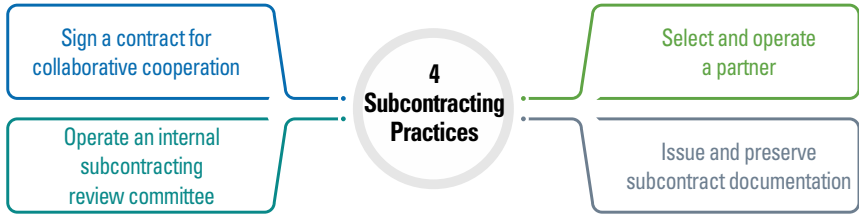
1) Philosophy of Practice

KAI will provide trade opportunities to all partners with capabilities in each field and conduct open competition as a matter of principle. We will promote the development of the aviation industry by laying a foundation for the solid growth of small and medium-sized enterprises and hidden global champions and by expanding the registration of more domestic partners. Also, 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.



Registration and Partner Selection

In order to build a sustainable supply chain, KAI is establishing a system for registering new partners at all times and cultivating partners based on the 4 Subcontracting Practices.

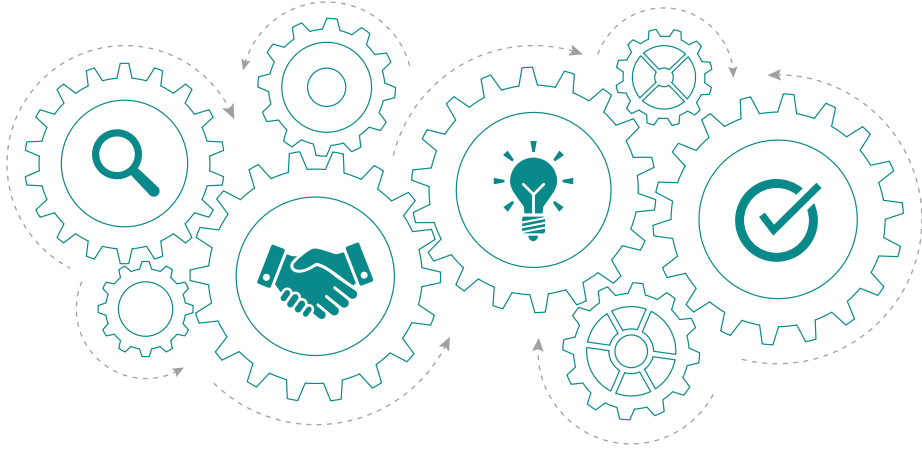
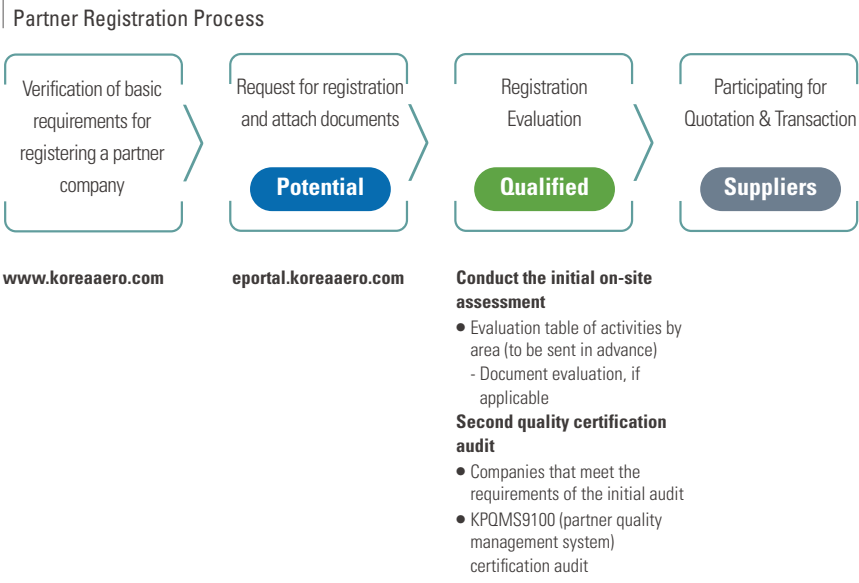


1) Evaluation of Partners

KAI conducts regular evaluations of relevant companies that do business with the Company and provides various incentives and educational support based on the results of the evaluations to promote competitiveness in the supply chain.

2) Status of Partners

KAI is working with 1,470 companies worldwide (as of 2023) to develop the aerospace industry.



Collaborative Support Policy

In order to strengthen the competitiveness of the aviation industry and create a fun and happy workplace for its suppliers based on collaborative cooperation, KAI practices the value of "togetherness."

1) Declaration of Win-Win Policy and Selection of Thoughtful Corporation

In February 2020, KAI declared the "KAI Win-Win Policy" at a ceremony attended by the Minister of SMEs and Startups, the Governor of Gyeongsangnam-do Province, and local government leaders to create a new and stronger win-win for the aviation industry to overcome the crisis and develop growth. KAI was also selected as the 11th "Thoughtful Corporation" (voluntary win-win cooperation) by the Ministry of SMEs and Startups for the first time among small and medium-sized enterprises.



Declaration of the Win-Win Policy



Ceremony for the Caring Company Business Agreement

2) Donating the Collaborative Cooperation Fund

Since the signing of the "Thoughtful Corporation" agreement between the Ministry of SMEs and Startups and KAI, KAI, through the Korean Foundation for Cooperation of Large & Small Business, Rural Affairs, has donated a total of 10 billion won to help suppliers enhance their technological capabilities and competitiveness by promoting and disseminating smart factories, improving work environments and processes, supporting R&D tasks for technology development, and providing performance sharing and incentives to a total of 42 companies with 6.3 billion won through 2023.

3) Donating the Joint Employee Welfare Fund

In June 2020, KAI signed a MOU with 40 medium-sized and small suppliers, including local governments in Gyeongsangnam-do, Sacheon, Jinju, Changwon, and Gimhae, to jointly donate funds worth 5.2 billion won per year to the "Joint Employee Welfare Fund" to help improve the quality of life of its suppliers' employees who fall into the welfare blind spot due to COVID-19.



Agreement Ceremony for Donating to the Collaborative Cooperation Fund



Agreement Ceremony for Donating to the Joint Labor Welfare Fund

KEY PERFORMANCE

Shared growth index for 9 consecutive years

Excellent Rating

(2014-2022)



4) Excellent Rating in Shared Growth Index

As a result of its excellent performance and contributions to sustainable shared growth and collaborative cooperation, KAI was rated "Excellent" in the evaluation of the Shared Growth Index organized by the Win-Win Growth Committee for the ninth consecutive year.

5) Collaborative Cooperation Agreement between Large Enterprises and Small and Medium Enterprises

In October 2022, KAI, Gyeongsangnam-do, and 30 suppliers signed the "Collaborative Cooperation Agreement between Large Enterprises and Small and Medium Enterprises" to promote the growth and job creation of small and medium enterprises in the aerospace sector in Gyeongnam-do. KAI, Gyeongsangnam-do, and the suppliers agreed to work together to reduce the financial burden of the suppliers and promote growth vitality through financial support; activate the inflow of new workers to the suppliers; resolve labor shortages through employment stability; and improve the working environment and production efficiency through enhanced competitiveness.



Collaborative Cooperation Agreement ceremony between large and small-medium enterprises

6) Joint Declaration to Promote Collaborative Cooperation

On February 14, 2024, the Ministry of Employment and Labor (Minister Lee Jung-sik), Gyeongsangnam-do (Vice Governor Choi Man-rim), Hanwha Aerospace (CEO Son Jae-il), and their respective partners (Mirae Aviation, Samwoo Metal) held the "Joint Declaration to Promote Collaborative Cooperation in the Aerospace Manufacturing Industry" in the presence of CEO Kang Goo-young.

Through this joint declaration, KAI, Hanwha Aerospace, and their partners, as well as Gyeongsangnam-do, will form a win-win council with Gyeongsangnam-do as the main member to actively discuss the tasks of the collaborative cooperation agreement that are actually needed by its partners with the expectation of attracting and training young and skilled workers; improving the working conditions and benefits of its suppliers' employees; and creating quality jobs.



Joint Declaration to Promote Collaborative Cooperation in the Aerospace Manufacturing Industry



Collaborative Cooperation Suppliers Workshop

7) Workshop for suppliers and MOU for collaborative cooperation

On July 14, 2023, through the "Collaborative Cooperation Suppliers Workshop" to strengthen the competitiveness of the aviation industry, an MOU for Collaborative Cooperation was signed, and overall win-win policies such as expanding cooperation support, supporting productivity improvement, and expanding in-house volume outsourcing were improved, and suppliers took measures to retain workers and improve productivity, thus laying the foundation for a win-win partnership to strengthen the aviation industry ecosystem.

8) Resolution meeting to stabilize aviation industry production and strengthen competitiveness

On March 14, 2024, KAI pledged to provide more than 10 billion won in funding, including a unit price increase in 2024 and easing emergency loan conditions, and decided to consider sharing a portion of future profit increases with win-win partners. The suppliers announced a resolution to sincerely implement measures such as recruiting personnel, expanding production capacity, and eliminating defects, and pledged to restore the ecosystem by strengthening self-sustainability and stabilizing the management of domestic aerospace small and medium-sized suppliers that have been struggling since COVID-19.



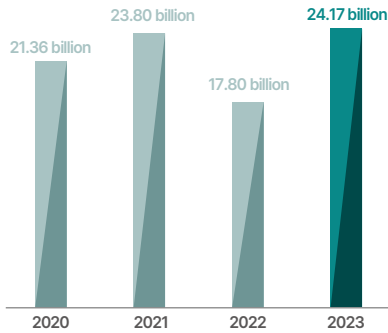
Win-win suppliers pledge to restore the aviation industry ecosystem

9) Collaborative Support Policy

The commercial aerospace business is mostly conducted as a win-win order program based on suppliers' production volumes, with KAI making initial investments, such as technology development support, material purchases, and tooling, and suppliers carrying out collaborative cooperation by sharing roles in manpower and equipment-based production. In the case of domestic defense and export of finished aircraft, approximately 90% of aerospace components will be produced by small and medium-sized suppliers in the same manner as above.

In February 2020, based on the declaration of a win-win policy and the selection of thoughtful companies, the Manufacturing Subcommittee, a voluntary council of suppliers, will be put into operation, and KAI and its suppliers will work together for mutual development. In the difficult crisis of the global aviation industry due to COVID-19, KAI has further expanded its win-win support policy and is smoothly operating the collaborative support policy under three pillars: management stabilization funding, job stabilization support, and competitiveness enhancement support.

Status of Collaborative Support



Strengthening industrial competitiveness based on collaborative cooperation and building a fun and happy workplace for suppliers * Based on 2020–2023 performance

Management Stabilisation Support	Competitiveness Enhancement Support	Job Stabilization Support
73 billion won provided to 43 companies	6.3 billion won provided to 41 companies	8.4 billion won provided to 59 companies
<ul style="list-style-type: none">Emergency funding for business crisesInterest support for working capital loansDirect or guaranteed support for companies facing difficulties in securing financing	<ul style="list-style-type: none">Improvement of poor site environment (5S)Strengthening competitiveness through new technologies and process improvementSupport for the construction of smart factories	<ul style="list-style-type: none">Operation of the Joint Employee Welfare FundSupport for Tomorrow Filling Credit (long-term employment of key personnel)Discouraging idle labor force reorganization due to COVID-19

Shared Growth with Suppliers

Support for Management Stabilization

1) Win-Win Fund Interest Support Project

KAI provides 100 billion won of loan interest support for investment and working capital through agreements with Gyeongsangnam-do and the Korea SMEs and Startups Agency. As of 2023, KAI has provided 34.3 billion won of loan interest support to a total of 33 small and medium-sized enterprises.

2) Emergency Funding for Business Crisis

KAI has expanded its own emergency operating fund for supplies experiencing temporary business crises by doubling the total amount from 10 billion won to 20 billion won and increasing the limit per company from 1 billion won to 2 billion won, and has so far provided a total of 36 billion won to 21 companies by easing loan conditions, including new loans for each company.

3) Collaborative Cooperation Loan Guarantee

In order to support small and medium-sized enterprises in borrowing funds, KAI donated funds of 180 million won from the Collaborative Cooperation Fund to provide loan guarantees of up to 3 billion won per company, and guaranteed loans of 2.7 billion won to three companies.

4) Emergency Financial Assistance

To help suppliers normalize their business after the prolonged COVID-19 downturn, KAI provided emergency financial support for unit price increases and business loss compensation in 2020, 2022, and 2024 worth approximately 30 billion won.

Support for improving competitiveness

1) Supplier Incentives and Performance Sharing

KAI rewards up to 100 million won to suppliers that achieve excellent performance through regular suppliers evaluations each year, and the rewards are given directly to the suppliers' employees. In addition, KAI operates the "Win-Win Proposal System" for suppliers, which measures the grade of innovation proposals and provides performance payments according to the grade, and shares excellent improvement tasks with suppliers through the "Innovation Activity Reporting Meeting" to accelerate the establishment of a sustainable and independent innovation culture.



Win-Win Management Briefing



Suppliers Innovation Activity Reporting

Supporting Job Stabilization

KEY PERFORMANCE

Paid leave training support

Cumulative total of about 5,500 trainees

**Approximately
13.2 billion won**

Labor cost support



MOU for Region-Specific Pilot Project on Emergency Vocational Training

1) Joint Employee Welfare Fund

KAI donated 2.5 billion won per year (2020–2023) to create a fund of 10 billion won over four years to support the improvement of work welfare and quality of life for more than 5,000 employees of 40 suppliers, including gifts for holidays and anniversaries and support for clubs and sports events, through matching funds from local governments, large companies (KAI), and small and medium-sized enterprises.

2) Support for paid leave training

In October 2020, following the Ministry of Employment and Labor's launch of the nation's first "Region-specific Pilot Project on Emergency Vocational Training" in Gyeongsangnam-do, KAI conducted paid leave training for idle workers in collaboration with Korea Polytechnics (Jinju Campus) under the region-specific long-term paid leave training project, which has become a full-fledged business in 2022. In total, about 5,500 people completed the training, and with the support of Gyeongsangnam-do, the Ministry of Labor and Employment, and the local government, approximately 13.2 billion won in labor costs and 50% of social insurance premiums were provided to help suppliers maintain employment through COVID-19.

3) Tomorrow Filling Credit

This is a project to induce long-term employment of key personnel of suppliers through an agreement with the Korea SMEs and Startups Agency. The first project was supported with 330,000 won per person per month and about 25 million won over five years, and 67 employees from 15 companies were supported. Beginning in 2024, the scale of support has been expanded, and as a second project, Gyeongsangnam-do, KAI, suppliers, and employees have jointly supported the creation of 480,000 won per person per month and approximately 30 million won over five years.

4) Support for Securing Workforce

■ Securing Foreign Workforce

In order to solve the labor shortage of our suppliers and to secure overseas aircraft parts manufacturing experts, KAI recommended the establishment of the E-7-3 visa for specific activities to the Ministry of Justice, and on January 4, 2024, the new occupation of "aircraft parts manufacturer" was confirmed and officially implemented on May 1, 2024. In addition, on March 29, 2024, KAI signed an MOU on Overseas Academy with GAET, a public corporation under the Ministry of National Defense of Vietnam, to train and recruit local experts in Vietnam, and due to the lack of capacity of its suppliers, KAI plans to open a specialized training course for aircraft parts manufacturing under the leadership of the parent company, KAI, in conjunction with the implementation of the E-7-3 visa and will proceed with sequential entry and recruitment after matching suppliers' manpower as a prerequisite for recruitment.

In November 2023, KAI visited six domestic universities enrolling foreign students (Pusan National University, Daegu National University, Keimyung University, Chonbuk National University, Sun Moon University, and Geoje National University) and held an "International Student Recruitment Briefing" to attract foreign students to work for win-win suppliers. A total of 113 international students attended, and 70 expressed their intention to be hired. Through the recruitment briefing, KAI introduced its vision for the aviation industry and the current status of the Sacheon region and its suppliers, followed by an explanation of its future plans, and its suppliers held recruitment consultations with international students who wanted to join the company.



International Student Recruitment Briefing (Pusan National University)



International Student Recruitment Briefing (Keimyung University)



International Student Recruitment Briefing (Chonbuk National University)

■ Securing Domestic Workforce

Since 2022, KAI has been organizing the "Aerospace Job Fair" every year together with Sacheon City and other related organizations, and during the job fair, KAI is making every effort to secure domestic talent by holding a briefing session on the vision of the aerospace manufacturing industry hosted by KAI for job seekers.

In addition, in order to reduce the wage and welfare gap between prime contractors and subcontractors, a new project of the Ministry of Employment and Labor, "Region-led Dual Structure Improvement Support Project," is being implemented by forming a win-win council with local governments (Gyeongsangnam-do, Changwon, Jinju, Sacheon), prime contractors (KAI, etc.), suppliers, and the Ministry of Employment and Labor to discuss improvement measures to improve labor shortage in the aerospace industry and secure skilled manpower.

Stabilizing Jobs by Securing Workforce and Strengthening Recruitment Support

Securing Workforce

● Securing Foreign Workforce

- ✓ Early implementation and regularization of the new E-7-3 visa occupation (aircraft parts manufacturer)
 - Current Ministry of Justice plan (draft): regularization after pilot (2024–2025)
- ✓ Expanded recruitment briefings for international students nationwide and started recruiting in earnest
 - Expanded E-7 visa program nationwide (except south of Daejeon)
 - * Achievements in 2023: 113 students from 6 universities participated, and 70 expressed employment intentions (to be reinterviewed after graduation)
- ✓ Signing an MOU on overseas (Vietnam) workforce training academy (March 29)
 - Operation of overseas academy to train E-7 personnel exclusively for KAI suppliers

● Securing Domestic Workforce

- ✓ Promotion of region-led dual structure improvement support project (new project of the Ministry of Employment and Labor)

Business Overview	Reduce the wage and welfare gap between prime contractors and subcontractors (dual structure improvement) * Establish a win-win council led by local governments (win-win agreement)
Formation of Consultative Group	Local governments (provinces and Changwon, Jinju, and Sacheon) and prime contractors (KAI, HAS) and suppliers and the Ministry of Employment and Labor
Business Budget	Approx. 3.1 billion won (employment incentives, operation of leapfrog centers, etc.)

- ✓ Regularization and expansion of job fairs specific to the aerospace industry
 - Strengthening the promotion of cooperation with related organizations and holding vision briefings on the aerospace industry by KAI
 - * Achievement in 2023: 29 recruiting companies participated, 24 hired

Overseas Academy Operating Plan

● Operation Plan

- ✓ Promotion direction: leverage local overseas training centers to create aviation-specific courses



* Aviation-specific training courses (theory and practice) → KAI Specialized Vocational Training Institute

- ✓ Pilot project: after piloting in Vietnam, consider expanding to other countries
 - Training center: Manpower Training Center / Sending Institution (GAET) under the Ministry of Defense of Vietnam
 - Training scale: more than 100 people per year
 - Curriculum: certificate to be issued after 3 months of training (Korean, aviation theory and practice)
 - * Recruitment (1 month) → Pre-interview (online) → Training (3 months) → Visa approval
 - * Training using local infrastructure such as the Ministry of Defense Vocational Training Institute hosted by GAET (supported by KAI) and recruiting and selecting excellent science and engineering personnel (those who meet E-7 education and experience standards)
 - Recruitment process: pre-recruitment matching and sequential entry upon completion of training

● Promotion Plan

- ✓ Signing of MOU: March 29 (to be completed), KAI and GAET and suppliers
- ✓ Implementation of E-7-3 Visa: May 1 (to be completed, Ministry of Justice)
- ✓ Training of the first batch of overseas academies: May–July

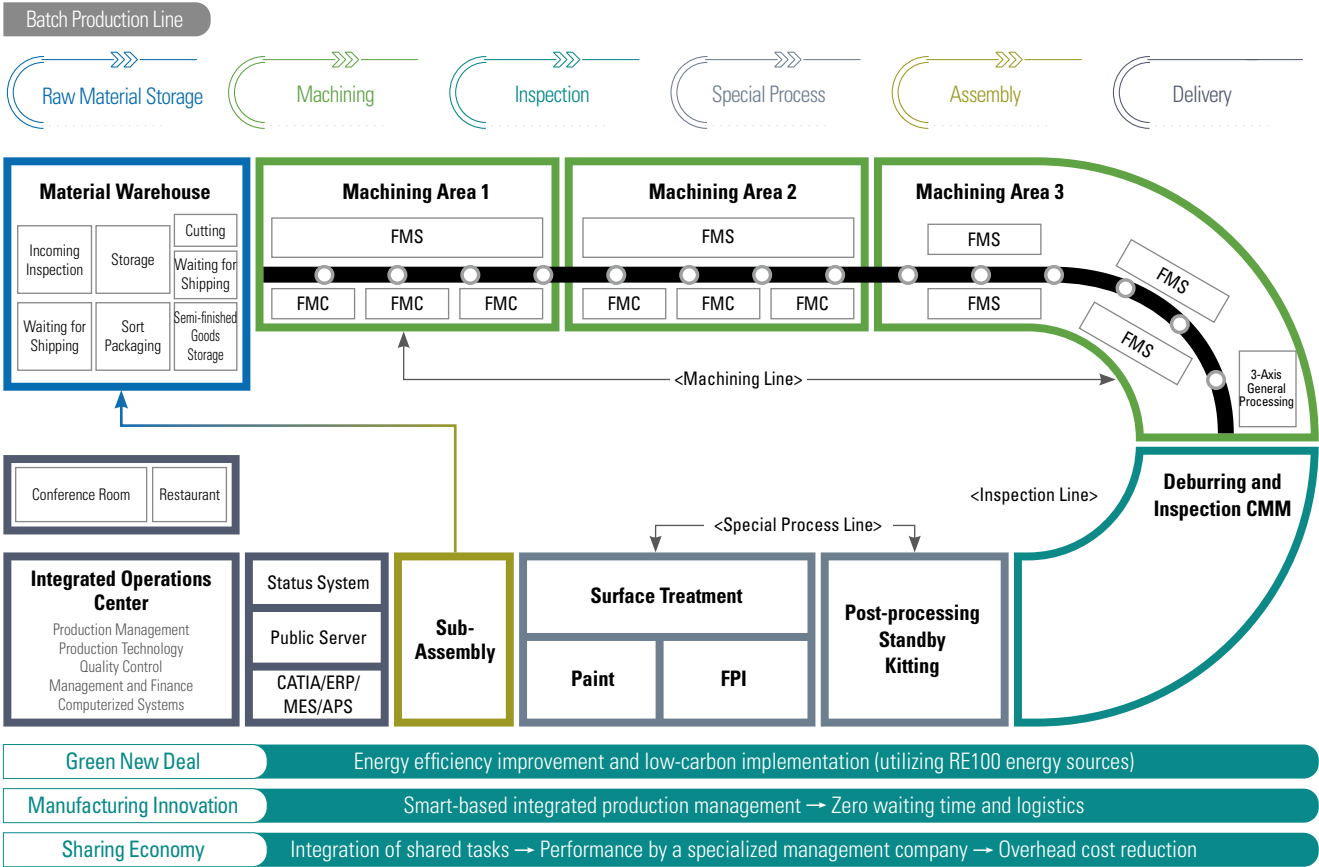
Supplier Capability Enhancement

1) Building a Supply Chain ESG Foundation
In line with global SCM standardization, supply chain ESG risk management is being emphasized at KAI's major customers, Boeing and Airbus, due to the trend of strengthening supply chain ESG risk management worldwide. Therefore, in order to preemptively respond to supply chain ESG management, KAI implemented the "Suppliers ESG Consulting Pilot Project" in 2023 using the Collaborative Cooperation Fund to provide ESG education, due diligence diagnosis, consulting, and monitoring of improvement activities to 10 suppliers.

2) Preparing for the Aircraft Parts Integration Complex
To realize manufacturing innovation through specialized integrated production, KAI is promoting the "Aircraft Parts Integrated Production Infrastructure," an aviation-specific project to ensure global competitiveness. KAI plans to build a smart-based efficient production complex for unplanned integrated production using batch production lines, smart factories using digital twins, and a sharing economy as the basic concept. To realize this project, it has been selected as a multi-year research task (Korea Industrial Complex Corporation) in 2023 and 2024, and KAI plans to form an industry-university-institute council with KAI, Korea Industrial Complex Corporation, suppliers, and specialized institutions to study and realize the project.

3) Workforce Training (Customized Training Support)
In order to continue the development of aviation technology and industry in the Republic of Korea, KAI has been operating joint training centers (since 2015), starting with 57 sites in 2015 and expanding to 200 sites in 2024, and has trained more than 7,000 people to date. Through partner demand surveys, KAI develops training courses needed by partners and provides systematic training support measures to strengthen partners' technical competitiveness. KAI is showing clear results in human resource development in the aviation industry, including receiving the highest grade in the 2022 National Human Resource Development Consortium Performance Evaluation.

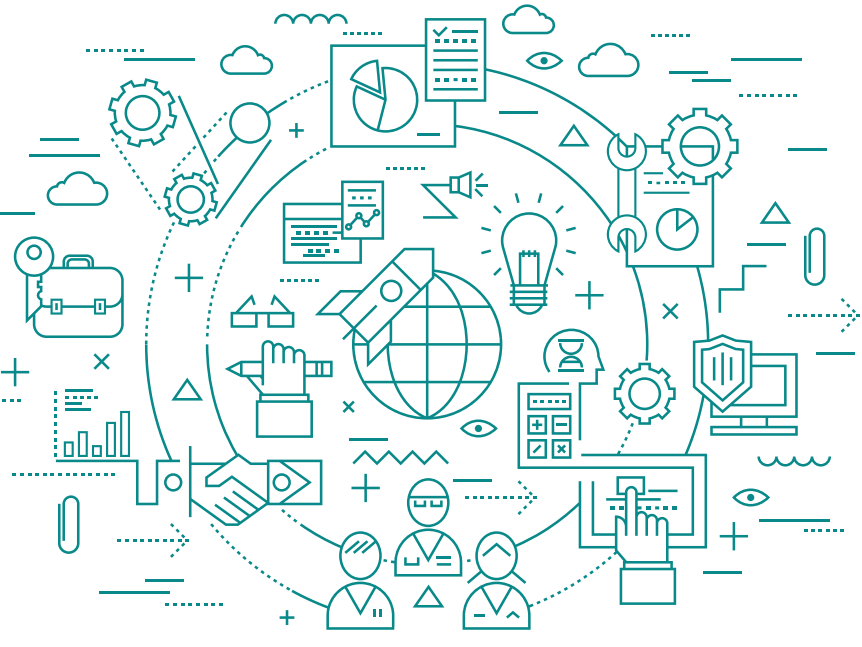
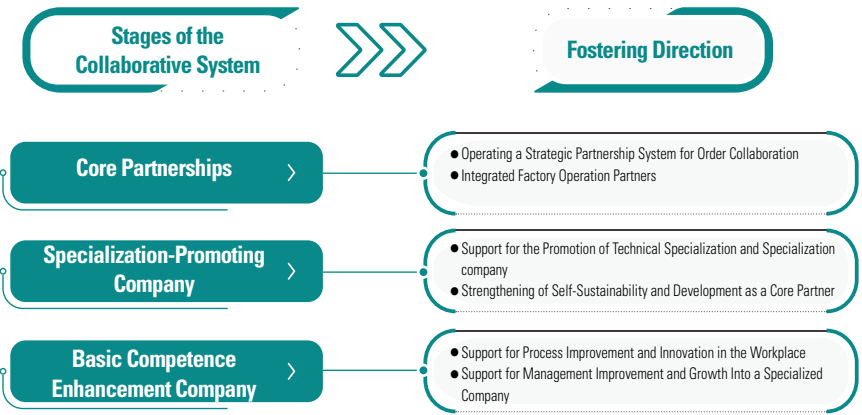
Conceptual Diagram of the Integrated Aircraft Parts Production Complex



Supplier Development Roadmap

KAI plans to establish a strategic cooperation system based on the level of suppliers and their core competencies to operate a "performance-oriented customized fostering system" gradually. The fostering system will be divided into core partnerships, specialization-promoting companies, and basic competence enhancement companies. For "Core Partnerships," KAI will establish strategic partnerships by operating a joint order cooperation system for companies that build their own business systems based on self-sustainability. "Specialization-Promoting Companies" are targeted at companies that need to grow based on competitiveness in technical expertise, and KAI will promote them as core partners by supporting the promotion of technical specialization. "Basic Competence Enhancement Companies" are targeted at companies that need to strengthen the foundation for corporate growth and will be promoted as management improvement and specialization companies by supporting process improvement and workplace innovation.

In addition, KAI plans to reorganize and expand its long-term and strategic domestic supply chain by specifying and optimizing a step-by-step SCM ecosystem to strengthen global competitiveness, support suppliers' manufacturing innovation and capabilities, secure human resources, and expand its finished product platform.



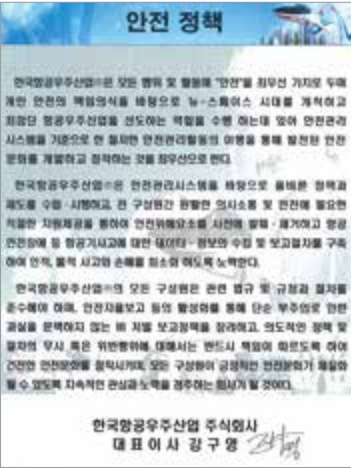
CEO Commitment to Safety

CEO Commitment to Safety

KAI operates the Safety Office as an independent organization directly under the CEO to manage company-wide safety. In order to prevent major disasters that may occur at production sites, the CEO conducts special emphasis periods led by the CEO, personally conducts preliminary inspections for wind and water disasters, and conducts "Back to the Basic" involving all employees to prevent safety accidents at the source.



Aviation Safety



Aviation Safety Policy and Goals

KAI places "safety" as the top priority in all its actions and activities and continuously strives to achieve the goal of zero safety accidents in aircraft development and production test flights based on the implementation of safety practices. KAI gives top priority to developing and establishing an advanced safety culture by preemptively identifying safety hazards, assessing risks, and taking mitigating measures by operating an aviation safety management system that can lead the aerospace industry. In order to implement the aviation safety management system for systematic and sustainable growth, KAI has established and operates an aviation safety organization consisting of a general safety manager, responsible safety managers, and divisional department heads, including core safety staff under the CEO, to actively communicate and strengthen preventive safety risk management.

In addition, KAI conducts annual analysis and resetting of safety performance indicators and targets to continuously achieve aviation safety goals and reviews and manages target achievement on a quarterly basis.

KAI conducts emergency response drills at least four times a year to respond to anticipated emergencies between aircraft development and production test flights, cultivates initial response capabilities, and identifies and improves problems through self-evaluation of response drills to ensure timely response to emergencies.



KF-21 Emergency Response Drill (Pilot Rescue)



Kf-21 Emergency Response Drill (Runway Excursion Actions)



Surion Emergency Response Drill (Emergency Evacuation)

Aviation Safety Performance Indicators and Targets for 2023

Stability Performance Indicators			Stability Performance Targets	Results	Achievement
Common	Voluntary aviation safety reporting		≥ 65 cases/year	130cases	○
	Mission cancellations (failures and defects) Incidents	Fixed-Wing Aircraft	≤ 20 cases/ every 50 flight hours	9.44 cases	○
		Rotary-Wing Aircraft	≤ 30 cases/ every 100 flight hours	4.75cases	○
Ground	Aircraft ground safety incidents		≤ 1 case/year	0cases	○
	Safety accidents while operating ground equipment		≤ 1 case/year	0cases	○
Flight	Serious incidents	Manufacturing	0 cases/5 years	0cases	○
		Design	≤ 1 case/5 years	0cases	○

Aviation Safety Risk Management

KAI has established an aviation safety risk management system to identify and analyze aviation safety hazards in advance, assess the level of risk, and implement preventive measures to mitigate risks. KAI strengthens preventive measures by collecting various safety data and measuring and analyzing risks, and it takes appropriate mitigation measures according to the degree of risk at the risk assessment stage.

Aviation Safety Assurance

KAI conducts internal audits of aviation safety, issues corrective action requests in areas where deficiencies exist, implements improvement measures, and continuously monitors the results and effectiveness of the measures. In accordance with the Aviation Safety Management System Manual, the results of internal aviation safety audits are analyzed and reflected in the next internal audit plan to ensure continuous management rather than a one-time event.

KAI has established a seasonal aviation safety hazard mitigation plan to preemptively implement measures to mitigate potential flight and production safety hazards according to the season. In order to prevent safety accidents that may be caused by the increasing number and difficulty of aircraft development and production test flights, as well as the seasonal nature of aircraft development and production, KAI conducts its own aviation safety supervision at all times to minimize risks by comprehensively coordinating and controlling all personnel, material, and environmental factors.

Aviation Safety Internal Audit in 2023

Classification		First Half	Second Half	Remarks
Audit Status	Auditors	Aviation Safety Team Safety Officers (4 people)	Aviation Safety Team Safety Officers (3 people)	
	Audit Schedule	June 20–22 (3 days)	September 19–22 (4 days)	
	Audit Target	12 departments in total, including Flight Test and Production	12 departments in total, including Flight Test, Training, and Quality	
Audit Results	Inspection Items	493 items	659 items	
	Inspection Results	452 passed, 7 minor nonconformities and/or observations, 34 not applicable	654 passed, 5 minor nonconformities and/or observations	
	Insufficient FOD prevention management	3 minor non-conformities, 1 observation	3 observations	Fewer Points in the Second Half Than in the First (2 Cases ↓)
	Insufficient equipment management	1 minor nonconformity, 2 observations	2 minor nonconformities	
Total		Total 7 (4 minor nonconformities, 3 observations)	Total 5 (2 minor nonconformities, 3 observations)	

Aviation Safety Promotion Activities

KAI holds an annual company-wide Safety Day event to raise safety awareness among all employees. It is an opportunity to reaffirm the practice of safety culture and express a strong commitment to safety through the CEO's Commitment to Safety. KAI conducts safety promotion activities for the continuous development of safety management, such as acquiring new safety knowledge and information through special lectures by invited safety experts. KAI also instills pride and motivation by rewarding individuals and groups who have contributed to safety activities. In addition, KAI holds parallel safety practice competitions and safety symposiums to expand employee participation.

KAI also conducts twice-yearly flight safety meetings for test pilots and test flight technical experts to listen to the voices of current departments and reflect them in improving the flight safety environment.



Company-Wide Safety Day Events

Aviation Safety Training

KAI has developed a cyber training course on flight safety for all employees and conducts mandatory training twice a year, designated and appointed safety officers for each functional department to strengthen their skills and promote professionalism by attending courses at specialized flight safety institutions, and invited safety experts to give lectures to managers at least twice a year.

Aviation Safety Training			
Period	Session	Subject Name	Graduates (Persons)
2021	First Half	Fatigue Risk Management	3,658
	Second Half	Helicopter Safety Management	3,646
2022	First Half	Aviation Safety Management	3,708
	Second Half	Aircraft Accident Investigation	3,702
2023	First Half	Crew Resource Management	3,697
	Second Half	Fundamentals and Understanding of Aviation Safety Management Systems	3,682
	Yearly	Professional training courses such as Air Force Aviation Safety Agency and Korea Air University In-house aviation safety training	28

Awards and Recognitions for Aviation Safety Achievers

Safety Culture Promotion Awards	Contents	Period	Presenter
Voluntary aviation safety reporting	Outstanding Voluntary Aviation Safety Reporters (3 people)	Once/quarter	General Safety Manager
Best Organization Assessment Awards	Best Organization Awards for Aviation Safety Prevention Activities (3 teams)	Once/year	General Safety Manager
Recognition of achievements in aviation safety	Company-Wide Safety Day Awards Recognition of aviation safety achievers and outstanding organizations (awards determined by the company-wide Human Resources Committee)	Once/year	Chief Executive Officer
Safety banners and campaigns	Raise safety awareness and establish safety culture by displaying banners Display banners during aviation safety emphasis periods	If necessary	



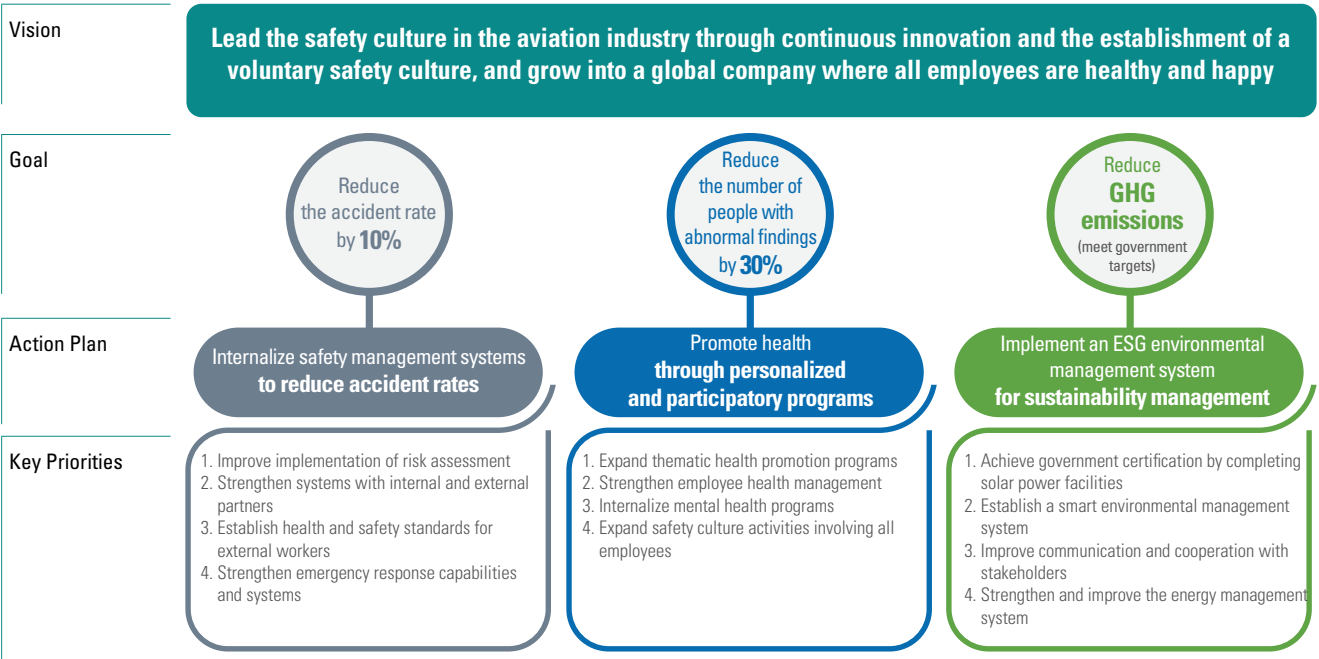
Safety Banner and Campaign

Safety, Health, and Environmental Management

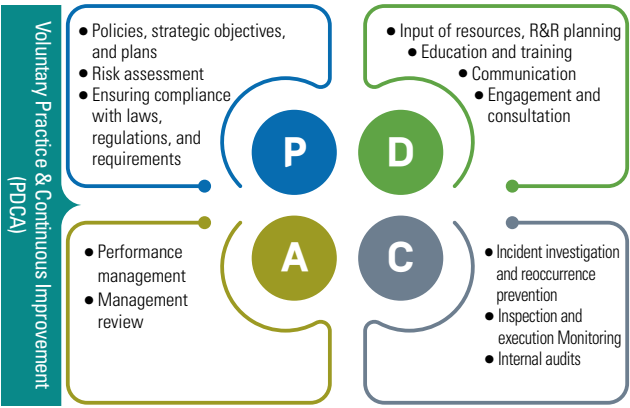
Safety, Health, and Environment Promotion System

1) Achieving Vision and Goals

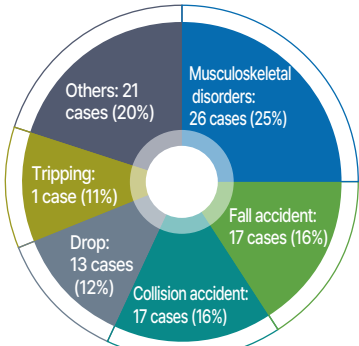
To achieve its vision of "Leading the safety culture in the aviation industry through continuous innovation and the establishment of a voluntary safety culture and growing into a global company where all employees are healthy and happy," KAI has set three major goals: "Reduce the accident rate by 10%," "Reduce the number of people with abnormal findings by 30%," and "Reduce GHG emissions." KAI established an environmental management system (ISO14001) in 1996, an occupational health and safety management system (ISO45001) in 2019, and further certified an energy management system (ISO50001) in 2023, and is striving to realize ESG management. Every year, KAI establishes the management goals of safety and health, environmental, and energy management, reviews the performance, conducts internal audits, and undergoes renewal and follow-up audits by external agencies. This contributes to preventing safety and health accidents and non-compliance with laws and regulations, strengthening safety, health, and environmental awareness, promoting employee health, and improving the safety environment by saving energy and reducing environmental pollutants. In addition, KAI aims to realize ESG management by making all employees aware of and practicing the importance of safety, health, and the environment. KAI will continue to apply the PDCA (Plan-Do-Check-Action) system in each division to manage the business environment more effectively and improve the level of safety, health, and environmental protection.



Management System



Status of Disaster Preparedness Measures by Type





Excellent Company Certification for Safety and Health Collaborative Cooperation Project of Large Enterprises and Small-Medium Enterprises

Safety, Health, and Environmental Management Policy

2) Prevention of Serious Accidents

In preparation for the extension of the application of the Serious Accident Punishment Act to workplaces with fewer than 50 employees, KAI is preventing serious accidents by improving the level of safety and health management of internal and external partners. KAI participates in the Collaborative Cooperation Project organized by the Korea Occupational Safety and Health Agency to bridge the gap in mutual safety and health levels and prevent occupational accidents through voluntary collaborative cooperation between prime contractors and subcontractors. KAI actively participated in the project in 2023 and improved the safety and health level of partners with weak safety and health through technical guidance from the parent company on safety and health, matching consultation, etc., and was recognized for its efforts by being selected as an Excellent Workplace in 2023, thereby enhancing its corporate image.

In addition, KAI inspects the fulfillment of its obligations under the Serious Accident Punishment Act once a half year by personnel dedicated to the prevention of serious accidents and actively listens to employees' opinions on safety and health through regular management supervisor meetings, quarterly occupational safety and health committee meetings, and partner safety and health council meetings.

In order to protect the one and only earth from environmental pollution, which is increasing with the development of the aerospace industry, and to pass on a clean environment to our descendants, KAI fulfills its social responsibility by conserving and efficiently using resources and energy based on the environmental management system (ISO 14001) to minimize GHG emissions and environmental pollution.

Under the Safety and Health Management Policy, through the certification and implementation of the international standard occupational health and safety management system (ISO 45001), KAI will strive to predict and improve various risks that may occur in the workplace in advance and to establish a safety and health management system not only for the Company's employees but also for all employees in the Company so that they can work in a pleasant environment.

KEY PERFORMANCE

Environmental Management Systems (ISO14001) Occupational Health and Safety Management Systems (ISO 45001)

Certification



Environmental Management Policy

KAI shall manage sustainable environmental protection as an important task of corporate management, and all employees shall practice the management principles for customer satisfaction through the environment by adhering to the following:

- We shall minimize the impact of climate change through carbon-neutral activities and pursue a sustainable future as a global KAI.
- We shall minimize the environmental impact of all employee activities, products, and services and operate an effective environmental management system.
- We shall continuously improve the environment by introducing new eco-friendly technologies, conducting regular environmental audits, and using clean resources to minimize environmental pollution.
- All employees shall voluntarily comply with domestic laws and regulations related to the environment, establish and implement improved internal management standards for water quality and air quality, and minimize the impact of noise.
- To minimize waste generation, we shall segregate waste collection and reduce, reuse, or recycle as much as possible.
- We shall contribute to the community by providing environmental education to employees, enhancing opportunities to raise awareness of environmental protection, and encouraging employee participation in environmental protection activities.



Safety and Health Management Policy

KAI shall manage sustainable safety and health management as an important management task, and all employees shall practice the management principles for customer satisfaction through safety and health by adhering to the following:

- The activities, products, and services of all employees shall minimize safety and health risks and operate an effective safety and health management system.
- We shall create a pleasant working environment through continuous improvement of the working environment. We shall provide employees and stakeholders with information for improvement and listen to and reflect their opinions.
- We shall provide opportunities for safety and health education and improvement of safety and health awareness for all employees, and employees shall voluntarily comply with national laws to achieve a safe workplace.
- We shall lead safety and health activities in the local community and work with partners to install a safety culture.



Energy Management Policy

Korea Aerospace Industries, Ltd. shall practice energy management as a leading eco-friendly company, and all employees shall adhere to the following in order to pursue a sustainability management system that is trusted by customers.

- We shall disclose our energy policies and goals to all stakeholders and conduct responsible activities.
- We shall recognize the energy management system as a core success factor of the company and create corporate value through energy management activities for the entire process from ordering, design, purchasing, production, and delivery.
- We shall improve innovative energy performance by purchasing and designing eco-friendly products that take energy efficiency into account.
- We shall comply with national and international energy laws and regulations and international agreements, and fulfill our social responsibilities by establishing and implementing improved internal standards.
- Employees and partners shall voluntarily participate in improvement activities such as energy conservation and GHG emission reduction.



Disasters

KEY PERFORMANCE

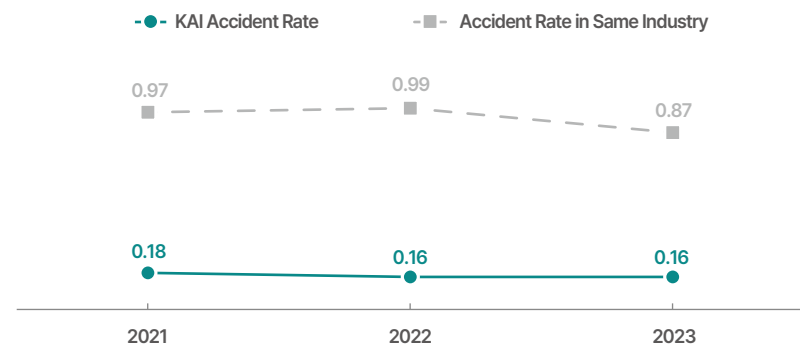
Industrial accident rate achieved 0.16%

(accident rate in the same industry 0.87%)

Zero serious accidents and environmental accidents occurred



The KAI accident rate in 2023 is 0.16%, which is low compared to the accident rate of the same industry (0.87%). However, due to the nature of the aviation industry, tasks are often performed in confined spaces, resulting in a high rate of musculoskeletal disorders (50%) in the accident classification. In 2023, KAI conducted a detailed analysis of the causes of musculoskeletal disorders, analyzed the results, and implemented improvement measures according to the causes to prevent musculoskeletal disorders.



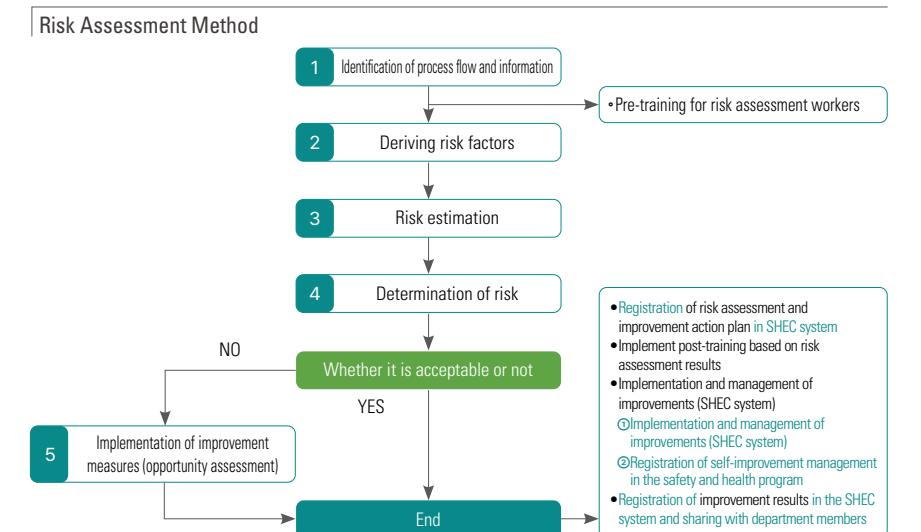
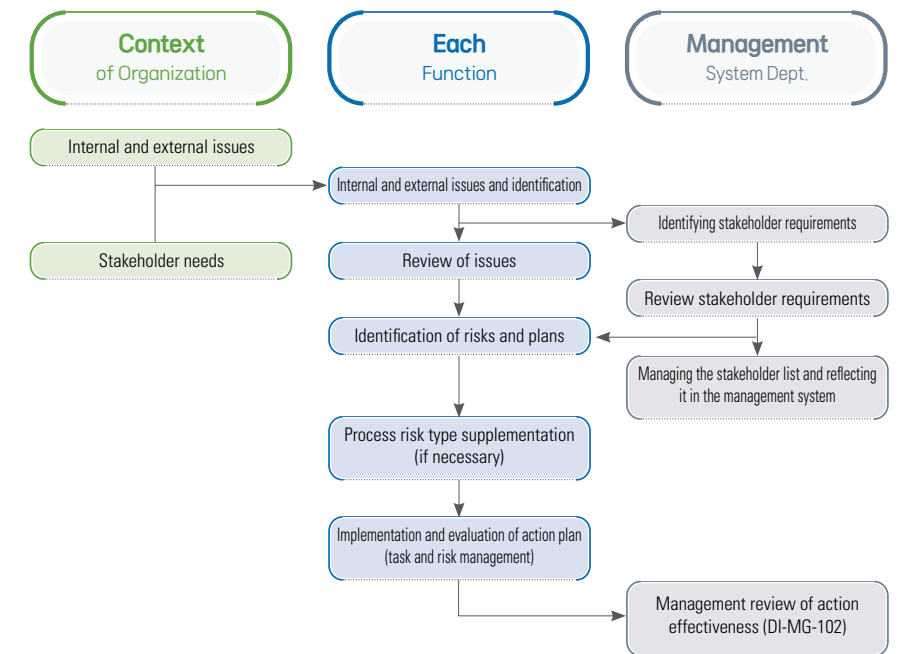
		2021	2022	2023
KAI's accident rate (%)		0.18	0.16	0.16
Accident rate in the same industry (%)		0.97	0.99	0.87
Average number of people per year		5,073	5,044	5,092
Number of victims		5	8	8
Disaster classification	Disease-related disasters	2	4	4
	Accidental disasters	2	4	3
	Sports injuries	0	0	1
	Others	1	0	0

		2021	2022	2023
Environmental incidents		0	0	0
Serious accidents		0	0	0
Number of violations of health and safety laws and regulations		2	0	0

* Industrial accident rate: percentage of victims out of total workforce (Number of victims/total number of workers) x 100

Safety and Environmental Risk Management

KAI has established internal procedures for organizational situation management to analyze internal and external issues and stakeholder requirements related to safety and health, identify risks and opportunities, and formulate response plans based on the results. In addition, KAI regularly conducts risk assessments and environmental impact assessments of internal business activities and production processes. As a result, a total of 105 risk factors were identified in the area of safety. 32 cases that could be improved immediately were resolved by departments on their own, and 73 cases requiring long-term improvement were registered as safety and health programs and monitored by the Safety Environment Team through monthly progress evaluations. In the area of the environment, KAI conducted environmental impact assessments for 92 processes, and KAI is continuously seeking countermeasures for items identified as having significant environmental impacts.



	Number of Issues Identified	Priority management	Company-wide risk control
External issues	10 cases	8 cases	0 cases
Internal issues	15 cases	15 cases	0 cases
Stakeholder issues	33 cases	23 cases	0 cases

Emergency Response System and Drills

KAI has a system for responding to emergencies that may occur at its facilities, such as safety accidents, natural disasters, and environmental accidents, and has established and operates an integrated surveillance section that monitors and controls energy and utility facilities and detects situations related to firefighting. In addition, to ensure quick response in the event of an emergency, KAI conducts emergency response drills for its employees every year, covering situations such as pollutant spills, fires and explosions, and earthquakes. Every year on November 9, KAI celebrates Firefighters' Day by holding a firefighting competition to raise employees' awareness and cultivate their emergency response skills.

Fire Response Drills



Cardiopulmonary Resuscitation Extinguishing a Fire With a Fire Extinguisher Fire Hydrant Drill Patient Transport

Chemical Spill Emergency Response Drills



Integrated Surveillance Section		
	Operating Method	Remarks
Electrical equipment	Monitoring of the power consumption of the substations (25 locations)	Power analysis system
Operational equipment	Monitoring and control of boilers (26 units), air compressors (14 units), chillers (15 units), and water equipment	HMI System
Firefighting equipment	Monitoring and control of automatic fire detection systems	N-Mux,MXL
Automatic control equipment	Monitoring and control of cooling and heating equipment in offices and production facilities - Air handling units, FCU, Hoval	0 cases



Safety and Health Management

Safety and Health Campaigns

KAI strives to spread KAI's unique safety and health culture through participatory programs to raise employees' awareness and interest in safety and health and continuously listens to employees' opinions through the Occupational Safety and Health Committee, management supervisor meetings, and near-miss detection to improve risk factors.

In particular, in 2023, KAI aimed to create a healthy workplace through various health promotion programs: the 3050 Hypertension and Diabetes Campaign in collaboration with local health centers and universities, the Nutrition Management Program by providing low-salt wellness diets, and the "Health Up! Belly Fat Down!" campaign, which encourages employees to take care of their health through campaigns tailored to their needs.

1) Safety and Health Campaigns: "Safety" Theme Suggestion Contest and "Safe Environment" Poster Contest

KAI held a contest for creative ideas to improve safety hazards in the work environment and daily life in order to discover and improve hazards hidden in blind spots. In addition, KAI organized a "Safe Environment Poster Contest," in which not only employees but also their families participated and received a great deal of interest from employees. As a result, KAI had a difficult time selecting the best poster due to the high quality of submissions, and the event was successfully completed with the active participation of employees.



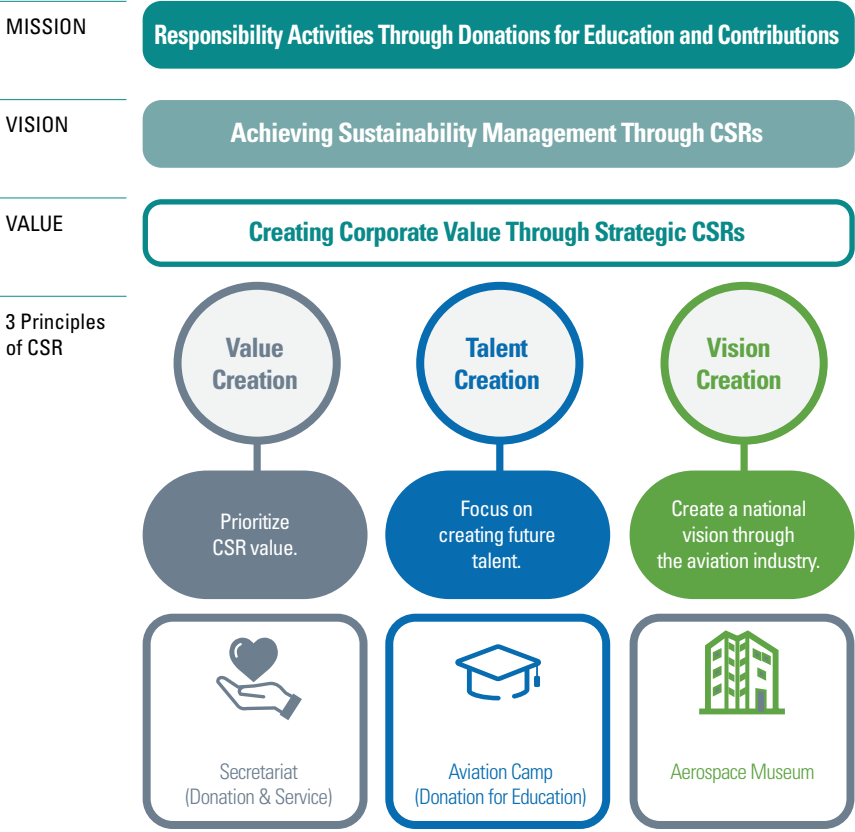
Every year on November 9, Firefighters' Day, KAI holds a firefighting competition. KAI strives to raise awareness of fire prevention in winter and to familiarize employees with the use of firefighting equipment (fire extinguishers, hydrants) so that they can respond quickly in the event of an emergency through preliminary training. In particular, in 2023, not only production staff but also office staff participated in the competition, and the competition items were fire extinguishing, hydrant watering, patient transfer, cardiopulmonary resuscitation (CPR), and automated external defibrillator (AED), giving KAI the opportunity to see the calm and quick response capabilities of its employees in the event of a real emergency.

Every December, KAI holds a company-wide Safety Day event, hosted by the CEO, to award prizes for the best safety and health campaigns and competitions and for the best organizations that have improved their risk assessments, to encourage employee participation and interest in creating KAI's unique safety and health culture.





CSR System



KEY PERFORMANCE

Donations disbursed
896 million won



Cumulative number of camp participants
42,519







Starting with the Dasom Volunteer Group, which was established in 1999, the first year of KAI's existence, with the voluntary participation of employees, and officially launched as the KAI Sharing Volunteer Group in 2016, KAI has contributed to the local community by conducting regionally tailored CSR activities "at all business locations" in various fields such as social welfare, education, and culture and the arts.

In addition, in 2012, KAI built the KAI Aviation Center, Korea's first experiential learning center for Donation for Education, to nurture future talent in the creative sciences, and in 2002, KAI built Korea's first and only aerospace museum to enhance the public's experience of aerospace culture and its external image as a comprehensive aircraft systems company, and to instill in young people a correct historical perspective on the Korean War and national security, as well as the dream of aerospace.

In November 2023, KAI signed an integrated operation agreement with the Sacheon Aerospace Science Museum, which had been operating adjacent to KAI's Aerospace Museum, to establish the Aerospace Science Museum and the Aerospace Museum as a new integrated tourist attraction representing the Sacheon region.

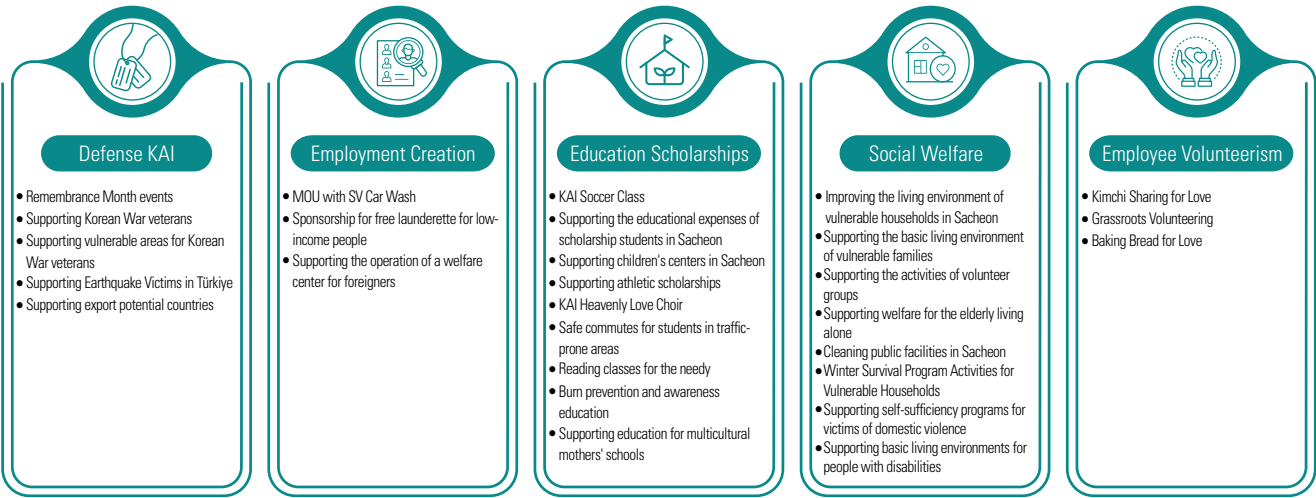
KAI strives to fulfill its role as a people-friendly company that is approachable and accessible to all through the practice of love and sharing.

Donations disbursed	Employee volunteer hours	Beneficiaries of CSR	Cumulative number of camp participants
 896 million won	 2,768 hours	 11,893	 42,519

Activity Status

Flying Together, Sharing the World

Every year, KAI conducts sincere CSR activities in various areas such as social welfare, job creation, and educational scholarships. KAI will continue to play a role as a reliable partner in fulfilling its social responsibilities through continuous communication and sharing with the community.



Organizational Structure

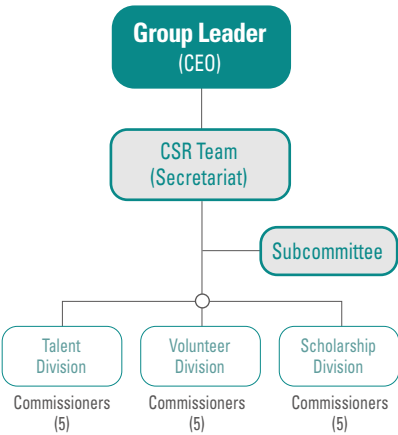
1) KAI Sharing Volunteer Group

The "Sharing Volunteer Group," which is funded by employee contributions, is a pure employee volunteer organization that was established in 2016 as a reorganization of the Dasom Volunteer Group, created through employee voluntary participation in the first year of the Company's establishment, and promotes local CSR activities through a total of three divisions. Employees can voluntarily join and leave the group using the in-house KAI Sharing Volunteer Group management system, and all donations are entrusted to the Social Welfare Community Chest of Gyeongnam through monthly salary deductions.

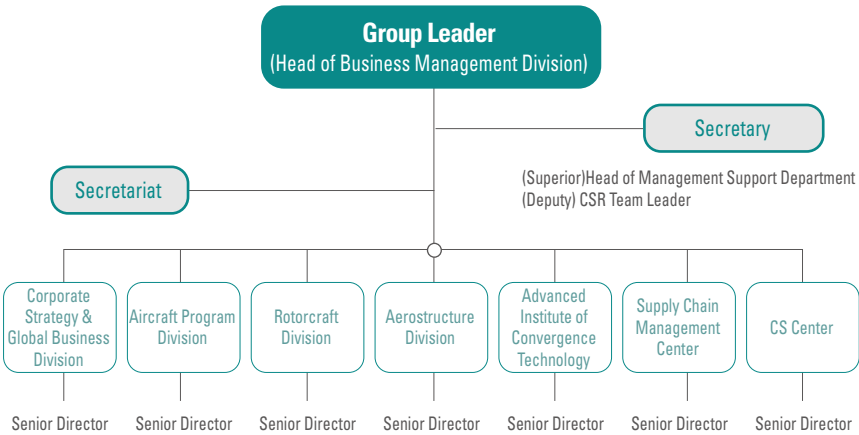
2) CSR Promotion Group

In order to increase the transparency of sustainable CSR projects, strengthen the link with ESG management, corporate development strategies, etc., and express the will of management, the "CSR Promotion Group" was established to strengthen the deliberation function to proactively plan CSR projects and ensure transparency.

KAI Sharing Volunteer Group Organization Chart



CSR Promotion Group Organization Chart



Aviation Camp



KAI, a leader in the national aviation industry, has developed its accumulated knowledge, experience, and space from industry and the field into a creative experiential training program and launched the first unique corporate-led CSR for Donation for Education in Korea.

KAI Aviation Camp is an on-site training program that enables students to experience first-hand the basic scientific principles applied to aircraft development and production processes in conjunction with the current curriculum. Launched in February 2010 as a teacher training program, the program has since been expanded to include teachers and students nationwide and has received an enthusiastic response.

In July 2012, KAI built the KAI Aviation Center, the first Donation for Education experiential learning center, to provide an experiential training space for more students and teachers.

The KAI Aviation Center is a dedicated facility for Aviation Camp, with facilities and educational programs to provide exciting and in-depth training from understanding the aviation industry to aircraft design, production, assembly, and flight.

From 2024, KAI plans to run the camp for elementary school teachers in conjunction with the government's Neulbom School Policy to realize the dreams of young people interested in aerospace.

Overview of the KAI Aviation Center Foundation	
Location	78, Gongdan 1-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do, Republic of Korea
Scale Area	2 floors above ground (partially 4 floors)
Main	Gross floor area: 2,971.91 m ² (approx. 899 pyeong)
Facilities	Exhibition Hall (Aviation Industry Hall, Experience Learning Hall), Education Hall, Outdoor Learning Hall, Observatory

Aviation Camp	
Education	Approximately 30 students per session; 100 sessions per year (twice a week)
Course	Bernoulli Principle, Oxidation and Reduction, Pascal's Principle, Electromagnetic Induction, Personal Air Vehicle (PAV), Helicopter Principle, etc.
Contents	Theoretical and experiential learning, simulator rides, and factory tours

Aviation Camp

- 1) Camp Participants
- Gyeongnam Goseong High School, Jeonju High School, Gyeongbuk Aviation High School, Suncheon Gangnam Girls' High School, etc.



Suncheon Gangnam Girls' High School_Aviation Experience Center

2) Number of Camp Participants (2010–2023) and Satisfaction Survey Average (2023)

In 2023, Aviation Camp hosted 1,490 students from 52 schools and institutions. The cumulative number of participants who completed the program is 42,519, with an overall average satisfaction rating of 95.4% for students who participated in 2023.

3) Donation for Education – Neulbom School Fair

KAI shared education at the Donation for Education in Korea - Neulbom School Fair by introducing aviation industry experience programs to visitors and operating flight simulators, T-50B paper airplanes, and FA-50 wooden airplane classes. As the first Donation for Education company in Korea, the fair strengthened KAI's desire to continue its active donation for education activities.

4) Signing of MOU between Chinju National University of Education and KAI

On December 13, 2023, KAI signed a MOU with Chinju National University of Education to cultivate creative and convergence talents in the field of aerospace. Through this MOU, Chinju National University of Education and KAI will cooperate in the activation of aerospace education in elementary schools and the operation of talent training programs for the core competencies for future sustainability related to the Korea Foundation for the Advancement of Science and Creativity's Neulbom School Program Development and Operation Project.

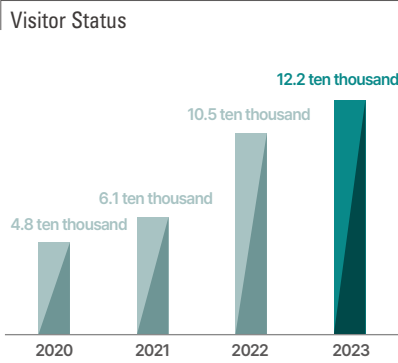


2023 Neulbom School – Donation for Education Fair



MOU Agreement Ceremony Between Aviation Camp and Chinju National University of Education

Aerospace Museum



In order to contribute to the public education of society by providing a correct historical perspective of the Korean War and national security, as well as showcasing the technology and vision of the advanced aerospace industry in the 21st century, KAI built Korea's first aerospace museum based on the wartime aircraft and security-related artifacts at the Yeouido Comprehensive Security Exhibition Center in Seoul, which was inherited from the United Nations Korean War Veterans Association in 1995.

The museum consists of an indoor exhibition hall, which includes the Aerospace Hall and the Freedom Protection Hall, and an outdoor exhibition hall. The first floor of the Aerospace Hall is dedicated to the history of the development of the aerospace industry, and the second floor is dedicated to the future of the aerospace industry. The Freedom Protection Hall mainly displays artifacts and materials related to the Korean War. The outdoor exhibition hall has a permanent display of real aircraft, tanks, and artillery.

As a comprehensive aircraft systems company, KAI aims to contribute to revitalizing the local economy by exhibiting various aircraft and other real objects and disseminating the history and knowledge of the aerospace industry to the public through the establishment of an aerospace industry infrastructure and cultural tourism business.



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

Exhibition Information		
Exhibition Area	Exhibits	Exhibition Technique
Aerospace Hall	<ul style="list-style-type: none">History of aviation development (world and Korea), principle of flight and structure of aircraft, jet engines, various model aircraftModels of astronauts, rockets, and satellites, the International Space Station (ISS), and the Space Shuttle; a look at the history of space exploration, advances in aerospace science, and more→ Past, present, and future of the aerospace industry	<ul style="list-style-type: none">JET ENGINEReal aerospace-related objectsAerospace-related modelsPhotographs and graphics
Freedom Protection Hall	<ul style="list-style-type: none">Horrors of the Korean War and its natureSpecial exhibits on the 21 countries that participated in the Korean War as UN forces, etc.	<ul style="list-style-type: none">Artillery, North Korean motorcyclesVarious firearmsWar frames and various relicsDisplay of actual military equipment, keepsakes, souvenirs, etc.
Outdoor Exhibit	<ul style="list-style-type: none">27 real aircraft- 15 borrowed from the Korean Air Force, 12 owned by KAI5 tanks, 2 artillery pieces, a searchlight, and 2 Nike missilesPhysical display of 2 armored vehicles and jeeps, J47-GE-27 engine, etc.	<ul style="list-style-type: none">VC-54 Air Force One, C-123K, and C-124C are open for viewing inside

Aerospace Museum

1) KAI Museum and Sacheon Science Museum Signed an Integrated Operation Agreement
In October 2023, KAI and Sacheon agreed and signed an agreement for integrated operations due to the growing national interest in aerospace and continued interest from the local community and visitors. The main focus of the agreement is to maximize the convenience of visitors. It is expected to make positive contributions to the development of the local community, including the opening of a connecting gate between the two facilities, the creation of a new regional tourism industry model through the introduction of One Ticket Free Pass (integrated ticketing) that enables free travel, and the highlighting of Sacheon's aerospace tourism attractions.



Integrated Operating Agreement of Museum

2) Sacheon Aerospace Train and Loving Sacheon City Tour Aerospace Industry Tourism Products Launched

The year 2023 was a year in which the public's attention was heavily focused on the space and aerospace sector, with the success of the third launch of Nuri and the establishment of K-Defense (FA-50 exported to Poland) and the Korea Aerospace Administration.

In line with this trend, Korail Tourism Development launched the “Aerospace Train” product to provide tours of relevant areas and companies in the aerospace business sector for the general public. Also, KAI participated in the aviation sector tourism program.

In addition, we are working to revitalize the local tourism industry by organizing the “Loving Sacheon City Tour ‘Aerospace Industry Tourism Product’” with Sacheon. By opening the aircraft production site at KAI's headquarters, which was off-limits to the public due to the defense industry's nature, KAI aims to raise public interest in aerospace and become a national company rather than a closed defense company.



Museum (Aerospace Train)

Corporate Social Responsibility

KAI Sharing and Donating Activity

1) Defense KAI

■ Supporting goods for 6.25 Veterans as a Gratitude

In June, we held an appreciation item donation ceremony to honor and thank Korean War veterans in our community for their sacrifice and dedication to our country. The event, which sponsored hope boxes consisting of daily necessities, quarantine supplies, and healthy food for veterans in the Gyeongnam region who are in the welfare blind spot, is a Corporate Social Responsibility with the corporation 'People Sharing Hope' that targets war heroes who are increasingly being alienated.

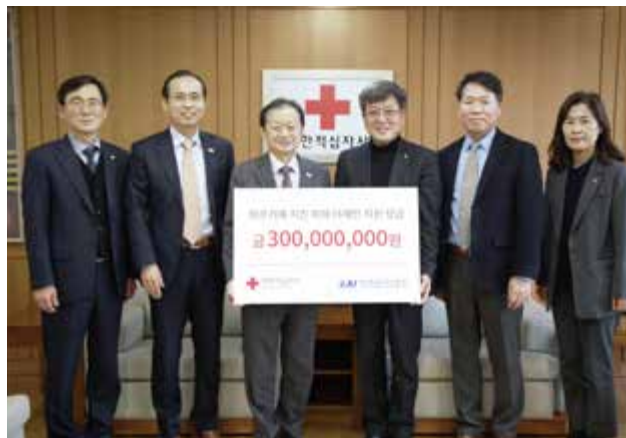
■ Supporting Earthquake Victims in Türkiye

To support the recovery from the devastating earthquake in Türkiye and Syria on February 6, 2023, our company and employees joined the international community to raise emergency relief funds. 300 million won was raised for the earthquake victims, which was deposited to the Red Cross. (Feb 17, 2023, Korean Red Cross Seoul Branch)

In the case of Türkiye, there was a strong consensus that the country is a major KAI customer (exporting 40 KT-1) and needs company-wide support, which led us to participate actively.



Supporting goods for 6.25 Veterans as a Gratitude



Donation Delivery for Earthquake Relief in Türkiye



SV Whirlwind Car Wash

2) Job Creation

■ MOU with SV Car Wash

As a corporate social responsibility (CSR), KAI has worked since 2018 to create employment for minority groups and foster social enterprises. KAI is currently implementing the 'Whirlwind Car Wash Project' in partnership with the Sacheon Community Self-Reliance Center and signed a business agreement in November to extend the project from 2024 to 2026.

The Sacheon Community Self-Reliance Center first proposed the project to SK C&C. Through consultation, the reservation system was developed first, and a business agreement was signed with KAI and its members to implement the project. As a result, Sacheon, KAI, and SK C&C have created an exemplary case called the 'Public-private partnership of Sacheon's business agreement to support employment creation for the minority group.'

Whirlwind Car Wash is a waterless, eco-friendly way to clean cars. It uses a fraction of the amount of water—about one paper cup per car—eco-friendly chemicals, and ultrasonic air technology without damaging the bodywork. KAI has supported the overall business setup, including providing its parking spaces for free in the Sacheon headquarters of the Aerospace Museum, while SK C&C is helping to build a mobile system that enables real-time reservations.

■ Sponsorship for free launderette for low-income people

KAI donated to the Jinju welfare foundation to operate a free launderette for low-income people in 2023 and received a plaque of appreciation from the mayor of Jinju City on December 12, 2023, at the Donors and Volunteers Night of Jinju. With this support, the Jinju Welfare Foundation can cover the launderette's costs, including delivery supplies and consumables, laundry detergent, rent, maintenance, and utility bills.

In addition to alleviating the living inconveniences of the elderly who live alone and severely disabled with limited mobility in the community, we were able to provide opportunities for low-income people to participate in the project, providing them with jobs and self-sufficiency training, thus contributing to the spread of a culture of sharing for the vulnerable.



Sponsorship for Free Launderette for Low-Income People



Donors and Volunteers Night of Jinju

3) Education and Scholarship

■ KAI Soccer Class

On June 8, 2023, KAI held the founding ceremony of the KAI Soccer Class for local youth, hosted by KAI and the Bangju Local Children's Center in Gonnyang, Sacheon.

The KAI soccer class is part of KAI's ongoing sports scholarship program for Sacheon's most vulnerable children and youth. We hope that the Soccer Class will be established as an educational program that helps children develop physically by inducing full-body exercise, improving various physical abilities such as strength, flexibility, and balance, and forming healthy habits. We plan to continue to sponsor children with difficulty accessing educational opportunities in Sacheon.



KAI Soccer Class

■ KAI Heavenly Love Choir

KAI continues to support choir activities for low-income children in Sacheon so that their pure voices can spread to the community. This sponsorship program aims to help children find joy in singing through choir activities and lead bright, positive lives through healing and recovery with music. We aim to practice sharing by improving the quality of life by supporting cultural activities for children from low-income families and helping them develop a positive sense of self, which enhances their abilities and fosters their social skills.



KAI Heavenly Love Choir

4) Social Welfare

■ Supporting Cultural Experience Programs at Children's Centers

KAI Sharing Volunteer Group and the Gyeongsangnam-do Healthy Family Support Center supported a travel program for vulnerable people who use Children's Centers and Center for the Disabled in the region. We improved family relationships through various experiences they would not otherwise have by providing the opportunity to travel long distances that would not usually be possible due to financial burdens and transportation constraints, and we also helped to bridge the cultural gap between vulnerable people by providing family leisure experiences that brought them closer together.



Supporting Vulnerable Families to Bridge the Cultural Gap

■ Support for Boiler Construction in Vulnerable Households

The child in the recipient family had undergone five surgeries at the age of eight due to epilepsy and was unable to walk properly as an aftereffect and was living in a wheelchair. He also had reflux vomiting and was receiving medication through a gastrostomy tube. The child's father was separated from the family due to alcoholism, and the mother was unable to work due to surgery for OPLL (Ossification of the Posterior Longitudinal Ligament), so they lived on government subsidies (about 1.4 million won).

They lived in an old commercial building as their home, and the heater was broken, so they suffered from cold in the winter. In response, the KAI Sharing Volunteer Group supported the construction of an oil boiler in cooperation with the Gyeongsangnam-do KPNPD (Korean Parents' Network for People with Disabilities).



Boiler Construction for a Home for a Child with Disabilities

5) Member Participation Volunteering

■ Kimchi Sharing for Love

On December 16, 2023, KAI held an event named Kimchi Sharing for Love at the company cafeteria in the Wellbeing Hall to benefit the lives of vulnerable people in Sacheon, including child protection facilities, facilities for the disabled, and senior welfare facilities.

In addition to KAI members and their families, about 200 volunteers from KAI, including president Kang Goo-young, Lockheed Martin TA, BNK Gyeongnam Bank, KAI Korean Federation of Community Credit Cooperatives, Sacheon City, Sacheon Volunteer Organization Council, Sacheon Volunteer Center, and Gyeongnam Social Welfare Foundation participated in the event.

■ Grassroots Volunteering

[Making an Animal Topiary]

The KAI Sharing Volunteer Group made animal topiaries and delivered them to the elderly living alone in Sacheon to provide emotional stability to the vulnerable elderly living alone.

[Making a Dream Catcher]

KAI Sharing Volunteer Group made dreamcatchers to give good dreams, catch bad ones, and deliver them to vulnerable youth. We hope that the carefully crafted dream catchers, combined with the love and care of our volunteers, will help teenagers grow up healthy.



Kimchi Sharing for Love



Making an Animal Topiary



Making a Dreamcatcher



GOVERNANCE

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Governance Policy

Governance Principles and Policy

KEY PERFORMANCE

Corporate Governance Charter
Enactment (April 2022)



KAI ensures transparency, reliability, and stability to increase shareholder value and safeguard their rights and interests. Our governance structure embodies a corporation culture that prioritizes human rights protection and environmentally sustainable technological advancement. We provide comprehensive corporate governance information on our website, including articles of incorporation, shareholder details, board of directors, and audit organization. The annual Corporate Governance Report offers stakeholders insights into the company's governance framework and transparently discloses operational updates.

Furthermore, to achieve board diversity and expertise, we appoint a diverse range of professionals with backgrounds in aerospace, accounting, finance, management, administration, ESG, and related technologies as outside directors. This approach ensures that the board is not dominated by specific backgrounds or occupational groups. Additionally, a majority of outside directors serve on the board and its operating subcommittees, ensuring effective oversight of management.

These systems and mechanisms establish a governance structure that fosters mutual checks and balances between the board of directors and management.

Transparency Management

Composition of the Board of Directors

In accordance with the laws and articles of incorporation, the KAI board of directors diligently fulfills its primary functions, including determining the company's fundamental management policies, executing significant tasks, and overseeing the management's performance of duties. The KAI board of directors consists of six members, including five outside directors and inside directors. Directors are appointed with the approval of the shareholders' meeting, and inside directors are recommended and appointed by the Director Candidate Recommendation Committee. When recommending and appointing outside directors, the Director Candidate Recommendation Committee meticulously selects individuals capable of professional and independent activities after thoroughly verifying their company interests and qualifications.

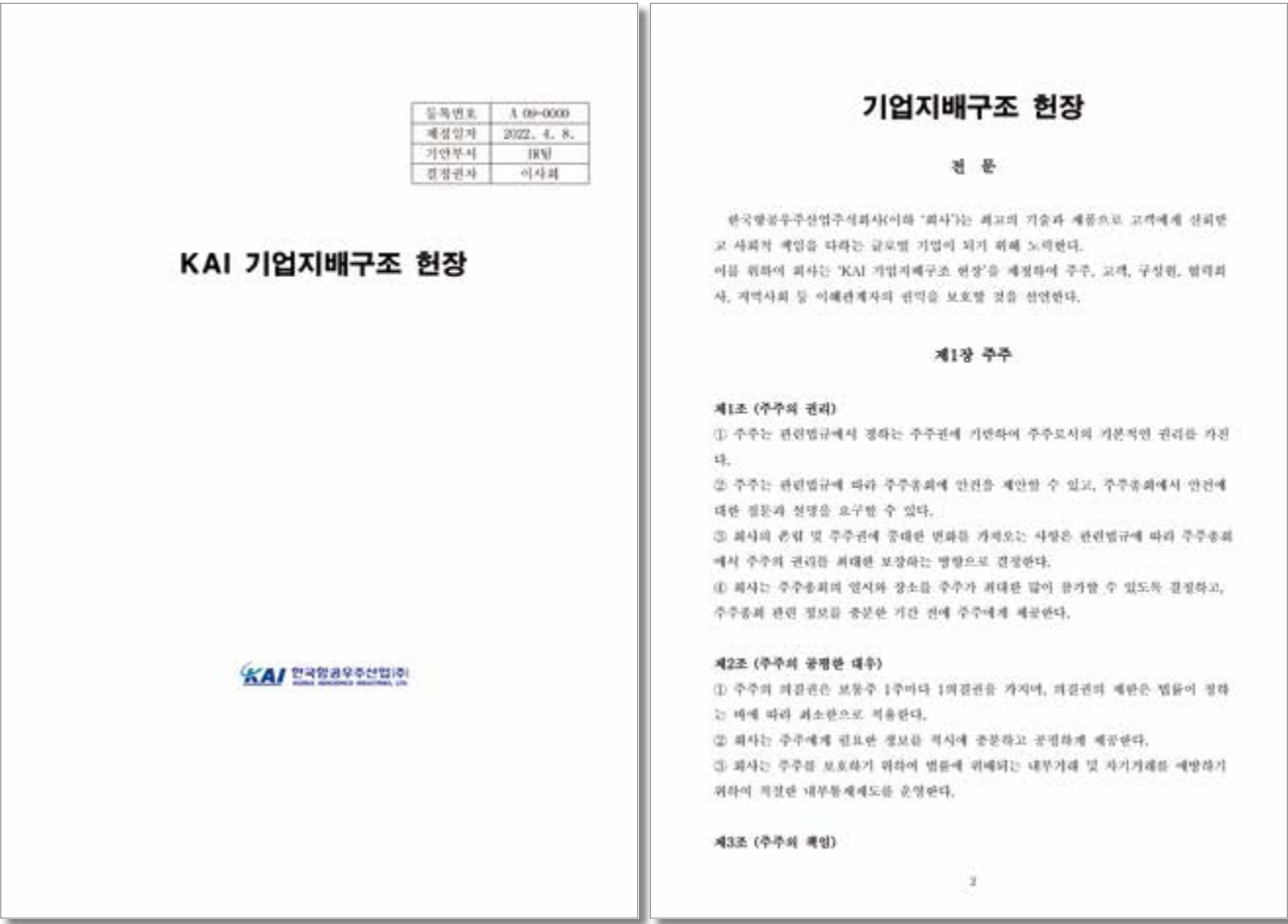


* In March 2023, the board of directors was expanded by appointing two additional outside directors.

Following the Director Candidate Recommendation Committee's resolution in March 2023 to recommend two outside directors, the directors (Outside Director Kim Kyung-ja and Outside Director Kim Geun-tae) were newly appointed at the 24th regular shareholders' meeting on March 29, 2023. The Board of Directors convenes annually to address matters pertaining to quarterly and regular financial statements. Additional ad-hoc board meetings are occasionally held as required. In the year 2023, there were ten board meetings, during which 56 agendas were deliberated, encompassing 42 resolutions and 14 reports. Furthermore, the Audit Committee convened four times to discuss ten agendas, while the ESG Committee met four times, resulting in four deliberations.

In recognition of his ability to foster consensus among directors and effectively oversee board activities, the Board of Directors of KAI appointed CEO Kang Goo-young as Chairman. This appointment underscores the importance of ensuring international cooperation within the aviation and defense industry, as well as optimizing management efficiency. The Board of Directors is further supported by five committees: the ESG Committee, Management Committee, Director Candidate Recommendation Committee, Audit Committee, and Internal Transaction Committee. The Audit Committee comprises outside directors appointed at the general shareholders' meeting, enabling them to perform their oversight function independently. Established in 2022, the ESG Committee drives sustainable management by formulating ESG strategies and fostering an ESG culture across the organization.

Name	Appointment Date	Specialization	Careers	Education
Won Yoon-hee	March 31, 2019	Accounting and finance experts	The Korean Association of Public Finance: President Korea Institute of Public Finance: President University of Seoul: President Seoul Forum of University President: President University of Seoul: Professor Daishin Securities: Outside director	Ohio State University, PhD in Policy Studies
Kim Kyung-ja	March 30, 2023	Business and Administration	Head of the Export-Import Bank of Korea's Screening Evaluation Team Export and Import Bank of Korea: Vice President (Current) Director of ESG Economic Research Institute	Yonsei University, B.A. in Law Yonsei University, M.S. in Environmental Engineering
Kim Kwang-ki	March 31, 2022	ESG	JoonAng Daily: Editorial writer & Head of economics research center Director of Economic Research Institute Korea Financial Investment Association: Outside director ESG Economy: CEO	Seoul National University, B.A. in Trade
Kim Geun-tae	March 30, 2023	Business and Administration	Joint Chiefs of Staff (Operations Department): Lieutenant General First Republic of Korea Army Commander: General National Assembly Member Korea Research Institute for Strategy: Director	Korea Military Academy
Cho Jin-soo	March 31, 2022	Aerospace	The Korean Society for Aeronautical & Space Sciences: President Young Falcons of Korea: Vice President Hanyang University: Professor Emeritus	Doctor of Aerospace Engineering, Purdue University



Operations of the Board of Directors

Board Resolution Method

Board of Directors Authority

Operations of the Board of Directors

Board Meetings and Procedures

Board meetings are called by the chairperson. Any director can call a board meeting by providing the agenda and reason for the meeting to the chairperson of the board of directors. However, this can only be done if the chairperson declines to call a board meeting without a valid reason. To convene a board meeting, each director must receive notice of the meeting's time, location, and agenda via oral or written notice, fax, or email, etc., seven days before the meeting date. The board of directors may meet at any time without following these procedures if all directors agree.

First, a resolution of the board of directors requires a majority of the directors present to vote in favor of it. However, resolutions on matters such as the prohibition of misappropriation of corporate opportunities under Article 397 (2) and the prohibition of self-dealing, etc. under Article 398 of the Commercial Act require at least two-thirds of the directors to vote in favor. Second, directors may participate in a meeting remotely through a communication method that allows for simultaneous voice communication. In such cases, the concerned director is considered to have attended the meeting in person. Third, directors with a conflict of interest are prohibited from voting on resolutions. While these directors are included in the count of directors present, they are excluded from the quorum for resolutions.

At the outset, the board of directors deliberates and makes decisions on matters required by law or the articles of incorporation, matters delegated to them by the general shareholders' meeting, and critical issues concerning the company's fundamental policies and business operations. The board of directors supervises the management's execution of responsibilities. If the board of directors becomes aware that a director has violated laws or the articles of incorporation, conducts business in a manifestly unfair manner, or is likely to obstruct a director from carrying out their duties, the board may request that the director submit pertinent materials and explanations for an investigation. Subsequently, the board of directors may request that the director temporarily halt or modify the execution of the business.

The KAI Board of Directors convenes both regular and ad-hoc meetings. Regular meetings are held to approve financial statements, while ad-hoc meetings are called as necessary. In 2023, the Board engaged in comprehensive discussions on each agenda item, with a commendable 100% attendance rate.

To enhance outside directors' comprehension of the company and bolster their professional competencies, we offer internal training. In 2023, two training sessions were conducted, covering the following primary topics:

Training for Outside Directors		
Training Date	April 17, 2023	May 23, 2023
Training Provider	IR Team	IR Team
Attending Outside Directors	Kim Kyung-ja, Kim Geun-tae, Kim Kwang-ki, Cho Jin-soo	Kim Kyung-ja, Kim Kwang-ki, Cho Jin-soo, Won Yoon-hee
Reasons for Nonattendance	Won Yoon-hee (diagnosed with COVID-19)	Kim Geun-tae (Separate schedules)
Main Contents of Training	Business briefing sessions, factory visits, and tours	Attending an international air show (LIMA)

Features of the Board of Directors

Board Diversity

Board Expertise

Independence of the Board of Directors

Our director candidate recommendation system encompasses all directors' recommendations and evaluations, including both inside and outside directors. In September 2017, the Outside Director Candidate Recommendation Committee was renamed the Director Candidate Recommendation Committee, thereby broadening its scope of responsibilities. Director candidates are meticulously selected by the Director Candidate Recommendation Committee and subsequently appointed upon gaining approval at the general shareholders' meeting. To ensure the directors' independence from management or controlling shareholders, we strictly adhere to the legal regulations governing director appointment procedures, as outlined in our articles of incorporation. All of our directors have been appointed in strict compliance with these legal procedures.

The board comprises six members, with five serving as outside directors. This composition ensures the board's independence, as required by applicable regulations. In selecting outside directors, we diligently adhere to the disqualification criteria specified in Article 542 (8) of the Commercial Act and Article 34 (5) of its Enforcement Decree.

To ensure effective decision-making, we prioritize board diversity by incorporating a range of perspectives while avoiding representation of specific backgrounds or interests. In March 2023, we appointed a new female outside director to enhance the board's expertise and promote gender diversity.

To optimize decision-making processes, KAI strategically appoints directors with specialized knowledge in various fields, including finance, accounting, management, administration, aerospace, and ESG. Additionally, a dedicated Investor Relations (IR) team is established to provide comprehensive support and assistance to outside directors. This team efficiently manages tasks related to the Board of Directors and general meetings of shareholders. By facilitating access to relevant materials in advance and organizing separate briefing sessions, the IR team ensures that directors can thoroughly review agendas prior to board and committee meetings. Moreover, directors are periodically provided with updates on significant internal matters, granted opportunities for direct inspection of business sites, and, when necessary, furnished with current status reports to enhance their understanding of the company's management activities.

Outside Director Support Organization			
Department (Team) Name	Number of Employees (People)	Position	Major Activities
IR Team	4	1 Team Leader 1 Deputy Senior Manager 2 Managers	<ul style="list-style-type: none">Support for the operation of general shareholders' meeting, board of directors' meeting and committeesSupport for training outside directors and performing dutiesBuild a database for director candidatesProvide information to each director for decision-makingSupport for the record and facilitate meetings to the board of directors and committeeCarry out disclosures and IR activities

※ As of the reorganization in January 2024

Compliance Management System



Certification of the Anti-Bribery Management System

As a global aerospace company, KAI is successfully developing the Korean fighter KF-21 and expanding overseas exports of various air vehicles. Our mission is to protect the safety of citizens around the world and lead the development of the national aerospace industry. In order to meet demands for advanced R&D capabilities, increase export opportunities, and comply with national and international laws, including anti-corruption laws, we operate a Business Ethics Department, which consists of the Business Audit & Improvement Team, Compliance Team, Security Team, and the Technology Security Team. KAI has been actively working toward a corporate culture of integrity and fairness. Having become the first defense industry in Korea to obtain the internationally certified anti-bribery management system (ISO 37001:2016) in 2018, and compliance management system (ISO 37301:2021) for all business sites in 2023, including the headquarters, we aim to be compliance oriented company. Based on ISO international certification, KAI practices compliance by managing the risk of violating domestic and international laws, international agreements, and company regulations.

Compliance Management Development Process and Plan	
1	<ul style="list-style-type: none">● In 2018, we established an independent Ethics Management Department, now renamed as Business Ethics Department.<ul style="list-style-type: none">- All employees sign Pledge of Ethics and Compliance every year and receive training on anti-corruption / fair trade / export license / Code of Ethics.- 10 total trainings in 2023, 5,847 cumulative attendees.
2	<ul style="list-style-type: none">● In 2018, we became the first defense industry to acquire the anti-bribery management system (ISO 37001:2016) and conduct annual maintenance and renewal certification audits every 3 years.<ul style="list-style-type: none">- ISO 37001 renewal certification and ISO 37301 maintenance certification acquired (2024.9).
3	<ul style="list-style-type: none">● We are participating in international anti-corruption initiatives by networking and benchmarking with global defense industries through the International Forum on Business Ethical Conduct for Aerospace and Defense Industry (IFBEC).<ul style="list-style-type: none">- Participation in 2018 (France), 2019 (webinar), 2022 (U.S.), 2023 (France).
4	<ul style="list-style-type: none">● Every year, we participate in the semi-annual Integrity Public-Private Council hosted by the Defense Acquisition Program Administration to communicate and exchange with the agency and other defense companies.
5	<ul style="list-style-type: none">● We proactively identify and mitigate compliance risks through annual enterprise-wide risk identification and assessment.
6	<ul style="list-style-type: none">● We have appointed a compliance manager, established a fair trade *CP program, and are practicing transparent and fair business.
7	<ul style="list-style-type: none">● We utilize the Fair Trade CP Self-Assessment Checklist to identify and manage fair trade risks.

*CP: Compliance

Expanding Compliance Management Practices to Suppliers

KAI is implementing win-win management to find small and medium-sized enterprises (SMEs) and support them to be hidden global champions. In addition, we are pursuing mutual prosperity through fair and transparent transactions. KAI appointed the Compliance Manager through the Fair Trade CP program, and the company's Compliance Council is creating a culture of mutual growth with suppliers. Currently, the Compliance Manager heads the Business Ethics Department, and the council consists of Head of four Departments.

We are implementing a system for mutual growth with our suppliers, and KAI is registered as a suppliers for the Ministry of SMEs and Startups. In addition, we have made it mandatory for our suppliers to fill out a compliance questionnaire to promote ethical management. The compliance questionnaire includes fair trade laws, human rights, government relations, stakeholders, and more.

Suppliers are required to fill out Pledge of Ethics and Compliance, when signing contracts and will be penalized in bidding if they violate the law. Suppliers training is provided regularly. In 2021, we offered training to 43 companies and 50 companies in 2022 on the following courses: Subcontracting Laws, National Contract Law, Code of Ethics and Compliance, and Export Control Compliance.

Compliance Management Internalization and Spreading the Culture

KAI announces a company-wide ethics commitment statement yearly and attends mandatory ethics and compliance training. We utilize company-wide bulletin boards to post reminders during the holidays and election campaigns to raise ethics and compliance awareness among our employees. In addition, we annually attach the ethics and compliance policy, code of ethics and compliance, and Improper Solicitation and Graft Act table to company notepads so that members can check ethics and compliance-related materials regardless of time and place.

Each year, KAI utilizes the company-wide team POC (point of contact) to identify risks, conduct risk assessments, and prepare a management review report. The management review report includes ethics and compliance management activities, ethics and compliance training, company regulations, stakeholder communication, internal audit and risk assessment, and a performance indicator management follow-up schedule.

We have also introduced the Fair Trade CP to raise employee awareness of the Subcontracting Act, Fair Trade Act, etc., and formed a Compliance Council. The Compliance Council was held twice in 2023 and will be held twice in 2024 under the chairmanship of the compliance manager (Head of the Business Ethics Department).

To internalize compliance management, we use company-wide bulletin boards to post notices of amendments to laws and regulations, company regulations, and the Fair Trade Compliance Handbook.

Operation Status of Education on Ethics and Compliance	
Performance	Contents
Ethics and Compliance Training	<ul style="list-style-type: none">● CEO/ Executives training (January 2023, August 2023, Fair Trade CP, Fair Trade Training)● New team leader training (February 2023, code of ethics and compliance, unfair labor practices, and workplace harassment)● Purchasing department training (March 2023, Subcontracting Act, Fair Trade Act)● Purchasing department training (March 2023, code of ethics and compliance, delivery unit price interlocking system, EL compliance)● Experienced employee training (March 2023, code of ethics and compliance, workplace harassment)● Online company-wide employee training (April to June 2023, code of ethics and compliance, Fair Trade Act, Subcontracting Act, and delivery unit price interlocking system)● Mandatory department for fair trade training (May 2023, Fair Trade Act, Subcontracting Act, delivery unit price interlocking system)

Key Activities of Ethics Management Office	
Performance	Contents
ISO37001, ISO37301 Certification Management	<ul style="list-style-type: none">• Qualified for ISO37301 (Compliance Management System) initial certification audit (October 2023)• Qualified for ISO37001 (Anti-Bribery Management System) maintenance certification audit (October 2023) <p>※ Certification Scope: Headquarters, Sancheong, Jongpo, Goseong, and Seoul branches</p>
Risk Identification and Assessment	<ul style="list-style-type: none">• We conduct risk assessments across all departments. The identified moderate and above inherent risks are being monitored to mitigate the extent of the risk through control activities. In 2023, we conducted a risk assessment, managing the residual risks above medium to 10, and reported the assessment results to the CEO.• We ensure that members' work is being performed in accordance with requirements and expectations, including national and international laws, international agreements, and company regulations.• Recognize risks when needs and expectations are not met and implement actions to mitigate them.• Risks are categorized by severity as very low, low, medium, high, and very high, with a residual risk of zero for the very high and high categories in 2023.
Communication with External Organizations	<ul style="list-style-type: none">• Selected as a companion company of the Ministry of SMEs and Startups for the delivery unit price interlocking system (June 2023)• Participate in the Defense Acquisition Program Administration's integrity public-private council• Implement a visit from a leading U.S. defense contractor's compliance organization (July 2023)• Attend at the International Forum on Business Ethical Conduct for Aerospace and Defense Industry (IFBEC) (October 2023)
Establishment/Revision of Company Rules	<ul style="list-style-type: none">• Held a total of 5 amendment council on company rules, including regulations, standards, guidelines, etc

Key Activities of Ethics Management Office		
2021		
Education Topic	Duration (months)	Number of participants
Ethical management training for managers	March	40
Online education on the Code of Ethics for all employees	November to December	4,822
Ethical management education and pledge for all employees	January to February	5,336
Ethics and compliance training for field managers	December	21
EL control education for defense trade	May to December	3,031
Ethics and compliance training for new employees	June	38
Ethics and compliance training for suppliers	December	43 companies
Ethics and compliance training for new managers	October	20
2022		
Education Topic	Duration (months)	Number of participants
Ethical management training for CEO and executives	November	74
Ethical management education and pledge for all employees	January to February	5,237
Online education on ethics and compliance for all employees	April to May	4,664
Offline education on ethics and compliance for all employees	November to December	4,955
Ethics and compliance training for experienced employees of Iraq	May	25
EL control education for defense trade	May to June	4,824
Ethics compliance/fair trade training for purchasing departments	June	150
Ethics and compliance training for suppliers	October	50 companies

※ Completed training for all employees, including mandated departments, who have not completed the online training

Compliance Management

Compliance Management Policy

Compliance Management Philosophy

KAI has 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. We recognize the importance of our employees' and stakeholders' ethics, compliance obligations, and responsibilities. To raise awareness and revitalize corporate culture, we provide continuous training on domestic and international laws and company rules, including fair trade and anti-bribery laws and our Code of Ethics and Compliance. We also build fair and transparent business relationships by observing the principle of zero tolerance for violations.

KAI's ethics and compliance management policy comprises company rules and business standards. The company rules specify what we are expected to do as members, and the business standards are guidelines for implementing the system in practice.

- KAI protects company and customer assets and prohibits using any assets for non-business purposes. In addition, the use of defective parts that impair the product's performance, the creation of false data, and the forgery of supporting documents are strictly prohibited, and violations are subject to zero tolerance.

- The cost of food, congratulations and condolences, and gifts to public officials with a job-related connection are subject to the Improper Solicitation and Graft Act, and accepting gifts and meals from partners is also prohibited.

- To facilitate a transparent contract, the purchase of products shall be conducted through competitive bidding with multiple quotations, and the contracting officer shall report the fact to the head of the department in charge if he/she becomes aware that an interested party has participated in the bidding and shall be excluded from the contract work.

Compliance Management System

The ethical compliance management system consists of system establishment, prevention activities, inspections, analyses and evaluations, and the complement of the system. As a dedicated organization, Compliance Team seeks to practice ethics and management through anti-corruption, regulatory compliance, technology diagnosis, and export license regulations. Cyber reporting is managed by Business Audit & Improvement Team.

- The system establishment includes establishing and revising the company rules, appointing a compliance manager and support staff, establishing and revising the Fair Trade Compliance Handbook, and distributing the employee guide.

- Prevention activities include declarations of fair trade and ethical management, employee training, suppliers training, and member pledge management.

- Inspections include identifying and assessing risks, checking compliance with accounting control systems, audits, and training satisfaction surveys.

- The analysis and evaluation include a violation risk analysis, action, and reporting to the CEO and the board of directors.

- The system includes complementing the regulations on ethics and compliance, applying international regulations, engaging in external activities, and benchmarking.

Anti-Corruption

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

- We have established and applied the Anti-Corruption Management Manual as an anti-corruption policy. The detailed procedures include the anti-corruption management operation process, corruption risk assessment, anti-corruption registration laws and regulations, anti-corruption goal management, partner inspection, internal inspection, and management review.
- Anti-corruption activities include the operation of compliance standards. This is to appoint an independent compliance officer to conduct control activities, including ISO 37001:2016 and ISO 37301:2021 certification management, execute ethics compliance training, risk assessment, company policy formulation/revision, and external activities.
- Transparent trade practices include operating a partner selection committee and registering partners, managing contract signing and performance, evaluating and managing partner performance, and selecting export marketing business lines.
- Anti-corruption management includes audit regulations and cyber reporting standards.
- We evaluate the effectiveness of our anti-corruption system by establishing and implementing goals, reviewing results under the CEO's leadership, and reporting the results to the CEO.

Fair Trade

KAI's fair trade program consists of a fair trade policy, fair trade activities, fair trade checks, and a review by the CEO.

- As part of our fair trade policy, we have established and operated the Fair Trade Operating Guidelines, a private regulation, and published the Fair Trade Compliance Handbook, which is available to all members.
- Our fair trade activities include the Compliance Council, which meets half-yearly, mandatory fair trade training for employees, and a satisfaction survey to improve the quality of training.
- We utilize a self-inspection checklist to assess and identify risks during fair trade inspections for departments related to fair trade laws.
- Fair Trade activity is reported to the CEO.

Cyber Reporting

Since 2011, KAI has operated a reporting system on the company intranet (Koffice) and the cyber reporting page on the KAI official 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. Additionally, we have enhanced transparency by posting the status of cyber reports on our website.

KEY PERFORMANCE

Processing Rate of Cyber Reporting

100%



Identification of Environmental Safety Issues

	Received (cases)	Process (cases)	Processing Rate (%)	Total (cases)
2021	39	39	100	146
2022	39	39	100	
2023	68	68	100	

Shareholder-Friendly Management

Shareholder Status

As of December 31, 2023, the company's total issued common shares stood at 148,907,209 shares. Currently, the number of listed outstanding common shares is 97,475,107, reflecting a decrease of 51,432,102. The Export-Import Bank of Korea is the largest shareholder, holding 25,745,964 shares, which represents 26.41% of the listed shares. The National Pension Service, the second-largest shareholder, holds 9,214,478 shares, equivalent to 9.45%, while the employee shareholder association holds 1,441,894 shares, accounting for 1.48% of the company's total shares.

Our common share carries one voting right per share. Presently, there are no preferred shares or treasury shares without voting rights. KAI values the opinions of all shareholders, regardless of their stake size, and is committed to ensuring the exercise of shareholders' rights in accordance with applicable laws and regulations.

Shareholder Status



Name of Shareholder	Number of Shares (shares)	Stake (%)
The Export-Import Bank of Korea	25,745,964	26.41
National Pension Service	9,214,478	9.45
Employee Stockholders Association	1,441,894	1.48
Other Institutional and Individual Investors	61,072,771	62.66
Total	97,475,107	100.00

Shareholder Rights Protection

In April 2022, KAI implemented the Corporate Governance Charter to safeguard and uphold the rights of shareholders.

Notably, on March 24, 2017, we introduced an electronic voting system at the regular shareholders' meeting to accommodate shareholders who were unable to attend in person, thereby ensuring their rights. Since the regular shareholders' meeting held on March 27, 2020, electronic voting has been utilized at all shareholders' meetings.

In order to make it easier for shareholders to exercise their voting rights, KAI has implemented electronic voting and electronic proxy systems. We also take steps to encourage shareholders to participate in general shareholders' meetings as much as possible. We will continue to value our shareholders' opinions and make an effort to incorporate them into our decision-making process.

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

Profit Return Policy to Shareholders

As per the Articles of Incorporation, KAI prioritizes dividend payments as a means of returning a portion of the company's profits to shareholders. This approach aims to safeguard shareholder interests through resolutions made at the board of directors' and general shareholders' meetings. Dividends can be distributed in the form of cash or shares, in accordance with the articles of incorporation. The Board of Directors assumes responsibility for dividend-related decisions, taking into account future investment plans, financial structure, dividend stability, and the current net income for the relevant business year. These decisions are finalized at the general shareholders' meeting. The company's policy of returning profits to shareholders through dividends is well-established, and information regarding dividends is duly provided via the "decision on cash and in-kind dividends" notice prior to the resolution of the board of directors or general shareholders' meeting.

We will develop and consistently reinforce a shareholder-centric dividend policy to augment shareholder value and execute the policy in a manner that enables investors to anticipate dividends. Over the past five years, we have consistently paid dividends with an average dividend payout ratio of 23.3% (excluding 2017 and 2021). We will continue to make every effort to safeguard shareholder rights by formalizing this as a policy measure.

Dividend Performance								
	2016	2017	2018	2019	2020	2021	2022	2023
Net Income (100 million won)	2,645	-2,355	756	1,757	817	336	1,254	2,319
Profit Rate (%)	9.0	-11.3	2.7	5.7	2.9	2.9	4.5	6.1
Dividends (100 million won)	663	-	195	390	195	195	244	487
Dividend Payout Ratio (%)	25.0	-	25.80	22.20	23.90	58.00	19.50	21.00
Dividends per Share (won)	680	-	200	400	200	200	250	500

※ Net income is based on separate financial statements

Shareholder Communication

KAI engages in a variety of IR (Investor Relations) activities to maintain open lines of communication with our shareholders. We conduct regular IR activities to enhance the understanding of our vision and value as a company among our primary investors, including large and major shareholders, institutional investors, and individual investors. In particular, the National Pension Service, our second-largest shareholder, regularly visits us after performance announcements, providing an opportunity to present detailed information on our performance and long-term vision. Additionally, we engage with asset management firms and domestic and foreign institutional investors through contactless conference calls and non-deal roadshows (NDRs) to share updates on our management status and gather investor feedback. Recognizing the significance of communication with stock market stakeholders in shaping management decisions, we prioritize these interactions. Furthermore, we facilitate access to investment analysis data on our company by sharing corporate analysis reports prepared by analysts through the IR information section of our website. To minimize asymmetry of information both domestically and internationally, we also file disclosures in English for the benefit of foreign investors. The table below outlines our key IR activities for 2023.

Key IR Activities			
Meeting Date	Audience	Means	Main Contents
February 14, 2023	Analysts, etc.	Conference calls	Provide provisional earnings in 2022 and guidance for 2023
February 15, 2023–February 21, 2023	Domestic institutional investors	Domestic NDR	Provide provisional earnings in 2022 and guidance for 2023
April 10, 2023–April 14, 2023	Foreign institutional investors	Overseas NDR	Provide guidance for 2023 and business vision
May 8, 2023	Analysts, etc.	Conference calls	Provide provisional earnings and current business status for the 1Q of 2023
May 9, 2023–May 11, 2023	Domestic institutional investors	Domestic NDR	Provide provisional earnings and current business status for the 1Q of 2023
August 7, 2023	Analysts, etc.	Conference calls	Provide provisional earnings and current business status for the 2Q of 2023
August 8, 2023–August 11, 2023	Domestic institutional investors	Domestic NDR	Provide provisional earnings and current business status for the 2Q of 2023
November 17, 2023	Analysts, etc.	Conference calls	Provide provisional earnings and current business status for the 3Q of 2023
November 8, 2023–November 10, 2023	Domestic institutional investors	Domestic NDR	Provide provisional earnings and current business status for the 3Q of 2023
February 8, 2024	Analysts, etc.	Conference calls	Provide provisional earnings in 2023 and guidance for 2024
February 13, 2024–February 15, 2024	Domestic institutional investors	Domestic NDR	Provide provisional earnings in 2023 and guidance for 2024

Risk Management System

Risk Management Organization

Risk Management Strategy

Risk Management

As a comprehensive aircraft system company, KAI operates a risk management system to effectively respond to risks that may occur throughout its business and 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 they do not spread in subsequent stages. Therefore, KAI is fully committed to implementing risk management by establishing a risk pool and operating a comprehensive system for constant monitoring.

We have a dedicated risk management organization that systematically manages risk. The dedicated risk management organization constantly monitors risks so that large and small issues in the field do not escalate into risks that affect the whole company. It also functions as a communication channel connecting each department. In addition, as a direct organization under the CRO, the dedicated risk management organization is also responsible for promptly coordinating issues that cannot be resolved by a division itself or that require cooperation between division and support management's decision-making.

Risk Management Organization



KAI has determined that preemptive risk management is more essential than anything else 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 managing domestic/ overseas business schedules and costs, structural innovations, etc., to 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

Likelihood of Occurrence		Risk Assessment Score (When a weight of 1.0 is applied)															
Almost Certain/ 80% or more	5	15			30			45			60			75			
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5	
High Likely/ 50–80%	4	12			24			36			48			60			
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5	
Likely/ 10–50%	3	9			18			27			36			45			
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5	
Unlikely/ 2–10%	2	6			12			18			24			30			
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5	
Very unlikely/ less than 2%	1	3			6			9			12			15			
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5	
			1			2			3			4			5		
			Expense	Schedule	Performance	Expense	Schedule	Performance	Expense	Schedule	Performance	Expense	Schedule	성능	Expense	Schedule	Performance
			Less than 0.5% compared to planned/ Insignificant impact on performance			0.5–5% compared to planned/Minimum reduction of performance			5–10% compared to planned/ Moderate reduction of performance			10–20% compared to planned/High reduction of performance			More than 20% compared to planned/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 occurrence stage and the risks' degree. 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 a problem related to an issue expands, it can also turn from an issue into a risk. We also evaluate risks periodically according to fluctuating circumstances and classify the degree of risk so that we can quickly recognize its severity.

[2] Management by Sector

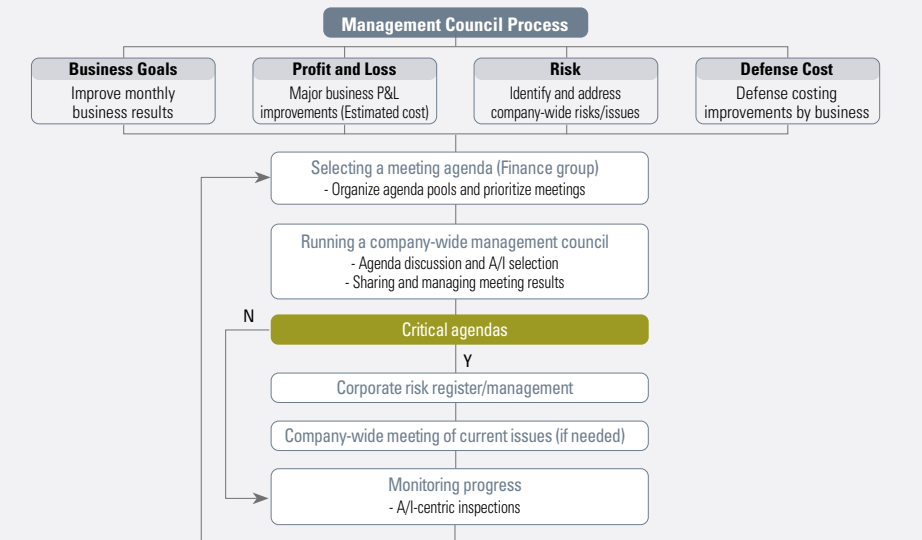
Each sector makes strenuous efforts to end risks as soon as possible. Through risk review meetings for each business, we identify new business-related issues, check activities to mitigate existing issues, and operate a T/F to resolve the risks depending on the case, ensuring they do not become worse. For major projects such as the KF-21, we operate a separate system for holistic management, where people in charge of each area from aircraft design to production check the progress of risks and update performance through the system.

[3] Company-Wide Management

Management Council

Aircraft development requires the collaboration of numerous people from different fields with a common goal. Because the scope of risk is broad and difficult to manage, a process that quickly identifies and resolves risks during development can increase customer satisfaction and, by extension, corporate value.

As part of the business management system, we have established and operated a management council to achieve management goals. We review the business status and mitigate risks/insufficiencies to improve the profit and loss. Monthly cross-functional meetings are held to build alignment across the company and strengthen communication between each organization. In addition, the council is composed of executives from each organization to ensure executive ability. If an operational agenda item is determined to be critical and requires company-wide support by the management council, it will be listed as a corporate risk, managed, and, brought to the company-wide meeting of current issues if necessary.



Company-wide meeting of current issues

Risks vary in severity by their contents, and the level of effort and cost required to mitigate them vary. As such, some things can be self-resolved within each sector, while others require cross-functional support/collaboration and enterprise-wide decision-making. Therefore, we have organized a company-wide issue council to share information on major business and management issues and make decisions to resolve critical issues early. By organizing a company-wide issue meeting led by the CEO, we are raising company-wide attention to issues and identifying and responding to them early.

[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 organization or corporate risk listed, response plans, performance, trends of change, statistics, etc., in real-time while accumulating data. When accessing the system, the user can understand the progress of risks related to his/her work. The user can view related data and refer to risk pools or case examples to identify problems in advance.

As such, KAI is preparing for a better future by reviewing and reflecting on our risk management performance yearly to present risk management technology that has grown to the next level.

Risk Management Process

Risk Identification

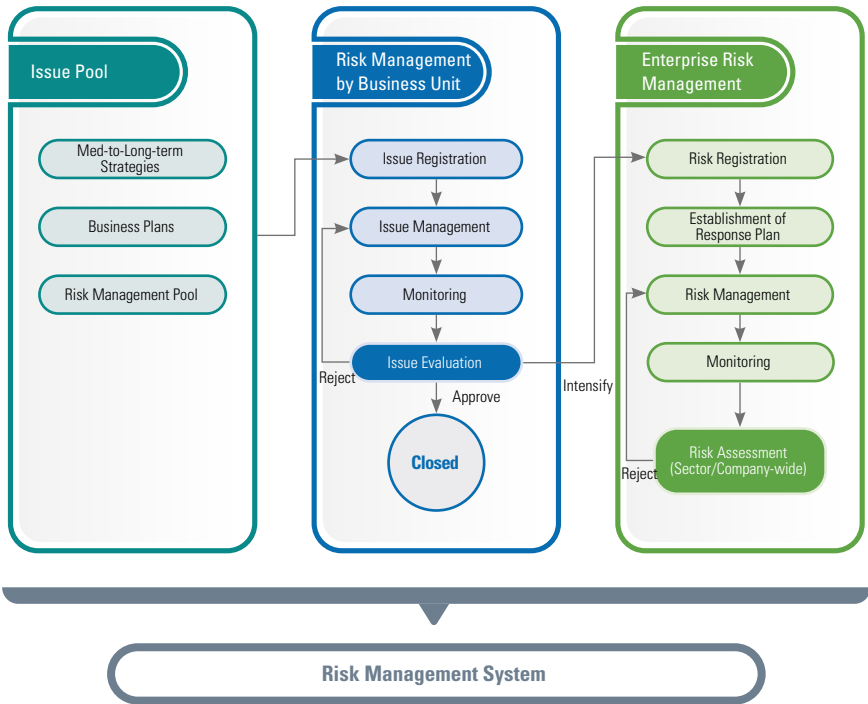
Risk Management

Issue Identification

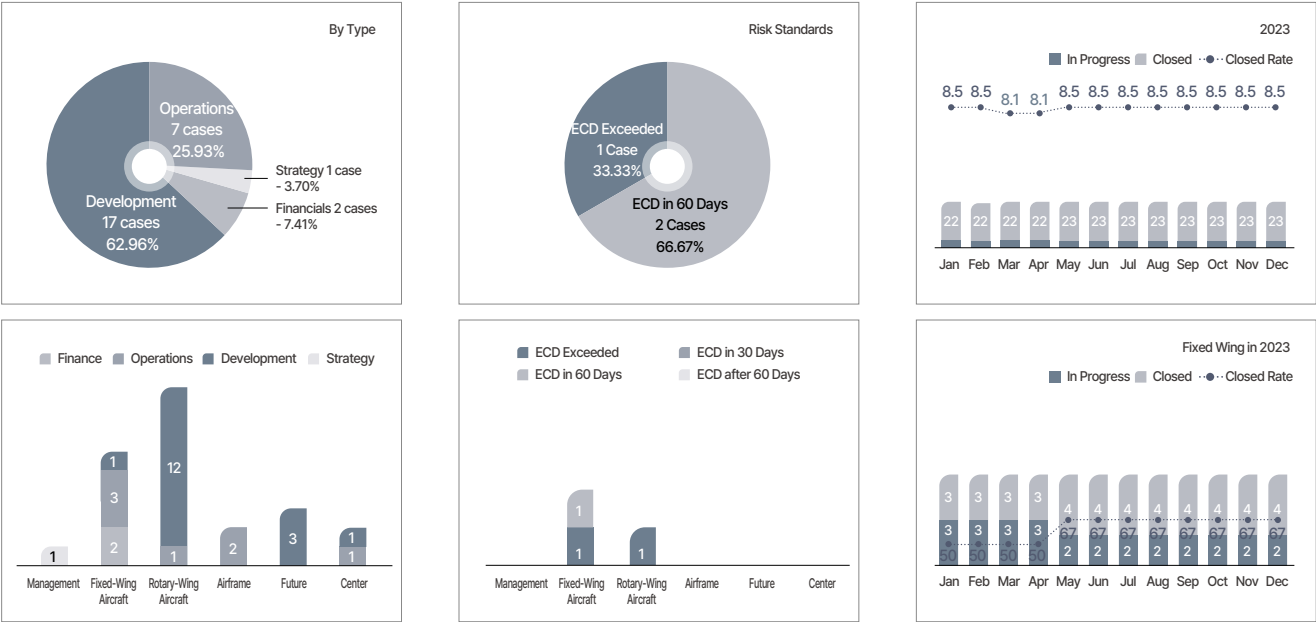
We built a Risk Pool to ensure that even minor issues are not missed in the issue identification stage. This risk pool covers a wide range of fields, including strategies, finance, development, business and order management, operations, etc. It presents situations and conditions that may cause problems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

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 double- or triple-checking to see if any problems 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 sector but may cause company-wide problems if they affect other businesses or have a common impact across multiple sectors.

"Risk" refers to an issue that is certain to cause a setback in the company's management or significantly impact the entire company once it occurs. We evaluate all risks and determine the importance of their management according to their rating. Rated risks are constantly monitored and managed on a company-wide level. Each business division responds to risks through self-inspection meetings; for major risks, the CEO checks on their progress every week. We seek complete resolution of risks by using different approaches to them based on business season and risk level, and also by differentiating methods and frequencies for handling them.

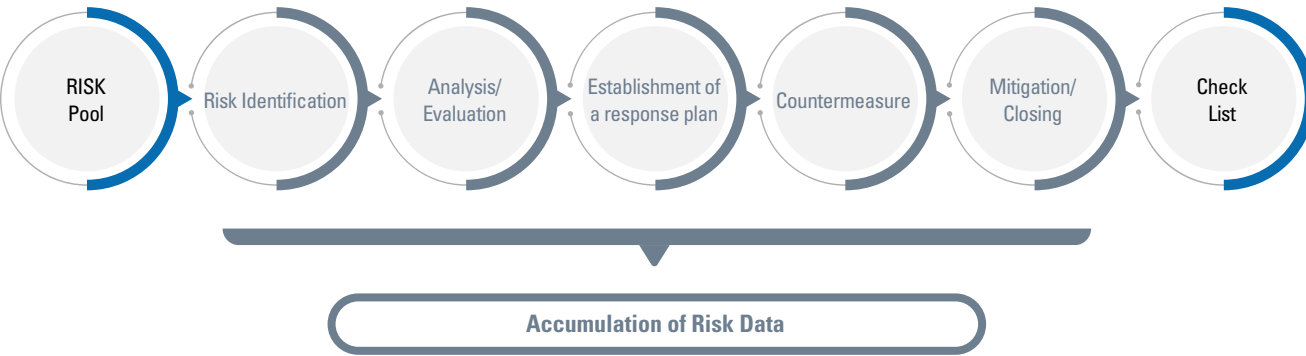


Risk Management System



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 and 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, we create a list of major checklists based on company-wide risk cases and use them as a Risk Pool. In our cyclical risk management cycle, we identify issues through Pools. The corresponding data is accumulated in the Risk Pool when a risk is closed. This minimizes human errors that may occur during the development process and ensures that all employees can serve as risk managers.





APPENDIX

104	Materiality Assessment
106	ESG Factbook
113	GRI Index
116	Third-Party Assurance Report

Overview of Materiality Assessment

KAI analyzes related issues considering the direction of management strategy and sustainability management. We select critical 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 critical 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 urgency and manageability.

- Urgency of action: Assess the extent and likelihood of financial and supply chain impact of risks/opportunities related to domestic and international disclosure requirements, regulatory levels, legislative developments, etc.
- Ease of Management: Evaluate the time required to establish a management system, promote improvement activities, and secure risk management capabilities, the appropriate timing of implementation of mid-to-long-term strategies, and the extent of costs involved.

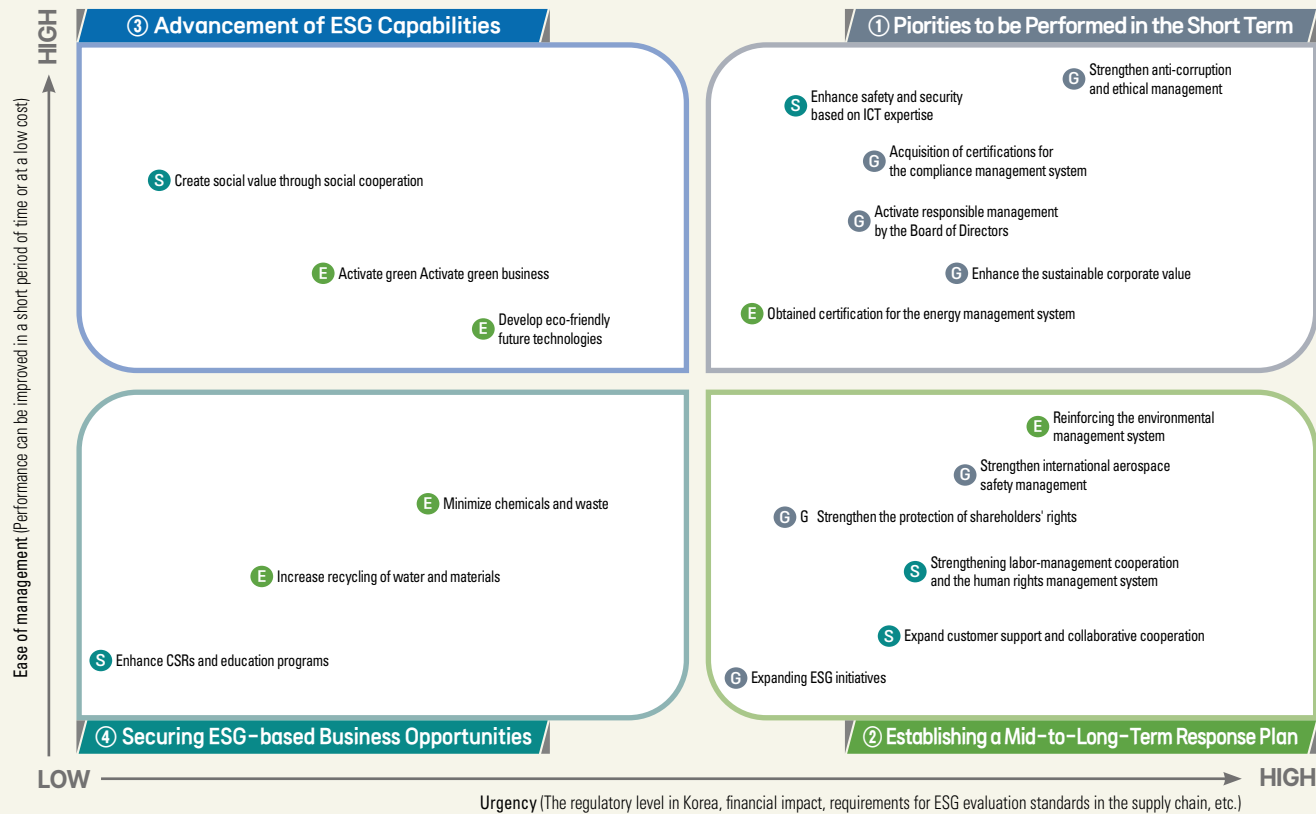
ESG Metrics Evaluation Perspectives	Evaluation Criteria and Evaluation Considerations	Scoring Formula
Urgency (a) X (b)	(a) Probability of a financial impact when risks/opportunities occur - Possibility of internalizing the financial impact when risks/opportunities occur - The magnitude of the financial-related impact when risks/opportunities occur	5-point scale for evaluation ● Very low = 1 ● Low = 2 ● Medium = 3 ● High = 4 ● Very high = 5
	(b) Possibility of supply chain impact when risks/opportunities occur - Possibility of internalizing the supply chain impact when risks/opportunities occur - The magnitude of the supply chain impact when risks/opportunities occur	
Ease of Management (c) X (d)	(c) Estimated time required for the establishment of a management system and improvement activities - Ease of management when it can be improved in a short period	
	(d) Activities and resources needed to manage risk and build capacity - 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 Results

* Reflects ESG Working Council data in November 2023/
Reflects ESG Management Strategy in December 2023



Key Issues		Table of Contents of the Report		GRI Linkage		Pages in the Report
1	Strengthen anti-corruption and ethical management	Ethics and Compliance Management	205	1	Corruption risk assessment of workplaces	92
				2	Notification and training on anti-corruption policies and procedures	90-94
2	Strengthen safety and security based on ICT expertise	Information Security	3	3	Management of material issues	44-47
				9	Governance structure and composition	86-89, 95-97
3	Achieve certification of compliance management systems	Ethics and Compliance Management	205	10	Appointment and selection of the highest governance body	89
				11	Chairman of the highest governance body	87
4	Activate responsible management by the Board of Directors	Governance policies, enforce management transparency	2	12	Role of the highest governance body in the oversight of impact management	15, 98-101
				14	Role of the highest governance body in the oversight of impact management	86-89, 95-97
5	Enhance sustainable corporate value	Sustainability	2	17	Enhancing/developing common knowledge of the highest governance body	89
				18	Performance evaluation of the highest governance body	Preparing for disclosure
6	Achieve energy management system certification	Safety and Health	302	22	Strategic statement for sustainable development	6-7
				1	Energy consumption within the company	18-19, 26, 108
				2	Energy consumption outside the company	Preparing for disclosure
				3	Energy intensity	108
				4	Reduction of energy consumption	Preparing for disclosure
				5	Reduction of energy required by products and services	Preparing for disclosure

Economic
Performance

Consolidated Statement of Financial Position

		2021	2022	2023
Total Assets	Current Assets	3,680,987,114,670	5,389,183,373,767	4,680,966,964,634
	Cash and cash equivalents	886,586,722,282	2,023,716,102,131	658,119,624,499
	Short term financial instruments	118,005,472,610	145,931,355,069	145,931,355,069
	Financial instruments measured at fair value through profit or loss	71,348,822,243	20,038,609,167	-
	Trade receivables	245,285,556,026	216,457,553,156	347,080,182,507
	Contract assets	110,789,337,652	196,255,705,973	167,048,200,926
	Other financial assets	11,692,174,383	14,005,545,801	54,273,859,444
	Inventory	1,324,665,604,925	1,593,078,711,223	1,736,483,586,736
	Current tax assets	80,151,830	10,495,177,131	4,675,032,310
	Other assets	903,357,582,387	1,168,869,036,963	1,611,324,790,377
	Non-current assets held for sale	9,175,690,332	335,577,153	-
	Non-Current Assets	2,174,236,878,044	2,383,223,319,657	2,458,609,964,087
	Financial instruments measured at fair value through profit or loss	65,783,321,730	67,844,576,976	66,899,807,799
	Trade receivables	39,424,822,142	46,613,910,073	48,611,329,051
	Contract assets	78,155,896,767	6,685,074,520	-
	Other long-term financial assets	11,443,908,754	15,379,092,680	8,749,878,888
	Subsidiaries, associates, and joint ventures	13,110,721,147	15,198,509,455	13,217,033,407
	Tangible assets	865,262,169,081	827,057,313,193	814,609,733,679
	Intangible assets	625,645,157,671	745,840,951,492	804,198,545,232
	Deferred tax assets	380,653,230,873	356,026,695,989	320,830,153,204
	Other assets	94,757,649,879	302,577,195,279	381,493,482,827
	Total Assets	5,855,223,992,714	7,772,406,693,424	7,139,576,928,721
Total Liabilities	Current Liabilities	2,800,069,609,107	5,055,361,234,345	4,400,307,820,313
	Non	192,148,984,838	243,116,703,888	353,106,646,319
	Non	191,559,707,476	371,564,487,390	308,478,574,208
	Non	1,015,375,295,778	2,189,306,435,993	1,801,883,479,074

		2021	2022	2023
Total Liabilities	Short-term borrowings	6,500,000,000	18,900,000,000	21,400,000,000
	Current long-term borrowings	20,459,083,951	27,206,108,103	28,564,710,866
	Current portion of bonds	72,206,081,021	499,789,443,308	349,928,509,685
	Current tax liabilities	6,921,170,254	176,081,843	149,178,123
	Provisions	78,398,536,780	67,269,494,439	65,195,380,769
	Other liabilities	1,215,910,944,306	1,637,677,140,666	1,471,601,341,269
	Derivative financial liabilities	589,804,703	355,338,715	-
	Non-Current Liabilities	1,757,710,376,169	1,263,828,633,213	1,119,328,591,131
	Long-term debt	105,565,322,939	78,359,214,837	58,494,503,972
	Bonds	998,446,196,803	499,461,684,282	149,848,486,881
	Other long-term financial liabilities	107,738,281,536	220,253,974,709	375,700,089,535
	Net defined benefit liabilities	408,680,033,865	356,280,397,132	418,277,469,019
	Provisions	88,936,728,444	66,700,931,577	74,996,036,825
	Other non-current liabilities	44,585,138,315	39,394,662,941	40,096,783,707
	Deferred tax liabilities	2,396,527,019	1,998,758,759	477,425,788
	Derivative financial liabilities	1,362,147,248	1,379,008,976	1,437,795,404
	Total Liabilities	4,557,779,985,276	6,319,189,867,558	5,519,636,411,444
Equity	Capital Attributable to the Owners of the Parent Company	1,269,425,155,795	1,427,802,657,469	1,597,412,953,604
	Equity	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	674,841,932,385	833,138,539,682	1,002,625,836,715
	Other equity items	(16,869,797,517)	(16,788,903,140)	(16,665,904,038)
	Non-Controlling Interest	28,018,851,643	25,414,168,397	22,527,563,673
Total Equity		1,297,444,007,438	1,453,216,825,866	1,619,940,517,277
Total Equity and Liabilities		5,855,223,992,714	7,772,406,693,424	7,139,576,928,721

Environmental Performance

Classification			Unit	2020	2021	2022	2023	Remarks
Greenhouse Gas Emissions	Scope 1		tCO2-eq	12,006	13,076	14,512	17,824	As of 2020 office: Headquarters As of company from 2021: Headquarters, Sancheong, Goseong, Jongpo, Leased land (Seoul office, kaems)
	Scope 2		tCO2-eq	37,135	45,072	47,189	47,461	
	Scope 3		tCO2-eq			1,270	1,569	
	Total		tCO2-eq	49,141	58,148	62,971	66,854	
Greenhouse Gas Intensity	Revenue		billion won	2,812	2,548	2,772	3,819	As of 2020 office: Headquarters As of company from 2021: Headquarters, Sancheong, Goseong, Jongpo, Leased land (Seoul office, kaems)
	Scope 1		tCO2-eq/billion won	4.27	5.13	5.24	4.67	
	Scope 2		tCO2-eq/billion won	13.21	17.69	17.02	12.43	
	Scope 3		tCO2-eq/billion won			0.46	0.41	
Greenhouse Gas Reduction	Total GHG reduction		tCO2-eq	-	119	-	-	
	Total GHG reduction rate		%	-	0.2	-	-	
Performance of Emissions Trading	Quota		tCO2-eq	49,141	58,148	61,701	65,285	The GHG emissions trading is a system in which GHGs-emitting companies submit GHG emission credits for the amount of GHG emissions they are allocated. We will carry over the surplus of the reduction in the case of 'quota > emissions' and use it in the following year, and in the case of 'quota < emissions', we will meet the government quota target within the planning period (2021-2025) through borrowing and purchasing emission credits.
	Emissions		tCO2-eq	49,141	58,148	61,701	65,285	
Energy Usage and Savings	Energy usage and reduction	Electricity	kwh	79,646,054	98,111,366	102,718,446	103,312,995	As of 2020 office: Headquarters As of company from 2021: Headquarters, Sancheong, Goseong, Jongpo, Leased land (Seoul office, kaems)
		LNG (natural gas)	ton	-	511.15	613.37	382.070	
		LNG (city gas)	1,000m³	3,499	3,805	3,701	3,798.537	
		Jet fuel	kℓ	1,398.852	1,112.680	1,437.797	3,200.877	
		Gasoline	kℓ	110.228	138.025	139.458	101.816	
		Kerosene	kℓ	0.02	-	0.40	-	
		Diesel	kℓ	220.1530	122.2488	341.0861	157.239	
	Energy savings	kwh	-	259,500	-	-		
Energy Intensity	Revenue		billion won	2,812	2,548	2,772	3,819	As of 2020 headquarters, as of 2021-2022 headquarters and Sancheong
	Electricity		kwh/billion won	28,324	38,505	37,056	27,052	
	LNG (natural gas)		ton/billion won	-	0.2	0.2	0.1	
	LNG (city gas)		1,000m³/billion won	1.2	1.5	1.3	1.0	
Water Usage	Water usage	Water usage	ton	188,192	181,637	197,704	142,162	As of headquarters
		Water intake	ton	432,312	416,086	440,591	389,402	
		Wastewater generation	ton	63,270	53,700	61,500	63,300	
		Wastewater discharge	ton	180,850	180,749	181,387	183,940	
	Amount of water recycled and reused		ton	-	41,063	51,007	49,428	As of Sancheong
	Water reuse rate		%	-	22.6	25.8	34.8	
Waste Generation	Waste generation by type	Designated waste discharge	ton	590.06	494.63	494.99	478.33	Waste amounts in parentheses include saleable waste (waste paper, scrap metal).
		General waste discharge	ton	1,684.84(2,500.27)	1,232.77(1,726.34)	1,143.71(1,867.89)	1,272.11(2,070.36)	
		Total	ton	2,274.90(3,090.33)	1,727.40(2,220.97)	1,638.70(2,362.88)	1,750.44(2,548.69)	As of headquarters

Classification			Unit	2020	2021	2022	2023	Remarks
Waste Generation	Amount of waste by treatment method	Recycling_designated waste	ton	182.02	74.04	107.94	121.06	Waste amounts in parentheses include saleable waste (waste paper, scrap metal). As of headquarters
		Recycling_general waste	ton	1654.06(2,469.49)	1,153.49(1,647.06)	1,095.8(1,819.98)	1,228.31(2,026.56)	
		Incineration_designated waste	ton	200.19	232.13	284.18	324.77	
		Incineration_general waste	ton	-	17.07	7.11	-	
		landfill_designated waste	ton	-	-	3.3	-	
		landfill_general waste	ton	30.78	62.21	40.8	43.8	
		Others_designated waste	ton	207.85	188.46	99.57	32.5	
		Others_general waste	ton	-	-	-	-	
	Waste generation in a basic unit	Revenue	billion won	2,812	2,548	2,772	3,819	
		Total generation	ton	0.809(1.099)	0.678(0.872)	0.591(0.852)	0.458(0.667)	
	Waste recycling rate (%)	Recycling rate_designated waste	%	30.85	14.97	21.81	25.31	
		Recycling rate_general waste	%	98.17(98.77)	93.57(95.41)	95.81(97.43)	96.56(97.88)	
		Recycling rate_total	%	80.71(85.80)	71.06(77.49)	73.46(81.59)	77.09(84.26)	
Pollutant Generation	Air pollutant emissions	Dust	ton	11.507	10.229	10.457	7.313	* COD emissions up to 2021.
		Nitrogen Oxides(NO2)	ton	2.905	4.387	4.457	3.11	
		Sulfur Oxides(SO2)	ton	-	0.048	0.724	0.243	
	Wastewater generation		ton	63.27	53.7	61.5	63.3	
	Water pollutant emissions	BOD	ton	2.101	0.344	0.264	0.414	
		TOC	ton	*0.987	*0.575	0.347	0.418	
		SS	ton	0.193	0.279	0.363	0.237	
		T-N	ton	0.121	0.436	0.325	0.290	
T-P		ton	0.003	0.002	0.005	0.003		
Percentage of Eco-Friendly Vehicles	Business vehicles	For business_long-term rental	units	98	101	124	124	
		For business_purchasing	units	46	52	55	55	
		Total	units	144	153	179	179	
		Eco-friendly vehicle_Hybrid	units	-	-	2	14	
		Eco-friendly vehicle_Hydrogen electricity	units	-	-	-	-	
		Total	units	-	-	2	14	
	Percentage of eco-friendly vehicles		%	-	-	1.12	7.82	
Costs Invested in Environmental Facilities	Investment in environmental facilities (※ Air quality and water quality cannot be distinguished)		1,000 won	1,288,140	1,305,710	1,597,409	2,008,182	Combined investment and repair costs
Environmental Cost	Operating cost of environmental facilities		million won	1,387	905	990	1,085	Prevention facility power costs
	General maintenance fee		million won	1,171	1,691	1,929	2,066	Environmental budget (performance)
Use of Hazardous Chemicals	Usage of hazardous chemicals		ton	271.08	213.94	230.15	229.52	
	Hazardous chemical spills accidents		ton	-	-	-	-	
Major Certification Status	ISO 50001 certification		sites	-	-	-	1	
	ISO 14001 certification		sites	4	5	5	5	
	ISO 45001 certification		sites	4	5	5	5	

Social Performance

Classification		Unit	2020	2021	2022	2023	Remarks
Manpower Status	Total number of employees	people	5,065	5,048	5,119	5,098	As of the end of 2023, including those on leave
	Total employees by gender	Male	4,718	4,693	4,718	4,694	
		Female	347	355	401	404	
	Total employees by age	Under 30	769	656	653	626	
		30 or older and under 40	1,503	1,512	1,509	1,474	
		40 or older and under 50	1,343	1,332	1,281	1,273	
		50 or older	1,450	1,548	1,676	1,725	
	Total employees by job title	Executives	36	34	32	24	
		Managers	250	265	270	240	
		Employee	4,779	4,749	4,817	4,834	
	Total employees by contract type	Regular workers	4,167	4,152	4,242	4,251	
		Worker with fixed-term contract	898	896	877	847	
Status of Full-Time New Hires (Employees)	Employees diversity	Number of employees with disabilities	85	84	82	82	As of the end of 2023, including those on leave
		Percentage of employees with disabilities	1.78	1.74	1.66	1.7	
	Number of new hires	people	413	361	511	375	
	Number of new hires by gender	Male	338	286	402	314	
		Female	75	75	109	61	
	Number of new hires by age	Under 30	213	143	238	167	
		30 or older and under 40	119	90	124	60	
		40 or older and under 50	50	63	64	74	
		50 or older	31	65	85	74	
	Number of new hires by position	Executives	4	2	4	-	
		Managers	-	2	2	2	
		Employee	409	357	505	373	
Retirement Status	Number of new hires by contract Type	Regular workers	226	146	230	146	
		Worker with fixed-term contract	187	215	281	229	
	Total number of retirees	people	313	361	441	397	
	Number of voluntary turnover	Male	99	123	160	128	
		Female	13	14	23	20	
		Turnovers	112	137	183	148	
	Voluntary turnover rate	%	2.24	2.70	3.60	2.90	
	Number of involuntary turnover	Male	165	174	218	210	
		Female	36	50	40	39	
		Turnovers	201	224	258	249	
	Involuntary turnover rate	%	4.02	4.42	5.07	4.88	
Years of Service	Average tenure	year	13.86	14.02	13.86	13.96	
	Average years of service by gender	Male	14.36	14.50	14.41	14.47	
		Female	7.12	7.67	7.40	7.99	
Human Resources Development Status (Education and training)	Total number of trainees	people	18,343	22,357	23,550	25,428	
	Total education cost	100 million won	18.1	14.7	18.9	20.0	
	Total training hours	Hours	107,344	156,008	134,399	152,942	
	Training hours per person	Hours	21.6	31.0	26.5	30.4	
	Training cost per person	1,000 won/person	364.2	292.5	372.0	397.0	
	Satisfaction with training	points	4.30	4.44	4.47	4.50	

Classification			Unit	2020	2021	2022	2023	Remarks
Maternity Leave Usage	Number of employees who used maternity leave	Male	people	126	166	131	131	
		Female	people	8	10	9	14	
		Total	people	134	176	140	145	
Parental Leave Usage Status	Number of employees using parental leave	Male	people	34	24	45	45	Headcount changed for 2023 due to a change in parental leave user counting criteria
		Female	people	9	9	10	10	
		Total	people	43	33	55	55	
	Return number of people after parental leave	Male	people	26	24	38	48	
		Female	people	5	6	10	10	
		Total	people	31	30	48	58	
	Return rate after parental leave	Total	%	93.02	100.00	94.54	94.00	Numbers changed in 2023 due to unreturned workers after parental leave
	Number of employee who worked 12 months after returning from parental leave	Total	%		29	27	45	Number of returnees from the previous year with at least one year of service
	Rate of employees who worked 12 months after returning from parental leave	Total	%	93.02	100.00	98.08	93.75	
Labor Union Member Status	Number of people eligible		people	4,153	4,150	4,262	4,238	
	Number of labor union members (collective agreement applied)		people	3,145	3,335	3,439	3,544	
	Ratio of labor union members (collective agreement applied)		%	75.7	80.4	80.7	83.6	
	Labor-management council meetings		Rounds	2	2	3	3	
CSR Activity Status	Number of employees volunteering (including family members)		people	323	327	340	262	
	Employees volunteer hours		Hours	1,655	1,611	1,885	2,768	
	Volunteer hours per employees		Hours	5.1	4.9	5.5	10.6	
	CSR fund		million won	1,022	703	650	896	
	Number of beneficiaries		people	12,446	10,779	13,020	11,893	
Employees Health and Safety	Environmental incident		cases	-	-	-	-	Adjusted the 2022 workers' industrial accident rate from 0.1 to 0.16 due to workers' compensation claims that occurred in 2022 being approved in 2023
	Serious industrial accident		cases	-	-	-	-	
	Violations of safety and health laws		cases	-	2	-	-	
	Industrial accident rate		%	0.14	0.18	0.16	0.16	
Supplier Companies	Total number of supplier companies		numbers	75	78	79	80	
	Financial support for supplier companies		100 million won	213.6	237.9	159.9	241.7	
	Technical support for collaborative cooperation		cases	2602	1824	1989	3421	
	Number of suppliers participating in ESG consulting		cases	-	-	-	10	
Information/ Cyber security	Number of information/cybersecurity incidents		cases	-	1	-	-	
	Fines or penalties paid for accidents		won	None	None	None	None	
	Number of information security violations and incidents related to customer information		cases	-	-	-	-	
	Number of customers affected by the data leaks		people	-	-	-	-	

Governance
Performance

Classification		Unit	2020	2021	2022	2023	Remarks	
Anti-Corruption and Ethical Management	Ratio of employees who participated in anti-corruption and integrity training	%	99.0	95.5	97.0	100	In 2023, all employees trained after identifying those who did not complete the training and conducting supplementary training	
	Number of legal actions against unfair trade practices	cases	1	1	-	-		
	ISO 37001		Acquired	Acquired	Acquired	Acquired	Business Report > XI. Others required to protect investors > 3. Refer to the contents related to sanctions, etc.	
	ISO 37301		-	-	-	Acquired		
Status of Online Reports	Number of online reports received	cases	27	39	39	68		
	Number of online reports processed	cases	27	39	39	68		
	Ratio of online reports processed	%	100	100	100	100		
Board of Directors	BOD operational performance	Number of board meetings	rounds	9	10	12	10	
		Number of agendas	건	46	68	53	56	
		Ratio of outside director	%	80	80	75	83	Ratio of all female directors (20% of outside director are women)
		Ratio of female directors	%	-	-	-	17	
		Board attendance rate	%	100	100	100	100	
	Total board remuneration	Registered director (excluding outside director and audit committee members)	million won	619	631	1,463	707	Remuneration for 2022 includes severance pay to the CEO due to the expiration of his term
		outside directors(excluding audit committee members)	million won	-	-	-		All of our outside director are members of the Audit Committee.
		Audit committee members	million won	250	265	253	307	This material is based on the Business Report - Executive Compensation

GRI Index

GRI STANDARD	DISCLOSURE	LOCATION
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	2-17 Enhancing/developing common knowledge of the highest governance body	89
	2-18 Performance evaluation of the highest governance body	Preparing for disclosure
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	2-20 Procedure for determining remuneration	Preparing for disclosure
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	2-22 Statement on the sustainable development strategy	6-7
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	2-24 Activities involving commitment policy	35, 40, 54-63, 67-73, 87-89
	2-25 Procedures to remedy negative impacts	51, 53
	2-26 Alert and advisory mechanisms	94
	2-27 Compliance with laws and regulations	Business Report: XI. Others required to protect investors > 3. Contents related to sanctions, etc.
	2-28 Membership of associations	Preparing for disclosure
	2-29 Stakeholder engagement process	40-41, 44, 62-63, 94, 96-97
	2-30 Collective bargaining agreement	41

GRI STANDARD	DISCLOSURE	LOCATION
GRI 3: Material Topics 2021	3-1 How to determine material issues	104
	3-2 List of material issues	105
	3-3 Management of material issues	14-15, 44-47, 67-69, 86-89, 90-94
GRI 201: Economic Performance 2016	201-1 Creation and distribution of direct economic value	Business Report: III. Contents related to financials > 2. Consolidated financial statements > Consolidated statement of comprehensive income
	201-2 The financial impact of climate change on the organization's activities and other risks and opportunities	Preparing for disclosure
	201-3 Appropriation or reserves for liabilities under the defined benefits-type pension system of the organization	Business Report: III. Contents related to financials > 3. Consolidated financial statements > 19. Net defined benefit liabilities
	201-4 The government's financial support	21, 56-63
GRI 203: Indirect Economic Impacts 2016	203-1 Investment in infrastructure, the development of services for support, and the impact	Preparing for disclosure
	203-2 Significant indirect economic effects, including scale of impact	Preparing for disclosure
GRI 204: Procurement Practices 2016	204-1 Ratio of expenditures paid by key business places to the local suppliers	Preparing for disclosure
GRI 205: Anti-corruption 2016	205-1 Number and ratio of business places that assessed corruption risks and significant risks discovered	92
	205-2 Disclosure of and training on anti-corruption policies and procedures	90-94
GRI 302: Energy 2016	302-1 Energy consumption within the company	18-19, 26, 108
	302-2 Energy consumption outside the company	Preparing for disclosure
	302-3 Energy intensity	108
	302-4 Reduction of energy consumption	Preparing for disclosure
	302-5 Reduction of energy required by products and services	Preparing for disclosure
GRI 303: Water and Effluents 2018	303-1 Water use as a shared resource	25, 27, 108
	303-2 Management of impacts related to water disposal	25, 27, 108
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GRI 305: Emissions 2016	305-1 Direct GHG emissions (scope 1)	18-19, 108
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GRI STANDARD	DISCLOSURE	LOCATION
GRI 306: Waste 2020	306-1 Generation of waste and significant waste-related impact	28-29, 108
	306-2 Management of significant waste-related impacts	28
	306-3 Amount and type of waste	108
	306-4 Waste recycling	28-29, 108
	306-5 Landfill	28-29, 108
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Preparing for disclosure
	308-2 Negative environmental impacts in the supply chain and actions taken	Preparing for disclosure
GRI 401: Employment 2016	401-1 Number of new hires and turnover	110-112
	401-2 Welfare benefits provided only to full-time workers	39
	401-3 Parental leave	42, 111
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	40
GRI 403: Occupational Health and Safety 2018	403-1 Occupational safety and health management system	67-69
	403-2 Hazard identification, risk assessment, and incident investigation	65, 71-72
	403-3 Occupational safety and health services	66, 73
	403-4 Worker participation, consultation, and communication on occupational safety and health	65-66, 72-73
	403-5 Employee training on occupational safety and health	66, 68
	403-6 Promotion of worker health	39
	403-7 Prevention and mitigation of occupational safety and health	64-65, 67-68, 70
	403-8 Members covered by an occupational safety and health management system	67-69
	403-9 Accident rate	68-70, 109
	403-10 Work-related illness	70
GRI 404: Training and Education 2016	404-1 Average annual training hours per employee	37, 111
	404-2 Employee skills development and transition programs	36-37
GRI 405: Diversity and Equal Opportunity 2016	405-1 Governance bodies and employees status by category	89, 110
GRI 408: Child Labor 2016	408-1 Corrective actions taken to discontinue operations and suppliers with high risk for incidents of child labor	91
GRI 409: Forced or Compulsory Labor 2016	409-1 Corrective actions taken to eradicate operations and suppliers with high risk for incidents of forced labor	91
GRI 413: Local Communities 2016	413-1 Percentage of sites with community engagement, impact assessment, and development programs	54-63, 74-83
	413-2 Sites with significant actual and potential negative impacts on local communities	Preparing for disclosure

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GHG Scope 3 Assurance Report

1. Verification Scope

This Assurance Report has been prepared at the request of KAI. Shinhwa Engineering Co., Ltd. received a verification request from KAI for Scope 3 greenhouse gas emissions in 2023. 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 complying with ISO 14064-1:2018, preparing related claims and reports, and effectively managing internal data and information. Shinhwa Engineering Co., Ltd.'s responsibility is limited to ensuring the report under the contract with KAI. KAI has ultimately approved the report, and it remains KAI's responsibility.

3. Verification Approach

The verification was conducted in accordance with ISO 14064-3:2019 "Usage rules and guidelines for the assessment and validation of the validity of greenhouse gas statements" to provide limited assurance that the GHG data in the KAI report conforms to ISO 14064-1:2018 "Company-wide usage rules and guidelines for organization-wide use for quantifying and reporting greenhouse gas emissions and removals." Verification activities to conclude were conducted through sampling, and in particular, the following activities were performed.

- We reviewed the processes related to managing GHG emission data and records.
- We interviewed relevant employees responsible for managing GHG emissions data and records.
- GHG emissions data and records for 2023 were verified at the aggregate level.

4. Assurance Level and Importance

Under the contract, we 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 Assurance Report.

5. Verification Opinion

As a result of verification based on its own approach, Shinhwa Engineering Co., Ltd. found no significant inaccuracies in the four categories of Scope 3 GHG emissions, as summarized in Table 1 below regarding materiality. We found nothing that would doubt the report's non-compliance with ISO 14064-1:2018.

Table 1. Summary of KAI Scope 3 GHG Emissions

Classification	Category	GHG Emissions (tCO2eq)
Scope3	Upstream transportation and logistics	196.208
	Employee travel	1,038.699
	Employee commuting	142.122
	Downstream transportation and logistics	192.451
Total		1,569.48

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Kim In-soo, Representative Director

Published date: May 28, 2024



GHG Emissions Assurance Report

1. Verification Scope

- Boundary: All business sites and emission facilities under the operational control of the organization
- The subject of verification: Headquarters of Korea Aerospace Industries, Ltd., its factories in Sancheong, Jongpo, Goseong, Sacheon2, and the Seoul office
- Validation period: January 1, 2023 – December 31, 2023
- 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. 2023-221)
- 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)
2023	17,824	47,461	65,285

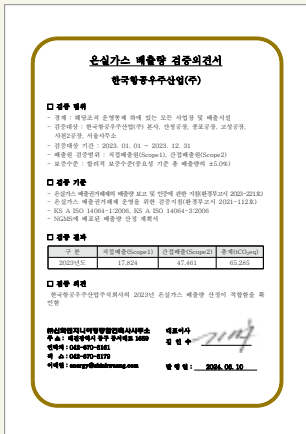
4. Verification Opinion

We confirmed that Korea Aerospace Industries, Ltd. has appropriately calculated its greenhouse gas emissions for 2023.

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