KAI

# 2026 KAI Sustainability Report

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# INTRO


# CEO Message

## FLY TOGETHER
## FOR A SUSTAINABLE FUTURE

**To all our stakeholders who have offered their steadfast support for the sustainable growth and development of KAI, I extend my sincere gratitude. It is my great pleasure to share our ESG management performance and future direction through KAI's fourth Sustainability Report in 2026.**

In today's rapidly changing global environment, corporate sustainability is no longer a choice but a core factor that determines survival and competitiveness. The rapid shift in the technology paradigm and the growing scale of geopolitical risk demand a higher level of responsibility from the company while also presenting new opportunities to advance.
Against this backdrop, KAI places sustainability management at the center of its corporate strategy and is embedding it as a core value directly tied to future growth.

Korea's ESG regulatory environment is now at a major turning point. Under the Financial Services Commission's ESG Disclosure Roadmap, mandatory sustainability disclosure will be introduced in phases for listed companies, including KAI, and this transition is now under way. To respond proactively to this shift toward statutory disclosure under the Financial Investment Services and Capital Markets Act, the company is focusing on continuously monitoring ESG-related regulations and stakeholder requirements and on building a response system.

In particular, the Comprehensive Sustainability Management Policy for 2026–2030, announced by the Ministry of Trade, Industry and Energy this past March, carries significant implications for the defense industry. The government's plan to award additional points for K-ESG certification grades in Public Procurement Service (KONEPS) bids and government support programs means that, for defense companies whose orders depend overwhelmingly on public and military projects, ESG has become a core requirement directly linked to revenue. KAI has set securing a top-tier K-ESG index grade as its foremost priority, and as an industry leader it will take an active part in the Ministry of Trade, Industry and Energy's development of K-ESG guidelines tailored to the defense sector, doing its utmost to lead K-defense exports.

This year's report reflects the company's strengthened responsibility for climate change response and the conservation of the natural environment. KAI systematically analyzes the impact of climate change on its financial performance based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). Recognizing climate change not as a mere environmental issue but as a matter of risk management and an opportunity for future growth, the company actively reflects it in its management strategy and investment decisions.

The company has also set biodiversity conservation as a key management task and is advancing its management system to minimize the impact on the ecosystem of the Sacheon region, where KAI is located, across the entire process of site operation and development. This is an essential effort to meet the level of responsibility required by the global supply chain and customers while building a sustainable industrial foundation.

The aerospace industry is a representative collaborative industry, completed together with numerous partner companies. KAI regards its partners not as mere counterparties in transactions but as companions with whom it will achieve sustainable growth together. Accordingly, the company is establishing a fair and transparent trading order while enhancing the competitiveness of the overall supply chain through training and support to strengthen the ESG capabilities of small and medium-sized partners and through expanded technical cooperation.

In addition, the company supports its partners in protecting their technical achievements and rights and in building a stable production foundation, thereby further solidifying a value chain of mutual growth and cooperation. In particular, to respond proactively to global-level supply chain due diligence requirements, the company is embedding ESG standards such as those for the environment, human rights, and ethics across the supply chain, and on this basis it plans to create a sustainable industrial ecosystem that grows together with its partners.

Furthermore, the company is securing both sustainability and business competitiveness by making eco-friendly technology and future mobility new growth engines. As a core domestic defense company, KAI will contribute to national and social development and firmly establish its position in the global market.

Amid rapidly changing demands of the times, KAI continues its relentless innovation and challenge. Sustainability management is an important axis of this innovation and a core factor that, together with the company's technological competitiveness, determines its future value.

Going forward, KAI will practice sustainability management with all executives and employees united under the spirit of 'One Team.' As a responsible company that grows together with its customers, shareholders, partners, and local communities, we will do our utmost to advance into a world-class aerospace company.

We ask for your generous interest and support on KAI's new journey.

Thank you.

June 2026

CEO and President, Korea Aerospace Industries, Ltd. **Kim Jong-chool**


# Company Profile

## About KAI

KAI was founded as a joint corporation through contributions in kind for the aircraft industry by three conglomerates (Samsung, Hyundai, Daewoo) in 1999, and has been engaged in businesses related to fixed-wing and rotary-wing aircraft, UAVs, aircraft performance improvements/MRO, airframe structures, satellite/launch vehicles, and training systems. As a result, KAI has successfully developed the KT-1 basic trainer, T-50 advanced trainer, KF-21 4.5-generation fighter, KUH (Surion) multi-purpose helicopter, LAH/LCH small arms/civilian helicopter, and Songgolmae unmanned surveillance reconnaissance vehicle, playing a pivotal role in securing the Republic of Korea's aviation defense capabilities. Moreover, a total of 236 of these KAI aircraft have been exported to nine countries, contributing to the overseas expansion of K-defense. In addition, KAI is expanding its business into space by participating in government-led satellite development projects and the systems final assembly of the Korean launch vehicle, and is also growing its aviation business through the development of next-generation UAV platforms, Advanced Air Vehicles (AAV), and AI Pilots.

### General Information

| | |
|---|---|
| **Company Name** | Korea Aerospace Industries, Ltd. |
| **CEO** | Kim Jong-chool |
| **Main Businesses** | The 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 groups, 5 departments / 5,391 employees |
| **Business Locations** | Korea: Sacheon Headquarters, Sancheong Factory, Jongpo Factory, Goseong Factory, Seoul Office<br>Overseas: Korea Aerospace F.W. Inc., Offices in Turkey, Indonesia, etc. |
| **Credit Rating** | Korea Investors Service: AA- / NICE Investors Service: AA- (corporate bonds) |

As of June 15, 2026 (enter only items changed compared to the previous year)

### Financial Summary

As of December 31, 2025 (Unit: KRW), consolidated basis

Revenue
**KRW 3.69 trillion**

Operating Income
**KRW 269.1 billion**

Net Income
**KRW 187.3 billion**

Total Assets
**KRW 10.37 trillion**

Equity
**KRW 487.4 billion**

## ESG Rating

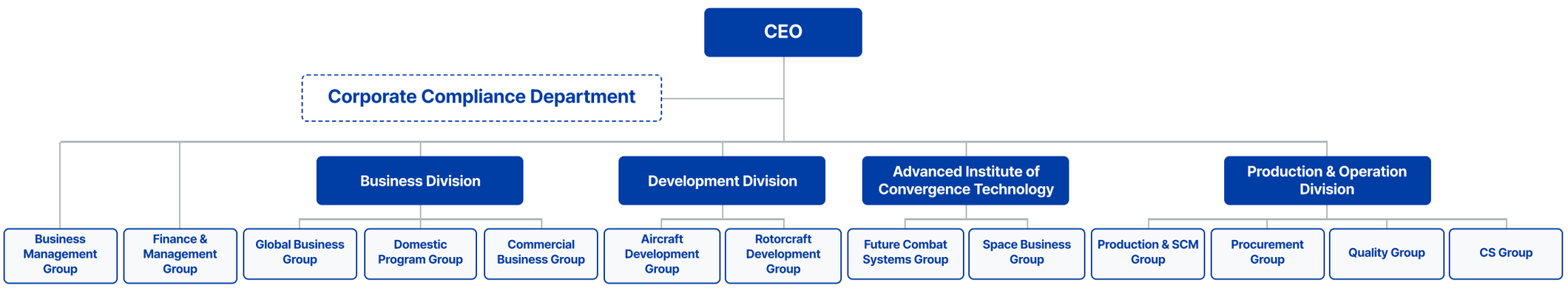
| Classification | | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| KCGS (Korea Institute of Corporate Governance and Sustainability) | Total | **A** | A | B+ |
| | Environmental (E) | **A** | A | B+ |
| | Social (S) | **A** | A | A |
| | Governance (G) | **B+** | B+ | B+ |
| Sustinvest | | **AA** | BB | AA |

## VISION 2050

Under the vision of 'Global KAI Beyond Aerospace', KAI carries out businesses such as aircraft systems integration and follow-on support, and satellite/launch vehicle-related businesses. On this basis, it recorded sales of around KRW 3.6 trillion in 2025 and has grown into Korea's representative comprehensive aerospace systems corporation. It also continues to expand its orders and sales based on solid export performance. In addition to its existing core businesses, KAI will realize its dream of reaching KRW 40 trillion in sales and becoming a global Top 7 aerospace company by 2050 by pursuing future businesses such as next-generation air combat systems, Advanced Air Vehicles (AAV), and space solutions.

## Organization Chart

As of June 12, 2026



# KAI Milestones

## KAI HISTORY

### 1999 ~ 2021

| | |
|---|---|
| **1999. 10** | Established Korea Aerospace Industries, Ltd. |
| **2000. 11** | First mass-production KT-1 rollout ceremony |
| **2001. 02** | KT-1 basic trainer export contract with Indonesia |
| **2006. 02** | Signed an Airbus A350 joint development MOU |
| **2010. 03** | Surion first flight success |
| **2010. 07** | Completed the A350 smart factory |
| **2011. 05** | World's sixth supersonic aircraft export (16 T-50s to Indonesia) |
| **2011. 06** | Initial public offering on the Korea Exchange (KRX) |
| **2012. 07** | Opened the first education-donation Korea Aviation Science Experience Aviation Center |
| **2013. 11** | Opened the Sancheong Factory |
| **2013. 12** | Export contract for 24 T-50s to Iraq |
| **2014. 01** | Selected as the systems final assembly company for the Korean launch vehicle |
| **2014. 07** | Selected as the LCH preliminary operator and LAH preferred negotiation company |
| **2016. 01** | KF-X Korean fighter joint development contract with Indonesia |
| **2016. 03** | Selected as one of the top 100 job-creating companies |
| **2017. 04** | KAI-KARI Multipurpose Practical Satellite No. 7 project contract |
| **2017. 07** | Signed a Boeing B777X W/R supply contract |
| **2018. 06** | Launched KAEMS, an aviation MRO specialist |
| **2018. 09** | First defense company to obtain ISO 37001 (Anti-bribery Management System) certification |
| **2020. 02** | Selected as a "Jasanghan (Voluntary and Cooperative) Company" by the Ministry of SMEs and Startups |
| **2020. 06** | TA-50 second mass-production contract |
| **2020. 12** | Surion fourth mass-production contract |
| **2021. 04** | KF-21 first prototype rollout ceremony |
| **2021. 07** | 6 T-50i for Indonesia; T-50TH fourth contract with Thailand |
| **2021. 10** | Received an overall Grade A in ESG evaluation for four consecutive years |
| **2021. 11** | Productivity Management System (PMS): achieved **Level 8, the highest domestic grade** |

### 2022 ~ 2026

| | |
|---|---|
| **2022. 03** | Declared ESG management |
| **2022. 04** | Established the ESG Committee and enacted the Corporate Governance Charter |
| **2022. 07** | KF-21 Boramae first flight success |
| **2022. 09** | Execution contract for 48 FA-50s with Poland |
| **2022. 12** | Established the ESG mid- to long-term management strategy |
| **2023. 01** | Declared the mid- to long-term vision Global KAI 2050 |
| **2023. 05** | Final contract for 18 FA-50s with Malaysia / Key KAI contribution including systems final assembly in the successful third launch of Nuri |
| **2023. 06** | Published the first Sustainability Report |
| **2023. 09** | Signed B787 and B777X parts supply contracts |
| **2023. 12** | Signed the Light Armed Helicopter (LAH) second mass-production contract |
| **2024. 04** | Successful launch of the first SAR satellite / Signed the Eve eVTOL contract |
| **2024. 06** | Delivered the final unit of the Surion (KUH-1) mass-production program / Signed the first KF-21 mass-production contract |
| **2024. 11** | Achieved 1,000 accident-free KF-21 flight sorties |
| **2024. 12** | B737 MAX empennage structure supply extension contract / Surion export to Iraq / Delivered the first mass-production Mironn (LAH-1) |
| **2025. 01** | First flight success of the Marine Corps amphibious assault helicopter prototype |
| **2025. 03** | Signed the Indonesian Air Force KT-1B airframe life-extension project contract |
| **2025. 05** | Commenced final assembly of mass-production KF-21s |
| **2025. 06** | Export contract for 12 additional FA-50s with the Philippines / Signed a commercial aircraft engine parts contract with Collins (U.S.) / Contract for 20 additional KF-21 units |
| **2025. 09** | Contract for 4 Surion units with the Korea Forest Service |
| **2025. 11** | Successful launch of the fifth Project 425 satellite / Signed the second mass-production contract for the dedicated medical evacuation helicopter / Successful launch of Next-Generation Medium-Sized Satellite No. 3 |
| **2025. 12** | Successful launch of Multipurpose Practical Satellite No. 7 / Signed the KF-21 additional armament test project contract / Signed Surion contracts with the Korea Coast Guard and the Korea National Park Service / Signed the FA-50PH upgrade contract with the Philippines |
| **2026. 02** | Philippines FA-50PH performance-based logistics support contract |
| **2026. 03** | KF-21 first mass-production unit rollout ceremony |


# Business Overview

Business Overview

## Fixed-Wing

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 available 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 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 large aircraft platform to strengthen the Republic of Korea's aerospace industry.

KF-21

FA-50

## Rotary-Wing

In addition to the KUH (Surion), KAI developed various derivatives for amphibious tasks, medical evacuations, police support, firefighting, forestry, and coast guard operations. These helicopters are now crucial for military and government missions. Furthermore, the LAH (Light Armed Helicopter) and LCH (Light Civil Helicopter) were developed through the government's civil helicopter integrated development project. Also, the successful export of the KUH-1 to Iraq marked the start of Korean helicopter exports, and further exports are being pursued using three platforms. In the future, KAI will develop high speed medium utility helicopters with improved performance and speed compared to existing ones, as well as manned and unmanned integrated helicopter systems to upgrade the Republic of Korea's helicopter business to a world-class level.

KUH


LAH

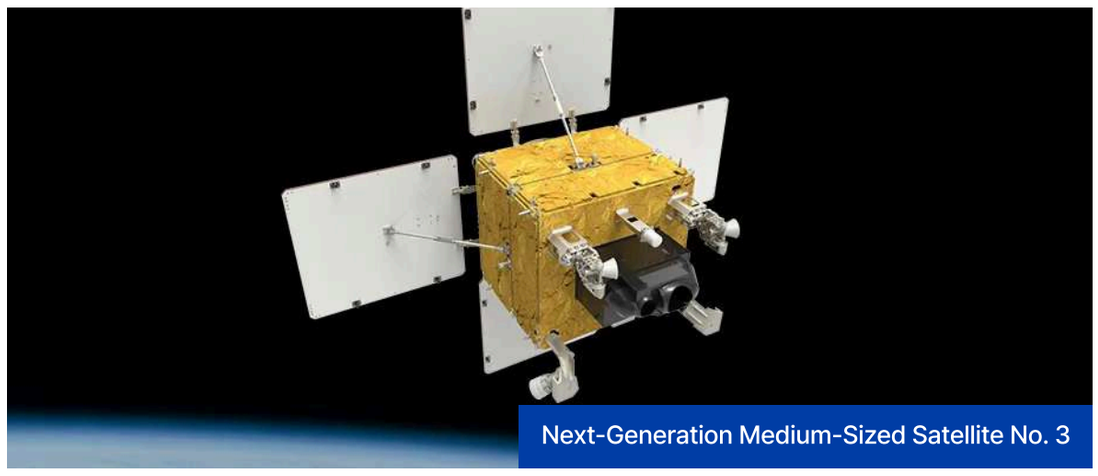
## Airframe Structure

Recognized as a Tier 1 partner of leading global aviation companies such as Boeing, Airbus, and Embraer, KAI participates in the design and manufacture of various commercial aircraft airframe structures. It is also expanding into the AAV (Advanced Air Vehicle) field, having recently been selected as a KRW 1 trillion eVTOL parts supplier to EVE Air Mobility, the AAV specialist of Brazil's Embraer. Furthermore, based on the technological capabilities accumulated over the past three decades through the development and production of various military aircraft, the development of the KC-100 light commercial aircraft, and BASA (Korea-U.S. Bilateral Aviation Safety Agreement) certification, KAI plans to take on the development and production of medium and large commercial aircraft through international joint development.


Airframe Structure

# Space

Over the past three decades, through participation in domestic and international space projects, KAI has secured technologies for developing a range of satellite platforms from small to medium and large. It is also developing microsatellites to be used for services such as satellite communications, and is preparing for the private-sector-led New Space era by entering service markets such as satellite image analysis. In addition, as the only company in Korea to have carried out the entire process from launch vehicle stage assembly to systems final assembly, KAI will advance space mobility technologies such as reusable launch vehicles and spacecraft, expanding its business into space exploration mobility to explore the boundless expanse of space.



Next-Generation Medium-Sized Satellite No. 3


Satellite Production Facility

# Upgrade, Modification, and MRO

Based on the military aircraft development and production technologies accumulated over the years, KAI has secured global competitiveness by performing upgrade and depot maintenance for the P-3C maritime patrol aircraft, the C-130H, and the U.S. Army's CH-53. It has also expanded these capabilities to civil aircraft, ensuring the safety of commercial aircraft that previously relied on overseas maintenance. Going forward, KAI plans to continuously expand its military and civil aviation MRO business, centered on KAEMS, Korea's only aviation MRO specialist, to take another leap forward into a global MRO specialist.


Commercial Aircraft MRO


Military Aircraft MRO

# UAVs and AAV

Building on the RQ-101 (Songgolmae) UAV, which was developed in 2000 and deployed operationally, and the next corps-level UAV now being prepared for mass production, KAI will develop various derivative UAVs for purposes such as communications relay and electronic warfare. It is also developing new UAVs (such as unmanned fighters, multi-purpose compact UAVs, compact multi-functional modulized aircraft, and aerial launch UAVs), preparing for the age of UAVs and integrated manned/unmanned aerial combat systems. In addition, KAI will expand into the commercial aviation sector by developing Advanced Air Vehicles (AAV) based on electrically propelled vertical take-off and landing (eVTOL) aircraft, an innovative air transportation solution that will transform the paradigm of the aerospace industry.

Unmanned combat aerial vehicle

Military AAV

# Subsidiaries and Partners

KAI has five subsidiaries: KAEMS (Korea Aviation Engineering & Maintenance Service), which specializes in aviation MRO (maintenance, repair, operation); S&K Aerospace, which specializes in airframe structure assembly; Aviosys Technologies, which specializes in the development and production of avionics components; Genohco, which is engaged in satellite communications and avionics; and Korea Surface Treatment (KST), which specializes in the surface treatment of aircraft parts, as well as two overseas subsidiaries, Korea Aerospace F.W. Inc. and a European corporation supporting exports and purchasing in the Americas and Europe. Together with five affiliates for building a mutually rewarding aerospace ecosystem and new business partnerships, KAI is working to achieve its mid- to long-term vision, enhance customer value, and build a high-value-added future business ecosystem.


# Sustainability

## Sustainability

## ESG Management Strategy

In line with the corporate vision of “Global KAI Beyond Aerospace” and 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. We 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, while setting up our ESG management philosophy. Our Company strengthened our ESG management strategy by redefining the existing material issues based on important economic, financial, social, and environmental issues that affected the Company’s business activities, and we are actively promoting and managing these issues. Going through the stages of internalization and the advancement of ESG management, we will continue to check the implementation progress and realize sustainable development through the process of creating effective ESG performance.

| | | | |
|---|---|---|---|
| **Vision** | **Global KAI Beyond Aerospace** | | |
| **ESG Vision** | **Make the World a Better Place by Creating Future Value With Clean and Safe Advanced Technologies and Sharing It With Global Citizens** | | |
| **Core Values** | **Environmental**<br>**Creating Eco-Friendly Future Technologies With Clean Energy** | **Social**<br>**Communicating and Collaborating With Stakeholders for a Safe and Happy Society** | **Governance**<br>**ESG-Responsible Management With Shareholders and Employees** |
| **Strategic Directions** | Reduce greenhouse gas emissions 50% by switching to clean energy technologies | Create social value by respecting human rights and engaging with local communities | Establish transparent governance with a sustainable and responsible management system |
| **Priority Strategies** | • Strengthen the environmental management system<br>• Increase the recycling of water and materials<br>• Minimize chemicals and waste<br>• Develop eco-friendly future technologies<br>• Expand the utilization of renewable energy<br>• Activate green business | • Strengthen labor-management cooperation and human rights management<br>• Strengthen international aerospace safety management<br>• Expand customer support and collaborative cooperation<br>• Strengthen CSR and education programs<br>• Enhance security based on ICT expertise<br>• Create social value through social cooperation | • Strengthen the protection of shareholders' rights<br>• Activate responsible management by the Board of Directors<br>• Enhance sustainable corporate value<br>• Strengthen anti-corruption and ethical management<br>• Strengthen corporate value-up competitiveness<br>• Expand ESG initiatives |
| **Key Implication** | **With "Clean and Safe Advanced Technologies"**<br>**Alignment with the Environmental Strategy**<br>KAI's commitment to the new technology business in realizing an eco-friendly **future in response to climate change** | **"Creating Future Value"**<br>**Alignment With the Social Strategy Direction**<br>KAI's commitment to pursuing social value through warm partnerships for the future **of society's welfare** | **and "Sharing It With Global Citizens"**<br>**Alignment with the governance strategy**<br>KAI's commitment to building **a trusted governance structure by establishing a transparent management system** |

# ESG Governance

The ESG Committee is the highest deliberative body for ESG management and serves as a company-wide control tower. We will establish quarterly ESG management strategies and policies for effective decision-making in mid-to-long-term strategic directions, specifying actions to be implemented in each area, and review the results and performance of the implementation to lead the Company to sustainable growth. The ESG Committee meets regularly once every quarter and may hold ad hoc meetings as needed. The ESG Committee consists of a chairperson and five members, all of whom are non-executive directors, to enhance its independence and transparency.

The ESG Working Council is an internal council of 37 teams from 17 offices in relevant organizations, chaired by the Head of the Corporate Compliance Department. It reviews plans and progress on key issues in each ESG area on a monthly basis to strengthen the execution of ESG activities. The Company also operates a dedicated ESG organization, the Ethics & Compliance Team, to support ESG strategy formulation, ESG internalization and capacity building, stakeholder communication, and risk management.

**Board of Directors**
Representative Director

**ESG Committee**
Chairperson | Members | Secretary

**ESG Working Council**
**Head of Corporate Compliance Department**

※ ESG-Dedicated Organizations: Ethics & Compliance Team / Corporate Compliance Department
※ 37 people responsible for 37 teams in 17 offices

| Environmental Group | Social Group | Governance Group |
|---|---|---|
| Space Business Research Center / Future Systems Research Center | Human Resources Management Department / Management Support Department | Financial Management Department |
| Management Support Department / Safety Department | Procurement Planning Department / Procurement Department II | Corporate Strategy Department |
| | Aircraft Customer Support Department / Rotorcraft Customer Support Department | Corporate Compliance Department |
| | Corporate Compliance Department / Information Security Department | Business Management Department |
| | Safety Department | |

# ESG Committee (Committee under the Board of Directors)

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

# ESG Committee Activities

| Meeting Date | Agenda Item | Approved Or Not |
|---|---|---|
| **1st** (February 7, 2025) | 2025 ESG work plan report | Reported |
| **2nd** (April 30, 2025) | Appointment of the ESG Committee chairperson | Approved |
| **3rd** (June 5, 2025) | Report on the publication of the 2025 Sustainability Report | Reported |
| **4th** (October 23, 2025) | Report on key actions and plans for 2025 | Reported |
| **5th** (November 12, 2025) | Proposal to approve the 2026 ESG work direction | Approved |

※ As of December 31, 2025

# ENVIRONMENTAL

# TCFD Report

# TCFD (Task Force on Climate-related Financial Disclosures) Report

## Governance

### Board of Directors

As KAI's highest decision-making body, the Board of Directors holds ultimate responsibility and authority for overseeing the climate change response system. The Board is structured to receive regular reports on key climate-related agenda items and deliberation results from the ESG Committee under it, and on this basis it has established company-wide governance to review and oversee the implementation status of climate change response targets. In addition, the company-wide greenhouse gas emissions disclosed in the business report are finalized and disclosed after final approval by the Board.

### ESG Committee

The ESG Committee is a specialized deliberative body for climate change response under the Board of Directors, composed of five outside directors including the chair to ensure independence and transparency. It performs roles such as deliberating on mid- to long-term ESG management policies and strategies, deliberating on mid- to long-term ESG targets, overseeing and managing ESG management activity plans and implementation performance, and overseeing and managing material ESG-related risks. It meets regularly once per quarter and may convene ad hoc committees as needed.

### ESG Working Council

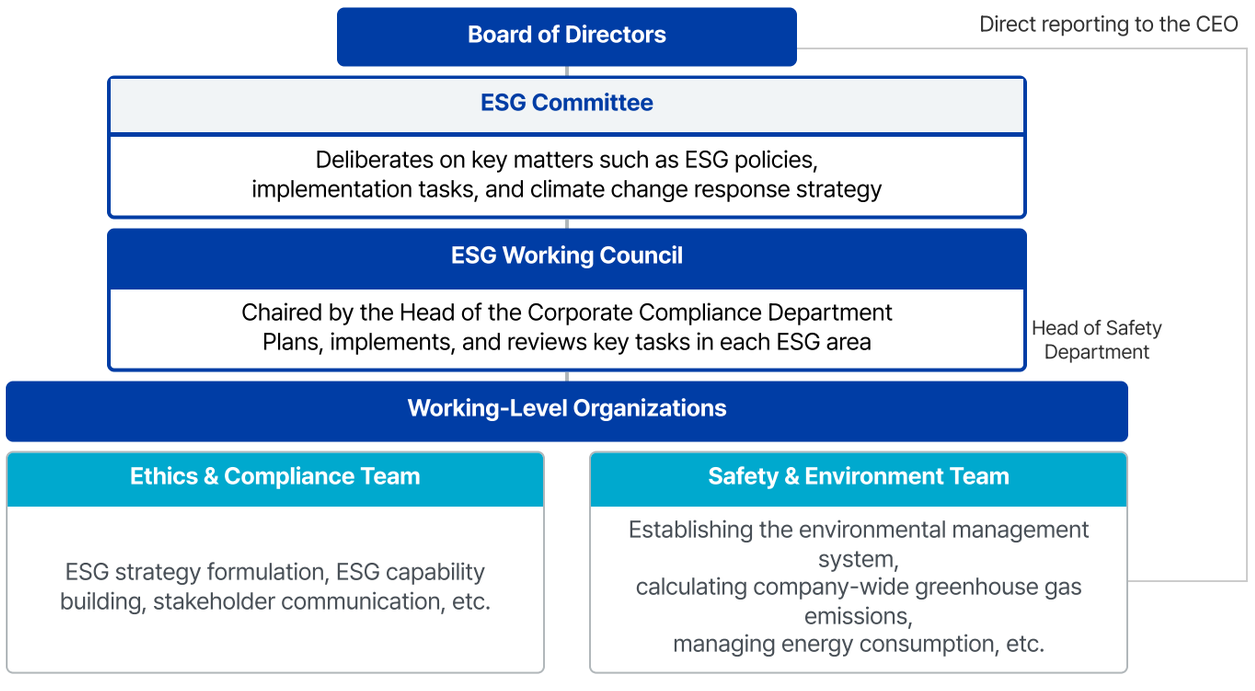
The ESG Working Council is an in-house body responsible for company-wide climate change response and the execution of ESG tasks, chaired by the Head of the Corporate Compliance Department and composed of working-level staff from key departments. The council establishes and monitors key tasks in each area and derives practical greenhouse gas reduction measures and environmental management tasks through inter-departmental collaboration. It also reviews working-level implementation status through regular monthly meetings, and the key agenda items and results derived are reported to the ESG Committee.

### Ethics & Compliance Team

The Ethics & Compliance Team is a dedicated organization that oversees the working-level operations of KAI's overall ESG management, handling tasks such as formulating and implementing company-wide ESG management strategy, managing non-financial risks, responding to global environmental initiatives, and embedding the climate risk response system. It also serves concurrently as the secretariat of the ESG Working Council, supporting the overall operation of the council and coordinating inter-departmental working-level cooperation.

### Safety & Environment Team

The Safety & Environment Team under the Safety Department carries out practical climate change response work, including establishing the environmental management system, calculating company-wide greenhouse gas emissions, managing energy consumption, and responding to environmental laws and regulations. In particular, when material climate-related risks or major issues in the environmental and safety areas arise, the team operates a direct reporting line through which they are immediately reported to the CEO via the Head of the Safety Department. Through this, the company maintains a standing response system so that responsible and prompt decisions can be made in emergencies.



# Strategy

## Climate Risk and Opportunity Analysis Process

Based on the TCFD framework, KAI systematically manages its climate change response areas by classifying them into physical risks (acute, chronic), transition risks (policy and legal, technology, market, reputation), and opportunity factors. It selects key risk and opportunity factors by cross-reviewing physical scenario analysis results, domestic and international climate policy and regulatory trends, industry response status, and stakeholder requirements, and quantitatively analyzes their financial impact. The resulting analysis assesses the potential impact on the company's asset value, financial performance, and cash flow both quantitatively and qualitatively, and is reflected in the formulation of climate change response strategies and management plans.

| | Physical Risks | Transition Risks |
|---|---|---|
| ① Deriving the Pool | Set the physical risk analysis method and time horizon Considering industry status, the IPCC Sixth Assessment Report[1] and worksite location | Considering industry status, IEA World Energy Outlook 2025[2] and KSSB No. 2[3] |
| ② Scenario Selection | SSP scenarios (SSP1-2.6[4], SSP2-4.5[5], SSP3-7.0[6], SSP5-8.5[7]) | IEA STEPS[8], APS[9], NZE 2050[10] |
| ③ Data Acquisition | Uses SSP projection figures from the Korea Meteorological Administration climate change map | Uses IEA World Energy Outlook carbon price projection figures |
| ④ Identifying Key Risks/Opportunities | Calculate projections at the administrative-district level, assess the level of change versus current values, then analyze impact and identify key risk/opportunity factors | Identify key risk/opportunity factors based on regulatory trends, industry status, and stakeholder requirements |
| ⑤ Calculating Financial Impact | Qualitative and quantitative analysis of the financial impact of physical and transition risk/opportunity factors (quantitative analysis of the financial impact of key risk/opportunity factors) | |

1) An assessment report published by the IPCC (Intergovernmental Panel on Climate Change) that provides scientific evidence and projection figures on global climate change
2) IEA World Energy Outlook 2025 (WEO 2025): A global energy outlook report published annually by the IEA (International Energy Agency)
3) KSSB (Korea Sustainability Standards Board) disclosure standards: A Korean ESG disclosure standard enacted in preparation for the introduction of mandatory ESG disclosure for domestic companies
4) SSP1-2.6 (Shared Socioeconomic Pathway 1-2.6): A low-emission scenario that limits radiative forcing to 2.6 W/m2 by 2100 based on an eco-friendly, sustainable pathway
5) SSP2-4.5: An intermediate-emission scenario that maintains current socioeconomic development trends and manages radiative forcing at around 4.5 W/m2 by 2100
6) SSP3-7.0: A high-emission scenario in which radiative forcing rises to 7.0 W/m2 by 2100 due to inter-country conflict and the absence of climate change mitigation policies
7) SSP5-8.5: A highest-emission scenario in which radiative forcing reaches 8.5 W/m2 by 2100 due to unlimited, rapid fossil-fuel-centered economic growth
8) STEPS (Stated Policies Scenario): The most conservative scenario, reflecting only the climate and energy policies that governments are currently actually implementing or have officially announced
9) APS (Announced Pledges Scenario): A declaratory scenario that assumes all pledges, such as the greenhouse gas reduction targets declared by countries worldwide, are fully implemented
10) NZE 2050 (Net Zero Emissions by 2050 Scenario): The strictest scenario, premised on achieving carbon neutrality by 2050 to limit the global temperature rise to within 1.5°C

## Scope of Risk and Opportunity Analysis

KAI analyzed the impact of climate risks and opportunities at its three domestic worksites (Sacheon, Goseong, and Sancheong). Physical risks were analyzed on the basis of 2050 projections relative to the present, reflecting the location, topography, and climate characteristics of each worksite, while transition risks were analyzed using the trend of KAI's Scope 1 and 2 emissions. The impact timing of each risk and opportunity is defined by dividing it, in accordance with KSSB disclosure standards, into short-term (within 1 year), medium-term (over 1 year to within 5 years), and long-term (over 5 years), and is applied in connection with KAI's strategic planning cycle.

## Deriving the Climate Risk and Opportunity Pool

KAI constructed a pool of potential factors by cross-analyzing, from multiple angles, domestic and international sustainability disclosure frameworks such as industry status, the IEA World Energy Outlook, and KSSB disclosure standards. In constructing the pool, the company comprehensively considered the characteristics of the aviation and defense industry and the internal and external environmental factors of each worksite, ultimately selecting a total of 24 items: 10 physical risks, 9 transition risks, and 5 opportunities.

| Category | Risk Type | Item | Description | Impact Timing |
|---|---|---|---|---|
| Physical Risks | Acute | Heavy Rain, Flooding, and Inundation | Worksite flooding, operational suspension, and recovery costs due to increased frequency and intensity of concentrated rainfall | Short-term |
| | Acute | Abnormal Temperatures (Heat Stress) | Rising cooling costs and deteriorating working conditions due to increased frequency and intensity of heat waves | Short-term |
| | Acute | Abnormal Temperatures (Cold Waves) | Potential equipment freezing and damage and reduced winter operating rates due to cold waves | Long-term |
| | Acute | Drought | Potential disruption to process water supply due to longer dry spells | Medium-term |
| | Acute | Wildfire | Potential suspension of worksite operations if nearby wildfires occur amid intensifying dryness | Short-term |
| | Acute | Typhoons and Strong Winds | Potential facility damage and production disruption due to increased intensity of tropical cyclones | Short-term |
| | Acute | Landslide | Potential facility damage due to increased heavy rainfall combined with mountainous terrain | Short-term |
| | Chronic | Rising Average Temperatures | Continued increases in cooling and energy costs due to long-term temperature rise | Long-term |
| | Chronic | Water Stress | Reduced water availability due to long-term changes in precipitation patterns | Long-term |
| | Chronic | Sea Level Rise | Increased flooding risk at the coastal Sacheon worksite | Long-term |
| Transition Risks | Policy and Legal | Strengthened Emissions Trading Scheme | Emissions allowance purchase costs due to reduced free allocation and rising carbon prices | Medium-term |
| | Policy and Legal | Carbon Tax Imposition | Direct carbon costs and higher production costs if a carbon tax is introduced | Medium-term |
| | Policy and Legal | Strengthened CBAM and Global Carbon Regulations | Impact on export competitiveness due to the international carbon border tax and stronger global environmental regulations | Long-term |
| | Policy and Legal | Strengthened Mandatory Climate Disclosure | Higher management costs due to the expanded scope of disclosure obligations, such as the implementation of KSSB climate disclosure standards | Short-term |
| | Technology | Low-Carbon Technology Transition Costs | Higher initial investment and R&D costs for developing eco-friendly, low-carbon technologies | Medium-term |
| | Technology | Transition to Low-Carbon Energy Sources[1)] | Costs for installing power generation facilities and procuring PPAs and RECs to achieve renewable energy targets | Medium-term |
| | Market | Stronger Low-Carbon Requirements from Customers and Reduced Order Competitiveness | Higher order conditions due to stronger ESG and decarbonization requirements from aviation and defense customers | Long-term |
| | Market | Rising Electricity Rates | Higher operating costs due to rising electricity rates under domestic energy transition policies | Medium-term |
| | Reputation | Damage to Stakeholder Trust from Insufficient Climate Response | Damage to corporate image and impact on investment and order competitiveness if climate targets are not met | Medium-term |
| Opportunities | Resource Efficiency | Worksite Energy Efficiency | Reduced operating and carbon costs through expanded investment in energy efficiency | Short-term |
| | Energy Source | Transition to Low-Carbon Energy Sources | Reduced electricity costs and a foundation for RE100 implementation through expanded renewable self-generation | Medium-term |
| | Energy Source | Utilizing Green Finance and Policy Incentives | Reduced investment costs by utilizing government renewable energy support programs and green finance | Short-term |
| | Products and Services | Eco-Friendly Aircraft and Propulsion Systems | Market expansion for eco-friendly aircraft and AAVs due to rising decarbonization demand in the aviation sector | Long-term |
| | Market | Capturing New Global Decarbonized Defense and Civil Aviation Markets | Opportunity to enter new eco-friendly aviation and defense markets in line with the global carbon transition | Long-term |

1) The transition to renewable energy can act as both a transition risk and an opportunity depending on the relative magnitude of the cost burden of external procurement (PPAs and RECs) versus the electricity cost savings from self-generation; this item is therefore listed on both sides

## Scenario Analysis Methodology

To proactively identify physical risks arising from climate change, KAI conducted its analysis by applying the SSP scenarios (SSP1-2.6, SSP2-4.5, SSP3-7.0, SSP5-8.5) provided by the Korea Meteorological Administration's climate change map. On this basis, it derived the variability of key climate variables for major assets and each worksite and quantitatively calculated the financial impact. Risk assessment assigned a three-tier grade (High, Medium, Low) based on the rate of change in quantitative climate indicators in the 2050s relative to the present, and the company-wide risk level was assessed in four tiers (Very High, High, Medium, Low) by comprehensively linking the impact at each individual worksite. In addition, to compensate for the inherent uncertainty of climate prediction models and ensure transparency of disclosure, future projections were presented as range estimates including maximum and minimum values.

For transition risks, the company used carbon price projections under the STEPS, APS, and NZE 2050 scenarios of the IEA WEO 2025. Based on the trend of KAI's Scope 1 and 2 greenhouse gas emissions, it calculated projected emissions as of 2050, and estimated free allocations by reflecting the industrial-sector reduction pathway of the national greenhouse gas reduction target onto the actual figures for the third planning period. By applying carbon prices to the resulting excess emissions under each scenario, the company calculated the future financial impact it would bear (emissions allowance purchase costs).

## Physical and Transition Risk Analysis Results

In the scenario analysis, within the physical risk area, abnormal temperatures (heat stress) recorded a 'Very High' impact and heavy rain, flooding, and inundation recorded a 'High' impact, and both were ultimately selected as company-wide key risks. Within the transition risk area, strengthened emissions trading, low-carbon technology transition, and the transition to low-carbon energy sources were identified as company-wide key risks in line with regulatory and technology paradigm shifts. In particular, with respect to the strengthened Emissions Trading Scheme, the projected emissions allowance purchase cost as of 2050 under the NZE 2050 scenario is estimated at KRW 26,815 million, and the variability of the financial impact was found to differ depending on each carbon price scenario pathway. The table below summarizes the impact, financial impact, and response measures for each risk item.

| Category | Item | Risk Type | Impact | Financial Impact (as of 2050) | Response Measures |
|---|---|---|---|---|---|
| Physical Risks | Abnormal Temperatures (Heat Stress) | Acute | Very High | Additional cooling electricity costs of KRW 97–205 million (median KRW 151 million)[1)] | Establish emergency response plans for abnormal temperatures / Improve cooling energy efficiency / Strengthen heat-illness prevention management |
| | Heavy Rain, Flooding, and Inundation | Acute | High | Opportunity cost of operational suspension of KRW 20,893–45,968 million (median KRW 33,431 million)[2)] / Impact on customer delivery delays and cascading supply chain disruption | Replace aging pipes / Operate an emergency response system / Invest in flood prevention facilities (flood barriers, etc.) |
| | Wildfire | Acute | Medium | Delivery delays if operations at the Sancheong worksite (adjacent to Jirisan) are suspended / Possible disruption to customer production plans and claim costs | Install and regularly inspect firefighting facilities / Conduct regular emergency response drills / Strengthen preventive activities during wildfire-prone periods |
| | Typhoons and Strong Winds | Acute | Medium | Increased recovery and operating costs due to facility damage and production disruption at the Sacheon worksite / Impact on the supply chain continuity of customers and partners | Operate an emergency response system / Regularly inspect the wind-resistant structures of facilities |
| | Landslide | Acute | Medium | Logistics delays and facility damage due to soil inflow and road blockage / Recovery costs and losses from operational disruption | Operate continuous monitoring of landslide-prone areas / Pre-inspect before the rainy season and check soil-inflow prevention facilities |
| | Drought | Acute | Low | Possible disruption to industrial water supply due to longer dry spells / Possible costs for securing alternative water sources and additional procurement | Expand water reuse by connecting piping with other processes |
| | Abnormal Temperatures (Cold Waves) | Acute | Low | Although the number of cold-wave days is declining, increased temperature variability leaves residual potential for acute damage such as equipment freezing and pipe rupture | Strengthen equipment insulation and freeze-prevention systems / Replace aging boilers and pipes |
| | Rising Average Temperatures | Chronic | Medium | Increased operating load on cooling and HVAC equipment / Gradual rise in energy and facility maintenance costs | Energy diagnosis and improvement activities based on the Energy Management System / Replace equipment such as high-efficiency chillers |
| | Water Stress | Chronic | Medium | Higher industrial water procurement costs and possible disruption to production processes / If KAI's water supply is disrupted, this affects the production schedules of customers receiving parts and semi-finished goods | Strengthen management of the water reuse rate / Review the expansion of wastewater reprocessing facilities |
| | Sea Level Rise | Chronic | Medium | Korea's sea level is projected to rise 20–25 cm by 2050[3)] / Flooding of low-lying coastal facilities at the Sacheon worksite and long-term increase in salt-damage risk | Establish flooding response plans for coastal facilities / Inspect and reinforce tide-prevention facilities |
| Transition Risks | Strengthened Emissions Trading Scheme | Policy and Legal | High | STEPS: KRW 8,045 million / APS: KRW 21,452 million / NZE 2050: KRW 26,815 million[4)] / If product costs rise due to higher carbon costs, this affects the price competitiveness of deliveries to customers | Monthly monitoring of Scope 1 and 2 / Maintain a compliance system for the Emissions Trading Scheme / Invest in energy efficiency at each worksite |
| | Low-Carbon Technology Transition | Technology | High | Of R&D spending in 2025, eco-friendly technology investment accounted for 2.86% / Applying the same ratio to the 2050 revenue target implies low-carbon technology investment of approximately KRW 336,333 million[5)] / If KAI's low-carbon technology transition is delayed, this affects the decarbonization plans of customers expecting delivery of eco-friendly aircraft | In AAVs, hydrogen-fuel aircraft, eco-friendly MEA, etc., continuously expand low-carbon technology R&D investment / Set and progressively raise the eco-friendly technology investment ratio target |
| | Transition to Low-Carbon Energy Sources[6)] | Technology | High | Electricity cost savings upon achieving renewable energy targets[7)] / 2026: KRW 3,105 million / 2028: KRW 5,828 million / 2030: KRW 8,265 million | Expand solar self-generation facilities / Establish and phase in a PPA and REC procurement plan |
| | Stronger Low-Carbon Customer Requirements and Reduced Order Competitiveness | Market | Medium | As IATA[8)] implements its 2050 aviation carbon neutrality target, customers' supply chain carbon management requirements are strengthening / Failure to meet ESG standards reduces order competitiveness and restricts bidding in the civil aviation and defense sectors | Strengthen the response system for customer-requested ESG evaluations / By expanding the eco-friendly aircraft portfolio, enhance order competitiveness |
| | Rising Electricity Rates | Market | Low | Continued electricity rate increases under energy transition policies act as upward pressure on KAI's operating costs, which have a high electricity share | Reduce dependence on external electricity purchases by expanding renewable self-generation / Improve electricity use efficiency based on the Energy Management System |
| | Carbon Tax Imposition | Policy and Legal | Low | If a carbon tax is enacted, a tax burden proportional to greenhouse gas emissions arises / Depending on the carbon price pathway, a double burden with emissions allowance costs may occur | Fuel switching and process improvement to reduce greenhouse gas emissions / Establish plans in response to domestic and international carbon tax legislation trends |
| | CBAM and Strengthened Global Carbon Regulations | Policy and Legal | Low | As international carbon border regulations such as the EU CBAM[9)] strengthen, the carbon costs of exported products become visible / The higher the carbon intensity of KAI products, the greater the CBAM burden on overseas customers, affecting negotiations on order terms | Progressively expand the scope of Scope 3 emissions calculation / Establish a supply chain carbon management system |
| | Damage to Stakeholder Trust from Insufficient Climate Response | Reputation | Low | If climate targets are missed or disclosure reliability is insufficient, the ESG rating may decline / Institutional investor withdrawal and stricter delivery conditions from overseas customers negatively affect corporate value and order competitiveness | Advance Sustainability Report disclosure / Establish a carbon neutrality roadmap and manage implementation performance |
| | Strengthened Mandatory Climate Disclosure | Policy and Legal | Low | Following the implementation of KSSB Climate Disclosure Standard No. 2, expanded disclosure scope / Higher compliance costs for Scope 3 calculation, financial impact analysis, etc. / Additional regulatory response costs if not complied with | Establish a disclosure system meeting TCFD and KSSB standards / Progressively expand Scope 3 calculation categories |

1) Estimated by linking the total rated capacity of company-wide cooling equipment with summer operating hours and electricity unit prices

2) Reflects the rate of change in future heavy-rain days and the potential operational suspension period based on company-wide average daily operating profit

3) Source: Korea Hydrographic and Oceanographic Agency. (March 9, 2023). Ministry of Oceans and Fisheries press release.

4) Calculated by subtracting free allocations reflecting the national greenhouse gas reduction target pathway from KAI's projected 2050 emissions based on its emissions trend

5) Estimated future technology transition costs based on KAI's past R&D investment share in low-carbon and eco-friendly technologies (AAVs, hydrogen aircraft, etc.) along the pathway to achieving its 2050 mid- to long-term revenue target

6) Renewable energy transition costs are calculated for the financial impact through 2030 in accordance with KAI's current 2030 renewable energy transition target

7) Calculated based on the 'avoided benefit' of existing industrial electricity costs from implementing KAI's renewable energy targets (12.5% in 2026, 21.0% in 2030)

8) IATA (International Air Transport Association): An international aerospace industry body that provides policies and implementation guidelines for achieving carbon neutrality in the aviation sector

9) CBAM (Carbon Border Adjustment Mechanism): A trade-environment mechanism that imposes costs corresponding to the carbon emitted during production when high-carbon products manufactured outside the EU are imported into the EU, thereby preventing carbon leakage and ensuring regulatory fairness

## Opportunity Analysis Results

KAI identified the business opportunities arising in the low-carbon transition across four areas: resource efficiency, energy source, products and services, and market. It manages these primarily around opportunities to reduce operating costs through energy efficiency and expanded renewable self-generation, to develop eco-friendly aircraft, and to enter new global decarbonized markets. The table below summarizes the impact, financial impact, and realization strategy for each opportunity item.

| Item | Type | Impact | Financial Impact | Realization Strategy |
|---|---|---|---|---|
| Transition to Low-Carbon Energy Sources | Energy Source | High | Electricity cost savings upon achieving renewable energy targets / 2026: KRW 3,105 million / 2028: KRW 5,828 million / 2030: KRW 8,265 million | Implement the solar self-generation facility expansion roadmap / Establish and phase in a PPA and REC procurement plan / Achieve a 21% renewable energy share by 2030 |
| Worksite Energy Efficiency | Resource Efficiency | Medium | Electricity cost savings through operating the Energy Management System and investing in energy efficiency / Avoided emissions allowance costs from annual greenhouse gas reductions | Periodic energy diagnosis and improvement based on the Energy Management System / Replace aging equipment such as high-efficiency chillers and inverters |
| Utilizing Green Finance and Policy Incentives | Energy Source | Low | Of the solar power facility investment, secured 50% as government subsidies / Additional financing opportunities exist as clean energy policy incentives expand | Actively utilize government renewable energy support programs and green policy finance / Review ESG financing options such as green bonds |
| Eco-Friendly Aircraft and Propulsion Systems | Products and Services | High | Opportunity to create new revenue from growing demand for eco-friendly aircraft linked to IATA's 2050 aviation carbon neutrality target | In AAVs, hydrogen-fuel aircraft, eco-friendly MEA, etc., continuously expand low-carbon technology R&D investment / Set and progressively raise the eco-friendly technology investment ratio target |
| Capturing New Global Decarbonized Defense and Civil Aviation Markets | Market | Medium | Enhance overseas order competitiveness by strengthening the ability to respond to key customers' decarbonized supply chain requirements | Strengthen the response system for customer-requested ESG evaluations / Expand the eco-friendly aircraft portfolio |

## Climate Resilience

Based on the results of the physical and transition risk scenario analysis, KAI assessed the sustainability of its business strategy under various climate change pathways. On the physical risk side, for abnormal temperatures (heat stress), assessed as Very High, the company keeps response costs within a manageable range through the operation of an ISO 50001-based energy management system, cooling efficiency improvements, and a heat-illness prevention system; for heavy rain, flooding, and inundation, it responds through preventive investments such as installing flood barriers, centered on the Sacheon and Goseong worksites. On the transition risk side, the emissions allowance purchase cost under the STEPS scenario can be mitigated through expanded renewable self-generation and energy efficiency investments, and the company judges that the carbon cost increase of up to KRW 26,815 million under the NZE 2050 scenario can be offset as a new revenue source through global aviation decarbonization demand and KAI's investment in developing eco-friendly aircraft (AAVs, hydrogen-propulsion airframes, and MEA).

# Risk Management

## Climate Risk Management Process

To systematically manage climate change risks, KAI has established and operates a three-stage management process (risk identification, risk analysis and review, and assessment and reporting) centered on the Ethics & Compliance Team and the ESG Working Council.

**Stage 1: Risk Identification**

- Review policy, regulatory, and industry trends
- Derive the climate risk and opportunity pool

▶

**Stage 2: Risk Analysis and Review**

- ESG Working Council risk review
- SSP- and IEA-based climate scenario analysis
- Quantitative and qualitative financial impact assessment

▶

**Stage 3: Assessment and Reporting**

- Report to the ESG Committee and the Board of Directors
- Identify material risks and deliberate on response strategies
- Reflect in management strategy and monitor

## Climate Risk Identification

KAI classifies and identifies physical risks (acute, chronic) and transition risks (policy and legal, technology, market, reputation) by cross-reviewing domestic and international climate policy and regulatory trends, industry response status, and stakeholder requirements. Taking into account the location and characteristics of each worksite and value chain impacts, it derives climate risk and opportunity items material to KAI.

## Risk Analysis

For each identified risk item, the company performs scenario analysis to assess the financial impact both quantitatively and qualitatively. For physical risks, it applies climate indicator change trends based on the Korea Meteorological Administration's SSP scenarios, and for transition risks, it applies carbon price projections under the IEA WEO STEPS, APS, and NZE 2050 scenarios. The ESG Working Council continuously reviews changes in the impact of key risks and the emergence of new risks through monthly monitoring.

## Assessment and Reporting

Based on the analysis results, the company selects material risks and assesses the effectiveness of response measures. The Ethics & Compliance Team reports key agenda items and implementation performance to the ESG Committee, and the ESG Committee deliberates on and resolves climate change response strategies through its regular quarterly meetings. Based on the reports received from the ESG Committee, the Board of Directors provides final oversight of the company-wide climate change response direction.

## Enterprise-Wide Risk Management System

To systematically manage enterprise-wide risks, including climate change, KAI has established and operates an integrated risk management system centered on the ESG Working Council. Climate change risks are identified and managed in an integrated manner through the ESG Working Council under the leadership of the Ethics & Compliance Team, and the results are linked to the enterprise-wide risk management system and used to establish response measures. To efficiently manage risks across the organization, KAI has established a Risk Management Team under the Chief Risk Officer (CRO); the team is responsible for establishing enterprise-wide risk management standards, operating the risk management system, and establishing risk response strategies through regular management councils. By participating in the ESG Working Council and sharing, on a monthly basis, the planning and implementation status of key ESG risk-related tasks including climate change, the Risk Management Team strengthens the organic linkage between the ESG management system and the enterprise-wide risk management system and helps establish a unified risk control foundation.

# Metrics and Targets

## Measurement and Management Metrics

Based on its greenhouse gas inventory, KAI regularly calculates and manages key metrics such as Scope 1 and 2 emissions, energy consumption, and the renewable energy conversion rate. It has also calculated Scope 3 emissions annually since 2022 and discloses them in its Sustainability Report, ensuring data reliability through third-party verification. From 2026, it is expanding the calculation scope from the existing four categories to seven categories, strengthening its carbon management system across the value chain. Based on these quantitative metrics, the company continuously assesses and manages the effectiveness of its climate change response strategy.

## Climate Change Response Targets

To systematically manage the implementation level of its climate change response targets, KAI has set annual greenhouse gas emission targets since 2022 and continuously reviews implementation performance. In particular, as electricity accounts for approximately 77% of total energy consumption, KAI is pursuing the reduction of electricity consumption and the expansion of the renewable energy transition as core strategies. Accordingly, KAI has established and is implementing a renewable energy target to achieve a 21% renewable procurement ratio by 2030. In 2025, it recorded a conversion rate of 7.3%, exceeding the target for that year (7.2%). Going forward, it plans to add approximately 5.0 MW of solar power facilities at the Goseong and Jongpo worksites. Through this, the company plans to progressively achieve a renewable energy share of 12.5% in 2026, 18.0% in 2028, and 21.0% in 2030, strengthening its carbon neutrality competitiveness within the supply chain.

# Climate Change Response

Climate Change Response

## Work Site Greenhouse Gas Reduction Strategy

KAI is progressively advancing its renewable energy direct-generation and procurement systems to contribute to the national carbon neutrality target and to build a foundation for global RE100 implementation.

**[Successful establishment of self-generation infrastructure and visible results]**

In March 2024, KAI completed the construction of a total of 5.4 MW of solar self-generation facilities using the rooftops of eight major manufacturing buildings at its Sacheon headquarters. Based on stable operation, the facilities entered full operation from 2025, achieving the significant result of generating more than approximately 8,000 MWh of renewable energy annually. All of the electricity generated is consumed in-house and fed directly into production processes, achieving a greenhouse gas reduction of more than approximately 3,700 $tCO_2eq$ per year as of 2025. This is the result of efficiently operating large-scale generation infrastructure covering an area equivalent to about 10 soccer fields. It creates environmental value equivalent to planting approximately 170,000 pine trees, demonstrating KAI's transition to low-carbon manufacturing processes as a key driver of substantive energy transition.

**[RE100 implementation and future strategy]**

To achieve carbon neutrality by 2050, KAI is systematically implementing a renewable energy adoption roadmap across all worksites, starting from its Sacheon headquarters. Having secured a renewable energy share of 6.5% (on an electricity basis) through the 5.4 MW self-generation infrastructure built at the headquarters in 2024, KAI plans to add approximately 5.0 MW of solar facilities at the Goseong and Jongpo worksites by 2026, expanding the company-wide renewable energy share to 12.5%. Furthermore, in 2028 and 2030, in line with the expiration of the existing leased solar facility contracts at the headquarters and the Sancheong worksite, KAI plans to convert those volumes into its renewable energy procurement system, completing a solid foundation for achieving a cumulative share of 21% by 2030.

### Status of the Installation of 5.4MW (self-use) Solar Power Generation Equipment at the Headquarters

Unit 1 (1.3MW)

Unit 2 (2.5MW)

Unit 3 (0.6MW)

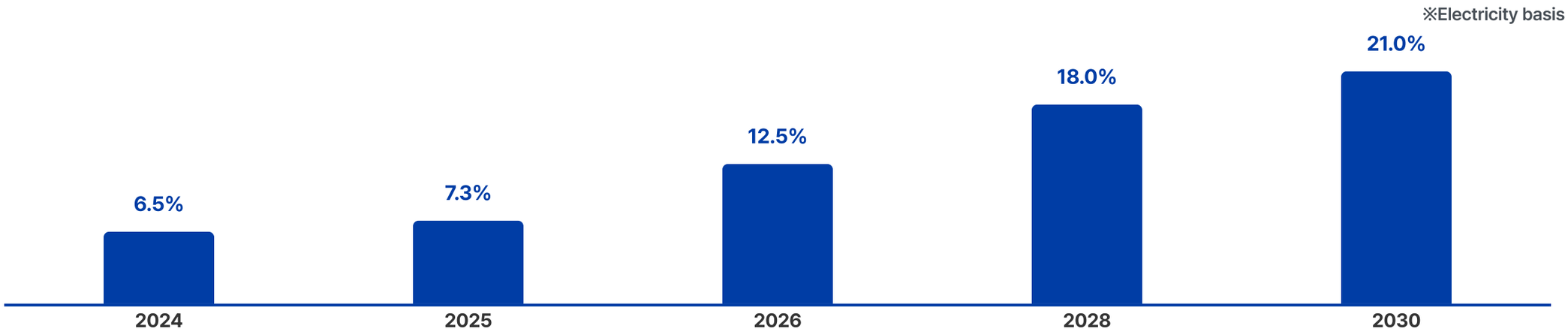
Unit 4 (1MW)

### Energy and Greenhouse Gas Reductions by Using Eco-Friendly Renewable Energy

| Classification | Unit | 2024 | 2025 |
|---|---|---|---|
| **Electricity generation** | kWh | **6,666,373** | **8,096,460** |
| **Energy reduction** | GJ | **63,997** | **77,726** |
| **GHG emission reductions** | $tCO_2eq$ | **3,062** | **3,719** |

* 2024 figures are based on performance from March to December; 2025 figures are based on performance from January to December.

### Securing Renewable Energy



# Greenhouse Gas Scope 1, 2 Emissions Management

To respond proactively to the global climate change crisis and contribute to achieving Net Zero by 2050, KAI has built and operates a systematic greenhouse gas inventory. Covering all worksites, including the headquarters, major production facilities, and offices, it closely monitors and reports monthly energy consumption and Scope 1 and 2 greenhouse gas emissions. In line with the strengthening of global ESG disclosure standards, KAI is also progressively expanding into a Scope 3 emissions calculation and management system across the entire value chain. The calculated greenhouse gas data undergoes annual third-party verification to ensure the reliability and transparency of the information.

In addition, KAI is implementing substantive greenhouse gas reduction targets through energy efficiency improvement activities and the expanded adoption of renewable energy (RE100 promotion). As of 2025, the company-wide Scope 1 and 2 greenhouse gas emissions were calculated at a total of 71,499 $tCO_2eq$.

| Classification | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **GHG emissions goal** | $tCO_2eq$ | 66,230 | 65,549 | 69,255 |
| Scope 1 (Direct Emissions) | $tCO_2eq$ | 17,825 | 19,821 | 20,373 |
| Scope 2 (Indirect Emissions) | $tCO_2eq$ | 47,463 | 47,338 | 51,126 |
| **Scope 1+Scope 2 emissions** | $tCO_2eq$ | 65,288 | 67,159 | 71,499 |
| Renewable energy transition ratio (electricity) | % | - | 6.5 | 7.3 |

# Greenhouse Gas Scope 3 Emissions Management

To systematically manage greenhouse gas emissions arising across the entire value chain, KAI has calculated Scope 3 emissions since 2022 and transparently discloses them in its annual Sustainability Report following third-party verification. From 2025, KAI plans to expand the calculation scope to a total of seven categories, further strengthening carbon reduction activities within the value chain in response to climate change.

| | Classification | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Upstream emissions** | Purchased goods and services | - | - | 591,203 |
| | Capital goods | - | - | 26,887 |
| | Fuel- and energy-related activities | - | - | 9,668 |
| | Transportation and logistics | 388 | 384 | 19,014 |
| | Business travel | 1,039 | 1,084 | 1,774 |
| | Employee commuting | 142 | 132 | 4,279 |
| | Waste generated from work site | - | 3,461 | 2,912 |
| **Scope 3 total ($tCO_2eq$)** | | 1,569 | 5,061 | 655,737 |

# Eco-friendly Technology

# Eco-Friendly Technology

## Aviation Carbon Neutrality

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.

### KEY PERFORMANCE

**Advanced Air Vehicles**
(AAV)

**Development of Eco-Friendly Aircraft**
R&D Efforts Expanded

**Electric/Hydrogen Fuel**
Securing Core Technologies and Laying the Foundation

## Expanded R&D for Eco-Friendly Aircraft

The 'Regional Innovation Mega Project Advanced Mobility Pilot Project' kick-off meeting, joined by 11 institutes including KAI, was held on May 30, 2023, at Gyeongsang National University in order to begin pilot research, and KAI has been participating in industry-academic-research joint R&D projects for developing next-generation hydrogen fuel aircraft.

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, in which KRW 8.57 billion will be invested, 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.

| Core Technology I<br>**Aviation hydrogen fuel cell hybrid power system** | Core Technology II<br>**Distributed Electric Propulsion System** | Core Technology III<br>**Low carbon, low noise, high performance commuter plane** |
|---|---|---|
| • Aviation liquid hydrogen storage tank design technology<br>• Aviation high-efficiency hydrogen fuel cell materials<br>• Hydrogen fuel cell power system technology substantiation | • Distributed electric propulsion system design for commuter planes<br>• Development and substantiation research for electric drive device prototypes<br>• Distributed propulsion control input optimal distribution algorithm | • Hydrogen fuel cell-based commuter flight multi-disciplinary design<br>• High-lift propulsion device technology for short-distance takeoff and landing<br>• Low carbon/low noise/high performance commuter plane design and substantiation |

**Theme verification and source research**
- Aviation liquid hydrogen storage tank design technology
- Flight environment fuel cell power system
- Short-distance commuter plane multidisciplinary design

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**Strategic platform technology development/substantiation**
- Low weight liquid hydrogen storage tank substantiation
- Optimal distributed control algorithm substantiation
- High lift propulsion technology advancement/substantiation

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**Supply/outreach of technologies to local region**
- Design, production and design verification
- Integrated substantiation test evaluation of core technologies
- Pursue industry-academic-research linked commercialization

## Advanced Air Vehicle (AAV) Development Launched

KAI began the development of fundamental AAV platforms to expand from the traditional aerospace industry to the eco-friendly advanced mobility sector by independently developing eco-friendly electricity/battery-based future mobility rather than internal combustion engines.
By securing AAV specialized technologies (AAV distributed electric propulsion, etc.) and MEA (More Electrical Aircraft) platform technologies, KAI will invest KRW 8.7 billion in 2024 and 2025 for the electric propulsion system during stage 1 of the AAV development, and intends to complete the 'KAI Quantum Jump' through AAV in the future.

Advanced Air Vehicles (AAV)

Advanced Air Vehicles (AAV)

# Digital Engineering

KAI was able to successfully carry out the development of the ‘KF-21 Boramae Korean fighter’ by utilizing digital engineering technologies.

Through a single-source integrated digital development platform, MBD, visualization technologies, and the Digital Thread (executing the entire ‘design-production-test-operation’ process digitally based on digital models), KAI achieved dramatic cost reductions and exceeded its quality and schedule targets during the KF-21 prototype manufacturing process, encompassing diverse customer requirements and co-development partners. In particular, by adopting the MBD (Model Based Definition, 3D drawing) design methodology, which embeds product manufacturing information (PMI) such as dimensions and tolerances directly into the CAD 3D model, the company uses 3D models as the single source for product manufacturing without 2D drawings (paperless), reducing the time and errors involved in preparing and interpreting design data and fundamentally resolving quality issues arising from the preparation and use of 2D drawings. In addition, MBD was recognized as defense specification data for the first time in a defense project, contributing to the government’s digital policy and, through the resulting reduction in the operating rates of related equipment, contributing to energy savings.

Furthermore, externally the company is perfectly securing digital models through 3D modeling, and internally it is further expanding the development scope of the various mechanical and physical models of aircraft, thereby broadening the scope of ‘Design By Digital Model.’ In step with the global trend in which digital transformation is further accelerating due to advances in AI/Edge Computing technologies, this is expected to serve as a foundational technology for future aircraft development.

## Digital Twin / MBSE (Model-Based Systems Engineering)

As it moves toward the digital era, KAI is focusing on digital twin technology as the technology that will become the sum of the digital threads effectively linking its technological capabilities. In particular, as an integrated and original aircraft developer, KAI needs to secure a complete digital twin technology that begins from the initial design stage, based on the aircraft development experience accumulated over decades. This aligns with the Defense Acquisition Program Administration’s ‘Guidelines for the Use of Digital Twins for Weapons Systems’ enacted in December 2023, and is also a process of proactively preparing technologies to be used in future projects. To this end, KAI is identifying the core technologies of design-digital twin for building systematic advanced processes and is focusing on securing technologies incrementally. In particular, as the first step in digitalizing all physical and functional resources of aircraft, it has adopted MBSE, a top-level architecting technology, and is carrying out in-house standardization work, and it plans to develop this into a methodology for developing internal and external digital models combined with detailed modeling technologies, and further into a method for optimal aircraft design. Ultimately, this will extend to the combination of artificial intelligence for All Domain Connected and Decision Making, the final stage of the digital twin, so that KAI can adapt more quickly and proactively to the coming changes in the global aircraft development paradigm.

In addition, KAI has steadily prepared for digital transformation to ensure the sustainability and diffusion of digital engineering technologies. Through this preparation and these efforts, KAI plans to advance toward becoming the standard that leads Korea’s aerospace industry. Moreover, since the production capacity of the entire ecosystem, including numerous partner companies, leads to improved manufacturing competitiveness in the aviation sector, KAI will continue its efforts to disseminate technology to partners and to build an ecosystem that considers the environment together.

# Providing a Platform to Build a Digital Quality Ecosystem

After signing an agreement with KAIA (Korea Aerospace Industries Association) in October 2023, KAI became the first in the industry to build and provide free of charge a 'Digital Quality Ecosystem Platform.' It prevents duplicate system investment by partners and supports the transition to Industry 4.0-based quality management, and as of June 2026, 417 companies are using it. Through biannual regular updates and training, KAI is enhancing practical operational efficiency, and it plans to expand this into an industry-standard integrated QMS to improve quality reliability across the supply chain.

*KAIA: Korea Aerospace Industries Association

**Annual number of member companies**


# Expanding Investment in AI Companies, Strengthening Responsibility for a Sustainable Future

KAI strives to ensure that AI technology has a positive impact on humanity, protects the environment, and operates transparently and responsibly. To this end, it invests in AI startups and technologies that create social and environmental impact and supports the responsible advancement of AI technology. Furthermore, by developing and operating technology in a responsible manner in response to the demands of investors, the government, and civil society, KAI aims to contribute to a sustainable and better future for humanity.

## Key Investee Companies and ESG Practice Directions

**1. Meissa (approx. 19% equity stake)**
- A company specializing in geospatial information analysis and satellite image analysis using AI technology
- Contributes to solving environmental problems by monitoring changes in forest ecosystems and analyzing impacts from vegetation and ground subsidence through satellite image analysis

**2. Funzin (approx. 20% equity stake) / Konan Technology (approx. 7% equity stake)**
- Companies specializing in defense AI platforms, intelligent battlefield recognition and detection, AI staff officers, and manned-unmanned collaboration AI technologies
- Controls and manages ethical and social issues such as transparent management of AI-based weapons systems development and prevention of misuse

**3. GenGen AI (approx. 10% equity stake)**
- A company specializing in generating synthetic data and providing solutions needed for AI training and development
- Contributes to improving social systems by supplying synthetic data needed for developing AI platforms in the safety and environmental fields

# Resource Circulation

## Environmental Management

### Environmental Pollutant Management

Based on ISO 14001 (Environmental Management System), KAI minimizes the generation of environmental pollutants across all business areas, including the design, development, manufacture, follow-up support, performance improvement and modification, and maintenance of aircraft and satellite-related components, and builds eco-friendly worksites.

As an Environmental Pollutant Discharge Voluntary Inspection Worksite designated by Gyeongsangnam-do, the company has had its voluntary management system for discharge facilities (air, wastewater, and waste) recognized and strictly complies with the relevant regulations. In addition, it reduces environmental risks and operates an efficient worksite environmental management system by adopting advanced technologies such as air and water quality monitoring, environmental and disaster-prevention facility management, and an integrated SHEC (Safety, Health, Environment, and Chemicals) management system.

To reduce the discharge of environmental pollutants, the company applies internal management standards stricter than the legal thresholds (50% or less of the legally permitted limits). It also works to protect the ecosystem and provide eco-friendly value to customers by minimizing fugitive dust within the worksite, operating prevention facilities optimally, and adopting eco-friendly equipment.

The company conducts environmental cleanup activities every quarter in villages, rivers, and tidal flats near its worksites. In particular, in September 2025, the KAI Safety & Environment Team, the in-house scuba diving club, and the Gyeongsangnam-do Council for Sustainable Development jointly carried out Korea's largest underwater cleanup activity at Saryangdo Island in Tongyeong, Gyeongsangnam-do, contributing to a healthy ecosystem in the local community.

Furthermore, to raise awareness of climate change and spread a carbon-neutral lifestyle, the company runs a Greenhouse Gas Reduction Campaign for its employees. Going forward, it plans to continuously expand employee-led environmental protection activities, cultivating an eco-friendly mindset among its members.

Voluntary Inspection Worksite Designation

Saryangdo Marine Cleanup Activity

Saryangdo Marine Cleanup Activity

Greenhouse Gas Reduction Campaign

### Air Pollutant Management

The company strictly complies with environmental regulations such as tightened air pollutant emission limits and the Seasonal Fine Dust Management System, and carries out a range of activities to improve air quality.

To minimize air pollutants generated in the manufacturing process, the company adopts Best Available Technology (BAT) optimized for the characteristics of each pollutant, and it has established internal emission management standards stricter than the legal thresholds (50% or less of the legally permitted limits) to rigorously control emission concentrations.

To this end, the company continuously expands related investments, including installing new air pollution prevention facilities, improving and replacing aging equipment, and periodically replacing consumables for prevention facilities such as activated carbon and filters. It has also established a continuous monitoring system that prevents environmental incidents in advance through regular air pollutant measurement and facility inspections. If a decline in exhaust efficiency or an exceedance of air pollution standards is anticipated, the company immediately conducts detailed inspections of prevention facilities and replaces consumables; for high fire-risk equipment, it shortens the consumable replacement cycle for rigorous management. In addition, the company conducts regular precision cleaning each year for discharge facilities beyond the prevention facilities, working to improve dust collection efficiency and reduce air pollutant emissions.

To reduce nitrogen oxides (NOx), a key cause of climate change and air pollution, the company is advancing its treatment technology by replacing existing boilers with ultra-low NOx burners. It also continuously monitors NOx measurement data and, when levels are high, adjusts the air-fuel ratio to prevent incomplete combustion and suppress emissions.

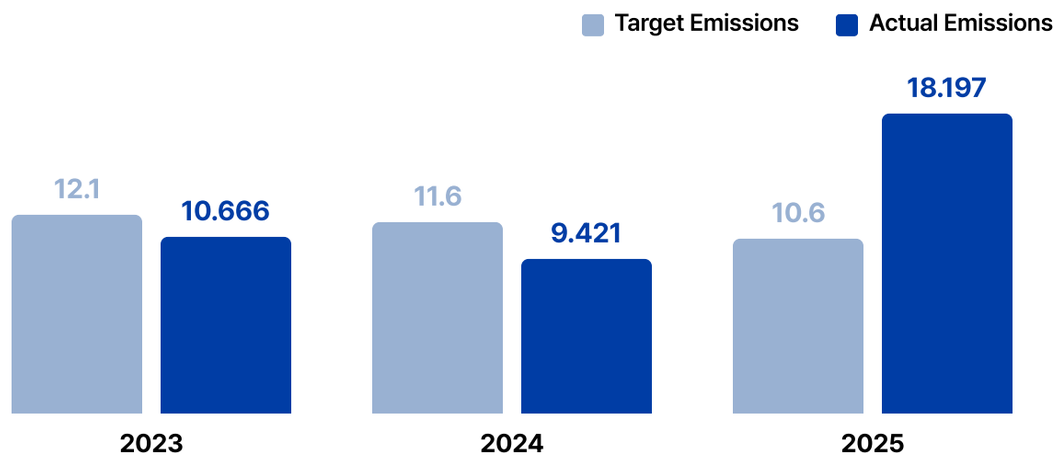
In addition, the company signed the Third-Stage Voluntary Agreement for Fine Dust Reduction with Gyeongsangnam-do to reduce air pollutants (dust, sulfur oxides, nitrogen oxides, and volatile organic compounds), taking a leading role in cutting emissions. In recognition of these achievements, it was selected as an Outstanding Worksite for Air Pollutant Reduction in 2024 and received a commendation from the provincial governor.

Although emissions increased in 2025 due to higher production volume and longer operating hours of prevention facilities, the company continues to work toward emission reduction, including by setting progressively higher air pollutant reduction targets each year.

### Air Pollutant Emissions

(Unit: ton)

| Classification | Dust | NOx | SOx | Total Emissions |
|---|---|---|---|---|
| 2023 | 7.313 | 3.110 | 0.243 | **10.666** |
| 2024 | 6.434 | 2.943 | 0.044 | **9.421** |
| 2025 | 13.086 | 5.099 | 0.012 | **18.197** |



# Water Pollutant Management System and Reduction Activities

The company collects wastewater generated in production processes such as surface treatment and heat treatment at its in-house wastewater treatment facility. After primary physical and chemical treatment, the wastewater is transferred to a public wastewater treatment facility, where it undergoes secondary treatment before being discharged into external waters. To minimize environmental impact, the company has established strict internal water quality management standards. It conducts daily in-house water analysis monitoring of pollutants in the discharged water and periodically commissions external specialized agencies to ensure the reliability of the data.

In addition, the company implements the following key tasks to reduce the discharge of water pollutants.

1. **Establishing stricter management standards**: The company sets and rigorously operates its internal water pollutant management standards for discharged water at 50% or less of the legally permitted limits, and maintains actual pollutant concentrations in the discharged water within 10% of the legal thresholds.
2. **Strengthening non-point source management**: To prevent oil from flowing out into external waters with rainwater from roads and runways within the worksite during rainfall, the company operates a total of seven oil-water separators near the coastline. It also maximizes facility efficiency through regular inspection and maintenance.
3. **Improving and upgrading aging facilities**: Through regular facility aging assessments, the company replaces aged wastewater treatment equipment to improve treatment efficiency. It has also introduced wastewater reuse facilities to reduce water consumption and minimize wastewater generation.

Oil-Water Separator

Furthermore, to prepare for sudden water pollution incidents, the company conducts joint water pollution response drills each year with Sacheon City and other nearby related agencies. Through these, it improves initial response capabilities in the event of an incident and builds a close cooperation system with related agencies.

Water Pollution Emergency Response Drill

## Water Pollutant Emissions

| Classification | BOD | TOC | SS | T-N | T-P |
|---|---|---|---|---|---|
| 2023 | 0.414 | 0.418 | 0.237 | 0.290 | 0.003 |
| 2024 | 0.411 | 0.709 | 0.916 | 0.647 | 0.006 |
| 2025 | 0.491 | 0.730 | 0.726 | 0.751 | 0.005 |

## Wastewater Treatment Plant Operation

| Classification | Wastewater Discharge | Worksite Class | Wastewater Prevention Facility Status |
|---|---|---|---|
| Headquarters Worksite | Average 300 ton/day | Class 3 | Treatment method: Physical-chemical treatment<br>Treatment capacity: 520 m3/day |

# Energy Management

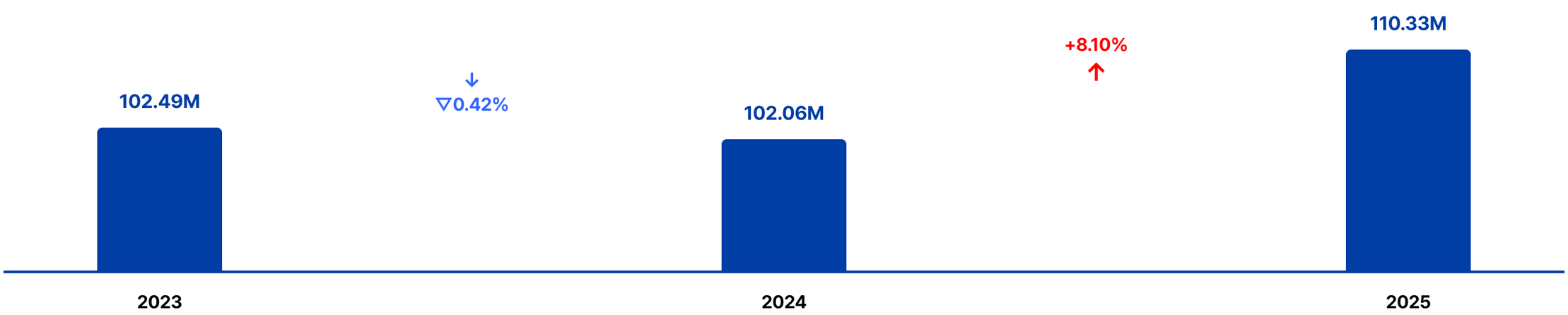
Even as energy consumption rises due to continued revenue growth and facility expansion and construction, KAI operates organization-level councils to identify energy-intensive organizations early and derive reduction measures. These councils set the minimization of standby power and the concentrated management of electricity load as their core tasks. The company also raises its energy self-sufficiency and contributes to reducing carbon emissions by expanding and operating solar power facilities. It is pursuing additional solar installations with the goal of achieving a 12.5% renewable energy share in 2026, and works to realize carbon neutrality by expanding this share to 21% by 2030.

To improve the energy use structure across processes by replacing production support equipment with high-efficiency equipment, the company has established and is pursuing a three-year government-supported program. In particular, it is carrying out an aging chiller replacement project through participation in the 2026 Emissions Trading Scheme reduction facility support program. By replacing aging chillers that have reached or exceeded their service life, the company aims to improve energy efficiency and reduce electricity consumption, thereby ensuring process stability and productivity while also reducing greenhouse gas emissions. Through this project, the company expects to save 2,309.16 MWh of electricity annually and achieve a greenhouse gas reduction of 1,062 tCO2eq.

Through systematic energy management based on ISO 50001, operation of a smart energy portal, replacement with high-efficiency equipment, and expansion of solar power, KAI is substantially reducing its electricity consumption and greenhouse gas emissions. Going forward, the company will continue to minimize standby power, manage concentrated electricity load, and advance its smart platform to raise its energy efficiency and eco-friendly management to the next level and contribute proactively to achieving its carbon neutrality target.

## Electricity Consumption (Facilities, Equipment, etc.)

(Unit: kWh)

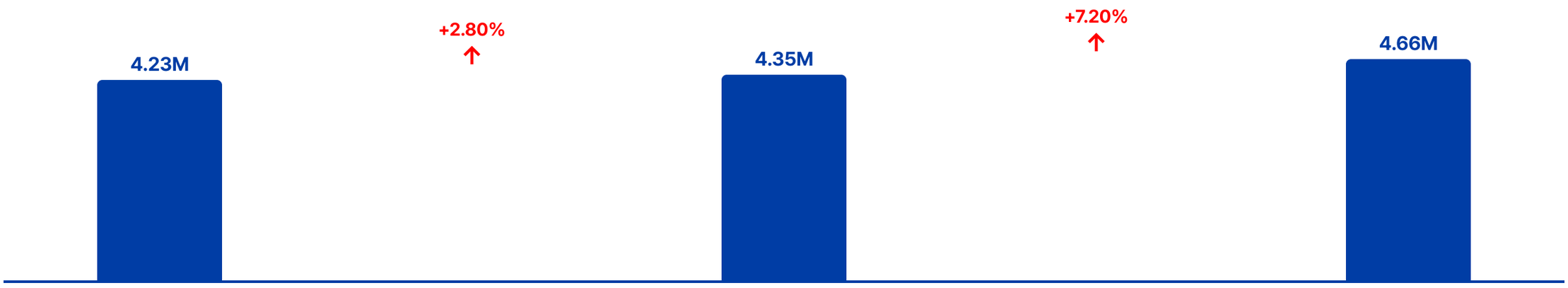



| | Electricity (kWh) | Change (%) |
|---|---|---|
| **2023** | 102,495,600 | +0.58% |
| **2024** | 102,067,972 | ▽0.42% |
| **2025** | 110,335,910 | +8.10% |

* Headquarters and worksites (excluding Seoul Office)

## Gas Consumption (Facilities, Equipment, etc.)

(Unit: m3)




| | Gas (m3) | Change (%) |
|---|---|---|
| **2023** | 4,237,283 | ▽5.72% |
| **2024** | 4,355,902 | +2.80% |
| **2025** | 4,669,558 | +7.20% |

* Based on Headquarters, Sancheong, Goseong, and Jongpo worksites

## 2025 Energy Reduction Activity Plan

- Expand the renewable energy share by adding solar facilities through power purchase agreements (12.5% in 2026)
- Reduce greenhouse gas emissions by replacing aging equipment with high-efficiency products (1,062 tCO2eq)

# Worksite Energy Reduction Activities

### Lighting Facility Control

- Reduce electricity consumption by turning off streetlights during late-night hours (00:00–05:00)
- Continuous monitoring and central control across all worksite areas; guidance and routine practice of turning off lights in vacated areas

### Heating/Cooling and Heat Source Control

- Save energy through time-based automatic shutoff control of heating and cooling units
- Supply heating and cooling tailored to work conditions using CCTV during aircraft painting operations

### Mid- to Long-Term Renewable Energy Roadmap

- Reduce electricity consumption and greenhouse gas emissions by phasing in solar power facilities on idle rooftops within the worksite

### Greenhouse Gas Reduction Facilities

- Reduce electricity consumption and greenhouse gas emissions by replacing production support equipment with high-efficiency equipment
- Ease the burden of complying with the greenhouse gas Emissions Trading Scheme by improving the energy use structure across processes

# 2025 Energy Activity Results

In 2025, the company operated its own solar power facilities, generating and self-consuming approximately 8,000 MWh of electricity. This is expected to yield an annual greenhouse gas reduction of 3,700 tCO2eq and to significantly strengthen the company's credibility as a leader in carbon neutrality. The company is also pursuing a mid- to long-term roadmap to phase in a total of 21 MW of solar facilities by 2030, raising the renewable energy share above 21% and expanding the annual carbon reduction to around 12,000 tons.

In 2025, electricity and gas consumption increased by 8% and 7% year on year, respectively. This resulted from an approximately 21% expansion in production man-hours, together with the operation of new buildings such as the flight center and hangars and the addition of system air conditioners and heating, cooling, and constant temperature and humidity equipment in each building. Despite the increased load from higher production and facility expansion, the company firmly maintains a sustainable energy management system, curbing sharp increases in consumption through energy efficiency improvements and real-time monitoring.

| Classification | Item | Target | Actual |
|---|---|---|---|
| 2025 | Electricity | 109,354,499 kWh | 110,335,910 kWh |
| | Gas | 4,987,940 ㎥ | 4,669,558 ㎥ |
| | Water | 452,000 ㎥ | 453,483 ㎥ |

* Based on the volume supplied by energy providers

# 2026 Energy Management Targets

| Classification | Item | Target |
|---|---|---|
| 2026 | Electricity | 118,090,000 kWh |
| | Gas | 5,001,000 ㎥ |
| | Water | 461,000 ㎥ |

* Reflects changes due to worksite expansion

# Water Management

To manage water resources efficiently at each worksite, the company periodically monitors water consumption, recycled water volume, and water pollutant discharge, and regularly inspects its wastewater treatment system.

In particular, for the chemical treatment facility, a water-intensive process, the company is expanding reprocessing facilities to reduce water consumption regardless of production volume, and is pursuing improvements to connect piping with other processes so that recycled water can be used to the greatest extent possible even when it cannot be reused within the process.

### 2025 Water Use Target (Unit: m3)

| Classification | Target | Actual |
|---|---|---|
| Water Withdrawal | 452,000 | 453,483 |

* All Headquarters and worksites

### 2026 Water Use Target (Unit: m3)

| Classification | Target |
|---|---|
| Water Withdrawal | 461,000 |

* Automatic measurement systems for wastewater generation and sewage discharge are under consideration

## Water Consumption

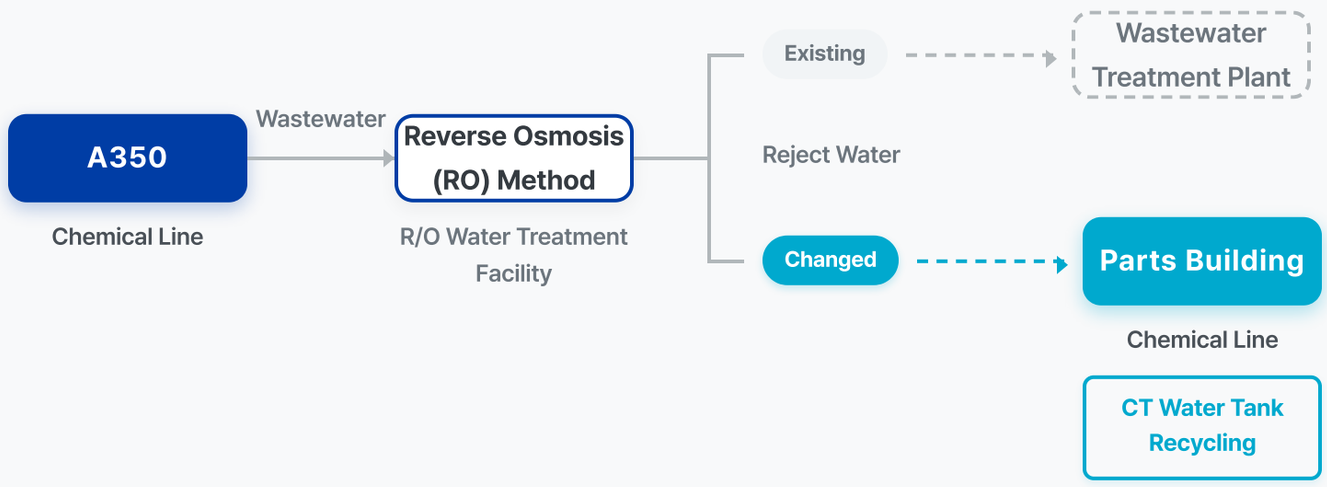
| Year | Water Volume (m3) | Change (%) |
|---|---|---|
| 2023 | 174,294 | -25.0 |
| 2024 | 142,745 | -18.1 |
| 2025 | 158,251 | +10.9 |

* This table is calculated in accordance with the CDP Water Protocol (based on all Headquarters and worksites)

## Water Reuse Volume

| Year | Reused Volume (m3) | Reuse Rate (%) |
|---|---|---|
| 2023 | 49,428 | 28.4 |
| 2024 | 58,549 | 41.0 |
| 2025 | 58,416 | 36.9 |

## Water Reuse Facilities




As of 2026, 100% of the production process wastewater generated at the Sancheong worksite is recycled, and at the Headquarters' major processes, more than about 30% of the volume that previously went to the existing wastewater treatment plant is being recycled.

# Waste Management

The company is strengthening a data-based integrated management system to maximize the stability of waste management.
Across the entire process from waste generation to storage and treatment, the company uses the Ministry of Environment's Allbaro system to track the history in real time and ensure the reliability of the data.
In particular, the company has established a 24-hour monitoring system for its in-house waste storage facilities and conducts daily and monthly inspections on an ongoing basis, focusing on creating a zero-accident environment that fundamentally prevents environmental incidents.
It also conducts regular guidance and inspections of consigned treatment partners to proactively manage risks outside the worksite, operating the entire resource circulation process transparently.

**Waste Recycling Rate**

(Excluding sold waste)

**76.65%**

**1. Waste Generation**

- Check for new generation and verify permits and discharge information
- Conduct separate collection by waste type

**2. Waste Storage**

- Separate storage by type and compliance with legal storage periods
  (General: 90 days; Designated: 45 days; Waste oil-based paint: 60 days)
- 24-hour monitoring of storage facilities
  (Daytime: Safety & Environment Team; Nighttime: security guards)

**3. Waste Discharge**

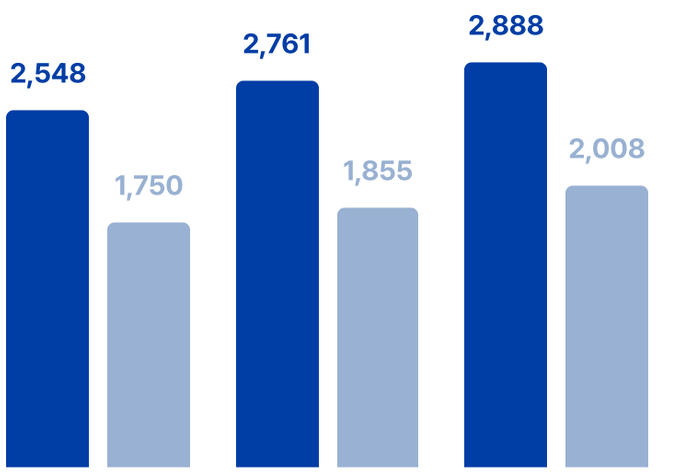
- Consigned treatment through licensed waste contractors
- Track the entire waste treatment process using the Allbaro system
- Verify proper treatment through regular inspection of consigned treatment contractors

## Waste Generation and Recycling Rate

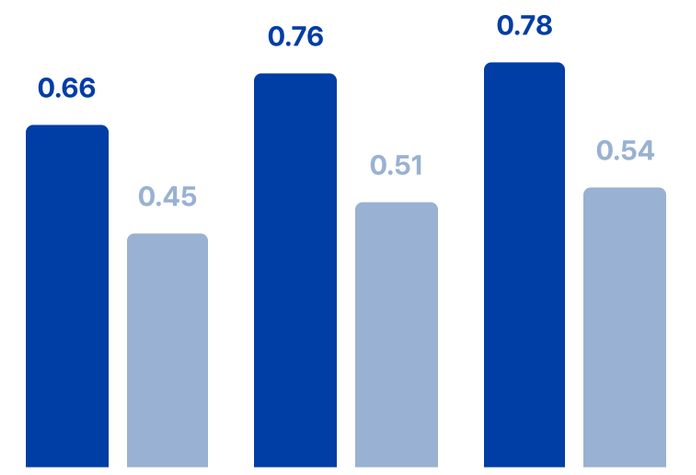
The company continuously strengthens the expertise and safety of its waste management system to minimize the environmental impact of waste generated in the aircraft manufacturing process.
In particular, it has shifted certain items previously consigned for treatment as wastewater to a waste treatment system subject to stricter standards, managing them in an integrated manner.
Owing to this expanded management scope and the change in calculation criteria, total waste generation in 2025 increased by 8% year on year, and the recycling rate declined by 6 percentage points to 77%.
This reflects the company's prioritization of substantive identification of emission sources and field-centered management over merely improving indicator figures.
Based on the newly classified data, the company plans to closely review the discharge status of major processes such as painting and surface treatment and to continuously derive effective reduction measures suited to on-site conditions.

## Waste Generation and Management Status

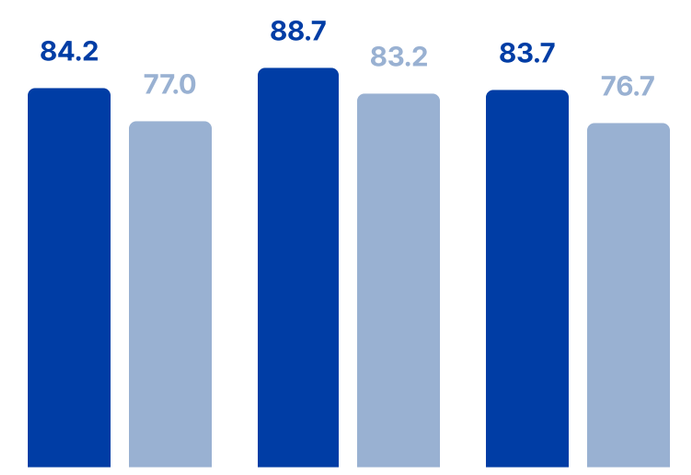
**Waste Generation** (Unit: ton)




**Waste Generation Intensity** (ton/KRW 1 billion)




**Waste Recycling Rate** (Unit: %)



| Classification | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| **Waste Generation by Type** | Designated Waste | ton | 478.33 | 382.63 | 542.04 |
| | General Waste | ton | 1,272.11<br>(2,070.36) | 1,472.53<br>(2,378.74) | 1,466.17<br>(2,346.77) |
| | **Total** | **ton** | **1,750.44**<br>(2,548.69) | **1,855.16**<br>(2,761.37) | **2,008.21**<br>(2,888.81) |
| **Waste Generation by Treatment Method** | Recycling | ton | 1,349.37<br>(2,147.62) | 1,543.78<br>(2,449.99) | 1,539.34<br>(2,419.94) |
| | Incineration | ton | 324.77 | 156.41 | 126.91 |
| | Landfill | ton | 43.8 | 74.41 | 82.25 |
| | Other | ton | 32.5 | 80.56 | 259.71 |
| **Waste Generation Intensity** | Total Generation | ton/KRW 1 billion | 0.458<br>(0.667) | 0.516<br>(0.767) | 0.543<br>(0.782) |
| **Waste Recycling Rate** | Designated Waste | % | 25.31 | 38.07 | 28.67 |
| | General Waste | % | 96.56<br>(97.88) | 94.95<br>(96.87) | 94.39<br>(96.50) |
| | **Total** | **%** | **77.09**<br>(84.26) | **83.22**<br>(88.72) | **76.65**<br>(83.77) |

* Based on Headquarters
* Figures in parentheses include sold waste (waste paper, steel scrap)

# Resource Circularity of Electrical and Electronic Products

To respond proactively to the climate crisis and lead a culture of resource circulation, the company operates a systematic recovery system for waste electrical and electronic products in cooperation with E-Cycle Governance. In 2025, these efforts bore fruit in the form of external recognition and tangible results.

In December 2025, at the 2025 ESG Resource Circularity Awards hosted by the Ministry of Climate, Energy and Environment and E-Cycle Governance, the company was selected as an Outstanding Resource Circularity Partner and received the Minister of Climate, Energy and Environment's Award. This recognized the company's resource circulation model as a best practice in the industry.

Beyond simple collection, to raise company-wide environmental awareness, the company carried out the "Mobika Goes" campaign in October to mark International E-Waste Day. Employees personally discarded unused devices, putting the value of resource circulation into practice, and this active participation by members serves as a solid foundation for the company's ESG management.

Through expanded recovery of office automation (OA) devices and the invigoration of campaigns, the company recorded remarkable growth in key resource circulation indicators.

- Resource recovery and regeneration: The company recovered a total of 26,935 kg of waste and produced 26,607 kg of circulated resources (an approximately 55% increase in recovery volume year on year).
- Climate change response: The company reduced 51,354 kgCO2eq of Scope 3 greenhouse gases, contributing to supply chain carbon neutrality.
- Returning profits to society: The company donated KRW 1,228,500 in proceeds generated from resource circulation to the ChildFund Korea (Green Umbrella), building a virtuous cycle that links environmental (E) performance to social (S) sharing.


Resource Circularity Activities for Electrical and Electronic Products

# Chemical Management

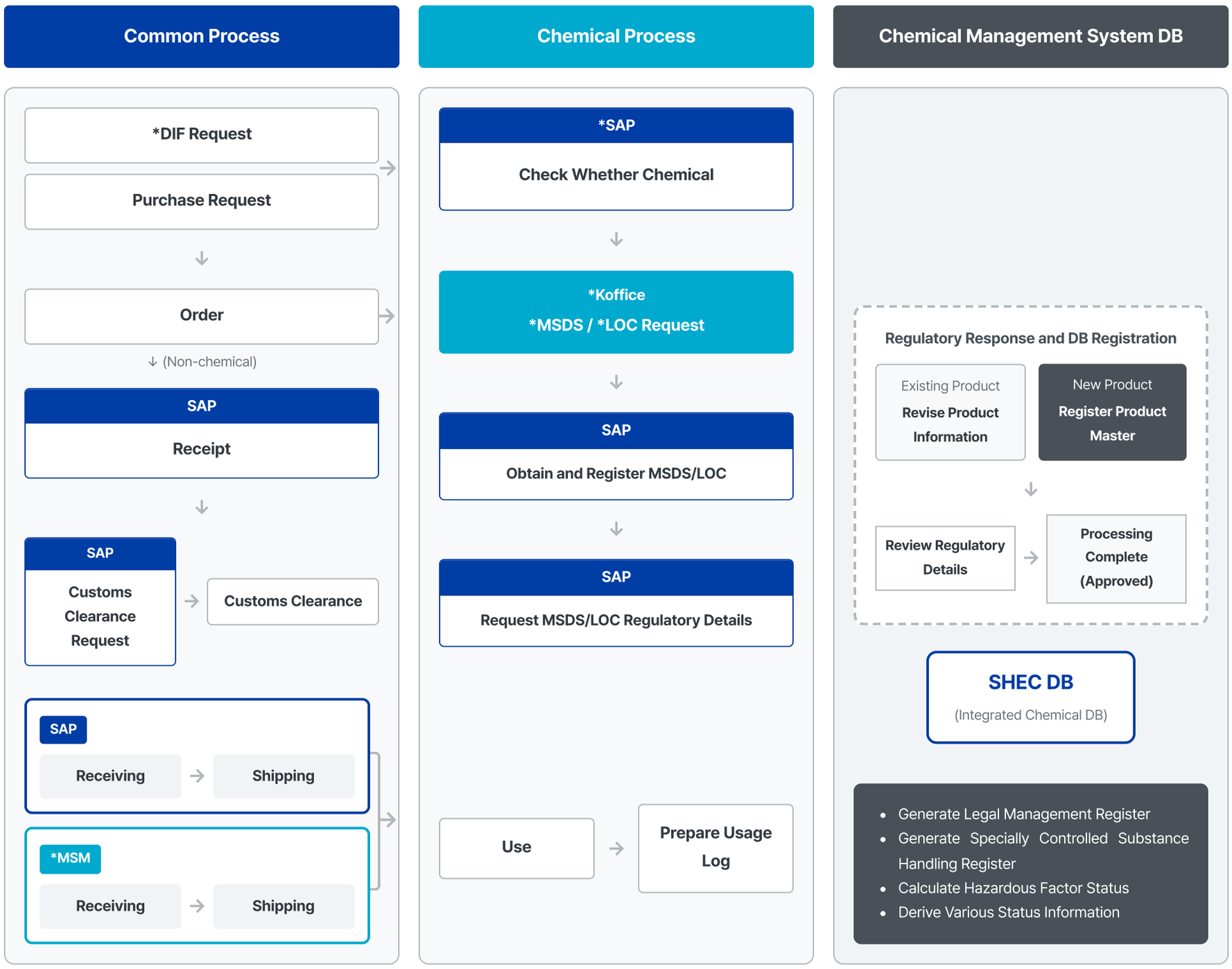
KAI has established a rigorous management system across the entire process, from the introduction and use of chemicals to accident prevention, minimizing legal risks and creating a safe working environment.

From the chemical purchasing stage, the company thoroughly reviews relevant laws such as the Chemical Substances Control Act and the Act on the Registration and Evaluation of Chemical Substances. It conducts pre-screening of regulated substances and has systematized the process so that materials can enter the production process only after final approval by the Safety & Environment Team, fundamentally ensuring the safety of chemical use.

The company regularly inspects facilities handling hazardous chemicals and operates leak and gas detection equipment 24 hours a day to monitor abnormal signs in real time. It also keeps emergency response supply cabinets in place throughout the worksite in optimal condition to enable immediate response in the event of an accident.

The company continuously monitors the handling records and discharge volumes of hazardous chemicals and advances its management system. In particular, it takes a leading role in reducing environmental load, targeting a 3% year-on-year reduction in hazardous chemical use through reduced consumption, the application of lower-risk substitutes, and a strengthened management system.

## Chemical Management Process System




**Glossary**

***DIF:** Data Input Form (New Part Number Registration)

***SAP:** Enterprise Resource Planning system

***Koffice:** In-house intranet/groupware

***MSDS:** Material Safety Data Sheet

***LOC:** Letter of Confirmation

***MSM:** Material Support Management

# Chemical Safety Training

Beyond systematic management, the company achieves accident-free worksites by enhancing the expertise of employees who handle chemicals.

**Tailored training by level:** Each year, the company provides basic hazardous chemical training to all employees to raise safety awareness. In particular, it provides job-specific specialized training to employees and partner personnel who handle chemicals directly, substantively ensuring safety in the handling process.

**Developing hazardous chemical managers:** The company designates dedicated managers for each handling facility and actively supports their completion of statutory specialized training. Through this, it has established a system in which personnel with a high level of expertise are continuously responsible for facility operation on-site.

**Building practical emergency response capabilities:** Going beyond classroom training, the company periodically conducts drills on the use of emergency response supplies and leak response. It minimizes safety risks by strengthening the practical capabilities of each employee to respond immediately to emergencies.

### Chemical Training Status

| Training Course | Target | Training Institution | Training Results |
|---|---|---|---|
| Hazardous Chemical Worker Training | Employees and Partners | In-house | 5,281 persons (2 hours/year), 2025 |
| Hazardous Chemical Handler Course | | Korea Environmental Engineers Association / National Institute of Chemical Safety | 578 persons (16 hours/2 years), 2024 |
| Hazardous Chemical Technical Personnel and Manager Course | Hazardous Chemical Managers | Korea Chemicals Management Association | 14 persons (16 hours/2 years), 2024<br>9 persons (16 hours/2 years), 2025 |
| Hazardous Chemical Manager Qualification Course | Hazardous Chemical Managers | Korea Chemicals Management Association | 3 persons (32 hours), 2024 |

# Chemical Management System

KAI manages the entire process from the introduction to the disposal of chemicals transparently and systematically through the SHEC (Safety, Health, Environment, and Chemicals) integrated management system.

**Ensuring information accessibility and safety:** All chemicals handled are registered in the system and managed in real time. Through the system, all employees can access essential information for safe handling, such as Material Safety Data Sheets (MSDS), safety and health rules, and hazard information, at any time, enhancing on-site autonomous safety management capabilities.

**Strengthening the supply chain management process:** The company has integrated into the system not only the substances flowing into its worksites but also chemical data provided to partners. Through this, it has established a sophisticated chemical management process spanning the entire supply chain.

**Zero legal risk (compliance):** The company periodically updates its database of the latest laws, such as the Chemical Substances Control Act and the Safety Control of Dangerous Substances Act, and immediately reflects them in its management standards. In particular, it prevents human error and minimizes legal risk through automatic management of designated quantities, tracking of training status, and the computerization of statutory logs and management registers.

| Classification | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|
| **Hazardous Chemical Use (ton)** | 99.67 | 101.16 | 153.34 | Based on Headquarters |
| **Chemical Discharge (ton)** | 28.63 | 13.47 | 34.88 | |


# Biodiversity

## Natural Capital Risk Management

### Biodiversity Risk Assessment

KAI has identified risks related to natural capital by applying the LEAP methodology presented by the framework of the TNFD (Taskforce on Nature-related Financial Disclosures), a global nature sustainability initiative. The analysis was divided into physical risks and reputational risks in the vicinity of domestic worksites and overseas subsidiaries. KAI plans to progressively advance its process for identifying interactions with natural capital, and on this basis will contribute to Nature Positive: halting and reversing nature loss.

## TNFD LEAP Methodology

| Locate | Evaluate | Assess | Prepare |
|---|---|---|---|
| Interface with nature | Dependencies and Impacts | Material Risks and Opportunities | Response and Disclosure |
| **L1** Identify the scope of the business model and value chain | **E1** Identify the drivers affecting environmental assets and ecosystem services | **A1** Identify risks and opportunities | **P1** Strategy and resource allocation plan |
| **L2** Screen dependencies and impacts | **E2** Identify dependencies and impacts | **A2** Mitigate existing risks and manage risks and opportunities | **P2** Set targets and manage performance |
| **L3** Interface with nature | **E3** Measure dependencies and impacts | **A3** Measure and prioritize risks and opportunities | **P3** Report |
| **L4** Interface with sensitive locations | **E4** Assess the materiality of impacts | **A4** Assess the materiality of risks and opportunities | **P4** Disclose |

### Locate – Interface With Nature

KAI assessed the ecological sensitivity of its Sacheon headquarters worksite. Using IBAT*, a global tool recommended by the TNFD, the UN Biodiversity Lab, and the National Institute of Ecology's 'criteria for selecting ecologically sensitive areas,' KAI identified biodiversity issues by geographic location and assessed endangered species, protected areas, and key biodiversity areas near the worksite.

*IBAT: The Integrated Biodiversity Assessment Tool


| Worksite | Key biodiversity areas[1)] | Protected areas[2)] | Endangered species | |
|---|---|---|---|---|
| | | | IUCN criteria[3)] | Domestic criteria[4)] |
| Headquarters (Sacheon-si, Gyeongsangnam-do) | 0 | 195 | 1242 | 25 |

1) Key Biodiversity Areas (KBAs): The number of areas selected by BirdLife International based on 11 criteria such as 'irreplaceability' and 'ecological integrity'
2) Protected Areas (PAs): The number of areas designated as 'World Natural Heritage,' 'Ramsar,' or under 'UNESCO's Man and the Biosphere Programme'
3) IUCN criteria: The number of endangered species rated Endangered or higher on the IUCN Red List within 50 km
4) Domestic criteria: The number of Class I and II or higher endangered species at the 'city' level based on the Wildlife Protection and Management Act

### Evaluate – Dependencies and Impacts

In accordance with the UN International Standard Industrial Classification (ISIC), KAI analyzed the natural-environment dependencies and impacts arising across its business, using the global tool 'ENCORE*' for this purpose.

The natural capital dependency analysis found that KAI shows the highest level of dependency (VH) on 'education, scientific, and research services.' This means that, given the nature of the aerospace industry, advanced R&D capabilities and a base of specialized personnel for technology development, design, testing, and certification act as core elements of business operations. In other words, if the research infrastructure and knowledge ecosystem are not stably maintained, product development and production competitiveness may be directly affected. KAI was also analyzed to show a medium level of dependency (M) on various regulating and maintenance services such as 'soil quality regulation,' 'solid waste remediation,' 'water purification,' 'water cycle maintenance,' 'flood damage prevention,' and 'storm damage prevention.' This suggests that the environmental stability and nature-based infrastructure of the region where the worksite is located serve as important factors supporting the sustainability of production activities.

The natural capital impact analysis assessed KAI as having a high level of impact (H) in the categories of 'ecosystem disturbance (noise, light, etc.)' and 'discharge of toxic pollutants into water and soil.' This means that the environmental impacts arising during manufacturing processes and worksite operations can act as a direct burden on some ecosystems. Other categories such as greenhouse gas emissions, non-greenhouse gas emissions, and waste generation, and land and water use were overall at a low level (L). KAI continues to make various efforts to minimize these impact factors.

*ENCORE: Exploring Natural Capital Opportunities, Risk and Exposure

## Natural Capital Dependency Factors

Very Low | Low | Medium | High | Very High

| Classification | Detailed Item | Assessment Result |
|---|---|---|
| Cultural services | Education, scientific, and research services | VH |
| Provisioning services | Water supply | L |
| Regulating and maintenance services | Climate regulation (global) | VL |
| | Rainfall regulation | VL |
| | Climate regulation (local) | L |
| | Air filtration | VL |
| | Soil quality regulation services | M |
| | Solid waste remediation | M |
| | Water purification | M |
| | Water cycle maintenance | M |
| | Flood damage prevention | M |
| | Storm damage prevention | M |
| | Pollution mitigation | VL |
| | Reduction of pollution by the atmosphere and ecosystems | L |
| | Noise and light pollution mitigation | VL |

## Natural Capital Impact Factors

| Classification | Detailed Item | Assessment Result |
|---|---|---|
| Impact | Ecosystem disturbance (e.g., noise, light) | H |
| | Greenhouse gas emissions | L |
| | Non-greenhouse gas emissions | L |
| | Solid waste generation and discharge | L |
| | Land use area | L |
| | Discharge of toxic pollutants into water and soil | H |
| | Water use | L |

# Assess – Material Risks and Opportunities

To systematically identify the risks that business activities pose to biodiversity and natural capital, KAI conducted a biodiversity risk assessment based on the TNFD LEAP approach. The assessment was carried out centered on the Sacheon worksite, divided into physical risks and reputational risks.

The assessment found that KAI's physical risk was overall at a Medium level, with a relatively high level of risk identified in natural disaster factors in particular. Climate and natural disaster factors such as landslides, heat waves, and typhoons can potentially affect business operations, and given the location characteristics of the assets, the need to manage these risks was confirmed. In addition, along with dependencies on natural capital such as land, water quality, and air quality, the possibility of indirect impacts from ecosystem changes was also analyzed to exist.

Impacts related to ecosystem destruction were assessed as relatively low, but some localized environmental impact factors, such as soil and water pollution and the introduction of invasive species, were identified. This suggests that the environmental impacts that may arise during worksite operations can act on specific ecosystems in a limited manner.

Meanwhile, reputational risk was overall at a Low to Medium level. In particular, the biodiversity sensitivity of the region where the worksite is located, its proximity to protected and conservation areas, and air quality and environmental conditions acted as key factors, and the risk level was analyzed as having the potential to fluctuate depending on stakeholder perception and media exposure.

Very Low Low Medium High Very High

| Classification | Definition and detailed elements | Headquarters |
|---|---|---|
| **Physical risk** | **Risks arising from the ways in which business operations depend on nature** | 2.8 |
| Natural resources | Freshwater, timber, wildlife, marine life | 1.0 |
| Self-purification capacity | Soil quality, water quality, air quality, ecosystems, pollination | 2.8 |
| Natural disasters | Landslides, wildfire risk, plant/forest/aquatic pests and diseases, herbicide resistance, heat waves, tropical cyclones | 3.5 |
| Ecosystem destruction | Changes in terrestrial/freshwater/marine use, loss of forest resources, invasive and alien species, soil and water pollution | 1.8 |
| **Reputational risk** | **Risks arising from the perceptions of stakeholders and local communities regarding the company's fulfillment of biodiversity responsibilities** | 2.1 |
| Environmental factors | Proximity to protected and conservation areas, proximity to key biodiversity, proximity to other important areas, ecosystem conditions | 2.1 |
| Socioeconomic factors | Indigenous territories, food shortages, water shortages, air quality conditions, labor and human rights, economic inequality | 2.0 |
| Other factors | Media research, Ramsar and World Natural and Cultural Heritage, national-level risk preparedness related to biodiversity | 2.1 |

## Prepare – Response and Disclosure

KAI regards the conservation of biodiversity and natural capital as a core value. On this basis, it plans to establish protection and conservation strategies for key natural capital and services by utilizing the results of the biodiversity risk assessment. In addition, KAI will continue to strive to expand its analysis to other worksites and activities, to set indicators and establish mid- to long-term targets based on global standards such as the target-setting methodology of the SBTN*, and to annually disclose biodiversity-related business activities in accordance with the TNFD framework, progressively advancing them.*SBTN: Science Based Targets Network (science-based targets for minimizing nature damage and restoring ecosystems)

*SBTN: Science Based Targets Network(science-based targets for minimizing nature damage and restoring ecosystems)

# Marine Ecosystem Conservation Activities With the Local Community

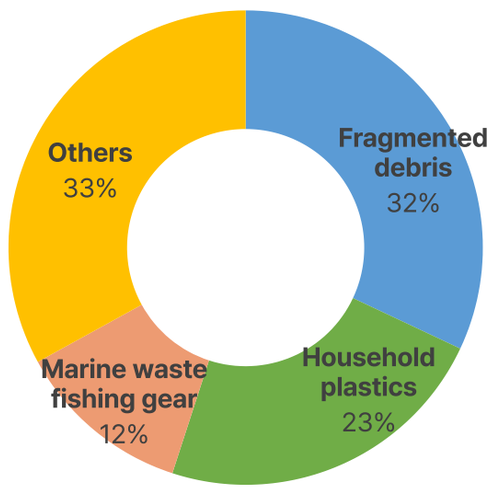
Recognizing the importance of reducing marine plastic and conserving marine ecosystems, KAI is pursuing biodiversity conservation activities together with the local community. As marine debris is a major factor that can damage the habitats of marine life and affect ecosystem health, KAI participates in field-oriented practical activities to reduce it.

In 2026, KAI participated as an ESG partner in 'Dive Hour 2026: Tongyeong 300,' hosted by the Gyeongsangnam-do Council for Sustainable Development, and supported the underwater cleanup activity conducted around Jungnimman Bay in Tongyeong. The campaign was carried out by 292 scuba and free divers who voluntarily participated from across the country, collecting underwater marine debris in a marine area of approximately 5.6 ha. KAI supported the production of 200 official T-shirts, and 14 employee volunteers participated as the 'KAI Support Crew,' assisting with the onshore delivery and sorting of the marine debris recovered underwater.

Through this activity, a total of 100.08 kg of marine debris was collected, and a composition survey of a total of 310 items was conducted on site. The collected waste was classified into fragmented debris such as styrofoam and plastic pieces, household plastics such as PET bottles and vinyl, and marine waste fishing gear such as strings, ropes, and nets. Through this, KAI not only achieved marine debris reduction but also identified major pollution sources, laying a management foundation for future marine ecosystem conservation activities.

Going forward, KAI employees will continue to contribute to protecting the habitats of marine life and conserving natural capital based on cooperation with the local community and related organizations, community-based ESG practical activities in which employees directly participate.


Dive Hour 2026: Tongyeong 300




Composition of collected marine debris by category

# SOCIAL

# Human Rights Management

## Human Rights Management Policy

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

### 1) Human Rights Management Principles

To fulfill its responsibility to respect and protect the human rights of stakeholders, KAI has established and operates human rights management goals and systems. It 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. On this basis, it complies with social responsibilities and standards and actively practices human rights management.  KAI commits to making the protection of human rights its top priority by identifying and assessing in advance the risks that may affect human rights to prevent them, and by preparing effective solutions.

#### KAI's 10 Principles of Human Rights Management

| | | | | |
|---|---|---|---|---|
| 01 Guarantee of the freedom of association and collective bargaining | 02 Adherence to working conditions | 03 Protecting children and the elderly | 04 Ban of discrimination | 05 Prohibition of harassment in the workplace, etc. |
| 06 Prohibition of forced or compulsory labor | 07 Guarantee a safe work environment | 08 Responsible supply chain management | 09 Protecting customer rights | 10 Protecting local communities |

### 2) Human Rights Training

Every year, KAI conducts human rights protection training for all employees, including legally mandated training such as disability awareness and sexual harassment prevention. It enhances employees' human rights sensitivity through various methods such as online and collective training and the distribution of related materials. Through this, KAI fosters a mutually respectful work environment, strives to prevent workplace harassment and discrimination, and is building a healthy organizational culture in which all employees can focus on their work with psychological safety.

### 3) Grievance Procedures for Human Rights Violations

KAI operates a 24/7 online and offline reporting system to protect the human rights of all stakeholders, including employees, business partners with whom it enters into business contracts, and local communities. Through 'Cyber Reporting,' various matters can be reported, including human rights violations inside and outside the company as well as community issues. All reports can be filed anonymously, and to protect victims, a dedicated department (Corporate Compliance Department) handles the relevant content.

When an offline report of human rights violation is received, the relevant department (HR Department) reviews the content and takes action, and if necessary, implements appropriate personnel measures such as standby or isolation. KAI also operates a grievance counseling center that provides, free of charge, various forms of counseling and psychological testing regarding workplace harassment and sexual grievances, doing its utmost to protect employees' human rights.

### 4) Human Rights Management Risk Management System

Based on the 'Duty Identification and Risk Assessment' business standard, KAI identifies human rights management risks for all stakeholders and conducts continuous monitoring.
In addition, inherent risks rated MEDIUM or higher are designated as separate control targets and are thoroughly managed to mitigate the risks.

| Risk Identification | Risk Assessment | Risk Control | Monitoring |
|---|---|---|---|
| • Assignment identification<br>• Stakeholder identification<br>• Identification of expectations and laws or regulations | • Likelihood of occurrence<br>• Severity of impact<br>• Inherent risk | • Control measures<br>• Residual risk<br>• Goals by department | • Measurement criteria<br>• Performance method<br>• Result |

**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

## HR Management System

KAI has built and operates its own systematic HR management system to provide employees with meaningful experiences throughout their working life, from onboarding to retirement. Through multifaceted recruitment promotion such as online and offline recruitment fairs and CEO-led recruitment briefings, KAI builds a positive perception of the company. After joining, it actively supports new employees' stable adaptation to the organization through a systematic onboarding program.

Following recruitment, KAI provides professional education and training programs so that employees can grow into core talent in the aerospace field. It also operates a fair performance-linked evaluation and reward system and a customized employee benefits system that takes into account each individual's life cycle.

## Talent Acquisition

### 1) Ideal Talent

With a creative attitude and unafraid of challenges, and striving to collaborate with the whole, KAI aims to nurture 'future-oriented talent equipped with character and competency,' continuously improving and operating its recruitment, training, welfare, and HR systems, and striving to foster a positive corporate culture.

**Creativity**

**Ideal Talent**

Generates ideas from diverse perspectives and thinking and creates new value

**Core Values**

- Proactively respond to market and customer needs
- Provide prompt and accurate feedback to customer requests
- Actively participate in transparent management and social contribution

**Challenge**

**Ideal Talent**

With proactive and enterprising thinking and action, establishes and achieves top-level goals

**Core Values**

- Take on challenges relentlessly without fear of failure
- Pursue continuous innovation in products and technologies
- Secure the highest expertise with a professional spirit

**Collaboration**

**Ideal Talent**

Builds a collaborative foundation for achieving common goals based on trust and respect

**Core Values**

- Communicate mutually based on interest and consideration
- Cooperate mutually to achieve common goals
- Perform work with a proactive and self-directed attitude

### 2) Recruitment Promotion

To secure core talent who will lead Korea's aerospace industry, KAI actively conducts recruitment promotion using various channels.
To help applicants understand the company, it provides information on the aerospace industry and job roles through YouTube and social media. It conducts campus recruiting centered on major universities nationwide, and strengthens communication with applicants for example, by having the CEO and executives visit campuses in person to hold recruitment briefings.
Without constraints of time and space, to meet diverse talent, KAI also conducts metaverse-based online recruitment briefings.

### 3) Recruitment Process

To achieve the company's vision, KAI secures talent through various methods, including hire-conversion field trainees, new employees, and experienced hires. It conducts job-focused recruitment to select talent suited to the company based on applicants' competencies and experience, and enhances the reliability of the process and the fit of personnel through evaluation stages such as document screening, AI interviews, aptitude and personality tests, interviews, background checks, and pre-employment medical examinations. KAI adheres to fair recruitment procedures to prevent unfair discrimination based on gender, age, nationality, religion, or background during the selection process.

### 4) Proactive Securing of Outstanding Talent

Based on industry-academic cooperation with several outstanding domestic universities, KAI establishes and operates specialized departments to proactively secure customized outstanding talent required by the company, and it is exploring multifaceted measures to continuously expand the target schools and the scale of personnel.
In addition, for the purpose of advancing the aerospace industry and nurturing outstanding local talent, KAI has built a close cooperation system with four universities in the Gyeongnam region to operate the 'KAI Track.' Through this, it identifies students with excellent grades and competencies in advance to address talent shortages, and upon completion of the KAI Track grants employment priority such as exemption from document screening.

# Education and Training

## 1) Talent Development

- Based on the KAI DNA of creativity, challenge, and collaboration, KAI takes on world-class technologies and has built and operates a customized talent development system to create high value in the aerospace industry and realize a society of coexistence. To strengthen employees' job expertise and enhance business competitiveness, it provides training focused on global leadership and job competencies.
- KAI operates industry-academic programs that support the acquisition of master's and doctoral degrees in cooperation with universities. Through this, it strengthens employees' research capabilities and expertise to promote technological innovation.
- KAI identifies and operates a variety of programs such as an AI-based mobile English learning program to actively support employees' self-development.
- To cultivate a common KAI spirit and enhance the organization's overall competencies and leadership, KAI operates competency-strengthening training based on a position-tiered system and conducts manager leadership training quarterly.
- As part of the re-employment support service for prospective retirees under the Aged Employment Act, KAI conducts training that helps with post-retirement career planning and future preparation, and from 2023 to 2025 a cumulative total of 352 people completed the training.

| 226,305 hours | 45 hours | 13.6 KRW 100 million |
|---|---|---|
| Total training hours in 2025 | Average annual training hours per person in 2025 | Total training expenses in 2025 |

## 2) Shared Growth for the Advancement of the Aerospace Industry

In accordance with an agreement with the Human Resources Development Service of Korea, KAI expanded consortium training, joint education and training tailored to the needs of small and medium-sized partner companies, by utilizing the training infrastructure of a large company.
In addition, it newly established a paid-leave-supported training course, nurturing a total of 1,723 talented individuals from partner companies from 2023 to 2025.

## 3) Support for Nurturing Future Talent

The Aerospace Paper Award competition, hosted by KAI and sponsored by the Ministry of Trade, Industry and Energy and the Korean Society for Aeronautical and Space Sciences, began in 2003 and has reached its 23rd year. The competition has established itself as a platform that inspires academic interest in the aerospace field and contributes to technological advancement. To date, some 657 research papers have been presented, serving as a foundation for the advancement of Korea's aerospace technology.

Going forward, for the advancement of the aerospace industry, KAI will support its employees, families, and partner companies, as well as diversify and advance education programs for nurturing future aerospace talent, fulfilling its responsibility as Korea's leading aircraft systems integration company.

# Fair Performance Evaluation and Reward System

## 1) Performance Evaluation System

KAI operates an OKR performance management system for performance management centered on achieving key goals. It conducts organizational and individual performance evaluations to check the level of goal achievement and provide feedback, thereby promoting the joint growth of the organization and individuals. It also implements a fair and transparent evaluation system using various evaluation tools such as performance evaluation, competency evaluation, and multi-rater evaluation.

- **Performance evaluation:** Based on the goal management system, the degree of goal achievement and job performance results are evaluated twice a year, and feedback on evaluation results and an appeals system are operated.
- **Competency evaluation and multi-rater evaluation:** The competencies of employees are evaluated once a year, and multi-rater evaluation is conducted in parallel to comprehensively assess various aspects of individuals.

The comprehensive annual evaluation results are used for rewards, promotion, and advancement. Through this, employees can approach their work with a clear sense of purpose, and by continuously developing their individual competencies based on fair and objective feedback, they gain the momentum to grow together with the organization.

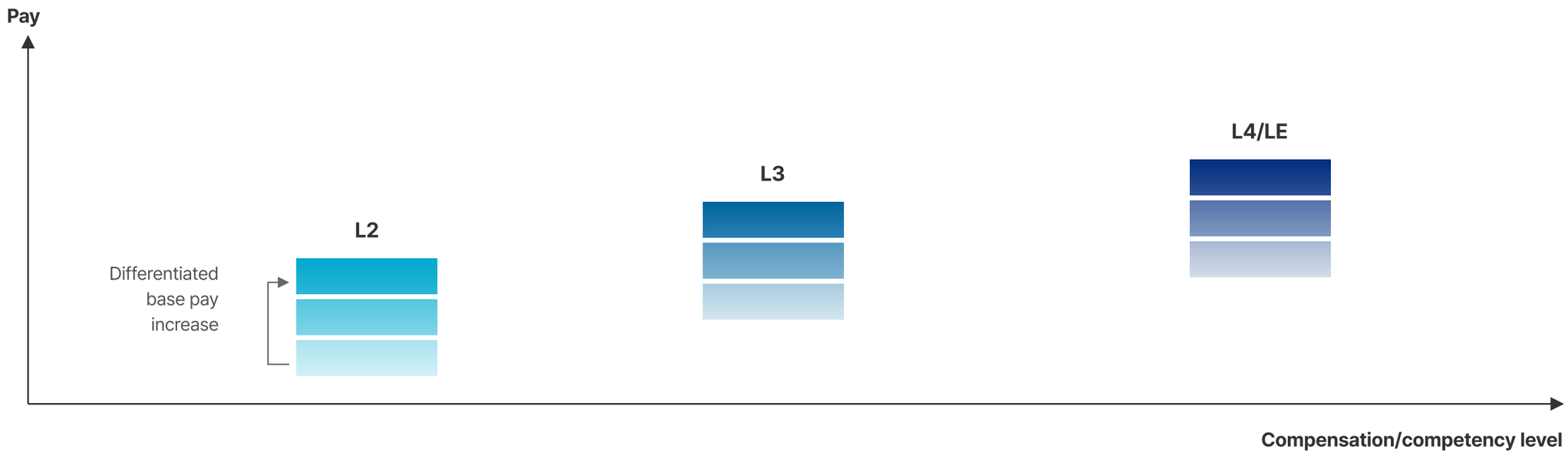
**Individual evaluation consists of performance evaluation, competency evaluation, and multi-rater evaluation for organizational managers**

| Item | Performance evaluation (Performance) | Competency evaluation (Competency) | Multi-rater evaluation (Leadership) |
|---|---|---|---|
| **FOCUS** | **Performance improvement**<br>- Accurate performance measurement | **Competency development**<br>- Competency review and identification of development points | **Reference for appointment/dismissal of organizational managers**<br>- Competency review and identification of development points |
| **Evaluation content** | Job performance results | Job performance method (behavioral observation method) | Degree of leadership demonstrated (behavioral observation method) |
| **Evaluation subject** | Supervisor | Supervisor | Subordinates, peers |
| **Frequency** | Twice a year (first/second half) | Once a year | Once a year |
| **Use of results** | Individual performance pay (first/second half) | Base pay Individual increase; Promotion, transfer, training | Reference for appointment/dismissal of organizational managers |

## 2) Reward System

The reward system consists of fixed pay, supplementary pay, and variable pay. Through a performance-based, diversified reward system, KAI directly links individual work performance with the company's profit generation to elicit voluntary work engagement.

- **Fixed pay:** Consists of base pay and fixed bonuses, paid on a differentiated basis according to individual performance each year.
- **Supplementary pay:** Consists of work-life balance incentives, homecoming and vacation allowances, etc., paid based on base pay at set times.
- **Variable pay:** Consists of performance pay based on individual evaluation results, management goal achievement pay based on the achievement rate of management goals in the first and second halves, and profit sharing (PS) linked to management performance paid according to the level of operating profit per person.




**· Base pay increase (Merit Pay)**

Differentiated base pay increase rates applied according to individual performance/competency evaluation results (L2 and above)

**· Individual performance pay (variable pay)**

Differentiated performance pay by compensation/competency system according to individual performance evaluation results (L1 and above)

# Employee Welfare Benefits

KAI operates a variety of employee benefits programs across five key areas to promote employees' financial stability, family harmony, self-development, and quality of life. These programs are designed by comprehensively considering employees' life cycle from onboarding to retirement and the equity of benefits.

To enhance employee satisfaction with benefits each year, KAI improves existing programs and supplements support criteria, and based on labor-management agreements, it continuously introduces and develops advanced programs.

**Financial Stability** | **Health Care** | **Workplace Convenience** | **Motivation** | **Culture & Leisure**

### Welfare Benefits

| | | |
|---|---|---|
| **Financial Stability** | • Interest Support for Housing Loans<br>• Dormitory (Single Occupancy)<br>• School Expenses (from kindergarten through university, including overseas study) | • Relocation Expenses<br>• Workplace Daycare<br>• Studio Apartment Allowance<br>• Individual Pension Allowance |
| **Health Care** | • Medical Expenses (Employees/Family)<br>• Comprehensive Health Check-ups<br>• Group Insurance<br>• Physical Therapy Clinic/Fitness Center | • Medical Clinic<br>• Psychological Counseling Center<br>• Nursing Room, Rest Areas |
| **Workplace Convenience** | • Commuter Bus<br>• Staff Cafeteria<br>• Work Clothing<br>• Laundry Service for Work Clothes on Site | • On-site Amenities (Bank, Convenience Store, Cafeteria)<br>• Gender Equality Counseling (Sexual Harassment, Workplace Bullying, etc.) |
| **Motivation** | • Assistance in Purchasing Holiday Gifts<br>• Congratulatory and Condolence Support<br>• Long-Service Leave/Bonus<br>• Support for Retirees | • Proud KAI Employee Award<br>• New Employee Family Invitation Event<br>• Corporate Anniversary Gift Certificates<br>• Birthday Gift Program |
| **Culture & Leisure** | • Access to Partner Resorts<br>• Support for Employee Clubs and Activities | • Cultural Events |

KAI operates a variety of employee benefits programs across five areas to promote employees' financial support, family stability, self-development, and quality of life.
In addition, to actively respond to the major social issue of low birth rates and to participate in childbirth-encouragement policies as a company representing the local community and the aerospace industry, KAI has increased its childbirth grants since March 2024.

# Labor-Management Relations

KAI builds a virtuous cycle of cooperative labor-management relations through continuous communication by regularizing labor-management councils. Every year, it conducts wage and collective bargaining with the labor union, operates quarterly labor-management councils, and forms working-level subcommittees for each issue so that labor and management jointly seek solutions.

KAI holds annual business briefings for employees to enhance understanding of the company's management goals and pending issues. Through this, employees can actively participate in achieving the company's goals, and KAI continues close communication to that end.

## Labor-Management Communication

**Our Labor Union: A Management Partner in Growth**

| Company | Wage and Collective Bargaining Agreement | Regular Meetings | Working-Level Subcommittee | Labor Union |
|---|---|---|---|---|
| CEO/Management<br>↑ Sharing pending issues & concerns<br>Labor Relations Department<br>↑ Sharing pending issues & concerns<br>Line Managers | • (Frequency) Once a year<br>• Details<br>- Agreement Wage Increase Rate<br>- System & Policy Improvements (e.g., HR, wages, etc.)<br>- Welfare Benefits (e.g., school expenses, medical expenses, etc.) | • Labor-Management Council (Quarterly)<br>• Occupational Safety and Health Committee (Quarterly)<br>• Cafeteria Management Committee (Monthly) | • In the event of an urgent issue, a real-time working subcommittee is convened even before a regular meeting to seek solutions | Union Chairperson<br>↑ Sharing pending issues & concerns<br>Union Executive Committee Members<br>↑ Sharing pending issues & concerns<br>Union Representatives |

**Opinions for Growth, Cooperation in Policy, and Checks and Balances**

## Labor-Management Agreement Procedure

| Employee Needs Identification | → | Requirements collection/analysis | → | System planning and design | → | Building consensus & labor-management agreement | → | Finalizing/implementing system | → | Monitoring satisfaction |
|---|---|---|---|---|---|---|---|---|---|---|
| • **Employee demographics**<br>Work location, gender, age, tenure, marital status, job category | | • Feedback collection<br>• Defining improvement goals | | • Establishment of detailed action plans | | • Recognizing the need for labor-management improvements<br>• Preparing for worker consultation and decision-making | | • Labor-management representative agreement | | • Gathering opinions and feedback |

### Status of Labor-Management Council Agenda Handling (3 years)

| 2023 | 2024 | 2025 |
|---|---|---|
| 42 | 16 | 21 |

### Union Membership Status (3 years)

| Classification | Eligible members | Enrolled members | Enrollment rate |
|---|---|---|---|
| 2023 | 4,238 | 3,544 | 83.6% |
| 2024 | 4,578 | 3,842 | 83.9% |
| 2025 | 4,825 | 4,099 | 85.0% |

# Organizational Culture

## Employee Satisfaction Survey

KAI regularly conducts employee satisfaction surveys to diagnose the current state of its organizational culture and identify areas for improvement. This survey serves as a non-financial indicator of organizational health and provides valuable reference data for executive decision-making and policy establishment.

Based on the collected opinions of members, KAI derives practical action items and operates customized programs to strengthen cross-organizational communication and collaboration, fostering a sustainable workplace culture. Moving beyond traditional periodic assessments, KAI is continuously exploring new initiatives, such as mobile chatbot-based ad hoc pulse surveys, to quickly detect changes and drive rapid improvements.

## Family-Friendly Certified Company

In an era of low birth rates and an aging population, KAI makes multifaceted efforts to help workers find work-life balance and to create a work environment friendly to childbirth and childcare. Key initiatives include the PC-Off system, flexible work hours, reduced working hours during pregnancy, and family care leave. Furthermore, it hosts various cultural events, such as family invitation days and in-house concerts, to help employees recharge and find motivation.

As a result of joint labor-management efforts to build a family-friendly workplace, KAI obtained re-certification as a family-friendly company from the Ministry of Gender Equality and Family. In addition, to actively respond to the national challenge of low birth rates, KAI raised its in-house childbirth grants from the previous KRW 1 million to KRW 10 million each for the birth of a first and second child, and KRW 30 million for the birth of a third child.

## Company-Wide Organizational Strengthening Program

In 2025, KAI conducted company-wide organizational strengthening training to resolve conflicts and establish a collaborative culture by establishing a common language and rules within the organization. Under the catchphrase ‘Our organization is not a team, but KAI,’ it conducted collective training on leadership alignment, intergenerational communication, and strengthening teamwork within departments, and established a work style for each department.

Following the training, department-level workshops were held to reach a mutual agreement on the language, mindset, and ground rules required in a collaborative environment.

## Family Invitation and Company Open House Events

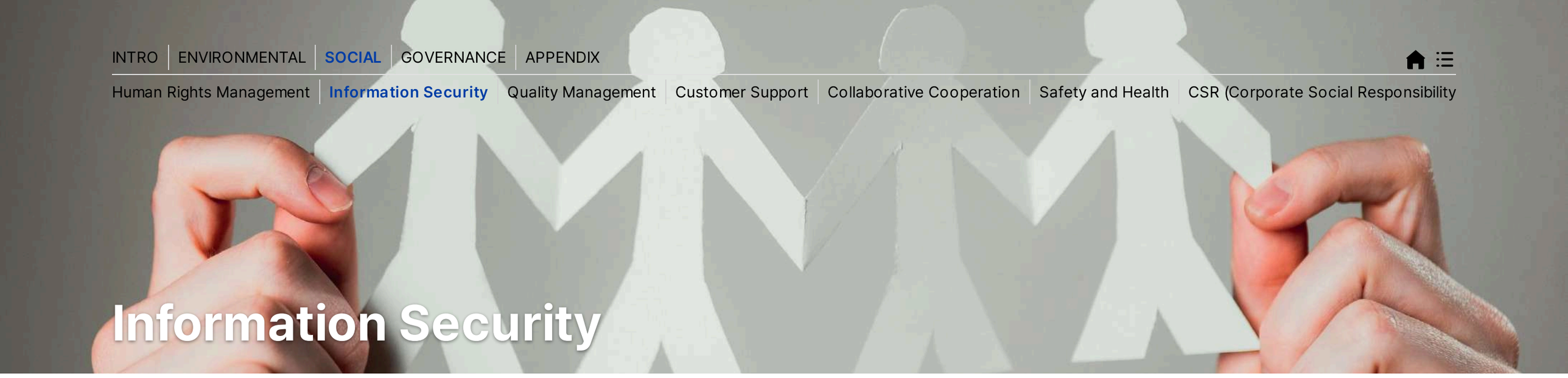
To boost employees' sense of belonging and pride while fostering a flexible work atmosphere, KAI regularly holds a company open house event on Children's Day in May. Additionally, since 2022, KAI has launched a new "Ka-Dungi Day" event specifically for employees raising three or more children. This initiative was designed to support government policies encouraging childbirth and prioritizing multi-child families, while also raising local awareness about low birth rates and population decline as a leading company in Western Gyeongnam. Moving forward, KAI will continue to explore collaborative measures with local governments to promote childbirth and establish diverse internal policies to create a work environment where employees can work with peace of mind.

## Coffee Truck Visits

KAI organized a "Coffee Truck Visits" event to encourage and boost the morale of employees working at the Sancheong and Goseong sites, which are geographically isolated from headquarters and can easily feel left out. In 2024, in connection with key operational achievements, such as the post-pandemic production recovery at the Sancheong site and the completion of the 100th G280 Wing at the Goseong site, KAI served coffee and cookies to 550 people, including both its employees and partner company staff working alongside them, as a token of appreciation and mutual support. KAI will continue its efforts to share even small achievements with its members and partners, encouraging one another and putting the value of mutual growth into practice.

## Open Committee

To empower junior employees, the main drivers of future growth, to take a leading role in improving organizational culture, and to enhance their sense of achievement and pride through the employee experience of shaping a better workplace, KAI launched its unique Change Agent system, the "Open Committee," in 2022. The Open Committee consists of around 20 manager-level employees from general and production positions, operating on a two-year term basis. The committee members, selected primarily from voluntary applicants, serve as a communication bridge between management and staff. True to its name, they freely engage in "open" initiatives, such as piloting casual dress codes, introducing new employee ID cards, hosting "Culture Days," and designing and distributing Korean-language ceremonial envelopes on Hangeul Day.




# Information Security

## Information Security Management Framework

KAI has appointed a Chief Information Security Officer (CISO) to strengthen information protection and proactively manage risks, and has built and operates a systematic information security governance.

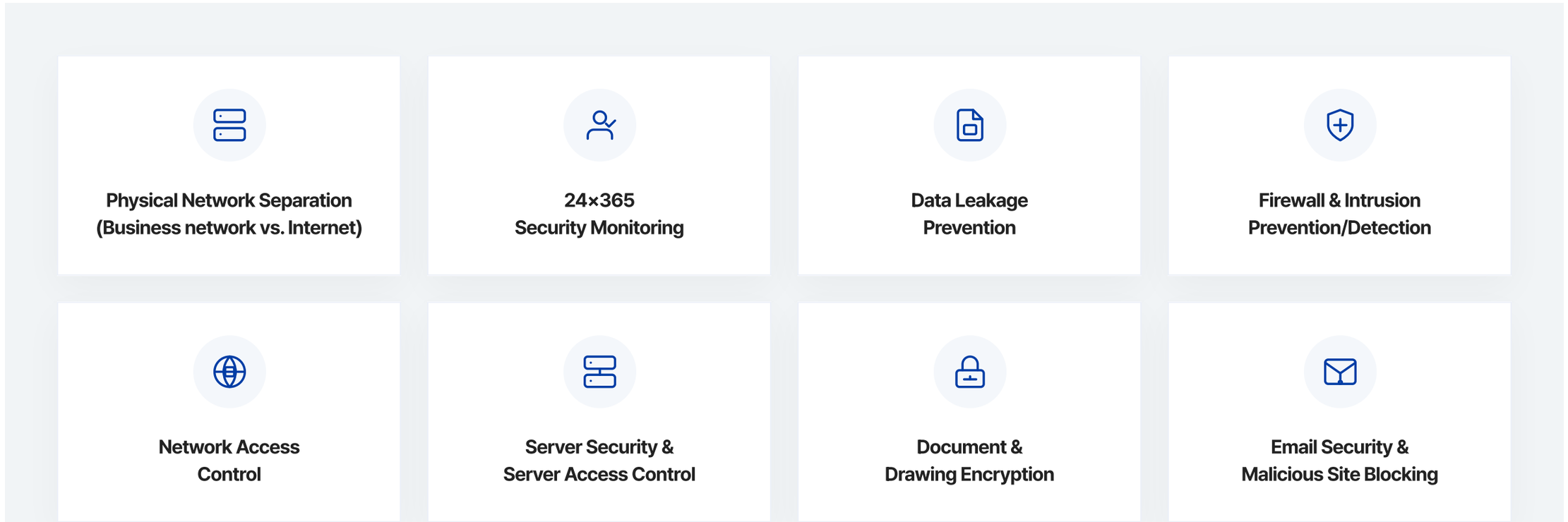
- **Operation of the Information Security Organization and Committees**
  The information security organization is dedicated to responding to external audits, establishing security policies and procedures, investigating internal security violations, identifying and managing defense technologies, and providing employee security training. It also shares key security issues through the 'Information Security Committee' and has established a 'Defense Technology Protection Committee' to safeguard defense technologies.

- **Transparent Information Security Disclosure**
  In accordance with relevant laws, KAI strengthens its information security responsibility and trust, and to enable stakeholders to objectively grasp the company's level of information security management, it transparently discloses its information security status each year through the integrated information security disclosure portal, faithfully complying with its legal obligations.

- **Acquisition and Maintenance of Global Information Security Certification**
  To meet global-level security requirements, KAI achieved 'ISO/IEC 27001:2022' certification, the international standard for information security, in 2023. It has continuously maintained the certification through surveillance audits in 2024 and 2025, and on this basis systematically carries out information asset protection and security risk management.

### Information Security Systems

To internalize its capability to respond to information security and internal data leakage incidents, KAI has organized and operates an in-house 24×365 Security Operations Center (SOC). In addition, through parallel monitoring with a specialized remote security monitoring company, it has further strengthened its company-wide security incident response system.
It has also built a technical security infrastructure by applying physical separation between the business network and the internet network and advancing its security solutions. Along with this, it continuously enhances the company-wide level of information security by conducting information system vulnerability assessments, penetration testing, and analysis of phishing emails and malicious files.




## Defense Technology Protection

To protect core technologies critical to national security and the defense industry, KAI complies with relevant laws and regulations and operates a defense technology protection framework. For the systematic protection of defense technology, it establishes internal security policies, strictly adheres to technology control procedures, and conducts regular technology protection training and inspections.
KAI works in close cooperation with the government and related organizations to implement the measures necessary to protect defense technology, and in accordance with the Defense Technology Security Act, it undergoes annual regular and ad-hoc defense technology protection inspections by the Defense Acquisition Program Administration (DAPA), the National Intelligence Service (NIS), and the Defense Counterintelligence Command (DCC). Through these efforts, it continuously strengthens its levels of defense technology identification/management, personnel/facility security, information protection, military secrets management, and technology protection for defense R&D projects.

# Personal Information Protection

Led by the Chief Privacy Officer (CPO), KAI regularly reviews and improves its personal information management practices.
Each year, it establishes a 'Personal Information Protection Action Plan' and carries out training for personnel handling personal data, securing the safety of personal data processing systems, encrypting critical personal information, and monitoring for personal data leaks. Furthermore, it applies a range of administrative, physical, and technical measures to prevent the loss, theft, leakage, alteration, or damage of personal data and to protect it safely.

# Fostering a Culture of Security

## Enhancing Employee Security Awareness

KAI builds a prevention-oriented information security system and strives to raise all employees' security awareness and understanding. So that employees themselves can act as agents of security, it clearly distinguishes and systematically operates 'security culture internalization activities' and a 'security inspection and management system.'

**Security Culture Internalization Activities**

KAI carries out various programs to encourage members' voluntary participation and internalize security awareness. Every month, it designates a 'Defense & Cybersecurity Awareness Day' and conducts phishing email simulation drills and technology protection and security training for all members. It also plans an 'Information Security Emphasis Month' at least once a year and distributes internal promotional content to continuously expand members' interest and participation in security. In addition, it operates a system to select and reward members who excel in security activities, thereby spreading best practices and encouraging practical security implementation.

**Strengthening the Security Inspection and Management System**

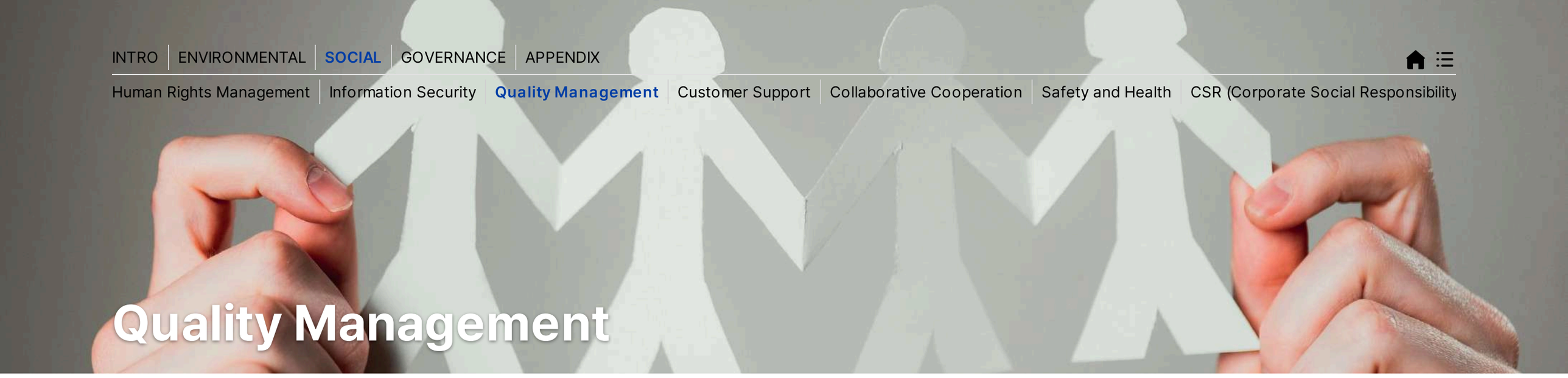
KAI conducts inspections and security assessments to strengthen the organization's level of information security management. It regularly performs internal security inspections and monitoring to identify and eliminate potential risk factors in advance. It also provides additional training to those who violate security regulations to prevent recurrence.

## Defense Technology & Information Security Training

KAI strictly complies with information-security-related laws such as the Defense Technology Security Act, the Act on Promotion of Information and Communications Network Utilization and Information Protection, and the Personal Information Protection Act, and provides regular training to raise members' security awareness.
In addition, to enhance the security awareness of partner companies, it provides guidance on compliance matters related to defense technology and information protection, and conducts regular security training and inspections for key partner companies.

### Defense Technology and Information Security Training Activities

| Training Type | Key Topics | Target Audience | Frequency |
|---|---|---|---|
| **Personal Information Protection Training** | Principles of data handling, data breach response procedures | Personal data protection officers and handlers | At least once a year |
| **Defense & Cybersecurity Awareness Day Training** | Defense security regulations, cybersecurity best practices, internal security policies, and incident prevention | All employees | Monthly |
| **Defense Technology Protection Training** | Standards for protecting defense tech, anti-leakage measures, legal compliance | All employees and personnel handling defense technology | At least once a year |
| **Ongoing Security Training** | Cybersecurity, internal policy, and incident prevention | New hires, resident contractors, and regular visitors | At least once a year |



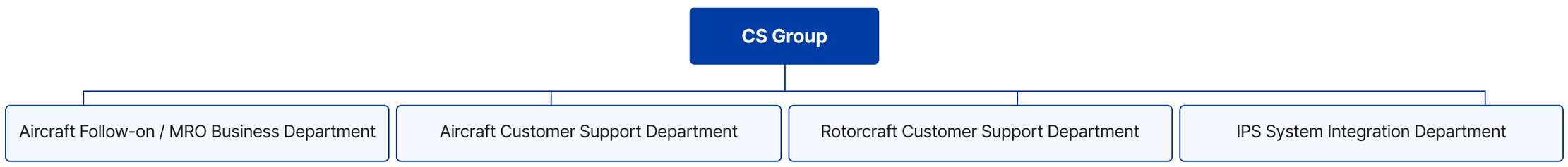
# Quality Management

# Quality Management

## Organizational Introduction

To achieve customer satisfaction through organic collaboration across the quality, customer support, and *IPS functions, KAI operates a dedicated Customer Satisfaction (CS) Division.
The CS Group has built a rapid customer response system to guarantee Total Life Cycle quality assurance and build customer trust, and strives to proactively identify and fulfill customer requirements.

* IPS: Integrated Product Support




## Quality Management System

As a global company that places customer satisfaction first, KAI does its utmost to supply customers with products and services of the highest quality.
KAI has earned certifications for its Defense Quality Management System (DQMS) and Aerospace Quality Management System (AQMS) from leading domestic and international bodies, and it carries out rigorous quality management and continuous improvement across the entire aircraft manufacturing and operation process, from product development to production, maintenance, and customer service.
KAI upholds its commitment to placing customer satisfaction and trust first through stringent quality standards and efficient processes.

### Quality Policy

**1** **First. we shall thoroughly integrate all customer, legal, and regulatory requirements** from the initial planning stages and incorporate customer evaluation results into production activities during design, production, delivery, and customer support to eliminate customer complaints after delivery.

**2** **Second. 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** **Third. we shall engage all employees across development, production, and support processes in continuous quality improvement and innovation activities** to achieve excellence in product design and manufacturing.

### Quality Certifications


Defense Quality Management System


Aerospace Quality Management System

Part 21 Production Organization Approval


Special Process Certification

## Quality Management Activities

KAI has established and operates a quality assurance system centered on four key initiatives designed to meet customer and market requirements and to create organizational value.

### Four Key Initiatives

**① Proactive Quality Certification System**

- Quality System Certification
- Advanced 4M1E verification before production and input
- Supplier evaluation/approval prior to procurement/outsourcing

**② Process-Based Quality Ownership**

- Clear Process Ownership
- Zero Defect Escapes
- KPI Monitoring

**③ Value Chain Quality Assurance by Stage**

- Systematic quality assurance activities at each stage: sales/program management, design/development, procurement, production, and operations
- Product & Service Quality Assurance

**④ Preventive and Corrective Actions**

- Conducting quality audits across all departments
- Production & Thematic Inspections
- Prevention of recurrence through corrective actions

### Enhancing National Standing and Securing Defense Export Competitiveness Through Quality Management Innovation

Through company-wide quality innovation activities, KAI contributes to national industrial development and builds unrivaled trust both internally and externally.
The consecutive awards achieved in 2025 officially demonstrate that KAI's quality management system possesses top-level competitiveness not only domestically but also in the global market.

### 1) Presidential Citation at the National Quality Management Awards and Enhancement of Brand Value

In recognition of its contribution to enhancing national industrial competitiveness through differentiated quality management innovation, KAI received the '2025 National Quality Management Award Presidential Citation.'
This is the result of national recognition of the management performance created by bringing together company-wide capabilities, serving as an opportunity to secure external credibility and to boost members' pride.

### 2) Selection as a Top Defense Quality Management Company and Strengthening of Defense Export Competitiveness

Based on the results of a military supplies quality assessment, KAI was selected as a '2025 Top Defense Quality Management Company,' demonstrating its unrivaled quality management capabilities within Korea's defense ecosystem.
Such certified quality reliability will serve as a key driver for winning customer confidence in the global market and will act as a decisive competitive advantage in expanding defense exports going forward.

## Enhancing Suppliers Quality Capabilities

KAI supports supplier quality capability enhancement activities to provide suppliers with growth opportunities and to secure a stable supply chain.

### 1) Supplier Diagnosis & Development Activities

Since 2023, KAI has analyzed each supplier's quality status based on 175 detailed diagnostic criteria and has provided customized development programs, such as training and consulting, for the identified areas of weakness. In particular, in 2025, it provided five months of intensive support to eight companies, recording an average 12% improvement in quality capabilities. Rather than one-off support, it conducts continuous follow-up monitoring in parallel, driving fundamental strengthening of the supply chain's competitiveness.

#### * 2025 Supplier Quality Capability Enhancement Program Results

| Category | Company | Pre-Program Diagnostic Score | Post-Program Diagnostic Score |
|---|---|---|---|
| Shared Growth (Processing) | Company A | 59 | 68 |
| | Company B | 67 | 76 |
| | Company C | 63 | 71 |
| | Company D | 75 | 81 |
| Components | Company E | 76 | 88 |
| | Company F | 76 | 83 |
| | Company G | 84 | 90 |
| | Company H | 73 | 81 |

### 2) Supplier Quality Conferences

KAI systematically operates a quality communication channel with suppliers through regular conferences and seminars. In 2025, it held a quality culture enhancement seminar with 40 suppliers, laying a foundation for win-win cooperation. It also implements a quality competition and an awards program for outstanding suppliers to encourage voluntary quality innovation and, by providing tangible incentives, fosters a virtuous-cycle quality ecosystem.

#### * H1 2025 Supplier Quality Awards

| Award | Number of Recipients | Prize Money |
|---|---|---|
| Outstanding Supplier | 9 companies | KRW 19 Million |
| Quality Innovation Contest | 7 companies | KRW 2.8 Million |
| BEST Quality Award | 3 companies | KRW 1.1 Million |
| **Total** | **19 companies** | **KRW 22.9 Million** |

### 3) Support for Global Quality Certification (NADCAP) and Strengthening of Supply Chain Competitiveness

To support the acquisition of NADCAP, the international certification for aerospace and defense special processes, KAI operates the 'Korea Special Process Forum (KSPF).' It promptly shares key requirements and analyses of audit findings with suppliers to systematically support advance improvement measures, and over the past three years it has driven the stable certification pass of a total of 78 companies. Through this, it reduces duplicate audit costs within the supply chain and secures global manufacturing capabilities, thereby solidifying a practical foundation for win-win cooperation.

# Customer Support

Customer Support

## Creating New Business Opportunities and Strengthening the Image of Domestically Produced Aircraft Through Customer Satisfaction

### 1) Timely Aircraft Supply and Life-Cycle-Based Customer Support

Beginning with the first delivery of the KT-1 basic trainer in 2000, KAI has successfully supplied aircraft up to the T-50 advanced trainer. Even after product delivery, KAI maintains technical support and Performance-Based Logistics (PBL) contracts through the logistics support agreement signed in 2014 and its revision in September 2024, solidifying its strategic cooperative relationship with the Republic of Korea Air Force. In addition, since 2013 it has awarded plaques of appreciation to 183 pilots who achieved accident-free flights, demonstrating the excellent quality and reliability of domestically produced aircraft both internally and externally.

### 2) Field-Oriented Aviation Safety and Win-Win Support Activities

Placing the safety of operational sites first, KAI carried out quarterly regular aviation safety support activities at 48 sites nationwide (cumulative) throughout 2025. Alongside this, it conducted in-depth HUMS (Health and Usage Monitoring System) training and technology exchange sessions to strengthen field personnel's maintenance capabilities. In particular, during the special spring response period when wildfire suppression missions are concentrated, it operated a special response system including emergency material supply and on-site technical support. It also increased the encouragement funds for mission-performing units (from KRW 4 million to KRW 6 million) and supported local resident invitation events, further strengthening ties with the local community and customers.


Unit Development Encouragement Fund


Wildfire Suppression Unit Encouragement Fund

### 3) Establishing an All-Around Technical Support and Rapid Response System

To maintain stable aircraft operational rates, KAI operates a global technology cooperation network spanning domestic and overseas operating countries. Domestically, it holds semiannual regular technology cooperation meetings to derive joint civil-military solutions, and for overseas operating countries it has additionally conducted on-site technical consultations since 2019. Recent support for the ROKAF T-50 accident recovery and the technical review of the Polish Air Force FA-50GF are representative cases demonstrating KAI's rapid after-service capabilities, serving as a key foundation for enhancing customer trust.

### 4) Strengthening the Customer-Satisfaction-Based Feedback System

Each year, in accordance with the guidelines of the Defense Agency for Technology and Quality, KAI conducts a customer satisfaction survey to systematically manage service quality. The 2025 survey recorded scores of 90.9 for fixed-wing and 85.5 for rotary-wing aircraft. To address the material supply and recurring defect issues identified as the causes of the 0.8-point decline from the previous year, KAI activated field-specific feedback systems for supply, quality, and other areas. The identified improvement tasks are immediately reflected in concrete action plans to drive tangible service quality improvements. These all-around customer satisfaction activities enhance the brand image of domestically produced aircraft and serve as a key driver for creating new business opportunities.

# Performance-Oriented External Cooperation and Social Contribution Activities

## 1) Strengthening the Global Technology and Safety Cooperation Network (K-TCG & SMG)

KAI leads international technology cooperation among operators of domestically produced aircraft, solidifying trust with overseas customers. Through the K-TCG (KAI Technical Coordination Group), launched in 2009, and the SMG (Safety Management Group), integrated and operated since 2016, it has demonstrated data-based operational efficiency such as improved aircraft operational rates and reduced operating costs.


In 2025, some 230 participants, including those from seven overseas countries, attended to exchange the latest technical information. In 2026, KAI plans to expand the event into an international-level space, aerospace, and defense industry exhibition linked with the ‘Sacheon Airshow,’ actively promoting the excellence of domestically produced aircraft worldwide.

## 2) Enhancing Operational Reliability Through a Full-Life-Cycle Technology Council

For mutual logistics cooperation and technology exchange with the Republic of Korea Air Force, KAI holds a regular ‘Domestic Aircraft Technology Cooperation Meeting’ twice a year. This council is a key body for discussing issues across the entire life cycle, from aircraft modification and improvement to performance enhancement, and since 2024 it has expanded participation to key partner companies. Through this, KAI has established a close communication system among operators (the military), the manufacturer (KAI), and partner companies. It also enhances the mid- to long-term operational reliability of aircraft while presenting a direction for the sustainable development of the domestic aerospace industry as a whole.

## 3) Strengthening Community Ties and Realizing Social Value for Future Generations

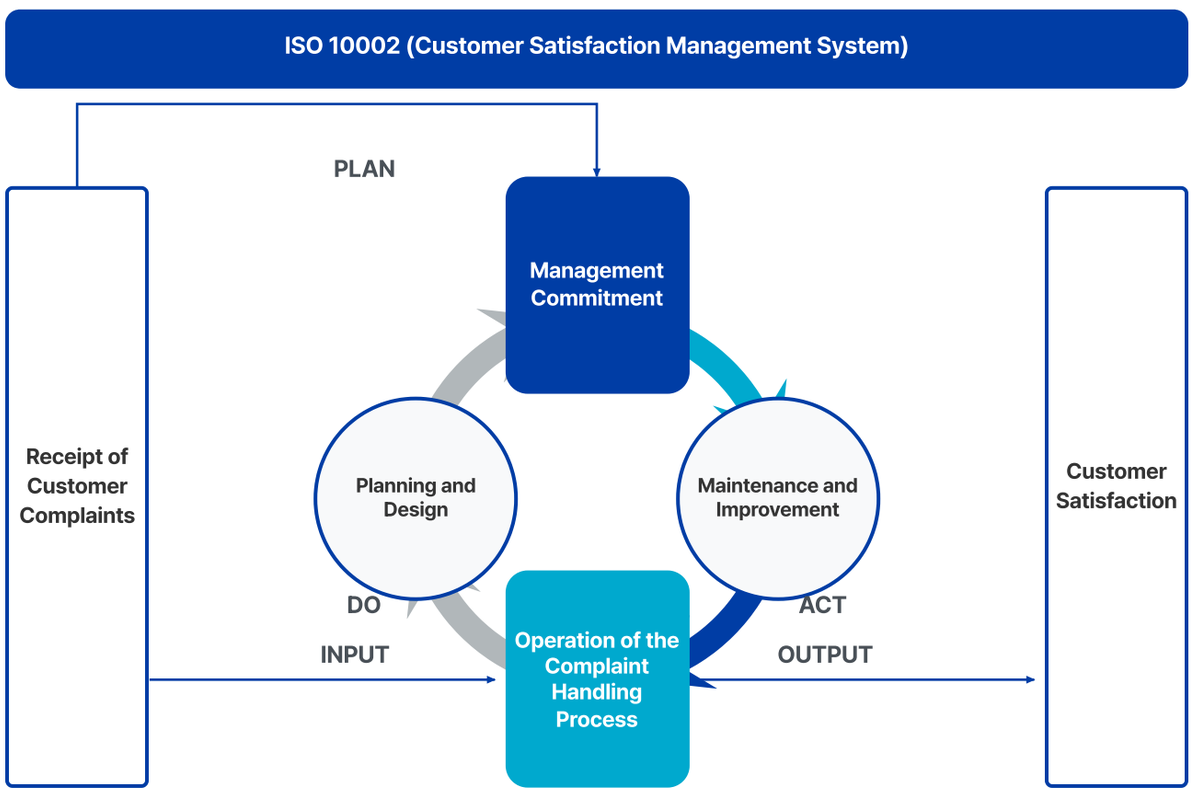
KAI strengthens ties with the local community and customers through social contribution activities that leverage its aerospace manufacturing capabilities.
In 2025, it supported local resident invitation events in cooperation with the Jeonnam and Gyeongnam regional police aviation units, and it regularly operates an ‘Aviation Camp’ for the children of military personnel to inspire interest in the aerospace industry.
By continuously expanding win-win activities with customer units such as the 7th Corps and the Marine Corps Education and Training Group, KAI spreads the social value of domestically produced aircraft and fulfills its corporate social responsibility.

# Improvement of Customer Satisfaction Management

## Customer Satisfaction Management System (ISO 10002) Certification and Process Advancement

To systematically manage its customer complaint handling process and improve service quality, KAI became the first domestic defense company to obtain ISO 10002 (Customer Satisfaction Management System) certification in September 2019. Through this system, it clearly defines and transparently discloses resolution procedures when complaints arise, and it has built a virtuous cycle that turns customer feedback into data leading to service improvements.

In particular, in 2025 it successfully passed the three-year renewal audit and maintained the certification, once again proving the credibility of its management system both internally and externally. Such continuous process improvement and certification management is a key foundation for KAI to practice customer-centered management and solidify trust with global partners and end users.




# Collaborative Cooperation

## Building a Sustainable Supply Chain

## Collaborative Cooperation

KAI practices win-win management, identifying SMEs seeking to newly enter the aerospace field and nurturing them into global hidden champions.
To build a sustainable supply chain going forward, KAI will establish transparent and fair business relationships with its partners and continuously strengthen its collaborative cooperation programs.

### 1) Action Principles

KAI provides fair business opportunities to all partner companies with capabilities in their respective fields, based on the principle of open competition.
It lays the foundation for the robust growth of SMEs and the cultivation of global hidden champions, and by broadening the pool of registered domestic partners it promotes the development of the aerospace industry. KAI will expand and implement collaborative cooperation programs to enhance supply chain competitiveness, build a foundation for sustainable growth, and establish a culture of shared growth.

### 2) Core Strategies

| Strengthening KAI's Role | Improving Partner Management | Strengthening Policies for Shared Growth |
|---|---|---|
| Broadening the base of the aerospace industry and creating a foundation for the robust growth of SMEs and their development into global hidden champions | Enhancing the transparency and fairness of business relationships and establishing a future-oriented supply chain through performance-driven collaboration | Supporting the competitiveness and sustainable growth of partner companies by operating robust shared growth programs |
| • Continuous Registration of New Companies<br>• Support Each Sector to Enhance the Integration with Future Development Strategies | • Operation under Fair and Transparent Transaction Standards<br>• Operation of a Performance-Based Cooperation System | • Nurturing professional talent<br>• Strengthening technical support<br>• Financial support system expansion to all partner companies<br>• Strengthening win-win partnerships and performance sharing |

**Building a Sustainable Growth Environment for Partner Companies** ▶ **Expansion of the aerospace industry, Virtuous Cycle of Shared Growth**

## Supplier Registration and Selection

To build a sustainable supply chain, KAI operates a system for the continuous registration of new suppliers and selects its partners based on its Four Major Principles for Fair Subcontracting.

**Four Major Principles for Fair Subcontracting**

01 Practices for concluding contracts for collaborative cooperation between KAI and partners

02 Practices for operating an internal review committee for subcontracting transactions

03 Practices for selecting and operating partner companies

04 Practices for issuing and preserving written documents for subcontracting transactions

**Supplier Registration Procedure**

| Supplier registration<br>Basic requirements check | Potential company<br>Company registration request and document attachment | Qualified company<br>Registration review | Trading company<br>Quotation participation and transactions |
|---|---|---|---|
| www.koreaaero.com | eportal.koreaaero.com | **First on-site evaluation**<br>• Use of field-specific evaluation sheets (sent in advance)<br>(document review if necessary)<br><br>**Second quality certification review**<br>• Companies meeting the first review requirements<br>• KPQMS 9100 certification review | |

### 1) Supplier Evaluation

KAI conducts regular evaluations of partner companies with which it has business relationships, and provides various incentives and training according to the evaluation results to enhance supply chain competitiveness.

### 2) Supplier Status

For the development of the aerospace industry, KAI has built close cooperative relationships with 1,435 partner companies worldwide (as of 2025).

# Supplier Support Policies for Collaborative Cooperation

Based on win-win cooperation, KAI realizes the value of ‘togetherness’ and practices shared growth to strengthen the competitiveness of the aerospace industry and create happy workplaces for its partner companies.

## 1) Declaration of Collaborative Cooperation Policies & Selection as a "Jasanghan (Voluntary and Cooperative) Company"

In February 2020, in the presence of the Minister of SMEs and Startups, the Governor of Gyeongnam Province, and local government heads, KAI declared the ‘KAI Collaborative Cooperation Policy’ to overcome the aerospace industry crisis, promote growth and development, and practice new win-win cooperation.

KAI also became the first mid-sized enterprise to be selected as the 11th ‘Jasanghan (Voluntary and Cooperative) Company’ by the Ministry of SMEs and Startups.


## 2) Contribution to the Collaborative Cooperation Fund

In May 2020, KAI signed a ‘Jasanghan (Voluntary and Cooperative) Company’ agreement with the Ministry of SMEs and Startups and contributed a total of KRW 10 billion to support small and medium-sized partner companies. On this basis, to enhance partners’ technological capabilities and competitiveness, it supports smart factory deployment and expansion, work environment and process improvements, R&D project support, and performance sharing and incentives, and by 2025 it had disbursed KRW 8.74 billion to a total of 44 companies.

In addition, from 2026, to ensure the continuity of the program, KAI plans to regularly contribute funds of KRW 2 billion annually.

## 3) Contribution to the Joint Employee Welfare Fund

In October 2022, KAI signed a ‘Memorandum of Understanding for Contribution to the Joint Employee Welfare Fund’ with Gyeongnam Province, Jinju City, Sacheon City, and 39 small and medium-sized partner companies.
Through this, it jointly contributed an ‘Employee Welfare Fund’ averaging KRW 3.8 billion annually to enhance the welfare of partner company workers in welfare blind spots.
In particular, since 2025, to expand welfare support for partner company workers, it doubled its contribution from the previous KRW 1 billion to KRW 2 billion, and it plans to continue contributing going forward.

## 4) Large-SME Partnership Agreement for Collaborative Cooperation

In October 2022, KAI, together with Gyeongnam Province and 30 partner companies, signed a ‘Large-SME Collaborative Cooperation Agreement’ to foster the growth and job creation of SMEs in the Gyeongnam aerospace sector.
Through this agreement, KAI, Gyeongnam Province, and the partner companies agreed to jointly strive for the following:

▲ Alleviating partners’ financial burdens through funding support and boosting growth vitality
▲ Revitalizing the inflow of new personnel to partners and resolving labor shortages through job stability
▲ Improving work environments and enhancing production efficiency through competitiveness strengthening

## 5) Joint Declaration for Expanding Collaborative Cooperation

In February 2024, KAI, together with the Ministry of Employment and Labor, Gyeongnam Province, Hanwha Aerospace, and partner companies, held a ‘Joint Declaration Ceremony for Expanding Collaborative Cooperation in the Aerospace Manufacturing Industry.’

Based on this joint declaration, KAI plans to form a collaborative cooperation council and actively discuss it so that win-win agreement tasks genuinely needed by partners can be identified. Through this, effects such as ▲ the inflow and cultivation of young and skilled personnel, ▲ improvements in the working conditions and welfare of partner company workers, and ▲ the creation of quality jobs are expected.

Since the initial agreement, Gyeongnam Province has achieved the highest S grade in the Ministry of Employment and Labor’s performance evaluation, and this collaborative cooperation activity will continue to be pursued in 2026.

## 6) Partner Workshop and Collaborative Cooperation Agreement

In July 2023, KAI held a ‘Collaborative Cooperation Partner Workshop’ to strengthen the competitiveness of the aerospace industry and signed a ‘Collaborative Cooperation Agreement.’

Through this, KAI comprehensively improved its win-win policies, including expanding shared growth funding, supporting productivity improvements, and increasing the outsourcing of in-house volume.
By devising measures to retain personnel and improve productivity, the partner companies laid the foundation for shared growth (win-win) to strengthen the aerospace industry ecosystem.

## 7) Rally for Stabilizing aerospace industry Production and Strengthening Competitiveness


In March 2024, KAI pledged funding support of more than KRW 10 billion including unit price increases, as well as the easing of emergency loan conditions, and decided to review a plan to share a portion of future profit increases with its win-win partner companies.

In response, the partner companies pledged to faithfully implement measures such as ▲ personnel recruitment, ▲ expansion of production capacity, and ▲ resolution of parts shortages.

They announced a resolution to this end, expressing their determination to restore the industry ecosystem by strengthening the self-sufficiency and stabilizing the management of domestic aerospace small and medium·-sized partner companies that have been experiencing difficulties since the COVID-19 pandemic.

## 8) Win-Win Agreement to Improve the Dual Structure of the Gyeongnam aerospace industry

In July 2024, KAI, together with the Ministry of Employment and Labor, Gyeongnam Province, Hanwha Aerospace, local government heads, and partner companies, held a 'Win-Win Agreement Ceremony to Improve the Dual Structure of the Gyeongnam aerospace industry.'

Gyeongnam Province was selected for the Ministry of Employment and Labor's open-competition project, the 'Region-Led Dual Structure Improvement Project.' This agreement focused on securing personnel for and improving the working conditions of aerospace manufacturing partner companies in the province.

The collaborative cooperation council identified win-win agreement tasks genuinely needed by partners, and this was operated as the first regional-level win-win model in which local governments and companies cooperate and the central government provides support.

Through this agreement, the Ministry of Employment and Labor and Gyeongnam Province established and operated the following support programs for workers and companies:

- **Worker support:** Il-chaeum subsidy (new hires), work-family balance incentives (marriage and childbirth), and long-term skilled technician incentives
- **Company support:** Il-doyak incentive (new recruitment) and employment and work environment improvements

The prime contractor supports the operation of recruitment fairs, joint training centers, the establishment of a Vietnam academy, and win-win hope mutual-aid programs to help partners secure outstanding talent, while partners agreed to provide matching support such as long-term skilled incentives. In addition, the prime contractor plans to continue shared growth with partners in smart factory deployment and expansion, technical support, shared growth fund creation, low-interest loans, and industrial safety.

KAI successfully completed the first-year project in 2024, and in 2025, with the confirmation of the government budget, it supplemented and improved support items such as welfare cost support and continued to carry out the project. In addition, in 2025, to expand support for partner companies' recruitment of overseas specialized personnel, it signed a separate agreement with Indonesia in addition to Vietnam, thereby continuously supplying outstanding personnel verified by local specialized training institutions.



## 9) Awards for Outstanding Companies in Regular Evaluations and General Meeting of Win-Win Partners to Expand Support Policies

KAI holds an annual general meeting of its win-win partner companies to solidify its commitment to strengthening the domestic aerospace industry ecosystem and to collaborative cooperation. In particular, to encourage partners that contributed to improving the parts shortage rate despite difficult business conditions, in 2024 it expanded the scale of awards for outstanding companies from the previous 20% to 30%.

Going forward, KAI plans to strengthen the following support for shared growth with its win-win partner companies:

- **Strengthening production capacity and expanding support**: Seeking measures to respond to the global supply chain crisis and strengthening partner support policies
- **Stable volume supply**: Continuing to expand the commercial aircraft structures business in line with the recovery of the global commercial aircraft market
- **Innovation activity support**: Supporting partners' productivity improvement and cost reduction activities to enhance order competitiveness

## 10) 2025 Win-Win Partner Business Briefing

In February 2025, KAI held a business briefing to create a New Year communication forum between KAI and its win-win partner companies and to strengthen supply chain management.

At the briefing, KAI shared its key business outlook and discussed measures to strengthen production and quality management. It also introduced, as key win-win support policies, the expansion of investment cost support to secure production capacity and its ESG management plan for responding to the EU supply chain due diligence directive.


## 11) Collaborative Cooperation Support Policies

The commercial aircraft business is largely operated as a win-win order program based on partner production volume. KAI is responsible for initial investments such as technology development support, material procurement provision, and jigs and tools, while partners take charge of production based on their personnel and equipment, carrying out collaborative cooperation. In domestic defense and complete-aircraft export projects as well, about 90% of airframe structure parts are produced through collaborative cooperation with small and mid-sized partner companies in the manner described above.

Based on the February 2020 declaration of the win-win policy and the selection as a 'Jasanghan (Considerate) Company,' KAI operates the 'Manufacturing Subcommittee Council,' a voluntary council of partner companies, maintaining a cooperative relationship for mutual development between KAI, the prime contractor, and its partners.

In particular, in 2025, KAI operated a win-win fund program that provides low-interest loans for part of equipment investment costs to partners that have difficulty accessing financial institutions, and to date it has provided KRW 10.9 billion to a total of 9 companies. This program is operated with a total of KRW 30 billion in its own funds within an annual limit of KRW 10 billion, and KAI plans to continuously expand the funds going forward.

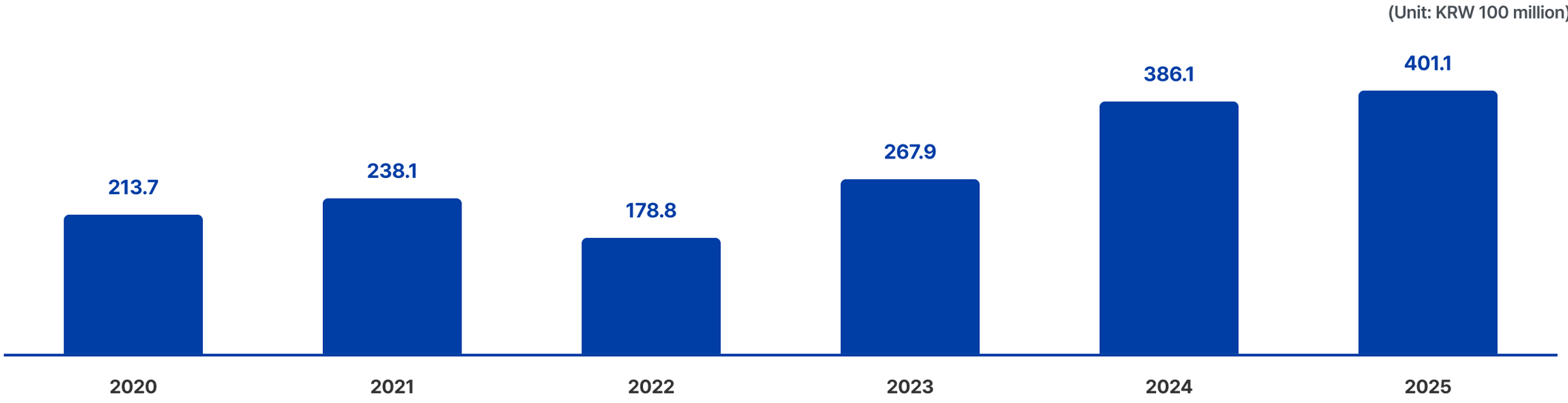
In response to the supply chain crisis across the aerospace industry caused by the pandemic and global conflicts, KAI is further expanding its collaborative cooperation support policies, smoothly operating them centered on three programs: management stabilization, competitiveness enhancement, and job stability.

**Strengthening industrial competitiveness based on win-win cooperation and building enjoyable and happy workplaces for partner companies**

* Based on 2020–2025 performance

| Management Stabilization Support | Competitiveness Enhancement Support | Job Stability Support |
|---|---|---|
| 55 companies<br>KRW 141.81 billion provided | 44 companies<br>KRW 8.74 billion provided | 43 companies<br>KRW 18.02 billion provided |
| • Emergency fund support for management crises<br>• Interest support for operating capital loans<br>• Direct low-interest loans for companies facing difficulty securing equipment investment funds<br>• Fund guarantee support in cooperation with guarantee institutions (Korea Credit Guarantee Fund/Korea Technology Finance Corporation)<br>• Operation of an order-based standing loan program in cooperation with financial institutions | • Improvement of poor on-site environments (5S)<br>• Strengthening competitiveness through new technologies/process improvements<br>• Support for smart factory establishment | • Operation of the Joint Employee Welfare Fund<br>• Naeil Chaeum Mutual Aid Program support (long-term retention of core personnel) |

**Status of Collaborative Cooperation Support**



# Shared Growth with Suppliers

## Management Stabilization Support

### 1) Interest Support Program for Shared Growth Funds

Through agreements with Gyeongnam Province and the Korea SMEs and Startups Agency (KOSME), KAI provides interest subsidies on investment and operating capital loans on a scale of KRW 100 billion, and by 2025 it had provided financing interest subsidies for development funds of KRW 57.6 billion to a total of 39 SMEs.

### 2) Emergency Fund Support for Suppliers in Management Crisis

KAI operates its own emergency operating fund support program for partner companies experiencing temporary management crises. It expanded the total support scale from KRW 10 billion to KRW 20 billion and the per-company limit from KRW 1 billion to KRW 2 billion. It also eased loan conditions, such as introducing a grace period, and to date has provided KRW 47.5 billion to a total of 22 companies.

### 3) Loan Guarantee Program for Collaborative Cooperation

To support SME financing, KAI contributed KRW 180 million to the collaborative cooperation fund, and through a guarantee support program with a per-company limit of KRW 3 billion, it guaranteed loans of KRW 2.7 billion for a total of 3 companies.

In addition, in November 2024, KAI signed an agreement with the Korea Credit Guarantee Fund and launched a ‘Joint Project Guarantee Program,’ providing guarantees of up to KRW 2 billion per company. Through this, it provided fund guarantees of KRW 8.6 billion for a total of 8 companies in 2024 and KRW 6 billion for 5 companies in 2025. In 2025, it signed agreements with Woori Bank and the Korea Technology Finance Corporation to carry out operating and facility fund guarantee programs for partners, providing fund guarantees of KRW 3.3 billion for a total of 5 companies.

In particular, in 2025, KAI signed an agreement with Woori Bank for an order-based standing loan program, providing operating fund loans of KRW 5.14 billion to a total of 16 companies.

In 2026 as well, KAI plans to continuously provide guarantees for partners’ fund shortfalls through this program.

### 4) Increase in Delivery Unit Prices

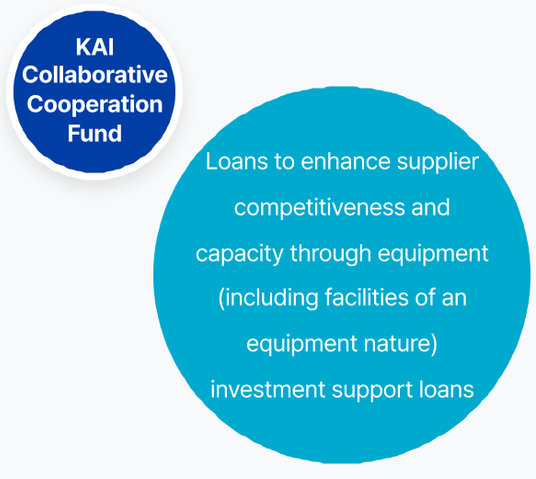
To normalize partners’ management and secure investment capacity after the pandemic, KAI has been increasing delivery unit prices at a level of about 3% every other year (on a scale of KRW 10 billion per year), and across 2020, 2022, and 2024 it implemented delivery unit price increases of approximately KRW 30 billion for the purposes of unit price increases and compensation for business losses.

### 5) Operation of the Collaborative Cooperation Fund

With outsourcing expenditures expected to double by 2030, there is a need to proactively secure the mid- to long-term machinery and equipment production capacity of win-win partner companies. In addition, to resolve the investment-avoidance tendency caused by delayed profit recovery among win-win partners after the pandemic and to help secure insufficient capacity and improve productivity, KAI is providing low-interest support for equipment purchase costs. To this end, KAI has created its own budget of KRW 30 billion (operated at a scale of KRW 10 billion annually) and has operated a loan support program for win-win partners since 2025, approving loans of KRW 10.9 billion for a total of 9 companies to date.

## Overview of the Collaborative Cooperation Fund

**Promoting Sustainable Financial Support Policies to Expand Production Capacity**




**Announced at the November 2024 General Meeting for Collaborative Cooperation Partners**

| | |
|---|---|
| New Initiative | **KAI Collaborative Cooperation Fund Operational Plan (Draft)**<br>• Support Details: Ultra-low interest loans for equipment purchases<br>• Support Scale: Total of KRW 30 billion |

**Support Plan**

| Amount | Interest Borne by Partner Companies | Operational Plan |
|---|---|---|
| Total KRW 30 billion fund | 1% | • Annual loans of KRW 10 billion for equipment purchases<br>• Up to KRW 3 billion per company<br>• KAI secures funds to provide loans to partner companies at a 1% interest rate |

# Competitiveness Enhancement Support

## Supplier Incentives and Performance Sharing

Each year, through regular supplier evaluations, KAI awards up to KRW 100 million to partners that achieve outstanding performance, and as a principle the award money directly benefits the employees of the recipient company.
It also operates a 'Cooperative Suggestion Program' that evaluates innovation proposals and provides performance bonuses according to grade. To accelerate the establishment of a sustainable and self-driven innovation culture, it holds 'Innovation Activity Presentations' to share outstanding improvement cases with partners and spread the innovation culture.

# Job Stability Support

## 1) Joint Employee Welfare Fund

Through matching among local governments, KAI, and SMEs, a welfare fund averaging KRW 3.8 billion annually has been created from 2020 to 2025. On this basis, KAI improves the work environment for some 5,400 workers at 39 partner companies, providing holiday and anniversary gifts and supporting clubs and sports events, thereby contributing to enhanced employee welfare and quality of life. In particular, since 2025, to expand welfare support for partner company workers, it increased its contribution from the previous KRW 1 billion to KRW 2 billion, and it plans to continue contributing going forward.

## 2) Paid-Leave Training Support

After the 'Region-Specific Emergency Vocational Training Pilot Program,' launched for the first time in the nation by the Ministry of Employment and Labor and Gyeongnam Province in October 2020, the 'Region-Specific Long-Term Paid-Leave Training Program' was formalized in 2022. As part of this program, KAI conducted paid-leave training for the idle workforce of partner companies in cooperation with the Korea Polytechnics Jinju Campus and others.

As a result, a cumulative total of some 5,500 people completed the training, and with support of approximately KRW 13.2 billion in labor costs and 50% of social insurance premiums from local governments such as the Ministry of Employment and Labor and Gyeongnam Province, it contributed to enabling partners to stably maintain employment even during the pandemic.

## 3) Naeil Chaeum Mutual Aid Program

Based on an agreement with the Korea SMEs and Startups Agency (KOSME), KAI operates a program that encourages the long-term retention of partner companies' core personnel.

- **First program:** KAI, partners, and employees jointly contributed KRW 330,000 per person each month, helping them accumulate about KRW 25 million over five years, supporting a total of 45 people at 14 companies.
- **Second program (expanded in 2024):** Gyeongnam Province, KAI, partners, and employees jointly create a fund, contributing KRW 480,000 per person each month to support asset formation of about KRW 30 million over five years.

## 4) Personnel Acquisition Support

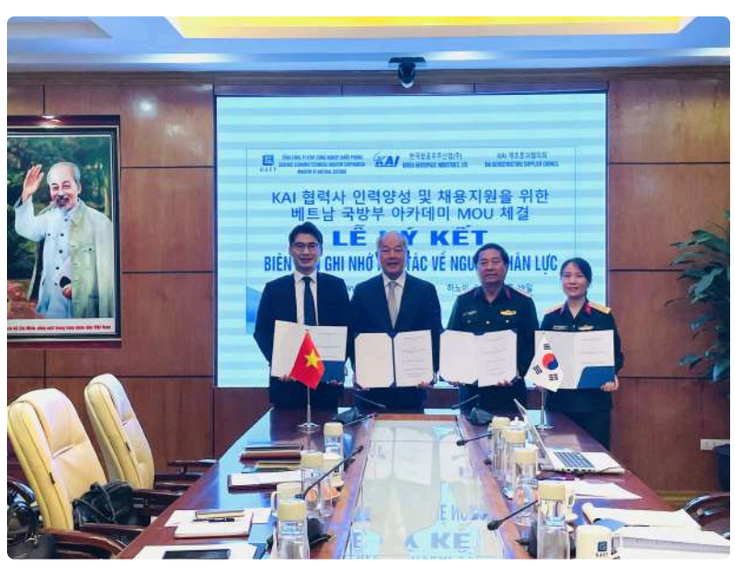
### Overseas Personnel Development

**[System Improvement to Secure Overseas Specialized Personnel]**
To resolve partners' labor shortages and smoothly secure overseas specialized personnel for aircraft parts manufacturing, KAI proposed to the Ministry of Justice the creation of an E-7-3 designated-activity visa. As a result, the creation of the 'aircraft parts manufacturing worker' occupation was confirmed in January 2024, and the visa system was fully implemented from May of the same year.

**[Development and Recruitment of Specialized Personnel in Vietnam and Indonesia]**
In March 2024, KAI signed an overseas academy memorandum of understanding (MOU) with GAET, a state-owned enterprise under the Vietnamese Ministry of National Defense, to develop and recruit specialized personnel in Vietnam. Taking partners' circumstances into account, KAI took the lead in establishing a training course specialized in aircraft parts manufacturing, and linked it with the E-7-3 visa to match personnel with partners on the premise of employment. Currently, some 90 people have completed the training and are entering the country in sequence to undergo recruitment procedures.

In addition, to create a friendly atmosphere between the two countries by attracting personnel from complete-aircraft export destination countries and to expand the overseas outstanding-personnel supply chain, KAI signed a 'Memorandum of Understanding (MOU) for the Development and Supply of Specialized Aviation Personnel for Partner Companies' with Indonesia's PT PDS in February 2025. PT PDS, a leading personnel development and dispatch company in Indonesia, cooperates with the local state-owned aerospace company and KF-21 partner PT DI (Dirgantara Indonesia) and others to establish an aerospace-specialized academy and develop and recruit specialized personnel.

**[Recruitment Support for Domestic International Students]**
To encourage domestic international students to seek employment at win-win partner companies, in November 2023 KAI visited six domestic universities (Pusan National University, Daegu University, Keimyung University, Jeonbuk National University, Sunmoon University, and Koje College) to hold an 'International Student Recruitment Briefing.' Through the briefing, it shared the vision of the aerospace industry, the status of the Sacheon region and partner companies, and future plans, and conducted customized recruitment consultations between partners and students. A total of 113 students participated in the event, of whom 70 expressed their intention to seek employment.





## Domestic Personnel Acquisition

Since 2022, KAI has jointly held an 'Aerospace-Specialized Recruitment Fair' each year with related organizations such as Sacheon City, and alongside it conducts a KAI-led aerospace manufacturing vision briefing for job seekers, devoting its full efforts to securing domestic talent.

In addition, to alleviate the wage and welfare gap between prime contractors and subcontractors, the Ministry of Employment and Labor, local governments (Gyeongnam Province, Changwon City, Sacheon City), the prime contractor (KAI), and partner companies formed a collaborative cooperation council and are participating in the Ministry of Employment and Labor's new program, the 'Gyeongnam aerospace industry Win-Win Gap-Reduction Support Project.' To attract new personnel to the aviation sector and encourage long-term retention, in July 2024 the Ministry of Employment and Labor, Gyeongnam Province and local governments (Changwon City, Jinju City, Sacheon City), KAI, Hanwha Aerospace, and partner companies jointly signed the 'Win-Win Agreement to Improve the Gyeongnam Dual Structure.' Based on this, KAI successfully completed the first-year project in 2024 and is faithfully implementing the agreement through continuous participation in the second-year project in 2025.




# Strengthening Supplier Capabilities

## 1) Building a Supply Chain ESG Foundation

In line with the global trend of strengthening supply chain ESG risk management, such as the EU supply chain due diligence directive and global SCM standardization, KAI's major customers Airbus and Boeing also emphasize ESG management within the supply chain. Accordingly, to proactively respond to supply chain ESG risks, KAI utilized its collaborative cooperation fund to launch a 'Supplier ESG Consulting Pilot Program' in 2023 for 10 partner companies, including ESG training, due diligence assessment/evaluation, consulting, and monitoring of improvement activities.

KAI supports partners' risk inspection and capability enhancement in preparation for the enforcement of the EU supply chain due diligence directive. As part of this, in 2025 it participated in the 'Climate Disclosure and Supply Chain Due Diligence Response Foundation Building Project' hosted by the Korea SMEs and Startups Agency, systematically diagnosing and evaluating partners' risks. Centered on Environment (E), Social (S), and Governance (G), it inspected key items such as environmental management systems, greenhouse gas emissions, safety and health, and ethics and compliance; based on this, it identified items requiring improvement and carried out customized improvement activities, and it continues to conduct ongoing improvement activities on this basis.
To carry out this project, KAI formed a consortium with 7 partner companies through a preliminary demand survey and successfully completed the entire process, from in-depth diagnosis and evaluation to consulting, training, and inspection of improvement task implementation.
In 2026 as well, KAI plans to encourage partners' participation and continue related support in line with the project plans of the Korea SMEs and Startups Agency.

## 2) Free Transfer of KAI-Owned Automation Technology

To support partners' productivity improvement, KAI transfers, free of charge, its AI-based robotics core automation technologies (robotic drilling, routing, deburring, polishing, riveting, etc.) to its partner companies.
In addition, it jointly carries out the Ministry of SMEs and Startups' robot-based manufacturing innovation project and provides partners with robot automation technologies such as collaborative robot processing tools (end effectors) designed under KAI's leadership.

## 3) Personnel Development (Customized Training Support)

For the continuous development of Korea's aerospace industry, KAI has operated a joint training center since 2015. The number of partner companies expanded from 57 in 2015 to 237 as of 2025, producing a cumulative total of more than 7,000 training completers. Based on regular demand surveys, KAI develops customized training courses and provides systematic training support measures to strengthen the technological competitiveness of partner companies.

Based on these efforts, KAI is producing outstanding results in the field of aerospace industry talent development, including achieving the highest grade in the 2022 National Human Resources Development Consortium performance evaluation.

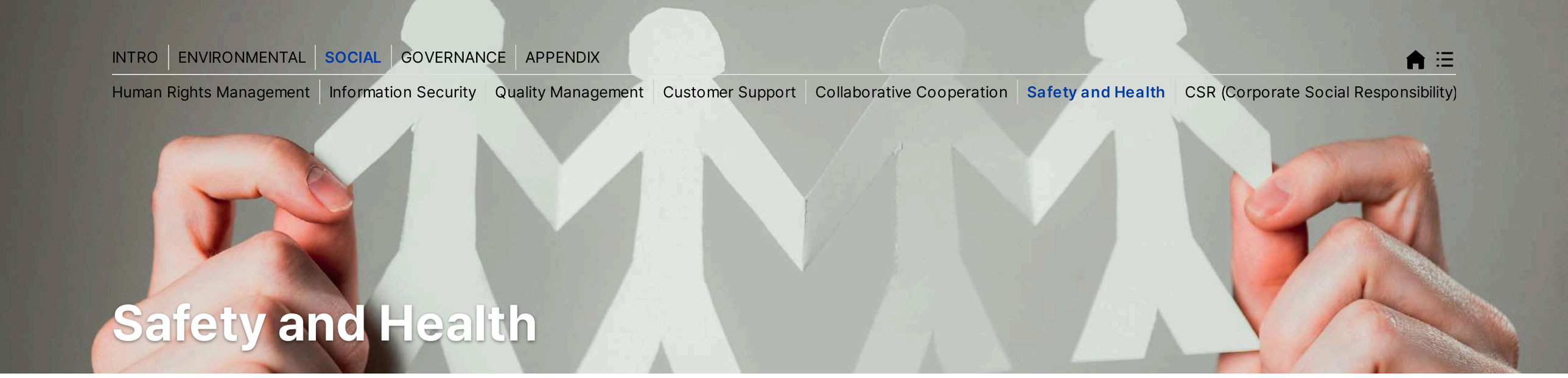
# Supplier Development Roadmap

KAI aims to build a strategic cooperation system tailored to the level and capabilities of its partners and to operate a ‘performance-oriented customized development system’ in stages. This development system is divided into Core Partnerships, Specialization Development Companies, and Basic Capability Strengthening Companies, and the support measures for each stage are as follows:

- **Core Partnerships:** For companies that have established self-sustaining independent business systems, KAI operates a joint order cooperation system to solidify strategic partnerships.
- **Specialization Development Companies:** For companies that need growth based on technological expertise, KAI supports technology-specialized development to grow them into core partners.
- **Basic Capability Strengthening Companies:** For companies that need to strengthen their growth foundation, KAI supports process improvement and workplace innovation to help improve management and leap to specialization companies.

In particular, KAI transfers its AI-based core automation technologies (robotic drilling, routing, deburring, polishing, riveting, etc.) free of charge to actively support partners’ productivity improvement.
In addition, to strengthen global competitiveness, KAI plans to concretize and optimize a phased SCM ecosystem. Through this, it will support partners’ manufacturing innovation, capability strengthening, and personnel acquisition, and plans to reorganize and expand a long-term, strategic domestic supply chain in line with the expansion of complete-aircraft platforms.

| Cooperation System Stage | Development Direction |
|---|---|
| Core Partnerships | • Order collaboration and operation of a strategic cooperation system<br>• Cluster factory operation partner |
| Specialization Development Companies | • Support for technology-specialized and specialization development<br>• Strengthening self-sufficiency and developing into core partners |
| Basic Capability Strengthening Companies | • Support for process improvement and workplace innovation<br>• Support for management improvement and growth into specialization companies |



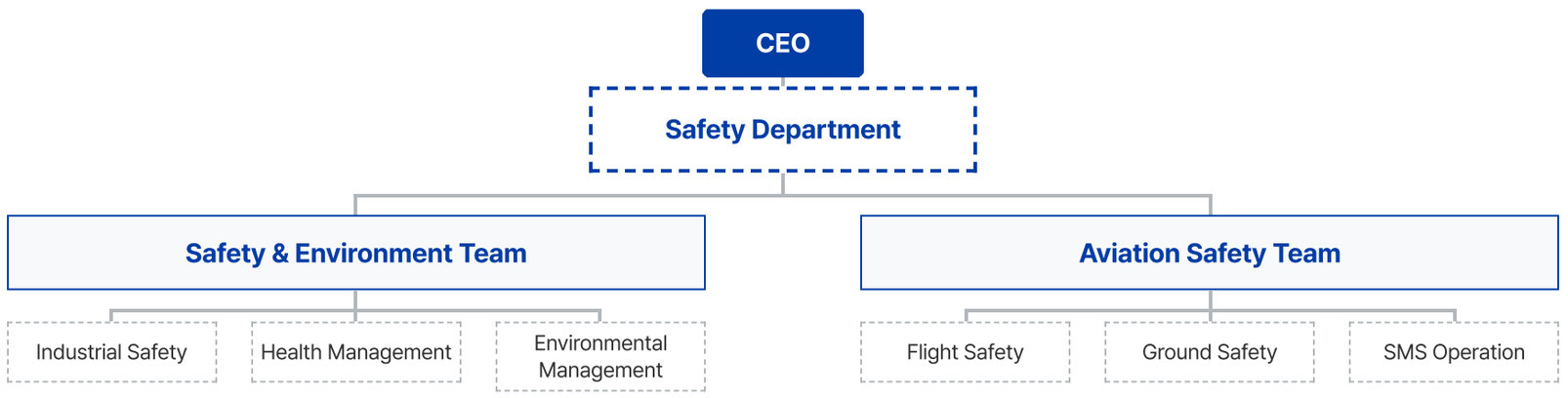
# Safety and Health

## Practicing Safety Commitment

### CEO's Safety Commitment

KAI has established a Safety Department reporting directly to the CEO and systematically manages the prevention of various safety accidents that may occur at its worksites with excellent systems and technological capabilities, while all members strive to create KAI's own safety culture. In particular, the CEO emphasizes on-site safety; under the belief that the answer to every problem lies at the site, KAI creates a safe work environment by removing and improving risk factors in production activities in advance, and periodically conducts safety and health campaigns to raise members' safety awareness.

Through the year-end Company-Wide Safety Day event, KAI evaluates the performance of these activities over the year and grants awards to individuals and organizations, striving to raise members' safety awareness and establish a safety culture. In addition, to manage the safety not only of KAI but also of its partner companies, KAI continuously seeks ways to achieve mutual win-win by transferring its excellent technological capabilities to partner companies. Through various safety and health activities, KAI strives to enable all members to work in a safe and pleasant environment.




| Safety & Environment Team | Aviation Safety Team |
|---|---|
| Performs functions and roles for accident prevention and the establishment of a safety culture by building a safety, health, and environmental management system to create a safe work environment and a healthy organizational culture, thereby preventing, identifying, assessing, and improving risk factors in advance | Performs functions and roles to continuously develop, maintain, and manage aviation safety by implementing the International Civil Aviation Organization (ICAO) Annex 19 safety management standards and obtaining government approval for the Safety Management System (SMS) stipulated in the domestic Aviation Safety Act |

## Aviation Safety

### Aviation Safety Policy and Goals

KAI places 'safety' as its top priority in all management activities and, based on making safety practice a way of life, continuously achieves accident-free goals in aircraft development, mass production, and test flights. Through its state-of-the-art aviation safety management system, it proactively identifies safety hazards, assesses risks, and takes mitigation measures, sparing no effort in fostering and establishing an advanced safety culture.

To operate an aviation safety management system that supports systematic and continuous growth, KAI has established an aviation safety organization comprising the CEO, key safety personnel, the general safety manager, the responsible safety manager, and department heads by division. On this basis, it promotes active communication within the organization and strengthens proactive safety risk management.

In addition, to continuously achieve aviation safety goals, KAI analyzes and resets its safety performance indicators and goals each year, and checks and manages goal achievement quarterly.

Furthermore, to prepare for emergency situations that may arise during aircraft development, production, and test flights, KAI conducts emergency response drills at least four times a year to cultivate initial response capabilities. After each drill, it identifies and improves problems through self-evaluation, thoroughly preparing to respond in a timely manner in the event of an actual emergency.

#### 2025 Aviation Safety Performance Indicators/Goals

| Classification | | Safety Performance Indicator | Count | Performance Goal | Result |
|---|---|---|---|---|---|
| Defense Development / Production | Common | Voluntary Safety Reports | 73 | 65 or more per year | ○ |
| | | Fixed-Wing Aviation Safety Occurrences (Voluntary/Mandatory reporting per the Aviation Safety Act) | 6 | 10 or fewer per year | ○ |
| | | Rotary-Wing Aviation Safety Occurrences (Voluntary/Mandatory reporting per the Aviation Safety Act) | 5 | 10 or fewer per year | ○ |
| | | Bird Strikes | 0 | 2 or fewer per year | ○ |
| | Ground | Aircraft Ground Safety Accidents | **1** | 1 or fewer per year | ○ |
| | | Safety Accidents During Ground Equipment Operation | 0 | 1 or fewer per year | ○ |
| | Flight | Aircraft Serious Incidents | 0 | 1 or fewer over 5 years | ○ |

# Aviation Safety Risk Management

KAI has established an aviation safety risk management system to identify and analyze aviation safety hazards in advance, assess risk levels, and implement risk mitigation measures. It strengthens preventive measures through the collection of various safety data and the measurement and analysis of risks, and carries out appropriate mitigation measures according to the risk levels calculated in the risk assessment stage.

# Aviation Safety Assurance

KAI conducts aviation safety internal audits, issues corrective action requests for deficient areas, implements improvement measures, and continuously observes and manages the results and effectiveness of these actions. In accordance with the aviation safety management system manual, it analyzes internal audit results and reflects them in the next internal audit plan, establishing a system for continuous management.

In addition, it establishes seasonal aviation safety hazard mitigation measures and implements proactive mitigation for potential safety hazards in the flight and production fields by period. To prevent safety accidents that may arise from increases in the number of aircraft development and mass-production test flights, rising difficulty, and seasonal characteristics, it comprehensively controls and manages human, material, and environmental factors, and conducts ongoing aviation safety oversight to minimize risks.

## 2025 Aviation Safety Internal Audit

| Classification | | First Half | Second Half | Remarks |
|---|---|---|---|---|
| Audit Status | | • Auditors: Aviation Safety Team safety officers (4)<br>• Schedule: 2025.06.16 – 06.30<br>• Scope: 14 departments including Flight Test, Production, Quality, and Future | • Auditors: Aviation Safety Team safety officers (4)<br>• Schedule: 2025.12.15 – 12.24<br>• Scope: 13 departments including Flight Test, Production, Quality, and Future | |
| Audit Result | Result | • Inspection items: 689<br>• Results: 670 satisfactory, 19 minor non-conformities and observations | • Inspection items: 671<br>• Results: 670 satisfactory, 1 minor non-conformity and observation | |
| | Findings | • Fixed-Wing: 15 cases including exceeding total aerial refueling flight hours<br>• Rotary-Wing: 2 cases including missing fire extinguishers in Helicopter Building 2<br>• Future: 2 cases including failure to complete UAV pilot health checklists | • Fixed-Wing: Need to specify CTT operating procedures<br>• Rotary-Wing: Failure to carry portable radios during towing<br>• Future: Need to master action procedures during emergency response drills | |

# Aviation Safety Promotion

To inspire and enhance the safety awareness of all employees, KAI holds a Company-Wide Safety Day event every year. This event is an occasion to pledge to make safety culture practice a way of life and to express a strong safety commitment to remaining faithful to the fundamentals through the CEO's safety implementation pledge declaration. KAI carries out various safety promotion activities, such as acquiring the latest safety knowledge and information through invited lectures by safety experts. It also grants awards to those with merit in safety activities and to individuals and organizations that achieve accident-free flight goals, inspiring employees' pride and motivation. In addition, it concurrently holds a safety practice competition and a safety symposium to expand employee participation.

Furthermore, twice a year KAI holds flight safety meetings for test-flight pilots and engineers to listen to voices from the field and actively reflect them in improving the flight safety environment, doing its utmost to promote safety.

# Signing of Mutual Cooperation Agreements (MOU) for Aviation Safety Promotion

KAI signed mutual cooperation agreements with the Air Force Aviation Safety Group in 2023 and with the Army Aviation Command and the Army Aviation School in 2024. Building on this, in 2025 it signed agreements with the Navy Aviation Command and the Marine Corps Aviation Group to expand exchanges of technology, information, personnel, and training in the aviation safety field and to secure aviation safety by removing safety-impeding factors through mutual cooperation. Furthermore, in 2026 it plans to pursue mutual cooperation agreement ceremonies with the National Police, the Korea Forest Service, the Central 119 Rescue Headquarters, and the Korea Coast Guard.

In addition, in 2025 KAI hosted the 'First Integrated Aviation Safety Seminar' for the purpose of joint aviation safety promotion between the aircraft manufacturer and operating institutions. In 2026, to share mutual safety information with an even wider range of operating institutions, it plans to hold the 'Second Integrated Aviation Safety Seminar.'

# Aviation Safety Training

KAI has developed aviation safety cyber training courses for all employees and conducts mandatory training for all employees twice a year.
It also designates and appoints safety officers for each functional department and supports their participation in courses at specialized aviation safety training institutions, striving to strengthen capabilities and cultivate specialized personnel.
Furthermore, at least twice a year, KAI holds invited lectures by safety experts for managers and direct flight personnel.

## Aviation Safety Training

| Period | Session | Course | Completers (persons) |
|---|---|---|---|
| 2025 | First Half | • Aviation Safety Culture | 3,830 |
| | Second Half | • Aviation Safety Human Factors | 3,959 |
| | Annual | • Health management for pilots and MCR operating personnel (invited training)<br>• Safety training for maintenance personnel (invited training)<br>• Safety training for test-flight personnel (in-house expert instructors)<br>• Specialized training courses at the Air Force Aviation Safety Group, Korea Aerospace University, and others | 100<br>371<br>45<br>7 |

## Awards for Aviation Safety Merit

| Safety Culture Promotion Category | Details | Timing | Presenter |
|---|---|---|---|
| **Aviation Safety Practice** | Awards for outstanding practitioners of aviation safety | As needed | General Safety Manager |
| **Outstanding Organization Evaluation Award** | Awards for organizations excelling in aviation safety prevention activities (3 teams) | Once a year | General Safety Manager |
| **Aviation Safety Merit Award** | Awards for those with aviation safety merit and outstanding organizations (6 individuals, 2 teams) | Once a year | CEO |
| **Accident-Free Flight Achievement Award** | Awards commemorating the achievement of accident-free flight goals by organizations and individuals | Upon goal achievement | CEO |
| **Safety Banners and Campaigns** | - Raising safety awareness and establishing a safety culture through banner postings<br>- Placement of banners emphasizing aviation safety | Once a quarter | - |

# Safety, Health, and Environmental Management

## Safety, Health, and Environmental (SHE) Promotion System

### 1) Achieving Our Vision and Goals

To achieve its vision of ‘growing into a healthy and happy global company for all employees by leading the aerospace industry’s safety culture through continuous innovation and the establishment of a self-sustaining safety culture,’ KAI has set three key goals for 2026.
The detailed goals are a ‘10% reduction in the accident rate’ through the advancement of the safety management system, ‘achieving an incidence of employees with health concerns below 11%’ through the operation of life-oriented health promotion programs, and ‘doubling the share of renewable energy use’ based on strengthening the ESG environmental framework for sustainable management.
In addition, to secure competitiveness in the global safety, health, and environment fields, KAI has obtained certifications for Safety and Health Management System (ISO 45001), Environmental Management System (ISO 14001), and Energy Management System (ISO 50001).

#### Vision and Goals

**Vision**

**Leading the safety culture in the aerospace industry through continuous innovation and the establishment of a self-sustaining safety culture, KAI grows into a healthy and happy global company for all employees.**

**Goals**

- **Accident rate 10% reduction** (Compared to the average accident rate of the last 3 years)
- **Incidence of employees with health concerns 11% achievement**
- **Share of renewable energy use double expansion**

**Action Plan (Key Priorities)**

1. **Through the advancement of the safety management system, reduce the accident rate by 10%**
   - Proactive response to government safety and health policies and environmental changes
   - Advancement of the safety and health management framework and system
   - Strengthening partner companies' safety and health management framework
   - Year-end safety and environment evaluation and improvement of penalty criteria
2. **Through the operation of life-oriented health promotion programs, achieve an incidence of employees with health concerns below 11%**
   - Operation of health promotion programs to improve lifestyle habits
   - Improving the psychological counseling environment and forming a self-care culture
   - Advancement of the musculoskeletal disorder prevention system
3. **For sustainable management, strengthening the ESG environmental management framework**
   - Expanding the share of renewable energy adoption
   - Building an environment and energy management system to respond to climate change
   - Participation in domestic and international initiatives and partnership activities

#### ISO Certification Status by Site

| Category | Business Locations | Validity Period |
|---|---|---|
| **ISO 14001 (Environmental Management)** | Headquarters, Sacheon Plant 2 (Leased), Jongpo Plant, Sancheong Plant, Goseong Plant | November 2023 – October 2026 |
| **ISO 45001 (Occupational Health and Safety Management)** | Headquarters, Sacheon Plant 2 (Leased), Jongpo Plant, Sancheong Plant, Goseong Plant, Jinju Rotary-Wing Flight Center | September 2025 – October 2026 |
| **ISO 50001 (Energy Management)** | Headquarters | December 2023 – December 2026 |

## 2) Safety, Health, and Environment (SHE) Risk Management

In accordance with ISO 45001, 14001, and 50001 requirements, KAI analyzes internal and external issues of the organization and stakeholder requirements at the beginning of each year.
In accordance with the in-house risk assessment work guideline (DI-RM-103), all employees participate in department-level risk assessments. Through prior training, they independently identify risks and hazards, and through follow-up training, they share the establishment of risk-reduction measures and their implementation results.
The department-level improvement measures derived from the risk assessment results either eliminate risks through 'self-improvement' or, through 'program registration,' establish safety and health improvement goals and implementation plans managed as safety, health, and environmental improvement programs. In addition, KAI manages safety and environmental risks through continuous monitoring via monthly progress evaluations, and improvement cases can be freely viewed by all employees. In 2025, it identified a total of 138 risk factors, including 89 for safety and health and 49 for environment and energy, and completed improvements for all of them.

### 2025 Safety and Environmental Improvement Program Performance

| Classification | Goals | Key Achievements (Detailed Goal: Improvement Program) |
|---|---|---|
| Safety & Health (89 cases) | Reducing Accident Rate by 10% | • Reduced accident rate[1)] by 8.5% (from 0.508% to 0.465%), reaching 85% of the target (increase in new-hire accident rate)<br>• Implemented a total of 68 improvement programs, including fall accident prevention through the installation of dedicated ladders for AGV boarding and alighting<br>* Improvement measure: Operating safety awareness reinforcement programs for junior employees |
| | Reducing musculoskeletal disorder (chronic and acute) incidents by 21% | • Reduced musculoskeletal disorder incidents by 92.9% year-on-year, reaching 442% of the target<br>• Implemented a total of 10 improvement programs, including musculoskeletal disorder prevention through the introduction of dedicated carts for moving heavy jigs and tools |
| | Reducing the number of employees with health concerns by 40% | • Reduced employees with health concerns by 60% (through overtime and special-duty restrictions, etc.), reaching 150% of the target<br>• Implemented a total of 11 improvement programs, including mental well-being enhancement through strengthening mental health programs and expanding participation |
| Environment & Energy (49 cases) | Carrying out short- and long-term tasks to become an eco-friendly leading company | • Implemented a total of 3 improvement programs, including environmental pollution prevention through the installation of dual safety devices to prevent A350 cleaning fluid leaks |
| | Reducing emissions through greenhouse gas reduction activities<br>→ Reduce below the 2025 allocation (49,481 tons) | • Recorded greenhouse gas emissions of 59,625 tons at headquarters, reaching 83% of the target (impact of increased production and operation of the 2nd hangar)<br>• Implemented improvement programs such as greenhouse gas reduction and increased circular-resource output through expanded recycling of waste electrical and electronic products<br>* Improvement measure: Expanding solar (renewable energy) use at the Goseong and Jongpo plants and introducing greenhouse gas reduction facilities such as chillers (approx. 4,000 tons reduced) |
| | Hazardous chemicals and air, water, and waste emissions<br>Reduce by 3% or more compared to 2024 | • Hazardous chemicals, air, water, and waste emissions increased by 22% (impact of increased production)<br>• Implemented a total of 9 improvement programs, including reducing waste cutting oil from equipment by improving the NC lathe cutting-oil supply method<br>* Improvement measure: Complementing the limitations of setting emission targets based on simple total-volume management by establishing systematic targets linked to production efficiency performance using intensity-based emission calculation methods |
| | Continuously carrying out basic environmental activities (waste minimization, separate discharge, and recycling) | • Implemented a total of 5 improvement programs, including refining separate-discharge criteria |
| | Contributing to the local community through environmental protection activities<br>(activities linked with related organizations, cleanup activities, etc.) | • Implemented a total of 3 improvement programs (3 departments) aimed at contributing to the local community through environmental cleanup activities |
| | Promoting electricity and fuel energy saving activities<br>(1% reduction each versus the target) | • Electricity energy increased by 8.1%, fuel energy by 7.2% (impact of increased production and operation of the 2nd hangar)<br>• Implemented a total of 28 improvement programs, including reducing electricity use by enhancing the efficient placement of autoclave equipment<br>* Improvement measure: Replacing aging facilities, improving process efficiency for low-efficiency motors and compressors, and establishing and operating facility capacity optimization measures |

Note 1) The accident rate calculated by including all accidents occurring within the worksite in the official industrial accident rate approved by the Korea Workers' Compensation and Welfare Service

## 3) Emergency Response System

To respond quickly and effectively to unexpected emergencies and establish a thorough state of preparedness, KAI has built and operates an emergency response system. It identifies and analyzes in advance the various types of disasters that may occur at its worksites and has prepared step-by-step response measures; when an actual emergency occurs, it takes immediate action according to procedures by disaster type to minimize damage.
In addition, to facilitate a smooth initial response and prevent confusion in emergencies, KAI has distributed a company-wide emergency response process (flow) so that all employees are familiar with it. By repeatedly conducting drills that simulate virtual emergencies, such as calling 119, initial response, and follow-up measures, it spares no effort in securing the golden time in the event of an actual emergency patient.

### Emergency Response Flowchart for In-house Incidents

**1. Emergency occurs**
- Medical emergency occurs
- Fire/explosion/leak, etc., occurs
- Other emergency situations and proactive risk management

Department where the accident occurred

→

**2. Report incident**
- Report to Safety & Environment Team or via internal line 119
- When reporting to 119, "119 Dispatch Measures" must be followed

Department where the accident occurred

**Take actions for 119 dispatch**
- Advance notification of 119 dispatch to main gate (T. 1380)
- Assign an escort to guide responders to the incident location
- Secure access route for 119 vehicles or equipment

Reporter or related department

↓

**3. Initial response**
- **In case of a medical emergency**
  Administer first aid (CPR, staunching bleeding, etc.)
- **In case of fire/explosion/leak/emergency**
  After instructing evacuation, conduct initial response (initial firefighting/shutting off leak valve/containment)

Department where the accident occurred

←

**4. Follow-up measures**
- **Emergency patient**
  Assess injury status and decide on hospital transport
- **Fire/explosion/leak/emergency**
  Decide on deploying autonomous firefighting teams and fire trucks
  Decide on leak containment and cleanup operations

Department where the accident occurred

**Support tasks (Upon request)**
- Report to safety dept. upon incident receipt/119 dispatch (T. 1667 / 4199 / 9632)
- Exempted from inspection for 119 vehicles after incident report
- Escort 119 vehicles to the incident scene

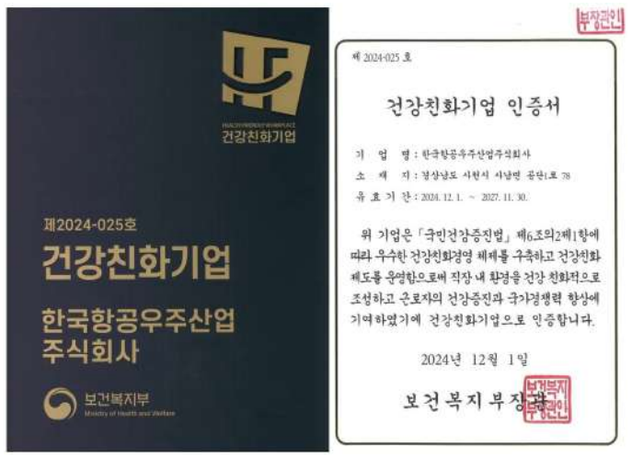
Security/on-site guard

## 4) Health Management

To promote employee health, KAI fosters a workplace safety and health culture and environment. It supports education, counseling, and health promotion activities so that members can efficiently manage their own health, and through this it has maintained the Ministry of Health and Welfare's 'Health-Friendly Company' certification in 2025.

Based on management's active interest and support, KAI operates various programs and benefits to establish a health-conscious corporate culture. In particular, it has company-wide promoted experiential programs in which members directly participate, such as yoga, moderate drinking, and fitness improvement, and concurrently ran mind self-care and psychological support meditation programs for mental health management.

By systematically managing employees' physical and mental health in this way, KAI improves work efficiency and does its utmost to create a better work environment and corporate culture.




Health-Friendly Company Certificate

## 5) Safety and Health Campaigns

In line with the trend of strengthening social responsibility for safety and health, KAI selected 'Keeping the Basics' as its key keyword for 2025 and carried out multifaceted activities to establish a safety culture.

**Key Safety and Health Promotion Activities**

- **Cultivating Safety Awareness:** In the first half of 2025, KAI conducted safety psychology reinforcement training for near-miss prevention targeting junior workers and new employees, strengthening their capabilities to identify and improve hazards.
- **Strengthening On-Site Safety:** KAI proactively removed hazards through joint on-site inspections by supervisors and safety managers, and established a safety culture through an in-house traffic safety compliance campaign.

Near-Miss Prevention Safety Psychology Training

One-Month Moderate Drinking Challenge

- **Promoting Win-Win Safety and Health:** KAI contributed to industrial accident prevention by conducting sharing activities such as safety training and risk assessment support for in-house partner companies.
- **Creating a Healthy Organizational Culture:** In the second half of 2025, as part of the 'Keeping the Basics Mind-Up Campaign,' KAI operated a 'One-Month Moderate Drinking Challenge' for interested departments company-wide, encouraging an alcohol-free dining culture and enhancing camaraderie among colleagues.

Based on these activities, KAI plans to continuously expand a variety of health promotion programs that contribute to individual health improvement and organizational culture enhancement.

In addition, by holding the CEO-led 'Company-Wide Safety Day' event at the end of each year and rewarding those who excel in safety activities, KAI encourages members' voluntary participation and establishes its own unique safety and health culture.


Keeping the Basics Mind-Up


In-house Traffic Safety Compliance Campaign


Psychological Program (Apology Day)

## 6) Partner Company Safety Management

As a significant number of safety accidents occur at small worksites, safety management at KAI's worksites, where many partner companies are resident, is a pressing key task. Accordingly, KAI focuses on proactively preventing safety accidents among in-house partner companies by actively sharing its safety and health technologies and know-how.

In addition, KAI actively participated in the government-led 'Large-SME Safety and Health Win-Win Cooperation Project' and formed a consortium between KAI and its partner companies.
A total of 50 partner companies participated in this project, and the amount of safety and health infrastructure development supported by KAI and the government totaled KRW 52.4 million. To strengthen partners' safety and health, KAI supported various tasks, including 4 safety and health seminars, matching consulting for 8 companies, safety and health campaigns and supply support, and the production and distribution of safety and health materials.

On this basis, KAI helps improve partners' safety and health levels and build safety and health management systems, and continuously supports partners in establishing self-regulated prevention systems to enhance their safety competitiveness.

# Accident Status

In 2025, KAI's accident rate was 0.16%, a level seven times lower than the industry average (1.12%).
An analysis of the 'accident rate and labor loss' due to industrial accidents in that year showed that both the number of lost workdays and the accident loss costs decreased compared to the previous year.

# CSR (Corporate Social Responsibility)

## CSR System

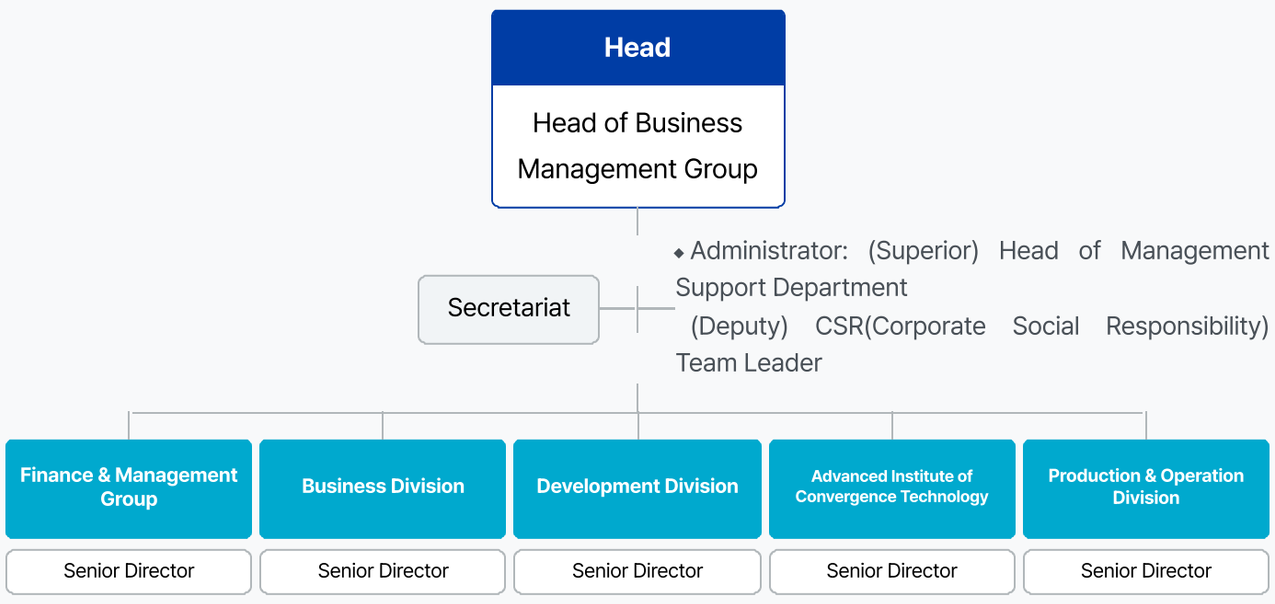
| MISSION | VISION | VALUE |
|---|---|---|
| Fulfilling our social role and responsibilities through CSR | Achieving sustainable management through CSR | Creating corporate value through strategic CSR |
| **Value Creation** | **Talent Development** | **Vision Creation** |
| We place the highest priority on the value of CSR. | We focus on developing future talent. | We shape a national vision through the aerospace industry. |
| Secretariat (Donations/Volunteering) | Aviation Camp (Educational Donation) | Aerospace Museum |

| Donations disbursed | Volunteer hours | Cumulative Camp Graduates |
|---|---|---|
| **10.38** KRW 100 million | **1,990** hours | **47,711** people |

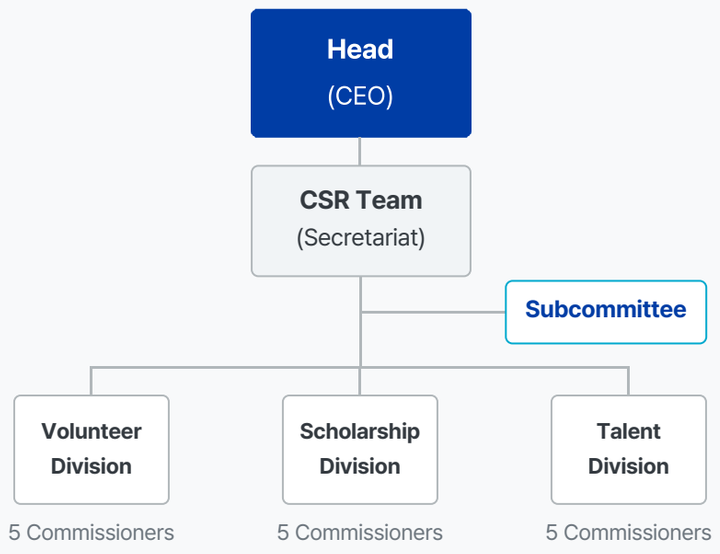
## Charitable Giving

Charitable giving is funded by corporate support funds and the funds of the employee volunteer corps, the **'KAI Nanum (Sharing) Volunteer Corps.'** Each year, across all its worksites, KAI carries out region-tailored social contribution activities in diverse fields such as social welfare, education and scholarships, and job creation, thereby contributing to the development of local communities. In addition, for the transparent execution of donations, it operates the following decision-making bodies: **the Social Contribution Promotion Group (corporate funds)** and **the KAI Nanum Volunteer Corps Subcommittee (employee funds)**.

### Social Contribution Promotion Group Organizational Chart




### KAI Nanum Volunteer Corps Organizational Chart




## Educational Donation

In 2010, KAI launched the 'Aviation Camp,' a creative experiential educational donation program, establishing itself as a 'leading innovator in educational donation in Korea.' Since building the camp facility in 2012, it has continuously operated educational programs utilizing cutting-edge aerospace science and technology. Currently, it holds more than 60 camp sessions each year, spreading related knowledge to future aerospace talent.

## Cultural Donation

As Korea's first aerospace museum, KAI preserves Korea's aerospace history and provides related infrastructure.
The museum exhibits real aircraft and national security-related artifacts on a site of approximately 46,281㎡, and through its 2024 integration with Sacheon City's Aerospace Science Museum, it provides visitors with an enhanced exhibition environment.
In addition, in cooperation with local governments (Gyeongsangnam-do and Sacheon City), it regularly operates monthly tour programs to promote regional tourism.

# Charitable Giving

## Charitable Giving Activities

### 1) Defense KAI: Patriots & Veterans Affairs and Support for (Potential) Aircraft Export Countries

**▶ Defense KAI(I): Overseas Volunteering by Employees in Indonesia**

To enhance friendly relations with Indonesia, KAI's first aircraft export country and a KF-21 program partner, KAI carried out reconstruction volunteer work at a school (Tugu Bhakti) in Jakarta from June 23 to 25. Twenty-seven employees voluntarily participated, repairing desks and chairs, painting walls and the main gate, and tidying the garden. KAI will continue to operate the 'Defense KAI' social contribution program so that its positive influence can spread around the world.

**▶ Defense KAI(Dream): Scholarship Program for Descendants of Korean War Veterans**

In commemoration of the Month of Patriots and Veterans, KAI carried out the 'Defense KAI Scholarship Program for Descendants of War Veterans' to honor the dedication and sacrifice of Korean War veterans and to help their descendants grow into future leaders of Korea. On June 11, it held a scholarship certificate ceremony at its Sacheon headquarters, selecting a total of 30 students (10 each from middle school, high school, and university) from Jinju, Sacheon, Sancheong, and Goseong, KAI's major production bases, and awarding them scholarships.



### 2) Job Creation

**▶ Equipment Support for the Sacheon Silver Mill**

To create jobs for and increase the income of the elderly in the local community, KAI sponsored the establishment of 'Noeul Rest Stop,' a senior job community project in Sacheon City. In particular, it provided a sesame oil extraction machine to the 'Silver Mill,' creating an environment where seniors can directly produce, distribute, and sell sesame oil. Through this, it contributes to strengthening the seniors' foundation for self-reliance and enhancing the competitiveness of local specialty products.

**▶ Support for the Jinju Free Laundry Service**

Since 2022, KAI has sponsored the 'Free Laundry Service for Low-Income Households' organized by the Jinju City Welfare Foundation. It is a virtuous-cycle project that assists elderly individuals living alone and households with people with severe disabilities who struggle with washing large bedding, while employing personnel from a local self-reliance center to promote the welfare and economic independence of vulnerable groups.

## 3) Education and Scholarships

**▶ Establishment of Cultural Classes at Child Welfare Facilities**

To support children at child welfare facilities who have relatively limited opportunities for cultural experiences, KAI has established and continuously supports cultural classes (① KAI Heavenly Love Choir, ② KAI Reading Club) and an athletic class (③ KAI Soccer Class). Beyond one-time financial support, KAI will continue to identify and pursue practical and sustainable social contribution activities.



**▶ Sponsoring a Regional Representative Sports Discipline**

Women's basketball, the representative student sport of Sacheon City where KAI's headquarters is located, has recently faced difficulty maintaining its legacy due to regional decline and population decrease. Accordingly, to nurture local sports talent, KAI has continuously supported a basketball team scholarship program since 2021. This support tangibly contributes to the stable operation of the local basketball team, which has been struggling due to the closure of elementary and middle school dormitories and insufficient operating funds.


## 4) Social Welfare

**▶ Supporting Neighbors in Welfare Blind Spots**

KAI identifies neighbors in welfare blind spots and carries out support projects for vulnerable groups such as the elderly, children and youth, people with disabilities, and multicultural families. It helps vulnerable groups facing livelihood and housing crises, such as households with people with disabilities that need home environment improvements, families that struggle to buy clothing and school supplies due to economic hardship, and families with limited opportunities for cultural experiences, to become self-reliant, delivering hope and courage so they can get back on their feet.

## 5) Employee Volunteer Activities

**▶ Kimchi Sharing for Love Event**

On December 20, KAI held a Kimchi Sharing for Love Event at its Sacheon headquarters. Continuing since 2016, this event is one of KAI's representative year-end social contribution activities. Some 200 people, including the heads and employees of three institutions representing Korea's aerospace sector (KAI, the Korea AeroSpace Administration, and Sacheon City), participated, making a total of 2,700 heads of kimchi that were delivered to 900 vulnerable households in Sacheon City. Based on cooperation with core aerospace industry institutions, KAI plans to continuously carry out sharing activities for underprivileged members of the local community.

**▶ Sponsorship Through Making Food and Daily Necessities**

The KAI Nanum Volunteer Corps carries out monthly activities to make and donate food and daily necessities, joined by employees' families. It practices sharing by hand-making a variety of items, including foods such as handmade yanggaeng (sweet red bean jelly), lunch boxes, and Christmas cakes, as well as pain relief ointments, carnations, and cypress humidifiers for the elderly. The items made are delivered to children's centers in the Sacheon area and to vulnerable households selected by local governments.

## 6) Emergency Support for Major Disasters

**▶ Emergency Support for Major Wildfire Damage in the Sancheong Area**

When a large-scale wildfire at the level of a national disaster broke out in March 2025, all KAI employees donated a total of KRW 300 million through voluntary fundraising. In addition, KAI urgently activated a 'Wildfire Suppression Support Response T/F' to support real-time maintenance of Surion-series helicopters deployed to the site, thereby shortening the turnaround time for redeployment. Along with this, it fully supported infrastructure in many areas, including apron parking and operations for all aircraft types, belly water tank technology and materials, and fuel, contributing to the early suppression of the wildfire.

**▶ Emergency Support for Extreme Rainfall Damage in the Sancheong Area**

To help local residents affected by record-breaking heavy rain in July 2025 quickly return to their daily lives, KAI donated a total of KRW 200 million by adding company matching funds to employee contributions. The donation was used for flood recovery projects in the Sancheong area and for providing daily necessities and relief supplies to disaster victims. KAI will continue to provide practical help to local communities in national disaster situations and fulfill its role as a responsible company that practices mutual growth and cooperation.

# Educational Donation

## Aviation Camp

### 1) Camp Graduates and Satisfaction

Since 2010, the Aviation Camp has produced a cumulative total of 47,711 graduates, and in 2025 a total of 2,699 students from 78 schools and organizations completed the program. Based on annual satisfaction surveys, KAI continuously improves the camp content, and the average satisfaction for the year reached 95.7%.

### 2) 2025 Korea Educational Donation Fair

In December 2025, KAI participated in the '14th Neulbom School & Educational Donation Fair' held at Suwon Messe. Hosted by the Ministry of Education and the Korea Foundation for the Advancement of Science and Creativity, the event brought together some 120 organizations, schools, and companies to realize the values of inclusion and sharing through educational donation.

As a leading company in Korea's aerospace industry, KAI joined the fair to promote its flagship educational donation program, the 'Aviation Camp,' and to raise awareness of KAI's standing as a leader in K-defense. During the event, it introduced aerospace industry experience programs to visitors and operated a flight simulator experience as well as T-50B paper airplane and FA-50 wooden airplane making classes.

Through this, KAI sparked interest and enthusiasm for the aerospace field among students, its main visitors, and provided practical career-exploration opportunities to the key talent who will lead the future aerospace industry.


# Cultural Donation

## Aerospace Museum

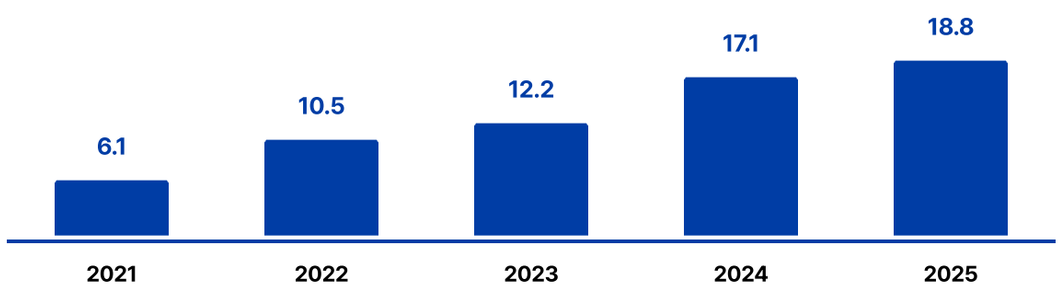
To contribute to public education by establishing a proper view of national security and presenting a vision for the advanced aerospace industry, KAI built Korea's first aerospace museum. The museum was created based on the exhibition aircraft and security artifacts of the Comprehensive Security Exhibition Hall (located in Yeouido, Seoul), which was transferred from the UN Korean War Allies Association in 1995.
The museum consists of indoor exhibition halls (the Aerospace Hall and the Freedom Protection Hall) and an outdoor exhibition area. The first floor of the Aerospace Hall exhibits the history of the aerospace industry, and the second floor displays materials offering a view of the future of the space industry. The Freedom Protection Hall covers artifacts and materials related to the Korean War, and the outdoor exhibition area permanently displays real aircraft, tanks, artillery, and more.
As an aircraft systems integrator, KAI is building infrastructure for the aerospace industry and cultural tourism business. Along with exhibiting real aircraft, it aims to widely disseminate the history and knowledge of the aerospace industry and contribute to revitalizing the local economy.


### Overview of the Aerospace Museum Establishment

| | | | |
|---|---|---|---|
| **Opening** | August 28, 2002 | **Type (Category)** | Class 1 specialized museum (private museum) |
| **Museum Name** | Aerospace Museum | **Founder/ Representative** | Korea Aerospace Industries, Ltd. |
| **Location** | Sanam-myeon, Sacheon-si, 78 Gongdan 1-ro | **Site Area** | 46,281㎡ (approx. 14,000 pyeong) |

### Visitor Status

(Unit: 10,000 persons)



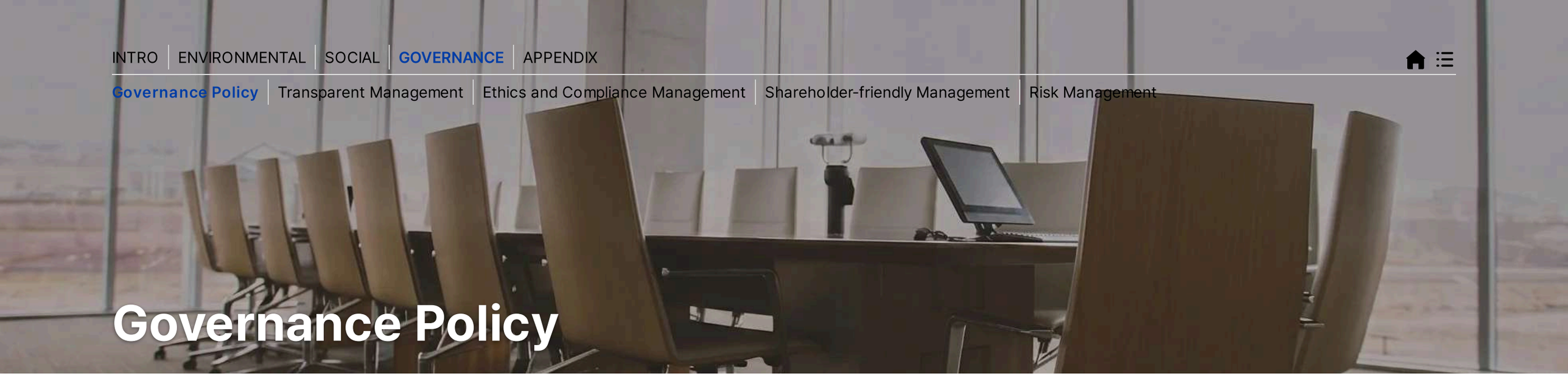

### Exhibition Composition

| Exhibition Area | Exhibition Content | Exhibition Technique |
|---|---|---|
| **Aerospace Hall** | • History of aviation in the world and Korea, principles of flight and aircraft structure, jet engines, and exhibits of various aircraft models<br>• Exhibits of astronauts, rockets, satellites, the International Space Station (ISS), and space shuttle models, as well as a view of the history of space exploration and the development of aerospace science<br>• Presenting the past, present, and future outlook of the aerospace industry | • Real exhibits of jet engines and aerospace-related items<br>• Exhibits of aerospace-related models<br>• Use of photographs and graphic materials |
| **Freedom Protection Hall** | • Illuminating the tragedy and historical significance of the Korean War<br>• Special exhibitions such as the achievements of UN participating nations | • Real exhibits of artillery and North Korean military motorcycles<br>• Exhibits of various firearms<br>• Exhibits of war-related photographs and artifacts<br>• Real exhibits of military gear, relics, and memorabilia |
| **Outdoor Exhibition Area** | • 27 real aircraft (14 leased from the ROK military, 13 owned)<br>• 5 tanks, 2 artillery pieces, a searchlight, and 2 Nike missiles<br>• Real exhibits including an armored vehicle and 2 jeeps, and a J47-GE-27 engine | • Exhibit of the C-54E presidential aircraft<br>• Interior opening of C-123K and C-124C aircraft |

### 2025 Key Activities of the Aerospace Museum

| Key Activity | Key Details |
|---|---|
| Aerospace Museum and Sacheon Aerospace Science Museum Integrated operation (from January 1, 2025) | • Revitalizing tourism in Sacheon City, an aerospace hub city<br>  ◦ Introduction of unmanned ticketing kiosks<br>  ◦ Expansion and repainting of the visitor parking lot<br>  ◦ Creation of a visitor lounge in the parking lot<br>  ◦ Installation of a comprehensive guide map and production of an integrated leaflet<br>  ◦ Replacement of road signs and painting of museum signage |
| Sacheon Love City Tour (aerospace industry) and operation of the Gyeongnam Defense Industry Tour | • Expansion of monthly operations in commemoration of the '2025 Year of Visiting Sacheon'<br>• Operation of a specialized program combining the Gyeongnam defense industry and tourism |
| Renovation of the Aerospace Industry Hall and museum lobby display cases | • Renovation of Aerospace Industry Hall exhibits centered on a domestic aircraft promotion hall<br>• Exhibits of models of domestic aircraft in operation at home and abroad |
| New photo zones and relocation of Sacheon City tourism characters | • Installation of symbolic sculptures of Sacheon, an aerospace city, and its representative company KAI<br>• Completed relocation of the 'Ttoa' character sculpture from the Sacheon IC entrance to the museum |
| Expansion of facilities for people with disabilities and operation of the 'Ttoa Store' | • Installation of ramps for people with disabilities and braille blocks for the visually impaired<br>• Operation of visitor convenience facilities (sales of KAI souvenirs and food and beverages) following integrated operation |
| Painting of outdoor exhibition items (from May 22, 2025) | • Repainting of aging aircraft and application of new color schemes |

# GOVERNANCE



# Governance Policy

## Governance Principles and Policies

KAI does its utmost to protect the rights and interests of its shareholders and stakeholders. To build a foundation for sustainable growth, it enhances the transparency and fairness of its management and establishes a human-rights-respecting and eco-friendly governance structure. In accordance with these corporate governance principles and policies, KAI discloses matters concerning its Articles of Incorporation, shareholders, Board of Directors, and audit bodies on its company website, and transparently discloses the status of its governance operations by publishing a Corporate Governance Report each year.

In addition, to ensure the diversity and expertise of the Board of Directors, KAI appoints outside directors who are experts in fields such as aerospace, accounting and finance, management and economics, export finance, law, and related technologies, managing the composition so that it is not overly concentrated in any particular background or professional group. Furthermore, so that the Board can perform effective oversight of management, KAI composes the Board and its sub-committees with a majority of outside directors.

Through these institutional mechanisms, KAI has established a sound governance structure in which the Board and management enhance corporate value through mutual cooperation and balance.

## KEY PERFORMANCE

**Corporate Governance Charter Enacted**
(April 2022)

**Appointment of Female Director**
(March 2023)

| 등록번호 | A 09-0000 |
|---|---|
| 제정일자 | 2022. 4. 8. |
| 기안부서 | IR팀 |
| 결정권자 | 이사회 |

**KAI 기업지배구조 헌장**

KAI 한국항공우주산업㈜
KOREA AEROSPACE INDUSTRIES, LTD.

**기업지배구조 헌장**

**전 문**

한국항공우주산업주식회사(이하 '회사')는 최고의 기술과 제품으로 고객에게 신뢰받고 사회적 책임을 다하는 글로벌 기업이 되기 위해 노력한다.
이를 위하여 회사는 'KAI 기업지배구조 헌장'을 제정하여 주주, 고객, 구성원, 협력회사, 지역사회 등 이해관계자의 권익을 보호할 것을 선언한다.

**제1장 주주**

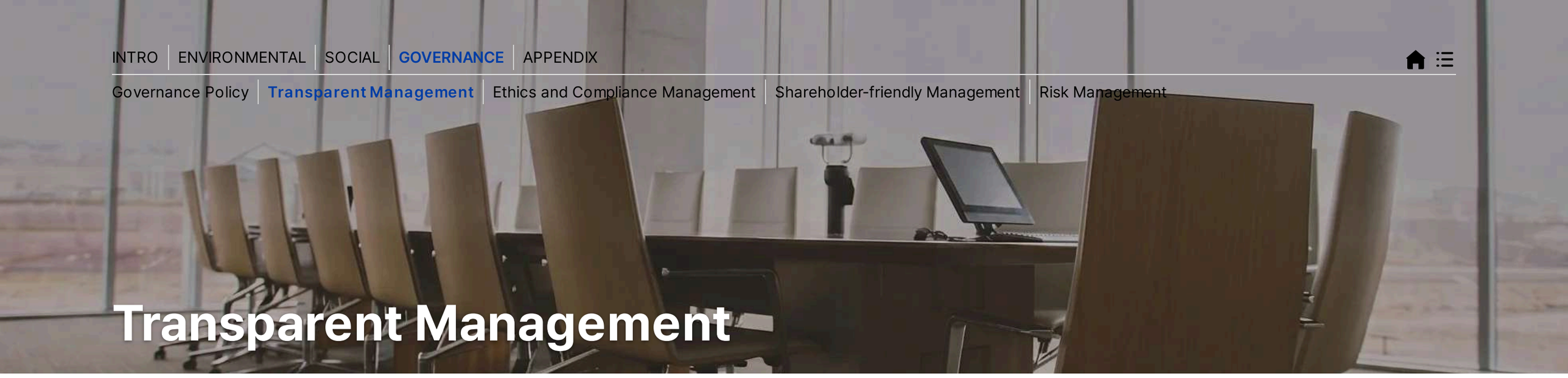
**제1조 (주주의 권리)**
① 주주는 관련법규에서 정하는 주주권에 기반하여 주주로서의 기본적인 권리를 가진다.
② 주주는 관련법규에 따라 주주총회에 안건을 제안할 수 있고, 주주총회에서 안건에 대한 질문과 설명을 요구할 수 있다.
③ 회사의 존립 및 주주권에 중대한 변화를 가져오는 사항은 관련법규에 따라 주주총회에서 주주의 권리를 최대한 보장하는 방향으로 결정한다.
④ 회사는 주주총회의 일시와 장소를 주주가 최대한 많이 참가할 수 있도록 결정하고, 주주총회 관련 정보를 충분한 기간 전에 주주에게 제공한다.

**제2조 (주주의 공평한 대우)**
① 주주의 의결권은 보통주 1주마다 1의결권을 가지며, 의결권의 제한은 법률이 정하는 바에 따라 최소한으로 적용한다.
② 회사는 주주에게 필요한 정보를 적시에 충분하고 공평하게 제공한다.
③ 회사는 주주를 보호하기 위하여 법률에 위배되는 내부거래 및 자기거래를 예방하기 위하여 적절한 내부통제제도를 운영한다.

**제3조 (주주의 책임)**

2

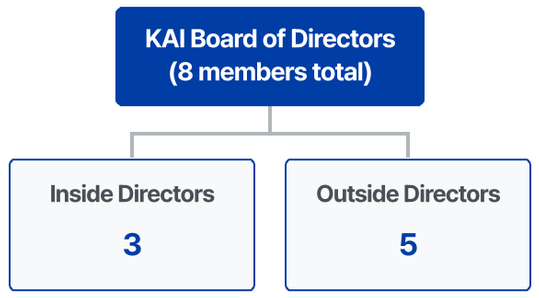
Corporate Governance Charter



# Transparent Management

## Composition of the Board of Directors

In accordance with applicable laws and its Articles of Incorporation, the Board of Directors resolves key matters concerning the company's basic management policies and business execution, and oversees management's performance of duties. The Board comprises 8 members: 5 outside directors and 3 inside directors. The Director Candidate Recommendation Committee has been expanded to recommend and review all director candidates, both inside and outside, with recommended candidates appointed by resolution of the General Meeting of Shareholders. A preliminary Director Candidate Nomination Committee operates in advance to verify candidates' independence and qualifications and review recommendations.




At the 26th Annual General Meeting in March 2025, Lee Sang-won and Hong Cheol-kyu were appointed as outside directors, Cho Jin-soo was reappointed as an outside director, and Vice President Cha Jae-byoung as an inside director. Kim Jong-chool was appointed CEO at an extraordinary general meeting in March 2026, succeeding Kang Goo-young, who resigned in July 2025. At the 27th Annual General Meeting, Song Ho-chul was appointed as an inside director, and Lee Tae-young and Hong Soon-young as outside directors.

Regular Board meetings resolve key agenda items such as quarterly and annual financial statements, with extraordinary meetings convened as needed. In 2025, 9 Board meetings covered 50 agenda items (35 resolutions, 15 reports); in the first half of 2026, 7 meetings covered 22 resolutions and 10 reports. The Audit Committee met 5 times in 2025 on 19 agenda items, and the ESG Committee met 5 times on 5 items. ESG Committee deliberation results are reported to the Board after gathering the opinions of all outside directors and obtaining CEO approval.

KAI appointed inside director Kim Jong-chool as Chairman of the Board, deeming him best suited to coordinate directors' opinions and oversee Board activities; an inside director serves as chairman to ensure management efficiency. Six sub-committees operate under the Board: the ESG, Remuneration, Management, Director Candidate Recommendation, Audit, and Internal Transactions Committees. The Audit Committee consists entirely of outside directors appointed at the General Meeting of Shareholders, ensuring independent and effective oversight. Established in 2022, the ESG Committee formulates ESG management strategies and works to embed an ESG culture company-wide. The Management Committee has operated in earnest since the first half of 2025, following the additional appointment of an inside director in April 2025 that satisfied its composition requirements. In February 2026, the Remuneration Committee was established to deliberate and resolve matters concerning the remuneration limits of inside and outside directors and the director remuneration system, thereby enhancing the objectivity and transparency of executive remuneration and strengthening trust in sound governance.

### Board Composition

| Name | Date of Appointment | Area of Expertise | Major Experience | Final Education |
|---|---|---|---|---|
| **Lee Sang-won** | March 31, 2025 | Management & Economics | Former Non-standing Director, Korea Credit Guarantee Fund<br>Former Member, National Economic Advisory Council, Office of the President<br>Former Director General for Future Economy Strategy, Ministry of Economy and Finance<br>Current Member, Deposit Insurance Committee, Korea Deposit Insurance Corporation | MBA, University of Oregon, USA<br>BA/MA in Economics, Yonsei University |
| **Hong Cheol-kyu** | March 31, 2025 | Accounting & Finance | Former Outside Director, Samyang Foods<br>Former Vice President, Korean Accounting Association<br>Current Professor, School of Business Administration, Chung-Ang University | Ph.D in Accounting, London School of Economics and Political Science, UK<br>BA/MA, Seoul National University |
| **Cho Jin-soo** | March 30, 2022 | Aerospace | Former Dean, College of Engineering IV, Hanyang University<br>Former President, Korean Society for Aeronautical and Space Sciences<br>Current Professor Emeritus, School of Mechanical Engineering, Hanyang University | Ph.D in Aerospace Engineering, Purdue University, USA<br>BA/MA in Aeronautical Engineering, Seoul National University |
| **Cha Jae-byoung** | March 31, 2025 | Development | Former Head, Trainer Aircraft Systems Office, KAI<br>Former Head, KFX Systems Office (Executive Director)<br>Former CE, KFX Development (Executive Director)<br>Former Head, Fixed-Wing Development Group (Senior Executive Director)<br>Current Head, Development Division (Senior Vice President) | BA/MA in Mechanical Engineering, Hanyang University |
| **Kim Jong-chool** | March 19, 2026 | Management | Former Director General, Defense Technology Security Bureau, DAPA<br>Former Director, Unmanned Systems Business Department, DAPA<br>Former Professor, Department of Defense Technology Management, Kwangwoon University<br>Former Vice President, Korea Defense Innovation Enterprise Association | Korea Air Force Academy<br>MA in Electronic Engineering, Hanyang University<br>Ph.D in Business Administration, Soongsil University |
| **Song Ho-chul** | March 26, 2026 | Production & Purchase | Former Head, Management Planning Office (Executive Director), KAI<br>Former Head, Operations Center (Executive Director)<br>Former Head, Production and Purchase Division (Senior Executive Director)<br>Current Head, Production & Operation Division (Senior Vice President) | BA in Materials Engineering, Chungnam National University |
| **Lee Tae-young** | March 29, 2026 | Law | Former Attorney, Legal Affairs Team, Public Procurement Service<br>Former Attorney, Legal Affairs Team, DAPA<br>Current Partner Attorney, Jiphyeonjeon Law Firm | JD, Jeonbuk National University Law School<br>BA in Law, Yonsei University |
| **Hong Soon-young** | March 29, 2026 | Public Finance & Finance | Former Head, East Asia Department, The Export-Import Bank of Korea<br>Former Deputy President and Head of the Economic Cooperation Business Division<br>Former Deputy President and Head of the Economic Cooperation General Division | BA in Economics, University of Seoul<br>MA in Business Law, Yonsei University |

## Operations of the Board of Directors

### Board Meetings and Procedures

Board of Directors meetings are convened by the chairman. Any director may request the chairman to convene a Board meeting by specifying the agenda and reasons, and if the chairman refuses without justifiable reason, that director may convene the meeting directly.
When convening a Board meeting, each director must be notified of the date, place, and agenda at least seven days in advance via verbal communication, writing, fax, or email. However, if all directors consent, this advance notification procedure may be omitted and a meeting may be held at any time.

# Board Resolution Method

Board resolutions are made with the attendance of a majority of incumbent directors and the affirmative vote of a majority of directors present. However, matters falling under Article 397-2 (Prohibition of Usurpation of Company Opportunities and Assets) and Article 398 (Prohibition of Self-Dealing, etc.) of the Commercial Act are resolved by the affirmative vote of two-thirds or more of the directors.
The Board may allow all or some directors to participate in resolutions through telecommunication means that transmit and receive voice simultaneously among all directors, without attending the meeting in person. In such cases, the directors concerned are deemed to have attended the meeting in person. Directors with a special interest in a Board resolution may not exercise voting rights on that matter.

# Board of Directors Authority

The Board deliberates on and decides matters prescribed by laws or the Articles of Incorporation, matters delegated by the General Meeting of Shareholders, and key matters concerning the company's basic management policies and business execution, and it oversees management's performance of duties.
In addition, if it is deemed that a director, in performing his or her duties, may violate laws or the Articles of Incorporation or handle matters in a significantly improper manner, the Board may request that director to submit relevant materials and provide investigation and explanation.

# Board Operation Status and Training

KAI does not separately hold regular and extraordinary Board meetings. However, it holds Board meetings of a regular nature, such as for the approval of settlement of accounts and quarterly financial statements, according to plan, and convenes extraordinary Board meetings as needed. The 2025 Board attendance rate was 96%, and based on the directors' high level of participation, in-depth discussions were held on each agenda item.
In addition, KAI conducts internal training to enhance outside directors' understanding of the company and strengthen their professional capabilities. The main training details are as follows:

| Training Date | Attendance (Outside/Total) | Meeting Agenda | Main Contents of Training |
|---|---|---|---|
| January 7, 2025 | 5 / 5 | Cultivating knowledge in global aviation/aerospace/AI/mobility | Participation in CES 2025 |
| June 16, 2025 | 5 / 5 | Visits to leading overseas companies and marketing sites | Participation in the Paris Air Show, etc. |
| September 23, 2025 | 5 / 5 | Enhancing understanding of KAI products and domestic and international aerospace companies | Participation in ADEX Seoul Air Show |

# Key Features of the Board

## Board Independence

KAI appoints directors in accordance with relevant laws and regulations. Since September 2017, the former Outside Director Candidate Recommendation Committee has been expanded and reorganized into the Director Candidate Recommendation Committee, which recommends and reviews all director candidates, including not only outside directors but also inside directors. Candidates selected through the Director Candidate Recommendation Committee are finally appointed following approval at the General Meeting of Shareholders.
In addition, KAI has institutional mechanisms in place to ensure each director's independence from management and controlling shareholders. If it is judged that an appointed director may violate laws or the Articles of Incorporation or handle duties in a significantly improper manner, the Board may request that director to submit relevant materials and provide investigation and explanation.
Furthermore, KAI firmly maintains the Board's independence by composing it with 5 outside directors, a majority of the total 8 directors.

## Board Diversity

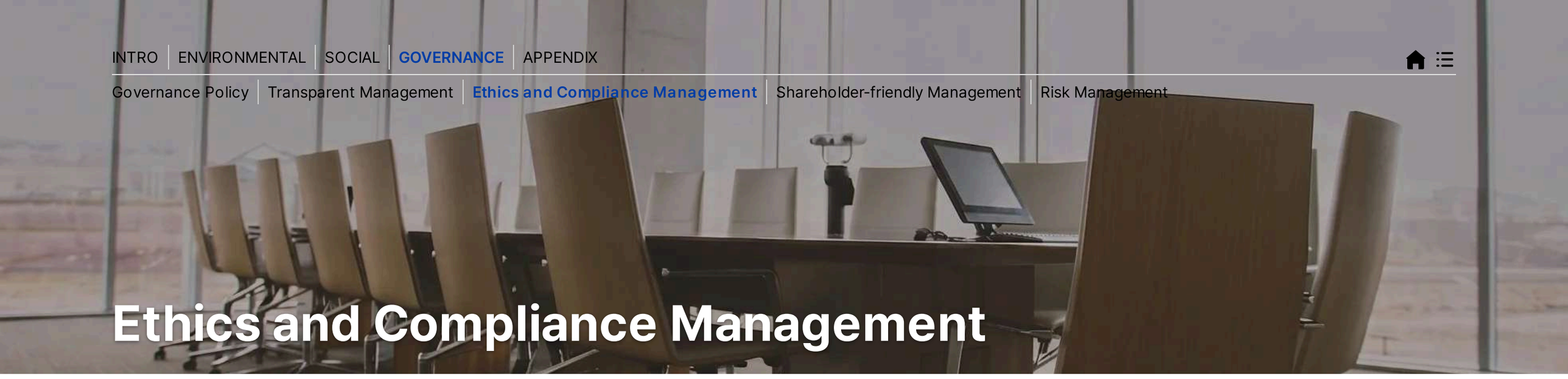
So that the Board can derive efficient decisions from diverse perspectives without representing any particular background or interest, KAI regards the expertise and diversity of Board members as core values.
Accordingly, since March 2023, KAI has appointed female outside directors to enhance gender diversity within the Board.

## Board Expertise

For the Board's efficient decision-making, KAI appoints directors who are experts in various fields such as accounting and finance, aerospace, management and economics, and public finance, finance, and law. In addition, it operates an IR Team dedicated to Board and General Meeting of Shareholders affairs to support outside directors in performing their professional duties on the Board and its sub-committees. Prior to Board and committee meetings, it provides materials in advance and holds separate briefings so that the agenda can be thoroughly reviewed. It also provides information on key internal issues from time to time, and to enhance understanding of the company's management activities, supports outside directors in personally inspecting management sites and receiving status reports as needed.

### Organization for Supporting Outside Directors

| Department (Team) Name | Number of Employees | Position | Major Activities |
|---|---|---|---|
| IR Team | 5 | 1 Team Leader<br>1 General Manager<br>3 Managers | • Facilitating shareholder, Board, and committee meetings<br>• Supporting outside director training and fulfillment of duties<br>• Building and maintaining a database of director candidates<br>• Providing directors with necessary information for decision-making<br>• Providing logistical support for meetings<br>• Recording Board and committee meeting minutes<br>• Managing public disclosures<br>• Conducting IR activities |



# Ethics and Compliance Management

## Ethical Management System

As a global aerospace company, KAI strives for the successful development and mass production of the domestic KF-21 fighter and the expansion of overseas exports of various aircraft, driven by a sense of mission to ensure the safety of global citizens and lead the development of the national aerospace industry. To successfully support its advancing R&D capabilities and growing export opportunities, KAI operates a Corporate Compliance Department, comprising the Ethics & Ethics & Compliance Team, the Internal Audit Team, and the Legal Team, to ensure compliance with domestic and international laws, including anti-corruption and fair trade. Compliance-Management KAI has actively worked to build an upright and fair corporate culture. In 2018, it became the first Korean defense company to obtain the international Anti-bribery Management System (ISO 37001) certification, and in 2023 it additionally obtained the Compliance Management System (ISO 37301) certification, striving to become the nation's foremost defense company in integrity. Grounded in these ISO international certifications, KAI mitigates the risk of violating domestic and international laws, international conventions, and internal regulations, and upholds transparent and fair business.

## Ethical Management Development and Plans

| | |
|---|---|
| 1 | • In 2018, KAI established an independent Ethics Management Support Division, whose name has now been changed to the Corporate Compliance Department.<br>• All employees annually complete an ethics pledge and undergo ethics and compliance training. |
| 2 | • After becoming the first defense company to obtain the Anti-bribery Management System (ISO 37001) certification in 2018, KAI conducts annual surveillance audits and a recertification audit once every three years.<br>• In H2 2024, obtained ISO 37001 recertification and maintained ISO 37301 certification<br>• In H2 2025, maintained ISO 37001 certification and ISO 37301 certification |
| 3 | • KAI participates in the International Forum on Business Ethical Conduct (IFBEC), engaging in international anti-corruption initiatives through networking with and benchmarking against global defense companies.<br>• Participation: 2018 (Paris, France), 2019 (Webinar), 2022 (Washington D.C., USA), 2023 (Toulouse, France), 2024 (Washington D.C., USA), 2025 (Turin, Italy) |
| 4 | • KAI participates in the semi-annual Integrity Private-Public Council hosted by the Defense Acquisition Program Administration (DAPA), continuing communication and exchange with DAPA and other defense companies. |
| 5 | • Through annual company-wide risk identification and assessment, KAI proactively identifies compliance risks and mitigates them. |
| 6 | • KAI appointed a Compliance Officer and established a Fair Trade *CP program, practicing transparent and fair business. |
| 7 | • Using a Fair Trade CP self-assessment checklist, KAI identifies and manages fair trade-related risks. |
| 8 | • In 2024, KAI received a commendation from the Chairperson of the Anti-Corruption and Civil Rights Commission (a cabinet-level position) as a company that led the way in ethical management. |

* CP: Compliance

## Expanding Ethical Management to Suppliers

KAI practices win-win management to identify SMEs seeking to newly enter the aerospace field and to nurture them into global hidden champions, and pursues shared growth based on fair and transparent transactions. To this end, it has introduced a Fair Trade Compliance Program (CP) and appointed a Compliance Officer, fostering a culture of developing together with suppliers through the Compliance Council. KAI's Compliance Officer is the Head of the Corporate Compliance Department, and the Compliance Council comprises 6 director-level managers.

To promote win-win cooperation with suppliers, KAI operates the Subcontractor Payment Linkage System, and it is registered as a participating company in the Ministry of SMEs and Startups' Subcontractor Payment Linkage System. In addition, to spread ethical management among suppliers, KAI requires suppliers to complete a compliance questionnaire during their evaluation, awarding additional points when the requirements are met. The questionnaire consists of items concerning fair trade-related laws, human rights, relations with the government, and stakeholders.

When concluding a contract, suppliers must complete an ethics pledge that includes fair trade content, and violations of related laws result in disadvantages in bid participation. KAI also conducts a wide range of supplier training; in 2021 it trained 43 companies and in 2022 it trained 50 companies on the Subcontracting Act, the National Contract Act, the Code of Ethics and Compliance, and export control.

# Embedding and Promoting a Culture of Ethical Management

All employees annually complete an ethics pledge and are required to take ethics and compliance training. In addition, ethics and compliance policies, the code of conduct, and content related to the Improper Solicitation and Graft Act are included in the work handbook each year, so that employees can familiarize themselves with the relevant matters regardless of time and place. Through the company-wide bulletin, KAI continuously posts legal precautions during holidays and election campaign periods, notices on amendments to laws and enforcement decrees, notices on the enactment and revision of internal regulations, and the Fair Trade Compliance Manual, striving to embed ethical management and raise awareness.

Each year, through ethics Points of Contact (POCs), KAI identifies company-wide risks, assesses them, and prepares a management review report. The report includes ethics and compliance management activities, ethics and compliance training, company regulations, stakeholder communication, internal audits and risk assessments, and performance indicator management and follow-up schedules. KAI has introduced a Fair Trade Compliance Program (CP) to raise employees' awareness of the Subcontracting Act and the Fair Trade Act, and to implement it, has formed a Compliance Council. This council is held twice a year (first and second half) under the direction of the Compliance Officer (Head of the Corporate Compliance Department).

## Key Activities of the Corporate Compliance Department

| Outcomes | Description |
|---|---|
| Maintained an 'A' Grade in the Fair Trade Commission CP Evaluation (2025) | • 'A' Grade Benefits: 1-year exemption from ex-officio investigations and a one-level reduction in public announcement orders. |
| Received the Anti-Corruption and Civil Rights Commission Commendation for Integrity and Ethical Management (February 25, 2025) | • Maintained ISO 37301 (Compliance) certification (since 2023)<br>• Maintained ISO 37001 (Anti-bribery) certification (since 2018) |
| Risk Identification and Assessment | • KAI checks whether employees' work is performed in accordance with internal and external requirements and expectations, such as domestic and international laws, international conventions, and internal regulations.<br>• When such standards are not met, KAI identifies potential hazards and implements measures to mitigate risks.<br>• Risks are managed on a five-level scale (Very Low, Low, Medium, High, and Very High) according to their likelihood and impact, and as of 2025, the residual risk in the 'Very High' and 'High' categories was assessed as '0.' |
| External Engagement | • Participating in DAPA's Integrity Private-Public Council (since 2019)<br>• Participating as a companion company of the Ministry of SMEs and Startups to promote the implementation of the Subcontractor Payment Linkage System (since 2023)<br>• Participating in the International Forum on Business Ethical Conduct (IFBEC) (since 2018)<br>• Added new provisions prohibiting unfair labor practices, discrimination, and workplace harassment, and protecting community human rights.<br>• Operating a company-wide Compliance Council (since 2023)<br>• Amended the business standards for supplier due diligence in preparation for the application of the EU supply chain due diligence directive (since 2025)<br>• Amended the Code of Ethics and Compliance (since 2024)<br>• When evaluating domestic and international suppliers, KAI mandatorily reflects the ethics category and conducts due diligence on all compliance risks beyond anti-corruption. |
| Amendment of Internal Regulations | • Held the internal regulation review committee four times a year, completing a total of 21 amendments to regulations, standards, and guidelines (2025). |

## Fair Trade Compliance Training

| Date | Content | Target | Participants |
|---|---|---|---|
| January 2025 | Company regulations and the Code of Ethics and Compliance necessary for work | New employees | 80 |
| March 2025 | Ethics and compliance and the Product Liability Act | CEO/company-wide managers | 200 |
| April 2025 | Fair Trade Act/Subcontracting Act | Departments required to take fair trade training | 1,299 |
| June 2025 | Ethics and compliance and the Product Liability Act (additional) | Company-wide office heads and team leaders | 57 |
| July 2025 | Company regulations and the Fair Trade Act necessary for work | New/experienced employees | 100 |
| September 2025 | Fair Trade Act/Subcontracting Act, export control | All company employees | 5,000 |

# Compliance Management

## Compliance Management Philosophy

KAI has grown into a transparent and trustworthy company by proactively preventing corruption, unfair trade practices, and legal violations while concurrently operating an effective cyber whistleblowing system.

KAI deeply recognizes the importance of the ethics and compliance obligations and responsibilities of its employees and stakeholders. To raise ethical awareness and establish an upright corporate culture, it continuously conducts training on domestic and international laws, including fair trade and anti-corruption, and on the Code of Ethics and Compliance, an internal regulation. It strictly applies a zero-tolerance principle to violations, thereby building fair and transparent business relationships.

## Compliance Management Policy

The Ethics and Compliance Management Policy consists of internal regulations that specify matters employees must observe, and operational standards that serve as guidelines for their practical implementation.

- KAI protects company and customer assets and prohibits the use of any assets for non-business purposes. It also strictly prohibits the use of defective parts that impair product performance, the preparation of false data, and the forgery or falsification of supporting documents, applying a zero-tolerance principle to violations.
- The cost of meals, congratulatory or condolence payments, and gifts provided to public officials in connection with their duties is subject to the Improper Solicitation and Graft Act, and accepting gifts or meals from suppliers is prohibited.
- For transparent contracts, procurement of goods must proceed through competitive bidding based on multiple quotations. If a contract manager becomes aware that a related party is participating in a bid, they must report it to the head of the responsible department and be excluded from that contracting task.

## Compliance Management System

The Ethics and Compliance Management System consists of five stages: System Establishment, Prevention, Monitoring, Analysis and Evaluation, and System Improvement. The dedicated Ethics & Ethics & Compliance Team practices ethics and compliance management through anti-corruption, regulatory adherence, technology diagnostics, and export control compliance, while whistleblowing reports are handled by the Internal Audit Team.
The main activities by detailed stage are as follows:

- **System Establishment:** Enacting and revising internal regulations, appointing a Compliance Officer and a Compliance Support Officer, enacting and revising the Fair Trade Compliance Manual, and distributing employee guides
- **Prevention:** Declaring fair trade and ethical management, training employees and suppliers, and managing employee pledges
- **Monitoring:** Identifying and assessing risks, verifying compliance with the accounting control system, conducting audits, and surveying training satisfaction
- **Analysis and Evaluation:** Analyzing violation risks and taking action, and reporting to the CEO and the Board of Directors
- **System Improvement:** Refining ethics and compliance regulations, adopting international standards, and engaging in external activities and benchmarking

## Anti-Corruption

KAI's anti-corruption framework broadly consists of anti-corruption policy, anti-corruption activities, transparent transaction practices, anti-corruption controls, and management review.

- **Anti-corruption policy:** KAI establishes and applies an Anti-bribery Management Manual. It practices anti-corruption management through detailed procedures such as the anti-bribery management operation process, corruption risk assessment, registration of anti-corruption-related laws, anti-corruption goal management, supplier inspections, internal inspections, and management review.
- **Anti-corruption activities:** KAI appoints an independent Compliance Support Officer to operate compliance control standards. Detailed activities include managing ISO 37001 and ISO 37301 certifications, conducting ethics and compliance training, performing risk assessments, enacting and revising internal regulations, and external activities.
- **Transparent transaction practices:** KAI ensures fair transactions through the operation of a supplier selection committee and supplier registration, contract execution and performance management, supplier performance evaluation and management, and procedures for selecting export marketing partners.
- **Anti-corruption controls:** KAI has established audit regulations and cyber whistleblowing standards for transparent management.
- **Management review:** Under the direction of the CEO, KAI establishes and implements anti-corruption goals. It reviews implementation results to assess the effectiveness of the system, and the final results are reported to the CEO.

# Fair Trade

KAI's fair trade management framework consists of fair trade policy, fair trade activities, fair trade monitoring, and CEO review. KAI participated in the Compliance Program (CP) evaluation administered by the Fair Trade Commission and achieved an 'A' grade in 2024.

- **Fair trade policy:** KAI has enacted and operates the internal 'Fair Trade Operational Guidelines,' and posts the 'Fair Trade Compliance Manual' internally so that all employees can access it at any time.
- **Fair trade activities:** KAI holds a Compliance Council semi-annually, has made fair trade training mandatory for all employees, and conducts training satisfaction surveys to continuously improve training quality.
- **Fair trade monitoring:** Using a self-assessment checklist for departments related to fair trade laws, KAI assesses risks and identifies potential hazards.
- **CEO review:** The fair trade activities carried out and the monitoring results are reported to the CEO.

# Cyber Whistleblowing

Since 2011, KAI has operated a cyber whistleblowing system through its internal intranet (Koffice) and the KAI website.
Through the operation of the cyber whistleblowing system, KAI has established a mechanism enabling all stakeholders related to the company to have grievances such as human rights issues addressed, and it has strengthened transparency by posting the status of reports received and processed on its website.

In 2017, KAI posted hotline posters company-wide to promote the establishment of sound ethical awareness and the enhancement of work efficiency.

In addition, KAI continuously conducts awareness-raising and recurrence-prevention training to prevent misconduct and errors.

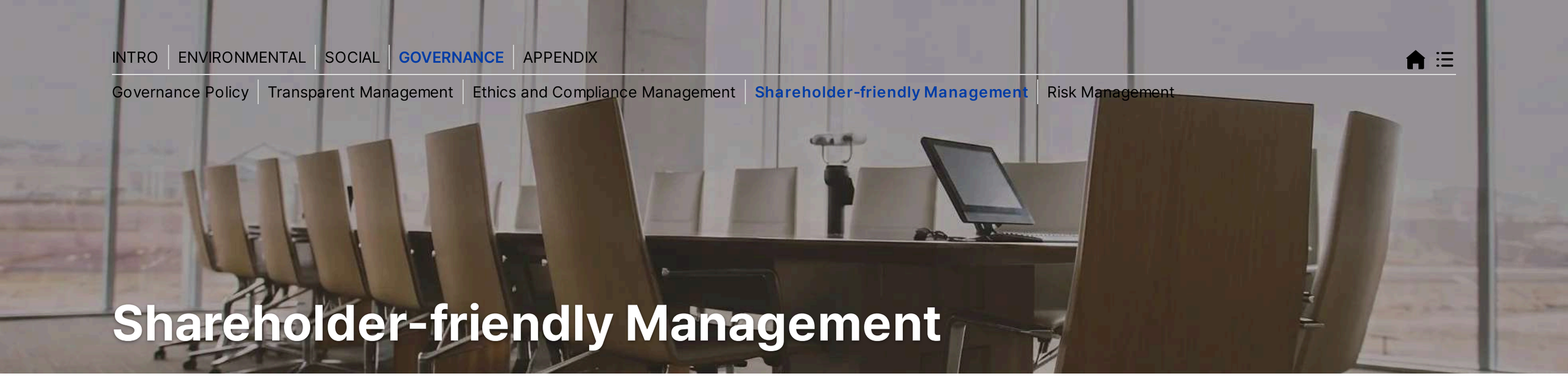
Of the total 78 cyber whistleblowing reports received in 2025, 21 were complaints concerning suppliers, and all 21 were fully addressed, achieving a 100% processing rate.

## KEY PERFORMANCE


**Report Summary (Received and Handled)**

| Classification | Received | Processed | Processing rate (%) | Total (cases) |
|---|---|---|---|---|
| **2022** | 39 | 39 | 100 | **238** |
| **2023** | 68 | 68 | 100 | |
| **2024** | 53 | 53 | 100 | |
| **2025** | 78 | 78 | 100 | |

* Excludes non-report items such as advertisements, inquiries, and technical proposals



# Shareholder-friendly Management

## Shareholder-friendly Management

### Shareholder Status

As of December 31, 2025, the total number of common shares issued by KAI was 148,907,209, and after excluding 51,432,102 reduced shares, the total number of currently listed shares is 97,475,107. The largest shareholder is the Export-Import Bank of Korea, holding 25,745,964 shares, or 26.41% of the listed shares. The second-largest shareholder, the National Pension Service, holds 8.30% (8,093,891 shares), Fidelity Management & Research Company LLC holds 7.73% (7,531,991 shares), and the Employee Stock Ownership Association holds 1.01% (985,104 shares).

* The number of shares held and the ownership ratio of Fidelity Management & Research Company LLC are based on the 'Report on Large-Scale Holdings of Stocks, etc.' disclosed on January 2, 2026

Each common share of KAI carries one voting right, and KAI currently holds no non-voting preferred shares or treasury stock. KAI actively listens to the opinions of all shareholders, including major and minority shareholders, and ensures the exercise of all shareholders' rights in accordance with relevant laws.


| Shareholder Name | No. of Shares | Ownership (%) |
|---|---|---|
| Export-Import Bank of Korea | 25,745,964 | 26.41 |
| National Pension Service | 8,093,891 | 8.30 |
| Fidelity Management & Research Company LLC | 7,531,991 | 7.73 |
| Employee Stock Ownership Association | 985,104 | 1.01 |
| Other Institutions & Individual Investors | 55,118,157 | 56.55 |
| **Total** | **97,475,107** | **100.00** |

## Protection of Shareholder Rights

In April 2022, KAI enacted the 'Corporate Governance Charter' to codify shareholder rights and thoroughly guarantee them.

In particular, to protect the rights of shareholders who find it difficult to attend the General Meeting of Shareholders in person, KAI first introduced electronic voting at the regular General Meeting of Shareholders on March 24, 2017, and has expanded it to all General Meetings of Shareholders held since March 27, 2020.

To support shareholders' smooth exercise of voting rights, KAI operates proxy solicitation and electronic voting and electronic proxy systems, taking sufficient measures to maximize shareholder participation in the General Meeting of Shareholders. In addition, the regular General Meeting of Shareholders is held within three months after the end of each fiscal year, and the Board of Directors' resolution to convene the meeting and its public notice are given four weeks in advance, providing sufficient prior information on the date, place, and agenda. KAI will continue to respect shareholders' opinions and strive to faithfully reflect them in its decision-making.

## Shareholder Return Policy

To protect shareholder interests, KAI implements a dividend policy that returns a certain portion of the company's profits to shareholders through a resolution at the General Meeting of Shareholders in accordance with the Articles of Incorporation. Dividends may be paid in cash or stock, and are finalized through a resolution at the General Meeting of Shareholders following Board of Directors approval, taking comprehensive account of the company's future investment scale, financial structure, and dividend stability.

To enhance shareholders' dividend predictability, KAI amended the relevant Articles of Incorporation at the March 2024 General Meeting of Shareholders. Accordingly, it discloses 'cash or in-kind dividend decisions' before Board resolutions or the General Meeting of Shareholders, providing dividend information in advance.

In addition, to further enhance dividend transparency and predictability, KAI will do its utmost to protect shareholder interests through a shareholder return policy of distributing at least 25% of net income on a separate financial statement basis as dividends over the next three years (fiscal years 2025–2027).

| Classification | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Income (KRW 100M)**<br>(Profit Margin) | 2,645<br>(9.0%) | -2,355<br>(-11.3%) | 756<br>(2.7%) | 1,757<br>(5.7%) | 817<br>(2.9%) | 336<br>(2.9%) | 1,254<br>(4.5%) | 2,315<br>(6.1%) | 1,796<br>(5.0%) | 1,927<br>(5.3%) |
| **Dividends (KRW 100M)** | 663 | - | 195 | 390 | 195 | 195 | 244 | 487 | 487 | 487 |
| **Payout Ratio** | 25.0% | - | 25.8% | 22.2% | 23.9% | 58.0% | 19.4% | 21.0% | 27.1% | 25.3% |
| **Dividends per Share (KRW)** | 680 | - | 200 | 400 | 200 | 200 | 250 | 500 | 500 | 500 |

# Shareholder Communication

KAI conducts a variety of Investor Relations (IR) activities for transparent and continuous communication with shareholders and the capital market. It carries out regular IR activities for major and principal shareholders, domestic and international institutional investors, and individual investors, enhancing their understanding of the company's management status, mid- to long-term strategy, and growth vision.

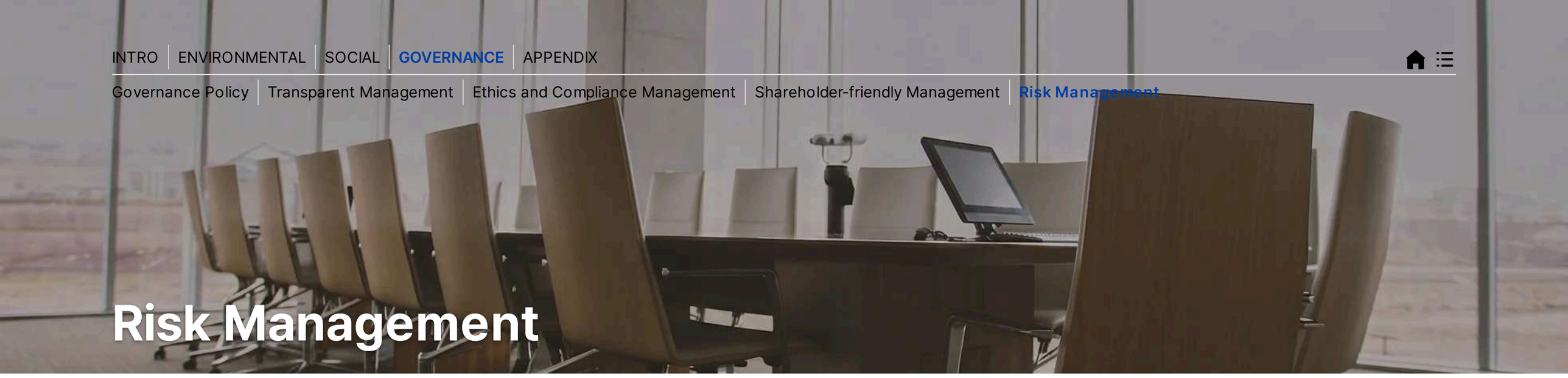
In particular, with major shareholders such as the National Pension Service, KAI explains its business status and future strategic direction through regular communication after earnings announcements. It also shares its management status and listens to investors' opinions with domestic and international institutional investors, including asset management firms, through various channels such as conference calls, non-deal roadshows (NDRs), Corp Days, and conferences.

Such continuous communication with capital market stakeholders holds significant meaning in that it enhances investors' understanding while enabling market opinions to be reflected in management activities.

In addition, through the IR section of its website, KAI discloses management performance and disclosure materials to improve information accessibility and provide the information necessary for investors' decision-making. Furthermore, to enhance information accessibility for foreign investors, it concurrently provides English-language disclosures of key filings, striving to minimize information asymmetry and provide fair information.

## Major IR Activities

| Date | Target Audience | Format | Key Topics |
|---|---|---|---|
| 2025.02.07 | Analysts, etc. | Conference Call | Announcement of 2024 preliminary results and 2025 management goals |
| 2025.02.10~13 | Domestic Institutional Investors | Domestic NDR | Announcement of 2024 preliminary results and 2025 management goals |
| 2025.04.30 | Analysts, etc. | Conference Call | Announcement of 2025 Q1 preliminary results and management status |
| 2025.05.07~08 | Domestic Institutional Investors | Domestic NDR | Announcement of 2025 Q1 preliminary results and management status |
| 2025.06.02~05 | Overseas Institutional Investors | Overseas Conference Participation | Sharing of management performance and business status, and introduction of future growth potential and future business |
| 2025.07.29 | Analysts, etc. | Conference Call | Announcement of 2025 Q2 preliminary results and management status |
| 2025.07.30~31 | Domestic Institutional Investors | Domestic NDR | Announcement of 2025 Q2 preliminary results and management status |
| 2025.10.16 | Overseas Institutional Investors | Plant Tour Event | Tour of the Sacheon headquarters plant |
| 2025.11.05 | Analysts, etc. | Conference Call | Announcement of 2025 Q3 preliminary results and management status |
| 2025.11.06~07 | Domestic Institutional Investors | Domestic NDR | Announcement of 2025 Q3 preliminary results and management status |
| 2025.12.03~05 | Overseas Institutional Investors | Overseas Conference Participation | Sharing of management performance and business status, and introduction of future growth potential and future business |
| 22 sessions in total during 2025 | Domestic and Overseas Institutional Investors and Individual Investors | Domestic Conference and Corp Day Participation | Sharing of management performance and business status, and introduction of future growth potential and future business |
| 2026.02.05 | Analysts, etc. | Conference Call | Announcement of 2025 preliminary results and 2026 management goals |
| 2026.02.06~09 | Domestic Institutional Investors | Domestic NDR | Announcement of 2025 preliminary results and 2026 management goals |
| 2026.03.18~19 | Overseas Institutional Investors | Overseas Conference Participation | Sharing of management performance and business status, and introduction of future growth potential and future business |
| 2026.05.07 | Analysts, etc. | Conference Call | Announcement of 2026 Q1 preliminary results and management status |
| 2026.05.08~11 | Domestic Institutional Investors | Domestic NDR | Announcement of 2026 Q1 preliminary results and management status |
| 9 sessions in total during 2026 (through June 18) | Domestic/Overseas Institutional Investors and Individual Investors | Domestic Conference/Corp Day Participation | Sharing of management performance and business status, and introduction of future growth potential and future business |



# Risk Management

# Risk Management System

## Risk Management

As uncertainty in the global business environment deepens and the complexity of the aerospace business increases, company-wide proactive risk management has become an essential element for corporate survival and sustainable growth. In particular, since even minor variables in the aircraft systems integration business may spread across multiple areas such as finance, safety, and international affairs, thorough advance prevention is important. Accordingly, KAI has built and operates a robust company-wide risk management system that can detect internal and external potential risk factors early and control them systematically.

## Risk Management Strategy

Through a thorough company-wide risk management system, KAI proactively responds to uncertainty across its management environment.

- **Linking performance goals to secure company-wide driving force**
  - Setting performance goals that take major risk-resolution activities into account
- **Establishing risk management criteria**
  - Preparing management activity guidelines by specifying management criteria
- **Strengthening the pre-identification of risks before business commencement**
  - Identifying major risks before order receipt and investment, and conducting prior risk review and establishing response strategies within the approval process
- **Strengthening risk management during the implementation stage**
  - Intensively reviewing risks by organization and seeking company-wide cooperation measures through the operation of the company-wide Management Council
    * Risks in the security, safety, and ethics fields are managed and shared by dedicated organizations
- **Supporting optimal decision-making by management**
  - Reporting newly identified risks and ongoing risks on a monthly basis
  - Promptly reporting urgent or significant matters by agenda item through the Company-Wide Issue Meeting
- **Accumulating data and establishing a management cycle system by building a Risk Pool**

## Risk Management Organization

**Risk Management Organizational Chart**


To respond to crises proactively and systematically, KAI has established an independent, dedicated risk management organization under the Chief Risk Officer (CRO). Based on this company-wide organizational structure, it establishes strict risk management criteria and supports the organic execution of risk-resolution activities dispersed across organizations. It also plays the role of providing, in a timely manner, the information necessary for management's strategic decision-making.

## Risk Management Process

### [1] Risk Identification

- **Issue Identification:** Based on past data, KAI builds and provides a 'Risk Pool' for each field, such as finance, development, and business. Using this as a guideline, all employees proactively recognize and respond to early-stage concerns (issues) that may arise at their own worksites. In addition, from the early stage, the progress and resolution of problems are recorded and managed through system registration.
- **Risk Identification:** Early issues registered in the system are monitored in real time by the dedicated risk organization. For significant matters expected to have a large company-wide impact, such as development schedules or financial losses, or to commonly affect multiple organizations, they are elevated from a mere 'issue' to a company-wide 'risk' and managed intensively.

### [2] Risk Management

- **Risk Assessment:** Considering the urgency and difficulty of management, KAI regularly assesses risk ratings. Diagnosed risks are strictly classified by risk grade and become subject to company-wide control, with a tailored response strategy activated for each risk.
- **Risk Response and Management:** In addition to prompt primary responses by field organizations, KAI operates the Management Council chaired by the Chief Risk Officer (CRO) and the Company-Wide Issue Meeting chaired by the CEO. Through ongoing monitoring, it devotes its full efforts to the early blocking of risk factors and the stabilization of management.

### [3] Accumulation of Risk Mitigation Data

- **Data-Based Prevention Cycle:** KAI's risk management does not stop at simply solving problems. After a large project ends, all problem situations and the processes of overcoming them are turned into data and accumulated as Risk Pool assets. Through this, all employees use past experience as a guideline for preventing future risks, internalizing and managing advanced crisis-response capabilities.

# Risk Management Activities

## Risk Assessment

Registered risks are assessed for their company-wide risk grade in consideration of their likelihood and impact, and KAI responds by establishing management plans according to each grade.
The assessment formula is as follows:

### Risk Rating Formula

* (Cost Impact + Schedule Impact + Performance Impact) × Likelihood × Weight = **Risk Assessment Score**

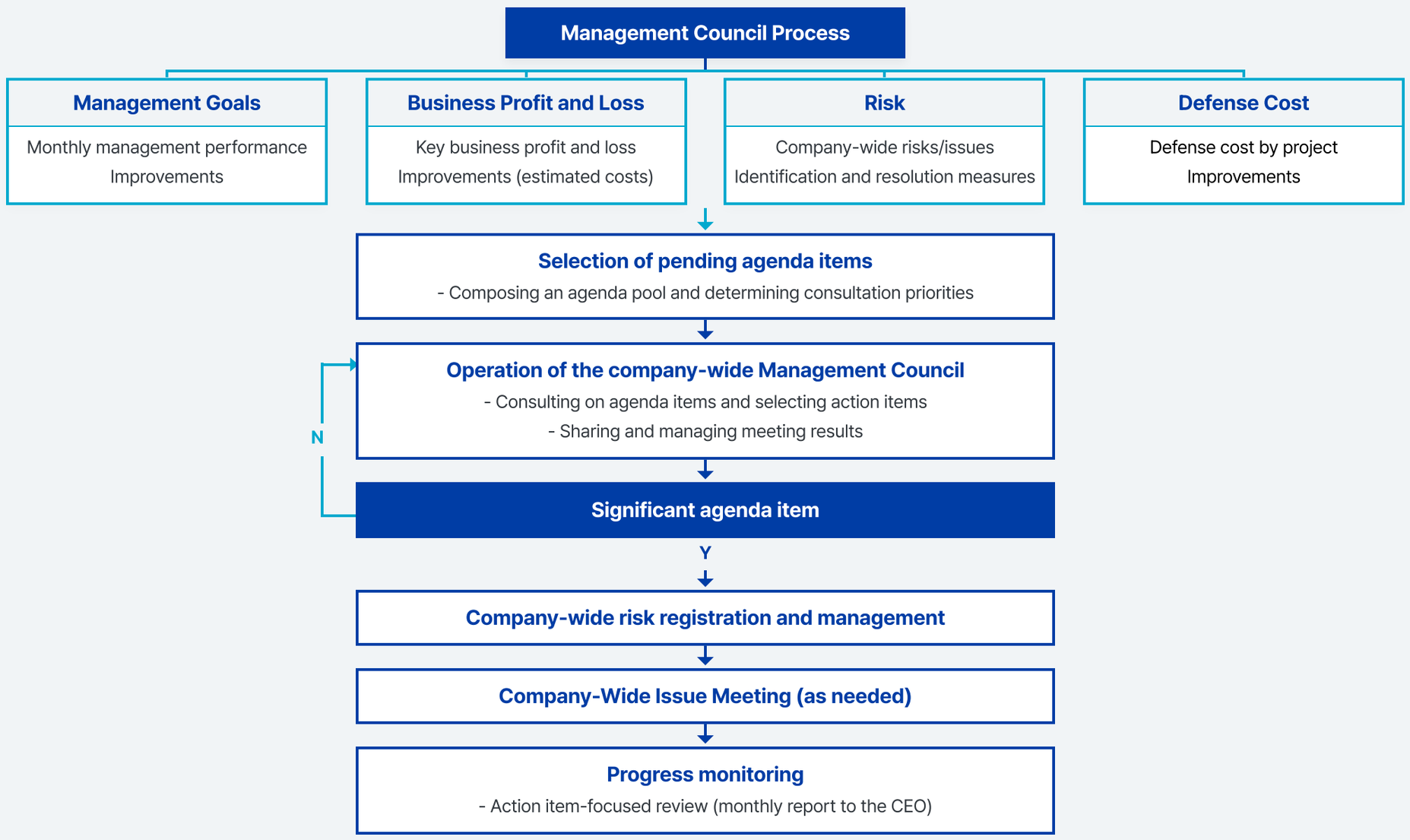
| Likelihood | | Risk Assessment Score (when a weight of 1.0 is applied) | | | | |
|---|---|---|---|---|---|---|
| Almost certain<br>80% or more | 5 | 15<br>1 1 1 | 30<br>2 2 2 | 45<br>3 3 3 | 60<br>4 4 4 | 75<br>5 5 5 |
| Highly likely<br>50~80% | 4 | 12<br>1 1 1 | 24<br>2 2 2 | 36<br>3 3 3 | 48<br>4 4 4 | 60<br>5 5 5 |
| Likely<br>10~50% | 3 | 9<br>1 1 1 | 18<br>2 2 2 | 27<br>3 3 3 | 36<br>4 4 4 | 45<br>5 5 5 |
| Unlikely<br>2~10% | 2 | 6<br>1 1 1 | 12<br>2 2 2 | 18<br>3 3 3 | 24<br>4 4 4 | 30<br>5 5 5 |
| Rare<br>2% or less | 1 | 3<br>1 1 1 | 6<br>2 2 2 | 9<br>3 3 3 | 12<br>4 4 4 | 15<br>5 5 5 |
| | | **1** | **2** | **3** | **4** | **5** |
| | | Cost \| Schedule \| Performance | Cost \| Schedule \| Performance | Cost \| Schedule \| Performance | Cost \| Schedule \| Performance | Cost \| Schedule \| Performance |
| | | Vs. plan<br>**Less than 0.5%**<br>Negligible performance impact | Vs. plan<br>**0.5% to less than 5%**<br>Minimal performance reduction | Vs. plan<br>**5~10%**<br>Moderate performance reduction | Vs. plan<br>**10~20%**<br>High performance reduction | Vs. plan<br>**20% or more**<br>Severe performance reduction |
| | | **Impact** | | | | |

**Low** Less than 28 | **Medium** 28 to less than 56 | **High** 56 or more

## Operation of Company-Wide Councils

**[1] Management Council**

Under the direction of the Chief Risk Officer (CRO), KAI operates the Management Council to review the management impact of key matters and check the progress of risks.



**[2] Company-Wide Issue Meeting**

Chaired by the CEO, it is a company-wide core decision-making body attended by representatives of each organization. It proactively reviews key management issues to make strategic decisions, and closely coordinates inter-departmental work sharing and cooperation to maximize company-wide synergy.

# Operation of the Risk Management System

KAI has built a risk management system to identify risks early and continuously monitor their progress. Through this, it can grasp in real time the registration status, response plans, performance, change trends, and statistics of issues by organization and of company-wide risks. In addition, field personnel can refer to the accumulated data to register problems arising in their work and continuously update progress.

# Virtuous-Cycle System for Risk Management Across the Entire Business Cycle

KAI's risk management is not confined to a specific point in time or department, but is operated as a virtuous-cycle system spanning the entire business cycle. The entire process, from the proactive detection of risk factors to level-specific tailored responses, prompt decision-making by management, and post-hoc data feedback, is organically linked. This systematic company-wide risk management system goes beyond mere crisis response to become a key foundation that strengthens the company's fundamental competitiveness from a mid- to long-term perspective and ensures the highest quality and safety.

# APPENDIX

# Materiality Assessment

## Materiality Assessment

### Overview of Materiality Assessment

KAI analyzes relevant issues in consideration of the direction of its management strategy and sustainability management. It selects material issues based on significant economic, financial, social, and environmental issues that affect its management activities, reports the progress and performance of the selected key issues through its sustainability report, and plans to manage these issues and actively reflect them in its management activities going forward.

### 1) Issue Identification and Issue Pool Creation

KAI created an issue pool of a total of 50 issues through global standard indicator analysis, industry status monitoring, internal and external data analysis, media research, review of government policy directions, and assessment of the interests of internal and external stakeholders.

- **Global/Industry Standards Analysis** : GRI, ISO, SDGs, TCFD, MSCI, DJSI, SASB, etc.
- **Industry/Peer Benchmarking** : 5 overseas companies and 5 domestic companies (10 in total)
- **Internal/External Data Analysis** : Mid- to long-term strategies, business reports, management performance data, etc.
- **Media Research** : A total of 250 articles related to KAI and the industry
- **Stakeholder Interest Assessment** : Interviews and surveys with shareholders, the local community, management, and employees, etc.

### 2) Implementation of Materiality Assessment

After establishing the key issue pool, KAI conducted a materiality assessment based on two criteria (Urgency of Execution and Ease of Management), considering alignment with the short- and mid- to long-term goals of its management strategy and the priorities of its ESG management strategy, informed by interviews with management and working-level staff of relevant departments.

- **Urgency of Execution** : Evaluates the degree and likelihood of financial and supply chain impacts arising from risks/opportunities related to domestic and international disclosure requirements, regulatory levels, and legislative progress
- **Ease of Management** : Evaluates the time required to establish a management system, drive improvement activities, and secure the resulting risk management capabilities, as well as the appropriate execution timing linked to mid- to long-term strategy and the degree of cost required

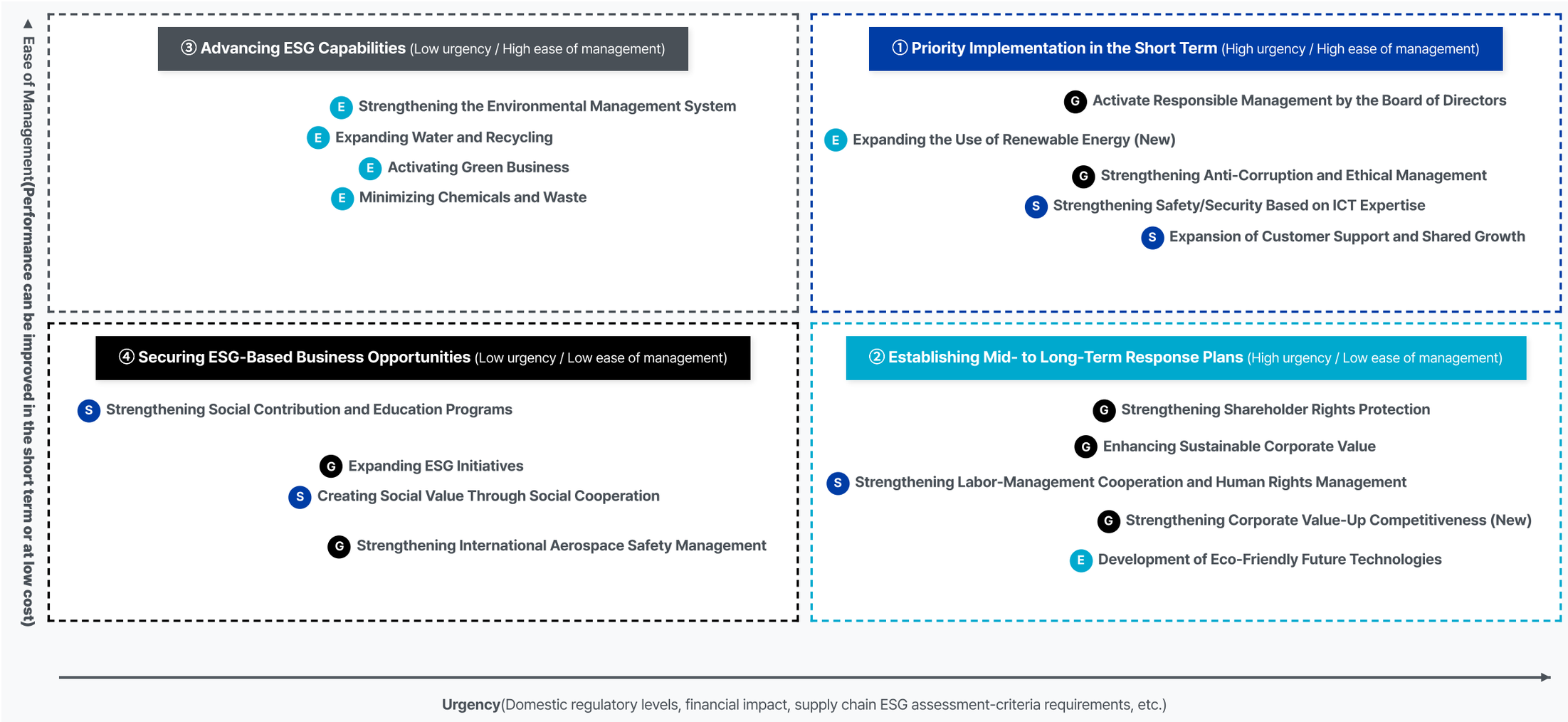
| ESG Management Indicator Assessment Viewpoint | Assessment Criteria and Considerations | Scoring Formula |
|---|---|---|
| **Urgency of Execution (a)×(b)** | **(a) Likelihood of Financial Impact when Related Risks/Opportunities Arise**<br>• Likelihood of internalizing financial impact when related risks/opportunities arise<br>• Magnitude of financial impact when related risks/opportunities arise<br>**(b) Likelihood of Supply Chain Impact when Related Risks/Opportunities Arise**<br>• Likelihood of internalizing supply chain impact when related risks/opportunities arise<br>• Magnitude of supply chain impact when related risks/opportunities arise | Scores are converted to a 5-point scale<br>• Very low = 1<br>• Low = 2<br>• Medium = 3<br>• High = 4<br>• Very high = 5 |
| **Ease of Management (c)×(d)** | **(c) Estimated Time Required for System Establishment and Improvement Activities**<br>• Higher ease of management if improvement is possible in the short term<br>**(d) Activities and Resources Required for Risk Management and Capability Enhancement**<br>• Lower ease of management if activities such as investment for internal process improvement, mid- to long-term R&D, or external investment attraction are required | |

### 3) Derivation of Key Issues

Through the above materiality assessment, KAI derived its key sustainability management issues and related sub-issues.

# Materiality Assessment Results

* Note: E Environment, S Social, G Governance




| Short-term (2025–2026) | Mid-term (2027–2028) | Long-term (2029–2030) |
|---|---|---|
| G Activate Responsible Management by the Board of Directors<br>S Expansion of Customer Support and Shared Growth<br>G Strengthening Anti-Corruption and Ethical Management<br>S Strengthening Safety/Security Based on ICT Expertise<br>G Enhancing Sustainable Corporate Value<br>E (New) Expanding the Use of Renewable Energy | G Strengthening Shareholder Rights Protection<br>S Strengthening Labor-Management Cooperation and Human Rights Management<br>E Development of Eco-Friendly Future Technologies<br>E Minimizing Chemicals and Waste<br>E Strengthening the Environmental Management System<br>G (New) Strengthening Corporate Value-Up Competitiveness | E Expanding Water and Recycling<br>E Activating Green Business<br>G Expanding ESG Initiatives<br>G Strengthening International Aerospace Safety Management<br>S Creating Social Value Through Social Cooperation<br>S Strengthening Social Contribution and Education Programs |

| Key Issues | Report Contents | GRI STANDARD | Report Page |
|---|---|---|---|
| **1. Activate Responsible Management by the Board of Directors** | Governance Policy, Transparent Management | 2-9 Governance structure and composition | 66-68, 73-74 |
| | | 2-10 Nomination and selection of the highest governance body | 68 |
| | | 2-11 Chair of the highest governance body | 67 |
| | | 2-12 Role of the highest governance body in overseeing the management of impacts | 9-10, 75-76 |
| | | 2-14 Role of the highest governance body in sustainability reporting<br>2-17 Collective knowledge of the highest governance body<br>2-18 Evaluation of the performance of the highest governance body | 9-10, 66-68<br>68<br>N/A |
| **2. Expansion of Customer Support and Shared Growth** | Customer Support | 3-3 Management of material topics | 45-46 |
| | Collaborative Cooperation | 3-3 Management of material topics | 47 |
| **3. Strengthening Anti-Corruption and Ethical Management** | Ethics and Compliance Management | 205-1 Operations assessed for risks related to corruption | 70 |
| | | 205-2 Communication and training about anti-corruption policies and procedures | 69-72 |
| | | 205-3 Confirmed incidents of corruption and actions taken | N/A |
| **4. Strengthening Safety/Security Based on ICT Expertise** | Information Security | 3-3 Management of material topics | 41-42 |
| **5. Enhancing Sustainable Corporate Value** | Sustainability | 2-22 Statement on sustainable development strategy | 4 |
| **6. [New] Expanding the Use of Renewable Energy** | Climate Change Response | 302-1 Energy consumption within the organization | 18-19, 24-25, 82 |
| | | 302-2 Energy consumption outside of the organization | N/A |
| | | 302-3 Energy intensity | 82 |
| | | 302-4 Reduction of energy consumption | N/A |
| | | 302-5 Reductions in energy requirements of products and services | N/A |

# ESG Factbook

## Economic Performance

### Consolidated Statement of Financial Position

| Classification | 2023 | 2024 | 2025 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | **4,680,966,964,634** | **5,439,008,063,568** | **7,595,249,864,608** |
| Cash and cash equivalents | 658,119,624,499 | 114,716,160,403 | 60,938,581,663 |
| Short-term financial instruments | 101,961,643,835 | - | 200,000 |
| Financial instruments at fair value through profit or loss | - | 27,131,621,918 | - |
| Trade receivables | 347,080,182,507 | 398,755,279,903 | 721,535,321,886 |
| Contract assets | 167,048,244,926 | 481,616,109,522 | 840,442,674,621 |
| Other financial assets | 54,273,859,444 | 22,371,366,814 | 13,897,200,559 |
| Inventories | 1,736,483,586,736 | 2,359,034,707,814 | 3,637,049,615,737 |
| Current tax assets | 4,675,032,310 | 53,939,720 | 28,924,150 |
| Other assets | 1,611,324,790,377 | 2,035,328,877,474 | 2,321,357,345,992 |
| Non-current assets held for sale | - | - | - |
| **Non-current assets** | **2,458,609,964,087** | **2,586,530,345,825** | **2,775,007,025,579** |
| Financial instruments at fair value through profit or loss | 66,899,807,799 | 79,655,609,179 | 93,234,621,796 |
| Derivative financial assets | - | - | 1,809,842,661 |
| Trade receivables | 48,611,329,051 | 29,511,304,701 | 5,230,119,803 |
| Contract assets | - | - | - |
| Other long-term financial assets | 8,749,878,888 | 9,200,977,948 | 8,995,165,301 |
| Subsidiaries, associates, and joint ventures | 13,217,033,407 | 14,537,075,358 | 10,273,447,557 |
| Property, plant and equipment | 814,609,733,679 | 912,525,958,117 | 993,845,621,517 |
| Intangible assets | 804,198,545,232 | 845,689,955,229 | 943,722,945,645 |
| Deferred tax assets | 320,830,153,204 | 334,408,365,983 | 369,486,517,043 |
| Other assets | 381,493,482,827 | 361,001,099,310 | 348,408,744,256 |
| **Total assets** | **7,139,576,928,721** | **8,025,538,409,393** | **10,370,256,890,187** |
| **Liabilities** | | | |
| **Current liabilities** | **4,400,307,820,313** | **4,914,742,846,130** | **6,351,261,361,490** |
| Trade payables | 353,106,646,319 | 503,924,820,654 | 608,693,665,892 |
| Other financial liabilities | 308,478,574,208 | 455,034,586,958 | 397,703,676,535 |
| Contract liabilities | 1,801,883,479,074 | 1,790,653,761,352 | 2,140,537,042,660 |
| Short-term borrowings | 21,400,000,000 | 413,870,080,000 | 492,840,000,000 |
| Current portion of long-term borrowings | 28,564,710,866 | 29,099,312,594 | 23,984,537,081 |
| Current portion of bonds | 349,928,509,685 | - | 299,927,913,806 |
| Current tax liabilities | 149,178,123 | 37,150,836,166 | 31,379,221,893 |
| Provisions | 65,195,380,769 | 64,007,068,063 | 62,065,511,203 |
| Other liabilities | 1,471,601,341,269 | 1,621,002,380,343 | 2,294,129,792,420 |
| Derivative financial liabilities | - | - | - |
| **Non-current liabilities** | **1,119,328,591,131** | **1,383,618,681,142** | **2,121,648,666,661** |
| Long-term borrowings | 58,494,503,972 | 43,462,002,449 | 63,884,406,725 |
| Bonds | 149,848,486,881 | 549,289,349,481 | 1,266,374,236,834 |
| Other long-term financial liabilities | 375,700,089,535 | 238,053,665,761 | 156,968,416,945 |
| Net defined benefit liabilities | 418,277,469,019 | 452,225,263,324 | 511,164,571,868 |
| Provisions | 74,996,036,825 | 54,993,625,449 | 62,564,850,373 |
| Other non-current liabilities | 40,096,783,707 | 45,594,774,678 | 58,654,191,133 |
| Deferred tax liabilities | 477,425,788 | - | 2,037,992,783 |
| Derivative financial liabilities | 1,437,795,404 | - | - |
| **Total liabilities** | **5,519,636,411,444** | **6,298,361,527,272** | **8,472,910,028,151** |
| **Equity** | | | |
| **Equity attributable to owners of the parent** | **1,597,412,953,604** | **1,705,857,243,034** | **1,830,169,571,361** |
| Share capital | 487,375,535,000 | 487,375,535,000 | 487,375,535,000 |
| Share premium | 124,077,485,927 | 124,077,485,927 | 124,077,485,927 |
| Retained earnings | 1,002,625,836,715 | 1,111,014,146,545 | 1,235,363,106,759 |
| Other equity items | (16,665,904,038) | (16,609,924,438) | (16,646,556,325) |
| **Non-controlling interests** | **22,527,563,673** | **21,319,639,087** | **67,177,290,675** |
| **Total equity** | **1,619,940,517,277** | **1,727,176,882,121** | **1,897,346,862,036** |
| **Total equity and liabilities** | **7,139,576,928,721** | **8,025,538,409,393** | **10,370,256,890,187** |

# Environmental Performance

## GHG Emissions

| | Classification | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| **GHG Emissions** | Scope 1 | $tCO_2eq$ | 17,825 | 19,821 | 20,373 | Based on Headquarters, Sancheong, Goseong, Jongpo, Jinju, and leased sites (Seoul Office, KAEMS) |
| | Scope 2 | $tCO_2eq$ | 47,463 | 47,338 | 51,126 | |
| | Scope 3 | $tCO_2eq$ | 1,569 | 5,061 | 655,737 | |
| | Total | $tCO_2eq$ | 66,857 | 72,220 | 727,236 | |
| **GHG Intensity** | Revenue | KRW 1 billion | 3,819 | 3,598 | 3,696 | Based on Headquarters, Sancheong, Goseong, Jongpo, Jinju, and leased sites (Seoul Office, KAEMS) |
| | Scope 1 | $tCO_2eq$/KRW 1 billion | 4.67 | 5.51 | 5.51 | |
| | Scope 2 | $tCO_2eq$/KRW 1 billion | 12.43 | 13.16 | 13.83 | |
| | Scope 3 | $tCO_2eq$/KRW 1 billion | 0.41 | 1.41 | 177.42 | |
| **GHG Reduction** | Total GHG emissions reduction | $tCO_2eq$ | - | 3,062 | 3,719 | Reduction Performance Report |
| | Total GHG emissions reduction rate | % | - | 5% | 5.2% | |
| **Emissions Trading Performance** | Allocation | $tCO_2eq$ | 58,698 | 57,919 | 52,765 | Basis changed from emissions to government allocation for the planning period ('23–24 revised) |
| | Emissions | $tCO_2eq$ | 65,285 | 67,159 | 71,499 | |

## Energy Management

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| **Energy Consumption and Reduction** | Energy Consumption and Reduction | Electricity | kWh | 102,495,600 | 102,067,972 | 110,335,910 | Based on Headquarters, Sancheong, Goseong, Jongpo, Jinju |
| | | Renewable energy | kWh | - | 6,666,373 | 8,096,460 | |
| | | LNG (Natural Gas) | $m^3$ | 281,828 | 282,862 | 265,202 | Based on Goseong Aggregation criteria re-established ('23–24 revised) |
| | | LNG (City Gas) | $m^3$ | 3,955,455 | 4,073,040 | 4,404,356 | Based on Headquarters, Sancheong, Jongpo Aggregation criteria re-established ('23–24 revised) |
| | | Jet fuel | kℓ | 3,200.877 | 3,866.700 | 3,835.285 | |
| | | Gasoline | kℓ | 101.816 | 121.323 | 115.537 | |
| | | Kerosene | kℓ | 0 | 0 | 0 | |
| | | Diesel | kℓ | 157.239 | 171.176 | 152.229 | |
| | Energy consumption reduction | | kWh | - | 6,666,373 | 8,096,460 | |
| | Energy reduction | | GJ | - | 63,997 | 77,726 | |
| | GHG emission reductions | | $tCO_2eq$ | - | 3,062 | 3,719 | |
| **Energy Intensity** | Revenue | | KRW 1 billion | 3,819 | 3,598 | 3,696 | |
| | Electricity | | kWh/KRW 1 billion | 27,052 | 28,638 | 29,852 | Based on Headquarters, Sancheong, Goseong, Jongpo, Jinju |
| | LNG (Natural Gas) | | $m^3$/KRW 1 billion | 73.79 | 78.61 | 71.75 | Based on Goseong |
| | LNG (City Gas) | | $m^3$/KRW 1 billion | 1,035 | 1,132 | 1,191 | Based on Headquarters, Sancheong, Jongpo |

## Water Consumption

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| **Water Consumption** | Water Consumption | Water consumption | $m^3$ | 174,294 | 142,745 | 158,251 | Based on Headquarters, Sancheong, Jongpo, Goseong, Jinju |
| | | Water withdrawal | $m^3$ | 421,534 | 441,377 | 453,483 | |
| | | Wastewater generation | $m^3$ | 63,300 | 105,093 | 90,223 | Based on Headquarters, Jongpo |
| | | Sewage discharge | $m^3$ | 183,940 | 193,539 | 205,009 | Based on Headquarters |
| | Recycled water | | $m^3$ | 49,428 | 58,549 | 58,416 | Based on Headquarters, Sancheong |
| | Water recycling rate | | % | 28.4 | 41.0 | 36.9 | Formula error corrected ('23–24 revised) |

# Waste Generation

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| Waste Generation | By type of waste generation | Designated waste emissions | ton | 478.33 | 382.63 | 542.04 | The waste volume in parentheses includes waste sold (waste paper, steel scrap) . |
| | | General waste emissions | ton | 1,272.11 (2,070.36) | 1,472.53 (2,378.74) | 1,466.17 (2,346.77) | |
| | | Total | ton | 1,750.44 (2,548.69) | 1,855.16 (2,761.37) | 2,008.21 (2,888.81) | Based on Headquarters |
| | By treatment method Generation | Recycling_Designated waste | ton | 121.06 | 145.66 | 155.42 | The waste volume in parentheses includes waste sold (waste paper, steel scrap) . Based on Headquarters |
| | | Recycling_General waste | ton | 1,228.31 (2,026.56) | 1,398.12 (2,304.33) | 1,383.92 (2,264.52) | |
| | | Incineration_Designated waste | ton | 324.77 | 156.41 | 126.91 | |
| | | Incineration_General waste | ton | - | - | - | |
| | | Landfill_Designated waste | ton | - | - | - | |
| | | Landfill_General waste | ton | 43.8 | 74.41 | 82.25 | |
| | | Other_Designated waste | ton | 32.5 | 80.56 | 259.71 | |
| | | Other_General waste | ton | - | - | - | |
| | Waste intensity Generation | Total generation | ton/KRW 1 billion | 0.458 (0.667) | 0.516 (0.767) | 0.543 (0.782) | |
| | Waste recycling rate | Recycling rate_Designated waste | % | 25.31 | 38.07 | 28.67 | |
| | | Recycling rate_General waste | % | 96.56 (97.88) | 94.95 (96.87) | 94.39 (96.50) | |
| | | Recycling rate_Total | % | 77.09 (84.26) | 83.22 (88.72) | 76.65 (83.77) | |

# Pollutant Generation

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| Pollutant Generation | Air pollutant emissions | Dust | ton | 7.313 | 6.434 | 13.086 | |
| | | Nitrogen oxides (NOx) | ton | 3.11 | 2.943 | 5.099 | |
| | | Sulfur oxides (SOx) | ton | 0.243 | 0.044 | 0.012 | |
| | | Total emissions | ton | 10.666 | 9.421 | 18.197 | |
| | Wastewater generation | | $m^3$ | 63,300 | 105,093 | 90,223 | |
| | Water pollutant emissions | BOD | ton | 0.414 | 0.411 | 0.491 | |
| | | TOC | ton | 0.418 | 0.709 | 0.730 | |
| | | SS | ton | 0.237 | 0.916 | 0.726 | |
| | | T-N | ton | 0.290 | 0.647 | 0.751 | |
| | | T-P | ton | 0.003 | 0.006 | 0.005 | |

# Raw and Subsidiary Material Consumption

| Classification | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| Raw and Subsidiary Materials Consumption | Steel materials | ton | 17,740.607 | 22,501.147 | 24,451.095 | |

# Eco-Friendly Investment Performance

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| Eco-friendly vehicles ratio | Business vehicles | Business use_Long-term rental | units | 124 | 136 | 133 | |
| | | Business use_Purchase | units | 55 | 56 | 59 | |
| | | Total | units | 179 | 192 | 192 | |
| | | Eco-friendly vehicles_Hybrid | units | 14 | 29 | 50 | |
| | | Eco-friendly vehicles_Hydrogen/Electric | units | - | - | - | |
| | | Total | units | 14 | 29 | 50 | |
| | Eco-friendly vehicle ratio | | % | 7.82 | 15.1 | 25.9 | |
| Environmental facilities Investment costs | Environmental facility investment (air/water not distinguishable) | | KRW 1,000 | 2,008,182 | 2,308,788 | 1,987,804 | Sum of investment and repair costs |
| Environmental costs | Environmental facility operating costs | | KRW 1 million | 1,085 | 1,367 | 1,687 | Prevention-facility electricity costs |
| | General administrative expenses | | KRW 1 million | 2,066 | 2,238 | 2,577 | Environmental budget (actual) |

# Hazardous Chemical Use

| Classification | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| Hazardous chemical use | Hazardous chemical consumption | ton | 99.67 | 101.16 | 153.34 | Of the total consumption of products containing hazardous chemicals, the basis was changed to enter only the actual hazardous chemical consumption |
| | Hazardous chemical leakage accidents | Number of cases | - | - | - | |

# Key Certification Status

| Classification | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| Key certification status | ISO 50001 certification | sites | 1 | 1 | 1 | |
| | ISO 14001 certification | sites | 5 | 5 | 5 | |
| | ISO 45001 certification | sites | 5 | 5 | 6 | |
| | ISO 27001 certification | sites | 1 | 1 | 1 | |

# Social Performance

## Employee Status

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| Workforce status | Total number of employees | | Persons | 5,098 | 5,093 | 5,235 | Including employees on leave |
| | Total employees By gender | Male | Persons | 4,694 | 4,672 | 4,761 | |
| | | Female | Persons | 404 | 421 | 474 | |
| | Total employees By age | Under 30 | Persons | 626 | 654 | 815 | |
| | | 30 to under 40 | Persons | 1,474 | 1,475 | 1,526 | |
| | | 40 to under 50 | Persons | 1,273 | 1,212 | 1,132 | |
| | | 50 or older | Persons | 1,725 | 1,752 | 1,762 | |
| | Total employees By position | Executives | Persons | 24 | 32 | 30 | |
| | | Managers | Persons | 240 | 293 | 296 | |
| | | Staff | Persons | 4,834 | 4,768 | 4,909 | |
| | Total employees By contract type | Employees without a fixed term | Persons | 4,251 | 4,516 | 4,768 | |
| | | Fixed-term employees | Persons | 847 | 577 | 467 | |
| | Employee diversity | Number of employees with disabilities | Persons | 82 | 80 | 172 | Including employees on leave |
| | | Ratio of employees with disabilities | % | 1.61 | 1.57 | 3.29 | |
| Years of service | Average years of service | | Years | 13.96 | 13.94 | 13.74 | |
| | Average years of service By gender | Male | Years | 14.47 | 14.47 | 14.31 | |
| | | Female | Years | 7.99 | 8.08 | 8.00 | |

# New Hires and Turnover

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| Permanent employees New hires status (Employees) | Number of new hires | | Persons | 375 | 455 | 519 | |
| | New hires Number By gender Classification | Male | Persons | 314 | 371 | 424 | |
| | | Female | Persons | 61 | 84 | 95 | |
| | New hires Number By age Classification | Under 30 | Persons | 167 | 231 | 359 | |
| | | 30 to under 40 | Persons | 60 | 76 | 54 | |
| | | 40 to under 50 | Persons | 74 | 85 | 30 | |
| | | 50 or older | Persons | 74 | 63 | 76 | |
| | New hires Number By position Classification | Executives | Persons | - | 1 | - | |
| | | Managers | Persons | 2 | - | - | |
| | | Staff | Persons | 373 | 454 | 519 | |
| | New hires Number By contract type Classification | Employees without a fixed term | Persons | 146 | 249 | 398 | |
| | | Fixed-term employees | Persons | 229 | 206 | 121 | |
| Turnover status | Total number of leavers | | Persons | 397 | 510 | 419 | |
| | Number of voluntary leavers | Male | Persons | 128 | 112 | 100 | |
| | | Female | Persons | 20 | 19 | 13 | |
| | | Total | Persons | 148 | 131 | 113 | |
| | Voluntary turnover rate | | % | 2.90 | 2.57 | 2.16 | |
| | Number of involuntary leavers | Male | Persons | 210 | 307 | 277 | |
| | | Female | Persons | 39 | 72 | 29 | |
| | | Total | Persons | 249 | 379 | 306 | |
| | Involuntary turnover rate | | % | 4.88 | 7.44 | 5.85 | |

# Training Status

| Classification | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| Human resource development status (Education and training) | Total number of trainees | Persons | 25,428 | 26,063 | 30,613 | |
| | Total training cost | KRW 100 million | 20.0 | 24.8 | 13.6 | |
| | Total training hours | Hours | 152,942 | 155,123 | 226,305 | |
| | Training hours per person | Hours | 30.4 | 30.8 | 45.0 | |
| | Training cost executed per person | KRW 1,000/person | 397 | 493 | 490 | |
| | Training satisfaction | Points | 4.50 | 4.64 | 4.58 | |

# Maternity Leave and Parental Leave Status

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| Maternity leave usage status | Maternity leave taken Number of employees | Male | Persons | 131 | 161 | 188 | |
| | | Female | Persons | 14 | 14 | 20 | |
| | | Total | Persons | 145 | 175 | 208 | |
| Parental leave usage status | Parental leave taken Number of employees | Male | Persons | 45 | 52 | 95 | Number of employees who started parental leave in the year |
| | | Female | Persons | 10 | 9 | 18 | |
| | | Total | Persons | 55 | 61 | 113 | |
| | After parental leave Number of returnees | Male | Persons | 48 | 45 | 79 | Number of employees who returned to work after parental leave ended in the year |
| | | Female | Persons | 10 | 8 | 12 | |
| | | Total | Persons | 58 | 53 | 91 | |
| | Return rate after parental leave | Total | % | 92.72 | 100.00 | 98.68 | Ratio of returnees after parental leave to employees eligible to return after parental leave ended in the year |
| | After returning from parental leave Number of employees working 12 months | Total | Persons | 45 | 55 | 52 | Number of prior-year returnees who worked 12 months or more |
| | After returning from parental leave Ratio of employees working 12 months | Total | % | 93.75 | 94.83 | 98.11 | Ratio of prior-year returnees who worked 12 months or more, relative to prior-year returnees |

# Labor Union Membership Status

| | Classification | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| **Labor union Membership status** | Number eligible for membership | Persons | 4,238 | 4,578 | 4,825 | |
| | Union members (covered by collective agreement) | Persons | 3,544 | 3,842 | 4,099 | |
| | Union membership rate (covered by collective agreement) | % | 83.6 | 83.9 | 85.0 | |
| | Labor-Management Council held | Times | 3 | 2 | 2 | |

# Social Contribution Activity Status

| | Classification | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| **Social contribution activities status** | Employees participating in volunteer activities (including family) | Persons | 262 | 448 | 505 | |
| | Employee volunteer hours | Hours | 2,768 | 1,503 | 1,990 | |
| | Volunteer hours per employee | Hours | 10.6 | 3.4 | 3.9 | |
| | Social contribution fund | KRW 1 million | 896 | 541 | 1,038 | |

# Safety and Health

| | Classification | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| **Employees Safety and health** | Environmental accidents | Number of cases | - | - | - | |
| | Serious industrial accidents | Number of cases | - | - | - | |
| | Safety and health law violations | Number of cases | - | - | - | |

# Partner Company Status

| | Classification | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| **Partner companies** | Total number of partner companies | Companies | 80 | 83 | 92 | Domestic outsourcing partner companies |
| | Partner company financial support performance | KRW 100 million | 267.9 | 386.1 | 401.1 | '23 and '24 results adjusted due to added performance items |
| | Collaborative cooperation technical support | Cases | 3,421 | 1,388 | 2,648 | |
| | Number of partner companies participating in ESG consulting | Companies | 10 | - | 7 | |

# Industrial Accidents

| | Classification | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| **Industrial accidents** | Employees | Accident rate | % | 0.18 | 0.18 | 0.16 | As an industrial accident claim filed in 2023 was approved in 2024, the 2024 industrial accident rate was adjusted from 0.16 to 0.18<br>*Official industrial accident rate approved by the Korea Workers' Compensation and Welfare Service |
| | | Frequency rate | Cases/1 million hours | 0.90 | 0.89 | 0.79 | |
| | | Severity rate | Days/1,000 hours | - | - | 0.04 | |
| | | Lost-time injury frequency rate (LTIFR) | Cases/1 million hours | 0.90 | 0.89 | 0.79 | |
| | In-house partners | Accident rate | % | - | - | 0.59 | |
| | | Frequency rate | Cases/1 million hours | - | - | 2.47 | |
| | | Severity rate | Days/1,000 hours | - | - | 0.09 | |
| | | Lost-time injury frequency rate (LTIFR) | Cases/1 million hours | - | - | 2.47 | |

# Information/Cyber Security

| | Classification | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| **Information/Cyber Security** | Number of information/cyber security incidents | Cases | - | - | - | |
| | Fines or penalties paid due to incidents | KRW | None | None | None | |
| | Number of information security violations/incidents involving customer information | Cases | - | - | - | |
| | Number of customers affected by data breaches | Persons | - | - | - | |

# Governance Performance

## Anti-Corruption and Ethical Management

| Classification | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| **Anti-corruption and ethical management** | Ratio of employees participating in anti-corruption and integrity training | % | 100 | 100 | 100 | |
| | Number of legal actions on unfair trade practices | Cases | 0 | 0 | 0 | Business Report > XI. Other matters necessary for investor protection > 3. Matters related to sanctions, etc. |
| | ISO 37001 | | Obtained | Obtained | Obtained | |
| | ISO 37301 | | Obtained | Obtained | Obtained | |

## Cyber Whistleblowing Status

| Classification | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| **Cyber whistleblowing status** | Number of cyber whistleblowing reports received | Cases | 68 | 53 | 78 | |
| | Number of cyber whistleblowing reports processed | Cases | 68 | 53 | 78 | |
| | Cyber whistleblowing processing rate | % | 100 | 100 | 100 | |

## Board of Directors

| Classification | | | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| **Board of Directors** | Board operation performance | Number of Board meetings held | Times | 10 | 8 | 9 | |
| | | Number of agenda items | Cases | 56 | 34 | 50 | |
| | | Ratio of outside directors | % | 83 | 83 | 83 | |
| | | Ratio of female directors | % | 17 | 17 | 17 | Ratio of female directors among all directors (the female ratio among outside directors is 20%) |
| | | Board attendance rate | % | 100 | 94 | 96 | |
| | Total Board remuneration | Registered directors (excluding outside directors and Audit Committee members) | KRW 1 million | 707 | 780 | 1,571 | Additional appointment of an inside director (1 person) |
| | | Outside directors (excluding Audit Committee members) | KRW 1 million | - | - | - | All of KAI's outside directors serve as Audit Committee members. |
| | | Audit Committee members | KRW 1 million | 307 | 400 | 409 | Based on the executive remuneration section of the Business Report. |

# GRI Index

## GRI (Global Reporting Initiative) Index

| | |
|---|---|
| **Statement of Use** | Korea Aerospace Industries, Ltd. (KAI) has prepared and reported this report in accordance with the GRI Standards.<br>(Reporting period: January 1, 2025 – December 31, 2025) |
| **GRI Used** | GRI 1: Foundation 2021 |
| **Applicable GRI Sector Standard** | No applicable sector standard currently available |

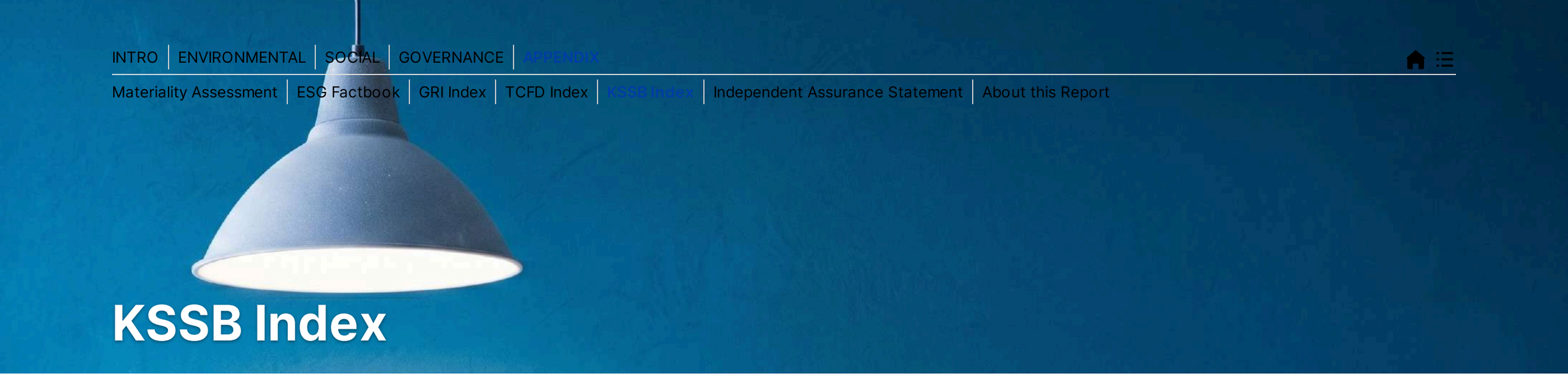
| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| **GRI 2 : General Disclosures 2021** | 2-1 Organizational details | 5, Business Report III-3-1 General Matters (Consolidated) |
| | 2-2 Entities included in the organization's sustainability reporting | 96 |
| | 2-3 Reporting period, frequency and contact point | 96 |
| | 2-4 Restatements of information | N/A |
| | 2-5 External assurance | 92-93 |
| | 2-6 Activities, value chain and other business relationships | 7-8, 47-54 |
| | 2-7 Employees | 84 |
| | 2-8 Workers who are not employees | N/A |
| | 2-9 Governance structure and composition | 66-68, Business Report VI-1 Committees within the Board |
| | 2-10 Nomination and selection of the highest governance body | 68 |
| | 2-11 Chair of the highest governance body | 67 |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | 9-10, 75-76 |
| | 2-13 Delegation of responsibility for managing impacts | 9-10, 75-76 |
| | 2-14 Role of the highest governance body in sustainability reporting | 9-10 |
| | 2-15 Conflicts of interest | Business Report VIII-1-A Executive Status (Major Career) |
| | 2-16 Communication of critical concerns | 67-68, Business Report VI-1-(B) Matters Submitted to the Board |
| | 2-17 Collective knowledge of the highest governance body | 68 |
| | 2-18 Evaluation of the performance of the highest governance body | N/A |
| | 2-19 Remuneration policies | N/A |
| | 2-20 Process to determine remuneration | N/A |
| | 2-21 Annual total compensation ratio | N/A |
| | 2-22 Statement on sustainable development strategy | 4 |
| | 2-23 Policy commitments | 35, 39, 48, 57, 66 |
| | 2-24 Embedding policy commitments | 35, 39, 47-54, 57, 67-68 |
| | 2-25 Processes to remediate negative impacts | 45-46 |
| | 2-26 Mechanisms for seeking advice and raising concerns | 71-72 |
| | 2-27 Compliance with laws and regulations | Business Report XI-3 Matters Related to Sanctions |
| | 2-28 Membership associations | N/A |
| | 2-29 Approach to stakeholder engagement | 39, 41, 53-54, 72-74 |
| | 2-30 Collective bargaining agreements | 39 |
| **GRI 3 : Material Topics 2021** | 3-1 Process to determine material topics | 79 |
| | 3-2 List of material topics | 80 |
| | 3-3 Management of material topics | 9-10, 41-42, 57-58, 72-74 |
| **GRI 201 : Economic Performance 2016** | 201-1 Direct economic value generated and distributed | Business Report III-2 Consolidated Statement of Comprehensive Income |
| | 201-2 Financial implications and other risks and opportunities due to climate change | 12-17 |
| | 201-3 Defined benefit plan obligations and other retirement plans | Business Report III-3 Note 19 Net Defined Benefit Liability |
| | 201-4 Financial assistance received from government | 48-54 |
| **GRI 203 : Indirect Economic Impacts 2016** | 203-1 Infrastructure investments and services supported | N/A |
| | 203-2 Significant indirect economic impacts | N/A |
| **GRI 204 : Procurement Practices 2016** | 204-1 Proportion of spending on local suppliers | N/A |

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 205 : Anti-corruption 2016 | 205-1 Operations assessed for risks related to corruption | 70 |
| | 205-2 Communication and training about anti-corruption policies and procedures | 69-72 |
| GRI 302 : Energy 2016 | 302-1 Energy consumption within the organization | 18-19, 24, 82 |
| | 302-2 Energy consumption outside of the organization | N/A |
| | 302-3 Energy intensity | 82 |
| | 302-4 Reduction of energy consumption | 18-19 |
| | 302-5 Reductions in energy requirements of products and services | N/A |
| GRI 303 : Water and Effluents 2018 | 303-1 Interactions with water as a shared resource | 23, 26, 82 |
| | 303-2 Management of water discharge-related impacts | 23, 26, 82 |
| | 303-3 Water withdrawal | 23, 26, 82 |
| | 303-4 Water discharge | 23, 26, 82 |
| | 303-5 Water consumption | 23, 26, 82 |
| GRI 305 : Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | 18-19, 82 |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 18-19, 82 |
| | 305-3 Other indirect (Scope 3) GHG emissions | 19, 82 |
| | 305-4 GHG emissions intensity | 82 |
| | 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | 22, 83 |
| GRI 306 : Waste 2020 | 306-1 Waste generation and significant waste-related impacts | 27-28, 83 |
| | 306-2 Management of significant waste-related impacts | 27-28 |
| | 306-3 Waste generated | 27-28, 83 |
| | 306-4 Waste diverted from disposal | 27-28, 83 |
| | 306-5 Waste directed to disposal | 27-28, 83 |
| GRI 308 : Supplier Environmental Assessment 2016 | 308-1 New suppliers that were screened using environmental criteria | N/A |
| | 308-2 Negative environmental impacts in the supply chain and actions taken | N/A |
| GRI 401 : Employment 2016 | 401-1 New employee hires and employee turnover | 85 |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 38 |
| | 401-3 Parental leave | 40, 85 |
| GRI 402 : Labor/Management Relations 2016 | 402-1 Minimum notice periods regarding operational changes | 39 |
| GRI 403 : Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | 57-59 |
| | 403-2 Hazard identification, risk assessment, and incident investigation | 56-59 |
| | 403-3 Occupational health services | 56-59 |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 56-59 |
| | 403-5 Worker training on occupational health and safety | 56-58 |
| | 403-6 Promotion of worker health | 38 |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 55-59, 86 |
| | 403-8 Workers covered by an occupational health and safety management system | 57-59 |
| | 403-9 Work-related injuries | 59, 86 |
| | 403-10 Work-related ill health | 59, 86 |
| GRI 404 : Training and Education 2016 | 404-1 Average hours of training per year per employee | 37, 85 |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | 36-37 |
| GRI 405 : Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 68, 84 |
| GRI 408 : Child Labor 2016 | 408-1 Operations and suppliers at significant risk for incidents of child labor | 35, 70 |
| GRI 409 : Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | 35, 70 |
| GRI 413 : Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | 47-54, 60-64 |
| | 413-2 Operations with significant actual and potential negative impacts on local communities | N/A |

# TCFD Index

## TCFD (Task Force on Climate-related Financial Disclosures) Index

| TCFD STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| Governance | The board's oversight of climate-related risks and opportunities | 12 |
| | Management's role in assessing and managing climate-related risks and opportunities | 12 |
| Strategy | The climate-related risks and opportunities the organization has identified over the short, medium, and long term | 13 |
| | The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning | 14, 16 |
| | The resilience of the organization's strategy, taking into consideration different climate-related scenarios | 16 |
| Risk Management | The organization's processes for identifying and assessing climate-related risks | 13 |
| | The organization's processes for managing climate-related risks | 16 |
| | How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management | 17 |
| Indicators and Objectives | The metrics used by the organization to assess climate-related risks and opportunities | 17, 82 |
| | The targets used by the organization to manage climate-related risks and opportunities | 17 |



# KSSB Index

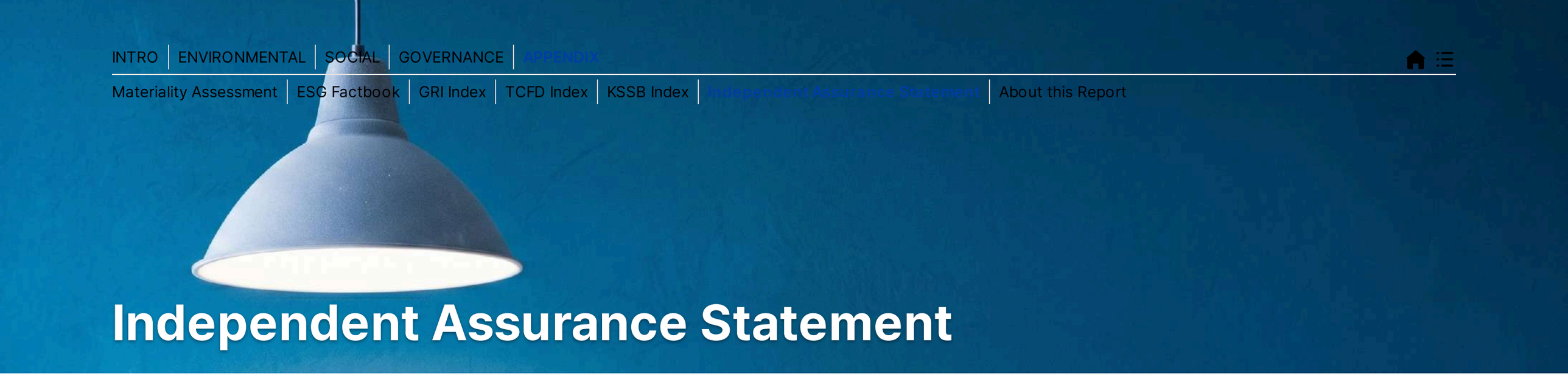
## KSSB (Korea Sustainability Standards Board) Index

### KSSB No. 1 - General Requirements

| KSSB No. 1 | Key Provisions | LOCATION |
|---|---|---|
| Governance | The decision-making body responsible for overseeing sustainability-related risks and opportunities | 9 |
| | Management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee sustainability-related risks and opportunities | |
| Strategy | Sustainability-related risks and opportunities | 79, 80 |
| | Business model and value chain | 9, 45, 47 |
| | Strategy and decision-making | 9 |
| | Financial position, financial performance, and cash flows | 81 |
| | Resilience | 77 |
| Risk Management | The processes and related policies used to identify, assess, prioritize, and monitor sustainability-related risks | 75 |
| | How risk and opportunity processes are integrated into company-wide risk management | 76 |
| Indicators and Objectives | The metrics required by the applicable sustainability disclosure standards | 81-87 |
| | The metrics used to measure and monitor sustainability-related risks and opportunities and the company's related performance | 82, 86 |

### KSSB No. 2 - Climate-related Disclosures

| KSSB No. 2 | Key Provisions | LOCATION |
|---|---|---|
| Governance | The decision-making body responsible for overseeing climate-related risks and opportunities | 12 |
| | Management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee climate-related risks and opportunities | 12 |
| Strategy | Climate-related risk and opportunity factors | 13 |
| | The impact of climate-related risks and opportunities on the company's business model and value chain | 14, 16 |
| | The company's response plans for climate-related risks and opportunities | 14, 16 |
| | The financial impact of climate-related risks and opportunities on the company | 14, 16 |
| | Climate resilience | 16 |
| Risk Management | The processes and related policies used to identify, assess, prioritize, and monitor climate-related risks and opportunities | 16 |
| | The extent and manner in which the processes for identifying, assessing, prioritizing, and monitoring climate-related risks and opportunities are integrated into and function within the company's overall risk management process | 17 |
| Indicators and Objectives | Climate-related metrics | 17, 82 |
| | Climate-related targets | 17 |



# Independent Assurance Statement

# Independent Assurance Statement

## Independent Assurance Statement

### Scope and Criteria of Assurance

The Korea Public ESG Research Institute (hereinafter the "Assurance Provider") has conducted an independent third-party assurance engagement on the 2026 KAI Sustainability Report (hereinafter the "Report") published by Korea Aerospace Industries, Ltd. (hereinafter "KAI").
This engagement was performed to assess the reliability, completeness, and appropriateness of the ESG information and performance data presented in the Report, applying the following criteria:

- AA1000 Assurance Standard v3 (Type 2, Moderate Level Assurance)
- GRI Standards 2021
- KSSB Sustainability Disclosure Standards
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

In addition to the above criteria, the Assurance Provider reviewed the appropriateness of the reported content with reference to KAI's ESG Committee operating regulations, code of ethics, environmental and safety policies, information security management system, supply chain management processes, and other internal regulations and management records.

### Responsibility of Management

The preparation of the Sustainability Report and the accuracy, completeness, and appropriateness of the disclosed information are the responsibility of KAI's management. Management is responsible for establishing and operating the internal control systems required for the preparation of the Report, and for ensuring that the ESG information contained therein is provided to stakeholders in a reliable manner.

### Responsibility of the Assurance Provider

The responsibility of the Korea Public ESG Research Institute is to perform independent assurance procedures and to provide an assurance opinion on the results thereof.
The assurance team performed documentation reviews, interviews with responsible personnel, sample testing of reported data, examination of supporting evidence, and a review of reporting processes, and obtained sufficient assurance evidence to form the opinion set out below.

### Limitations

This engagement was performed at a limited assurance level.
Certain qualitative information was confirmed through interviews and reviews of internal documentation. Forward-looking information, business plans, financial estimates, and future targets were excluded from the scope of assurance.
Information relating to certain suppliers and partner companies was reviewed on the basis of data provided by KAI, and no separate direct verification procedures were performed with external stakeholders.
The assurance team reviewed the disclosure items included in the Report on a sampling basis, in accordance with the approved scope and methodology, using data and related records provided by KAI.

### Assurance Conclusion (in accordance with AA1000AS v3)

This engagement was conducted in accordance with the AA1000 Assurance Standard v3.
The Assurance Provider reviewed sufficient supporting evidence and performed independent and objective assurance procedures in order to establish confidence in KAI's approach to preparing the Sustainability Report and in its ESG disclosure framework.
Based on the work performed, nothing has come to our attention that would lead us to believe that the ESG information and disclosure data contained in the Report contain material errors or misstatements.
We further consider that the key content of the Report is managed in accordance with KAI's internal control procedures and management systems, and that its material sustainability issues and performance are reasonably presented.

## Inclusivity

KAI systematically identifies its key stakeholder groups — including shareholders, customers, employees, partner companies, government and regulatory authorities, investors, and local communities — and operates a range of communication channels for engaging with them.
In particular, stakeholder requirements are reflected in management decision-making through the ESG Committee and the ESG working-level council. We confirmed that stakeholder engagement is carried out appropriately through investor communications, the customer satisfaction management system, and shared growth programs for partner companies.

## Materiality

KAI conducts its materiality assessment under the leadership of the ESG Committee and its ESG working-level organization, selecting material ESG issues by comprehensively considering both their financial impacts on KAI and the level of stakeholder interest.
We confirmed that core issues reflecting the characteristics of the aerospace industry — including climate change response, supply chain ESG management, information and cyber security, ethics and compliance management, talent development, quality management, and safety management — are appropriately reflected throughout the Report.

## Responsiveness

KAI responds to its material ESG issues through defined policies and implementation systems. We confirmed that the Report provides both qualitative and quantitative disclosures on its response activities and related performance in relation to key ESG agendas, including:

- ESG governance centered on the ESG Committee
- Climate change risk management based on the TCFD recommendations
- ESG assessment of partner companies and support for capacity building
- Operation of the information security and cyber security management system
- Advancement of the ethics and compliance management framework
- Operation of quality management and customer satisfaction systems

## Impact

As a core enterprise contributing to the strengthening of national defense capabilities and to the development of the aerospace industry, KAI creates economic, social, and environmental value for its stakeholders.

KAI also carries out activities that create sustainable value — including strengthening the ESG capabilities of partner companies, community contribution, talent development, the establishment of climate change response strategies, and the development of environmentally sound technologies — and we confirmed that these impacts are appropriately reflected in the Report.

## Opinion on Reporting in Accordance with the GRI Standards

The Assurance Provider reviewed the level of application of the GRI Standards 2021 in the Report.

Based on this review, we consider that the Report includes information on the organizational profile, governance, materiality assessment, stakeholder engagement, and key ESG performance, and that it faithfully reflects the fundamental requirements of the GRI Standards.

We also confirmed that the results of the materiality assessment and the related performance information are coherently connected throughout the Report, providing a level of disclosure appropriate to meeting stakeholders' information needs.

## Opinion on TCFD Climate-related Disclosures

The Assurance Provider reviewed the TCFD-aligned disclosures included in the Report.

Based on the procedures performed, we confirmed that KAI systematically discloses climate-related information in line with the four recommended areas of Governance, Strategy, Risk Management, and Metrics & Targets, and that it has established a management framework for climate-related risks and opportunities.

We further confirmed that, by reflecting the results of climate scenario analysis and of transition and physical risk assessments in the Report, KAI systematically manages the impact of climate change on its business.

## Recommendations for Improvement

KAI systematically pursues sustainability management through frameworks including its ESG Committee-led governance structure, its TCFD-based climate change response system, and its supply chain ESG management system.

In particular, we consider the linkage of information security, quality management, supply chain management, R&D innovation, and climate change response to its ESG strategy — reflecting the characteristics of the aerospace and defense industry — to be a distinctive strength of the Report.

We recommend that KAI continue to strengthen the following areas:

- Advancement of medium- to long-term ESG targets and the associated KPI framework
- Strengthening of the Scope 3 emissions management system
- Expanded quantitative disclosure of climate scenario analysis results
- Advancement of the supply chain ESG risk monitoring system
- Enhanced disclosure of the relationship between ESG performance and financial performance
- Establishment of a sustainability impact measurement framework reflecting the characteristics of the aerospace industry

Through these efforts, we believe KAI will further strengthen stakeholder trust as a sustainability leader in the global aerospace industry.

## Independence

The Korea Public ESG Research Institute is an independent assurance provider with expertise in ESG and sustainability management, international assurance standards (AA1000AS, ISAE 3000), climate-related disclosure, supply chain ESG, and ethics management.

The Assurance Provider has no financial, commercial, or other interests that could impair its independence, and no conflict of interest arose in the course of this engagement.

This engagement was performed by assurance practitioners with expertise in ESG strategy, climate change response, sustainability disclosure, supply chain management, information security, and risk management, maintaining independence and objectivity throughout.

The Institute for Public K-ESG 한국공공ESG연구원

AA1000 Licensed Report 000-921/V3-EI75K

17 June 2026

Korea Public ESG Research Institute

Kim Jung-rae, President

# GHG Emission Verification Statement

## Scope 3

### Scope of Verification

This verification statement has been prepared at the request of Korea Aerospace Industries, Ltd.

Shinhwa Engineering & Architecture Co., Ltd. was requested by Korea Aerospace Industries, Ltd. to provide verification on its 2025 Scope 3 greenhouse gas (GHG) emissions.

The report includes GHG emissions from 7 out of 15 Scope 3 categories (Purchased goods and services, Capital goods, Fuel and energy related activities not included in Scope 1 or Scope 2, Upstream transportation and distribution, Waste generated in operations, Business travel, and Employee commuting).

### Management's Responsibility

The management of Korea Aerospace Industries, Ltd. holds the responsibility for compliance with ISO 14064-1:2018, related claims, the preparation of the report, and maintaining effective internal controls over the data and information.
The responsibility of Shinhwa Engineering & Architecture Co., Ltd. is limited to providing assurance on the report in accordance with the contract established with Korea Aerospace Industries, Ltd.
Ultimately, the report has been approved by and remains under the sole responsibility of Korea Aerospace Industries, Ltd.

### Verification Approach

The verification was conducted in accordance with ISO 14064-3:2019, 'Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements', to verify at a limited level of assurance whether the GHG data in the report of Korea Aerospace Industries, Ltd. complies with ISO 14064-1:2018, 'Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals'.

To draw a verification conclusion, verification activities were performed based on sampling, especially the following activities.

- Reviewed the processes associated with the management of GHG emissions data and records.
- Interviewed relevant personnel responsible for the management of GHG emissions data and records.
- Verified the 2025 GHG emissions data and records at an aggregated level.

### Level of Assurance and Materiality

Based on the contract, the verification of GHG emissions for 7 out of the 15 Scope 3 categories was conducted at a limited level of assurance with a 5% materiality threshold, and the verification opinion expressed in this statement has been derived accordingly.

### Verification Opinion

Based on the verification results utilizing the approach of Shinhwa Engineering & Architects Inc., Ltd. no evidence was found to suggest that the GHG emissions for the 7 Scope 3 categories summarized in Table 1 below are materially incorrect. Furthermore, no matters were found that would cause us to believe that the report does not comply with ISO 14064-1:2018.

Table 1. Summary of Scope 3 GHG Emissions for Korea Aerospace Industries, Ltd.

| Category (14064-1:2018) | Category (GHG Protocol) | GHG emissions ($tCO_2eq$) |
|---|---|---|
| Indirect transportation emissions | 4. Upstream transportation and distribution | 19,014 |
| | 6. Business travel | 1,774 |
| | 7. Employee commuting | 4,279 |
| Indirect product emissions (products purchased and used by the organization) | 1. Purchased goods and services | 591,203 |
| | 2. Capital goods | 26,887 |
| | 3. Fuel- and energy-related activities not included in Scope 1 and Scope 2 | 9,668 |
| | 5. Waste generated in operations | 2,912 |
| **Total** | | **655,737** |

Shinhwa Engineering & Architecture Co., Ltd.
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CEO Kim In-soo

Date of issue: June 12, 2026

# Scope 1, 2

## Scope

- Boundary: the whole business as a company of credit allocation
- Verification object: Korea Aerospace Industries, Ltd.
- Reporting period: Calendar year of 2025
- Type of emission: Direct Emissions (Scope 1), Indirect Emissions (Scope 2)
- The level of assurance: Reasonable assurance (materiality threshold: ±5.0%)

## Standards

- Guidelines for Reporting and Certification of Emissions in the Greenhouse Gas Emission Trading Scheme (Ministry of Environment Notification, No 2025-64)
- Verification Guidelines for the Operation of the Greenhouse Gas Emission Trading Scheme (Ministry of Environment Notification, No 2025-165)
- KS A ISO 14064-1:2018, KS A ISO 14064-3:2019
- Emissions calculation plan distributed to NGMS

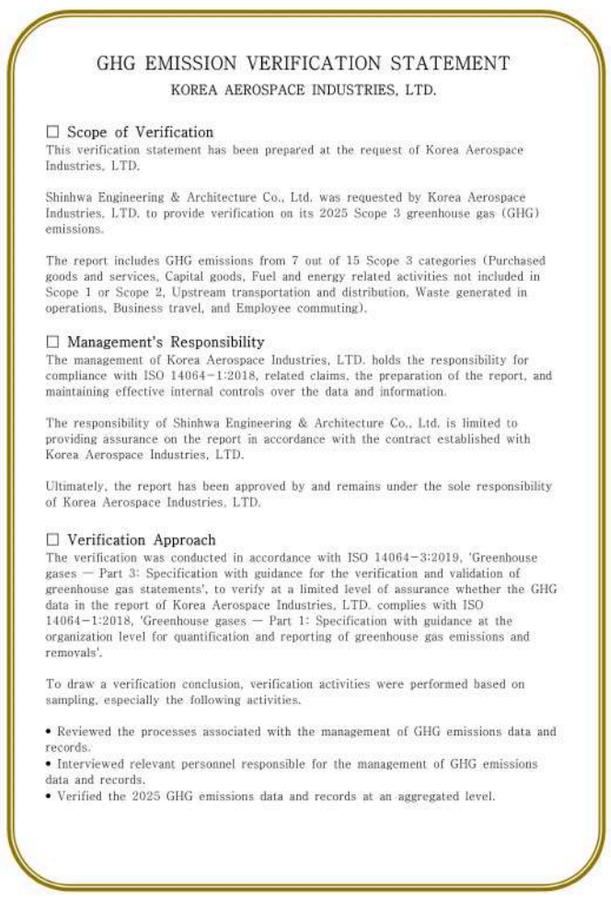
## Results

| GHG Emission | Scope 1 ($tCO_2eq$) | Scope 2 ($tCO_2eq$) | Total ($tCO_2eq$) |
|---|---|---|---|
| 2025 | 20,373 | 19,014 | 71,499 |

* Reference value for the base year of the 4th allocation period; the total direct/indirect emissions above may slightly differ from those under the GHG guidelines.

## Conclusion

It is confirmed that the 2025 greenhouse gas emissions accounting of Korea Aerospace Industries, Ltd. is appropriate.



GHG EMISSION VERIFICATION STATEMENT
KOREA AEROSPACE INDUSTRIES, LTD.

☐ Scope of Verification
This verification statement has been prepared at the request of Korea Aerospace Industries, LTD.

Shinhwa Engineering & Architecture Co., Ltd. was requested by Korea Aerospace Industries, LTD. to provide verification on its 2025 Scope 3 greenhouse gas (GHG) emissions.

The report includes GHG emissions from 7 out of 15 Scope 3 categories (Purchased goods and services, Capital goods, Fuel and energy related activities not included in Scope 1 or Scope 2, Upstream transportation and distribution, Waste generated in operations, Business travel, and Employee commuting).

☐ Management's Responsibility
The management of Korea Aerospace Industries, LTD. holds the responsibility for compliance with ISO 14064-1:2018, related claims, the preparation of the report, and maintaining effective internal controls over the data and information.

The responsibility of Shinhwa Engineering & Architecture Co., Ltd. is limited to providing assurance on the report in accordance with the contract established with Korea Aerospace Industries, LTD.

Ultimately, the report has been approved by and remains under the sole responsibility of Korea Aerospace Industries, LTD.

☐ Verification Approach
The verification was conducted in accordance with ISO 14064-3:2019, 'Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements', to verify at a limited level of assurance whether the GHG data in the report of Korea Aerospace Industries, LTD. complies with ISO 14064-1:2018, 'Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals'.

To draw a verification conclusion, verification activities were performed based on sampling, especially the following activities.

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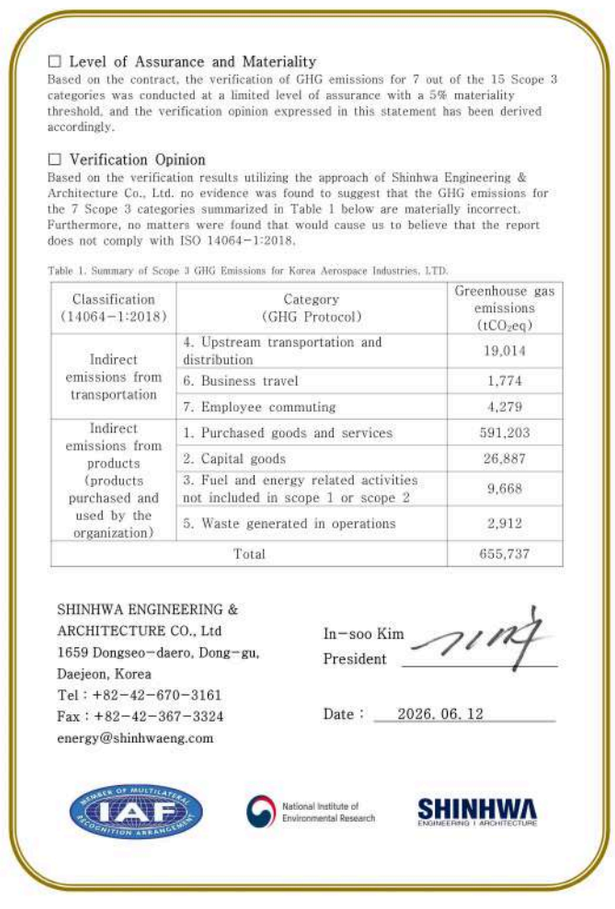

☐ Level of Assurance and Materiality
Based on the contract, the verification of GHG emissions for 7 out of the 15 Scope 3 categories was conducted at a limited level of assurance with a 5% materiality threshold, and the verification opinion expressed in this statement has been derived accordingly.

☐ Verification Opinion
Based on the verification results utilizing the approach of Shinhwa Engineering & Architecture Co., Ltd. no evidence was found to suggest that the GHG emissions for the 7 Scope 3 categories summarized in Table 1 below are materially incorrect. Furthermore, no matters were found that would cause us to believe that the report does not comply with ISO 14064-1:2018.

Table 1. Summary of Scope 3 GHG Emissions for Korea Aerospace Industries, LTD.

| Classification (14064-1:2018) | Category (GHG Protocol) | Greenhouse gas emissions ($tCO_2eq$) |
|---|---|---|
| Indirect emissions from transportation | 4. Upstream transportation and distribution | 19,014 |
| | 6. Business travel | 1,774 |
| | 7. Employee commuting | 4,279 |
| Indirect emissions from products (products purchased and used by the organization) | 1. Purchased goods and services | 591,203 |
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| | 3. Fuel and energy related activities not included in scope 1 or scope 2 | 9,668 |
| | 5. Waste generated in operations | 2,912 |
| Total | | 655,737 |

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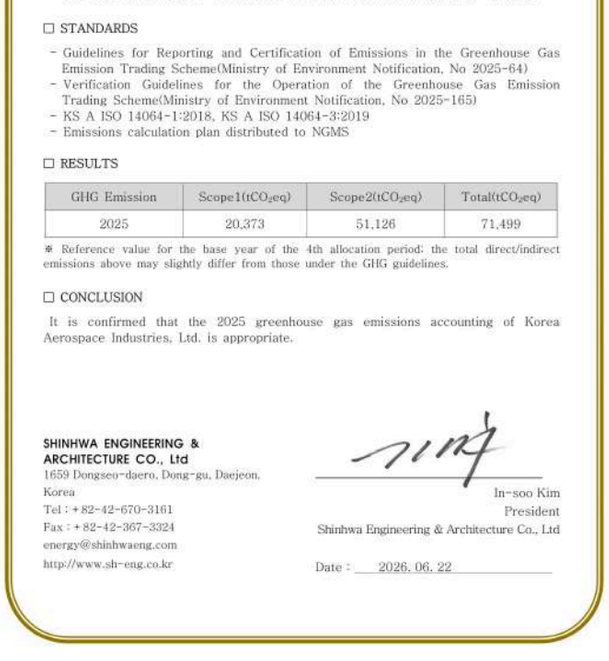
Date : 2026. 06. 12



GHG EMISSION VERIFICATION STATEMENT
KOREA AEROSPACE INDUSTRIES, LTD.

☐ SCOPE
- Boundary : the whole business as a company of credit allocation
- Verification object : Korea Aerospace Industries, Ltd.
- Reporting period : Calendar year of 2025
- Type of emission : Direct Emissions(Scope1), Indirect Emissions(Scope2)
- The level of assurance : Reasonable assurance(materiality threshold : ±5.0%)

☐ STANDARDS
- Guidelines for Reporting and Certification of Emissions in the Greenhouse Gas Emission Trading Scheme(Ministry of Environment Notification, No 2025-64)
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- KS A ISO 14064-1:2018, KS A ISO 14064-3:2019
- Emissions calculation plan distributed to NGMS

☐ RESULTS

| GHG Emission | Scope1($tCO_2eq$) | Scope2($tCO_2eq$) | Total($tCO_2eq$) |
|---|---|---|---|
| 2025 | 20,373 | 51,126 | 71,499 |

※ Reference value for the base year of the 4th allocation period; the total direct/indirect emissions above may slightly differ from those under the GHG guidelines.

☐ CONCLUSION
It is confirmed that the 2025 greenhouse gas emissions accounting of Korea Aerospace Industries, Ltd. is appropriate.

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Date : 2026. 06. 22

# About this Report

## About this Report

KAI has been publishing its sustainability report since 2023 to transparently disclose its various sustainability management activities and achievements to diverse stakeholders and to share its strategic direction.

## Reporting Period

The reporting period for the financial performance and sustainability management activities in this report is from January 1, 2025, to December 31, 2025. Quantitative data requiring trend reporting covers performance over three years (2023–2025), and, where necessary, some qualitative data includes activities through the first half of 2026.

## Scope and Boundaries of Reporting

The scope of this report includes the contents of the Headquarters and the Sancheong, Jongpo, Goseong, Jinju business sites and the Seoul Office, which differs from the scope of consolidation in the consolidated financial statements. Some information requiring attention to the reporting scope and boundaries is provided in separate notes for the convenience of readers.

## Report Assurance

The financial data in this report has been independently audited by EY Accounting Corp., and the non-financial data has been independently assured by The Korea Public ESG Research Institute to ensure objectivity, reliability, and transparency.

## Reporting Frequency

The reporting cycle of this report is one year, and this report was published on June 29, 2026.

## Inquiries about the Report

This report is available for download on KAI's website. For additional information about or feedback on the report, please contact KAI.

**KAI**

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