

# Hanwha Aerospace

Sustainability Report 2024

# ABOUT THIS REPORT

## Report Overview

Hanwha Aerospace transparently discloses performance and initiatives in the areas of the environment, social responsibility, and governance through the sustainability report. We are committed to share our vision and the progress of Hanwha Aerospace’s sustainability management while actively communicating with our stakeholders through the annual sustainability report.

## Reporting Period

This report encompasses economic, social, and environmental performances and activities spanning from January 1, 2023, to December 31, 2023. Quantitative performance data from the past three years (January 2021 to December 2023) have been included to facilitate data trend analysis. Significant performance beyond the reporting period is included up to the first half of 2024.

## Report Assurance

The financial data in this report has been independently audited by Samil PwC, and the non-financial data has been independently assured by the Korea Management Registrar (KMR) to ensure objectivity and reliability.

## Reporting Principle

This report is written based on the Global Reporting Initiative(GRI) Standards 2021(In accordance with), the Task Force on Climate-related Financial Disclosures (TCFD), and the Sustainability Accounting Standards Board (SASB). The financial data in this report complies with Korean International Financial Reporting Standards (K-IFRS).

## Reporting Scope

The financial performance in this report is presented on a consolidated basis, while the non-financial performance encompasses Hanwha Aerospace’s headquarters, all domestic manufacturing sites (Changwon Business Establishment 1, 2, and 3, Asan Business Establishment, Daejeon Business Establishment, Yeosu Business Establishment, Boeun Business Establishment, and Business Establishment in Korea), research centers (Pangyo R&D Campus, Daejeon R&D Campus, and Changwon R&D Campus), and the Yangju CS Center. Specific information that requires attention to the scope and boundaries of the report has been separately noted for reader convenience.


## Inquiries


Department: Strategic Planning Office,  
Business Planning Team  
Phone: 02-729-5500  
Email: aero.esg@hanwha.com


Website: www.hanwhaaerospace.com  
Address: 86 Cheonggyecheon-ro, Jung-gu, Seoul


### INTERACTIVE REPORT User Guide


Hanwha Aerospace’s Sustainability Report has been produced as an interactive PDF, and it is configured to go to the relevant web page and play the video for better understanding.


 Go to contents

 Go to next page

 Go to the link

 Go to cover

 Go to previous page

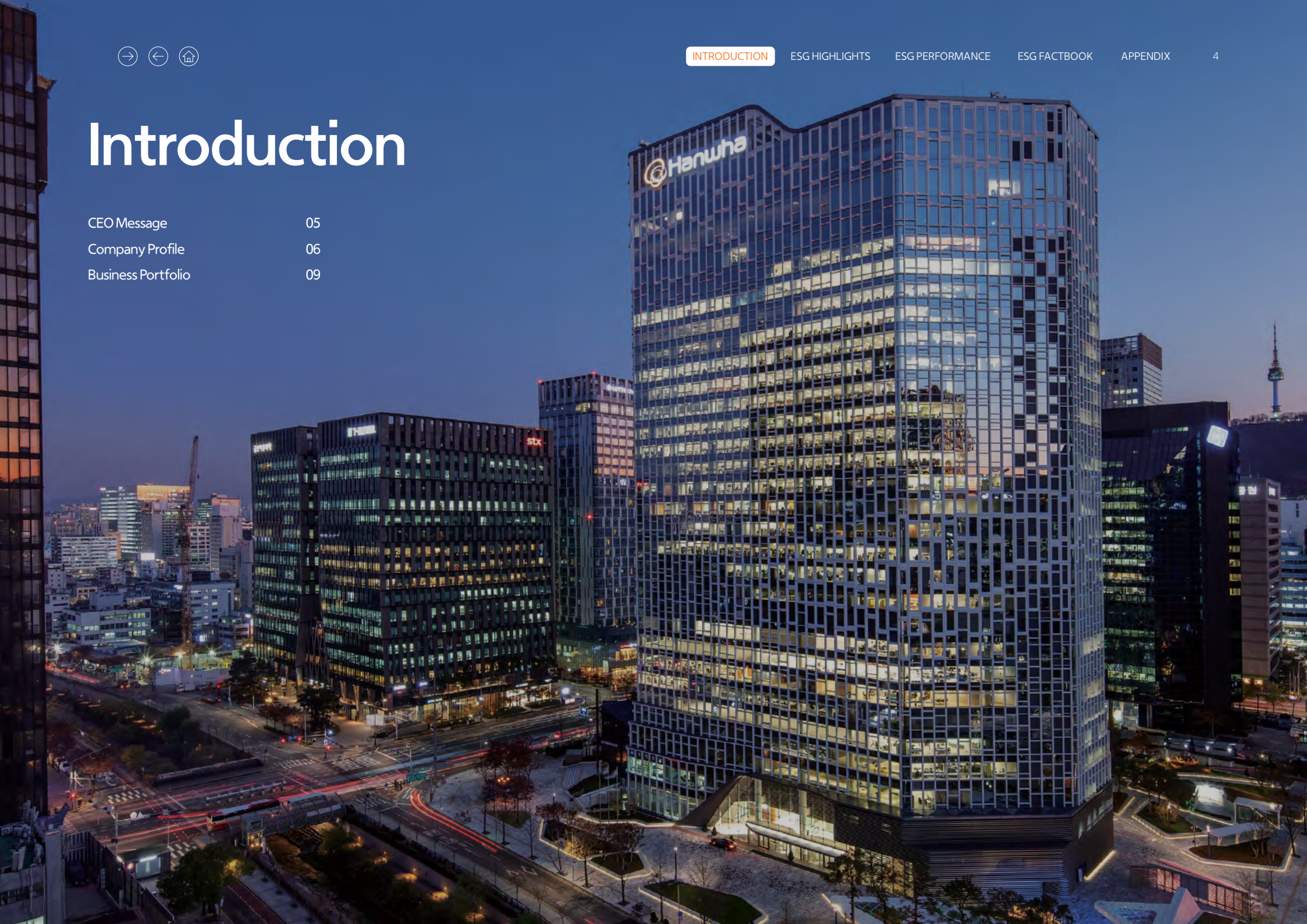
 Go to the page

# CONTENTS

<b>INTRODUCTION</b>	<b>04</b>	<b>ESG PERFORMANCE</b>	<b>21</b>	<b>ESG FACTBOOK</b>	<b>84</b>
CEO Message	05	TCFD Report	22	Economic	85
Company Profile	06	<b>Environmental</b>	<b>28</b>	Environmental	87
Business Portfolio	09	Environmental Management	29	Social	91
		Eco-Friendly Products and Services	35	Governance	97
		<b>Social</b>	<b>37</b>		
		Health and Safety	38		
		Quality Management	44	<b>APPENDIX</b>	<b>99</b>
		Talent Management	49	UN SDGs Commitment	100
		Human Rights Management	52	Stakeholder Engagement	102
		Supply Chain Management	56	GRI Content Index	103
		Local Community	62	SASB Index	106
		Information Security	67	Initiatives and Memberships	107
		<b>Governance</b>	<b>69</b>	GHG Assurance Statement	108
		Governance	70	Independent Assurance Statement	109
		Ethics and Compliance Management	76		
		Risk Management	82		
<b>ESG HIGHLIGHTS</b>	<b>14</b>				
ESG Management	15				
2023 ESG Key Figures	17				
Double Materiality Assessment	18				

# Introduction

CEO Message	05
Company Profile	06
Business Portfolio	09



# CEO Message

Thank you for your continued support for the development and growth of Hanwha Aerospace.

Despite global economic uncertainty driven by ongoing geopolitical conflicts throughout 2023, we secured significant defense export deals in Europe and Australia, achieving record sales of KRW 9.4 trillion and an operating profit of approximately KRW 700 billion.

We are actively advancing our ESG management efforts. In 2023, we invested KRW 18.4 billion in green R&D including electric propulsion systems for UAM and hybrid power for ground combat vehicles, which is a 50% increase from the previous year. We also established a human rights management system through human rights impact assessments and reinforced our ESG management by reviewing double materiality assessments through the ESG Committee within the Board of Directors.

These efforts led to notable recognitions, including A(Outstanding) rating from the Korea Institute of Corporate Governance and Sustainability (KCGS), A in MSCI ESG ratings, and an A- leadership rating from the Carbon Disclosure Project (CDP) for outstanding climate change response activities.

Despite geopolitical conflicts, economic challenges, and climate change, we will continue to lead efforts in creating social and economic value through continued environmental, social, and governance initiatives.

**We will contribute to addressing climate change through eco-friendly mobility technology.**

As the increase in carbon emissions and greenhouse gases poses a global threat, we will continue to carry out greenhouse gas reduction activities at all business establishments and strive to develop eco-friendly mobility technologies and products across all areas of aviation, sea, land, and space to achieve our vision of 'Beyond Future Mobility'.

**We will fulfill our social responsibilities by prioritizing safety and product quality.**

In the aerospace and defense industry, safety and product quality are core values of corporate management. We are committed to ensuring customer safety and national security with flawless product quality. While doing so, we will prioritize safety for our customers and employees at all costs and make every effort to create a safe working environment.

**We will become a shareholder-friendly company through transparent and sound governance.**

We will promote transparent governance through board-centered management combined with expertise and diversity. As uncertainty in the global business environment increases, we will strengthen our risk management system and create an ethical and fair corporate culture to maximize shareholder value.

We will continue to create a sustainable society and a better future together with all stakeholders and drive continuous growth with ESG management as our core value. We humbly ask for your support in our journey forward.

Thank you.

Jaeil SON,  
CEO of Hanwha Aerospace

# Company Profile

## Company Overview

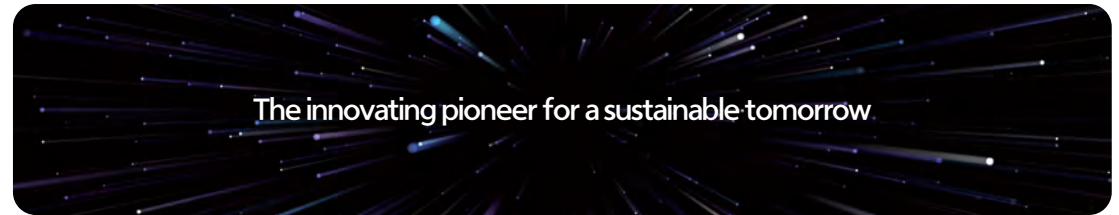


Name	Hanwha Aerospace Co., Ltd.
Founded	8.1.1977
Headquarters	1204 Changwon-daero, Seongsan-gu, Changwon-si, Gyeongsangnam-do
Number of employees	6,816 (12.31.2023)
Credit rating (corporate bond)	Korea Ratings AA- (12.22.2023) NICE Investors Service AA- (12.22.2023)
Business areas	Aviation (aircraft engines and parts, aircraft machinery), defense (military equipment and precision-guided weapons), aerospace (Korean launch vehicles), security (CCTV), industrial equipment (chip mounters), IT services, etc.
Sales	KRW 9.359 trillion (consolidated in 2023)
Total assets	KRW 19.5429 trillion (consolidated in 2023)
Website	www.hanwhaaerospace.com

## Vision and Strategy

Since the establishment in 1977, Hanwha Aerospace has grown into a leading company in Korea's defense and aerospace industries. We continue to embrace challenges driven by sustainable innovative technologies. Our commitment extends to constructing a sustainable social and security infrastructure through advanced defense solutions utilizing cutting-edge technologies across land, sea, and space. We also lead the development of future technologies, including space launch vehicle technology, earth observation solutions, space internet, and urban air mobility (UAM), enhancing our standing as a trusted entity in the global market.

Vision



Mission

Provide innovative solutions to both people and our planet for sustainable tomorrow

### Total Defense Solution

Protect freedom and peace as a national defense company

Expanding the defense business portfolio across all areas from land to space with collective capabilities

Delivering market-leading Hanwha defense solutions while leveraging the expanding global security demand as an opportunity

### Aerospace Global Leader

Frontier of aviation and space driven by innovative technology

Growing as a system operator by securing an independently developed engine

Expanding the entire value chain from materials to systems

Expanding the system business through the project Nuri

Open up new horizons in the aerospace field through synergy between subsidiaries and innovative technologies

### New Mobility Paradigm Driver

Leading the new mobility market with innovative ideas and green technology.

Eco-friendly smartship  
Leading decarbonization technologies  
Dominating the smartship market

UAM  
Dominating the Global UAM UAV Market

# Company Profile

## Global Network

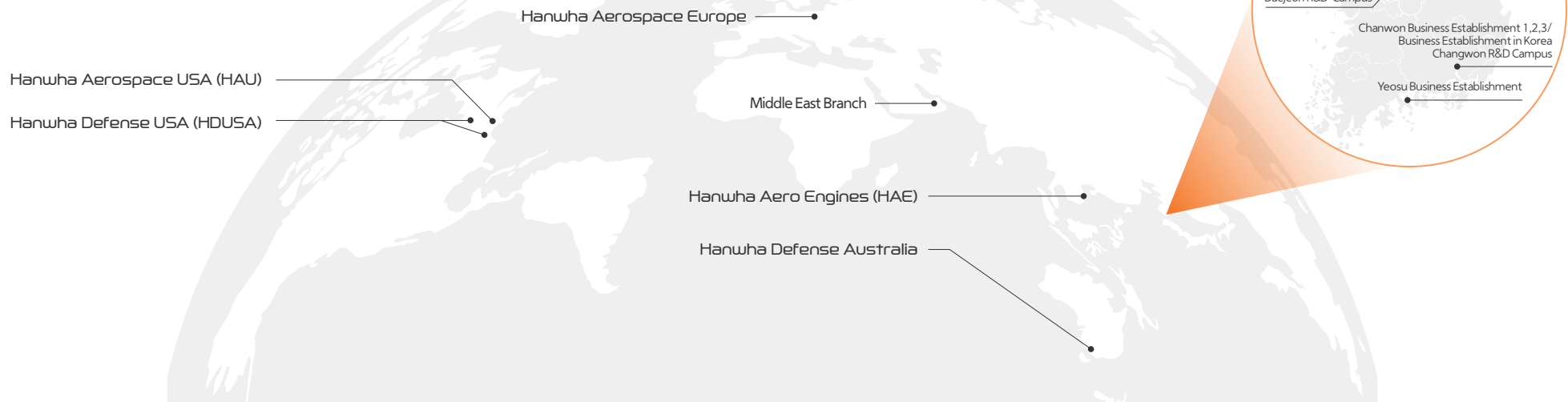
Hanwha Aerospace operates 13 bases, including headquarters, manufacturing sites, and R&D campuses in Korea, as well as five overseas locations in the United States, Australia, Europe, the Middle East, and Vietnam.

### Overseas

Hanwha Defense Australia PTY Ltd	Launched the Australian defense project · launched the Land 8116 self-propelled howitzer project · Currently participating in the Land 400 Ph3
Hanwha Aerospace Europe	Development and implementation of the European Defense Business
Hanwha Defense USA, Inc	Development and implementation of the US defense project
Hanwha Aero Engines Company Limited	Manufacture of commercial aircraft engine parts
Hanwha Aerospace USA LLC	Manufacture of aircraft engine parts

### Domestic

Seoul Headquarters	Business support · Domestic/overseas business	
Aviation	Asan Business Establishment	Aerospace machinery (KF-21, T/FA-50, Surion) · Guided weapon drive system, fuel system parts
	Changwon Business Establishment 1 / Business Establishment in Korea	Production of aircraft engines and parts, KSLV engines, and propulsion engines
	Changwon Business Establishment 2	Production of starting systems (K21), launching systems, anti-aircraft systems, and CBR systems
Defense	Changwon Business Establishment 3	Research/development of fire power systems, starting systems, launch systems, and marine systems
	Boeun Business Establishment	Production of precision guided/large propulsion systems · Propellant of compound/filling, ammunition, and fuse for propellants
	Daejeon Business Establishment	Development/production of large propulsion engines · Compound/filling of propellants · development/production of tactical surface-to-surface systems
	Yeosu Business Establishment	Development/production of gun propellants · Production of high explosive/blasting agents/raw materials
R&D	Changwon R&D Campus	Research/development of fire power systems, starting systems, launch systems, and marine systems
	Pangyo R&D Campus	Aircraft engine (turbofan) · Manned and Unmanned Teaming (MUM-T) · Electronic propulsion system
	Daejeon R&D Campus	Development of next-generation tactical/strategic-guided weapons and ammunition systems · Nuri enhancement and next-generation launch vehicle project
	Yangju CS Center	Equipment delivery/transportation · Customer support



# Company Profile

## History

Since being designated as a defense contractor in 1978, **Hanwha Aerospace** has contributed to the Republic of Korea (ROK) Armed Forces' strength buildup and national defense through businesses related to ground equipment, aircraft engines, and precision-guided munitions. With our transition to an integrated corporation in April 2023, we are poised to strengthen our position as a global company offering comprehensive solutions in the fields of space, aviation, land, and ocean.

### General Timeline

<b>1977</b>	· Established Samsung Precision Industries	<b>1991</b>	· Completed Boeun Business Establishment	<b>2017</b>	· Establishment of <b>Hanwha Techwin</b> (now <b>Hanwha Land Systems</b> )
<b>1978</b>	· Designated as a defense company	<b>2000</b>	· Changed the company name to Samsung Techwin Co., Ltd.		· Established Vietnam branch
	· Completed Yeosu Business Establishment	<b>2004</b>	· Established a Precision Guided Technology Center	<b>2018</b>	· Changed the company name to <b>Hanwha Aerospace</b>
	· Completed Changwon Business Establishment 2	<b>2006</b>	· Established an integrated research center (combined the Central Research Center with the Precision Guided Technology Center)		· Launched the integrated corporation of <b>Hanwha Defense</b> ( <b>Hanwha Land Systems</b> merged with <b>Hanwha Defense</b> )
<b>1979</b>	· Established the Central Research Center	<b>2010</b>	· Completed Pangyo R&D Campus	<b>2019</b>	· Acquired EDAC and launched <b>Hanwha Aerospace USA</b>
<b>1987</b>	· Changed the company name to Samsung Aerospace Industries Ltd.	<b>2015</b>	· Changed the company name to <b>Hanwha Techwin</b>	<b>2022</b>	· Merged with <b>Hanwha Defense</b> , and acquired <b>Hanwha Munition</b>
	· Acquired the Daejeon Business Establishment (ADD propulsion production facility)	<b>2016</b>	· Acquired Doosan DST (now <b>Hanwha Aerospace</b> )	<b>2023</b>	· Merged with <b>Hanwha Munition</b>

### Business Timeline

<b>1981</b>	· Launched the aircraft parts manufacturing project	<b>2014</b>	· Pratt & Whitney (P&W) geared turbo fan (GTF) for next-generation commercial aircraft	<b>2019</b>	· Secured a project to develop an anti-aircraft laser weapons system
<b>1984</b>	· Began the mass production of K55 self-propelled howitzers and developed the K200 Korean infantry fighting vehicles		· Exported K9 self-propelled howitzers to Poland - Exported the SSM-700K C-Star, a ship-launched sea-skimming surface-to-surface anti-ship cruise missile, to Colombia	<b>2020</b>	· Selected as a L-SAM system development company
<b>1986</b>	· Selected as the key partner for the Korean fighter project (KFP)	<b>2015</b>	· Secured an order to supply long-range surface-to-air missiles (L-SAM) and LAH air-to-surface missiles (Tank Snipers)		· Signed a contract for tactical surface-to-surface support / started mass production
<b>1993</b>	· Exported K200 Korean infantry fighting vehicles to Malaysia	<b>2016</b>	· Signed an agreement with the Korea Aerospace Research Institute to manufacture liquid rocket engines for Korean launch vehicles (KSLV-II)	<b>2021</b>	· Exported K9 self-propelled howitzers and K10 ammunition resupply vehicles to Australia
<b>1994</b>	· Secured an order from GE to supply F404 engines and produced the first home-developed Korean KF-16 fighter jets		· Signed an agreement with GE of the United States to supply leap engine parts for LM6000 and LM2500	<b>2022</b>	· Exported the K9 self-propelled howitzer and K239 Chunmoo to Poland
<b>1996</b>	· Developed domestically-produced 155mm self-propelled howitzers		· Signed an agreement with Rolls-Royce UK to supply parts for Trent 7000 engines		· Exported the K9 self-propelled howitzer package to the Middle East
<b>2001</b>	· Exported K9 self-propelled howitzers to Turkey	<b>2017</b>	· Exported K9 self-propelled howitzers to Finland, India, and Norway		· Exported KM-SAM Cheongung II to the Middle East
<b>2002</b>	· Selected as a company specializing in surface missiles		· Exported K10 ammunition resupply vehicles to Norway		· Selected as a comprehensive company for advancing the Korean launch vehicle Nuri
<b>2012</b>	· Delivered the first batch of KUH (Surion) engines	<b>2018</b>	· Exported K9 self-propelled howitzers to Estonia	<b>2023</b>	· Exported Redback, a next-gen combat vehicle, to Australia
			· Successfully launched the Nuri test launch vehicle		· Signed the second execution contract for the export of K9 self-propelled guns to Poland
					· Signed a modular charges supply contract with BAE Systems
					· Successfully launched the third Nuri test launch

# Business Portfolio

# Aerospace

Since the establishment, Hanwha Aerospace has consistently delivered gas turbine engine solutions worldwide, solidifying its presence in the global market. Our commitment now lies in establishing a robust business value chain for the space sector through ongoing challenges and technological innovations.



Long-term agreement (LTA)

### Parts (Commercial Engine Parts)

We have established ourselves as the world's No. 1 supplier of aircraft engine parts through continuous collaboration with major engine manufacturers and partners. We supply more than 500 types of engine parts to these manufacturers and partners. In 2015, we signed an RSP contract with P&W for the next-generation Geared Turbo Fan (GTF) engine, and we expanded our manufacturing base to Vietnam in 2018 and the United States in 2019 to establish a global operating system. In 2022, we received the Trusted to Deliver Excellence Award from Rolls-Royce, recognizing our world-class reliability and timely delivery capabilities. Furthermore, we have secured the government's core technology project for localizing high-tech aviation engine material parts, which currently rely entirely on imports. We are also accelerating the development of domestic aircraft engines, a project driven by the gathering of national capabilities.



F414 engine for KF-21

### Maintenance and Assembly (Military Aircraft Engines)

We offer maintenance, repair, and overhaul (MRO) services for military engines and assemble engines for major weapon systems used by various military branches. We also provide performance-based logistics services, which aim to reduce defective inventory and enhance the operational efficiency of our customers' equipment by optimizing financial resources.



The third launch of Nuri

### Space

Since 1999, we have actively engaged in developing launch vehicle components, initially embarking on our space launch vehicle business with the creation of the third Korean Sounding Rocket (KSR-III) and the gimbal engine driving device. More recently, we successfully delivered five 75t-class liquid rocket engines, one 7t-class engine, and other crucial parts integrated into the Nuri (KSLV-II), which successfully completed its second launch in 2022. Leveraging our remarkable quality competitiveness and expertise in space launch vehicle development, we secured the Korean Launch Vehicle Advancement Project in October 2022. Under this project, we will produce three Nuri launch vehicles and execute four launches by 2027.

In May 2023, we participated in the third Nuri launch as a private system integrator for the first time, assuming the role of general production management and joint launch operation, leading to the successful completion of the third launch.

# Business Portfolio

# Defense

Hanwha Aerospace merged with Hanwha Defense in November 2022 and Hanwha Munition in April 2023. Leveraging the technology, experience, and exceptional human resources of these three companies, we are actively developing weapon systems for sustainable growth, encompassing various areas of the defense industry, including maneuver, firepower, anti-aircraft, surface systems, and manned and unmanned teaming.



K9A1 self-propelled howitzer



30mm Complex gun and missile air defense system Hybrid Biho



Multi-purpose unmanned vehicle

## Fire Power System

We have perfected artillery solutions suitable for modern warfare and are developing and producing a variety of artillery and support systems and ammunition, including the K9 self-propelled howitzer and the K-239 Cheonmu multiple rocket launcher. The K9 self-propelled howitzer has been recognized for its world-class performance and excellent maneuverability in various environments, from mountainous areas to plains, snowfields, and deserts. It has been successfully exported to eight countries worldwide. The Cheonmu multiple rocket launcher has also gained international recognition for its outstanding performance and has been exported to several countries.

## Maneuver System

We have a diverse product lineup that includes K21 infantry fighting vehicles known for their excellent mobility and adaptability, as well as 120mm self-propelled mortars. Furthermore, we have developed our own REDBACK future infantry fighting vehicle, and the TIGON wheeled armored fighting vehicle designed for export.

## Anti-Aircraft Weapons

By harnessing the full potential of artillery and missile systems, we are actively contributing to the enhancement of our military's air defense capabilities. Our unique technology allows us to effectively counter various anti-aircraft threats, including the Hybrid Biho designed to engage low-altitude penetrating targets, and the 30mm wheeled anti-aircraft gun, which was adopted by the ROK military in 2021.

## Manned and Unmanned Teaming (MUM-T)

In order to maximize combat efficiency and minimize casualties, we are focusing on developing products in which manned and unmanned systems cooperate with each other. With the development of K9 self-propelled howitzers, unmanned vehicles, and multi-purpose unmanned vehicles, which are equipped with core technologies such as artificial intelligence, remote control, and autonomous driving, we are taking the lead in fostering a technologically advanced military force in Korea.



## Business Portfolio

# New business

With over 40 years of experience specializing in aircraft engines, we are gathering capabilities to become a leading company in future mobility technology, aligning with the recent trend of high-efficiency and eco-friendly technology.



ESS for Submarines

### Energy Storage System (ESS)

With the goal of entering the rapidly growing global eco-friendly ship market, we are in the process of developing ESS tailored for the operational needs of small and medium-sized vessels. We are also actively pursuing ESS projects for international ships, supported by government approvals from KOMSA and classification certifications from KR/DNV. Furthermore, we have plans to secure cutting-edge ESS core technologies that can be adapted to urban air transportation (UAM) initiatives led by Hanwha Systems and expand into the future electric propulsion system business.



Urban Air Mobility (UAM)

### Electro Mechanical Actuator (EMA)

EMA is a drive device that controls mechanical motion through the rotational power of a motor using electric energy, as opposed to the hydraulic systems traditionally employed in aircraft. It is known for being eco-friendly, safe, and efficient. In August 2022, we secured a long-term contract with Vertical Aerospace for the development and supply of three EMA types. Through this partnership, we will promote the development and commercialization of EMA, which will be used for innovative air transportation.



Hydrogen fuel cell

### Hydrogen Fuel Cell for Aircrafts

In response to customer demand, we are actively developing lightweight products. In April 2023, we secured the Development of Hydrogen Fuel Cell Propulsion Certification Technology for Small Aircraft project from the Ministry of Land, Infrastructure, and Transport. As part of this project, we plan to conduct test evaluations and establish an airworthiness certification system for small fixed-wing aircraft for the first time in Korea, as well as demonstrate an aircraft equipped with hydrogen fuel cells.

# Business Portfolio

## Subsidiaries

### Hanwha Systems

**Hanwha Systems** is a defense electronics company with business areas that encompass radar, electro-optical equipment, tactical communication systems, and combat command systems, serving as the brain and nervous system of military weapon systems. The company also offers defense electronics solutions utilizing cutting-edge IT technologies, including avionics, guided-weapon seekers, electronic warfare, and cyber warfare. In addition, its ICT Division provides integrated smart solutions optimized for various sectors such as manufacturing, construction, and finance, leveraging state-of-the-art data centers. In recent years, the company has selected air taxi businesses utilizing Personal Air Vehicles (PAV) and satellite antenna business as its new promising areas of focus and is actively promoting them.

**Advanced Defense Electronics and Future ICT**

**Defense**

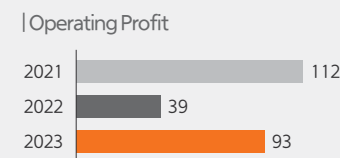
- Surveillance and reconnaissance, command and control communications, avionics, naval systems

**ICT Division**

- IT outsourcing, System Integration (SI)/Convergence

**New Businesses**

- AM, satellite communication business, and digital platforms



### Hanwha Vision

**Hanwha Vision** specializes in the development, manufacturing, and supply of video security equipment, including CCTV cameras, storage devices, and operational software. With over 30 years of experience, the company has developed its proprietary System on Chip (SoC) integrated with optical and lens technology, showcasing the world's highest zoom magnification, advanced image processing capabilities, and intelligent image analysis functions. **Hanwha Vision** is committed to enhancing its competitiveness by continuously investing in cybersecurity efforts.

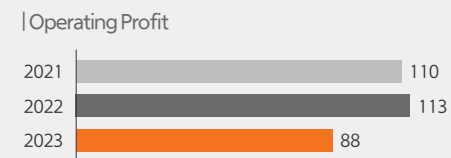
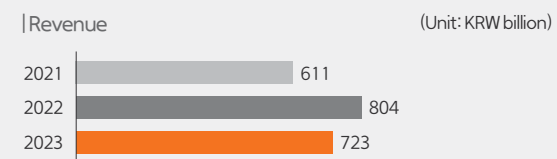
**Image Processing and Analysis Technology**

**Providing solutions using AI and intelligent video analysis**

- Video security solutions for smart cities, smart factories, apartments, etc.
- A comprehensive lineup of video security, including AI CCTV, storage devices, and software

**Providing specialized solutions tailored for each field based on video technology**

- Unmanned store solutions, including self-checkout system (QCO)
- Thermal imaging camera, virus disinfection solution based on AI camera (COVID-19)



# Business Portfolio

## Subsidiaries

### Hanwha Precision Machinery

Hanwha Precision Machinery is engaged in chip mounters and CNC Swiss Lathes, leveraging cutting-edge precision mechatronics technology. Since the acquisition of the semiconductor front-end process business in December 2023, we have been steadily evolving into a next-generation solution for all manufacturing equipment, centered on cutting-edge technology. Our aim is to position ourselves as a Global Advanced Manufacturing Solution Creator by introducing differentiated products and developing intelligent smart solutions.

#### SMT · Semiconductor · Machine Tool

##### SMT

- Chip mounters, screen printers, dispensers and S/W solutions

##### Semiconductor

- Front-end: Deposition process (PE-CVD, ALD)
- Back-end: Packaging equipment (Die Bonders, Flip Chip Bonders)

##### Machine Tools

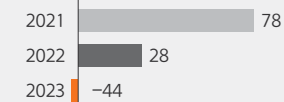
- CNC Swiss lathe, centerless grinding machine, Multi-Wire Saw (MWS) for solar wafers, dental equipment
- S/W solution through efficient equipment and factory operation

#### Revenue

(Unit: KRW billion)



#### Operating Profit



### Satrec Initiative

Satrec Initiative is the only company in Korea with verified satellite systems development capabilities in space. It specializes in the development and production of satellite systems, defense products, satellite images, and analysis services. It possesses world-class technology, enabling independent design, manufacturing, testing, and operation of satellite systems. Its small satellites offer the world's best price competitiveness in terms of performance.

#### Satellite Systems

##### Development of satellite systems

- Manufacturing of EO satellites such as satellite bodies, payloads, and ground bodies

##### Production of defense materials

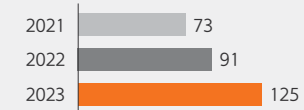
- Mobile satellite terrestrial vehicle, UAV G/S & Comp, etc.

##### Satellite image sales and analysis service

- Satellite image & value-added service, analysis platform, and detection and classification

#### Revenue

(Unit: KRW billion)



#### Operating Profit





# ESG Highlights

ESG Management	15
2023 ESG Key Figures	17
Double Materiality Assessment	18

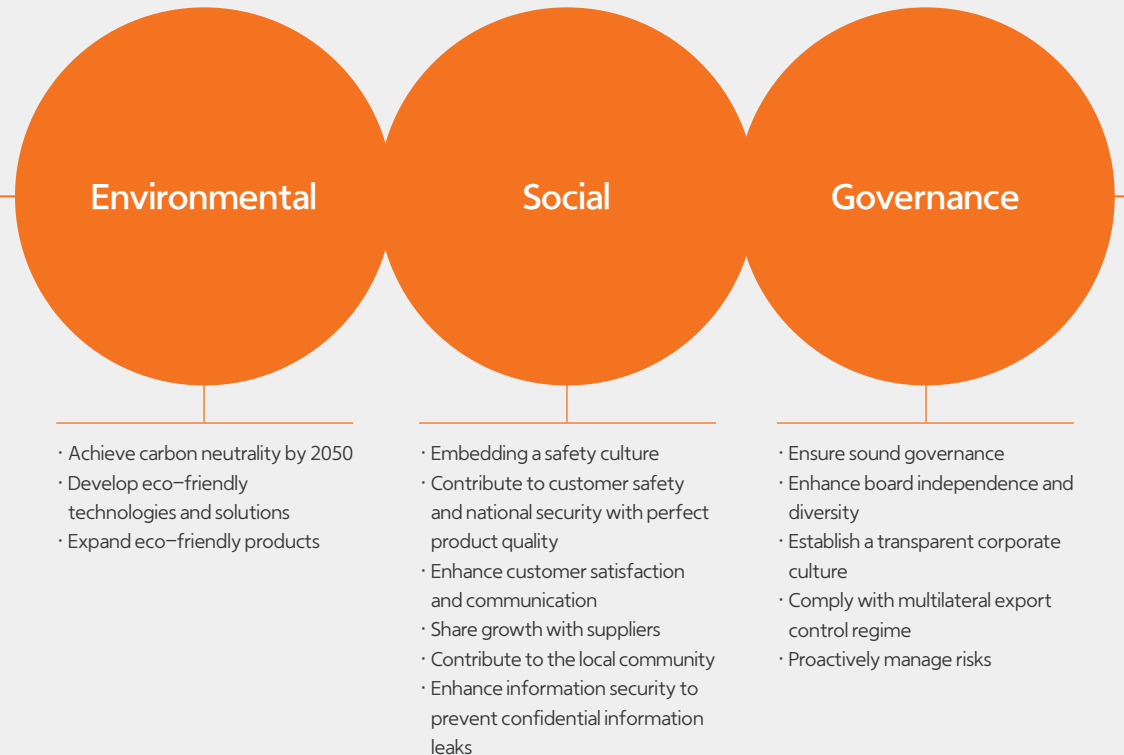
# ESG Management

## ESG Management Strategy

### ESG Management Vision and Key Initiatives

## Move towards a Sustainable Tomorrow

For a sustainable future, Hanwha Aerospace has implemented an ESG governance system and defined priority tasks in the areas of environmental (E), social (S), and governance (G). We will remain proactive in adapting to evolving ESG management dynamics and effectively managing associated risks to fulfill our role as responsible members of society.

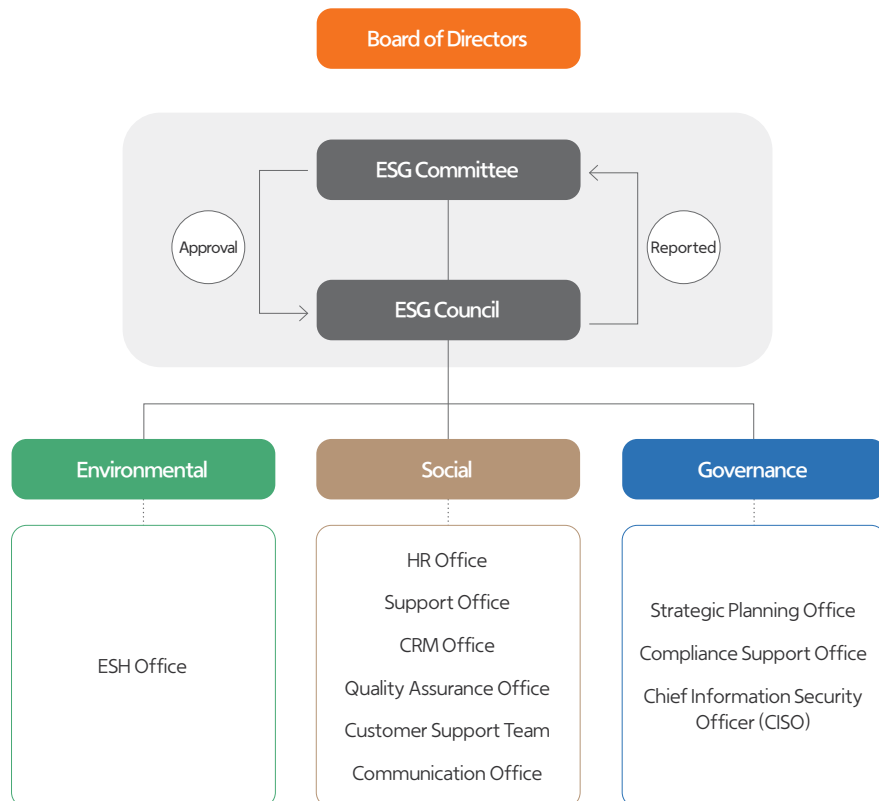


# ESG Management

## ESG Governance

In June 2021, Hanuha Aerospace established the ESG Committee within the Board of Directors. The ESG Committee is responsible for formulating mid to long-term ESG strategies and policies, overseeing ESG management encompassing environmental, social, and governance aspects, and ensuring the company’s long-term and sustainable growth. This committee is tasked with supervising internal compliance control activities, monitoring the progress of ESG-related policies and initiatives, and upholding responsible ESG governance. Regular meetings of the ESG Committee are held quarterly, with ad hoc meetings convened as needed. As of December 2023, the ESG Committee comprises all outside directors, ensuring transparency and independence in the company’s management.

Furthermore, to enhance our ability to promote ESG management throughout the company, we have established an ESG council. This council, operating under the CEO’s supervision, meets at least once a year and is responsible for managing the direction of ESG management and overseeing the implementation of detailed tasks related to environmental regulations and climate change response.



### ESG Committee Composition

As of 3.26.2024

Name	Position	Background
Hyoujin KIM	Outside Director & ESG Chairperson	Professor, Department of Aerospace Engineering, Seoul National University   Expert in Environmental Space Engineering and Future Business Area
Hujiae CHON	Outside Director	Professor, Sungkyunkwan University Law School   Expert in Compliance and Social Sector
Dojin JUNG	Outside Director	Professor, Chung-Ang University Business School & Outside Director, Naver   Expert in Finance & Accounting
Jingoo JUN	Outside Director	Former Commander of the Marine Corps   Expert in military operations and defense business

### ESG Committee Meetings

Date	Agenda	Attendance rate
2.24.2023	· Review of shareholder returns	75%
3.28.2023	· Appointment of the committee chairperson	100%
5.24.2023	· Report on 2022 ESG Management Performance and 2023 Plan	100%
7.27.2023	· 2023 ESG Materiality Assessment review	100%
10.31.2023	· Report on the outcomes of the Sustainability Report 2023 publication	100%

# 2023 ESG Key Figures

<h3>Response to Climate Change</h3> <ul style="list-style-type: none"> <li>Invested <b>KRW 360 million</b> in energy reduction project</li> <li>Enhanced <b>climate change reporting</b> <ul style="list-style-type: none"> <li>Identified physical/transitional risks and opportunities</li> <li>Analyzed the potential financial impact based on climate scenarios</li> </ul> </li> <li>Received the 'Carbon Management Sector Honors - Industrial Goods Category' at <b>2023 CDP Korea Awards</b></li> </ul> 	<h3>Environmental Management</h3> <ul style="list-style-type: none"> <li><b>Environmental management system certification</b> <ul style="list-style-type: none"> <li>Changwon Business Establishment 1,2,3 (ISO 14001)</li> <li>Changwon Business Establishment 3 (ISO 50001)</li> </ul> </li> <li>Invested <b>KRW 3.5 billion</b> in environmental improvement                     <ul style="list-style-type: none"> <li>To reduce pollutants and prevent accidents</li> </ul> </li> </ul> 	<h3>Eco-friendly Products and Services</h3> <ul style="list-style-type: none"> <li>Invested <b>KRW 18.4 billion</b> in environmental R&amp;D</li> <li>Developed technology for a eco-friendly and high-efficiency product business portfolio</li> <li>Reached the green procurement amount of <b>KRW 170 million</b></li> </ul> 
<h3>Health and Safety</h3> <ul style="list-style-type: none"> <li>Lost Time Incident Rate(LTIR) <b>0.76</b>, Occupational accident rate <b>0.15%</b></li> <li><b>Health and safety management system certification</b> <ul style="list-style-type: none"> <li>Changwon 2, Asan, Boeun, Yeosu Business Establishment (KOSHA MS)</li> <li>Changwon Business Establishment 1,2,3 (ISO 45001)</li> </ul> </li> <li>Invested <b>KRW 7.2 billion</b> in health and safety</li> </ul> 	<h3>Quality Management</h3> <ul style="list-style-type: none"> <li>Customer satisfaction score: <b>93.2</b></li> <li>Received the <b>Defense Agency for Technology and Quality, Global Excellence Award</b> in Quality Management (April 2023)</li> </ul> 	<h3>Talent Management</h3> <ul style="list-style-type: none"> <li>Total employee training hours: <b>91,781 hours</b></li> <li>Total training costs for employees: <b>KRW 2,788 million</b></li> <li><b>6.50%</b> of female managers (manager level or above)</li> </ul> 
<h3>Human Rights Management</h3> <ul style="list-style-type: none"> <li>Conducted <b>human rights impact assessment</b> on all <b>business establishments</b></li> <li>Established <b>Human Rights Management Regulation</b> (December 2023)</li> <li>Established <b>Human Rights Management Declaration</b> (December 2023)</li> </ul> 	<h3>Supply Chain Management</h3> <ul style="list-style-type: none"> <li>Provided financial support to suppliers totaling <b>KRW 59.1 billion</b></li> <li>Maintained an excellent grade on the Shared Growth Index for <b>more than 10 years</b></li> <li>Provided sustainability management seminar for <b>106</b> suppliers and conducted ESG assessment on major suppliers</li> </ul> 	<h3>Local Community</h3> <ul style="list-style-type: none"> <li>Donated * <b>KRW 7.62 billion</b> <ul style="list-style-type: none"> <li>* Including company donations and employee donations</li> </ul> </li> <li>Employee volunteer hours <b>7,161 hours</b></li> <li>Generated monetary value of <b>KRW 414 million</b> through CSR activities                     <ul style="list-style-type: none"> <li>Handcards of love, residential environment improvement project</li> </ul> </li> </ul> 
<h3>Information Security</h3> <ul style="list-style-type: none"> <li><b>Zero</b> cybersecurity incidents</li> <li><b>Zero</b> customer information leakage</li> <li>Received <b>2023 Presidential Award for Defense Industry Technology Protection</b> (December 2023)</li> </ul> 	<h3>Governance</h3> <ul style="list-style-type: none"> <li>Board meeting attendance rate <b>97%</b></li> <li><b>14%</b> of board directors are female</li> </ul> 	<h3>Ethics and Compliance Management</h3> <ul style="list-style-type: none"> <li>Integrated and revised 5 types of <b>Compliance Regulations</b> (January 2023)</li> <li>Complete revision of <b>Employee Code of Conduct</b> (H-standard) (January 2023)</li> <li>Implemented <b>Compliance Program</b> (CP)                     <ul style="list-style-type: none"> <li>Appointed compliance managers (February 2023)</li> <li>Published 5 types of Compliance Program Handbooks (December 2023)</li> </ul> </li> </ul> 

\* Customer satisfaction score based on the Aviation Division

# Double Materiality Assessment

Through the materiality assessment, Hanwha Aerospace identifies material issues that consider ① the social and environmental impacts of the company and ② the financial impact on the company from the perspective of corporate sustainability. These identified issues are then incorporated into the process of establishing our ESG management strategy. We utilize them to align with global ESG disclosure standards and engage in communication with both internal and external stakeholders.

## Definition

The process of identifying the impact of a company’s business activities on the external society and environment (Impact Materiality) and the impact of external risks and opportunities on corporate finance (Financial Materiality) to identify and select the most important topics for the business and stakeholders from the perspective of sustainability management.

## Methodology

Hanwha Aerospace conducted a double materiality assessment based on the methodologies outlined in the Global Reporting Initiative (GRI) Standards 2021 and the EU Sustainability Reporting Standards (EU ESRS). After analyzing the business environment, we selected ESG topics significant to the company and assessed the social, environmental, and financial impacts of our activities related to each topic. We then performed an impact assessment on both internal and external stakeholders who possess a deep understanding of our company and ESG. Finally, we derived five material issues through the review and approval of the assessment results by the Board of Directors.

### STEP 1 | Select ESG topics

ESG topics highly relevant to the company were selected, considering major ESG issues within the industry, global initiative requirements, and corporate ESG-related data.

#### External environment analysis

- Global sustainability disclosure standards
- ESG rating agency evaluation criteria
- ESG Issues in the Industry
- Industry-specific and key global initiatives

#### Internal environment analysis

- Internal data related to corporate ESG (Board/ESG Committee agenda, major issues in the previous year, etc.)

### STEP 2 | Identify and assess impacts

Impact assessments were conducted to identify the social and environmental impacts of corporate activities related to each ESG topic, as well as the impact of risks and opportunities on corporate financial performance. These assessments aimed to determine the priorities of ESG topics based on their materiality.

\*Impact assessment period: 2.28.2024 ~ 3.13.2024

\*\*Impact assessment response rate:

Environmental and Social Impact Materiality Assessment (47.1%),  
Financial Impact Materiality Assessment (80.0%)

#### Social and environmental impact measurement scale

Scale	Correctability (Negative Impact)
Scope	Likelihood of occurrence (Potential Impact)

#### Financial impact measurement scale

Scale	Likelihood of occurrence
-------	--------------------------

### STEP 3 | Review and disclose results

Five material issues were ultimately selected through the review and approval of the assessment results by the Board of Directors and integrated into the company’s ESG management strategy. These issues are transparently disclosed in the sustainability report.

#### Report to the Board

- Review the effectiveness of the selected material issues at the board level

#### Disclose the results

- Incorporate them into establishing ESG management strategy and setting goals
- Disclose management plans for each material issue, related policies, and key performances for the reporting year

# Double Materiality Assessment

## Assessment Results

+ Positive 
 - Negative 
 ●●● High 
 ●●○ Medium 
 ●○○ Low

Material Issues	Major Impacts	Impact Attributes	Social and Environmental Impact	Financial Impact	Assessment Results
Response to climate change	· Accelerating climate change due to greenhouse gas emissions has led to various extreme weather events such as heatwaves, cold waves, floods, droughts, and forest fires	-			
	· Minimizing the impact of climate change across the value chain by practicing carbon neutrality through emission reduction activities	+			
	· Reducing energy consumption through efficiency and reduction of energy use at business establishments	+	●○○	●○○	●○○
	· Increase in costs and liabilities from purchasing emission permits and expanding auctioning in accordance with the designation of the emission trading system	-			
	· Increasing investment costs in process and machinery improvements and introduction of eco-friendly power generation facilities and technologies	-			
Sustainable products and technologies	· Reducing environmental impacts and promoting technological innovation through strengthened R&D on eco-friendly products and high-efficiency technologies, such as eco-friendly ships and fuels	+	●●○	●●○	●●○
	· Creating future cash flow through introducing new products and entering new markets to meet the increasing demand for eco-friendly products	+			
Prevention of health and safety accidents	· Threatening the health and lives of employees and suppliers in the event of a disaster due to insufficient workplace safety and health management	-			
	· Increasing costs in legal compliance and expenditures are necessary to reinforce the health and safety management system due to the strengthening regulations, such as the enforcement of the Serious Accident Punishment Act, which includes the possibility of work suspension orders and CEO punishment	-	●●●	●●○	●●●
Product responsibility and quality control	· Causing direct or indirect damage to safety can occur in the event of quality issues, such as product malfunction or poor performance	-			
	· Contributing to the development of independent national defense and national security through the stability and advancement of product quality	+			
	· Decreasing sales and operating profit from the spread of negative images in the event of a product safety and quality issue	-	●●●	●●●	●●●
	· Incurring costs in compensation and legal proceedings in the event of a product safety and quality issue	-			
Business ethics and compliance management	· Collapsing trust among stakeholders and the corporate image in the event of ethics and legal violations	-	●●○	●●●	●●○
	· Incurring financial damage from civil, criminal, and administrative actions in the event of unethical behavior and non-compliance	-			

# Double Materiality Assessment

## Management Approach

Material issues	Response to climate change	Sustainable products and technologies	Prevention of health and safety accidents	Product responsibility and quality control	Business ethics and compliance management
<b>WHAT</b>	It involves establishing a system to manage a strategy to reduce emissions of greenhouse gases, and to proactively respond to risks and opportunities caused by climate change by promoting efficient energy use and transition to renewable energy sources.	It involves developing eco-friendly and high efficiency product technologies that generate fewer carbon emissions and environmental pollutants, ultimately building an eco-friendly business portfolio.	It involves implementing a policy and program based on a management system aimed at ensuring a safe workplace for all workers.	It is aimed at securing global quality competitiveness for our products and services while ensuring customer safety.	It involves complying with company codes of conduct and regulations under a transparent and fair ethics and compliance management system.
<b>WHY</b>	As global consensus aimed at achieving carbon neutrality in line with the 1.5° C Paris Climate Agreement emerged, Korea also declared carbon neutrality by 2050. As demand for response to climate change grows stronger from various stakeholders, including the government, customers, and investors, companies are making efforts to reduce greenhouse gases.	As the severity of negative environmental impact becomes more evident, the significance of developing products and technologies with lasting, sustainable impacts is increasing due to the nature of products and services. Considering the environmental change, efforts are required to expand product portfolio based on eco-friendly energy and secure competitiveness in green technology.	Industrial accidents at work sites can have devastating impacts on both companies and their employees, posing significant threats to sustainability. Especially, with the importance of compliance with the Serious Accident Punishment Act and occupational safety and health management increasing, it is necessary to prioritize the establishment of systematic safety management and foster a responsible safety culture that safeguards workers.	Quality control and product safety assurance are absolutely essential for a company's survival and growth. Furthermore, in certain industries, a company's products and services are directly tied to national defense competitiveness and play a pivotal role in safeguarding global stability, as well as the survival, freedom, and safety of humanity. As a result, meticulous product quality management has become increasingly crucial.	Corruption and violation of laws and regulations result in diminished trust in companies and pose significant risks to their reputation. These consequences have adverse effects on various aspects, spanning from a company's image to its financial performance. The defense industry, in particular, is highly susceptible to corruption-related crimes such as the disclosure of confidential military information and technology. These incidents can have dire consequences, including the weakening of national defense capabilities. Therefore, it is crucial for companies to take proactive and responsible measures in addressing these issues.
<b>HOW</b>	We are actively seeking ways to reduce fundamental carbon emissions by participating in efforts to achieve carbon neutrality. We are achieving carbon emission reduction targets by establishing a greenhouse gas inventory at all our business establishments and regularly monitoring their performance. We have secured greenhouse gas reduction solutions through product and technology development, including replacing fossil fuel-based power systems with battery-based electric propulsion systems, assisting both companies and customers in achieving their reduction goals.	Recognizing the potential for long-term stable profits, we prioritize technology development and investments aimed at producing eco-friendly products and services. Under our roadmap for eco-friendly technology development, aligned with the vision of "Beyond Future Mobility", we are expanding our business areas into eco-friendly, low-carbon energy to include land, marine, aviation, and space. We are actively investing in core mobility sectors such as urban air mobility (UAM) electric propulsion systems, eco-friendly maritime energy storage systems (ESS), hydrogen fuel cells, reusable projectiles, and electric mechanical transmissions (EMT). These initiatives are strategically aligned with government policy directions and regulatory compliance efforts to enhance our competitiveness.	We operate a systematic safety and health management system based on ISO 45001 and KOSHA-MS certification to create an environment where workers can work safely. In addition, we establish a specialized safety and health management system for each business establishment, conduct regular reports to the Board of Directors and the CEO, and preemptively prevent major accidents by forming a dedicated safety and health organization directly under the CEO. In addition, we are promoting the advancement of safety and health management competency through risk management activities such as risk assessment of all business establishments.	We operate a systematic quality management system based on ISO 9001 and DQMS (Defense Quality Management System) at all business establishments to ensure quality throughout the entire life cycle, from development to operation and maintenance based on our quality policy and absolute commitment to quality actions. In addition to managing quality risks in the company's internal processes through preventive management activities, we implement rigorous quality control across the value chain. This includes providing support activities such as technology transfer, quality training, and specialized training to enhance the quality assurance capabilities of our suppliers.	We are the first Korean defense company to acquire ISO 37301 (Compliance Management System) and ISO 37001 (Anti-Corruption Management System) certification. Following the merger, we revised the Code of Conduct for Employees, Anti-Corruption Regulations, and Compliance Control Standards, reorganizing them into integrated regulations. These regulations serve as joint guidelines for employees and suppliers, emphasizing transparency and reliability, which are crucial for global defense companies. In addition, we developed a Compliance Manual that serves as the standard for the way employees work. To foster an ethical and compliance-oriented culture, we conduct training programs for employees at various levels and establish management KPIs to demonstrate the company's commitment to ethical and law abiding management.

TCFD Report p.23-27

Eco-Friendly Products and Services p.35-36

Health and safety p.38-43

Quality Management p.44-48

Ethics and Compliance Management p. 76-81



# ESG Performance

TCFD Report	22
Environmental	28
Social	37
Governance	69

# TCFD Report



# TCFD Report

## Governance

<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>· Make final decisions on climate and environmental investment matters</li> </ul>
<b>ESG Committee</b>	<ul style="list-style-type: none"> <li>· Decide and monitor mid to long-term ESG strategies and policies</li> <li>· Deliberate on important issues related to climate and environment</li> <li>· Monitor mid to long-term carbon neutrality strategies and implementation progress</li> </ul>
<b>ESG Council</b>	<ul style="list-style-type: none"> <li>· Implement and manage climate-related issues and detailed tasks based on the ESG management strategy</li> </ul>
<b>Chief Safety Environment Officer (CSO)</b>	<ul style="list-style-type: none"> <li>· Oversee the company's safety, health, and environment</li> <li>· Supervise implementation progress and major performance based on the safety and environment KPIs</li> </ul>
<b>ESH Office</b>	<p><b>Environmental Planning Team, Safety Management Team</b></p> <ul style="list-style-type: none"> <li>· Establish a mid to long-term environmental safety strategy and ensure its implementation</li> <li>· Report on the outcomes of implementing the environmental management system</li> <li>· Establish an internal safety environment system for domestic and overseas business establishments and assess compliance with laws</li> <li>· Supervise accident prevention activities, including responding to various issues</li> </ul>
	<p><b>Safety and Environment Teams at each business establishment</b></p> <ul style="list-style-type: none"> <li>· Establish an implementation plan for each business establishment ESH strategies and objectives</li> <li>· Ensure the implementation of the environmental management manual</li> <li>· Manage core safety and environment KPIs</li> </ul>

### Board Roles

Every year, Hanwha Aerospace's Board of Directors carefully reviews the company's health and safety management plan, as proposed by the ESH Office. They also deliberate and approve important matters pertaining to not only climate change, but also environmental management such as green investment.

### ESG Committee Roles

The ESG Committee convenes regular quarterly meetings and ad hoc meetings to deliberate on significant matters related to climate change and environmental issues. They maintain continuous monitoring of progress in implementing mid to long-term strategies aimed at achieving carbon neutrality.

### ESG Council Roles

The ESG Council, hosted by the CEO, convenes at least once a year and comprises executives and specialists for each ESG module. Aligned with the company's ESG management direction, the council oversees and manages climate-related issues and the detailed tasks of each area.

### Management Roles

Achievement of annual greenhouse gas emission reduction goals and CDP scores are reflected in the KPI of the CSO's performance, and the KPI evaluation results are linked to the CSO's pay for performance.

### ESG Committee and the Board Status

Date	Agenda	Details
10.31.2023	Report on the publication of the Sustainability Report	· Report on the outcomes of the Sustainability Report 2023 publication
07.27.2023	Materiality assessment results	· Report on the material issues of 2022
05.24.2023	Establishment of carbon neutrality strategy	· Scenario advancement following the integration of three companies · Review of the application of renewable energy · Participation in CDP
	Response to greenhouse gas-related regulations	· Response to emissions trading system · Independent assurance on emissions
02.10.2023	Environmental pollutant reduction activities	· Identification the status of pollutant emissions
	2023 Health and Safety Plan	· Embedding a safety culture, reinforcement of ESG management, etc.
06.14.2022	Report on ESG management performance	· Report on the performance on each ESG domain
05.30.2022	Establishment of risk management regulations	· Establishment of risk management regulations and system
02.11.2022	2022 Health and Safety Plan	· Compliance with safety and environment laws, ensuring the implementation of risk assessment, etc.

# TCFD Report

## Management Strategy

### Basic Assumptions and Considerations

We regularly assess risks and opportunities at least once a year using our own developed assessment tool to evaluate the impact of climate change on the organization. In 2023, we included risk from wildfires in the assessment, and we are continuously striving to enhance its reliability. Moreover, we calculate greenhouse gas emissions from our suppliers and improve the reliability of Scope 3 emissions by offering on-site support to major suppliers.

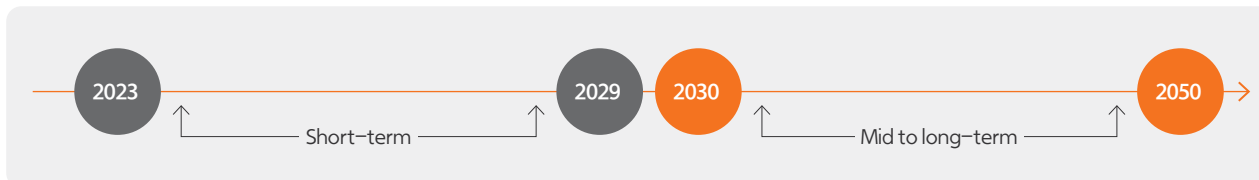
### Scope of Impact Analysis

We analyzed the upstream and downstream impacts of all domestic business establishments including our headquarters.

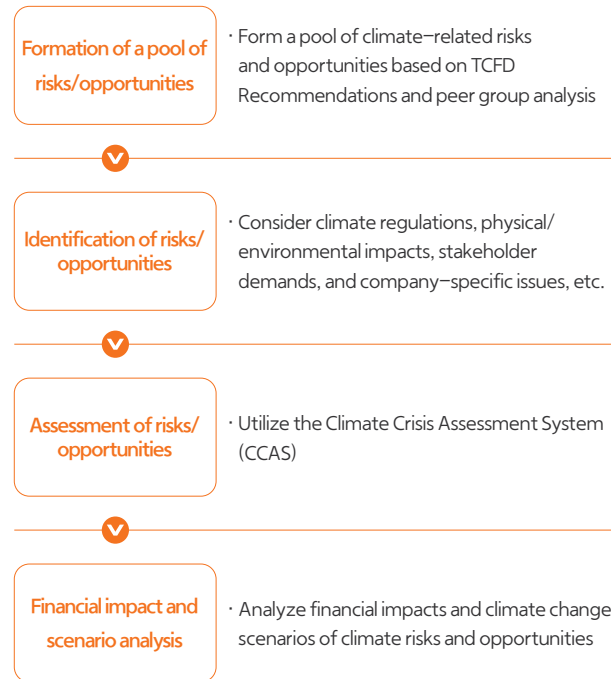


※ Changwon Business Establishment 1 includes Business Establishment in Korea

### | Application Timeline



### Identification and Assessment Process for Climate Risks and Opportunities



### Formation of a Pool of Climate Risks and Opportunities

We identified climate risks and opportunities based on TCFD recommendations and peer group analysis. Our Safety and Environment Teams within each business group conduct this assessment on a regular basis. They consider various factors such as performance indicators, climate-related regulations, environmental impacts, stakeholder demands, and company-specific issues when identifying these risks and opportunities.

### Assessment of Climate Risks and Opportunities

We identify physical and transitional climate risks and opportunities through our proprietary tool, the Climate Crisis Assessment System (CCAS). These factors are assigned a risk rating based on a matrix that considers both their likelihood and impact. If a factor receives a high rating, it is categorized and managed as a significant climate change risk and opportunity. We continuously refine and upgrade the CCAS to enhance the reliability of the assessment tool.

### Financial Impact and Scenario Analysis

We have chosen one risk and one opportunity factor, each of which has the potential to significantly impact our company's business. We then conducted scenario analysis to determine their financial impact.

# TCFD Report

## Management Strategy

### Physical Hazards and Diversion Risks

Based on the RCP 2.6 scenario and RCP 8.5 scenario, Hanwha Aerospace has analyzed the impact of climate-related physical risks on the company's business, categorizing them into acute/chronic and short/medium/long-term. We also have assessed the impact of climate-related transition risks on the business using the NZE 2050 scenario from the International Energy Agency (IEA).

Physical Risk	Impact		Details	Expected Financial Impact
	Short-term	Mid to long-term		
Heat wave	●○○	●○○	<ul style="list-style-type: none"> <li>· Necessity to manage heatwave-vulnerable groups, such as people with heat-related illnesses.</li> <li>· Decline in corporate reputation in the event of a serious accident related to a heat wave.</li> </ul>	<ul style="list-style-type: none"> <li>· Increase in electricity bills due to heat waves</li> </ul>
Cold wave	●○○	●○○	<ul style="list-style-type: none"> <li>· Physical damage caused by cold waves</li> </ul>	<ul style="list-style-type: none"> <li>· Increase in energy costs due to extreme cold waves</li> </ul>
Flood	●○○	●○○	<ul style="list-style-type: none"> <li>· Flooding in the business establishments</li> </ul>	<ul style="list-style-type: none"> <li>· Investment in flood prevention facilities (e.g. installation of sewer walls, etc.)</li> </ul>
Drought (precipitation)	●○○	●○○	<ul style="list-style-type: none"> <li>· Water shortages for certain months</li> <li>· Impact on water-intensive processes</li> </ul>	<ul style="list-style-type: none"> <li>· Decline in operating profit due to declining productivity</li> </ul>
Sea level rise	●○○	●○○	<ul style="list-style-type: none"> <li>· Risk of flooding at coastal business establishments</li> </ul>	<ul style="list-style-type: none"> <li>· Relocation of some facilities or factories within establishments</li> <li>· Investment costs incurred, such as the installation of seawalls</li> </ul>
Rising average temperature	●○○	●○○	<ul style="list-style-type: none"> <li>· Extreme weather events</li> </ul>	<ul style="list-style-type: none"> <li>· Continuous increase in energy costs, including electricity bills</li> </ul>

Transition Risk	Impact		Details	Expected Financial Impact
	Short-term	Mid to long-term		
Price of emission permits	●●●	●●●	<ul style="list-style-type: none"> <li>· Newly determined for the 2024 emissions trading system</li> <li>· Securing of emission permits linked to energy supply and demand plans</li> </ul>	<ul style="list-style-type: none"> <li>· 5.4% impact compared to the operating profit in 2050</li> </ul>
Emission reduction obligations	●●●	●●●	<ul style="list-style-type: none"> <li>· Strengthened reduction obligations</li> <li>· Need to respond to the increase in fuel usage related to the commissioning of space projects</li> </ul>	<ul style="list-style-type: none"> <li>· Expected emission allowance costs of 1.9 billion in 2030</li> <li>· Expected emission allowance costs of 26.1 billion in 2040</li> <li>· Expected emission allowance costs of 87.1 billion in 2050</li> </ul>
Stranded asset	●○○	●○○	<ul style="list-style-type: none"> <li>· Potential for stranded aviation-related investment costs due to the tightening of aerospace greenhouse gas regulations (currently at low risk)</li> </ul>	<ul style="list-style-type: none"> <li>· Less than 1% residual value of fossil fuel-based facilities compared to the cost of goods sold and operating profit in 2022</li> <li>· Investment costs for replacing facilities for energy conversion in the future (less than 1% of the cost of goods sold and 3.9% of the operating profit in 2022)</li> </ul>
Carbon tax	●○○	●●○	<ul style="list-style-type: none"> <li>· Carbon tax imposed (if the relevant law is passed and enforced)</li> </ul>	<ul style="list-style-type: none"> <li>· Mid and long-term impacts according to NGFS standards</li> </ul>
Strengthening carbon regulations	●○○	●○○	<ul style="list-style-type: none"> <li>· U.S. Inflation Reduction Act (in effect)</li> <li>· EU CBAM (scheduled)</li> <li>· IATA 2020 Carbon Neutrality Resolution (approved)</li> </ul>	<ul style="list-style-type: none"> <li>· Impact on revenue resulting from failure to meet technical requirements of customers linked to the decarbonization of the aviation industry</li> </ul>

# TCFD Report

## Management Strategy

### Opportunity Factors

Based on the RCP 8.5 scenario and the IEA’s NZE 2050 scenario, we analyzed the impact of climate-related opportunities on the company’s business.

Opportunity	Impact		Details	Expected Financial Impact
	Short-term	Mid to long-term		
Product/Service	●○○	●●○	· IATA Carbon Neutrality Boosts Eco-friendly Business of Electric Propulsion System	· Continuous increase in sales of UAM and ESS business
Market	●○○	●○○	· Same as the above	· Same as the above
Energy Source	●○○	●○○	· Use of hydrogen energy · Integration of the energy business value chain at the group level	· Synergy in generating revenue in eco-friendly businesses
Resource Efficiency	●○○	●●○	· Transition from fossil fuels to hydrogen or green energy · Impact on emission factors due to green energy policies · Mid to long-term contribution to the reduction of air pollutant emissions	· Cost reduction associated with the emissions trading system, carbon tax, etc.
Other (Resilience, etc.)	●○○	●○○	· Expansion of the supply of eco-friendly vehicles and related infrastructure in accordance with automobile carbon regulations · Reduction of mobile combustion by switching vehicles	· Gradual replacement to hydrogen/electric vehicles in line with the technology trends

### Response Measures

We have established mid to long-term business strategies to minimize risks posed by climate change and effectively capitalize on opportunities. In 2023, we joined the emission trading system and established a greenhouse gas inventory for all business establishments, conducting voluntary verification of greenhouse gas emissions in response. We also formed an energy-streamlining task force to promote emission reduction activities by identifying energy-efficient initiatives across the company. As a result, we successfully completed 25 tasks in 2023, resulting in a reduction of approximately 574 tonCO<sub>2</sub>eq. Furthermore, we are enhancing our expertise and competitiveness in eco-friendly technology by participating in national projects related to eco-friendly energy policies and issuing green bonds.

# TCFD Report

## Risk Management

Hanwha Aerospace acknowledges climate risk as a significant concern for the company. The risks and opportunities associated with climate change identified through materiality assessment are taken into account in the company's risk identification and evaluation processes. Climate change risks are managed comprehensively and integrated into the company's overall risk management approach.

| Climate Risk Management Framework



### Risk Identification

We identify and assess climate-related risk and opportunity factors using our developed tool, the HAS Climate Change Assessment System (CCAS). Internally, each relevant department analyzes climate-related issues through the ESG Council, while externally, we identify risks by reviewing climate policies and regulations, industry trends, and stakeholder interests and demands.

### Risk Monitoring

We maintain comprehensive management of climate risks at the company level. The Business Planning Team within the Strategic Planning Office, under the CEO's supervision, oversees the company's risk management efforts. Meanwhile, the ESH Office manages and monitors climate change risks and responses, integrating mid to long-term improvement measures into the company's management strategy.

### Risk Assessment

Climate risks are assessed considering both their likelihood and impact. When the assessment grade is high, these are considered major climate risks and opportunity factors that could significantly affect our business. In addition, we conducted scenario analyses for each of these factors and determined their potential financial impact on our company.

### Risk Response

We manage climate risks by categorizing them by type and developing proactive response plans through the ESG Council, which is led by the CSO. In alignment with the company's ESG management direction, we establish and oversee strategies and detailed implementation tasks for each division to address identified climate risks.

## Metrics and Reduction Targets

To proactively address both domestic and international demands for greenhouse gas reduction and work towards achieving carbon neutrality by 2050, we will progressively decrease greenhouse gas emissions every year.

### Metrics

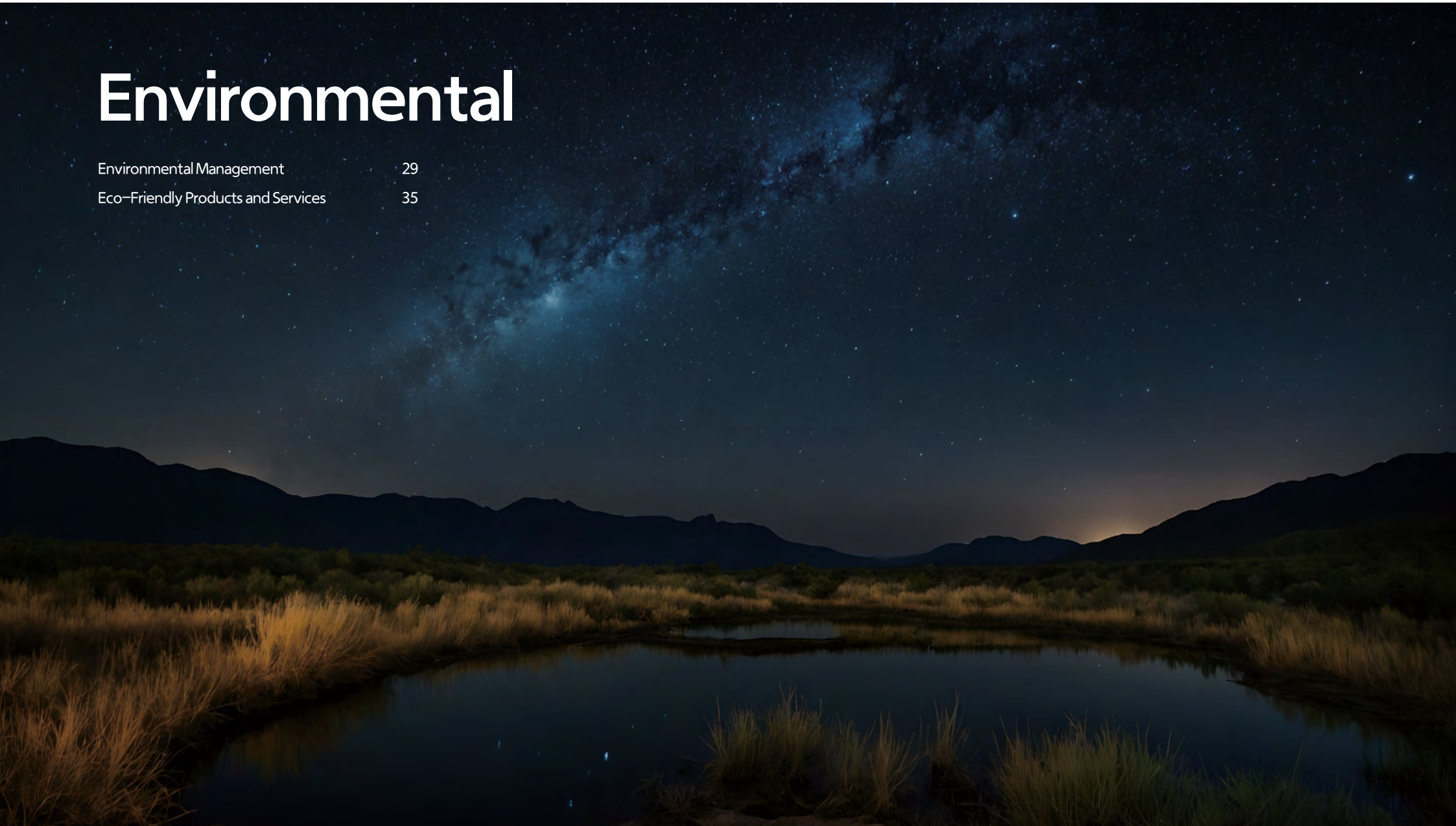
We have established a strategic direction aimed at addressing climate change and achieving carbon neutrality by 2050, and we have set greenhouse gas reduction targets and actively managed the progress of their implementation. We transparently disclose greenhouse gas emissions and energy use through our ESG reports and CDP responses.

### Reduction Targets

In order to achieve carbon neutrality by 2050, we continue to discover carbon emission reduction areas and carry out reduction activities every year. The reduction targets and performances are managed by a company-wide energy efficiency task force. To reduce greenhouse gas emissions and energy use, we established a short-term goal to achieve 3% reduction (per unit) annually and have achieved the annual goal in 2023. Regarding Scope 1 and 2 emissions, we have set a target to achieve a 81% reduction by 2030 (per unit) compared to the levels in 2023, and we have also expanded the scope of application for Scope 3 emissions to include all business establishments. In 2023, we invested KRW 355 million to implement 25 greenhouse gas reduction initiatives, resulting in a reduction of 574 tCO<sub>2</sub>eq.

# Environmental

Environmental Management	29
Eco-Friendly Products and Services	35



# Environmental Management

## GOVERNANCE

### Organizational Structure

Since the establishment of the ESG Committee in 2021, we have been actively practicing environmental management and governance. The committee deliberates on and reviews mid to long-term ESG strategies, as well as other important environmental issues, including climate change. The ESH Office establishes a response strategy for climate change and an eco-friendly management plan, implementing detailed tasks accordingly.

Board of Directors	<ul style="list-style-type: none"> <li>· Make final decisions on climate and environmental investment matters</li> </ul>
ESG Committee	<ul style="list-style-type: none"> <li>· Decide and monitor mid to long-term ESG strategies and policies</li> <li>· Deliberate on important issues related to climate and environment</li> <li>· Monitor mid to long-term carbon neutrality strategies and implementation progress</li> </ul>
ESG Council	<ul style="list-style-type: none"> <li>· Implement and manage climate-related issues and detailed tasks based on the ESG management strategy</li> </ul>
Chief Safety environment Officer (CSO)	<ul style="list-style-type: none"> <li>· Oversee the company's safety, health, and environment</li> <li>· Supervise implementation progress and major performance based on the safety and environment KPIs</li> </ul>
ESH Office	<p><b>Environmental Planning Team, Safety Management Team</b></p> <ul style="list-style-type: none"> <li>· Establish a mid to long-term environmental safety strategy and ensure its implementation</li> <li>· Report on the outcomes of the implementing the environmental management system</li> <li>· Establish an internal safety environment system for domestic and overseas business establishments and assess compliance with laws</li> <li>· Supervise accident prevention activities, including responding to various issues</li> </ul> <p><b>Safety and Environment Teams at each business establishment</b></p> <ul style="list-style-type: none"> <li>· Establish an implementation plan for each business establishment for ESH strategies and objectives</li> <li>· Ensure the implementation of the environmental management manual</li> <li>· Manage core safety and environment KPIs</li> </ul>

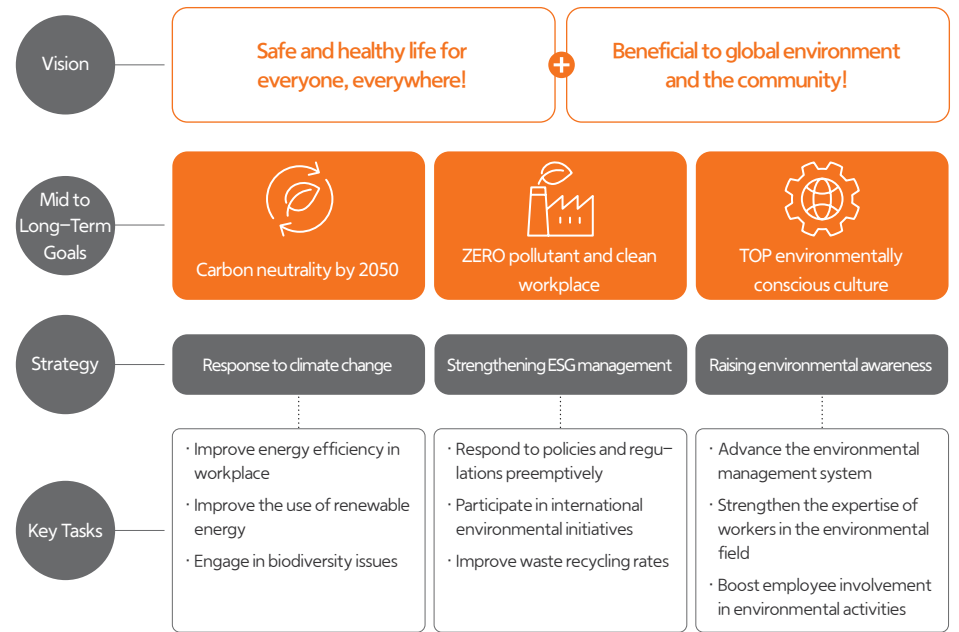
## STRATEGY

### Environmental Management System

#### Environmental Impact Management System

We have implemented a Plan-Do-Check-Action (PDCA) system aligned with the environmental management system certification (ISO 14001). This system enables us to effectively manage environmental impacts across various sectors, including climate change, energy, waste, and water, and to develop related environmental goals and plans. We then review performance semi-annually to ensure the implementation of established goals. In case of non-conformities, we establish corrective measures and measures to prevent recurrence, continuously improving our environmental safety processes. In 2023, we joined the domestic greenhouse gas emissions trading system, actively working to achieve the government-run carbon neutrality targets. Following the merger in April 2023, we implemented a new integrated safety, health, and environment policy for the company and each business establishment.

[Hanwha Aerospace SHE Management Policy](#)



# Environmental Management

STRATEGY

## Environmental Management System

### External Certification Status

Starting with the acquisition of ISO 14001 certification in 1996, we acquired various environment-related certifications, operating an effective environmental management system. Currently, each of our business establishments holds environment-related certifications and effectively operates environmental management system. We will continue our efforts to secure company-wide environmental management system certifications in the future.

| Environmental Certification Status

Type	Certified Business Establishments
Green Company	Changwon Business Establishment 1, Changwon Business Establishment 2
Environmental Management System (ISO 14001)	Changwon Business Establishment 1/Business Establishment in Korea, Changwon Business Establishment 2, Changwon Business Establishment 3
Energy Management System (ISO 50001)	Changwon Business Establishment 3

### Eco-Friendly Investment

We operate under internal regulations to ensure that environmental and safety reviews are mandatory during the investment evaluation process. We also conduct preliminary reviews for environmental licensing and eligibility in case of new investments or changes in business processes at our business establishments. This includes evaluating hazards and greenhouse gas reductions from an environmental safety perspective. To minimize the environmental impact on our business establishments, we are investing in making improvements and conducting research and development in various areas across land, sea, and air to transition to an eco-friendly industrial structure. In 2023, we completed projects worth KRW 18.4 billion, including electric propulsion systems for urban air mobility (UAM) and hybrid propulsion for ground combat vehicles. In 2024, we plan to invest KRW 28.5 billion in the advanced development of commercial ships and future combat vehicles.

| Eco-Friendly Investment Status

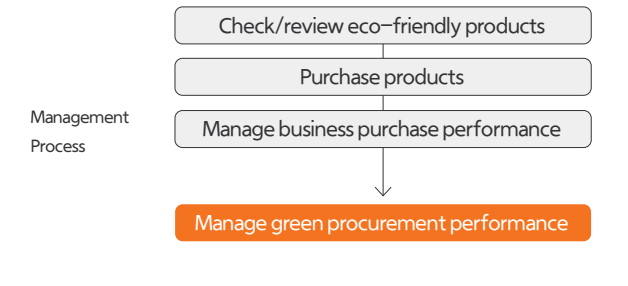
Type	Details	2023 Performance
Environmental R&D investment	Development of eco-friendly and high-efficiency product technologies (Electric and hybrid propulsion systems, etc.)	KRW 18.4 billion
Workplace environment risk improvement	Investment in reducing pollutants	KRW 3.5 billion
	Optimal management of discharge and prevention facilities	KRW 4.8 billion

### Green Procurement

Since declaring green management in 2009, we have enhanced our business processes and established a green management operating system to reduce emissions throughout the company. We have established an internal regulation for green procurement to effectively manage the process.

| Green Procurement Management Process

Type	Details
Target	Equipment, MRO office supplies and consumables, household goods
Certification	Eco-labeled products, low-carbon products, Good Recycled products, overseas environmental certified products



# Environmental Management

STRATEGY

## Environmental Management System

### Raising Environmental Awareness in the Workplace

At Hanwha Aerospace, we conduct activities and provide training to enhance environmental awareness in the workplace. To commemorate World Environment Day on June 5, we designate June as “Environment Month” each year and carry out various initiatives to boost environmental consciousness among our employees. Furthermore, to encourage our employees to embrace low-carbon and green practices in their daily lives, we have been operating an ECO-mileage program at Changwon Business Establishments 2 and 3 since 2011 and are planning to expand it to the employees at all our business establishments starting in 2024.

#### | Environmental Awareness Activities

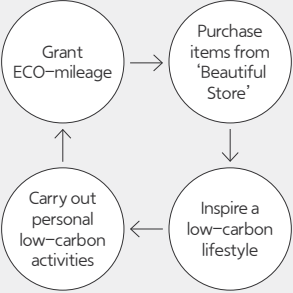
#### Environment Month

- Disposables reduction campaign
- Evaluation and award for departments with excellent environmental facility
- Cleanup activities near business establishments
- Attend the environmental exhibition (ENVEX)



#### ECO-Mileage Program

- Energy-saving idea suggestions
- Use public transportation, carpooling, and bicycles
- Zero leftover campaign
- Environmental purification volunteer activities



### Environmental Initiatives

We voluntarily participate in the Carbon Disclosure Project (CDP) alongside approximately 7,000 companies worldwide to disclose and assess our strategies and key performance data concerning climate change. In 2023, we received a leadership rating of A- and were honored with Carbon Management Sector Honors in the industrial materials sector at the CDP Korea Awards.

#### | 2023 CDP Korea Awards



#### | Environmental Training Status

Training	Participants	Date	Type	2023 Performance
Hazardous chemical management training		January 2023 ~ December 2023		
Environmental technician training (water quality, air, waste, etc.)	Employees and suppliers	January 2023 ~ December 2023	Online/In-person/Virtual	4,233 attendees 11,770 hours
Training on integrated follow-up management, licensing, etc.		January 2023 ~ December 2023		
Environmental incident response training	Employees	January 2023 ~ December 2023	Prevention exercises, etc.	35 cases

# Environmental Management

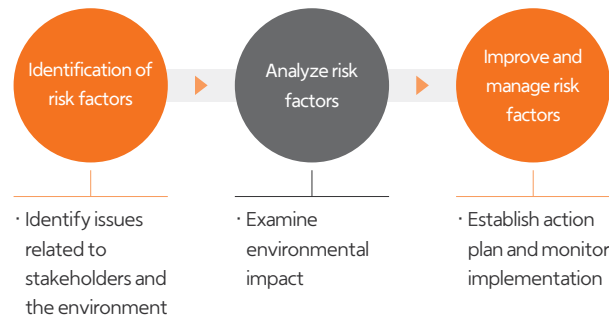
## RISK MANAGEMENT

### Managing Environmental Management Risks

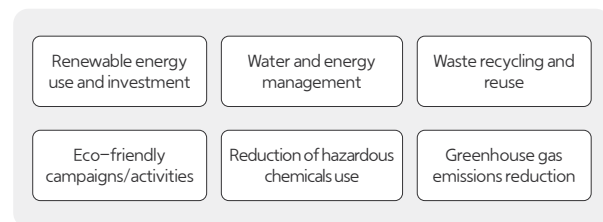
#### Managing Risk Factors

We are establishing an environmentally friendly workplace by minimizing the generation of environmental pollutants in all aspects, including products, sales activities, and services, as part of our environmental management system process. Our management covers six areas, including renewable energy, water, and waste, and we create action plans to address nonconformities identified through monitoring, follow-up inspections, internal audits, and workplace compliance checks. Furthermore, we engage in activities aimed at reducing pollutants, which include conducting preliminary environmental impact reviews on changes in laws and processes.

#### | Management Process



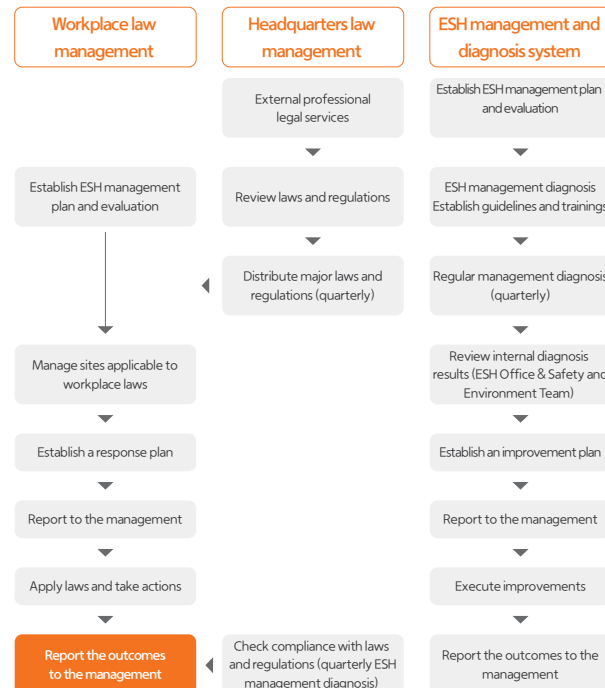
#### | Management Scope



#### Monitoring Environmental Laws and Regulations

As environmental regulations become increasingly tightened, the importance of corporate environmental risk management is emphasized to global, governmental, and local stakeholders. To effectively monitor and manage constantly evolving environmental regulations, we operate a regulatory trend management system. For a more professional and efficient response, we collaborate with a specialized legal monitoring agency to ensure compliance with laws and regulations.

#### | Environmental Laws and Regulations Management Process

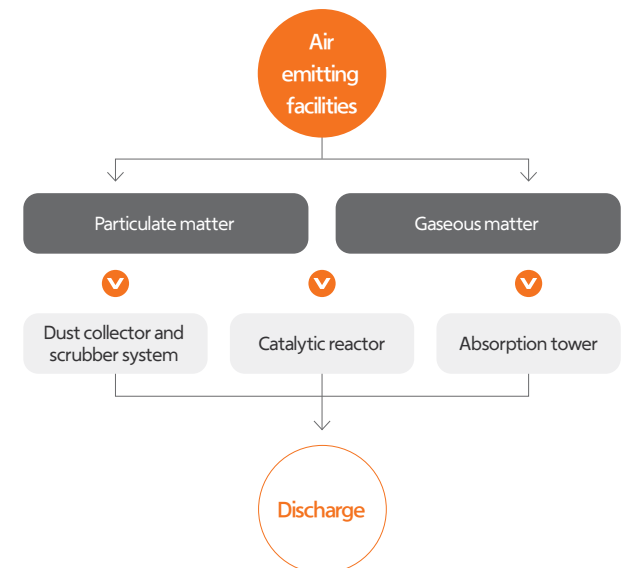


### Environmental Impact Management

#### Air Quality Management

We manage air pollutant emissions by setting stricter reduction standards compared to the legal requirements. Our aim is to maintain major pollutants at levels less than 50% of the legal limits and enhance our facilities through regular monitoring of air pollutant levels. In particular, as the Yeosu and Boeun Business Establishments were subject to the Act on the Integrated Control of Pollutant-Discharging Facilities, we obtained integrated environmental license in 2022. In 2023, we initiated post-management, reporting monthly performance. Furthermore, we are working to reduce pollutant emissions by applying the Best Available Technique (BAT) across the company, as mandated by the Act.

#### | Air Quality Management Procedure



# Environmental Management

RISK MANAGEMENT

## Environmental Impact Management

### Water Resources Management

Recognizing the risks associated with water scarcity and the importance of preserving water resources, we monitor water-related risks, such as water stress and water depletion, at each of our business establishments, using the World Resources Institute (WRI) guidelines to reduce water consumption and minimize wastewater generation. We manage the discharge concentration of major water pollutants to be less than 50% of the legal limit, and we are investing in facilities to recycle wastewater from our business establishments.

### Waste Management

We are committed to reducing the environmental impact of waste by minimizing waste generation in our processes. While we faced challenges related to recycling waste gunpowder, we have been actively working to increase recycling and reduce the environmental impact of various waste types. For example, at Changwon Business Establishment 1, we successfully recycled 30 tons of waste. In addition, the average water content of sludge discharge from the Yeosu Business Establishment was reduced by more than 10%, reducing sludge discharge by more than 60 tons over four months in 2024.

Waste Management Process 

### Hazardous Chemical Management

We rigorously assess chemicals before their use by considering related laws and regulations and evaluating hazard levels using our own environmental safety system. Our management of chemical substances follows a structured four-step process: pre-approval, facility management, material improvement, and environmental enhancement. During the pre-approval stage, our safety and environment team reviews legal requirements using the chemical substance law database and approves substances that meet established standards. Facilities that handle hazardous chemical substances undergo inspections at least once a week. Detailed information on chemical substances is accessible through the Material Safety Data Sheet (MSDS) system for reference, and training on hazardous chemical substances is provided to ensure their safe use. Moreover, to proactively address the evolving laws concerning hazardous chemicals, we conduct activities aimed at reducing the use of materials containing highly hazardous substances, such as lead and sulfuric acid.

### Local Community Environmental Impact Management


We strive to minimize the environmental impact of our business activities and practice sustainable management. In particular, when undergoing the construction of Boeun Business Establishment, we conducted an environmental impact assessment of business establishment activities. We also conduct post-environmental impact surveys on a regular basis.

### Biodiversity Management

At Changwon Business Establishment 1, we have made a commitment to biodiversity conservation by signing a biodiversity conservation agreement with Changwon City in December 2022. By participating in the agreement involving 13 organizations from the public, private, industry and academia sectors, we engage in ecological monitoring and support funding for projects aimed at conserving wildlife species. As part of this initiative, we have established a biological investigation team in collaboration with the Gyeongnam Wildlife Conservation Association. The team focuses on safeguarding otters, an endangered species that resides near the Changwon Business Establishment. To protect the otters' habitat, we have installed five observation cameras equipped with motion detection sensors to monitor the movement patterns of otters. We also participated in the 2023 Changwon Biodiversity 人('In') Forum and shared the progress of our in-house biodiversity conservation activities.

As of 2023

 Support for Changwon City Sustainable Development Council in accordance with the Biodiversity Conservation Agreement **KRW 5 million**

 Installation of observation cameras to preserve habitat for otters, a nationally protected species **5 cameras**

| 2023 Changwon Biodiversity 人('In')<sup>1)</sup> Forum



1) 'Human' in Chinese characters

# Environmental Management

METRICS & TARGETS

## Environmental Management Targets and Performance Management

To embed carbon neutrality and ESG management culture by 2050, we have established strategic directions for responding to climate change, strengthening ESG management, and raising environmental awareness. We set targets and manage implementation progress semi-annually.

Strategy	Indicators	2023 Target	2023 Performance	2024 Target	2027 Target	2030 Target
Responding to climate change	Greenhouse gas emissions intensity	1.99tCO <sub>2</sub> eq/KRW 100 million	2.05tCO <sub>2</sub> eq/KRW 100 million	1.99tCO <sub>2</sub> eq/KRW 100 million	1.82tCO <sub>2</sub> eq/KRW 100 million	1.66tCO <sub>2</sub> eq/KRW 100 million (81% compared to 2023)
Strengthening ESG management	Waste recycling rate <sup>1)</sup>	44% (2022: 34%)	69%	72% <sup>2)</sup>	81%	90%
Raising environmental awareness	Environmental accident	0 case	0 case	0 case	0 case	0 case

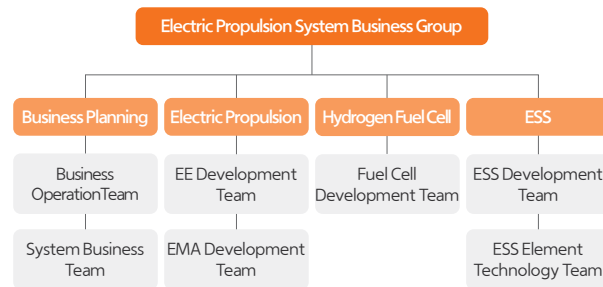
1) Integrated waste recycling rate target (excluding scrap metal and waste paper recycling volume)  
 2) Waste recycling rate target changed in accordance with the planned reduction in construction waste generation

# Eco-Friendly Products and Services

## GOVERNANCE

### Organizational Structure

We integrated the eco-friendly propulsion system organizations of each company and formed the Electric Propulsion System Business Group, which oversees the eco-friendly electric propulsion system business. By developing and commercializing energy storage systems (ESS) and hydrogen fuel cells, as well as electric-powered chains, electric engines (EE), and electro-mechanical actuators (EMA), we aim to reduce carbon emissions in various fields such as land, marine, and aerospace and achieve sustainable mobility electrification.



## STRATEGY

### Eco-Friendly Products and Services Management System

In response to increasingly strict environmental regulations, such as the IPCC's recent suggestion to achieve carbon neutrality, the IMO's declaration to achieve net-zero by 2050, and the Green Ship-K policy, we continuously monitor product-related regulatory trends and develop response measures. Recognizing the importance of eco-friendly future businesses in the aviation and marine sectors, we actively incorporate eco-friendly and high-efficiency products into our portfolio.

#### | Eco-Friendly Products Criteria

Criteria	
Eco-friendly products	<ul style="list-style-type: none"> <li>Upon meeting the following certification or criteria:               <ol style="list-style-type: none"> <li>1) Korean or EU taxonomy</li> <li>2) Environmental labeling, low-carbon products, green certification (green technology and green business), high efficiency certification, etc.</li> </ol> </li> </ul>

#### | Major Regulations

Regulation Details		
Aviation	EU	Compulsory adoption of sustainable aviation fuel (SAF) starting in 2025 with gradual expansion
	ICAO	Declare net zero by 2050 International carbon offset and reduction policy
	ATAG	Compulsory incremental expansion of carbon emissions reduction
Marine	IMO (MEPC)	Achieve net zero by 2050 Improve carbon intensity by stage Efforts to convert to eco-friendly technology and fuel

### Eco-Friendly Product Partnerships

We are committed to enhancing the environmental friendliness and energy efficiency of our products through collaborations with government agencies and industry partners. In August 2023, we successfully developed a megawatt-hour (MWh) class ESS suitable for large ships, including liquefied natural gas (LNG) carriers and container ships, in collaboration with **Hanwha Ocean**. The integration of a hybrid power system that connects conventional internal combustion engines with ESS has proven to be an effective solution for fuel savings and reduced pollutant emissions during ship operation.

#### | Eco-Friendly Product Partnership Status

**February 2023**

- Signed an MOU for mutual cooperation with Samsung Heavy Industries to expand the supply of maritime ESS (February 2023)
- Signed an MOU for business cooperation with DSEC and Danfoss related to electric propulsion ships equipped with maritime ESS (June 2023)
- Signed an MOU for maritime ESS business cooperation with Wartsila (June 2023)
- Signed an MOU for cooperation with ACE Engineering in the maritime ESS container business (June 2023)

**March 2024**

- Signed an MOU for SI technology for small to medium-sized ships and business cooperation with JMP (March 2024)
- Signed an MOU for SI technology for commercial ships and business cooperation with Yooshin (March 2024)

# Eco-Friendly Products and Services

STRATEGY

## Environmental Technology Development Roadmap

### BEYOND FUTURE MOBILITY

We supply core electric propulsion systems in land, marine, and aerospace, aiming to expand into a leading electric propulsion system company. We are creating a portfolio that involves developing eco-friendly technologies in the early-stage markets of the land, marine, and aerospace sectors and promoting substantial growth in the mid to long-term aerospace sector, considering both technology development and commercialization.

Aviation

To make aircraft more environmentally friendly, major players in the industry such as Boeing and Airbus are taking steps to develop More Electric, and Full Electric aircrafts. We are also actively participating in aircraft electrification and are currently developing electric engines, lithium-ion battery systems, and electric drive systems to electrify the core propulsion system. Electric propulsion systems are highly popular as they do not emit pollutants and are also superior in terms of safety and efficiency.

Marine

Our products have received government type approval and KR classification certification, affirming the safety and effectiveness of supplying our Energy Storage System (ESS) to both government and commercial ships. We have also developed an immersion cooling ESS specifically designed for fire safety, currently in the process of acquiring classification certification. By 2026, we plan to expand our presence in the eco-friendly ship sector by developing high-energy immersion cooling ESS and high-power ESS that cater to specific needs, thus building a diverse product line.

Space

In November 2023, we secured an R&D project aimed at securing prior art for reusable launch vehicles<sup>1)</sup> and demonstrating the technology through prototypes. We intend to enhance our competitiveness and expand our launch service business. This includes the development of engines, flight control, and related core components for return landing.

<sup>1)</sup> It is based on the concept of recycling parts of the launch vehicle, such as the single stage and fairing, which could effectively reduce launch costs and minimize the waste in space.

Land

In 2021, we initiated the Electric Mechanical Transmission (EMT) development project, led by the Korea Research Institute for Defense Technology Planning and Advancement (KRIT). EMT serves as an eco-friendly propulsion device, regulating the propulsion output of tracked vehicles by harnessing electric energy from batteries. By integrating multiple motors to generate diverse power flows, we can significantly enhance the energy efficiency of tracked vehicle travel compared to conventional internal combustion engine propulsion systems. Currently, we are working on establishing a lineup that can be applied to a range of land weapon systems in the future, utilizing EMT technology.

| Environmental Technology Development Roadmap

		Short-term	Mid to long-term
Aviation	Urban air mobility (UAM)	<ul style="list-style-type: none"> <li>· Develop and commercialize aviation EE/ESS</li> <li>· Develop and commercialize of electric actuators</li> </ul>	<ul style="list-style-type: none"> <li>· Expand business into aviation powertrain field</li> </ul>
	Hydrogen Fuel Cell	<ul style="list-style-type: none"> <li>· Hydrogen fuel cell for aircrafts</li> <li>· Establish a small hydrogen fuel cell-based aircraft certification system and aircraft demonstration</li> </ul>	<ul style="list-style-type: none"> <li>· Expand business into multi-seat/long-distance aircraft</li> </ul>
Marine	Energy storage system (ESS)	<ul style="list-style-type: none"> <li>· Development of maritime ESS</li> <li>– Acquire KOMSA government type approval and KR/DNV classification certification</li> </ul>	<ul style="list-style-type: none"> <li>· Increase supply of purpose-built ESS lineup and ESS in the eco-friendly ship field</li> </ul>
Space	Reusable projectiles	<ul style="list-style-type: none"> <li>· Development of reusable demonstrators</li> <li>· Secure the prior art of reusable launch vehicle</li> </ul>	<ul style="list-style-type: none"> <li>· Increase the supply of launch services through the transition to reusable launch vehicle</li> </ul>
Land	Electric Mechanical Transmission (EMT)	<ul style="list-style-type: none"> <li>· Develop and commercialize EMT</li> <li>– Develop high-power motors and motor controllers</li> <li>– Develop EMT-applied vehicle driving control technology</li> </ul>	<ul style="list-style-type: none"> <li>· Prove vehicle performance with EMT</li> <li>· Expand the business with a EMT lineup</li> </ul>



# Social

Health and Safety	38
Quality Management	44
Talent Management	49
Human Rights Management	52
Supply Chain Management	56
Local Community	62
Information Security	67



# Health and Safety

## GOVERNANCE

### Organizational Structure

Hanwha Aerospace operates a safety management team within the ESH Office, reporting directly to the CEO. The headquarters health and safety organization develops company-wide health and safety strategies, conducts inspections to ensure compliance with laws and regulations, and establishes an annual plan approved by the Board of Directors. At business establishments, we develop site-specific health and safety management plans aligned with the company's overall strategy, conduct regular internal audits and inspections, and convene the Occupational Health and Safety Committee to foster a collaborative safety culture between labor and management. Through these efforts, we aim to establish an exemplary health and safety management system and ensure effective implementation.

Board of Directors	<ul style="list-style-type: none"> <li>Review and approve of the company's health and safety management plan</li> </ul>
ESG Committee	<ul style="list-style-type: none"> <li>Establish mid to long-term ESG strategies and policies and assess the implementation status</li> <li>Deliberate on important issues related to climate change and environment</li> <li>Inspect health and safety plans and performance</li> </ul>
ESG Council	<ul style="list-style-type: none"> <li>Implement and manage detailed tasks based on the ESG management direction</li> </ul>
Chief Safety environment Officer (CSO)	<ul style="list-style-type: none"> <li>Oversee the environmental, safety, and health initiatives</li> <li>Supervise implementation progress towards goals and major performance based on the safety management KPIs</li> </ul>
ESH Office	<p><b>Safety Management Team</b></p> <ul style="list-style-type: none"> <li>Establish health and safety mid to long-term plans and policy</li> <li>Supervise accident prevention activities and establish proactive response plans for internal and external issues</li> <li>Confirm workplace health and safety management effectiveness through regular performance measurement.</li> <li>Manage core safety management KPIs</li> </ul> <p><b>Safety and Environment Teams at each business establishment</b></p> <ul style="list-style-type: none"> <li>Assist with environment, safety, and health tasks for site managers and organization leaders</li> <li>Carry out a workplace safety, environment and health management plan based on the company's direction</li> <li>Conduct regular review and inspection of the management plan's performance</li> </ul>
Occupational Health and Safety Committee	
Supplier Council	

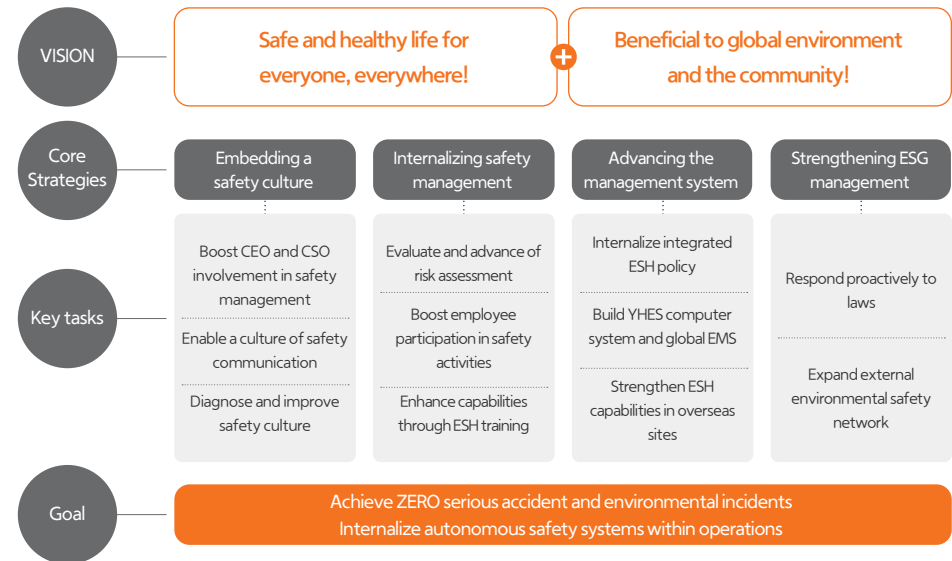
## STRATEGY

### Health and Safety Management System

#### Vision and Objectives

We have established four strategic goals to achieve our vision of health and safety management. These vision and goals are managed through monthly KPI performance reviews and semi-annual health and safety diagnoses, utilizing the PDCA Cycle to establish health and safety management policies and operational plans. The areas requiring improvement identified through the diagnosis are continuously monitored by establishing improvement measures, and processes and work environment enhancements are tracked.

#### Hanwha Aerospace SHE Management Policy



#### Safety Management Certification Status

We effectively establish a health and safety management system based on ISO 45001 and KOSHA-MS certifications to ensure a safe environment for our workers. Business establishments subject to Process Safety Management (PSM) maintain an evaluation grade of S or higher through site-centered process safety management. In 2023, the Boeun Business Establishment achieved the highest grade of 'P(Progressive)'.

# Health and Safety

STRATEGY

## Health and Safety Management Activities

### Improving Employee Health

#### Work Environment Management

We have obtained material safety data sheets (MSDS) for all hazardous substances present in the workplace, ensuring that this information is readily available to our employees. For employees exposed to specific hazardous substances, we conduct specialized health examinations and diligently monitor for any signs of health abnormalities. In addition, we maintain stringent internal standards for managing exposure levels to hazardous factors, exceeding legal requirements. We regularly assess the workplace environment through certified external agencies and implement improvement measures based on their recommendations.

#### High-Risk Employee Management

Hanwha Aerospace conducts routine assessments of harmful factors and in-depth diagnoses of high-risk processes for enhancement given the industry's nature for potential musculoskeletal disorders due to the handling of heavy materials. Therefore, we conduct routine assessments of harmful factors and in-depth diagnoses of high-risk processes for enhancement. Following assessments with positive findings, we adjust staffing in the process line to account for these findings to enhance employee health. In production lines with a heightened risk of hearing impairment, we maintain a hearing preservation program. We distribute educational materials on noise-related issues annually and supply appropriate safety protection equipment.

#### Health Promotion Program

We support comprehensive health check-ups for our employees and their families. We also provide group medical insurance for employees, with the option to choose family medical expenses or family medical insurance based on employee preferences. Through this initiative, we strive to promote a healthy workplace by managing the well-being of employees and their families while enhancing employee engagement. Furthermore, each business establishment runs a health promotion program staffed by specialized experts, including in-house physical therapists, exercise prescription specialists, and exercise instructors. These programs include customized prescriptions tailored to specific processes and individual characteristics. To prioritize the mental health of our employees, we hire professional counselors who offer counseling services and various psychological programs. In addition, we implement exercise programs and offer incentives for employees with high blood pressure, diabetes, dyslipidemia, and obesity.

| Health Newsletter



| Consultation with a health manager



| Mental health promotion campaign



# Health and Safety

## STRATEGY

### Health and Safety Management Activities

#### Raising Safety Awareness

##### On-Site Safety Management

To reinforce safety leadership and responsible safety management among management, the CEO and Safety Director regularly visit business establishments to conduct on-site safety management and inspections. They actively promote the importance of safety management through safety communication activities. In 2023, we held three rounds of meetings at all business establishments, and identified 23 health and safety improvement requests, all of which were completed at a 100% rate. In 2024, we will continue to prioritize a healthy and safe work environment through ongoing safety communication efforts.

| On-site safety inspections



| Meetings by each position level



##### Fostering a Safety Culture

To nurture a well-established safety culture, we conduct an annual safety culture assessment throughout the company. We employ a strategy aimed at fostering an optimized safety culture by assessing and analyzing a total of nine factors, encompassing management's involvement in safety, safety systems, education and training, as well as management and supervisor commitment. We remain dedicated to creating a robust safety culture that promotes collaboration between labor and management, founded on effective communication.

##### Safety Training

We operate a training curriculum to enhance the capabilities of our safety staff. We secure expertise in health and safety through 10 internal training courses and 80 external training courses across six categories, including safety manager, health manager, and PSM. These courses are further subdivided by years of experience and job duties. The safety director enhances employees' safety awareness and capabilities by conducting training on accident cases and on-site safety management for professionals and supervisors at all business establishments.

| Safety staff competency training



| ESH Office Manager Training



##### Safety-Related Reward System

We actively implement several regular reward systems associated with safety and the environment. Our goal is to establish a strong safety culture that engages both management and employees. We encourage our workforce to actively partake in safety and environmental initiatives through programs that include obtaining safety and environmental certifications, identifying best practices and ideas for safety and environmental enhancements, reporting near misses and potential risks, composing health and safety songs, and participating in a safety and environmental photo contest.

#### Health and Safety Investment

We operate delegated decision regulations related to investments, which mandate a safety review as part of the investment review process based on the investment's characteristics. We conduct a preliminary examination of the investment agenda, considering law compliance, risk assessments, and hazardous substances, and maintain continuous monitoring during the actual investment execution process. In 2023, we allocated KRW 7.2 billion for health and safety investments, including replacing old switchboards and fire pipes, building wastewater recycling facilities, installing explosion-proof facilities, and improving aging air conditioning and ventilation facilities. For 2024, we plan to increase the health and safety budget to KRW 7.6 billion for the replacement of old power facilities, automation of dangerous processes, and improvements to the workplace environment.

| Hazard Identification Contest



| Hazard Identification Contest Best Practices



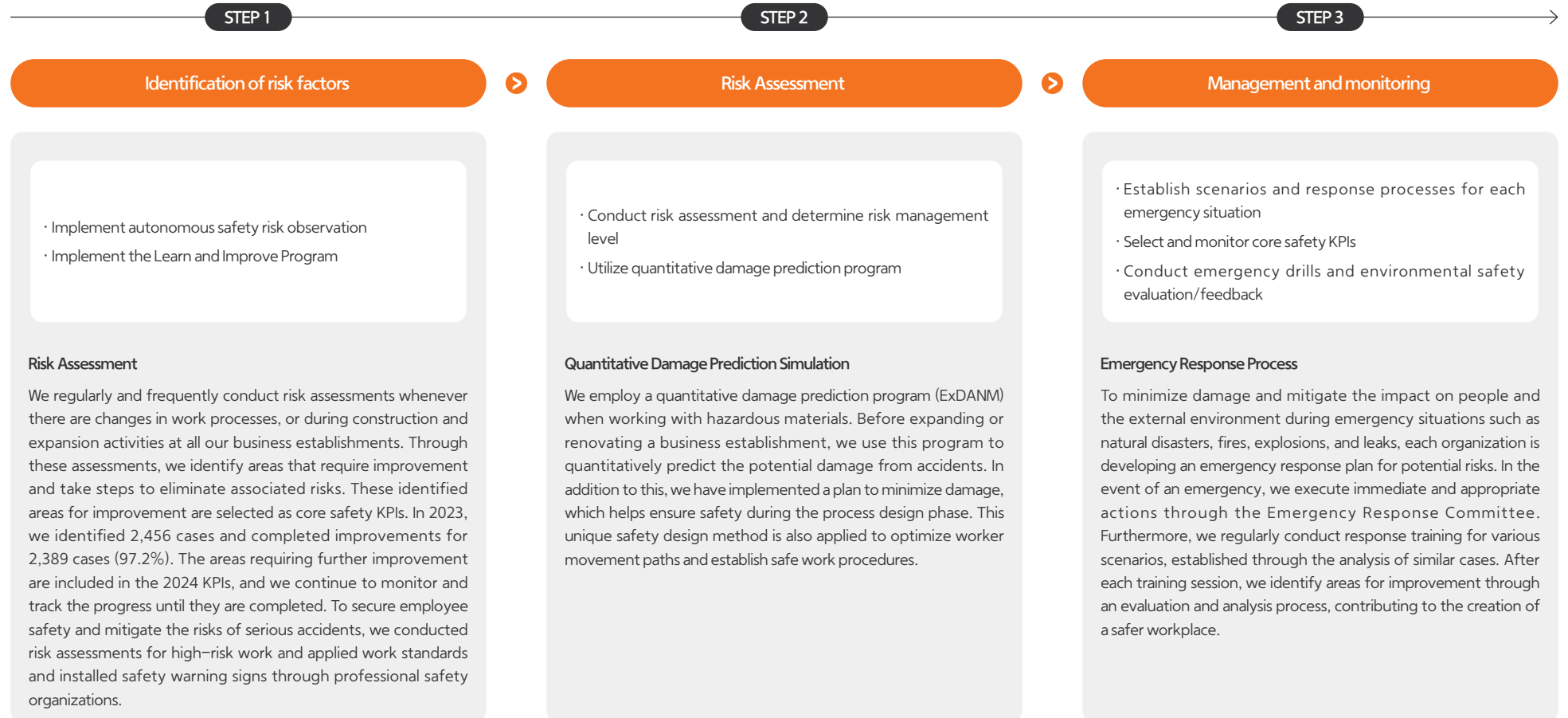
# Health and Safety

RISK MANAGEMENT

## Health and Safety Risk Management

### Managing Risk Factors

#### Risk Management Process



STEP 1

STEP 2

STEP 3

Identification of risk factors

Risk Assessment

Management and monitoring

- Implement autonomous safety risk observation
- Implement the Learn and Improve Program

- Conduct risk assessment and determine risk management level
- Utilize quantitative damage prediction program

- Establish scenarios and response processes for each emergency situation
- Select and monitor core safety KPIs
- Conduct emergency drills and environmental safety evaluation/feedback

**Risk Assessment**

We regularly and frequently conduct risk assessments whenever there are changes in work processes, or during construction and expansion activities at all our business establishments. Through these assessments, we identify areas that require improvement and take steps to eliminate associated risks. These identified areas for improvement are selected as core safety KPIs. In 2023, we identified 2,456 cases and completed improvements for 2,389 cases (97.2%). The areas requiring further improvement are included in the 2024 KPIs, and we continue to monitor and track the progress until they are completed. To secure employee safety and mitigate the risks of serious accidents, we conducted risk assessments for high-risk work and applied work standards and installed safety warning signs through professional safety organizations.

**Quantitative Damage Prediction Simulation**

We employ a quantitative damage prediction program (ExDANM) when working with hazardous materials. Before expanding or renovating a business establishment, we use this program to quantitatively predict the potential damage from accidents. In addition to this, we have implemented a plan to minimize damage, which helps ensure safety during the process design phase. This unique safety design method is also applied to optimize worker movement paths and establish safe work procedures.

**Emergency Response Process**

To minimize damage and mitigate the impact on people and the external environment during emergency situations such as natural disasters, fires, explosions, and leaks, each organization is developing an emergency response plan for potential risks. In the event of an emergency, we execute immediate and appropriate actions through the Emergency Response Committee. Furthermore, we regularly conduct response training for various scenarios, established through the analysis of similar cases. After each training session, we identify areas for improvement through an evaluation and analysis process, contributing to the creation of a safer workplace.

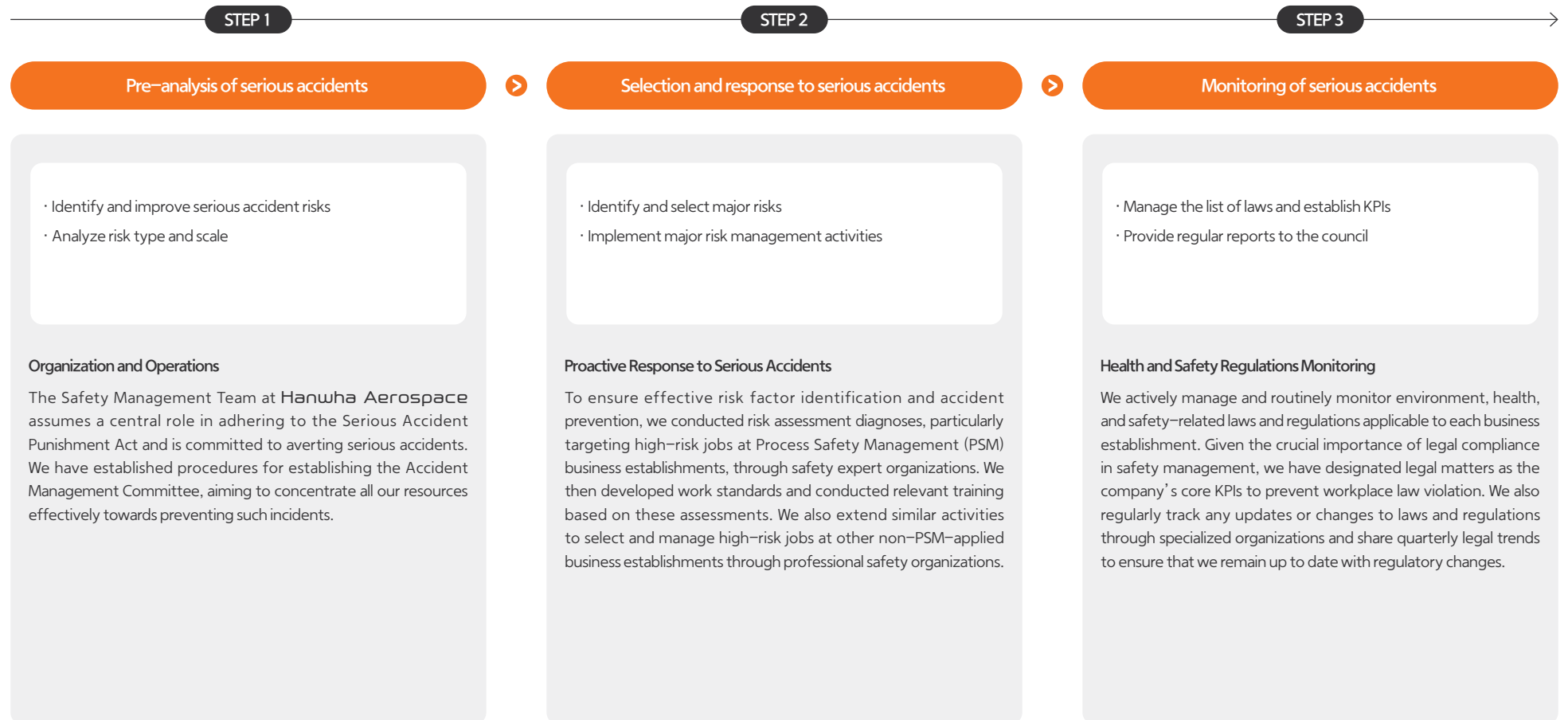
# Health and Safety

RISK MANAGEMENT

## Health and Safety Risk Management

### Serious Accident Prevention

#### Serious Accident Prevention and Management Process



# Health and Safety

## METRICS & TARGETS

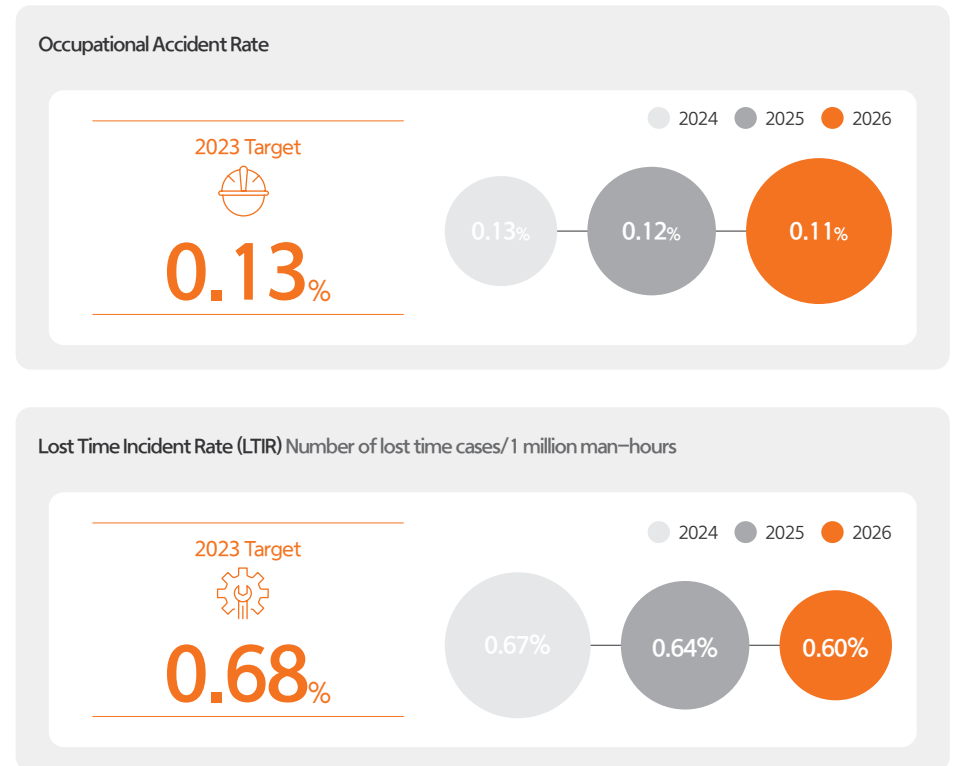
### Health and Safety Goals and Performance Management

To enhance safety management and prevent serious accidents, we have designated core health and safety indicators as KPIs. These KPIs encompass not only outcome indicators like the occupational accident rate and Lost Time Incident Rate (LTIR) but also proactive safety indicators such as improvement action rates derived from inspection results and risk assessments. To minimize workplace violations of laws and regulations, we closely monitor legal compliance metrics like the rate of legal review compliance and statutory training compliance. Major health and safety matters, including KPI results, safety personnel, accident prevention budgets, identification of hazardous risk factors in the workplace, and employee feedback, are reported to the CEO on a semiannual basis. Through these efforts to manage goals and performance, we are reinforcing safety leadership and enhancing our safety management systems.

#### | 2023 Health and Safety Management Performance Indicators

Strategic Goal 1   Embedding a safety culture	
Employee opinion improvement rate	Cases requiring improvement <b>312</b>   Improvements made <b>294</b>   Action rate <b>94.2%</b>
Strategic Goal 2   Strengthening the system operation	
Identify and improve harmful risk factors	Cases requiring improvement <b>2,456</b>   Improvements made <b>2,389</b>   Action rate <b>98.2%</b>
Strategic Goal 3   Enhancing employee competencies	
Emergency response education and training	Cases requiring training <b>405</b>   Trainings conducted <b>405</b>   Action rate <b>100%</b>
Health and safety training	Cases requiring training <b>22,053</b>   Trainings conducted <b>22,053</b>   Action rate <b>100%</b>
Strategic Goal 4   Strengthening ESG management	
Examine and improve the implementation status based on the health and safety laws and regulations	Cases requiring improvement <b>74</b>   Improvements made <b>73</b>   Action rate <b>98.6%</b>

#### | Health and Safety Management Goals



# Quality Management

**GOVERNANCE**

## Organizational Structure

Hanwha Aerospace conducts effective quality assurance activities through collaboration between the Quality Assurance Office and Business Groups, leveraging the best expertise. We have established a computer-based Quality Information System (QIS) to ensure customer value and quality innovation by promptly addressing quality issues.



**STRATEGY**

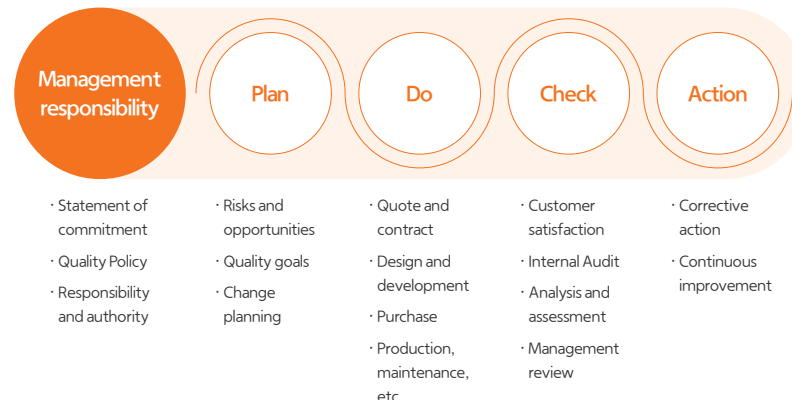
**RISK MANAGEMENT**

## Quality Management System

We implement a global standard quality management process based on ISO 9001 (quality management systems). In response to rapid industry changes and customer demands, we have expanded our quality management system by obtaining global quality certifications such as AS9100/AS9110 for each business establishment, in addition to ISO 9001/DQMS certification. We operate based on the five promises to quality and action established with the direct participation of employees—"Stick to the principles", "Customer-centered", "Proactive quality management", "Sense of ownership", and "Cooperation". Moving forward, we will continue to reflect customer demands and prioritize customer satisfaction through a customer-oriented quality management system.



### Quality Management System



# Quality Management

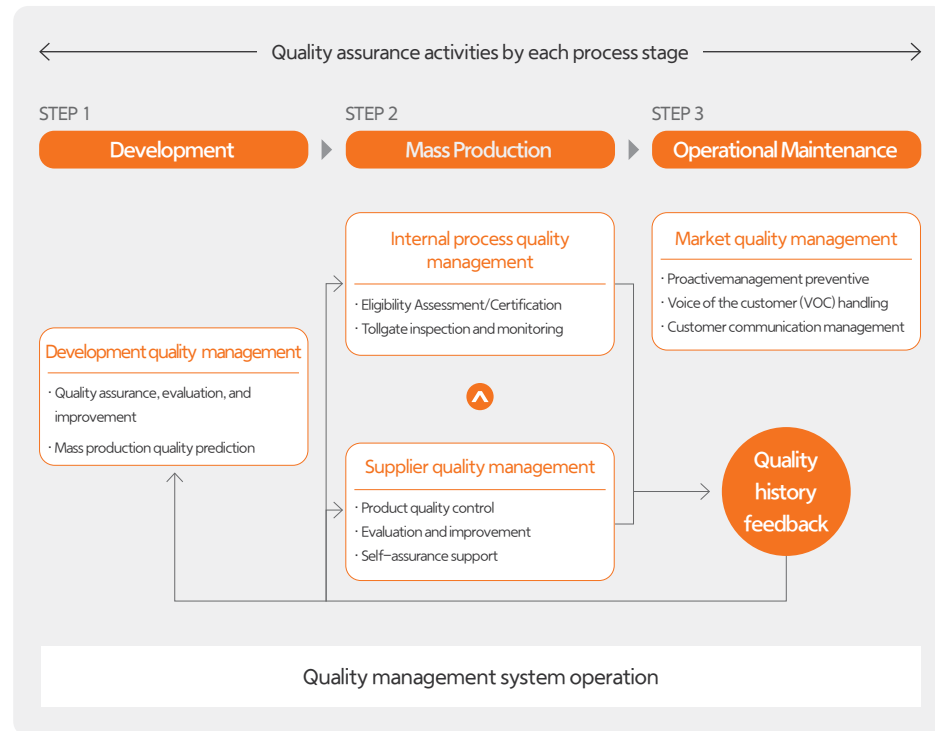
STRATEGY RISK MANAGEMENT

## Quality Management Activities

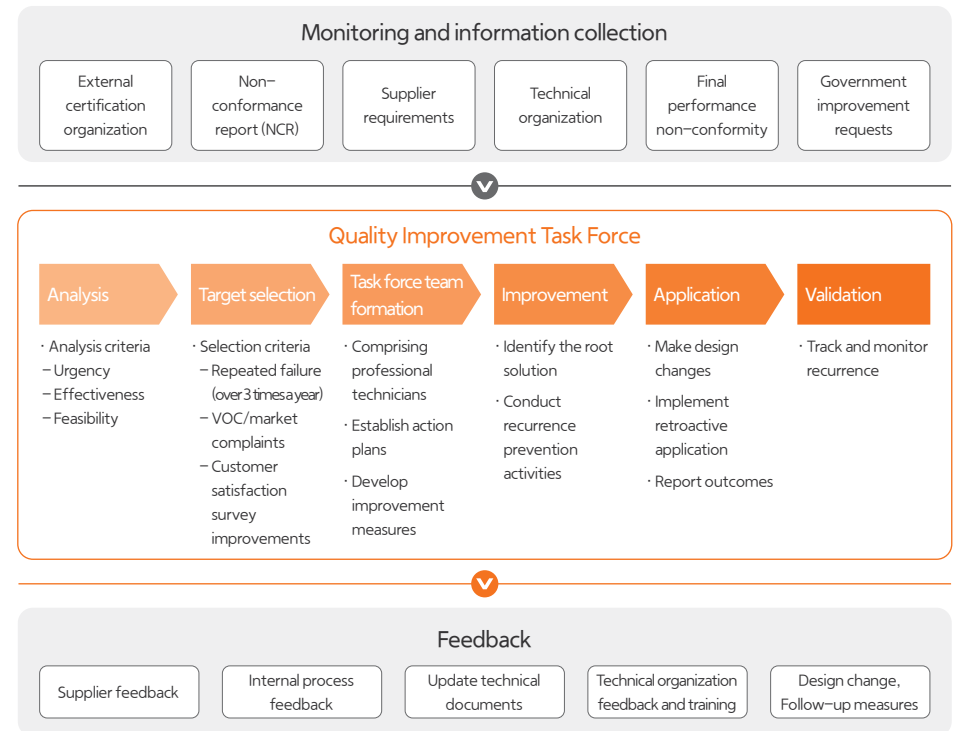
### Quality Control and Product Safety

We have established measures to ensure quality throughout the process, from product development to maintenance, and operate an effective quality management system to respond to quality risks at each stage. To prevent product defects and uphold the highest quality standards, we continuously drive quality improvements. This includes prioritizing customer satisfaction by implementing task force activities for items with high-frequency failures and conducting first-production product reviews to address recurring quality issues. We also focus on proactively identifying and eliminating potential defects through our process human error prevention system. Furthermore, we continuously promote a preventive management system aimed at identifying and eliminating the root cause of nonconformities from a process level through in-depth process diagnosis and manufacturing health checks that consider the characteristics of each business establishment.

| Quality Management and Improvement Process



| Quality Improvement Task Force



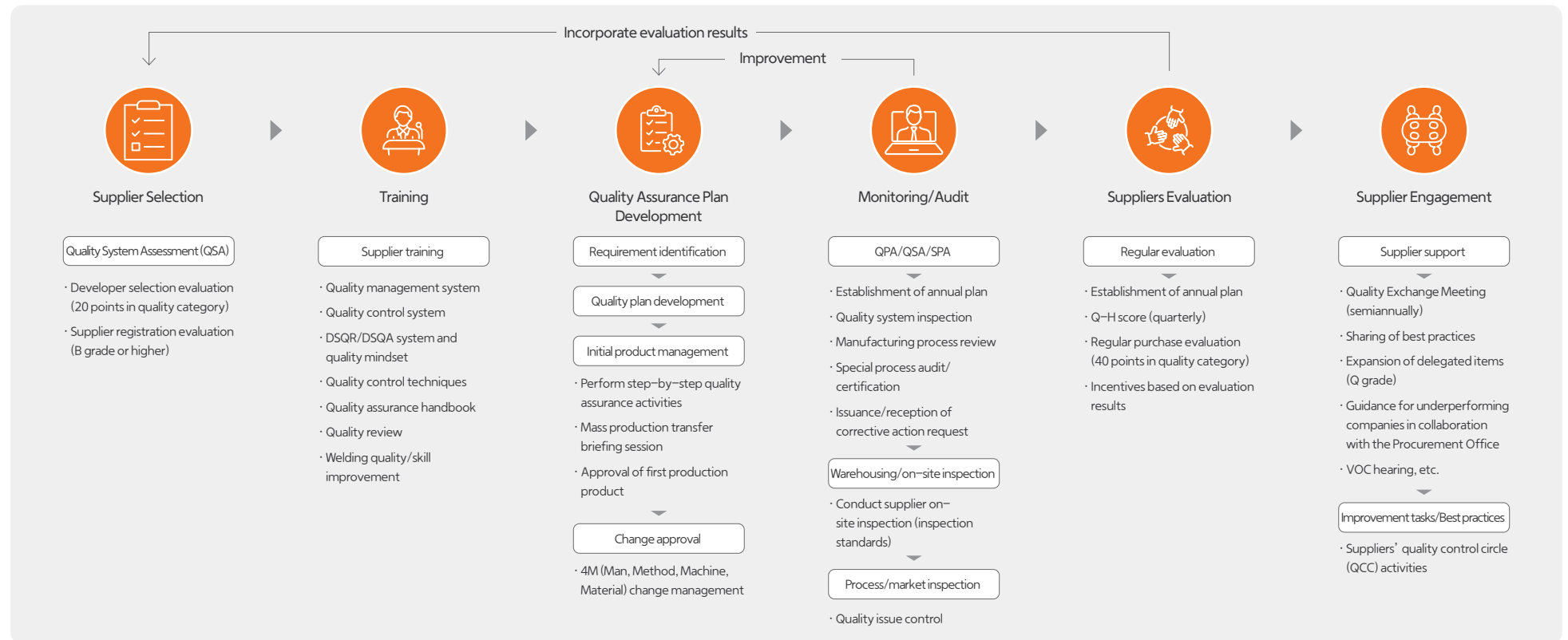
# Quality Management

STRATEGY RISK MANAGEMENT

## Quality Management Activities

### Quality Management Support for Suppliers

We are establishing a robust quality foundation that extends from supplier selection to product production and delivery. We enhance the overall quality of our suppliers by assisting them in developing independent quality assurance capabilities through training, quality monitoring, and improvement tasks. Quality System Assessments (QSA) are conducted during the registration of developers and suppliers, and we regularly perform Quality Process Audit (QPA), Special Process Audit (SPA), and Raw Material Supplier Quality Management System (RMSQS) assessments based on the characteristics of the items. Designated Supplier Quality Representatives (DSQR) and Designated Supplier Quality Auditors (DSQA) are assigned to suppliers in need of quality stabilization to support their quality assurance capabilities. We incentivize suppliers with outstanding quality performance through a comprehensive quality evaluation known as the Q-H score, while also conducting manufacturing inspections, quality meetings, and countermeasures meeting for suppliers with subpar quality performance to encourage improvement.



# Quality Management

STRATEGY RISK MANAGEMENT

## Quality Management Activities

### Quality Certification

For the effective evaluation of our quality management and quality control system, we obtain and consistently renew quality certifications through rigorous examinations conducted by the Defense Agency for Technology and Quality and external certification bodies for each business establishments of divisions. All of our business establishments adhere to a structured quality management process certified under ISO 9001 (Quality Management Systems) and the Defense Quality Management System (DQMS). In addition, the Aero Systems Business Group upholds even higher quality standards with the acquisition of AS 9100 (Aerospace Quality Systems) and AS 9110 certifications for aerospace maintenance. In the special process field, we have demonstrated the reliability of our quality by obtaining the National Aerospace and Defense Contractors Accreditation Program (NADCAP) and ISO 17025 certifications.

#### | Quality Certification Status

		Organization	Certification Year (renewal)	Certification
Land Systems Business Group	Changwon Business Establishment 2,3, Navigation Division	BSI	1999 (2021)	ISO 9001:2015
	Changwon Business Establishment 2,3	DAPA	2013 (2022)	KDS 0050-9000-5 (DQMS)
	Navigation Division	DAPA	2020 (2023)	KDS 0050-9000-5 (DQMS)
PGM Business Group	Daejeon, Boeun, Yeosu Business Establishment	BSI	2021 (2022)	ISO 9001:2015
	Daejeon Business Establishment	DAPA	1999 (2023)	KDS 0050-9000-5 (DQMS)
	Boeun Business Establishment	DAPA	1999 (2023)	KDS 0050-9000-5 (DQMS)
	Yeosu Business Establishment	DAPA	1999 (2023)	KDS 0050-9000-5 (DQMS)
Aero Systems Business Group		KIWA	2017 (2023)	KS Q 9100 : 2018
	Changwon Business Establishment 1	KIWA	2018 (2021)	EN 9110:2018 AS9110C
		DAPA	1999 (2023)	KDS 0050-9000-5(DQMS)
		KIWA	2014 (2023)	KS Q 9100 : 2018
	Asan Business Establishment	KIWA	2014 (2023)	EN 9110:2018 AS9110C
	DAPA	2001 (2022)	KDS 0050-9000-5 (DQMS)	

#### | ISO 9001 and AS9100 certificates



#### | DQMS Certificate



# Quality Management

STRATEGY RISK MANAGEMENT

## Customer Satisfaction

### Voice of the Customer (VOC) Management

Hanwha Aerospace continuously improves internal processes by analyzing and mitigating external risks and impacts associated with customer demands and dissatisfaction. During our weekly Q1-Meetings and monthly quality KPIs result reporting, we address user complaints and significant quality issues, sharing these with management and relevant departments to implement improvements and minimize customer complaints.

### Enhancing Customer Satisfaction

We follow our customer satisfaction survey process, which involves conducting surveys and analyzing the results. The management utilizes the report to gauge customer satisfaction levels and conducts briefing sessions with relevant departments to incorporate customer needs into our management strategies and business improvement initiatives. For customer complaints that require prompt attention, we share them with relevant departments and incorporate customers' needs into management strategy and improvement ideas.

#### | Customer Satisfaction Survey Process



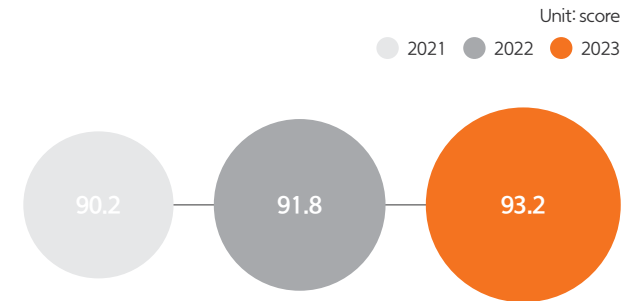
### Customer Support

We conduct a variety of online and offline customer support activities to listen to customer needs and respond promptly. Customer support personnel are stationed at major bases of the Army, Navy, and Air Force to assist when and where necessary. In addition, we operate a control room to ensure timely responses to customer demands and complaints, product improvement, and quality customer service. We also monitor submitted customer complaints until they are resolved. We promote various support activities, such as educational support, technical assistance, mutual visits between customers and our company, technical information exchange meetings, and quality evaluation meetings, in which our partners and customers can participate. We remain committed to supporting customer needs and practicing customer-centered management.

#### | 3C-Based Customer Satisfaction Services

- Care**
  - **Maintenance support:** Joint equipment operation inspection with an engineering unit/company
  - **Initial firing support:** On-site support for inspection, safety training, and shooting training
  - **Close maintenance support:** Warranty, proactive maintenance, training support, and education
  - **Seasonal services:** Inspection during cold/hot weather
  - **On-plus service:** Additional service such as offering technical data and maintenance tips after warranty service
  - **Firing support:** On-site support for shooting training
  - **Receipt inspection technical support:** Inspection at the time of product delivery
- Communication**
  - **Delivery cooperation meeting:** Discuss delivery method/schedule and initial deployment training
  - **Initial quality meeting:** Share initial service support status, Q&A, and discuss developments
  - **Regular tour visits to field units:** Monitor CS activities and identify areas of service quality improvement
- Capability**
  - **Initial training:** Training for each equipment according to the training curriculum (theory/hands-on)
  - **Production/distribution of educational materials:** Equipment management guidebook
  - **Military technical training:** Conduct customized training for each mission (theory/hands-on)

#### | Customer Satisfaction Survey Results



\* Based on the Aviation Division

# Talent Management

## GOVERNANCE

### Organizational Structure

We are enhancing our core competencies by recruiting and nurturing top talent from around the world and through fair evaluation and compensation practices. In 2023, we established the dedicated organization, Global Talent Acquisition Team, with integrated domestic and overseas employment functions to secure the foundation for global growth. We are working toward robust growth and a sustainable future by applying core technologies to the aerospace and defense industries.

HR Office	HR Planning Team	<ul style="list-style-type: none"> <li>· Design HR system</li> <li>· Talent Management</li> <li>· HR Digital Transformation</li> <li>· Workforce and labor costs</li> <li>· Compensation, evaluation, promotion</li> </ul>
	Talent Development Team	<ul style="list-style-type: none"> <li>· New/experienced employee recruitment</li> <li>· Training and talent development</li> <li>· Organizational culture change management</li> </ul>
	Global Talent Acquisition Team	<ul style="list-style-type: none"> <li>· Core talent recruitment</li> <li>· Global recruitment</li> </ul>
Support Office	ER Planning Team	<ul style="list-style-type: none"> <li>· Salary and attendance</li> <li>· Labor relations, welfare and benefits</li> </ul>
	Integrated Support Team	<ul style="list-style-type: none"> <li>· General affairs, welfare and benefits</li> <li>· Finance and corporate management</li> </ul>

### Organizational Culture Promotion System

We are making various efforts to cultivate an organizational culture where the company and employees grow together. Our Culture Team encourages communication to drive corporate change and enhance employee participation. We've established an organizational culture support system, with the CEO serving as the Chief Culture Officer (CCO) and executives as Culture Ambassadors. Furthermore, we have appointed Culture Leaders (CLs) and Culture Agents (CAs) in each business group to facilitate activities more efficiently. Regular workshops are provided to help leaders enhance their capabilities to drive organizational culture change.

## STRATEGY

### Talent Management System

#### Talent Development System

Our ideal talent is a great challenger with a strong sense of ownership, differentiated awareness, and an open mindset toward change. To nurture individuals who embody this ideal, we have defined four talent development directions: Value, Leadership, Global, and Task. These directions serve as the foundation for our talent development system, contributing to our company's leap toward a "a top-notch innovative company that pioneers the future with new technology, creating sustainable value for tomorrow."

#### Talent Development Program

- VALUE**

To foster a workforce aligned with the Group's core values and ideal talent, we operate introductory courses for both new and experienced employees and conduct a systematic onboarding process annually to facilitate new hires' smooth integration and high performance.
- LEADER SHIP**

We support the development of business and team leaders to expand new businesses and stabilize business performance. This includes implementing a structured development process to identify and train future leader candidates.
- GLOBAL**

We offer internal and external language programs to our employees to cultivate a global mindset. By 2024, we aim to strengthen our capability to conduct global business by setting incremental goals to drive changes in overall recruitment, training, and systems.
- TASK**

Employees create competency enhancement plans each year through self-development initiatives and participate in various training programs. These programs focus on enhancing competencies in specialized fields such as problem-solving, project execution, quality management, and purchasing.

### Measuring Training Effectiveness

We conduct evaluations on the satisfaction, achievement, and applicability of external job courses that directly support employee performance. Moving forward, we plan to continue monitoring the effectiveness of training by regularly assessing the applicability of internal job training courses.

# Talent Management

## STRATEGY

### Talent Development

#### Recruitment

As we expand our business, we aim to increase recruitment efforts and secure talent early. We ensure equal opportunities for all applicants through a fair recruitment system without discrimination based on gender, nationality, or race. Furthermore, we make extra efforts to recruit individuals with disabilities and national veterans to enhance diversity. With the expansion of overseas businesses and subsidiaries, we focus on securing global talent by recruiting from overseas universities and local areas. We also continue domestic recruitment through employment-linked internship programs to find talent suited to our corporate culture and roles. Beginning in 2024, we initiated open recruitment for experienced employees quarterly. In addition, we also focus on co-op programs with various schools to secure talent and enhance technological competitiveness.

#### Fair Performance Management

We are committed to maintaining a fair and transparent performance management system. We have implemented an ongoing management system that enables employees to consistently deliver exceptional performance. Performance objectives are categorized into strategic and individual operational goals, aligning with the company's overarching management and departmental goals. These established objectives are continually shared with department heads to facilitate real-time progress monitoring and feedback. Annual performance evaluations are conducted, and the results are graded on a scale of five levels.

#### Fair Compensation

In addition to our base salary and regular bonuses, all employees receive variable pay based on individual work performance and the company's financial and strategic performance. We apply differential raises based on the results of performance evaluations, motivating employees with a fair compensation system linked to individual and company performance. This includes management performance pay based on the achievement of strategic goals and occasional incentives at the CEO's discretion.

#### Welfare and Benefits

We provide a range of welfare and benefit programs encompassing work-life balance, family health, and children's education to enhance the overall quality of life for our employees. One initiative involves introducing an additional individual retirement pension plan alongside the retirement pension plan to support our employees' retirement. Through these efforts, we aim to boost the morale and motivation of our organization's members, creating an environment where employees can focus on their work while achieving a healthy work-life balance.

##### Housing support

- Supporting housing through subsidized housing and subsidy programs

##### Children's education support

- Tuition reimbursement and quality education opportunities for employees' children through scholarships and education systems

##### Leisure support

- Various cultural programs
- Cost and facility support for recreational facilities, outdoor sports activities, etc.

##### Medical support

- Regular employee health checkups
- Medical support and medical expenses coverage in case of illness

##### Retirement support

- Pension systems for retirement planning

##### Re-employment support for retirees

- Re-employment assistance services for retiring employees, offering a second career planning opportunity

#### Family-Friendly Working Environment

To foster a more family-friendly work environment, we are dedicated to enhancing our employees' work-life balance and assisting them in balancing family and work responsibilities. Our initiatives include providing Mom's Packages and gift vouchers, supporting childbirth and childcare, and implementing flexible working hours that enable employees to autonomously schedule their work within established guidelines. In acknowledgment of our exemplary implementation of these family-friendly practices, we have received recognition as a family-friendly company from the Ministry of Gender Equality and Family and as a mother-friendly workplace from the Korean Committee for UNICEF.

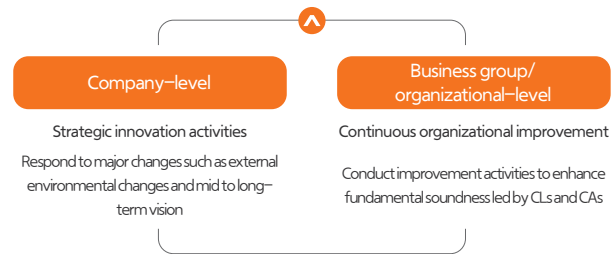
# Talent Management

## STRATEGY

### Employee Communication

Organizational culture is a core competency unique to our company, shaping the values, mindset, and behavior of our members. Hanwha Aerospace operates various communication channels and activities to clarify business direction and encourage interaction.

A top-notch innovative company that pioneers the future with new technology, creating sustainable value for tomorrow



### Various Communication Channels

We engage in communication through various channels, gathering employees' opinions and reflecting them in our operations and management policies. We listen to various opinions through Culture Agent activities, smart grievance handling centers, and innovation IDEA bulletin boards regularly. Management briefings and town hall meetings are also held to enhance employees' understanding of overall management and discuss the direction for company and employee growth.

### Town Hall Meeting

Our Town Hall Meeting is a key communication program, where we share our vision and direction with our members. The CEO Town Hall Meeting, in particular, is a popular program where the CEO visits business establishments across the country to share the company's direction and listen to the voices of employees.

### Organizational Culture Assessment

Every year, we conduct an organizational culture diagnosis for all employees to measure the current level of our organizational culture and collect suggestions for change. This diagnosis categorizes soft factors based on awareness and beliefs, and hard factors such as environment and institution, to gather honest opinions from employees and guide better changes.

### Organizational Culture Improvement Activities

Our dedicated Organizational Culture Team shares the current status of each organization through regular meetings, striving for an organizational culture beneficial for employees to work in. Beginning in 2024, the team focuses on improving the way of working to address employee inconveniences, driving changes to develop a positive organizational culture.

### Town Hall Meeting



### Labor Communication

We operate under a comprehensive policy that guarantees the rights of labor unions and basic employee rights. During the first negotiation since the integration of the six labor unions in the company, we successfully concluded the 2023 wage increase and collective bargaining agreement amicably. The company shares management situations through labor unions, the Labor-Management Committee, and occupational health and safety meetings, mutually cooperating on grievance receipt and handling, occupational accident prevention, and health and safety.

### Labor-Management Committee Meetings

Number of meetings held	Number of agendas	Agenda
28 times	174 cases	<ul style="list-style-type: none"> <li>Workplace improvements (adding amenities and other support)</li> <li>Workplace improvements (workwear and break rooms)</li> <li>Other welfare-related matters, etc.</li> </ul>

### Labor Union Membership Rate

As of December 2023

Number of employees eligible for membership	Number of members	Membership rate (%)
6,459 people	2,386 people	36.9

# Human Rights Management

STRATEGY

## Human Rights Protection

### Human Rights Management System

#### Human Rights Policy

Hanwha Aerospace is committed to prioritizing the protection of human rights and preventing human rights violation in its interactions with various stakeholders, including employees, customers, shareholders, suppliers, local communities, and the government. In 2023, we added clauses on respecting the human rights of internal stakeholders (Articles 3 and 8) and respecting the human rights and diversity of external stakeholders (Article 10) to the Employee Code of Conduct. In December 2023, we implemented the Human Rights Management Regulation and Human Rights Management Declaration in line with international standards set forth by human rights organizations such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the International Labor Organization (ILO) Conventions.

Moreover, we publicly declared our commitment to human rights management by sharing the ‘Employee Code of Conduct’, ‘Human Rights Management Regulation’, and ‘Human Rights Management Declaration’ on our website.

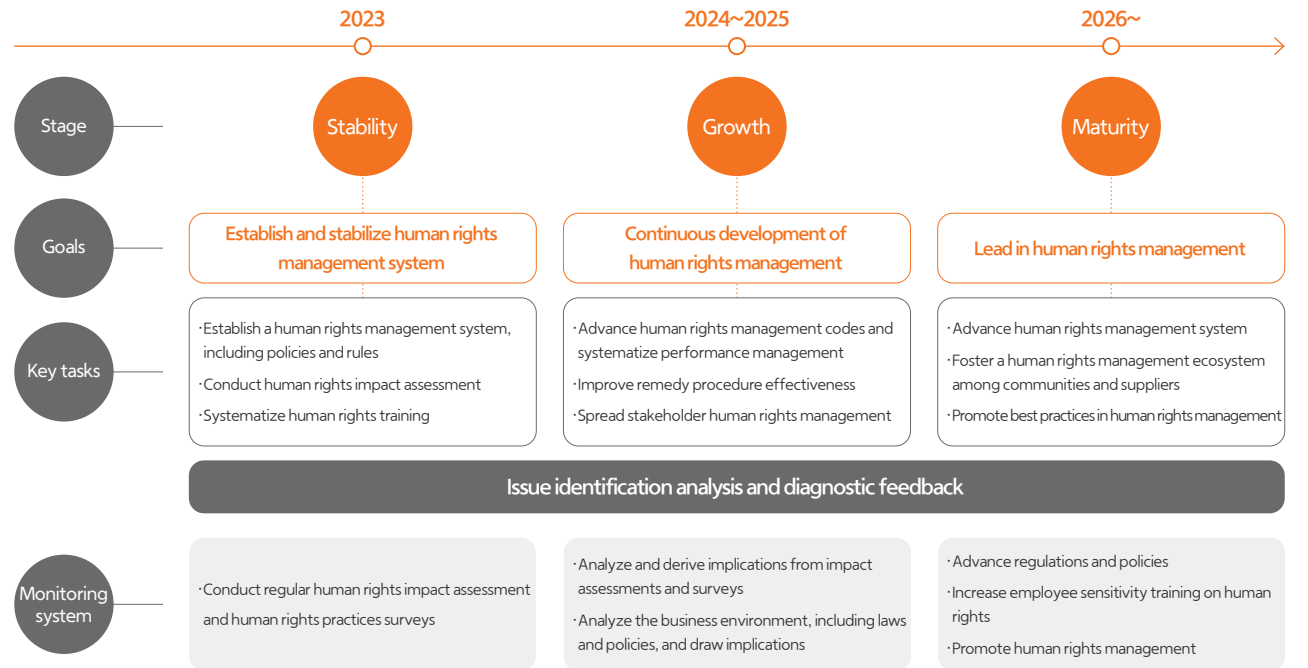
In particular, we apply human rights management regulations not only to our executives and employees, but also to stakeholders in relation to Hanwha Aerospace, such as customers, partners, subsidiaries, local residents, and consumers. By doing so, we strive to protect and promote the human rights of all stakeholders in the course of our business activities

[Hanwha Aerospace Human Rights Management Regulation](#) 🔗

[Hanwha Aerospace Human Rights Management Declaration](#) 🔗

### Human Rights Management Roadmap

With the introduction of human rights management in 2023, we have been implementing our mid to long-term human rights management roadmap to enhance the company’s sustainable management in the long term and strive to become a leading firm in promoting human rights.



# Human Rights Management

RISK MANAGEMENT

## Human Rights Management Activities

### Human Rights Protection and Grievance Handling

We make various efforts to build a healthy organizational culture that protects the human rights of employees under the principles of integrity-based management and ethical management. We operate the Smart Grievance Handling Center and an internal online reporting channel to ensure compliance with the company’s code of ethics and compliance as well as respond to violations promptly when they occur. We also conduct workplace bullying and sexual harassment prevention training for employees each year and respond promptly to address cases received through various online and offline channels. All reports and submissions are kept strictly confidential to prevent further harm.



Human rights grievance handling rate

100%

### Human Rights Training

We not only conduct legally mandated annual workplace sexual harassment prevention education and anti-bullying in the workplace training but also conduct mandatory human rights management training for all employees to raise human rights awareness and spread a culture of respect for our stakeholders. We provide special training through in-house instructors for those directly related to human rights and departments that request human rights-related training. We also provide separate mandatory human rights training to our executives and organization heads, including the CEO, to ensure that the company’s commitment to human rights management extends from management to department members.

#### | Human Rights Training

Name	Target
Mandatory human rights training	
– Human rights management basic training	All employees
– Sexual harassment prevention education	– Including CEO, contract workers, and dispatched workers
– Anti-bullying in the workplace training	
– Disability awareness training	
Human rights training for executives and organization leaders	CEO, executive, organization leader, etc.
On-site training	Upon application from the relevant department
Counselor/investigator practical training	Sexual harassment and workplace bullying specialist training

### Culture of Diversity and Inclusion

We actively pursue innovative business solutions by embracing a diverse range of talents, while upholding a core set of values centered on fairness, equality, and non-discrimination in our human resources system. We have strict policies in place that prohibit discrimination on the basis of factors such as gender, race, age, religion, disability, and social status, which apply to all aspects of employment, promotions, compensation, and educational opportunities. During our recruitment process, we allocate additional points to individuals with disabilities and veterans, and we also have a special recruitment program in place designed for the families of the service member victims of the sunken Korean Navy battleship “ROKS Cheonan”.

# Human Rights Management

RISK MANAGEMENT

## Human Rights Management Activities

### Human Rights Risk Management

Since declaring human rights management in December 2023, we have been conducting human rights impact assessments to mitigate human rights risks and prevent violations in our management activities. To understand our internal human rights status, we initially conducted a survey and impact assessment on human rights awareness among employees at the headquarters in late 2023. Through this survey, we are developing measures to enhance employees' human rights awareness and prevent violations in high-risk areas. In 2024, we plan to expand the scope of the assessment to our business establishments. We regularly conduct self-assessment quizzes, checklists, departmental self-inspections, and compliance management ISO certification internal audits to help employees identify and address human rights risks independently.

Human Rights Risk Management Process



# Human Rights Management

RISK MANAGEMENT

## Human Rights Management Activities

### Human Rights Impact Assessment

#### 2023 Human Rights Impact Assessment Overview

Based on ISO 26000, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the guideline of National Human Rights Commission of Korea, we developed a human rights management checklist and conducted a human rights impact assessment through interviews and surveys. This assessment covered 42 items and 208 detailed indicators across seven areas. The overall result indicated excellence, but we identified areas in human rights management systems, remedy procedures, and responsible supply chain management that require improvement. We have established a monitoring and management system for the identified impacts and plan to improve them through continuous human rights impact assessments.

#### Identification of Key Human Rights Issues and Establishment of Improvement Measures

From the various human rights issues identified in the assessment, we prioritized human rights management in the supply chain and internal promotion and operation of remedy procedures for human rights as key areas for improvement. We delineated improvement tasks, considering factors such as implementation level, severity of impact, and likelihood of occurrence.

#### Scope of the Human Rights Impact Assessment

Participants	All Hanwha Aerospace business establishments
Evaluation range	The company's impact on human rights, including public institutions, employment, labor rights, safety, supply chain, and local residents, using a standardized checklist.

#### Key Evaluation Categories and Results

No.	Area	Achievement rate
1	Human rights management system and remedy procedures	95.5%
2	No child labor or forced labor	98.0%
3	Freedom of association	100.0%
4	Humane treatment (wages, hours, parental leave, no discrimination, no sexual harassment, no bullying)	98.6%
5	Responsible supply chain management	94.1%
6	Occupational health and safety	100.0%
7	Environmental rights	97.9%
Total		97.6%

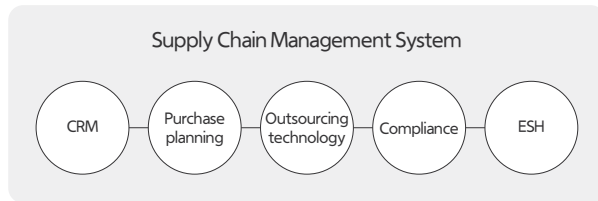
Key human rights issues	Improvement tasks
Human rights management system and remedy procedures	<ul style="list-style-type: none"> <li>Promote internal campaigns fostering a culture of human rights respect among employees</li> <li>Implement a remedy procedure prioritizing stakeholder accessibility and willingness to engage</li> </ul>
Responsible supply chain management	<ul style="list-style-type: none"> <li>Provide human rights training programs for suppliers to support the establishment of a human rights management system and enhance human rights awareness</li> <li>Establish a monitoring system to ensure supplier compliance with human rights</li> <li>Regularly conduct human rights surveys and due diligence on suppliers</li> </ul>

# Supply Chain Management

## GOVERNANCE

### Organizational Structure

Hanwha Aerospace strives to build a healthy ESG ecosystem by fostering organic relationships with related departments, securing suppliers, and establishing a supply chain with excellent ESG capabilities.



### Supply Chain Management

<p><b>CRM Team</b></p>	<ul style="list-style-type: none"> <li>· Establish mutually beneficial cooperation and supply chain ESG policy</li> <li>· Operate shared growth programs</li> <li>· Operate Subcontracting Reviewing Committee</li> <li>· Manage fair trade guidelines</li> </ul>
<p><b>Purchase Planning Team</b></p>	<ul style="list-style-type: none"> <li>· Establish purchasing/procurement strategy</li> <li>· Regular evaluation and follow-up management of suppliers</li> <li>· Supply Chain Risk Management</li> <li>· Nurture suppliers</li> </ul>
<p><b>Outsourcing Technology Team</b></p>	<ul style="list-style-type: none"> <li>· Implement technical support and joint development</li> <li>· Share manufacturing tips</li> </ul>
<p><b>Compliance Team</b></p>	<ul style="list-style-type: none"> <li>· Conduct compliance control and training</li> <li>· Support compliance control activities for suppliers</li> </ul>
<p><b>Environmental Planning Team Safety Management Team</b></p>	<ul style="list-style-type: none"> <li>· Supplier health and safety win-win cooperation project (Mutually Beneficial Cooperation Program)</li> </ul>

### Supply Chain Management System

#### Sustainable Supply Chain

We established a Supplier Code of Conduct based on the RBA Standards to ensure that all domestic and overseas business sites of suppliers involved in the production of Hanwha Aerospace's products operate in an environmentally friendly and ethical manner, while also establishing a safe working environment and ensuring the dignity and respect of all workers. This code applies to all suppliers involved in designing, selling, manufacturing, or providing raw materials, parts, and facilities used in our products, as well as to all sub-supply chains that provide assemblies, raw materials, and packaging. When entering into business with suppliers, we mandate compliance with this Code and the Guidelines.

#### Purchasing Policy

To establish fair subcontracting transactions and prevent Fair Transactions in Subcontracting Act violations, we pursue reasonable and fair transaction practices with small and medium enterprises by stipulating the four guidelines established by the Korea Fair Trade Commission in our business. These regulations apply to subcontracting transactions occurring at all business establishments and all departments performing related work are required to comply with these standards. These regulations are publicly shared on our website and are available for anyone to access.

Four major guidelines

#### Conflict Minerals

We do not procure or utilize raw materials or components that contain the four major minerals (tin, tantalum, tungsten, and gold) sourced from ten conflict zones in Africa, including the Democratic Republic of the Congo, South Sudan, and Rwanda. We require our suppliers to obtain proof of origin for raw materials from sources of unknown origin. Furthermore, we extend our policy against the purchase of conflict minerals to encompass tier 2 and 3 suppliers.

#### Strategic Material Management

We are dedicated to fulfilling our corporate social responsibility by actively contributing to international security and world peace. In addition to adhering to relevant laws such as the Foreign Trade Act, we have also implemented the strategic material compliance program of the Korean Security Agency of Trade and Industry. Our strategic material export management contributes to international peace and national security by preventing international disputes arising from companies' cross-border transactions. Furthermore, we proactively prevent trade retaliation resulting from export control violations, support secure exports of businesses, and facilitate the import of cutting-edge materials while enhancing transparency in strategic material trade.

# Supply Chain Management

## STRATEGY

### Supply Chain Management Activities

#### Supply Chain Management System

We operate procurement systems (SRM and H-IPS) tailored to the unique needs of each defense and aviation business. Through these systems, new suppliers can register via proposal and transaction procedures, and the purchase contract process follows fair trade guidelines. Our systems provide easy access to critical information such as contract details, forecasts, and transaction history, streamlining the process. They also allow for the quick submission of necessary documents. These systems are designed for real-time processing and include features like listing functions for improved visibility of management and historical reference. When conducting transaction activities including contract changes, delivery price indexation consultation, delivery price indexation agreement, and requests for technical information, which are protected by the Fair Transactions in Subcontracting Act, we contribute to minimizing supplier damage by verifying the intention and whether there is any damage to suppliers in advance as well as annually improving the system to prevent unfair trade practices based on updated legal regulations.

#### Supplier Data Management (SDM) Operational Process

In addition to the purchasing system used for sub-contracting and major transactions, we implemented the new 'Small & medium-sized Business Development Management System' for general transactions with small and medium enterprises under the Act on the Promotion of Mutually Beneficial Cooperation which was developed and introduced in 2024. This system enhanced the convenience for suppliers as it enables them to access the transaction status and expected payment date. Also, our executives and employees protect the rights and interests of entrusted companies by following the consignment company's obligations without omission or delay in the transaction process with suppliers, such as in contract conclusion, revised contract, receipt of goods, and inspection processing.

#### Shared Growth Strategy

Our vision is to maintain a sustainable industrial ecosystem through better mutually beneficial partnerships, striving to achieve four core goals: strengthening supplier competitiveness, sustainable management, mutual communication, and creating a win-win culture. Our shared growth direction involves building a foundation, enhancing supplier competitiveness, and advancing sustainable growth. To build this foundation, we have added the code of conduct for suppliers based on RBA standards, integrity business guidelines, and four guidelines for fair trade to our compliance program. To enhance supplier competitiveness, we actively promote productivity improvement support projects such as industrial innovation campaigns and smart factory construction support programs, along with implementing a technology escrow system for technology protection and a delivery price indexation system. To advance sustainable growth, we make efforts to establish a supply chain ESG management system by implementing ESG evaluation and training, establishing supplier management policies, conducting ESG evaluation and analysis, establishing improvement measures, monitoring improvement, and incorporating them into purchasing KPIs.

#### Shared Growth Vision



▼

Together, we nurture a sustainable industrial ecosystem through a mutually beneficial partnership

#### Shared Growth Objectives



# Supply Chain Management

## STRATEGY

### Supply Chain Management Activities

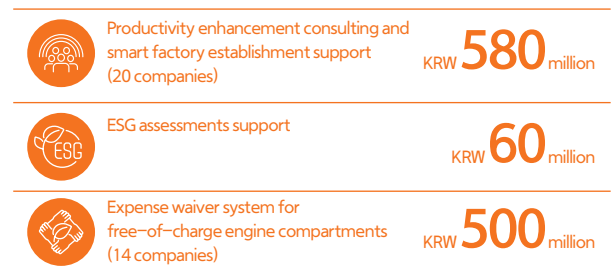
#### Shared Growth Program

##### Enhance Competitiveness

We operate supplier support programs specific to the defense and aviation industries to help them improve manufacturing, productivity, and competitiveness. We provided productivity enhancement consulting and smart factory establishment support worth approximately KRW 580 million to 20 companies through the Industrial Innovation Movement and Smart Factory Construction Project. In addition, we provided quality consulting and quality exchange meetings by business establishments.

Furthermore, we dispatched our workers to 95 suppliers to provide quality technology guidance attending to each suppliers' needs. We have an expense waiver system that waives a portion of the loss costs in case of raw material defects to help suppliers acquire advanced processing skills for aircraft engine parts.

##### | 2023 Shared Growth - Competitiveness Performance



##### | 2023 Sustainability Management Seminar for Suppliers



##### Sustainability Management

We operate programs to enhance the sustainability management capabilities of our supply chain, such as financial support, human resources and recruitment support, technology protection, and health, safety, and environmental management support. Major programs include approximately 3.5% interest subsidy support via the operation of KRW 59.1 billion win-win fund, early payment for holidays (KRW 58.3 billion), free rental of special equipment and tools (KRW 1.88 billion, 35 companies), free-of-charge job fairs for excellent partners, cash payments three times a month for subcontract transactions for goods. In November 2023, we held a sustainability management seminar involving practical education on ESG management, including ESG concepts and major trends, response to SME ESG assessment, and integrity and compliance education for suppliers, with the participation of 106 suppliers.

##### Environmental Management Support for Suppliers

To support the environmental management of our in-house suppliers and small and medium-sized suppliers, we offer environmental mentoring. During these sessions, we assess companies' emission and pollutant discharge, prevention facility management plans, and process improvements. We provide guidance on environmental pollution reduction, treatment technologies, and administrative procedures. In 2023, mentoring sessions were conducted for one supplier at Changwon Business Establishment 2.

##### Safety Permit System

We implement a Safety Permit System for construction and maintenance work carried out by our suppliers. This system includes comprehensive risk assessments and safety inspections for all non-routine work to ensure safety. Moreover, we have established Absolute Safety Rules, which are mandatory for all employees and entering suppliers. Non-compliance can result in immediate exit and permanent entry bans to uphold these standards.

##### | 2023 Shared Growth - Sustainability Performance



##### Health and Safety Mutually Beneficial Cooperation Program

We operate the Health and Safety Mutually Beneficial Cooperation Program to reinforce the safety management of our suppliers. The program is implemented at each business establishment for in-house suppliers, top-performing suppliers, and small suppliers with 20 or less employees, providing various supports such as risk assessment, safety consulting, along with safety education materials and safety signs. To enhance the level of response and health and safety work capabilities of our suppliers, we conducted health and safety diagnoses on legal compliance and on-site safety management for 111 suppliers as of 2023, following the Serious Accident Punishment Act. Based on the results, we plan to select companies that require immediate support and provide guidebooks and training on preventing serious accidents. We are currently conducting diagnoses for 130 companies until the second quarter of 2024, striving to build a safer work environment with our suppliers.

# Supply Chain Management

STRATEGY

## Supply Chain Management Activities

### Mutually Beneficial Cooperation Network

#### Mutually Beneficial Cooperation Network

##### Supplier Council

We actively engage with our suppliers through regular Supplier Council meetings. In October 2023, we convened a Win-Win Cooperation Council with 56 key suppliers to discuss various measures for mutually beneficial cooperation, such as signing fair trade agreements, ESG training, compliance with subcontracting laws, and fair contracting and execution. The Win-Win Cooperation Council comprises three subcommittees, LS, PGM, and Aviation, each holding quarterly meetings to share customer feedback and address pertinent issues.

| 2023 Fair Trade and Shared Growth Agreement Ceremony



| Declaration of Mutually Beneficial Cooperation



##### Supplier VOC Handling

We actively address issues by establishing various communication channels to listen to our suppliers' voices. This includes soliciting suggestions that may arise during the transaction process, reporting unfair transactions, and collecting improvement ideas. We have enhanced the convenience of reporting by allowing anonymous reporting through direct in-person visits by a mutually beneficial cooperation officer or using the reporting system on the online Supplier Hub and the compliance reporting system on our website. In the event of a serious issue suspected of violating the Fair Transactions in Subcontracting Act, the Subcontracting Review Committee, consisting of members from all relevant departments, conducts a thorough examination to formulate effective solutions.

#### | Supplier VOC / Procedures to Address Unfair Trade Practices

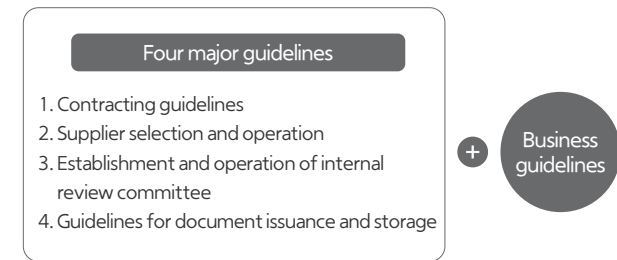


### Shared Growth Culture

Declaration of Fair Trade and Mutually Beneficial Cooperation for Busan, Ulsan, Gyeongnam with Fair Trade Commission

To establish a fair trade culture and support shared growth, we have established four guidelines for fair trade compliant with the Fair Transaction in Subcontracting Act, revised in January 2024. We established and published the Supplier Code of Conduct, which contains detailed practices to ensure that our suppliers fairly reflect their interests and implement reasonable trade practices.

Hanwha Aerospace Business Guidelines



2023 Fair Trade Agreement Implementation Evaluation Grade

Best

Shared growth index for 10 consecutive years

Excellent

# Supply Chain Management

**RISK MANAGEMENT**

## Supply Chain Risk Management

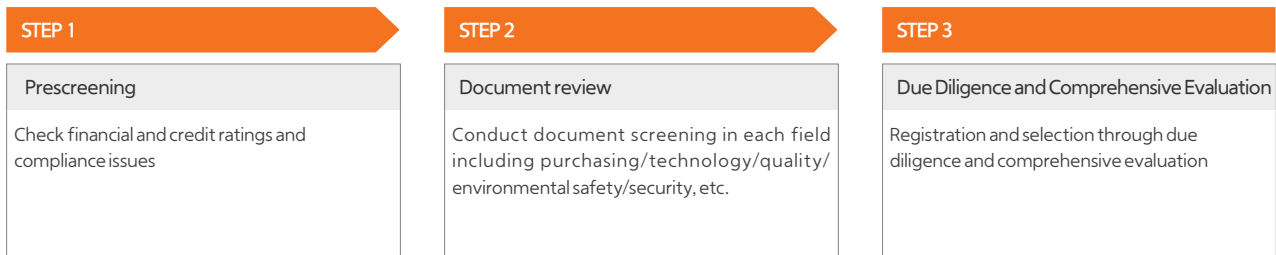
### Supplier Selection and Composition

Hanwha Aerospace implements a new supplier registration process within each business division to ensure objectivity and fairness in selecting and registering suppliers with excellent competencies and quality systems. We adhere to the Fair Trade Commission’s supplier selection and operation guidelines as one of our four major practices. Upon registering a new supplier, we conduct an automatic screening to check asset soundness and compliance issues in advance. This is followed by a document review of the supplier’s report. For those that pass these initial checks, we conduct a due diligence evaluation covering 200 items across six areas, including management, finance, technology, security, quality systems, and process evaluation, before proceeding with the registration and selection process.

### Supplier Safety, Health, and Environment Qualification Assessment

Given the critical nature of safety management in our industry, we prioritize safety, health, and environmental suitability assessments for our in-house suppliers. We assess a supplier’s safety system both before and after a contract is signed, and those that do not meet health and safety standards may face disadvantages, such as exclusion from future contracts. Furthermore, we conduct annual safety evaluations of our suppliers and provide incentives to companies that achieve outstanding evaluation results. Conversely, we impose penalties on underperforming companies and support improvement efforts, fostering a mutually beneficial safety environment with our suppliers. We monitor compliance with laws and regulations of suppliers based on inspection items such as industrial accident history, safety management plan, and mandatory trainings by law in our supplier safety, health, and environment qualification assessment. Starting in 2024, the ESH Office also conducts advanced safety and health diagnosis of suppliers and support activities for improvement for a mutually beneficial cooperation. As a major improvement support activity, we are distributing internally-developed guidebook to prevent serious disasters in accordance with the expanded application of the Serious Accidents Punishment Act to small and medium-sized businesses as well as providing related trainings.

### | Supplier Selection Process



### Subcontracting Review Committee

We established a Subcontracting Review Committee to adhere to the procedures for examining elements of legal compliance both before and after subcontracting. The inspection items encompass the adequacy of the subcontracting process, supplier registration and termination, unfair special clauses and transfer of responsibility, the status of price adjustment requests, and the legality of requests for technical data.

### Compliance and Responsibilities regarding Fair Transactions in Subcontracting Act

We take the lead in protecting the rights and interests of suppliers by adhering to the Fair Trade Commission’s four guidelines and the Fair Transactions in Subcontracting Act and related guidelines. When receiving technical data from suppliers, we ensure strict compliance with the relevant guidelines and operate a system that allows us to immediately issue a request for technical documentation.

#### Provision of Fair Transaction in Subcontracting Act guidelines and training for employees

- Improved the system for preventing law violations and unfair subcontracting transactions
- Conducted training reflecting law revisions by the Fair Trade Commission and the Ministry of SMEs and Startups
- Employee Training: 568 employees in 2022, 2,831 employees in 2023

#### Participated as a partner company in the Delivery Price Indexation System

- Participated in advance of the revision of the Fair Transactions in Subcontracting Act and the Act on the Promotion of Mutually Beneficial Cooperation (October 2023)

# Supply Chain Management

RISK MANAGEMENT

## Supply Chain Risk Management

### Supplier Evaluation

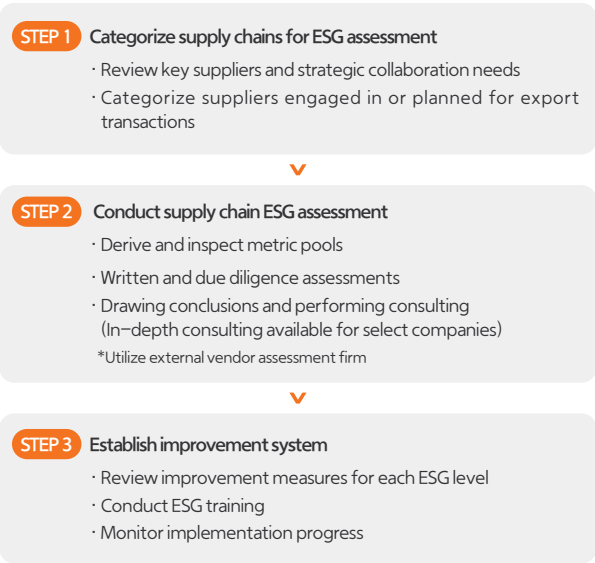
We take proactive steps to prevent potential risks by conducting regular evaluations of our suppliers following the ISO company evaluation procedure. The evaluation categories consist of Quality, Procurement, Business Management, and Contribution. Incentives are provided to top-performing suppliers to encourage the improvement of their management capabilities, which may include benefits like bonus points in new supplier selection evaluations, support for overseas defense exhibitions, and free ESG consulting support.

We are enhancing the ESG management of our supply chain by conducting supplier ESG assessments. We identify obligations within our supply chain based on strengthened global regulations, establish a response support system, and operate a supplier ESG management system linked to ESG assessments.

### Evaluation Results

From December 2023 to January 2024, we conducted the first ESG assessment for 77 core suppliers with core business and those involved in export transactions. In the second half of the year 2024, we intend to conduct a second ESG assessment, including in-depth consulting to enhance the ESG management capabilities of our suppliers. The results of the assessment are categorized into seven total ESG grades based on the level of environmental, social, and management systems and performance for sustainable management. For each category of environment, society, and governance, we will evaluate the response capabilities of environmental management environmental system-level risks from internal and external environmental changes, health and safety management and social responsibility performance risks, and management stability and management system risks in seven grades, followed by consultations aimed at improving each item.

### | Supplier ESG Assessment Process



### | Supplier ESG Assessment Items

		Assessment Criteria
Environment	Environmental policy, environmental performance metrics	<ul style="list-style-type: none"> <li>· Environmental strategy</li> <li>· Environmental management</li> <li>· Environmental performance</li> <li>· Environment management</li> </ul>
	Social	<ul style="list-style-type: none"> <li>· Employment security</li> <li>· Employment conditions</li> <li>· Human rights</li> <li>· Corporate social responsibility (CSR)</li> <li>· Training</li> <li>· Sustainability</li> <li>· Health and safety management system</li> <li>· Health and safety risk management</li> <li>· Health and safety investment</li> <li>· Health and safety performance</li> </ul>
Governance	Business stability, business management related metrics	<ul style="list-style-type: none"> <li>· Business stability</li> <li>· Accounting transparency</li> <li>· Ethics</li> <li>· ESG Management</li> </ul>

### | Future Plan

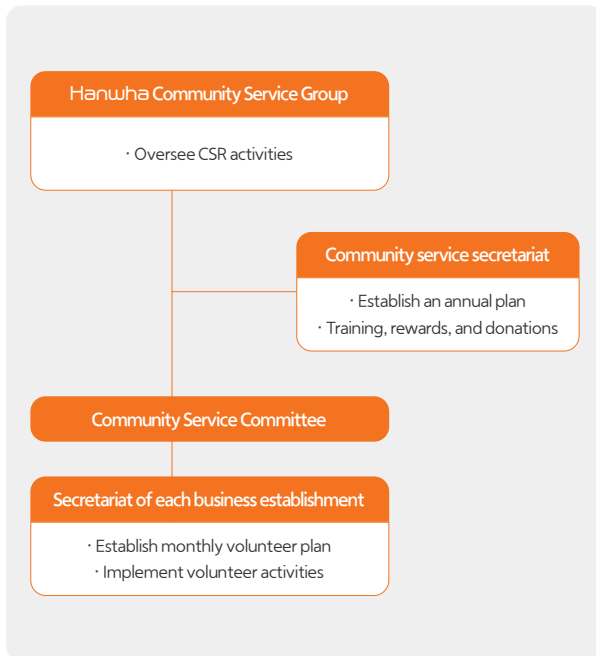


# Local Community

## GOVERNANCE

### Organizational Structure

Under our corporate social responsibilities, guided by the philosophy of “Further, Together,” Hanwha Aerospace actively practices social responsibility while its members create a “hope for the future” with local communities. Various activities are being conducted in alignment with the company’s vision and strategy. The Community Service Secretariat, part of the Hanwha Community Service Group responsible for overseeing corporate social responsibility (CSR) initiatives, is in charge of formulating annual plans, conducting training, managing rewards, and handling donations. The Community Service Committee and secretariats at each business establishment conduct a wide variety of CSR activities by developing and implementing monthly volunteer activity plans.



## STRATEGY

### Corporate Social Responsibility (CSR) Strategy

#### CSR Vision

As a company that works closely with local communities, we contribute to preserving a sustainable environment, supporting the growth of future leaders, and addressing issues within local communities to foster a society that grows together through sharing and caring. We continue CSR activities aimed at creating a future that our members and local communities can build together, actively addressing the requirements of our stakeholders under our vision.



# Local Community

STRATEGY

## CSR Activities

### Eco-friendly

#### Sustainable Ecological Transformation Education

We have been providing environmental education and hands-on learning about effective microorganisms (EM) to local children. Through our ongoing ecological transformation education since 2016, we emphasize the significance of eco-friendliness and help children develop into responsible members of society with a strong concern for the climate crisis and environmental issues.

#### Storm Drain Cleaning Campaign to Preserve the Marine Environment

In anticipation of potential damage from heavy rainfall driven by rapid climate change, we conduct storm drain cleaning activities. Our goal is to enhance the cleanliness of the marine environment by cleaning areas around storm drain pipes, which serve as the gateway to the sea, and attaching custom stickers to these drains.

#### One Company, One River

Each quarter, we conduct river purification activities in the vicinity of our business establishments. As part of the “One Company, One River” initiative, we contribute to a healthier environment by clearing waste and maintaining areas along the rivers, preventing pollutants from flowing downstream.

As of 2023



Total Amount of Waste Collected via One Company, One River Activity

1.5 ton

| One Company, One River



### Talent Development

#### Aerospace Science Class (Aerospace Mentoring Education)

We provide education opportunities for middle school students near our business establishments to learn and apply aerospace principles. By conducting projects for all participating middle school students and supporting them as mentors, we are laying the foundation for nurturing professional talent in the aerospace field.

#### Hanwha Safety Protector (Creating a Safe Community)

The Hanwha Safety Protector program, an educational initiative aimed at enhancing safety awareness among local children and adolescents, conducts safety training sessions every month. Given that young individuals tend to have a lower sensitivity to safety and higher accident rates than adults, we acknowledge the limitations of safety education within the school system. To address this, we have established business agreements with local social welfare centers and elementary schools, contributing to fostering greater safety awareness within local communities.

#### Hanwha Flame Messenger

The Hanwha Flame Messenger program invites celebrities who inspire and resonate with university students, offering them dreams and hope for the future through talk concerts. In line with this initiative, we operate various donation and charity programs during the university campus festival period.

| Aerospace Mentoring Agreement Ceremony



| Hanwha Safety Protector



### Volunteer Activities

#### Sharing Kimchi of Love

Every year, we prepare kimchi to promote healthy eating habits among low-income individuals in the local community. This goes beyond mere donation, as our employees directly participate in the kimchi making, reflecting our commitment to sharing with underprivileged neighbors.

#### Handcarts of Love

Handcarts of Love is an initiative that produces customized handcarts aimed at reducing the risk of accidents involving the elderly who make a living by collecting waste paper from outdated carts in our community. Leveraging the expertise and experience of our employees, we create lightweight, safe, and user-friendly handcarts. By incorporating features such as brakes, warning lights, and horns, we ensure that the elderly can work more safely compared to using traditional handcarts.

As of 2023



Total Handcarts of Love Delivered (KRW 330 million)

553 handcarts

| Handcarts of Love



| Sharing Kimchi of Love



# Local Community

STRATEGY

## CSR Activities

### Encouragement

#### Coffee Truck Volunteer Activity

We assist in selling products produced through rehabilitation projects for disabled individuals through a coffee truck, with all profits donated to welfare centers for the disabled, aiding them in achieving self-sufficiency.

#### Blood Donation of Love Campaign

We actively contribute to stabilizing the blood supply and promoting a culture of life-sharing through our regular blood donation campaigns. A blood donation bus visits Changwon Business Establishment 1 every quarter, and a significant number of our employees consistently participate in blood donation drives.

#### Holiday Hope Sharing Campaign

During Lunar New Year and Chuseok, our employees engage in volunteering activities by visiting underprivileged neighbors. Along with these activities organized by volunteer teams of each department, the company also makes donations to support these efforts.

| Coffee Truck Volunteer Activity



| Holiday Hope Sharing Campaign



#### Joint Wedding for the Disabled

We sponsor joint wedding ceremonies for couples facing financial difficulties due to disabilities, upholding our CSR philosophy of "Further, Together." We cover the cost of round-trip airline tickets for honeymoon trips to Jeju Island. In addition to sponsorship, we actively engage in volunteer activities by participating in weddings and accompanying couples on their honeymoons.

#### Publication Support of Children's Books Written by Disabled Authors

We are working to not only heal the minds of disabled individuals but also enhance awareness of persons with disabilities through the publication of children's books. These books, authored and published by disabled writers, are distributed free of charge to local community libraries, welfare organizations, large cafes, and train stations with the aim of improving awareness of persons with disabilities.



Joint Wedding for the Disabled

2018, 2019, 2023



Publication support of children's books written by disabled authors

2022, 2023

#### Safe Nareumicart

The Safe Nareumicart program is a collaborative initiative between the Gyeongsangnamdo Volunteer Center and volunteer centers nationwide. These Safe Nareumicarts, developed through employees' talent donation, are distributed to volunteer centers across the country and provided as donations to elderly and disabled individuals in need.

#### Residential Environment Improvement Project

We carry out residential environment improvement projects two to eight times per year for local vulnerable groups, marginalized groups, and national honorees, aiming to provide them with better living conditions.

#### | Number of Households With Improved Residential Environment

2021	2022	2023
6	7	21



Number of Households with Improved Residential Environment (Total of approx. KRW 82 million)

21 Households

# Local Community

## STRATEGY

### Community Engagement

We actively communicate with stakeholders in the local communities near our business establishments using various channels. Through this, we identify the inconveniences the local communities face and take necessary measures so that **Hanwha Aerospace** and the local community can coexist harmoniously.

#### | Community Communication Process



#### Pangyo R&D Campus

Pangyo R&D Campus carries out various CSR projects to support vulnerable groups in cooperation with relevant organizations in the local community. We provide material resources to single mothers, ill children, the disabled, and senior citizen facilities. In addition, we operate various win-win management projects with the local community, such as education support for middle school students and environmental support activities.

#### Changwon Business Establishment 1

Changwon Business Establishment 1 is making collaborative efforts to address the difficulties experienced by the local community and contribute to positive change under their CSR vision and strategy. We carry out various CSR projects focusing on local volunteer centers and welfare centers for the disabled by utilizing the network of volunteer centers in each region.

#### Changwon Business Establishment 2

Given the unique characteristics of the defense industry, Changwon Business Establishment 2 consistently strives to identify and address a range of issues within the local community by actively participating in civil, public, and military councils. We plan and execute various CSR initiatives, utilizing the network of volunteer centers in different regions, centering around the Gyeongsangnamdo Volunteer Center.

#### Changwon Business Establishment 3

Changwon Business Establishment 3 carries out various CSR activities and corporate volunteer programs involving the employees' family volunteer group to address a range of issues within the local community. We plan and execute various CSR initiatives, utilizing the network of volunteer centers in different regions.

#### Daejeon R&D Campus

Since 2016, our Daejeon R&D Campus has been providing various educational programs to inform children in the Daejeon area about the significance of eco-friendliness and environmental protection, aiming to help them grow into mature members of society who share awareness of climate and environmental issues.

#### Daejeon Business Establishment

Daejeon Business Establishment is collaborating with the Daejeon Metropolitan Office of Education on an Environmental Support Project, addressing community concerns about the environment. We select three to four elementary schools and focus on raising environmental awareness among students. Through recycling and upcycling activities, children actively participate in eco-friendly practices that promote resource circulation. Furthermore, we engage in ongoing initiatives with Yuseong-gu, our site's location, including improving the living environment for marginalized groups and providing support such as air conditioning units and kimchi donations.

#### Boeun Business Establishment

Boeun Business Establishment communicates regularly with the Boeun-gun Community Security Council, which consists of various stakeholders such as companies, residents, and non-profit organizations in Boeun-gun, to better understand the problems and demands within the area. From this, we discovered that Boeun-gun is regionally a blind spot for cultural experiences with high deterioration of housing. The Boeun Business Establishment also promotes cultural experiences for local community members through various methods such as cultural classes and Eagles Day and consistently carries out residential environment improvement projects.

# Local Community

## RISK MANAGEMENT

### Community Impact Assessment

Hanwha Aerospace proactively identifies any potential negative impacts that our corporate activities may have on local communities, aiming to prevent and mitigate them effectively.

#### Pangyo R&D Campus

Along with our core business activities, our Pangyo R&D Campus actively promotes the development of local community by taking initiatives to reduce environmental emissions, transition to eco-friendly materials, and minimize greenhouse gas emissions to mitigate environmental impacts. We also prioritize understanding and addressing social impacts from our operations and the needs of local stakeholders to foster mutual growth and development.

#### Changwon Business Establishment 1

Changwon Business Establishment 1 conducts corporate ESG activities aimed at addressing local issues and achieving mutual growth. Our joint cooperation projects to tackle local problems in the Gyeongnam region, leveraging the company's excellent human and material resources through business, public, and government networks, have been recognized as a leading CSR example.

#### Changwon Business Establishment 2

Changwon Business Establishment 2 continues to address and improve local issues through discussions and deliberations by its own CSR Committee. We utilize local networks to enhance the community by collecting and resolving issues, thereby contributing to the growth of the local community.

#### Changwon Business Establishment 3

Changwon Business Establishment 3 focuses on identifying and resolving social issues within the local community. Through projects like Love Gurmika, manufacturing walkers for seniors with mobility challenges, we actively contribute to community welfare and a healthy sharing culture through consistent sharing and involvement in CSR activities.

#### Daejeon R&D Campus

Daejeon R&D Campus continues to engage in volunteer activities, utilizing its professional capabilities to promote a culture of sharing and fulfill social responsibility. We take a leading role in concentrating the energy of the community resource system and pursuing the common good of the community, contributing to improving the quality of life of individual residents and advancing self-sufficiency and welfare from a public interest perspective.

#### Daejeon Business Establishment

The residents near the Daejeon Business Establishment express concerns regarding process safety and environmental impacts due to the nature of the defense industry. To address this, we attend community meetings to share site management activities, safety inspections detailed by the Korea Occupational Safety and Health Agency, and control pollutant emissions while regularly monitoring air, water, and soil quality with stricter standards than legal requirements. Furthermore, we provide manpower and resources for local events such as Parents' Day and Senior Citizens' Day, creating an image of a business that actively supports the local community.

#### Boeun Business Establishment

Boeun Business Establishment appoints an officer responsible for understanding any negative environmental and social impacts its operation may have on the local community. We communicate with local stakeholders who are negatively affected to understand the concerns and needs and strive to minimize the damage. The appointed officer serves as a member of the Boeun-gun Community Social Security Association, sharing identified community issues and executing improvement activities through discussion.

# Information Security

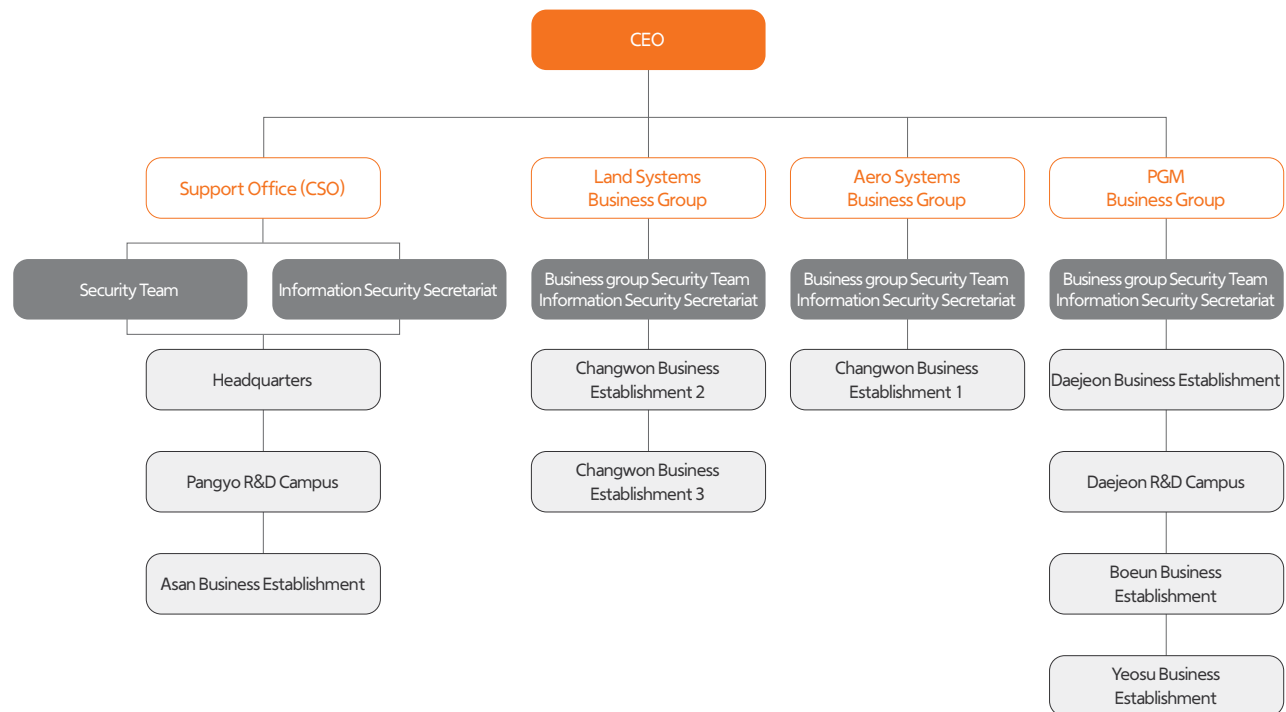
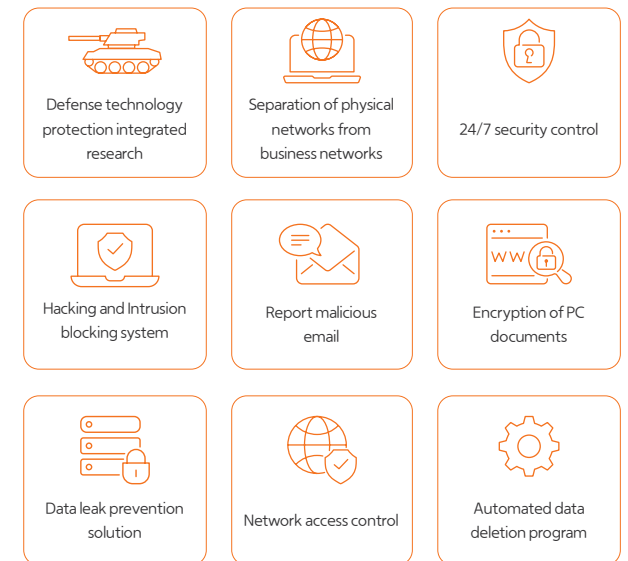
## Information Security Management System

Following the merger of three corporations, we established an Information Security Secretariat comprising four security teams responsible for convergence security. These teams operate under the leadership of the Chief Information Security Officer (CISO) and the Chief Security Officer (CSO) to strengthen security measures and enhance risk management. The primary decision-making framework includes a Security Operation Committee and a Defense Technology Protection Committee, which specifically addresses issues related to convergence security. In each review committee, both the security team and the Information Security Secretariat engage in practical decision-making tasks, with relevant department members participating in significant matters.

## Information Security System

Through a structured information security system implemented at every stage, there were zero recorded cybersecurity incidents or customer personal information leaks in 2023. We conduct integrated research on defense technology protection by external organizations each year and physically separate our business and Internet networks. We operate a hacking and intrusion-blocking system with 24/7 security monitoring and have established reporting procedures for malicious emails and handling document files on PCs. Our comprehensive security system includes encryption, data leak prevention solutions, network access control, and an automatic data deletion program for PCs. Furthermore, we proactively address cyber threats by conducting mock penetration tests and regular inspections of our information systems.

### Information Security System



# Information Security

## Defense Industry Technology and Confidentiality Protection

Given the inherent nature of the defense industry, we implement rigorous security measures on both our employees and those of our suppliers to safeguard vital defense industry technology and confidential information. At the company level, we employ a information management system that effectively prevents unauthorized data leaks through the separation of the defense network from the regular network. These security measures align with the policies of government organizations such as the Defense Acquisition Program Administration, the Defense Counterintelligence Command (DCC), and the National Intelligence Service. Following our merger in 2023, we remain highly adaptable to changes in the security landscape, continuously establishing and updating various internal security regulations. Moving forward, we intend to develop annual security activity plans and defense industry technology protection implementation strategies. This will enable us to effectively execute activities related to defense technology and confidentiality protection while proactively addressing any security vulnerabilities that may arise.

### | Defense Technology and Confidentiality Protection Activities

Type	Details
Employees/suppliers	<ul style="list-style-type: none"> <li>Conduct background check prior to hiring</li> <li>Manage personal information and network logs post-hire</li> <li>Regulate data flow during employee transitions (departures, business trips, etc.)</li> </ul>
System establishment	<ul style="list-style-type: none"> <li>Physical separation of defense network and general network</li> <li>Control system to prevent illegal photography and wiretapping</li> <li>Intelligent security solutions and real-time intrusion detection response</li> <li>Establishment of facilities and cyber security system</li> </ul>
Internal regulations	<ul style="list-style-type: none"> <li>Maintenance and integration internal defense industry technology protection and security regulations</li> <li>Publication of new internal regulations for overseas business establishments</li> </ul>

## Privacy

We strictly adhere to information security-related laws, including the Personal Information Protection Act and the Act on Promotion of Information and Communications Network Utilization and Information Protection. We have implemented a comprehensive set of management, physical, and technical measures to protect customer privacy against loss, theft, leakage, alteration, or damage. Encryption is employed to securely store and manage vital personal information, and we operate an intrusion prevention system that effectively controls unauthorized external access. A dedicated privacy officer is appointed, and regular training is conducted for our management personnel to ensure they execute their responsibilities with a sense of duty and professionalism. In terms of physical security, we have designated the computer room as a specially protected area with strict controls on outsider access. Furthermore, for a more detailed explanation of the purpose of data usage and our privacy policy, this information is easily accessible on the [Hanwha Aerospace website](#).

[Hanwha Aerospace Privacy Policy](#)

## Raising Security Awareness

Cybersecurity is increasingly important across all business sectors, and as such, we prioritize enhancing employees' awareness and understanding of cybersecurity. We conduct annual security training programs for all employees and in-house suppliers. During our monthly Cyber Security Diagnosis Day event, we provide training based on materials developed in-house. Employees involved in security violations receive additional security training at least twice a year to emphasize the need for a more proactive response to cybersecurity threats and a heightened focus on security management. We actively encourage all our executives and employees to participate in security training sessions organized by government bodies and external organizations such as the Defense Acquisition Program Administration and DCC. These efforts play a crucial role in fostering a strong security culture across the organization and effectively safeguarding our information assets.

### | Employee Security Awareness Activities

Type	Participants	Note
Online security training	All employees	Once/year
Training using internally-developed materials	All employees	Each month (Cybersecurity Day)
Information protection/security training	In-house suppliers	At least once/year
Additional security training	Employees with more than two security violations a year	-
Security training hosted by external organizations	All employees (recommended)	-

# Governance

Governance

70

Ethics and Compliance Management

76

Risk Management

82



# Governance

## Board Composition

### Board Composition Status

In accordance with Article 23 of the Articles of Incorporation, Hanwha Aerospace maintains a board of directors consisting of seven members, including three inside directors and four outside directors. This composition adheres to the configuration requirements stipulated in Article 542-8 (Appointment of Outside Directors) of the Commercial Act. The selection of outside directors is carried out in collaboration with the External Director Candidate Recommendation Committee, ensuring the Board operates independently from management and controlling shareholders. To enhance the expertise and diversity of our Board, we have established various committees and internal support organizations within the Board to facilitate effective and thoughtful discussions. To ensure flexibility and transparency in the Board's management, we revised the Articles of Incorporation and the Board of Directors Regulations, specifying that the CEO serves as the ex officio Chairperson of the Board of Directors. These changes were approved during the 43rd Annual General Meeting of Shareholders in 2020 and the 4th Board of Directors Meeting in 2020, allowing the Board to appoint the Chairperson among its directors based on the circumstances. In the Board of Directors Meeting on March 26th, 2024, we appointed Inside Director Byungchul AN as the Chairperson of the Board of Directors, separating the roles from the CEO and the chairperson.

★: Chairperson | As of 3.26.2024

Position	Name	Gender	Position	Term	Expertise	Background
CEO	Jaeil SON	Male	· Executive Committee ★	10.14.2022– 03.26.2026	Head of Corporate Management	· B.A., Korea University · Former CEO of Hanwha Defense · Non-Executive Director at Satrec Initiative
CEO	Dongkwan KIM	Male		03.29.2021– 03.28.2025	Head of Corporate Strategy	· B.A., Harvard University · Former CCO of Hanwha Q CELLS & Advanced Materials · CEO of Strategy Division, Hanwha Solutions · CEO of Strategy Division Hanwha Corporation · Non-Executive Director at Hanwha Ocean
Inside Director	Byungchul AN	Male	· Chairperson of the Board of Directors · Executive Committee	03.28.2023– 03.28.2025	Head of Corporate Management	· M.A., Sungkyunkwan University · Former Director of Overseas Business Division, Hanwha Defense · Non-Executive Director at Satrec Initiative · Non-Executive Director at Hanwha System
Outside Director	Hyoujin KIM	Female	· ESG Committee ★ · Internal Transaction Committee · Compensation Committee · External Director Candidate Recommendation Committee	03.29.2021– 03.28.2025	Aerospace Expert	· PhD, UC Berkeley · Professor at School of Aerospace Engineering, Seoul National University · Outside Director of Hyundai Transys
Outside Director	Jingoo JUN	Male	· External Director Candidate Recommendation Committee ★ · Audit Committee · Internal Transaction Committee · Compensation Committee · ESG Committee	03.28.2023– 03.28.2025	Defense Experts	· B.A., Naval Academy · M.A., Hankuk University of Foreign Studies · Former Commander of Marine Corps · Named Professor at Seokyeong University
Outside Director	Huyjae CHON	Male	· Internal Transaction Committee ★ · Compensation Committee ★ · Audit Committee · External Director Candidate Recommendation Committee · ESG Committee	03.26.2024– 03.26.2026	Legal Expert	· B.A., Seoul National University · LL.M., The University of Texas School of Law · Former Judge at Seoul High Court · Former Chief Judge at Suncheon Branch, Gwangju District Court · Professor at Sungkyunkwan University Law School
Outside Director	Dojin JUNG	Male	· Audit Committee ★ · Internal Transaction Committee · Compensation Committee · External Director Candidate Recommendation Committee · ESG Committee	03.26.2024– 03.26.2026	Finance Expert	· PhD, University of Kentucky · Professor at School of Business Administration, Chung-Ang University · Former Financial Services Commission Supervisor · Former Director of Korea Institute of Public Finance · Former Korea Exchange corporate auditor · Outside Director of Naver

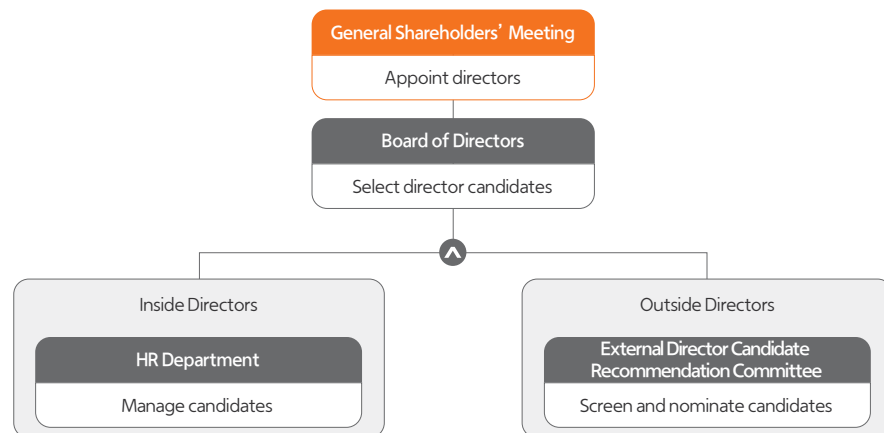
# Governance

## Board Composition

### Board Independence

We adhere to the eligibility and exclusion requirements for appointing outside directors as outlined in Articles 382-3 and 542-8 of the Commercial Act, which are specified in Article 23-2 of our Articles of Incorporation. If an outside director no longer meets these criteria after their appointment, they will lose their position. Moreover, in accordance with Article 34-5 of the Enforcement Decree of the Act, we ensure that candidates who have worked for a subsidiary in the past or have significant conflicts of interest that may hinder the performance of their duties as outside directors are excluded from consideration. To maintain fairness and independence in the appointment of directors and the operation of the Board, we have established an External Director Candidate Recommendation Committee, which includes all outside director members. This committee conducts a thorough assessment to determine whether potential candidates have any significant interests that could compromise their independence from the company. We are committed to providing shareholders with comprehensive information about director candidates, including their biographies, areas of expertise, and current employment status, through announcements made during general shareholders' meetings. Furthermore, we regularly disclose the activities of current directors within the Board and its committees through reports, allowing shareholders to make informed decisions regarding the re-election of directors. In particular, for outside directors, we provide detailed information such as their attendance rates at board meetings, their voting records on board agendas, and their participation in board committees' activities.

### | Director Appointment Procedure



### Board Diversity and Expertise

Our Board of Directors is comprised of seven directors, each bringing expertise in various aspects of corporate management, including management strategy, general management, legal affairs, and financial accounting, along with business expertise in defense and aerospace. Their diverse expertise contributes to the enhancement of our competitiveness and informed decision-making on crucial corporate matters. In 2021, we took steps to further enhance the diversity of our Board by appointing a new female director.

#### Inside Director

Director Jaeil SON, CEO of the Business Division, brings extensive expertise in defense and related business management, having previously served as the CEO of **Hanwha Defense**. Dongkwan KIM, CEO of the Strategy Division, has a strong background in global networks, future trends, and general management, having served as the CEO of the Strategy Division at **Hanwha Corporation** and as the CEO of **Hanwha Solutions**. Director Byungchul AN possesses valuable experience in global business strategy and execution, including his background as director of **Hanwha Defense's** Overseas Business Division.

#### Outside Director

Hyounjin KIM, an aerospace expert and current professor in the Department of Aerospace Engineering at Seoul National University, contributes to our aerospace sector's management operations. Director Jingoo JUN, an expert in military operations with a background as Marine Corps Commander, Northwest Islands Defense Commander, and ROK-US Marine Corps Commander, plays a crucial role in managing our defense business and ensuring stable organizational management. Director Huyjae CHON, leveraging expertise in law as a professor of Sungkyunkwan University Law School and attorney, as well as a former judge, contributes to our company's compliance management based on various experiences and legal network. Director Dojin JUNG offers professional advice based on extensive experience in corporate accounting as an accounting professor and various roles in government agencies, councils, and as an outside director.

# Governance

## Board Composition

### Board Committees

To ensure a more professional board of directors management, Hanwha Aerospace operates six committees within the Board, all of which are comprised of outside directors to enhance their independence. Each committee is named according to its specific purpose, authority, composition, and duties, and we meticulously record and disclose the attendance and participation status of each director in our business reports. The Audit Committee conducts comprehensive audits of the company's overall business, with a focus on its financial status. To strengthen expertise, we appoint financial experts as committee members. The External Director Candidate Recommendation Committee is responsible for screening and recommending candidates for outside directors to be appointed at the general shareholders' meeting, further enhancing objectivity and transparency in the director appointment process. The Internal Transaction Committee conducts pre-deliberations on internal transactions between subsidiaries to establish a fair trade compliance system and ensure transparency in company management. The Compensation Committee conducts preliminary reviews of the compensation limit of the registered executives, ensuring an objective and transparent decision-making process regarding director remuneration.

Additionally, we operate the Executive Committee, which examines the company's management status and common issues delegated by the Board of Directors, facilitating efficient decision-making. Lastly, the ESG Committee oversees ESG management and promotes our long-term sustainable growth.

1) The Executive Committee comprises only inside directors due to its specific function and role in deliberating and deciding on matters delegated by the Board of Directors.

2) As of 2023

As of 3.26.2024

General Shareholders' Meeting					
Board of Directors (three inside directors, four outside directors)					
Composition	Chairperson	Members	Roles	Number of meetings held <sup>2)</sup>	Agenda <sup>2)</sup>
Audit Committee	Dojin JUNG	Jingoo JUN, Huyjae CHON	<ul style="list-style-type: none"> <li>Audit overall business</li> <li>Conduct quarterly and annual management performance audits</li> <li>Investigate business and property status</li> </ul>	7 times	6 resolutions 17 reports
External Director Candidate Recommendation Committee	Jingoo JUN	Hyoujin KIM, Huyjae CHON, Dojin JUNG	<ul style="list-style-type: none"> <li>Nominate outside director candidates after verifying their independence, diversity, and capabilities</li> </ul>	2 times	2 resolutions
Compensation Committee	Huyjae CHON	Hyoujin KIM, Jingoo JUN, Dojin JUNG	<ul style="list-style-type: none"> <li>Preliminary review of the compensation limit of the registered executives</li> </ul>	1 time	1 resolution
Internal Transaction Committee	Huyjae CHON	Hyoujin KIM, Jingoo JUN, Dojin JUNG	<ul style="list-style-type: none"> <li>Preliminary review of internal transactions</li> <li>Suggest corrective measures for internal transactions that violate serious laws/regulations</li> </ul>	11 times	26 resolutions 1 report
ESG Committee	Hyoujin KIM	Jingoo JUN, Huyjae CHON, Dojin JUNG	<ul style="list-style-type: none"> <li>Reinforce ESG management aimed at long-term and continuous growth</li> </ul>	5 times	2 resolutions 3 reports
Executive Committee	Jaeil SON	Byungchul AN	<ul style="list-style-type: none"> <li>Review, deliberate, and decide on the matters delegated by the Board, management status, and common issues</li> </ul>	12 times	14 resolutions 1 report

# Governance

## Board Operations

### Board Activities

Our Board of Directors meetings are categorized into two types: regular and ad hoc meetings. Regular board meetings are scheduled for the fourth Wednesday of every odd month, and ad hoc board meetings are convened as necessary in accordance with Section 7 of the Board of Directors Regulations. These regular meetings occur at least six times a year and typically involve the quarterly approval of significant internal transactions and general shareholders' meetings. Ad hoc board meetings are called when urgent matters arise. As stated in Article 28 of the Articles of Incorporation and Section 9 of the Board of Directors Regulations, the chairperson is responsible for convening these board meetings. Every director receives notice of the meeting date, location, and agenda at least seven days in advance. Meetings may be held without the seven-day notice if all directors consent. For decision-making based on a full understanding of all agenda items, a briefing session is held for outside directors to enable informed decisions before the meeting. Board resolutions require the presence of a majority of directors and the approval of a majority of those in attendance, as stipulated in Article 29 of the Articles of Incorporation and Article 10 of the Board of Directors Regulations.

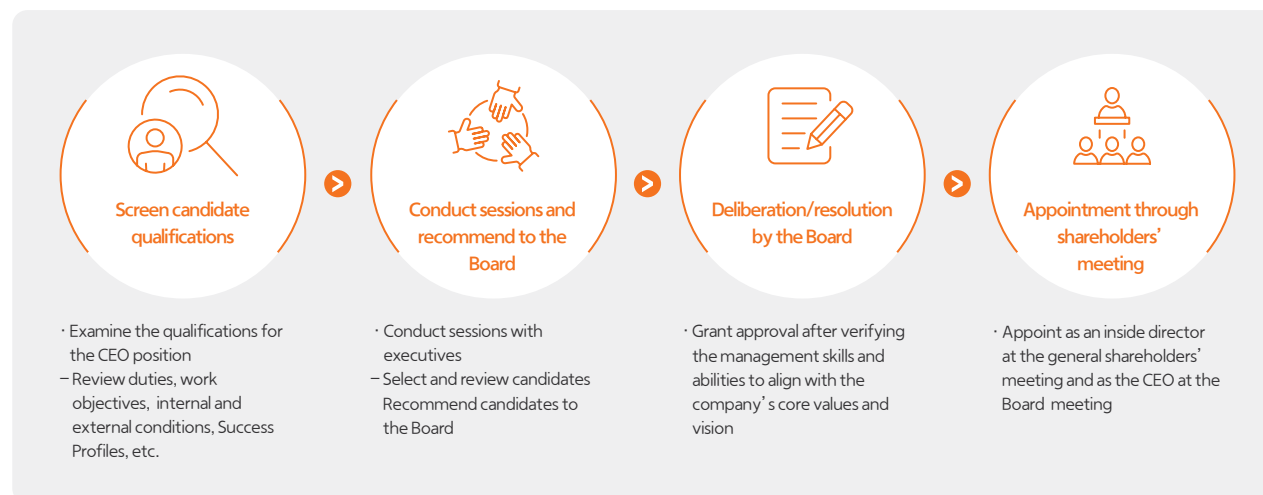
### | 2023 Board of Directors Operation Status



### Management of the CEO Candidates

If it becomes necessary to change the CEO due to shifts in the business environment, we undertake a meticulous examination of the competency and leadership of previously selected CEO candidates. Once we identify the most suitable candidate, we recommend them to the External Director Candidate Recommendation Committee and Board of Directors for consideration. The Board then conducts a final screening to assess the candidate's management skills and qualifications before appointing them as an inside director. Subsequently, the appointed candidate is elected as the CEO through a general shareholders' meeting and a subsequent Board of Directors resolution. Throughout this process, the CEO candidate is required to attend CEO courses, management coaching, and training programs to prepare for succession, ensuring the continuity and stability of our management.

### | CEO Succession Process



# Governance

## Board Operations

### Evaluation and Remuneration

Hanwha Aerospace conducts comprehensive evaluations of each director’s experience, expertise, and qualities such as fairness, objectivity, integrity, and responsibility in the execution of their duties. These evaluations play a significant role in determining whether directors should be re-elected. For outside directors nearing the end of their term, re-election decisions are made based on various factors, including their attendance at board meetings, provision of valuable advice on critical management decisions, and contributions to the effectiveness of internal control and monitoring systems. As for inside directors, we perform regular assessments of the CEO’s performance, considering the progress made toward achieving strategic goals encompassing both financial and non-financial aspects. The Compensation Committee within the Board takes on the responsibility of reviewing the compensation limit of the registered executives well in advance. This process ensures objectivity and transparency in the decision-making process regarding director remuneration. Ultimately, directors’ remuneration is disbursed transparently within the limits approved by the general shareholders’ meeting. To instill a sense of ownership in the CEO and future candidates and to enhance decision-making for long-term growth, they are compensated with Restricted Stock Units (RSUs) through a resolution of the Board and are granted once the conditions are met after a certain vesting period.

### Outside Director Training and Support

We provide a wide range of training for outside directors to enhance their expertise. This includes offering introductory materials and specialized training to improve their understanding of the aerospace and defense industry, as well as providing regular updates on the latest management issues. Furthermore, we conduct briefing sessions for the agenda before each Board meeting for outside directors to ensure that all directors make informed decisions on major issues. To strengthen the expertise of the audit work carried out by the Audit Committee, we offer training programs led by experts and relevant organizations. Moreover, we provide opportunities for committee members to seek advice from experts and others at the company’s expense under internal regulations.

#### | Outside Directors Training

Date	Organized By	Attendees	Details
04.18.2023	Audit Committee Forum	Sanghee KIM, Kangsoo CHOI, Jingoo JUN	Case study on Audit Committee activities
05.25.2023	Samil PwC	Sanghee KIM, Kangsoo CHOI, Jingoo JUN	Governance-related seminar
05.31.2023	Hanwha Aerospace	Jingoo JUN	Important company and management-related matters
06.21.2023	Deloitte Korea	Hyoungjin KIM, JINGOO JUN	Corporate Governance Development Center Seminar
11.21.2023	Audit Committee Forum	Sanghee KIM, Hyoungjin KIM	Matters related to revised laws, settlement of accounts, and general shareholders’ meetings
12.11.2023	Samil PwC	Kangsoo CHOI	Governance-related seminar

# Governance

## Shareholder-Friendly Management

### Creating Shareholder Value

#### Shareholder Status

The total number of shares that can be issued under Hanwha Aerospace's Articles of Association is 200,000,000 shares, with a par value of KRW 5,000 per share. All issued shares are common shares, and voting rights are allocated based on the number of shares held. As of December 31, 2023, the company had issued a total of 50,630,000 shares. The largest shareholder is Hanwha Corporation, which holds 33.95% of the total shares.

#### Shareholder Return Policy

We allocate a portion of the company's profits to shareholders and employ an appropriate level of share repurchases or dividends as the primary method to enhance shareholders' returns. Over the past three years, we have distributed cash dividends, and we intend to continue this practice in the future. Our approach to shareholder returns takes into account various factors, including the company's operational performance, cash flow, and aligns with the average dividend yield of KOSPI-listed companies and those in the same industry.

#### Protection of Shareholder Rights

We convene regular general shareholders' meetings within three months following the conclusion of each fiscal year, with ad hoc meetings organized when required. To uphold the highest corporate governance standards, we ensure that shareholders have access to the essential information required to exercise their rights, typically providing this information four weeks prior to the general shareholders' meeting. We also employ an electronic voting system to ensure the lawful exercise of rights for minority shareholders. Furthermore, we take measures to facilitate the exercise of voting rights by shareholders by inviting all those on the shareholder register at the end of the fiscal year, allowing them to vote through proxy using an electronic power of attorney.

#### Shareholder Proposals

We have established a shareholder proposal system to actively incorporate shareholders' opinions into company management. Shareholders can submit proposals, such as director appointments, in writing or electronically, up to six weeks before the regular general shareholders' meeting date. Once we receive a shareholder proposal, it will be included as an agenda item for the general shareholders' meeting after confirming the shareholder's status and conducting a legal examination of the proposed matter. In our commitment to safeguarding shareholders' rights and interests and proactively integrating their perspectives into company management, we provide general information about shareholders' proposals on our website and assist shareholders' proposals to be presented as agenda items for general shareholders' meetings following legal procedures.

## Shareholder Communication

We conduct various Investor Relations (IR) activities to actively engage with our shareholders. Each year, we routinely host IR briefings on our quarterly performance and provide updates on our business progress. We also organize Non-Deal Roadshows (NDR) with both domestic and foreign institutional investors. We also offer a range of information, including IR data, important IR schedules, and stock issuance details on our website, allowing responses to inquiries from all shareholders. Starting in 2020, we introduced a new audio webcasting system, implementing open conference calls that enable real-time listening and online participation during performance presentations and providing the recorded file event and Q&A in English for foreign shareholders. Furthermore, to ensure information accessibility and fairness for our foreign shareholders, we disclose key company matters in both English and Korean.

#### IR Activities

Type	2023
Investor Relations (IR) Meeting	4 times
NDR	8 times (5 domestic, 3 overseas)
Conference/Corporate Day	15 times
1 on 1/multiple meetings	99 times

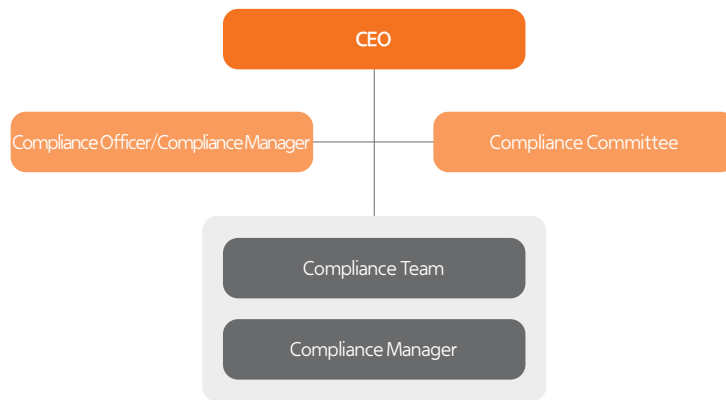
# Ethics and Compliance Management

**GOVERNANCE**

## Organizational Structure

Hanwha Aerospace has established a dedicated organization for ethics and compliance management to proactively prevent violations of compliance obligations and effectively respond to various legal risks.

| Compliance Operation Organization Chart



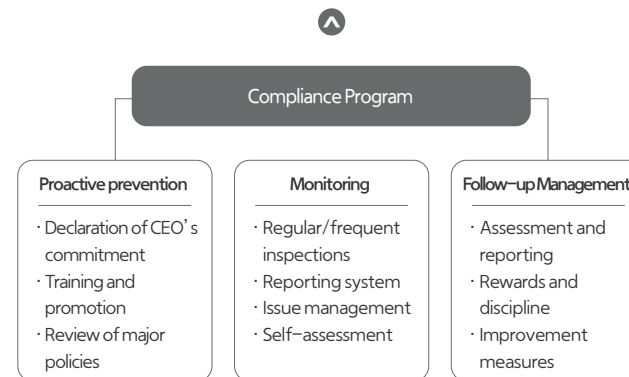
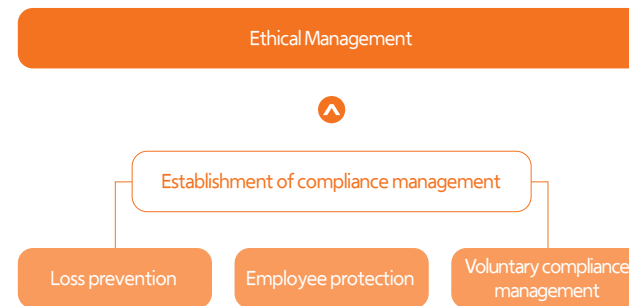
The CEO establishes, maintains, and operates the company's compliance control system and oversees its implementation in accordance with compliance standards and decisions of the Board of Directors. The Compliance Committee, chaired by the CEO, convenes regularly to report on activity results and ensure effective operation by deliberating on major issues and suggesting operational directions. The compliance officer takes practical charge of compliance control duties, implementing a detailed compliance control program and ensuring compliance. The compliance officer serves as a compliance manager responsible for the operation of the Compliance Program (CP) of the Korea Fair Competitions Federation. Furthermore, we have a compliance team under the direct supervision of the compliance officer to present relevant policies and standards to our employees, and to conduct compliance training, inspection, and monitoring. Compliance managers appointed for each department cooperate with the compliance team to support compliance activities in departments, ensuring they are carried out more actively and efficiently. We also conduct regular qualification assessments and support the compliance officer, department managers, whistle-blowing incident investigators, and internal auditors to meet the competency standards established in the Compliance Guideline enforcement regulation.

## Ethics and Compliance Management

### Ethics and Compliance Management System

We pursue sustainable and sound growth based on customer trust by establishing an ethics and compliance management system and operating various compliance control programs to comply with laws and implement corporate ethics. We operate a global-level compliance management system, including ISO 37001 (anti-bribery management systems) and ISO 37301 (compliance management systems), and we continue to reinforce our governance for a sustainable future by implementing Compliance Program (CP) to prevent fair trade violations.

| Ethics and Compliance Management Direction



| ISO 37001 certificate



| ISO 37301 certificate



# Ethics and Compliance Management

STRATEGY

## Ethics and Compliance Management Activities

### Compliance Regulation

Based on the spirit of Hanwha's integrity-based management, we operate under relevant ethics and compliance management standards that work effectively within the company's overall risk management system. The standards are constantly revised to reflect changes in the internal and external legal environment and are presented as substantive standards of conduct to executives and employees.

#### | Ethics and Compliance Management Company Standards

**Employee Code of Conduct**

- It suggests the behavioral standards that employees should adhere to in their relationships with themselves, the company, and society under Hanwha Standards (H-Standard).

[Employee Code of Conduct](#)

---

**Compliance guideline**

- It requires compliance with ISO 37001 and ISO 37301, based on the Ministry of Justice's Changes to Standard Compliance Control Standards for Listed Companies<sup>1)</sup> and the operation of the Fair Trade Commission's Compliance Program (CP)<sup>2)</sup>.

**Enforcement Regulation**

It outlines specific practices, procedures, organizational structures, personnel responsibilities, and compliance details in accordance with ISO requirements.

[Compliance guideline](#)

---

**Company policy for compliance with anti-corruption acts**

- It provides sound decision-making and ethical judgment standards based on anti-corruption laws.

**Enforcement Regulation**


It provides tools for third-party contracts, such as practical behavioral guidelines, due diligence forms, and contracting checklists, following the Improper Solicitation and Graft Act and the Act on the Prevention of Conflict of Interest Related to Duties of Public Servants.

[Company policy for compliance with anti-corruption acts](#)

#### | Compliance Manual

Based on the analysis of risk factors related to our business, we have developed a Compliance Manual that serves as the standards for the way employees work, think, and behave with our customers and stakeholders. It was created based on eight risk management items that employees must be aware of when performing their work. These items include law descriptions, sanction details, questions and answers that may arise, and related cases, effectively aiding in practicing ethics and compliance management.

**Compliance Manual**



### Ethics and Compliance Pledge

We pledge to practice compliance each year to enhance employees' willingness to uphold ethics and compliance management and to promote a culture of compliance throughout the company. This pledge includes compliance with laws and company regulations related to prohibitions on unfair requests or bribery, manipulation of bidding practices, leaking of information or research details related to defense business, and unfair subcontracting. We declare to perform our duties fairly and transparently based on a high level of compliance awareness under the company's compliance management policy.

#### | Compliance Pledge



#### | Compliance Pledge Results

Type	Details
Participants	All employees of Hanwha Aerospace (Total 3,158 people, participation rate 98.8%)
Period	03.18.2024-03.25.2024 (8 days)
Goal	<ul style="list-style-type: none"> <li>Enhancing the commitment to compliance</li> <li>Raising compliance awareness among employees and fostering a transparent corporate culture</li> <li>Incorporating compliance index in evaluation criteria in 2024</li> </ul>

1) Establishment of compliance obligations (Article 2), establishing the basis for supporting compliance control activities of business partners (Article 3), addition of anonymous reporting (Article 18), updating standards and procedures for effectiveness evaluation (Article 21)

2) Compliance Officer concurrently serving as Compliance Manager (Article 6)

# Ethics and Compliance Management

STRATEGY

## Ethics and Compliance Management Activities

### Ethics and Compliance Training for Employees

Hanwha Aerospace conducts various training programs to strengthen employees' awareness of ethics and compliance. To ensure structured training, they are divided into basic, advanced, and specialized training, and separate training is provided for employees in departments with a high risk of violating the law. Furthermore, we have established a work manual, 「Education/Training Process」, outlining specific procedures from planning to follow-up management. Our internal Compliance Program Management System allows all employees to check their training status at any time.

### Fair Trade / Anti-Corruption Training

Every year, we conduct basic compliance management training for all employees with the theme of fair trade and anti-corruption, as well as separate basic training for executives and organizational leaders. In May and September 2023, we held a compliance practice course that included an analysis of trends and the latest cases in subcontracting and anti-corruption laws for employees who work closely with compliance issues. CP School, in-house online training course, was newly established and provided 9 individual in-depth training courses on subcontracting, mutually beneficial cooperation, unfair joint actions, unfair transactions, anti-corruption and more. Through CP School, we provided an environment where employees of related departments, including those transferred to the risk department, could take courses regardless of time and place constraints, and it led to a total of 3,692 people completing the course. For departments with expected high risk, we provided tailored advanced training consisting of 20 themes, including the Fair Trade Act, Fair Transactions in Subcontracting Act, Act on the Promotion of Mutually Beneficial Cooperation, Anti-Corruption Act, personal information protection, trade secret protection, patents, defense technology, workplace bullying, and sexual harassment prevention. In May 2023, to promote shared growth with suppliers and prevent subcontracting risks, we conducted supplier compliance training for employees of departments directly or indirectly related to supply chain risks and representatives of tier 1 suppliers. The training covered changes in laws and the latest trends in fair trade risks such as anti-corruption, unfair practices, internal transactions, and collusion. In June 2023, we invited external experts and held an event to introduce the latest trends and cases of violations of anti-corruption laws for our domestic and overseas sales managers.

### Performance Evaluation and Follow-Up

We conduct an internal evaluation of the effectiveness of our compliance management system once a year to ensure it continues to operate appropriately, reporting the results to the CEO and Board of Directors. During the effectiveness evaluation, the CEO reviews the structure and content of the compliance control management system and suggests operational directions that consider changes in the company's external environment and legal risks, as well as the company's ability to respond. Specific measures are reported in the following year, ensuring continuous improvement and effective operation of the compliance management system.

#### Effectiveness Assessment Criteria

- 1 Measures taken according to previous year's instructions

---

- 2 External and internal issues

---

- 3 Changes in stakeholder needs

---

- 4 Management system monitoring results  
 - Based on ISO 37301, 18 detailed items

# Ethics and Compliance Management

STRATEGY

## Ethics and Compliance Management Activities

### Internal and External Communication

At Hanwha Aerospace, we actively express our commitment to ethics and compliance management through engagement with both government agencies and private organizations. We continue to participate in the Public-Private Council on Reliable Defense organized by the Ministry of National Defense and the Public-Private Council on Reliable Defense Projects organized by the Defense Acquisition Program Administration, playing a vital role in fostering a trustworthy defense industry. Since 2017, we have consistently taken part in the UNGC BIS Summit pledge ceremony, and starting in 2019, we have annually participated in the CEO Compliance Pledge organized by the Yoon Kyung ESG Forum. In 2021, we strengthened our commitment to anti-corruption and human rights management by becoming a member of the TI Korea Forum, established by Transparency International-Korea. In March 2023, we introduced our management strategy and system for anti-corruption and transparent management in the Trustworthy and Ethical Management Brief published by the Anti-Corruption and Civil Rights Commission.

| 2023 Integrity Defense Public-Private Council Appointment Ceremony



| 2023 Integrity Defense Business Public-Private Council



### Compliance Events

We implement various engagement programs for employees to promote a culture of compliance. Since 2016, we have designated a week in June as Compliance Journey Week, offering various programs related to compliance management. We strive to ensure that employees can easily access the company's ethics and compliance management philosophy and vision, and increase their understanding of related regulations, such as the employee code of conduct, compliance guideline, and company policy for compliance with anti-corruption acts.

#### | Key Compliance Events

Event	Date	Details
Compliance Journey Week	June 2023	<ul style="list-style-type: none"> <li>Event aimed at establishing a culture of compliance</li> <li>Compliance slogan contest, compliance school, seminar day, etc.</li> </ul>
Compliance Manager Day	December 2023	<ul style="list-style-type: none"> <li>Report on the results of annual compliance activities by department</li> <li>Award for excellent compliance manager</li> <li>Various events such as special lectures on human rights management, Compliance Golden Bell, performances, etc.</li> </ul>

### Recognitions and Awards

As the first defense company in Korea to simultaneously acquire ISO 37301 (compliance management systems) and ISO 37001 (anti-bribery management systems) certifications, we maintain our compliance policy and risk response system to meet global standards through continuous follow-up management. In 2024, we plan to expand the application of these standards to our Yeosu, Boeun, and Daejeon Business Establishments, which were added through recent mergers.

| 2022 Ministry of Trade, Industry and Energy Merit Award



| 2022 Transparent Society Award at the Transparency Korea



# Ethics and Compliance Management

RISK MANAGEMENT

## Ethics and Compliance Risk Management

### Compliance Program

Hanwha Aerospace upholds the principles of a fair and free market economy and strives to compete in the marketplace while adhering to all applicable laws and regulations. To reinforce our commitment to ethical and legal compliance, we actively embrace the Fair Trade Commission's fair trade compliance program. Our efforts include the CEO declaring willingness and policies for compliance, appointing compliance managers, distributing a compliance handbook, and implementing consistent and structured training. These initiatives provide clear standards for employees based on the virtuous cycle of fostering a fair and transparent culture and securing sustainable suppliers.

#### Implementation of Compliance Activities

<b>Compliance Organizations</b>	<ul style="list-style-type: none"> <li>Compliance Committee: Oversee CP operations</li> <li>Compliance manager: CP operational responsibility and supervision</li> <li>Compliance Team: Manage CP tasks</li> </ul>
<b>Fair Trade Training</b>	<ul style="list-style-type: none"> <li>Establish a specialized fair trade course</li> <li>Conduct special fair trade training to each general/relevant/high-risk department</li> </ul>
<b>Compliance Officer &amp; Compliance Manager</b>	<ul style="list-style-type: none"> <li>Appointed as the Compliance officer and Compliance Manager under the Regulations on Fair Trade Compliance Program Operation and Incentives</li> </ul>
<b>Compliance Program Assessment</b>	<ul style="list-style-type: none"> <li>Develop a compliance manual and prepare a compliance performance report</li> </ul>

### Compliance Risk Management

We regularly identify compliance obligations for each department and evaluate risks by referring to the demands of stakeholders related to the compliance management system. We have established an internal work manual, 「Obligation Identification and Analysis, Risk Assessment and Control Plan Setting Process」, proceduralising all risk management tasks. Following the work manual, each department identifies and evaluates unique risks, establishes appropriate risk control measures, and records the findings in the internal Compliance Program Management System.

#### Risks Subject to Management

Type	Risks Subject to Management
Fair Trade/Subcontracting	Fair trade (collaborative actions, maintaining resale prices, and preventing unfair trade practices), and subcontracting
Product Liability	Manufacturing/quality standards related to the Product Liability Act and the Framework Act on Consumers
Intellectual Property/Trade Secrets	Intellectual property rights, trade secret protection, security, privacy
Finance/Accounting	Disclosure, insider trading, general shareholders' meeting, Board of Directors, accounting standards, trade
Environment/Safety	Laws related to site quality, safety, and environment
Human Rights	Foster diversity and prevent discrimination, prohibit sexual harassment and bullying, and protect the human rights of stakeholders
Anti-Corruption	International laws related to bribery, extortion, embezzlement, and abuse, including the FCPA (US) and Bribery Act (US)
Defense Business	Designation of defense companies, refund of unfair profits through integrity agreements, and protection of defense technology

#### Compliance Risk Management Process



# Ethics and Compliance Management

## RISK MANAGEMENT

### Ethics and Compliance Risk Management

#### Grievance Handling System

To establish a transparent and fair ethical and compliance management system, we operate a diverse compliance reporting system.

Foremost, employees can make suggestions or report ethics and compliance violations through our website and internal Compliance Program Management System (CPMS). Apart from this, our anti-corruption reporting system receives reports from external stakeholders about unfair work practices by executives and employees, unfair actions using their positions, and corruption cases. These reports can be submitted anonymously or under real name.

In addition, we have a dedicated smart grievance center separate from the compliance reporting system. This center handles issues related to workplace bullying among employees and stakeholders or sexual harassment. We provide counseling for various grievances and ensure transparency in the investigation and disciplinary procedures for reported cases. Our priority is to protect the confidentiality of the reporting party and the details of the report, ensuring that there are no disadvantages for them.

#### Compliance Reporting System

Report types

- Fair trade violations or concerns, such as unfair joint acts, unfair subcontracting transactions, etc.
- Violations or concerns related to the Improper Solicitation and Graft Act and the Foreign Corrupt Practices Act.
- Violations or concerns related to the Labor Standards Act and the Equal Employment Opportunity Act
- Other business-related violations of laws or regulations

#### Anti-Corruption Report

Report types

- Embezzlement and extortion of public funds by employees
- Unfair processing of work, demands for money, goods, and hospitality
- Unfair equity participation in privately held trading companies
- Double employment of employees
- Sexual harassment in the workplace
- Other matters that violate the Code of Ethics

#### | Grievance Handling Procedure

##### 1 Report submission

- Receive reports through on/offline reporting channels and the smart grievance center

##### 2 Investigation

- Investigate damage facts and related issues

##### 3 Resolution

- Take disciplinary actions and receive feedback on measures taken
- Enhance efforts to prevent recurrence

# Risk Management

## Integrated Risk Management System

### Organizational Structure

Hanwha Aerospace has established a risk management organization and response system for proactive response and effective follow-up measures to various risks that may occur during business operations. Under the CEO's oversight, the Business Planning Team of the Strategic Planning Office manages risk management practices throughout the company. Each risk type is assigned to a dedicated department responsible for taking appropriate follow-up actions with relevant departments. If an incident occurs, the department where the incident occurred cooperates with the relevant risk-type department to proceed with response measures.

### Risk Management Regulations

In May 2022, we established risk management regulations. These regulations cover various topics, including risk identification and assessment, response measures, and the formation of a risk council. These regulations are designed to help us identify, prevent, and respond to risks that may arise in our management processes.

### Risk Management Process

- 1 **Risk Identification**
  - Regular/occasional risk assessments
    - Based on stakeholder demands
- 2 **Risk Analysis and Assessment**
  - Assign risk levels based on grades
    - Assessment of factors such as frequency of occurrence, severity, and others.
- 3 **Risk Response Decision-making**
  - Develop an action plan
    - Report the action plan to the responsible department
- 4 **Risk Response Follow-up Measures**
  - Evaluate the response measures taken
    - Head of Risk Department: Report evaluation results to the Board (at least once/year)

### Organizational Chart



Business operation teams in each Business Group · Business Establishment · Office · Research Center where the incident occurred

# Risk Management

## Financial Risk

To effectively address various financial risks in our management operations, we implement regular monitoring and a structured risk prevention approach. We update risks requiring management through continuous inspection of risks associated with our business activities, and high-risk areas are effectively addressed by our dedicated task force team as needed. Moreover, we closely track potential risks, including non-performing loans, inventory management, legal disputes, claims, and liquidated damages, ensuring that current issues are addressed with weekly reporting and around-the-clock response teams in place.

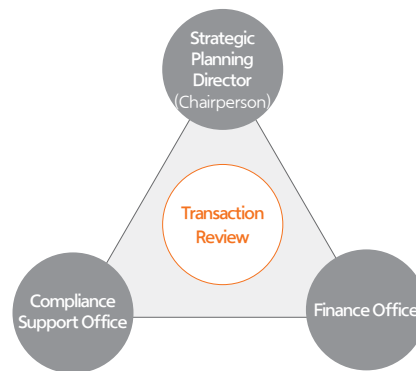
## Internal Control System

To proactively address and effectively follow up on risks crucial to our management operations, we have established a risk management organization and response system. The Business Planning Team of the Strategic Planning Office, under the CEO's oversight, manages risk management practices throughout the company, and each risk type is assigned to a department responsible for follow-up actions.

## Internal Transactions Review Committee

We operate a strict review procedure to ensure compliance with internal trade laws. In line with this, we reorganized the Internal Transactions Review Committee from the previous Internal Transaction Committee within the Board of Directors in 2022. Chaired by the head of the Strategic Planning Office, this committee involves the Strategic Planning Office, Finance Office, and the Compliance Office in discussions related to internal transactions. The Internal Transactions Review Committee operates based on preliminary reviews of the law for effective examination, with additional reviews conducted if necessary based on updated review procedures between subsidiaries, including establishment of policies, contract management, and storage of review documents.

Internal Transactions Review Committee



## Non-Financial Risk

### Health and Safety

We regularly conduct workplace health and safety risk assessments to identify risks and determine risk ratings. Following these assessments, we develop appropriate preventative measures. In the event of a serious accident, we establish a separate task force team to proactively respond through precise risk diagnosis and audits.

### Environment

In order to minimize the environmental impact caused by business activities, we conduct preliminary environmental impact assessments, identify risks, and thoroughly manage them through monitoring, post-inspection, internal audits, and workplace compliance checks, and establish action plans to address any identified risks.

### Labor Relations

We actively listen to our employees' opinions through various communication channels, such as town hall meetings, surveys, and grievance channels, to understand their needs and concerns. Issues requiring improvement are addressed through labor union and Labor-Management Committee meetings.

### Quality

Based on ISO 9001 (quality management systems), we manage the quality of a product throughout its entire lifecycle, from development to the final maintenance stage. We strive to enhance customer satisfaction by improving the quality of products and providing a robust response system to address quality risks that may occur.

### Supply Chain

We conduct various evaluations, including regular assessments, ESG assessments, financial evaluations, and safety environment assessments, for our major supply chains and suppliers and provide various incentives based on the results. We also proactively mitigate potential risks by entering into fair trade agreements with subcontractors every year.

### Security

Recognizing the significance of security, we proactively address cybersecurity and defense technology confidentiality protection through various activities. These include integrated investigations of defense technology protection, separation of physical networks from business networks on the internet, and implementation of data leakage prevention solutions, all based on our information security system.

### Compliance

We carry out internal compliance activities through the operation of compliance program. We also aid autonomous compliance checks by each department and employees, and conduct regular and ad-hoc inspections to establish improvement plans for risk areas.

# ESG Factbook

Economic	85
Environmental	87
Social	91
Governance	97

# Economic

## Consolidated Financial Statement<sup>1)</sup>

Classification	2021	2022	2023
<b>Assets</b>			
Current assets	6,283,538	8,507,711	9,192,042
Cash and cash equivalents	2,528,070	3,069,830	1,806,359
Other current financial assets	97,695	121,047	92,828
Accounts and other current receivables	1,037,055	1,556,063	2,126,475
Current derivative assets	425	13,030	1,855
Inventories	1,604,807	2,163,034	2,868,572
Other current assets	944,018	1,540,364	2,251,352
Non-current assets or disposal groups classified as held for sale	71,468	44,343	44,601
Non-current assets	4,762,293	6,644,117	10,350,858
Other non-current financial assets	280,139	714,791	651,628
Long-term accounts and other non-current receivables	46,025	58,853	144,005
Non-current derivative assets	28,867	27,498	36,811
Other non-current assets	37,096	190,139	227,288
Tangible assets	1,898,105	3,018,017	3,410,332
Intangible assets	1,977,189	2,132,581	2,202,808
Investment assets in associates	182,319	88,160	3,203,778
Right-of-use assets	149,397	163,549	231,150
Deferred tax assets	163,156	250,529	243,058
<b>Total assets</b>	<b>11,045,831</b>	<b>15,151,828</b>	<b>19,542,900</b>
<b>Liabilities</b>			
Current liabilities	4,330,103	8,222,937	12,076,598
Purchased and other current liabilities	886,973	1,300,900	1,879,294
Current lease liabilities	32,997	44,478	70,981

1) Based on business report standards

(Unit: KRW million)

Classification	2021	2022	2023
Current portion of long-term debts and bonds	782,701	1,735,250	2,538,080
Current derivative liabilities	207,832	19,445	3,497
Unpaid corporate taxes	96,792	83,553	130,917
Other current liabilities	2,505,107	5,032,009	7,444,627
Liabilities held for sale	25,325	0	0
Non-current liabilities	2,784,169	3,010,581	2,782,077
Long-term purchased and other current liabilities	249,306	399,445	342,258
Non-current lease liabilities	116,223	133,676	159,929
Current portion of long-term debts and bonds	1,848,717	1,712,425	1,401,027
Employee benefit liabilities	499,496	606,254	668,424
Non-current derivative liabilities	179	8,157	16,000
Deferred tax liabilities	66,902	76,340	120,975
Other non-current liabilities	3,346	10,493	6,871
<b>Total liabilities</b>	<b>7,114,272</b>	<b>11,233,518</b>	<b>14,858,675</b>
<b>Capital</b>			
Controlling interest	2,889,235	2,857,351	3,528,358
Capital	265,650	265,650	265,650
Capital surplus	428,765	217,087	191,832
Adjustment of capitals	-2,198	-2,198	-2,198
Accumulated other comprehensive income	385,008	362,234	445,656
Retained earnings	1,812,010	2,014,578	2,627,418
Non-controlling interests	1,042,324	1,060,959	1,155,867
<b>Total capital</b>	<b>3,931,559</b>	<b>3,918,310</b>	<b>4,684,225</b>
<b>Total capital and liabilities</b>	<b>11,045,831</b>	<b>15,151,828</b>	<b>19,542,900</b>

# Economic

## Economic Value Creation and Distribution of Stakeholders

Classification		Unit	2021	2022	2023
Creation of economic value					
Sales (consolidated)		KRW million	5,541,389	7,060,393	9,359,006
Pre-tax income		KRW million	289,364	195,395	1,214,769
Net income		KRW million	301,762	146,554	976,918
Distribution of economic value					
Employees	Salary	KRW million	938,559	1,134,672	1,809,834
	Benefits	KRW million	141,490	146,257	233,246
Shareholders and investors	Total dividends	KRW million	35,399	50,569	91,025
	Interest expenses	KRW million	62,368	80,328	169,776
Suppliers	Purchases	KRW million	796,986	2,100,608	4,047,079
Local Community	Donations	KRW million	807	1,610	7,622
Government	Corporate tax expenses	KRW million	79,569	60,088	237,851

## Stock Ownership Status<sup>1)</sup>

Classification		Unit	2021	2022	2023
Shareholding ratio	Hanwha shareholding	%	33.95	33.95	33.95
	CEO shareholding	%	0.03	0.02	0.02
	National Pension Service shareholding	%	11.54	9.65	9.06
Total stocks	Total issues shares	share	50,630,000	50,630,000	50,630,000
	Circulating stocks	share	50,569,412	50,569,412	50,569,412

1) As of fiscal year-end (December 31, 2023)

## Research and Development (R&D)

Classification		Unit	2021	2022	2023
R&D investment	R&D expenses	KRW thousand	585,486	586,701	814,168
	R&D expenses compared to sales <sup>1)</sup>	%	9.1	9.0	9.1
	R&D personnel	person	281	593	1,212

1) Based on business report, R&D cost calculation/current sales amount

## Government Subsidies

Classification	Unit	2021	2022	2023
Government subsidies	KRW million	4,019	5,647	11,552

# Environmental

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Greenhouse Gas (GHG)<sup>1)</sup>

Classification	Unit	2021	2022	2023
Direct and indirect GHG emissions (Scope 1&2) <sup>2),3)</sup>	tCO <sub>2</sub> eq	30,226	40,210	102,318
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> eq	4,586	7,529	32,160
Indirect GHG Emissions (Scope 2)	tCO <sub>2</sub> eq	25,639	32,681	70,158
Greenhouse gas intensity <sup>3)</sup>	tCO <sub>2</sub> eq/KRW 100million	2.47	2.05	2.05
Other indirect GHG emissions (Scope 3) <sup>2)</sup>	tCO <sub>2</sub> eq	-	580,897	525,082
Category 1. Purchase goods and services	tCO <sub>2</sub> eq	-	78,433	96,093
Category 2. Capital goods	tCO <sub>2</sub> eq	-	67,977	41,717
Category 3. Fuel and energy-related activities	tCO <sub>2</sub> eq	-	6,246	7,473
Category 4. Upstream transportation and distribution	tCO <sub>2</sub> eq	-	3,843	624
Category 5. Waste generated in operations	tCO <sub>2</sub> eq	-	949	1,496
Category 6. Business travel	tCO <sub>2</sub> eq	-	3,945	8,700
Category 7. Employee commuting	tCO <sub>2</sub> eq	-	3,787	4,120
Category 8. Upstream leased assets	tCO <sub>2</sub> eq	-	-	-
Category 9. Downstream transportation and distribution	tCO <sub>2</sub> eq	-	1,985	2,032
Category 10. Processing of sold products	tCO <sub>2</sub> eq	-	-	-
Category 11. Use of sold products	tCO <sub>2</sub> eq	-	378,957	238,153
Category 12. End-of-life treatment of sold products	tCO <sub>2</sub> eq	-	149	102
Category 13. Downstream leased assets	tCO <sub>2</sub> eq	-	3,225	3,737
Category 14. Franchises	tCO <sub>2</sub> eq	-	-	-
Category 15. Investments	tCO <sub>2</sub> eq	-	31,402	120,835

1) Errors in value may arise due to variations in decimal point summation.  
 2) Scope 3 emissions measurement began in 2022, and it encompasses emissions from categories 1-15  
 3) Based on sales on a consolidated basis for the current year

Classification	Unit	2021	2022	2023
GHG reduction	tCO <sub>2</sub> eq	231	1,215.8	574.8
Changwon Business Establishment 1	tCO <sub>2</sub> eq	231	1,159.2	349.6
Changwon Business Establishment 2	tCO <sub>2</sub> eq	-	-	168.3
Changwon Business Establishment 3	tCO <sub>2</sub> eq	-	43.3	37.3
Asan Business Establishment	tCO <sub>2</sub> eq	-	13.3	18.2
Daejeon Business Establishment	tCO <sub>2</sub> eq	-	-	1.4

## Energy<sup>1)</sup>

Classification	Unit	2021	2022	2023
Total energy consumption	TJ	620	819	2,011
Non-renewable energy consumption	TJ	620	818	2,000
Direct energy consumption	Fuel TJ	82	133	549
Indirect energy consumption	Electricity Steam TJ	533 4	680 5	1,400 51
Renewable energy consumption <sup>2)</sup>	TJ	0.08	0.6	11
Energy intensity <sup>3)</sup>	TJ/KRW 100 million	0.05	0.04	0.04
Energy reduction	TJ	4.8	25.4	12.0

1) Errors in value may arise due to variations in decimal point summation.  
 2).Renewable energy consumption: Solar power generation performance  
 3) Based on sales on a consolidated basis for the current year

# Environmental

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Water and wastewater<sup>1),2)</sup>

Classification		Unit	2021	2022	2023	
Total water withdrawal	Total	m <sup>3</sup>	1,904,011	1,728,059	1,802,812	
	Changwon Business Establishment 1	Subtotal	m <sup>3</sup>	219,888	222,173	230,274
		Tap Water	m <sup>3</sup>	219,888	222,173	230,274
		Subtotal	m <sup>3</sup>	42,183	35,471	41,267
	Changwon Business Establishment 2	Tap Water	m <sup>3</sup>	26,733	19,041	20,432
		Groundwater	m <sup>3</sup>	15,450	16,430	20,835
	Changwon Business Establishment 3	Subtotal	m <sup>3</sup>	95,695	73,572	73,149
		Tap Water	m <sup>3</sup>	95,695	73,572	73,149
	Asan Business Establishment	Subtotal	m <sup>3</sup>	18,934	19,690	22,601
		Tap Water	m <sup>3</sup>	18,934	19,690	22,601
	Daejeon Business Establishment	Subtotal	m <sup>3</sup>	88,333	70,120	74,104
		Tap Water	m <sup>3</sup>	88,333	70,120	74,104
	Daejeon R&D Campus	Subtotal	m <sup>3</sup>	11,478	12,803	14,026
		Tap Water	m <sup>3</sup>	11,478	12,803	14,026
	Pangyo R&D Campus	Subtotal	m <sup>3</sup>	47,423	53,458	60,993
		Tap Water	m <sup>3</sup>	47,423	53,458	60,993
	Boeun Business Establishment	Subtotal	m <sup>3</sup>	433,155	416,613	432,068
		Groundwater	m <sup>3</sup>	433,155	416,613	432,068
	Yeosu Business Establishment	Subtotal	m <sup>3</sup>	946,922	824,159	854,330
		Tap Water	m <sup>3</sup>	6,305	7,310	8,040
	Groundwater	m <sup>3</sup>	72,423	47,552	73,458	
	Industrial water	m <sup>3</sup>	868,194	769,297	772,832	
Water reuse	Total	m <sup>3</sup>	793	913	619	
	Changwon Business Establishment 3	Total	m <sup>3</sup>	793	913	619
Water reuse rate	Total	%	0.04	0.05	0.03	
Wastewater discharge	Total	m <sup>3</sup>	57,252	79,597	638,072	

1) Errors in value may arise due to variations in decimal point summation.

2) Major business sites including R&D and production

## Air Pollutants<sup>1)</sup>

Classification	Unit	2021	2022	2023
Nitrogen oxides (NOx)	ton	1.80	1.14	13.89
Sulfur oxides (SOx)	ton	0.11	0.09	0.57
Particulate matter (PM)	ton	0.76	3.42	3.23

1) Errors in value may arise due to variations in decimal point summation.

## Water pollutants<sup>1)</sup>

Classification	Unit	2021	2022	2023
Chemical oxygen demand (COD)	ton	0.33	-	-
Total organic carbon (TOC)	ton	-	0.32	11.86
Biochemical oxygen demand (BOD)	ton	0.25	0.34	10.65
Suspended solids (SS)	ton	0.04	0.10	42.92

1) Errors in value may arise due to variations in decimal point summation.

# Environmental

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Waste<sup>1)</sup>

Classification	Unit	2021	2022	2023
<b>Total waste generation</b>	ton	1,190	2,004	5,563
General waste generation	ton	655	1,332	3,129
Designated waste generation	ton	535	672	1,862
Construction waste generation	ton	0	0	573
<b>Total waste disposal</b>	ton	1,190	2,004	5,563
<b>General waste disposal</b>	ton	655	1,332	3,129
By type				
Subtotal	ton	655	1,332	3,129
Recycling	ton	596	1,249	2,223
Incineration	ton	0	6	436
Landfill	ton	59	77	295
Other	ton	0	0	174
By method				
Subtotal	ton	655	1,332	3,129
Internal	ton	0	0	73
Third party	ton	655	1,332	3,055
<b>Designated waste disposal</b>	ton	535	672	1,862
By type				
Subtotal	ton	535	672	1,862
Recycling	ton	416	481	1,613
Incineration	ton	26	107	165
Landfill	ton	17	41	16
Other	ton	75	43	67
By method				
Subtotal	ton	535	672	1,862
Internal	ton	0	0	0
Third party	ton	535	672	1,862

Classification	Unit	2021	2022	2023
<b>Construction waste disposal</b>	ton	0	0	573
By type				
Subtotal	ton	0	0	573
Recycling	ton	0	0	0
Incineration	ton	0	0	0
Landfill	ton	0	0	0
Other	ton	0	0	573
By method				
Subtotal	ton	0	0	573
Internal	ton	0	0	0
Third party	ton	0	0	573
<b>Total waste recycling</b>	ton	1,012	1,730	3,837
<b>General waste recycling</b>	ton	596	1,249	2,223
By method				
Internal	ton	0	0	0
Third party	ton	596	1,249	2,223
<b>Designated waste recycling</b>	ton	416	481	1,613
By method				
Internal	ton	0	0	0
Third party	ton	416	481	1,613
<b>Construction waste recycling</b>	ton	0	0	0
By method				
Internal	ton	0	0	0
Third party	ton	0	0	0
<b>Total waste recycling rate</b>	%	85.1	86.3	69

1) Errors in value may arise due to variations in decimal point summation.

# Environmental

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Hazardous Chemicals<sup>1)</sup>

Classification	Unit	2021	2022	2023
Hazardous chemicals use	ton	26.2	42.7	16,008.4
Chemical emissions	ton	0	0	0.9

1) Errors in value may arise due to variations in decimal point summation.

## Green Management<sup>1)</sup>

Classification	Unit	2021	2022	2023
Green procurement	KRW million	89	224	166
Green management expenditure and investments	KRW million	1,361	3,692	8,314
Environmental costs	KRW million	711	2,212	4,817
Environmental investments	KRW million	650	1,480	3,497

1) Errors in value may arise due to variations in decimal point summation.

## Environmental Compliance

Classification	Unit	2021	2022	2023
Violations of environmental laws and regulations	case	0	0	0
Monetary penalties (fines) incurred	case	0	0	0
Non-monetary penalties incurred	case	0	0	0
Fines for violations of environmental laws	KRW million	0	0	0
Fines for violations in the reporting year	KRW million	0	0	0
Fines for violations in the previous year	KRW million	0	0	0

# Social

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Employee Status<sup>1)</sup>

Classification		Unit	2021	2022	2023
Total number of employees		person	1,960	3,678	6,823
Number of registered executives		person	7	7	7
Number of employees <sup>2)</sup>		person	1,953	3,671	6,816
By gender	Male	person	1,842	3,417	6,298
	Female	person	111	254	518
By region	Domestic_metropolitan area	person	340	771	1,126
	Domestic_non-metropolitan area	person	1,596	2,877	5,634
	Overseas	person	17	23	56
Subtotal		person	1,918	3,506	6,368
By gender	Male	person(%)	1,810(94.4)	3,273(93.4)	5,884(92.4)
	Female	person(%)	108(5.6)	233(6.6)	484(7.6)
Full-time	Under 30 years old	person(%)	106(5.5)	247(7.0)	537(8.4)
	30-50 years old	person(%)	1,160(60.5)	2,053(58.6)	4,336(68.1)
	Over 50 years old	person(%)	652(34.0)	1,206(34.4)	1,495(23.5)
By region	Domestic_metropolitan area	person	322	723	1,054
	Domestic_non-metropolitan area	person	1,579	2,783	5,258
	Overseas	person	17	23	56
Subtotal		person	35	165	448
By gender	Male	person(%)	32(91.4)	144(87.3)	414(92.4)
	Female	person(%)	3(8.6)	21(12.7)	34(7.6)
Contingent	Under 30 years old	person(%)	1(2.9)	30(18.2)	194(43.4)
	30-50 years old	person(%)	9(25.7)	63(38.2)	89(19.9)
	Over 50 years old	person(%)	25(71.4)	72(43.6)	165(36.8)
By region	Domestic_metropolitan area	person	18	60	72
	Domestic_non-metropolitan area	person	17	105	376
	Overseas	person	0	0	0

1) Errors in value may arise due to variations in decimal point summation.

2) Excludes registered executives

Classification		Unit	2021	2022	2023
Subtotal		person	32	75	102
By gender	Male	person(%)	31(96.9)	74(98.7)	99(97.1)
	Female	person(%)	1(3.0)	1(1.3)	3(2.9)
By age	Under 30 years old	person(%)	0(0.0)	0(0.0)	0(0.0)
	30-50 years old	person(%)	7(21.9)	21(28.0)	37(36.3)
	Over 50 years old	person(%)	25(78.1)	54(72.0)	65(63.7)
Subtotal		person	752	1,722	2,500
By gender	Male	person(%)	715(95.1)	1,626(94.4)	2,334(93.4)
	Female	person(%)	37(4.9)	96(5.6)	166(6.6)
By age	Under 30 years old	person(%)	0(0.0)	5(0.3)	0(0.0)
	30-50 years old	person(%)	478(63.6)	1,108(64.3)	1,842(73.7)
	Over 50 years old	person(%)	274(36.4)	609(35.4)	658(26.3)
Subtotal		person	200	312	520
By gender	Male	person(%)	171(85.5)	249(79.8)	423(81.3)
	Female	person(%)	29(14.5)	63(20.2)	97(18.7)
By age	Under 30 years old	person(%)	11(5.5)	27(8.7)	27(5.2)
	30-50 years old	person(%)	189(94.5)	282(90.4)	490(94.2)
	Over 50 years old	person(%)	0(0.0)	3(1.0)	3(0.6)
Subtotal		person	969	1,562	3,694
By gender	Male	person(%)	925(95.5)	1,468(94.0)	3,442(93.2)
	Female	person(%)	44(4.5)	94(6.0)	252(6.8)
By age	Under 30 years old	person(%)	96(9.9)	245(15.7)	704(19.1)
	30-50 years old	person(%)	495(51.1)	705(45.1)	2,056(55.7)
	Over 50 years old	person(%)	378(39.0)	612(39.2)	934(25.3)
Non-affiliated workers		person	2	12	167
Dispatched workers		person	2	12	33
Contract workers		person	0	0	134
Independent contractors		person	0	0	0

# Social

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Recruitment and Retention<sup>1)</sup>

Classification		Unit	2021	2022	2023
New hires		person	32	227	708
By employment type	Full-time	person(%)	23(71.9)	200(88.1)	435(61.4)
	Contingent	person(%)	9(28.1)	27(11.9)	273(38.6)
By gender	Male	person(%)	28(87.5)	195(89.5)	631(89.1)
	Female	person(%)	4(12.5)	32(14.1)	77(10.9)
By age	Under 30 years old	person(%)	10(31.3)	105(46.3)	383(54.1)
	30-50 years old	person(%)	14(43.8)	114(50.2)	246(34.7)
	Over 50 years old	person(%)	8(25.0)	8(3.5)	79(11.2)
By region	Domestic	person(%)	32(100.0)	227(100.0)	708(100.0)
	Overseas	person(%)	0(0.0)	0(0.0)	0(0.0)
Average years of retention					
By employment type	Full-time	year	19.33	18.8	15.7
	Contingent	year	9.6	9.7	4.7
By gender	Male	year	19.6	18.9	15.3
	Female	year	11.9	11.5	10.4

1) Errors in value may arise due to variations in decimal point summation.

## Turnover and Retirement

Classification		Unit	2021	2022	2023
Total turnover and retirement <sup>1)</sup>		person	95	109	174
Voluntary turnover		person	44	59	123
Recommended resignation		person	0	2	4
Turnover (voluntary retirement)		person	44	57	119
Non-voluntary turnover		person	51	50	51
Retirement		person	51	50	51
Recommended resignation (dismissal, disciplinary action, etc.)		person	0	0	0
By gender	Male	person	51	101	161
	Female	person	44	8	13
By age	Under 30 years old	person	4	10	48
	30-50 years old	person	36	41	68
	Over 50 years old	person	55	58	58
Turnover rate		%	4.9	3.0	2.6
Voluntary turnover rate		%	2.3	1.6	1.8
Non-voluntary turnover rate		%	2.6	1.4	0.7
By gender	Male	%	2.8	3.1	2.7
	Female	%	40.7	3.4	2.7
By age	Under 30 years old	%	3.8	4.0	8.9
	30-50 years old	%	3.1	2.0	1.6
	Over 50 years old	%	8.4	4.8	3.9

1) Based on full-time employees

# Social

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Employee Diversity

Classification	Unit	2021	2022	2023
Total number of female executives and employees	person	111	254	518
Number of female executives	person	1	1	3
Number of female managers	person	37	96	166
Percentage of female managers (manager level and above)	%	4.8	5.4	6.5
Number of employees with disabilities <sup>1)</sup>	person	39	77	131
Employment rate of persons with disabilities	%	2	2.1	1.9
Number of national veterans staff	person	46	96	259
Employment rate of national veterans	%	2.4	2.6	3.8
Average base salary for men	KRW million	71	77	72
Average base salary for women	KRW million	60	64	63
Average base salary for women compared to men	%	83.9	82.7	88.3

1) Based on the reporting standards of Korea Employment Agency for Persons with Disabilities (KEAD)

## Non-Discrimination

Classification	Unit	2021	2022	2023
Number of discrimination cases <sup>1)</sup>	case	0	0	0
Ongoing investigation of discrimination cases	case	0	0	0
Number of actions taken/mitigation plans completed for discrimination cases	case	0	0	0
Completed discrimination cases	case	0	0	0

1) Number of discrimination cases involving age, gender, disability, religion, or political opinion among both internal and external stakeholders.

## Employee Training

Classification	Unit	2021	2022	2023
Training costs	KRW million	901	2,443	2,788
Training hours	hour	22,082	60,578	91,781
Number of participants	person	1,963	3,670	6,017
Training hours per employee	hours/person	11.3	16.5	15.3
Male	hours/person	11.3	16.3	14.6
Female	hours/person	11.8	19.1	22.0

## Performance Evaluation

Classification	Unit	2021	2022	2023
Number of employees subject to performance evaluation	person	1,905	3,419	5,851
Number of employees who have undergone regular performance evaluation	person	1,905	3,419	5,851
Percentage of employees who have undergone regular performance evaluation	%	100	100	100

# Social

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Parental Leave

Classification	Unit	2021	2022	2023
Employees who used parental leave	person	12	50	61
Male	person	5	28	42
Female	person	7	22	19
Employees who returned from parental leave	person	12	49	61
Male	person	5	27	35
Female	person	7	22	26
Employees who plan to return from parental leave	person	12	49	59
Male	person	5	27	33
Female	person	7	22	26
Employees with over 1 year of service since returning from parental leave	person	12	11	59
Male	person	5	5	31
Female	person	7	6	28

## Retirement Benefits

Classification	Unit	2021	2022	2023
Present value of defined benefit obligation	KRW million	640,810	690,027	918,876
Fair value of plan assets	KRW million	-193,232	-174,934	-313,882

## Occupational Health and Safety Management System<sup>1)</sup>

Classification	Unit	2021	2022	2023
Number of workers with health and safety certification	person	1,595	2,888	4,567
Percentage of workers with health and safety certification	%	81	79	67

<sup>1)</sup> Based on certification standards related to health and safety, such as ISO45001 and K-OSHA

# Social

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Occupational Accident

Classification	Unit	2021	2022	2023
<b>Employees</b>				
Number of occupational accidents	case	3	1	10
Occupational accident rate	%	0.15	0.02	0.15
Lost Time Incident Rate (LTIR) <sup>1),2)</sup>	cases/1 million manhours	0.73	0.09	0.76
Lost Time Injury (LTI)	person	3	1	11
Recordable Incidents (RI) <sup>3)</sup>	case	3	1	11
<b>Non-affiliated workers</b>				
Number of serious accidents	case	0	0	0
Number of occupational accidents	case	3	0	3
Occupational accident rate <sup>1)</sup>	%	0.23	0.00	0.12
Number of fatal accidents	case	0	0	0
Mortality rate	%	0	0	0
Lost Time Incident Rate (LTIR) <sup>1),2)</sup>	cases/1 million manhours	1.08	0.00	0.57
Lost Time Injury (LTI)	case	3	0	3
Recordable Incidents (RI) <sup>3)</sup>	case	3	0	3

1) Lost Time Incident Rate (LTIR) in the previous years vary due to changes in the calculation standards  
 - Before change: Only the number of days lost due to accidents is reflected  
 - After change: The number of occupational accident survey, encompassing both accidents and diseases, is calculated based on the number of victims  
 2) Lost Time Incident Rate (LTIR) = (number of lost time injuries / total working hours) \* 1,000,000  
 3) It aligns with the LTI data, as it includes the number of individuals who have submitted an occupational accident survey

## Occupational Disease<sup>1)</sup>

Classification	Unit	2021	2022	2023
<b>Employees</b>				
Occupational Illness Frequency Rate (OIFR) <sup>2)</sup>	%	0.73	0.00	0.00
Number of occupational diseases	case	3	0	0
Number of deaths due to occupational diseases	case	0	0	0
<b>Non-affiliated workers</b>				
Occupational Illness Frequency Rate (OIFR) <sup>2)</sup>	%	0.00	0.00	0.00
Number of occupational diseases	case	0	0	0
Number of deaths due to occupational diseases	case	0	0	0

1) Based on the cases approved by the Korea Workers' Compensation & Welfare Service  
 2) Occupational Illness Frequency Rate (OIFR) = (number of people with occupational diseases / total working hours) \* 1,000,000

## Customer Satisfaction

Classification	Unit	2021	2022	2023
Customer satisfaction survey results <sup>1)</sup>	score	90.2	91.8	93.2

1) Based on the Aviation Division

# Social

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Supplier Status

Classification		Unit	2021	2022	2023
Total number of suppliers		number	741	1,626	1,801
Total purchase amount of suppliers		KRW million	796,986	2,100,608	4,047,079
Domestic	Purchase amount from local suppliers	KRW million	267,289	1,385,908	2,929,560
	Percentage of purchases from local suppliers	%	34	66	72
Overseas	Purchase amount from local suppliers	KRW million	529,698	714,701	1,117,519
	Percentage of purchases from local suppliers	%	66	34	28

## Supplier ESG Assessment<sup>1)</sup>

Classification		Unit	2021	2022 <sup>1)</sup>	2023
Participation rate of ESG Assessment <sup>2)</sup>		%	-	16	4
Number of suppliers participated in ESG assessment		number	-	64	77
Number of suppliers with confirmed negative impact		number	-	0	0
Percentage of suppliers that agreed to improvement measures		%	-	0	0
Percentage of supplier contract terminations due to negative impact		%	-	0	0
Percentage of new suppliers who have undergone ESG due diligence		%	-	0	100

1) Performance of Hanwha Defense in 2022

2) Ratio compared to all suppliers

## Information Security

Classification		Unit	2021	2022	2023
Number of cyber security incidents		case	0	0	0
Number of customer information leakage		case	0	0	0

## Shared Growth

Classification		Unit	2021	2022	2023
Shared growth index <sup>1)</sup>		Rating	Average	Excellent	Excellent
Assessment of implementation of the Fair Trade Agreement		Rating	N/A	Best	Best

1) Based on the evaluation criteria of Korea Commission for Corporate Partnership

## Corporate Social Responsibility (CSR)

Classification		Unit	2021	2022	2023
CSR expenditure		KRW million	241	674	785
Total donations		KRW million	807	1,610	7,610
Company donations		KRW million	644	1,296	7,210
Employee donations		KRW million	163	314	400
Number of participating employees		person	2,103	2,547	2,944
Employee participation rate		%	107	69	62
Total volunteer hours of employees		hour	7,150	9,338	7,161
Volunteer hours per employee		hours/person	3.4	3.7	31
Military support funds		KRW million	52	173	63

# Governance

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Board of Directors

Classification		Unit	2021	2022	2023
<b>Board composition</b>					
Inside directors		person	2	2	3
Outside directors		person	4	4	4
Non-executive directors		person	1	1	0
<b>Board diversity</b>					
Female directors	Number of directors	person	2	2	1
	Percentage of directors	%	29	29	14
By age	Under 30 years old	person	0	0	0
	30-49 years old	person	2	2	2
	Over 50 years old	person	5	5	5
<b>Board operations</b>					
Number of board meetings held		number	10	13	13
Average attendance rate <sup>1)</sup>		%	98	98	97
Board agenda	Resolution	case	35	57	54
	Reported	case	7	8	9

1)  $\Sigma$  (total number of directors attended / total number of directors) / number of board meetings held

## Directors' Remuneration<sup>1)</sup>

Classification	Unit	2021	2022	2023
CEO compensation	KRW million	579	1,339	3,058
Average annual salary per employee	KRW million	80	102	91
Compensation ratio <sup>2)</sup>	%	682	1,313	3,360

1) It was written based on business reports, and data from previous years vary as past calculation standards cannot be confirmed due to the integration of the three companies' systems

2) The ratio of maximum remuneration to average employee salary

## Legal and Regulatory Compliance

Classification		Unit	2021	2022	2023
Number of violations of laws and regulations		case	0	0	0
Number of monetary sanctions		case	0	0	0
Number of non-monetary sanctions		case	0	0	0
Penalties imposed for violations of laws and regulations		KRW million	0	0	0
Amounts incurred in the current reporting period		KRW million	0	0	0
Amounts incurred in the previous reporting period		KRW million	0	0	0
Number of anti-corruption violations <sup>1)</sup>		case	0	0	0
Non-monetary sanctions (employees)	Disciplinary action	case	5	6	29
	Dismissal	case	0	0	0
Non-monetary sanctions (suppliers)	Contract termination/renewal failure	case	0	0	0
	Amount of fines imposed for anti-corruption violations	KRW million	0	0	0
Number of fair trade and anti-competition violations <sup>2)</sup>		case	0	0	0
Number of litigations		case	0	0	0
Number of litigation closures		case	0	0	0

1) Violations related to bribery, provision of express fees, corruption, extortion, collusion, and money laundering

2) Violations related to insider trading, subcontracting, franchising, and agency transactions due to fair competition and abuse of dominant market position

# Governance

Following the merger with Hanwha Defense in November 2022 and the integration of Hanwha Munition in April 2023, Hanwha Aerospace's performance includes data from Hanwha Defense for 2022 and Hanwha Munition for 2023.

## Ethics and Compliance Training

Classification	Unit	2021	2022	2023
<b>Executives compliance training</b>				
Number of executives who completed training	person	28	52	54
Percentage of executives who have completed training	%	74	65	50
<b>Compliance training for all employees</b>				
Training hours	hour	1,032	2,515	3,795
Number of participants	person	1,032	2,515	3,795
Percentage of employees who completed training	%	52.8	68.5	55.6
<b>Sexual harassment and workplace bullying prevention training</b>				
Training hours	hour	1,968	3,674 <sup>1)</sup>	6,621
Number of participants	person	1,968	3,674 <sup>1)</sup>	6,621
<b>Improving awareness of disabilities training</b>				
Training hours	hour	1,968	3,674	6,621
Number of participants	person	1,968	3,674	6,621
<b>Personal Information protection training</b>				
Training hours	hour	1,304	1,434	326
Number of participants	person	1,304	1,434	326
<b>Fair trade training</b>				
Training hours	hour	36	1,834	3,217
Number of participants	person	36	1,405	1,496
<b>Specialized in-depth training</b>				
Training hours	hour	2,863	3,763	3,300
Number of participants	person	2,863	3,763	5,146

1) Data corrected due to data calculation error in previous report

## Communication Regarding Anti-Corruption Policies

Classification	Unit	2021	2022	2023
<b>Compliance pledge<sup>1)</sup></b>				
Number of pledged employees	person	1,033	2,096	3,158
Pledge compliance rate among eligible employees	%	99.9	99.7	98.8
Number of pledged suppliers	number	314	287	1,172
Pledge compliance rate among eligible suppliers	%	68	51	100
<b>Integrity Agreement<sup>2)</sup></b>				
Number of suppliers who signed the agreement	number	733	287	1,172
Signing rate among eligible pledge suppliers	%	48	51	100







1) Includes compliance with various obligations, such as fair trade, anti-corruption, trade secret protection, subcontracting, and mutually beneficial cooperation.

2) Includes accepting bribes, fraudulent solicitations, or providing money and valuables.






# Appendix

UN SDGs Commitment	100
Stakeholder Engagement	102
GRI Content Index	103
SASB Index	106
Initiatives and Memberships	107
GHG Assurance Statement	108
Independent Assurance Statement	109

# UN SDGs Commitment

UN SDGs Goals	Targets and Indicators	Major Initiatives of Hanwha Aerospace
 <p><b>1 NO POVERTY</b></p> <p>End poverty in all its forms everywhere</p>	<p><b>1.3</b> Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable</p> <p><b>1.5</b> By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters</p>	<ul style="list-style-type: none"> <li>Every month, we manufacture and deliver handcars of love to the elderly who collect waste paper in the community, and we provide lightweight handcart manufacturing technology to local governments across the nation.</li> <li>We support sales of self-reliance projects for the disabled (beverage and bread production) through coffee truck volunteer activities.</li> <li>We sponsor joint weddings for couples with disabilities, including providing honeymoon air tickets and volunteering to accompany them to travel destinations.</li> </ul>
 <p><b>2 ZERO HUNGER</b></p> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<p><b>2.1</b> By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</p>	<ul style="list-style-type: none"> <li>Every year, we deliver kimchi and groceries to underprivileged families, social welfare facilities, and children's centers in the local community.</li> </ul>
 <p><b>3 GOOD HEALTH AND WELL-BEING</b></p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	<p><b>3.8</b> Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p>	<ul style="list-style-type: none"> <li>We provide employees and their families with health checkups, personal health insurance, and family medical coverage.</li> <li>We obtain material safety data sheets (MSDS) for workplace hazards and provide them to employees. We also conduct special health checkups for workers exposed to specific harmful factors.</li> <li>We operate expert-led exercise programs, including in-house physical therapists, exercise prescribers, and exercise instructors tailored to each workplace's characteristics. Additionally, we offer various mental health programs, such as professional psychological counseling for employees.</li> </ul>
 <p><b>4 QUALITY EDUCATION</b></p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p><b>4.5</b> By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</p> <p><b>4.7</b> Sustainable development and lifestyles, human rights, gender equality, peace and non-violence by 2030 Ensure that all learners acquire the knowledge and skills to promote sustainable development through education that contributes to cultural diffusion, global citizenship, and respect for cultural diversity.</p>	<ul style="list-style-type: none"> <li><b>Aerospace Science Class:</b> We foster future talent in the aircraft industry by providing education and career exploration opportunities for youth, including RC airplane building, workplace tours, and employee mentoring in aviation.</li> <li><b>Hanwha Safety Protector:</b> We conduct safety awareness training once a month to improve safety awareness for local children and teenagers.</li> <li><b>Hanwha Flame Messenger:</b> We support students' career exploration through lectures and talk sessions with renowned speakers.</li> <li>We provide opportunities for youth with developmental disabilities through Jeju Camp and volunteering, promoting independence and improving interpersonal skills and social adaptability.</li> </ul>
 <p><b>5 GENDER EQUALITY</b></p> <p>Achieve gender equality and empower all women and girls</p>	<p><b>5.1</b> End all forms of discrimination against all women and girls everywhere</p>	<ul style="list-style-type: none"> <li>We are maintaining certification since our initial selection as a family-friendly company in 2013.</li> <li>We acquired and are currently maintaining the Mother-Friendly Workplace certification from the Korean Committee for UNICEF in 2020.</li> <li>We offer flexible working hours that enable employees to set their own schedules and foster a breastfeeding-friendly environment by providing maternity-friendly spaces in the workplace.</li> </ul>
 <p><b>6 CLEAN WATER AND SANITATION</b></p> <p>Ensure availability and sustainable management of water and sanitation for all</p>	<p><b>6.3</b> By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p>	<ul style="list-style-type: none"> <li>The average water content of sludge discharge from the Yeosu Business Establishment was reduced by more than 10%, reducing sludge discharge by more than 60 tons over four months in 2024.</li> <li>We converted the final disposal method of some wastes to recycling at Changwon Business Establishment 1 (Approx. 30 ton recycled annually).</li> <li>We are investing in the construction of a wastewater recycling facility at Yeosu Business Establishment, projected to reduce water and wastewater beginning in 2024.</li> </ul>

# UN SDGs Commitment

UN SDGs Goals	Targets and Indicators	Major Initiatives of Hanwha Aerospace
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p><b>8.2</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors</p> <p><b>8.3</b> Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p>	<ul style="list-style-type: none"> <li>· We established a stringent quality management process by obtaining ISO 9001 (quality management systems) and Defense Quality Management System (DQMS) certifications at all our business establishments.</li> <li>· Our Aero Systems Business Group has obtained aerospace quality management systems certification (AS 9100), aviation maintenance certification (AS 9110), NADCAP certification for special processes, and ISO 17025.</li> <li>· Industrial innovation movement/Smart factory: Consulting services aimed at supplier productivity and manufacturing competitiveness improvement (KRW 580 million for 20 companies in 2023)</li> <li>· Expense waiver system for free-of-charge engine compartments (KRW 500 million for 14 companies in 2023)</li> <li>· Supplier fund support via Shared Growth Fund: KRW 25 billion in 2021, KRW 41 billion in 2022, KRW 59.1 billion in 2023</li> <li>· Job fairs for top-performing suppliers (May 2023 in Changwon)</li> <li>· Support for technical data bailment contracts: We fully covered the financial fees for technical commission in technical data bailment contracts with the Mass Small Farmers and Fisheries Cooperation Foundation.</li> <li>· Award for excellent partners in regular evaluation: Supported awardees to participate in overseas defense exhibitions (10 companies)</li> <li>· We provided environmental pollution prevention tips and management measures for suppliers and small and medium-sized enterprises.</li> </ul>
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p><b>9.4</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>	<ul style="list-style-type: none"> <li>· Energy storage system (ESS: Promote expansion of business in the eco-friendly ship field at home and abroad based on stable technology of (Energy Storage System) and performance of small and medium-sized ships such as government ships.</li> <li>· To become a leading company in future mobility technology, we plan to proactively acquire differentiated ESS core technologies for potential use in UAM and expand into the electric propulsion system business.</li> <li>· In August 2022, we secured Vertical Aerospace's long-term development and supply project for three types of EMA, leading to the successful development and commercialization of the EMA, a core driving device for UAM.</li> <li>· In April 2023, we secured the project for the Development of Hydrogen Fuel Cell Propulsion Certification Technology for Small Aircraft from the Ministry of Land, Infrastructure, and Transport. We plan to conduct test evaluations and establish an airworthiness certification system for fixed-wing small aircraft for the first time in Korea, as well as demonstrate an aircraft equipped with hydrogen fuel cells.</li> </ul>
 <p>Ensure sustainable consumption and production patterns</p>	<p><b>12.3</b> By 2030, achieve the sustainable management and efficient use of natural resources</p>	<ul style="list-style-type: none"> <li>· Prohibition of the use of conflict minerals: In accordance with the Detailed Enforcement Decree of the Conflict Minerals Regulation and the EU's Conflict Minerals Regulations, the use and purchase of four major minerals (tin, tantalum, tungsten, and gold) mined in the relevant conflict areas is prohibited.</li> <li>· We suspended trade with Iran and Russia, both of which are currently classified as conflict zones.</li> </ul>
 <p>Take urgent action to combat climate change and its impacts</p>	<p><b>13.2</b> Integrate climate change measures into national policies, strategies and planning</p> <p><b>13.3</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p>	<ul style="list-style-type: none"> <li>· We have established carbon neutrality scenarios to achieve our goal of carbon neutrality by 2050 and are actively reducing greenhouse gas emissions.</li> <li>· We utilize internal risk analysis tools to identify and manage climate-related risks.</li> <li>· We are running 'Eco mileage program' where employees can voluntarily participate in carbon reduction and environmental activities, and we expect to expand the 'Green Plus Program' company-wide in 2024.</li> </ul>
 <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<p><b>16.5</b> Substantially reduce corruption and bribery in all their forms</p> <p><b>16.6</b> Develop effective, accountable and transparent institutions at all levels</p>	<ul style="list-style-type: none"> <li>· We are maintaining certification since our initial selection as a family-friendly company in 2013.</li> <li>· We acquired and are currently maintaining the Mother-Friendly Workplace certification from the Korean Committee for UNICEF in 2020.</li> <li>· We offer flexible working hours that enable employees to set their own schedules and foster a breastfeeding-friendly environment by providing maternity-friendly spaces in the workplace.</li> </ul>

# Stakeholder Engagement

Stakeholders	Interest	Communication Channels
 <b>Customers</b>	<ul style="list-style-type: none"> <li>· Product and service quality innovation</li> <li>· After-sales services</li> <li>· Latest technology and trends</li> <li>· Safe use of the product</li> <li>· Data security</li> </ul>	<ul style="list-style-type: none"> <li>· In-person customer meetings, user training, and technical support (frequently)</li> <li>· Customer satisfaction survey (yearly)</li> <li>· Customer complaint submission, contact center, VOC channel (24/7)</li> <li>· Customer technical information exchange event and quality evaluation meeting (frequently)</li> <li>· <b>Hanwha Aerospace</b> website, newsroom, and social media channels (24/7)</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>· Employment and working environment management</li> <li>· Education and career development</li> <li>· Diversity and inclusion</li> <li>· Work-life balance</li> <li>· Fair performance evaluation</li> <li>· Respect for human rights</li> <li>· Understanding labor relations</li> </ul>	<ul style="list-style-type: none"> <li>· Labor-management councils (28 times in total)</li> <li>· Innovation bulletin board (24/7)</li> <li>· Internal intranet (24/7)</li> <li>· Culture Camp activities centered on culture leaders (CL) and change agents (CA) of each department (frequently)</li> <li>· Grievances reporting channels for injustice and compliance (24/7)</li> </ul>
 <b>Local Community</b>	<ul style="list-style-type: none"> <li>· Boosting the local economy</li> <li>· Environmental preservation</li> <li>· The impact of the company on society and the environment</li> <li>· Implementation of corporate social responsibility (CSR) activities</li> </ul>	<ul style="list-style-type: none"> <li>· Media Day and press release (24/7)</li> <li>· NGOs and related organizations, employee volunteer groups (frequent)</li> <li>· <b>Hanwha Aerospace</b> website and social media channels (24/7)</li> </ul>
 <b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>· Economic and financial performance</li> <li>· Investment strategy</li> <li>· Financial and non-financial risk management</li> <li>· Sharing management information</li> <li>· Ensuring sound governance</li> </ul>	<ul style="list-style-type: none"> <li>· General meeting of shareholders (yearly)</li> <li>· Electronic disclosure (regular, quarterly/semi-annually)</li> <li>· Regular and occasional IR meetings (frequently)</li> <li>· NDR (1-2 times a month)</li> <li>· Conferences organized by brokerage firms (quarterly)</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>· Establishing fair and honest business relationships</li> <li>· Sustainable shared growth programs</li> <li>· Productivity and technological competitiveness of suppliers</li> <li>· Supply chain ESG management</li> </ul>	<ul style="list-style-type: none"> <li>· Mutually-beneficial Cooperation Council departmental meetings and regular general meetings</li> <li>· Subcontracting Review Committee (monthly)</li> <li>· On/Off-line VOC channel for suppliers (24/7)</li> </ul>
 <b>Government and Academia</b>	<ul style="list-style-type: none"> <li>· Create indirect economic value</li> <li>· Participation in compliance management and policy</li> <li>· Paying taxes</li> <li>· Transparent disclosure of information</li> <li>· Achieving carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>· Policy meetings (frequently)</li> <li>· Government collaboration programs (frequently)</li> <li>· Academic and association activities (frequently)</li> </ul>

# GRI Content Index

Classification	GRI Standards	Page
	<b>GRI 2 General Disclosures</b>	
The organization and its reporting practices	2-1 Organizational details	6-8
	2-2 Entities included in the organization's sustainability reporting	2
	2-3 Reporting period, frequency and contact point	2
	2-4 Restatements of information	2
	2-5 External assurance	2,109-110
Activities and workers	2-6 Activities, value chain and other business relationships	6-13
	2-7 Employees	91
	2-8 Workers who are not employees	91
Governance	2-9 Governance structure and composition	70-72
	2-10 Nomination and selection of the highest governance body	71
	2-11 Chair of the highest governance body	70
	2-12 Role of the highest governance body in overseeing the management of impacts	72
	2-13 Delegation of responsibility for managing impacts	72
	2-14 Role of the highest governance body in sustainability reporting	16,72
	2-15 Conflicts of interest	71,72
	2-16 Communication of critical concerns	16,73
	2-17 Collective knowledge of the highest governance body	71
	2-18 Evaluation of the performance of the highest governance body	74
	2-19 Remuneration policies	74
2-20 Process to determine remuneration	74	
2-21 Annual total compensation ratio	74,97	

Classification	GRI Standards	Page
	<b>GRI 2 General Disclosures</b>	
Strategy, policies and practices	2-22 Statement on sustainable development strategy	5,15
	2-23 Policy commitments	15,29,38,44,52,56,58,68,77
	2-24 Embedding policy commitments	29,40,52,54,55,57-61,81,82
	2-25 Processes to remediate negative impacts	79-81
	2-26 Mechanisms for seeking advice and raising concerns	51,74,75
	2-27 Compliance with laws and regulations	76-81,90
	2-28 Membership associations	107
Stakeholder engagement	2-29 Approach to stakeholder engagement	102
	2-30 Collective bargaining agreements	51
	<b>GRI 3 Material Topics</b>	
Disclosures on material topics	3-1 Process to determine material topics	18
	3-2 List of material topics	19

# GRI Content Index

Classification	GRI Standards	Page
Response to climate change	GRI 3 Material Topics	
	3-3 Management of material topics	20
	GRI 201 Economic Performance 2016	
	201-2 Financial implications and other risks and opportunities due to climate change	23-27
	GRI 302 Energy 2016	
	302-1 Energy consumption within the organization	87
	302-2 Energy consumption outside of the organization	Information incomplete
	302-3 Energy intensity	87
	302-4 Reduction of energy consumption	87
	302-5 Reductions in energy requirements of products and services	N/A
	GRI 305 Emissions 2016	
	305-1 Direct GHG emissions (Scope 1)	87
	305-2 Indirect GHG Emissions (Scope 2)	87
	305-3 Other indirect GHG emissions (Scope 3)	87
	305-4 GHG emissions intensity	87
	305-5 Reduction of GHG emissions	87
305-6 Emissions of ozone-depleting substances (ODS)	Information incomplete	
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	88	
Sustainable products and technologies	GRI 3 Material Topics	
	3-3 Management of material topics	20

Classification	GRI Standards	Page	
Prevention of health and safety accidents	GRI 3 Material Topics		
	3-3 Management of material topics	20	
	GRI 403 Occupational Health and Safety 2016		
	403-1 Occupational health and safety management system	38	
	403-2 Hazard identification, risk assessment, and incident investigation	41,42	
	403-3 Occupational health services	39,40	
	403-4 Worker participation, consultation, and communication on occupational health and safety	39-42	
	403-5 Worker training on occupational health and safety	40	
	403-6 Promotion of worker health	39	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	38,41,42	
Product responsibility and quality control	403-8 Workers covered by an occupational health and safety management system	94	
	403-9 Work-related injuries	95	
	403-10 Work-related ill health	95	
	GRI 3 Material Topics		
	3-3 Management of material topics	20	
	GRI 416 Customer Health and Safety 2016		
	416-1 Assessment of the health and safety impacts of product and service categories	35,36	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	107	
	Business ethics and compliance management	GRI 3 Material Topics	
		3-3 Management of material topics	20
GRI 205 Anti-corruption 2016			
205-1 Operations assessed for risks related to corruption		82,83	
205-2 Communication and training about anti-corruption policies and procedures		76-81,98	
205-3 Confirmed incidents of corruption and actions taken		97	
Business ethics and compliance management	GRI 206 Anti-competitive Behavior 2016		
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	97	

# GRI Content Index

Classification	GRI Standards	Page
<b>GRI 201</b>	<b>Economic Performance 2016</b>	
201-1	Direct economic value generated and distributed	86
201-3	Defined benefit plan obligations and other retirement plans	94
201-4	Financial assistance received from government	AR pp. 94,232
<b>GRI 204</b>	<b>Procurement Practices 2016</b>	
204-1	Proportion of spending on local suppliers	96
<b>GRI 303</b>	<b>Water and Effluents 2018</b>	
303-3	Water withdrawal	88
303-4	Water discharge	88
303-5	Water consumption	88
<b>GRI 304</b>	<b>Biodiversity 2016</b>	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	33
304-2	Significant impacts of activities, products and services on biodiversity	N/A
304-3	Habitats protected or restored	33
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	33
<b>GRI 306</b>	<b>Waste 2020</b>	
306-3	Waste generated	89
306-4	Waste diverted from disposal	89
306-5	Waste directed to disposal	89
<b>GRI 308</b>	<b>Supplier Environmental Assessment 2016</b>	
308-1	New suppliers that were screened using environmental criteria	59-61,96
<b>GRI 401</b>	<b>Employment 2016</b>	
401-1	New employee hires and employee turnover	92
401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	50,94
401-3	Parental leave	94
<b>GRI 402</b>	<b>Labor/Management Relations 2016</b>	
402-1	Minimum notice periods regarding operational changes	51
<b>GRI 404</b>	<b>Training and Education 2016</b>	
404-1	Average hours of training per year per employee	93
404-2	Programs for upgrading employee skills and transition assistance programs	49
404-3	Percentage of employees receiving regular performance and career development reviews	50,93

Classification	GRI Standards	Page
<b>GRI 405</b>	<b>Diversity and Equal Opportunity 2016</b>	
405-1	Diversity of governance bodies and employees	93,97
405-2	Ratio of basic salary and remuneration of women to men	93
<b>GRI 406</b>	<b>Non-discrimination 2016</b>	
406-1	Incidents of discrimination and corrective actions taken	93
<b>GRI 407</b>	<b>Freedom of Association and Collective Bargaining 2016</b>	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A
<b>GRI 408</b>	<b>Child Labor 2016</b>	
408-1	Operations and suppliers at significant risk for incidents of child labor	N/A
<b>GRI 409</b>	<b>Forced or Compulsory Labor 2016</b>	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A
<b>GRI 410</b>	<b>Security Practices 2016</b>	
410-1	Security personnel trained in human rights policies or procedures	N/A
<b>GRI 411</b>	<b>Rights of Indigenous Peoples 2016</b>	
411-1	Incidents of violations involving rights of indigenous peoples	N/A
<b>GRI 413</b>	<b>Local Communities 2016</b>	
413-1	Operations with local community engagement, impact assessments, and development programs	63-66
413-2	Operations with significant actual and potential negative impacts on local communities	N/A
<b>GRI 414</b>	<b>Supplier Social Assessment 2016</b>	
414-1	New suppliers that were screened using social criteria	59-61,96
<b>GRI 415</b>	<b>Public Policy 2016</b>	
415-1	Political contributions	N/A
<b>GRI 417</b>	<b>Marketing and Labeling 2016</b>	
417-1	Requirements for product and service information and labeling	47
417-2	Incidents of non-compliance concerning product and service information and labeling	97
417-3	Incidents of non-compliance concerning marketing communications	97
<b>GRI 418</b>	<b>Customer Privacy 2016</b>	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	96

# SASB Index

## Resource Transformation (Aerospace & Defense)

Topic	Code	Item	Unit	2021	2022	2023
Energy Management	RT-AE-130a.1	(1) Total energy consumed	GJ	620,021	818,682	2,011,034
		(2) Percentage grid electricity	%	86	83	70
		(3) Percentage renewable	%	0.01	0.07	0.53
Hazardous Waste Management	RT-AE-150a.1	Amount of hazardous waste generated	Ton	535	672	1,862
		Percentage recycled	%	78	72	69
	RT-AE-150a.2	Number and aggregate quantity of reportable spills and quantity recovered	case, kg	0	0	0
Data Security	RT-AE-230a.1	(1) Number of data breaches	case	0	0	0
		(2) Percentage involving confidential information	%	0	0	0
	RT-AE-230a.2	(1) Description of approach to identifying and addressing data security risks in entity operations (2) Description of approach to identifying and addressing data security risks in products	-	pp. 67-68,82-83 pp. 67-68,82-83		
Product Safety	RT-AE-250a.1	Number of recalls issued and total units recalled	case, number	0	0	0
	RT-AE-250a.2	Number of counterfeit parts detected and percentage avoided	case, %	0	0	0
	RT-AE-250a.3	Number of Airworthiness Directives received and total units affected	case, number	N/A	N/A	N/A
	RT-AE-250a.4	Total amount of monetary losses as a result of legal proceedings associated with product safety	KRW	N/A	N/A	N/A
Fuel Economy & Emissions in Use-phase	RT-AE-410a.1	Revenue from alternative energy-related products	KRW	Undisclosed	Undisclosed	Undisclosed
	RT-AE-410a.2	Description of approach and discussion of strategy to address fuel economy and greenhouse gas (GHG) emissions of products	-		pp. 35-36	
Materials Sourcing	RT-AE-440a.1	Description of the management of risks associated with the use of critical materials	-		pp. 56	
Business Ethics	RT-AE-510a.1	Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and/or illicit international trade	KRW million	0	0	0
	RT-AE-510a.2	Revenue from countries ranked in the "E" or "F" Band of Transparency International's Government Defense Anti-Corruption Index	KRW	Classified	Classified	Classified
	RT-AE-510a.3	Discussion of processes to manage business ethics risks throughout the value chain	-		pp. 76-81	
Activity Metrics	RT-AE-000.A	Production by reportable segment	number	Classified	Classified	Classified
	RT-AE-000.B	Number of employees	person	1,953	3,671	6,816

# Initiatives and Memberships

## Initiatives and Memberships

Korea Defense Industry Association	Maekyung Diamond Club	Korea Chamber of Commerce and Industry (Seoul)
Korea Aerospace Industries Association	The Asia Business Daily Asia First Club	Korea Chamber of Commerce and Industry (Seongnam)
Korea Association for Space Technology Promotion	Financial News IR Club	Transparency International Korea
Korea Industrial Technology Association	Herald Corporation IR Club	Korea Productivity Center
The Korean Society for Aeronautical and Space Sciences	Seoul Economic Daily IR Club	Seoul Regional Defense Security Council
The Korean Society of Propulsion Engineers	EDAILY IR Club	Association of the ROK Army
The Society for Aerospace System Engineers	Money Today IR Club	Association of the ROK Navy
The Korean Society of Combustion	The Korea Economic Daily IR Club	Association of the ROK Air Force
Korea Defense Industry Association	Korea Listed Companies Association CFO Forum	Korea Defense Diplomacy Association
Korean Institute of Military Science and Technology	Federation of Korean Industries	Korean Space Association for National Defense
Korea Society for Naval Science & Technology	Korea Enterprises Federation	The Institute of Positioning, Navigation, and Timing
Hannam Club	Korean Economic Organization Council	Korea Exchange
Korea Mecenat Association	Korea Economic Research Institute	Korean Society for Safety
FKI International Business Center	Korea Listed Companies Association	Korean Society of Hazardous Materials
Korea-Japan Economic Association	Fair Competition Federation	SAFEX
Korea-U.S. Economic Council	Korea Management Association	Korea Armaments Safety Association
Association of Korea-USA Friendship Alliance	Korea Advertisers Association	Korea Industrial Safety Association
The National Academy of Engineering of Korea	Korea ESG Club	Korean Institute of Military Science and Technology
The Bell	Korea IR Service	Korea Chamber of Commerce and Industry (Seoul)
Korea Chamber of Commerce and Industry	Defense Quality Society	Korean Standards Association
Changwon Biological Diversity Convention	Gyeongnam Environmental Engineers Association	Korea Chemicals Management Association
Green Business Council	CDP	
Public-Private Council for Integrity and Defense	Public-Private Council for Integrity and Defense Program	

# GHG Assurance Statement

## Introduction

DNV Business Assurance Korea Ltd. (“DNV”) was commissioned by Hanwha Aerospace Co., Ltd. (“Company”) to verify the Company’s Greenhouse Gas Inventory Report for the calendar year 2023 (“the report”) based upon a reasonable level of assurance. Company is responsible for the preparation of the GHG emissions and Energy consumption data on the basis set out within the guidelines on the operation of GHG emission trading scheme (“ETS” (Notification No. 2023–221, Korean Ministry of Environment)’. Our responsibility in performing this work is to the management of Company only and in accordance with terms of reference agreed with them. DNV expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this Verification Opinion.

## Scope of Assurance

The GHG emissions data covered by our examination comprise Direct emissions (Scope 1 emissions) and Energy indirect emissions (Scope 2 emissions) from Company’s boundary of the report:

- Organizational boundary for reporting: Domestic business sites of Company
- GHG emissions under verification: GHG emissions in 2023

## Verification Approach

The verification has been conducted by DNV on February to March 2023 and performed in accordance with the verification principles and tasks outlined in the guidelines on the operation of GHG ETS (Notification No.2023–221, Korean Ministry of Environment), the verification guideline for GHG ETS (Notification No. 2021–112, Korean Ministry of Environment). We planned and performed our work to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion concerning the completeness of the emission inventory based on the materiality threshold of 5%. As part of the verification process:

- We have reviewed and verified the GHG emissions and energy consumption report
- We have reviewed and verified the process to generate, aggregate and report the emissions and energy data

This Verification Opinion is valid as of the date of the issuance. Please note that this opinion would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of Company is subsequently brought to our attention. In the event of ambiguity or contradiction in this Opinion between English version and Korean version, Korean shall be given precedent.

## Conclusions

As a result of the work described above, in our opinion, the GHG emissions set out in Company’s report are fairly stated in all material respects, in accordance with the verification guidelines above. The GHG emissions and energy consumption of Company for the year 2023 were confirmed as below:

### Greenhouse Gas Emissions of Hanwha Aerospace for Yr 2023

(Unit: ton CO<sub>2</sub> equivalent)

Hanwha Aerospace Co., Ltd.	Direct emissions (Scope 1)	Indirect emissions (Scope 2)	Total emissions
Domestic (in Korea)	32,160	70,158	102,318 (102,313)

\* The figure in ( ) above is the total emission rounded down to an integer for each business site according to the Korean ETS guideline.

2 May 2024  
Seoul, Korea

Country Manager  
Jang-Sup Lee

DNV Business Assurance Korea Ltd



# Independent Assurance Statement

## To readers of Hanwha Aerospace Sustainability Report 2024

### Introduction

Korea Management Registrar (KMR) was commissioned by Hanwha Aerospace to conduct an independent assurance of its Sustainability Report 2024 (the "Report"). The data and its presentation in the Report is the sole responsibility of the management of Hanwha Aerospace. KMR's responsibility is to perform an assurance engagement as agreed upon in our agreement with Hanwha Aerospace and issue an assurance statement.

### Scope and Standards

Hanwha Aerospace described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR's assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with GRI standards 2021 was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process. We also confirmed that the report was prepared in accordance with the TCFD recommendations and SASB.

- GRI Sustainability Reporting Standards 2021
- Universal standards
- Topic specific standards
  - GRI 201: Economic Performance
  - GRI 205: Anti-Corruption
  - GRI 206: Anti-competitive Behavior
  - GRI 302: Energy
  - GRI 305: Emissions
  - GRI 403: Occupational Health and Safety
  - GRI 416: Customer Health and Safety
- SASB Sustainability Disclosure Topics & Accounting Metrics
- TCFD recommendations

As for the reporting boundary, the engagement excludes the data and information of Hanwha Aerospace's partners, suppliers and any third parties.

### KMR's Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- Reviewed the overall Report;
- Reviewed materiality assessment methodology and the assessment report;
- Evaluated sustainability strategies, performance data management system, and processes;
- Interviewed people in charge of preparing the Report;
- Reviewed the reliability of the Report's performance data and conducted data sampling;
- Assessed the reliability of information using independent external sources such as Financial Supervisory Service's DART and public databases.

### Limitations and Recommendations

KMR's assurance engagement is based on the assumption that the data and information provided by Hanwha Aerospace to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

# Independent Assurance Statement

## Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with **Hanwha Aerospace** on the revision of the Report. We reviewed the Report’s final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

### Inclusivity

**Hanwha Aerospace** has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

### Materiality

**Hanwha Aerospace** has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

### Responsiveness

**Hanwha Aerospace** prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of **Hanwha Aerospace**’ actions.

### Impact

**Hanwha Aerospace** identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

## Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

## Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 – Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with **Hanwha Aerospace** and did not provide any services to **Hanwha Aerospace** that could compromise the independence of our work.

June 2024 Seoul, Korea

