

2025 KAI SUSTAINABILITY REPORT



2025

KAI SUSTAINABILITY REPORT



ABOUT THIS REPORT

KAI has been publishing the sustainability report since 2023 in order to transparently disclose its various activities and achievements in sustainability management to various stakeholders, as well as to share its strategic directions.

Reporting Period

The financial performance and sustainability activities in this report cover the period from January 1, 2024, to December 31, 2024. Quantitative data that requires trend reporting covers performance over the three years (2022-2024) and, if necessary, some qualitative data covers activities through the first half of 2025.

Scope and Boundaries of Reporting

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

Report Assurance

The financial data in this report has been independently audited by EY Accounting Corp., and the non-financial data has been independently verified by the CSR Inc. to ensure objectivity, reliability, and transparency.

Reporting Frequency

The reporting frequency of this report is one year, and this report was published on June 27, 2025.

Inquiries about the Report

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

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KAI

SUSTAINABILITY REPORT 2025

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2025 CEO Message



**FLY TOGETHER
FOR A SUSTAINABLE FUTURE**

I would like to express my deepest gratitude to our stakeholders who offered their generous support for the sustainable growth and development of KAI with the publication of the third 2025 <Sustainability Report>.

The latest global economic policies for ESG management activities are adjusting their pace according to the rapidly changing hegemony trends, and the EU, which had advocated legislation of eco-friendliness and supply chain due diligence, is looking to delay the implementation schedule of the related policies. Accordingly, the domestic ESG public disclosure program was also delayed to 2026 or later.

Despite this, it is expected that greenhouse gas mitigation and eco-friendly policies, which are global objectives, will continue to be maintained. In fact, demands by trade partners with the EU for supply chain due diligence that requests the strengthening of environmental, safety, and human rights are continuously rising, and it appears that now, prior to the enactment of mandatory public disclosure, is the perfect time to internalize ESG management and to prepare the basis for sustainable development.

Our ESG management activities in 2024 became an opportunity for us to grow more dynamically.

Recently, we established a value-up plan for improving the key goals of corporate governance and announced it ahead of other listed companies. Through this, we are striving to contribute to improving the rights of stockholders by enhancing the independence, expertise, and diversity of the board of directors. In addition, we have stably internalized the ESG sustainable management system by complying with laws adopted as new policies, and implementing international standard ISO 37301 (compliance management system) for ethical management systems, ISO 27001 (information security management system) for information protection management systems, ISO 50001 (energy management system) for improving energy efficiency, and fair trade compliance programs to advocate fair competition.

Accordingly, we received level 8+ for the first time among Korean companies in the productivity management system certification review in 2024, thus being recognized for our leadership and achievements in business innovation. Also, we were selected as an excellent labor-management culture company, an excellent work/life company of Korea, a family-friendly company, and an excellent company for hiring veterans, and received an award for creating jobs, thus being recognized for our ongoing business achievements.

In the environmental sector, we contribute to significant greenhouse gas emission reductions by installing solar power systems on the entire roof of the headquarters and using all of the electricity they generate. We are expanding related facilities to all of our sites as part of our ongoing efforts toward energy transition, and we are sharing the company's energy conservation goals with all members to encourage their active participation.

In the social sector, we engaged in medical support activities and company-wide charity drives for overseas Korean War veterans through the <Defense KAI> program, as it coincides with the characteristics of the defense industry. Moreover, in order to motivate partner companies and reflect improved performance, we expanded the outstanding vendor awards from 20% to 30%.

We will keep enhancing our mid- to long-term carbon neutrality strategy to expand sustainable management and implement it effectively, while preparing to develop the ESG data platform to establish a sustainable public disclosure system. Also, by establishing SVI (Social Value Index) standards for the systematic measuring of the social values that will be created through ESG management and to prepare for Scope 3 greenhouse gas reduction, supply chain due diligence, etc., we plan to strengthen our social responsibilities and objectively prove performance to clearly convey our values to various stakeholders. Moreover, we will do our best to prepare for a sustainable future based on the mutual growth of the aerospace industry by offering ESG training, etc., to our partners.

Please continue to show your support and encouragement for the sustainable challenges of KAI.

June 2025

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

Company Profile

About KAI

KAI was founded as a joint corporation through contributions in kind for the aircraft industry by three conglomerates (Samsung, Hyundai, Daewoo) in 1999, and has been engaged in businesses related to fixed wing, rotary wing, aircraft performance improvements/MRO, airframe structures, satellite/launch vehicles, and training systems. As a result of our efforts, we have successfully developed the KT-1 basic trainer, T-50 advanced trainer, KUH (Surion) multi-purpose helicopter, LAH/LCH small arms/civilian helicopter, Songgolmae unmanned surveillance reconnaissance vehicle, etc., and are doing our best to enhance the security and air power of the Republic of Korea. We are also prepared for the mass production and integration of the KF-21 fighter, which will serve as a vital component of our future aerial defense strategy. In addition, we participated in all satellite development projects conducted in Korea and expanded our business into space by fully assembling the Korean launch system. Together, we are developing next-generation UAV platforms, future autonomous aerial vehicles (AAV), and AI pilots to expand our aerial businesses further.

General Information

Company Name	Korea Aerospace Industries, Ltd.
CEO	Kang Goo-young
Main Businesses	The development, manufacture, and sale of aircraft, space satellites, launch vehicles, etc.
Date of Incorporation	October 1, 1999
Headquarters Location	78, Gongdan 1-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do, Republic of Korea
Organization/ Employees	5 divisions, 1 institute, 4 divisions, 3 centers, 2 offices / 5,093 employees
Business Locations	Korea: Sacheon Headquarters, Sancheong Factory, Jongpo Factory, Goseong Factory, Seoul Office Overseas: US Corporation, Offices inn Turkey, Indonesia, etc.
Financial Status	Assets: 8,0255 trillion KRW / Revenue 3.6337 trillion KRW
Credit Rating	Korea Investors Service: AA- / NICE Investors Service: AA- (corporate bonds)

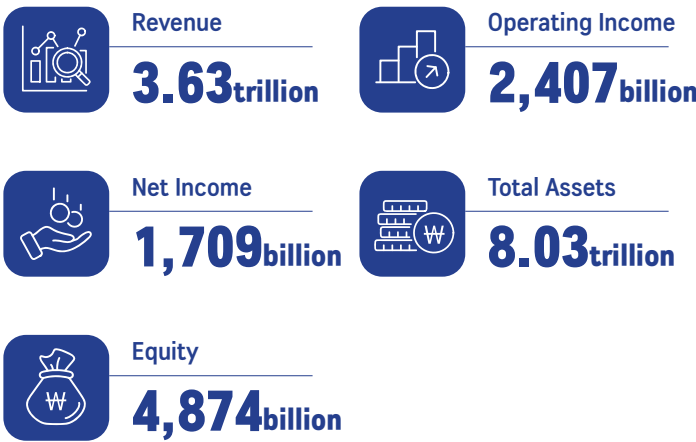
As of December 31, 2024
(enter only items changed compared to the previous year)

ESG Rating

Classification		2022	2023	2024
KCGS (Korea Institute of Corporate Governance and Sustainability)	Total	C	B+	A
	Environmental (E)	B	B+	A
	Social (S)	A	A	A
	Governance (G)	D	B+	B+
Korea ESG Institute		B+	B+	A
Sustainvest		A	AA	BB

Financial Summary

As of December 31, 2024
(Unit: KRW)

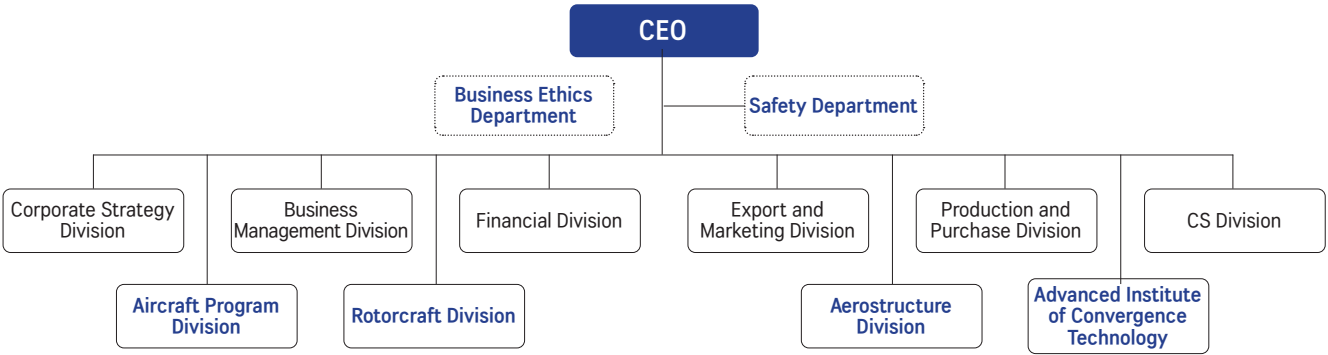


VISION 2050

Under the vision of ‘Global KAI Beyond Aerospace’, we are engaged in businesses, such as fixed-wing military aircraft, rotary-wing military/civilian aircraft, UAVs, aircraft performance enhancement/MRO, airframe structure, satellite/launch vehicle, and training systems. Based on this, following our growth period, we recorded sales of around 3.6 trillion KRW in 2024 and developed into Korea’s representative comprehensive aerospace system corporation. KAI also continues to expand its orders and sales based on its strong export performance. KAI is on its way to its goal of reaching 40 trillion KRW in sales by 2050 by pursuing growth businesses such as future autonomous aviation vehicles (AAV), manned and unmanned integrated systems, UAVs, and satellites, as well as future businesses like next-generation aircraft, space solutions, future SW, etc., in addition to its current main areas of business.

Organization Chart

As of May 14, 2025



Company Profile

KAI Milestones

- **October 1999** Founded Korea Aerospace Industries, Ltd.
- **November 2000** Held a delivery ceremony for the first production unit of the KT-1
- **February 2001** Signed a contract with Indonesia to export the KT-1 basic trainer
- **February 2006** Signed an MOU for joint development of the Airbus A350
- **March 2010** Successfully completed the maiden flight of the Surion
- **July 2010** Completed the A350 Smart Factory
- **May 2011** Became the sixth exporter of supersonic aircraft in the world
(16 units of the T-50 to Indonesia)
- **June 2011** IPO on the Korea Exchange (KRX)
- **July 2012** Opened KAI Aviation Center, an aviation science experience center, Republic of Korea Donation for Education No. 1
- **November 2013** Built Sancheong Factory
- **December 2013** Signed a contract with Iraq to export 24 units of the T-50
- **January 2014** Selected as the final assembler for Korean launch vehicle systems
- **July 2014** Selected as a preliminary operator for LCH and preferred negotiating company for LAH
- **January 2016** Signed an agreement to co-develop the KF-X Korean fighter aircraft with Indonesia
- **March 2016** Selected as one of the top 100 job creators
- **April 2017** Signed a contract for the KAI-KARI Multi-purpose Satellite 7 project
- **July 2017** Signed a contract to supply the Boeing B777X W/R
- **June 2018** Established KAEMS, a company specializing in aircraft MRO
- **September 2018** Became the first defense industry to achieve ISO 37001 (anti-bribery management systems) certification
- **February 2020** Selected as a "Thoughtful Corporation" by the Ministry of SMEs and Startups
- **June 2020** Signed a contract for the second production of the TA-50
- **December 2020** Signed a contract for the fourth production of the Surion
- **January 2021** Held a rollout ceremony for the KF-21 prototype 1
- **July 2021** Signed contracts with Indonesia for the supply of 6 units of T-50i and Thailand for the 4th supply of T-50TH
- **October 2021** Achieved an overall ESG rating of A for the fourth consecutive year
- **November 2021** Achieved Level 8 Productivity Management System (PMS) certification, the highest level in the country
- **March 2022** Declared ESG Management
- **April 2022** Established an ESG committee and adopted a corporate governance charter
- **July 2022** Successfully completed the maiden flight of the KF-21 Boramae
- **September 2022** Signed a contract with Poland to export 48 units of FA-50
- **December 2022** Established ESG mid-to-long-term management strategy
- **January 2023** Declared the Global KAI 2050, a mid-to-long-term vision
- **May 2023** Signed a contract with Malaysia to export 18 units of FA-50
- **May 2023** Contributed greatly to Nuri's successful third launch, including the final system assembly
- **June 2023** Published the first KAI Sustainability Report
- **September 2023** Signed a contract to supply parts for the B787 and B777X
- **December 2023** Signed a contract for the second production of the light-armed helicopter (LAH)
- **April 2024** Successfully launched SAR Satellite 1
- **April 2024** Signed a contract for EVE eVTOL (electric vertical take-off and landing aircraft structure)
- **June 2024** Delivered final unit from the Surion (KUH-1) production project
- **June 2024** Signed a contract for the first KF-21 production
- **November 2024** Achieved 1,000 zero-accident sortie flight for KF-21
- **December 2024** Signed an extension contract for supplying B737MAX stabilizer structure
- **December 2024** Signed a contract for exporting the Surion (KUH-1) to Iraq
- **December 2024** Delivered the first mass produced Miron (LAH-1)
- **January 2025** Succeeded in the first flight of the Marine aerial assault helicopter prototype
- **March 2025** Signed a contract for the KT-1B aircraft lifespan extension project for the Indonesian Air Force
- **May 2025** Began final assembly of KF-21 production
- **June 2025** Signed an export contract for 12 additional FA-50 to the Philippines
- **June 2025** Signed a contract for 20 additional KF-21s

Business Overview

Fixed-Wing

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



Rotary-Wing

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



Business Overview

Airframe structure

KAI was recognized as a tier 1 partner of the world's leading aviation companies, such as Boeing, Airbus, and Embraer, participating in the design and manufacture of various airframe structures. We have also recently been expanding our business fields into the AAV (autonomous aerial vehicle) sector by being selected as an eVTOL parts supplier worth 1 trillion KRW with EVE Air Mobility, which is a company specializing in UAM (urban air mobility) of Embraer that is based in Brazil.

Using the technologies we have accumulated through the development and production of various military aircraft for over 30 years, development of KC-100 small aircraft, and BASA (Korea-US Bilateral Aviation Safety Agreement) certification, we plan to begin the development and production of medium-sized civil aircraft in order to satisfy the global civil aircraft demands that will continue to grow in the future.



Airframe structure

Upgrade, Modification, and MRO

We have achieved global competitiveness in upgrade, modification and MRO based on P-3C maritime patrol aircraft, C-130H, and US Army CH-53 through various military/civil aircraft development and production technologies accumulated over the years. We have expanded these capabilities to civil aircraft, ensuring their safety, which previously relied on overseas maintenance. In the future, we plan to take another leap forward to becoming a Pacific MRO company by entering cargo plane modification and other businesses.



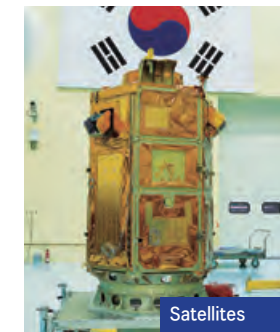
Upgrade and Modification



MRO

Space

We have participated in domestic and overseas space projects for the past 30 years, and secured a variety of satellite platform development projects, ranging from small to medium sizes. We are also developing ultra-small satellites for satellite communication services, and we are entering service markets such as image analysis, etc., to prepare for the New Space Age led by the private sector. In addition, we are the only company in Korea that has performed stage assembly of launch vehicles to final system assembly, and we will expand our business into space exploration mobility in order to explore limitless space by improving reusable launch vehicles and space mobility technologies, such as space flight vehicles, etc.



Satellites



Launch Vehicles

UAVs and Eco-Friendly Aircraft

We will develop a variety of derived unmanned aircraft, such as communication relay/electronic warfare, etc., based on the RQ-101 (Songgolmae) UAV that was deployed after completing development in 2000, together with the next-generation corps-level UAVs that are currently waiting for mass production. Furthermore, we are preparing for the age of UAVs and integrated manned/unmanned aerial combat systems by developing new UAVs, such as unmanned fighters, multi-purpose compact UAVs, compact multi-functional modularized aircraft, aerial launch UAVs, etc. Moreover, we will pioneer the future aviation market by developing the core technologies/prototypes of AAVs (autonomous aerial vehicles) propelled by electricity/hydrogen that will become innovative transportation solutions of the future, and early research on eco-friendly aircraft, such as propulsion systems and fuselages.



Unmanned combat aerial vehicle



Advanced Air Vehicles

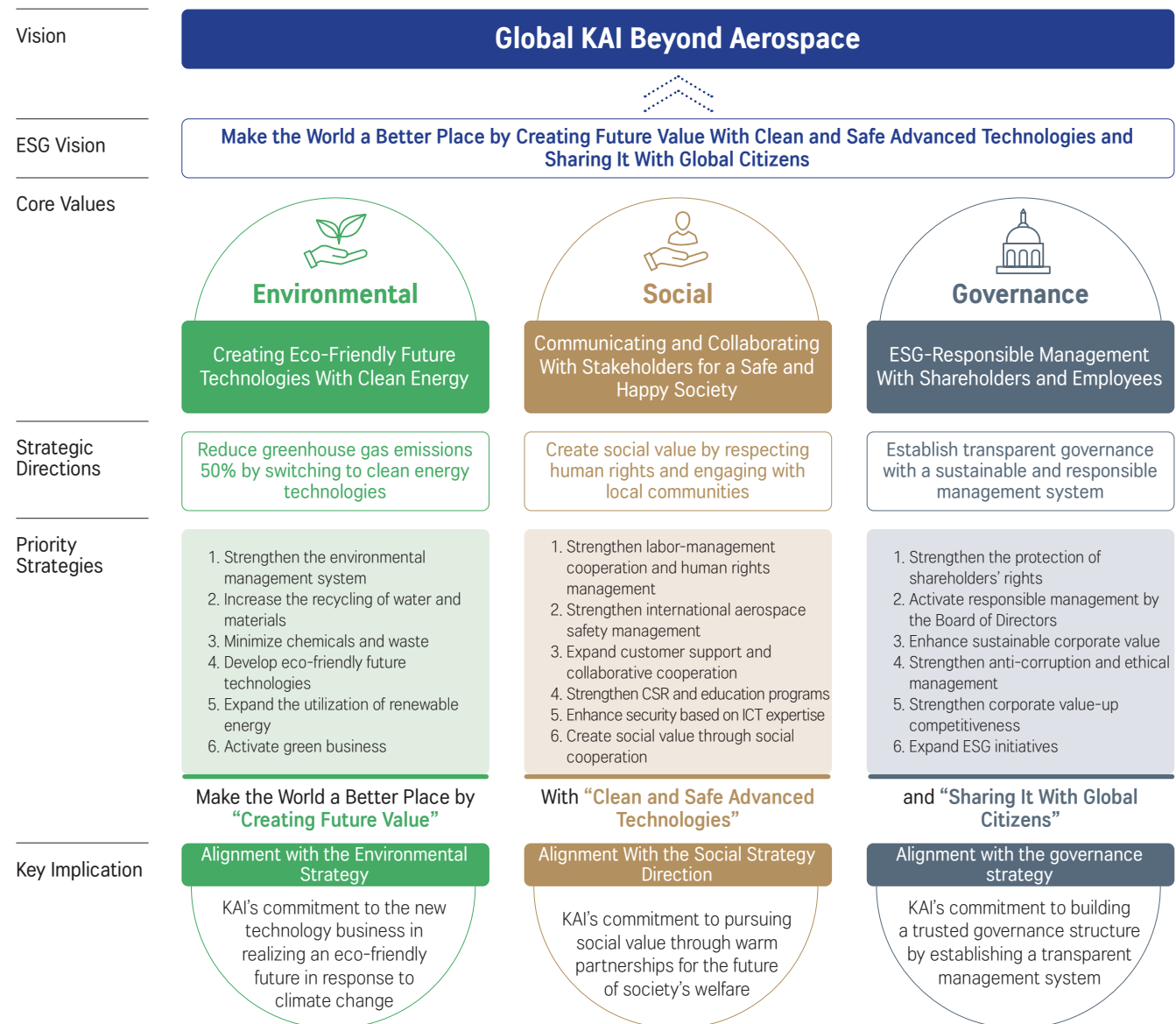
Subsidiaries and Partners

KAI has four subsidiaries, such as KAEMS (Korea Aviation Engineering & Maintenance Service), which specializes in aviation MRO (maintenance, repair, operation), S&K Aerospace, which specializes in the production of manufacturing airframe structures, Aviosys Technologies, which specializes in the development/production of electronic parts for aircrafts, and Korea Aerospace F.W. Inc., which support exports, purchasing, etc., in the Americas. We are cooperating with six partner companies in building a mutually rewarding aerospace ecosystem and building new business partnerships with the ultimate goal of achieving our mid- to long-term vision and enhancing customer value.

Sustainability

ESG Management Strategy

In line with the corporate vision of “Global KAI Beyond Aerospace” and ESG vision of “Make the World a Better Place by Creating Future Value With Clean and Safe Advanced Technologies and Sharing It With Global Citizens,” KAI has established an ESG management strategy system by defining six key promotion strategies for each area from a mid-to-long-term perspective based on its core values and strategic directions in the areas of environment, society, and governance. We established the ESG Committee under the Board of Directors and adopted a Corporate Governance Charter, pledging to establish sound corporate governance and fair corporate activities, while setting up our ESG management philosophy. Our Company strengthened our ESG management strategy by redefining the existing material issues based on important economic, financial, social, and environmental issues that affected the Company’s business activities, and we are actively promoting and managing these issues. Going through the stages of internalization and the advancement of ESG management, we will continue to check the implementation progress and realize sustainable development through the process of creating effective ESG performance.



ESG Governance

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

The ESG Working Council is an internal council of 35 teams from 17 offices in relevant organizations, chaired by the Head of the Corporate Strategy Division. It reviews plans and progress on key issues in each ESG area on a monthly basis to strengthen the execution of ESG activities. The ESG Committee also has a dedicated ESG Team (Sustainability Planning Team) to support ESG strategy formulation, ESG internalization and capacity building, stakeholder communication, and risk management.



ESG Committee (Committee of the Board of Directors)

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

ESG Committee Activities

Meeting Date	Agenda Item	Approved Or Not
1st (March 7, 2024)	2024 ESG work plan report	Reported
2nd (June 13, 2024)	Report on the publication of the Sustainability Report	Reported
3rd (September 30, 2024)	Report on key actions and plans for 2024	Reported
4th (December 19, 2024)	Proposal to approve the 2025 ESG Action Plan	Approved

※ As of Dec 31, 2024



KAI

SUSTAINABILITY REPORT 2025

ENVIRONMENTAL

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TCFD Report

024
Response to Climate Change

026
Eco-Friendly Technology

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Resource Circulation

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

Governance

Roles of the Board of Directors

KAI installed and operates an ESG Committee under the Board of Directors in order to comprehensively manage climate change-related issues and company-wide ESG tasks. The ESG Committee meets regularly each quarter, and its main function is to review key issues, such as ESG policies and their implementation, and climate change response strategies, etc. In particular, the ESG Committee supports the organization to achieve its sustainability goals, such as establishing mid- to long-term policies and strategies of ESG management including climate change responses, setting goals, and reviewing execution statuses. According to the regulations of the ESG Committee, details on relevant activities must be reported regularly to the Board of Directors at least once a year. Through this, the Board of Directors acts as a supervisor for all ESG Committee Activities. Furthermore, the Board of Directors inspects the progress of climate change response goals during its regular reports, and the greenhouse gas emissions disclosed in the business report are confirmed after receiving final approval from the Board of Directors. In 2024, the ESG Committee reviewed the annual ESG work plans and the publication of the sustainability report that highlights KAI's achievements in climate change response. With the approval of the 2025 ESG promotion plan, the future implementation strategy was finalized.

Roles of Management

An organic collaboration system is being developed to systematically identify and manage risks and opportunities arising from climate change at both management and operational levels. KAI's climate change response is overseen by the Safety Environment Team within the Safety Office (directly under the CEO) and is in charge of key functions such as establishing and operating environmental management systems, and establishing mid- to long-term strategies for carbon neutrality. The Sustainability Planning Team, which is the department exclusively in charge of ESG, is in charge of planning support for key functions (global environmental initiative response, climate change response system internalization, etc.) related to climate change responses, as well as establishing and implementing ESG management strategies and managing non-financial risks, etc. Furthermore, the Sustainability Planning Team acts as the secretariat for the ESG Working Council and provides ongoing support for the council's operations. The ESG Working Council monitors the establishment and implementation of plans for key tasks related to climate change, such as the execution of climate neutrality and the operation of the energy management system, etc., every month, and the head of the Strategic Division (management) serves as the chair. The head of the Strategic Division regularly inspects issues related to climate change through the council and reports significant matters to the ESG Committee to align them with management's decision-making processes.

Strategy

Identification of Climate Change Risks

Risk factors related to business operations contributing to climate change are being analyzed from various perspectives. The impacts of physical risks related to climate change on the business of KAI are divided into short-term/mid-term/long-term, and their effects throughout the business model and value chain, as well as detailed response plans, are being analyzed. Accordingly, KAI established and implemented preemptive and comprehensive risk management strategies, such as compliance with greenhouse gas emission trading programs, improving energy efficiency, innovating eco-friendly technologies, and establishing emergency response systems in preparation for extreme climate conditions as a part of its efforts to actively cope with uncertainties related to climate change.

Risk Factors		Risk	Financial Impact	Business and Value Change Impact	Response Plan	Impact
Conversion risk	Policy and legal risk	- Increased costs for compliance due to strengthened carbon emission regulations (carbon tax, mandatory reports related to the environment, etc.) - Penalty risks when violating carbon emission regulations	- Costs for regulation compliance and reducing carbon emissions (additional manpower, system construction, etc.) - Possibility of fines and sanctions - Reduced profits due to reduced subsidies	- Requirements for technological and process innovation for reducing carbon emissions - Need for cooperation and a management system to reduce Scope 3 throughout the supply chain - Need for conversion regarding energy-intensive manufacturing structures - Restrictions on production and business approval for high carbon emission products and participating in bids/procurement	- Compliance with the GHG emissions trading system - Analysis of energy usage per business site and energy usage efficiency within the company - Construction of an 'energy portal system' - Expand the emissions management system of the headquarters throughout the entire company - Scope 3 emissions management	Mid-term
	Technological risks	- Increased initial investment and R&D costs for the development of low-carbon/eco-friendly technologies - Technology conversion costs due to substituting existing equipment/technologies	- Increased R&D costs - Depreciation or the need for the early conversion of existing equipment and assets	- Need to integrate electricity/hydrogen-based aircraft and eco-friendly technologies in the product and technology development stage - Need to convert the quality ecosystem due to the acceleration of digital transformation	- Development of AAV (Advanced Air Vehicle) represented by electrically propelled vertical takeoff and landing aircraft - Development of next-generation hydrogen fuel aircraft, eco-friendly MEA and other eco-friendly technologies	Long-term
	Market risks	- Enhanced client delivery conditions due to strengthened ESG standards - Need to secure technological competitiveness for expanding eco-friendly products	- Possible reduction in sales and profitability when the market response is delayed - Reduced marketability of non-eco-friendly products - Increased difficulty in attracting investments according to eco-friendly/ESG grades	- Reduced bidding competitiveness for the civil aviation/defense sectors when not satisfying ESG standards (limited entry into the B2G and overseas markets due to eco-friendly certification, etc.) - Possible to enter new markets and address sustainability demands within the global aviation market by securing eco-friendly technologies	- Expand the development of KAI's eco-friendly aircraft according to the IATA's 2050 aviation industry carbon-neutrality goals	Long-term
	Reputation risk	- Damage to brand image when having insufficient climate change response - Reduced bidding competitiveness due to a negative image of climate change	- Increased initial marketing costs - Possibility for increased sales due to improved reliability within the market - Possibility for lowered stock prices and corporate value	- Strengthens long-term trust based on reflecting standards linked to sustainability throughout the supply chain - Enhance the corporate image and status in the global market by enhancing the implementation of ESG	- Establishment of a mid- to long-term roadmap for installing solar power systems to procure renewable energy - Pursue aviation carbon neutrality - Achieve energy management system certification (ISO 50001)	Mid-term
Physical risks	High-temperature risk (high-temperature)	- Concerns about damaging corporate image due to serious disasters in the event of heat waves	- Increased cooling and climate control system investment costs - Reduced bidding competitiveness due to a drop in image and reliability in cases of serious disasters - Loss in profits due to increased power usage	- Reduced stability and operating rate of production facilities - Difficulties operating personnel due to worsened labor environments	- Establishment of emergency response plans to prepare for abnormal temperatures - Supply of efficient cooling energy through centralized control	Mid-term
	Temperature risk (low temperature)	- Risk of freezing and damage to equipment due to cold waves	- Increased costs due to upgraded heating and freeze-prevention systems - Costs for repairing damaged equipment	- Possibility of a reduced operating rate of equipment in the winter or delayed production - Need to reduce facility maintenance and repair periods	- Strengthen the equipment insulation and freeze-prevention system - Replacement of outdated boilers, freezers, pumps, inverters, etc.	Mid-term
	Precipitation risk (drought)	- Possible issues with water supply at the work site	- Increased costs for the construction and operation of the water management system - Losses due to process delays	- Increased risks of production interruptions in the manufacturing process due to high water dependency - Possibility of reduced quality and supply chain instabilities	- Enhance water recycling by connecting pipes to other processes	Mid-term
	Precipitation risk (heavy rain)	- Risk of reinforcing equipment or stopping operation due to leaks	- Costs for flooding repair facility reinforcement - Reduced profits due to the discontinuation of production	- Delays in supply chain and shipments - Customer complaints and contract risks due to failures to meet delivery schedules	- Replacement of water pipes in key areas to prevent leaks in outdated pipes	Mid-term
	Natural disaster risks	- Possibility of facility damages and casualties due to natural disasters (typhoons, floods, forest fires, etc.) - Potential stops in production due to natural disasters	- Costs for facility damages and repairs - Reduced revenue due to discontinuation of production - Increased insurance costs related to natural disasters	- Possibility of operational issues at key work sites - Delays in global export logistics networks and meeting delivery schedules - Possibility of evacuations and process stoppages in nearby areas in the case of forest fires	- Operation of emergency response system and integrated monitoring team - Hold emergency response training	Short-term

* KAI is currently elevating its infrastructure and expertise to provide quantitative climate information amidst relatively limited organizational size and operational conditions compared to the rest of the industry. We plan to continuously monitor domestic and foreign policy changes, including the 2°C scenario and the government's 2050 carbon zero scenario, and respond flexibly.

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

Risk Management

Climate Change Risk Identification and Evaluation

KAI systematically analyzes domestic and foreign climate policies, related regulations, industrial trends, and stakeholder needs through its Sustainable Planning Team and ESG Working Council to identify and evaluate risks associated with climate change. The Sustainability Planning Team conducts monthly monitoring of plans aimed at addressing climate change risks, including those related to the supply chain. This process is overseen by the ESG Working Council, which ensures that major risks are reviewed and managed continuously. Serious risks identified through this process are reported to the ESG Committee. These risks are incorporated into the organization's strategy development and decision-making processes, and they are used to explore relevant response plans.

Climate Change Risk Management System

In order to systematically address the company-wide risks caused by climate change, we are developing a comprehensive response system focused on prevention across all areas of energy and environmental management. We acquired an energy management system (ISO 50001) certification in 2023 to enhance energy risk management caused by climate change, and through this, we continue to conduct regular diagnostic and improvement activities. Furthermore, we implemented the 'Energy Portal System' in 2024 in order to encourage employees company-wide to engage in voluntary conservation activities by allowing them to check their energy usage, such as of electricity, gas, and water, in real-time. Also, we established system cooling/heating temperature standards and applied remote control systems in key buildings, such as the office buildings, to efficiently manage energy consumption. Energy usage and Scope 1 and 2 greenhouse gas emissions are monitored monthly at each work site to manage carbon emission risks.

Enterprise Risk Management System

We have constructed and operate a comprehensive risk management system centering on the ESG Working Council in order to systematically manage risks throughout corporate activities. Climate change risks are thoroughly identified and managed by the ESG Working Council, led by the Sustainable Planning Team. The findings are integrated with the company's overall risk management systems to develop effective response plans. KAI installed the Risk Management Team under the CRO (Chief Risk Officer) to efficiently conduct risk management for the organization, and the Risk Management Team is in charge of establishing risk response strategies by establishing company-wide risk management standards, operating a risk management system, and through regular management council meetings. The Risk Management Team participates in the ESG Working Council to share the status of establishing and executing plans for tasks related to major ESG risks, including climate change, every month, thereby contributing to strengthening the organic links between the ESG management system and company risk management system, and in establishing a unified risk control basis.

Indicators and Objectives

Climate Change Risk Evaluation Index

In order to systematically evaluate the risks and opportunities related to climate change, key indicators such as Scope 1 and 2 emissions, energy usage, and the renewable energy convergence rate, etc., are regularly calculated and managed based on the greenhouse gas inventory. Furthermore, Scope 3 emissions have been calculated and verified annually since 2022, and we plan to expand the range of calculation gradually. We continuously assess and manage the effectiveness of our climate change response strategies using various quantitative indicators.

Climate Change-related Goals

In order to systematically manage the implementation level of our climate change response goals, we establish annual greenhouse gas emission goals, and we set yearly reduction goals such as 65,450tCO₂eq for 2022, 66,230tCO₂eq for 2023, and 65,549tCO₂eq for 2024, and we are continuously checking their performance. In particular, as greenhouse gases from using electricity account for about 70% of all greenhouse gas emissions, KAI is pursuing a reduction of electricity usage and an increasing transition to renewable energy as a core strategy. We established plans to expand renewable energy, securing rates based on electricity usage to 21% by 2030, and achieved 6.5% of this in 2024. We plan to continue to utilize data management to reduce emissions in the future, and we are planning on setting a carbon neutrality goal and establishing a stage-by-stage reduction road map.



Climate Change Response

Work Site Greenhouse Gas Reduction Strategy

Of the greenhouse emissions of KAI, over 70% are used for electric power, and therefore, it is pursuing the increased use of eco-friendly renewable energy as a key strategy.

In 2024, a 5.4MW solar power generation facility was installed on the roofs of eight buildings at the Sacheon headquarters, and all of the electricity produced from this is being used for the building. Approximately 6,666,373kWh of electricity is produced every year through solar power generation, and this reduces about 3,000 tons of greenhouse gas emissions.

Additionally, system cooling/heating temperature control standards were established, and remote control systems were applied to buildings, etc., as part of our efforts to reduce energy usage. In 2025, we are planning to review and implement various mitigation methods, such as installing high-efficiency freezers, energy conservation activities, etc., to reduce an additional 400 tons of greenhouse gases annually. Moreover, we will aim to increase the use of renewable energy through various methods of renewable energy transition, such as PPA (Power Purchase Agreement) and REC (Renewable Energy Certificate) for power usage that accounts for 70% of greenhouse gas emissions.

Status of the installation of 5.4MW (self-use) solar power generation equipment at the headquarters



Energy Usage (TJ/yr)	2022	2023	2024
	1,246	1,299	1,391

※2024 work sites: Headquarters, Sancheong, Goseong, Jongpo, Jinju Rotary Wing Flight Center, leased area (Seoul Office, KAEMS)

Energy and greenhouse gas reductions by using eco-friendly renewable energy

Electricity generation

6,666,373 kWh



Energy reduction

63,997 GJ



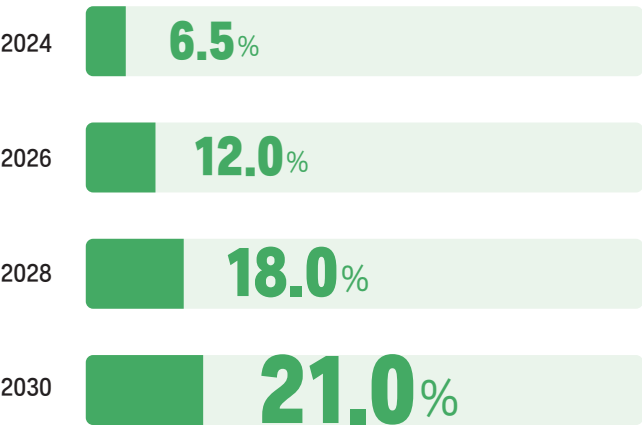
GHG emission reductions

3,062 tCO2-eq



Securing renewable energy

※Electricity standards



Greenhouse Gas Scope 1, 2 Emissions Management

As a company subject to an emission trading assignment designated by the government, we constructed a GHG inventory to manage greenhouse gases generated directly and indirectly from the company, and we monitor energy usage per work site and Scope 1 and 2 GHG emissions every month. Third-person verification is conducted for GHG emissions to secure accuracy and transparency.

GHG emissions are calculated and reported for all work sites, such as the Sacheon headquarters, Sancheong, Goseong, Jongpo, Jinju Rotary Wing Flight Center, and Seoul Office. The 2024 domestic work site greenhouse gas emission for both Scope 1 and 2 was found to be a total of 67,159tCO2-eq.

Classification	Unit	2022	2023	2024
GHG emissions goal	tCO2-eq	65,450	66,230	65,549
Scope 1 (Direct Emissions)	tCO2-eq	14,512	17,825	19,821
Scope 2 (Indirect Emissions)	tCO2-eq	47,189	47,463	47,338
Scope 1+Scope 2 emissions	tCO2-eq	61,701	65,288	67,159
Renewable energy transition ratio (electricity)	%	-	-	6.5

Greenhouse Gas Scope 3 Emissions Management

Since 2022, we have been receiving Scope 3 emissions calculation and verification, which is being disclosed in our annual sustainability report. At present, data is disclosed for four out of the 15 Scope 3 categories. In the future, we will secure data on the remaining categories and apply verified methodologies to broaden the Scope 3 emissions calculation, which includes the supply chain.

	Classification	2022	2023	2024
Upstream emissions	Transportation and logistics	326	388	384
	Business travel	798	1,039	1,084
	Employee commuting	146	142	132
	Waste generated from work site	-	-	3,461
Scope 3 total		1,270	1,569	5,061

Eco-Friendly Technology

Aviation Carbon Neutrality

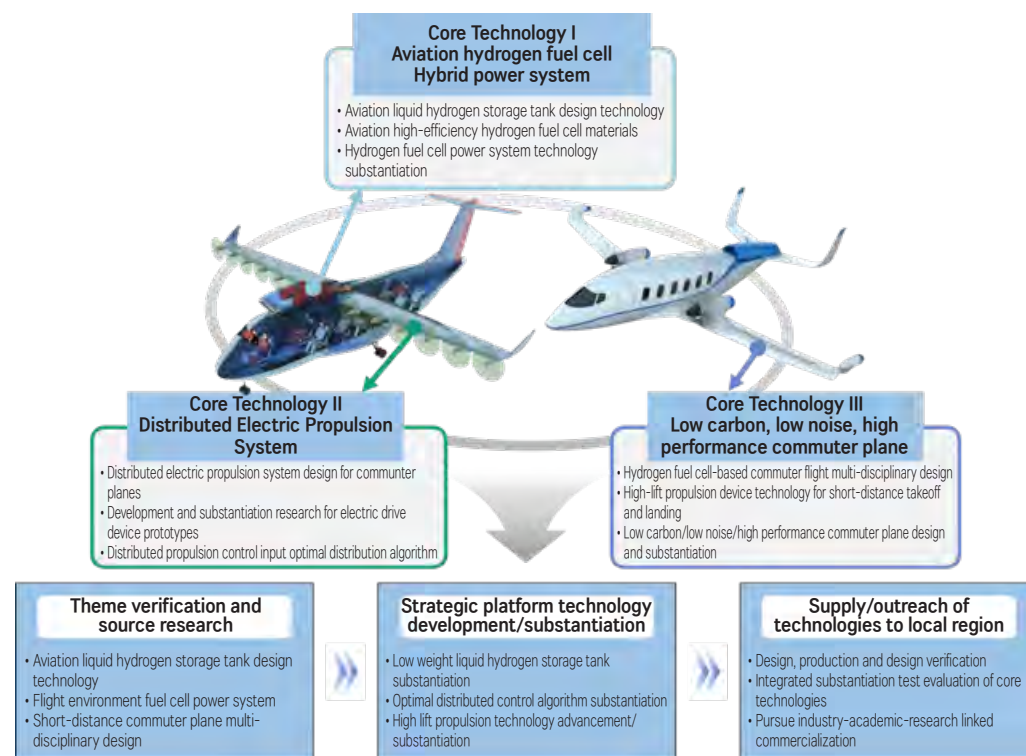
KEY PERFORMANCE



Expanded R&D for Eco-Friendly Aircraft

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

The 'Regional Innovation Mega Project Advanced Mobility Pilot Project' kick-off meeting, joined by 11 institutes including KAI, was held on May 30, 2023, at Gyeongsang National University in order to begin pilot research, and we have been participating in other industry-academic-research joint R&D projects for developing next-generation hydrogen fuel aircraft. The "Advanced Mobility" project, in which KAI is participating, is a technology research task for the development of future commuter aircraft with a hybrid distributed electric propulsion system based on hydrogen fuel cells. During the three years of the pilot project, in which 8.57 billion KRW will be invested, KAI will conduct a pilot study to develop a hybrid power system based on hydrogen fuel cells, a distributed electric propulsion system, and technologies for low-carbon, low-noise, high-performance commuter aircraft in order to secure zero-carbon, eco-friendly hydrogen fuel cell aircraft-based technologies.



AAV (Advanced Air Vehicle)

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



Advanced Air Vehicles (AAV)



Advanced Air Vehicles (AAV)

Execution of Eco-Friendly MEA Pilot Studies

In order to secure key technologies in electric/hydrogen fuel and lay the foundation for it, we are conducting pilot studies for changing the machine tail rotors of rotary wing aircraft into electric tail rotors. With a total project cost of 15.5 billion KRW over four years to 2025, KAI is carrying out the development of aircraft motors and inverters, environmental and certification tests, and rig tests to conduct pilot studies on the installation of electric motors on aircraft and considerations.

Eco-Friendly Technology

Digital Engineering

In the development of the “Korean fighter aircraft KF-21 Boramae,” KAI successfully applied digital engineering technologies to advance the project.

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

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

Digital Twin / MBSE (Model Based System Engineering)

As we move into the digital age, we are focusing on digital twin technology, which serves as a key outcome of digital threads that effectively connect our technologies. In particular, as a comprehensive/source development company for aircraft, it is necessary to procure complete digital twin technologies that start from the initial design stage based on our aircraft development experiences accumulated over several decades. This is in line with the Defense Acquisition Program Administration’s ‘Weapons System Digital Twin Utilization Guidelines’ enacted in December 2023, and it is also a process for preemptively preparing technologies that can be utilized in future projects. For this, we are focusing on identifying core technologies for the design-digital twin for building an advanced system process while gradually securing technologies. As the first step for digitalizing all physical/functional resources of aircraft, we implemented the top-level architectural technology called MBSE and are engaged in company standardization work. We plan to further develop it in order to present development methodologies for internal/external digital models that are combined with detailed modeling technologies, and to present methods for developing optimal aircraft designs. In the final stage of digital twin development, AI will integrate with all domains for connected decision-making. This will enable rapid adaptation to changes in the emerging global aviation development paradigm shift.

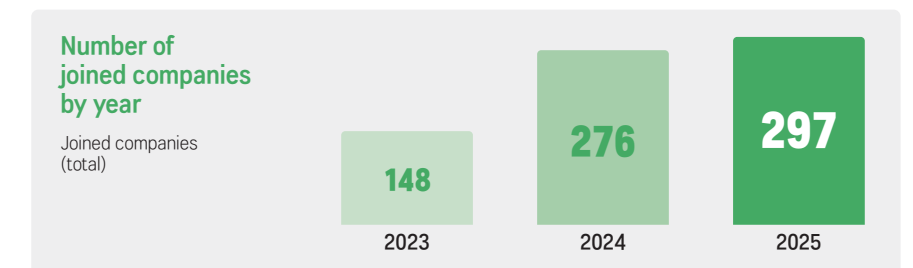
We have also been steadily preparing for digital transformation for the sustainability and spread of digital engineering technology. Through these innovative preparations and efforts, we plan to become a model for leading the Korean aviation industry. In addition, as we believe that improving manufacturing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

Providing a Platform for Building a Quality Digital Ecosystem

We have constructed, donated, and operated a digital quality ecosystem-based system in the aerospace defense sector based on the work agreement entered into with *KAIA and the Korea Aviation Manufacturing Subcommittee Council in October 2023. By providing an integrated quality management system that partners can operate autonomously, we are preventing overlapping investments in their systems while providing system-based quality management conversion opportunities according to the Industry 4.0 trends, and as of March 2025, 297 companies are using this.

The digital platform is not a one-time support program, but rather, we provide regular system updates that reflect user needs twice a year and offer user training. In the long run, we aim to provide an integrated quality management system (QMS) that the aerospace defense industry can use jointly. Furthermore, we are actively providing opportunities to improve work efficiency and secure data reliability through the computerization/automation of partner operations such as contract/schedule management and nonconformity management, etc.

*KAIA : Korea Aerospace Industries Association



Expand investments in AI companies and reinforce responsibilities toward a sustainable future

We strive to ensure that AI technologies positively impact humanity, protect the environment, and operate transparently and responsibly. We are investing in AI startups and technologies that create social and environmental impact, while promoting the development of responsible AI technologies. Also, we intend to meet the needs of investors, the government, and civic society to develop and operate technologies in a responsible manner, so that we may contribute to a sustainable and better future for humanity.

Key investment companies and ESG action directions

1. Meissa (investment shares approximately 22%)

- Company specializing in analyzing spatial information and satellite images using AI technologies
- Monitors climate and ecosystem changes using satellite image analysis and analyzes its impact to contribute to solving environmental issues

2. Funzin (investment shares approximately 20%) / Konan Technology (investment shares approximately 8%)

- Company specializing in a national defense AI platform, smart battlefield recognition and detection, AI advisor, and manned and unmanned cooperation AI technologies
- Controls/manages ethical and social issues, such as the transparent management and prevention of misuse regarding the development of AI-based weapons systems

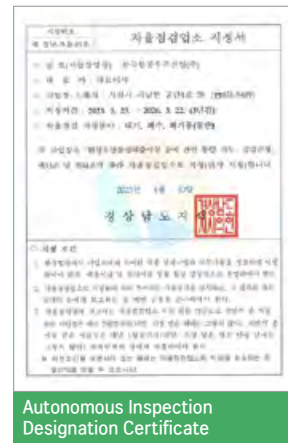
3. GenGen AI (investment shares approximately 10%)

- Company specializing in creating synthetic data and providing the solutions needed for AI learning and development
- Contributes to improving social systems by supplying the synthetic data needed for AI platform development in the safety and environmental sectors

Resource Circularity

Environmental Management

Environmental Pollutant Management



Autonomous Inspection Designation Certificate

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

As a designated environmental pollutant discharge autonomous inspection company in Gyeongsangnam-do, the Company was recognized for its autonomous management system for emission facilities (air, wastewater, and waste) and complies with all regulations. In addition, KAI implements advanced technologies such as air and water quality monitoring, environmental facility management, disaster prevention facility management, and the installation of oil separation tanks for storm water drainage to reduce risks caused by environmental pollutants, and has built an efficient environmental management system at its place of business. We also apply internal management standards that are stricter than legal standards (less than 50% than allowed by law) to reduce environmental pollutants and strive to protect the environment and ecosystem by minimizing the generation of fugitive dust in the workplace, optimizing the operation of prevention facilities, and using eco-friendly equipment to provide eco-friendly value to customers.

Every quarter, we hold environmental purification activities near the work sites to clean up garbage thrown away near towns or in rivers and wetlands. In May of 2025, the KAI Safety Environment Team, hiking club 'Sorigae', and the Gyeongsangnam-do Sustainable Development Council held a plogging event at Saryang-do Island as a part of its efforts to build a healthy natural environment for the community. We also plan to continually expand our environmental protection activities, with direct involvement from our members.



Saryang-do Plogging with KAI



Sacheon Bitoseom Island Purification

Air Pollutant Management



Ultra-Low NOx Boiler Installation

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

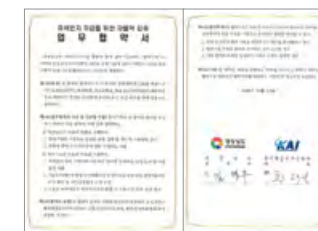
To reduce air pollutants emitted during the manufacturing process, we implemented the best available technology (BAT) suitable for the specific characteristics of the pollutants. Additionally, we established internal management standards that are stricter than the legal emission limits to effectively control emission concentrations.

To comply with these regulations and achieve its goals, we made air-related investments, including into new air pollution prevention equipment, improvements to existing prevention equipment, the replacement of outdated equipment, and regular replacement of consumable parts of prevention facilities (active carbon, filters, etc.), and we also established a monitoring system to prepare for possible environmental accidents by regularly measuring air pollutants emitted and inspecting emission equipment and prevention equipment.

Specifically, to reduce emissions of nitrogen oxide (NOx), which is classified as a major cause of climate change and air pollution, we advanced existing treatment technology by replacing old boilers with boilers equipped with ultra-low NOx burners. As of 2024, we replaced 23 (77%) boilers, which are major emission facilities, and we are continuing our efforts to reduce nitrogen oxides.

In 2024, we participated in the "Third Stage Voluntary Agreement for Reducing Fine Dust" with Gyeongsangnam-do to decrease air pollutants, including dust, sulfur oxides, and volatile organic compounds. Additionally, we were honored with a medal from the governor for being recognized as an outstanding work site for reducing air pollutants in 2023, thanks to our participation in the "Second Stage Voluntary Agreement for Seasonal Management to Reduce Fine Dust."

Starting in 2025, stricter air pollutant reduction goals will be established annually, and we are committed to meeting these targets. Likewise, we are actively participating in efforts to improve air quality by reducing air pollutants.



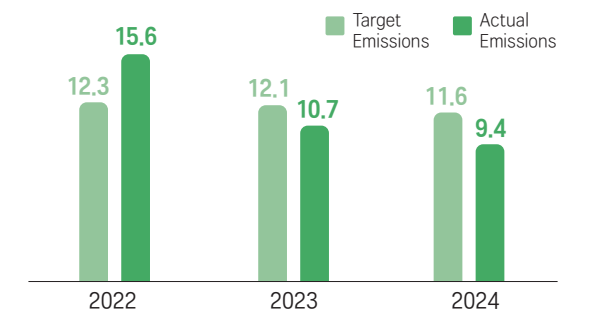
Fine Dust Reduction Agreement Ceremony

Air Pollutant Emissions

(Unit: tons)

	Dust	NOx	SOx	Total emissions
2022	10.457	4.457	0.724	15.638
2023	7.313	3.110	0.243	10.666
2024	6.434	2.943	0.044	9.421

※Data for the Headquarters



Resource Circularity

Water pollutant management



Emergency Response Drill for the Water Pollution Incident

Wastewater from processes such as surface treatment and heat treatment at KAI's facilities is collected at in-house wastewater treatment facilities. It is then subjected to primary physical and chemical treatments (first) and secondary treatments at public wastewater treatment facilities before being discharged into external waters.

To minimize our environmental impact, we established internal standards for water quality management, and we monitor our own water analysis for environmental pollutants in wastewater daily, while regularly requesting analyses from an external agency to ensure the reliability of the data.

In addition, the pollutant management standards for the company's discharged water are operated strictly at under 50% compared to legal standards, and as a result, water pollutants in the discharged water are managed at less than 10% compared to the legal requirements. Also, we replace aging wastewater treatment facilities through aging assessments and operate wastewater reuse facilities as part of our efforts to minimize wastewater generation from the work site.

In 2024, we installed a new water-oil separation tank within the flight line area to prevent oil leaks and environmental pollution accidents on the coastline, to actively reduce risks of violating laws, and to engage in ESG management activities.

Furthermore, we cooperate with Sacheon City and nearby institutes every year to hold joint training sessions on water pollution responses. Through this, we are enhancing our response capabilities in the initial stages of water pollution accidents while building close cooperation systems with relevant institutes.

Water Pollutant Discharge

(Unit: tons)

	BOD	TOC	SS	T-N	T-P
2022	0.264	0.347	0.363	0.325	0.005
2023	0.414	0.418	0.237	0.290	0.003
2024	0.411	0.709	0.916	0.647	0.006

Wastewater Treatment Plant Operation

	Wastewater Discharge	Scale of the Place of Business	Wastewater Prevention Facility Status
Headquarters	Average 349 tons / day	Class 3	Wastewater treatment method: Physicochemical treatment, Wastewater treatment capacity: 520m3/day



Oil-Water Separation Tank

Energy Management

We aim to use energy efficiently in the company and reduce the growth of energy consumption through the analysis and diagnosis of the energy usage at each work site.

We select improvement themes for energy conservation for equipment and organizations that consume high amounts of energy, and review the features of the processes and equipment to find and implement improvement items. Additionally, we are conducting company-wide energy conservation campaigns to encourage practical ideas that can be easily implemented in daily life.

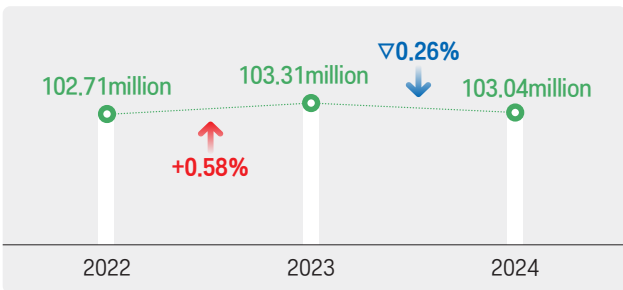
To achieve comprehensive and systematic energy management, we are regularly diagnosing and improving our processes through the 2023 energy management system (ISO 50001). In 2024, we will introduce the "Energy Portal System," which will allow all members to easily access information about energy consumption (electricity, gas, and water). This system offers energy usage and cost information for each place of use and organization, thus allowing consumers to recognize the need for energy conservation.

It also provides daily and seasonal usage features to offer direction for improving energy usage conservation.

We are committed to managing our internal goal of preventing energy usage from increasing, regardless of sales growth. We are focusing on conserving energy and improving efficiency, while also making gradual investments in line with this commitment.

Electricity usage (facilities, equipment, etc.)

(Unit: kWh)

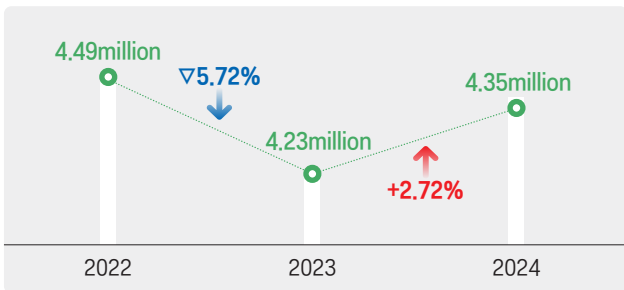


	Electricity (kWh)	Fluctuation (%)
2022	102,718,446	+4.70%
2023	103,312,995	+0.58%
2024	103,040,999	-0.26%

※Headquarters and work sites (excluding Seoul office)

Gas usage (facilities, equipment, etc.)

(Unit: m³)



	Gas (m³)	Fluctuation (%)
2022	4,494,522	+4.20%
2023	4,237,283	-5.72%
2024	4,355,904	+2.72%

※Headquarters and work sites (including cafeteria and day care center)

Resource Circularity

Energy Conservation Activities at the Work Site

Office facilities

- Encourage conservation habits such as turning off computers when leaving the office, turning off the lights during lunch breaks, etc.
- Transition to highly efficient lighting, supply efficient cooling/heating energy through centralized control

Plant facilities

- Set internal targets for reducing energy use and strengthen the monitoring of the weekly/monthly usage
- Disconnect the standby power of inactive equipment during weekends, operate energy conservation systems, optimize the activation of indirect support equipment

Common utilities

- Replace with highly efficient pumps, remove scales on the boiler, and optimize the operation time of equipment that uses high amounts of power for efficient equipment operation
- Participate in government energy efficiency projects to replace outdated boilers, freezers, pumps, inverters, etc.

Energy independence

- Expand solar power generation, convert leased solar power to self-operation and consumption, improve wastewater recycling and treatment facilities to suppress energy usage, and expand eco-friendly energy independence

Improvements to outdated pipes

- In addition to working to improve the water quality within the work site, replace water pipes in key areas in order to prevent leaks caused by outdated pipes in advance
- Replace all the utility pipes of outdated buildings to fix leaks and improve energy usage efficiency

2024 Energy Activity Results

In the electric power sector, a separate solar power generation facility has been in operation since April 2024, and approximately 6.6 million kW are being generated and consumed within the company. However, despite the addition of solar power generation due to the increase in production output, usage dropped by about 1.16% compared to the previous year.

In the gas sector, usage increased drastically (approximately 12%) due to an increase in quantity for the civil aircraft fuselage sector. Accordingly, the company recorded a 3.3% increase in usage compared to the previous year, but company-wide usage is similar or has dropped compared to the previous year.

2024	Target Quantity		Performance	
	Power	102,504,000kWh	103,040,999kWh	
	Gas	4,237km ³	4,355km ³	
	Water	421km ³	441km ³	

※Basis: Based on amount received from energy supplier

2025 Energy Management Goal

2025	Target Quantity	
	Power	105,626,000kWh
	Gas	4,201km ³
	Water	452km ³

※Reflect the amount of the fluctuation according to the expansion of the work site

2025 Energy Conservation Activity Plans

- ✔ Participate in smart energy platform construction projects to implement factory energy and greenhouse measurement systems (FEMS) to preemptively respond to global carbon reduction activities by constructing a Total Operation Center (TOC) platform
- ✔ Improve energy usage efficiency by sequentially replacing outdated freezers
- ✔ Reduce energy wastes by expanding central control for company-wide air conditioning and cooling/heating facilities

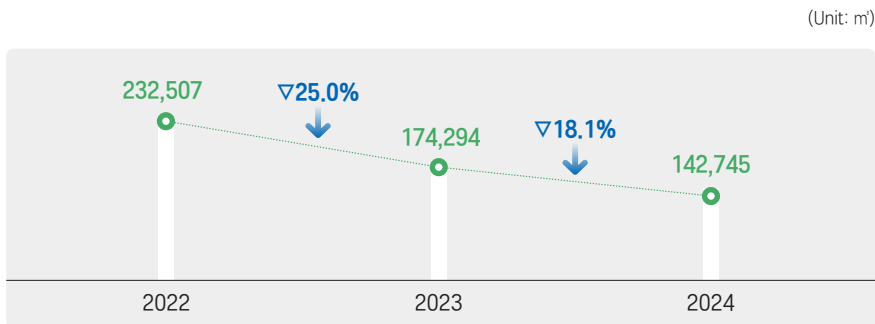
Water Management

Water usage, recycled water quantities, and pollutant discharge are monitored regularly to manage the water resources at each work site efficiently, and the wastewater treatment system undergoes regular inspections for effective management. Especially in the case of chemical treatment facilities, which are processes that use high quantities of water resources, re-treatment facilities are being expanded to reduce usage, regardless of increases in production, and modifications are being pursued to connect with pipes of other processes so that it can be used as much as possible even when recycled water cannot be reused in the process.

Water Consumption

	Water usage (m ³)	Fluctuation (%)
2022	232,507	+28.0
2023	174,294	-25.0
2024	142,745	-18.1

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



2024 water usage goal

Classification	Target Quantity	Consumption
Water Withdrawal	471,000	441,377

※Headquarters and all work sites

2025 water usage goal

Classification	Target Quantity
Water Withdrawal	452,000

※Install an automatic measuring system for wastewater generation and sewage discharge Under consideration

Amount of Wastewater Reused

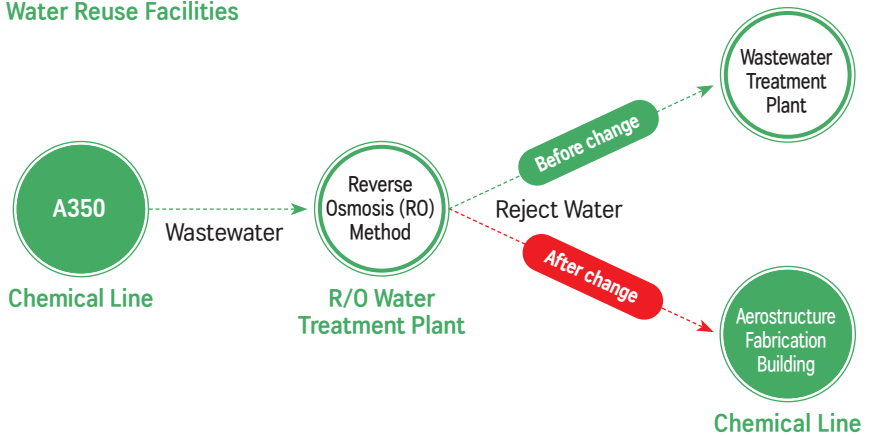
	Reuse Quantity (m ³)	Percentage of Reuse (%)
2022	51,007	21.9
2023	49,428	28.4
2024	99,998	70.1

※Based on: the Sancheong site, headquarters A350 production line

Performance

- ➔ **Emergency examinations and repairs of leaks in coolant pipes buried underground at the Aerostructure Fabrication Building**
 - Leak detection work and repairs due to a huge increase in usage compared to the previous month
- ➔ **Replacement of outdated utility (cold water/coolant water) pipes at the Utility Building for Detail part fabrication**
 - Leaks occur continuously in buried pipes, and are severely outdated, as they were used for 29 years
- ➔ **Supply piping work of A350 reject water to the Aerostructure Fabrication Building**
 - Connect pipes to recycle reject water, which are purified and then discharged, by the Aerostructure Fabrication Building

Water Reuse Facilities



100% of production process wastewater generated from the Sancheong site is being recycled as of 2025, and investments are being made in relevant facilities to enhance the recycling rates for the key processes of the headquarters.

Resource Circularity

Waste management

KEY PERFORMANCE



Business wastes are managed in compliance with the Wastewater Management Act, covering all aspects, from generation to storage and treatment.

Waste storage facilities are monitored 24 hours a day in order to prevent and rapidly respond to environmental accidents. The Ministry of Environment's Allbaro system is being used to manage various data, such as authorizations for wastes, waste handover information, waste management registry, annual waste discharge, etc. In addition, the appropriate treatment of waste discharged by the company is checked through instructions/inspections of waste handling vendors.

Also, we are planning to build a circular economy and expand ESG green management through the 'Declaration of the Launching of the Gyeongnam Plastic-Free Circulating Economy Conversion Company' and engage in various eco-friendly activities to create a sustainable future.

Waste Management Process

1

Waste Generation

- ▶ Check for any new waste generation, authorization, permission, and discharge information
- ▶ Perform separate collection of waste by physical nature



2

Waste Storage

- ▶ Separate waste according to its physical nature and comply with storage dates (General: 90 days, designated: 45 days (waste oil paint: 60 days))
- ▶ Monitor waste storage facilities 24 hours a day (Day: Safety Environment Team, Night: Registered Security Guards)

3

Waste Discharge

- ▶ Outsource waste to legitimate waste treatment companies
- ▶ Identify the entire process of the Company's waste disposal through the Allbaro system
- ▶ Regular inspection of the contractor to confirm that the waste is being properly disposed of

Waste Generation and Recycling Rate

We are working to reduce waste from the aircraft manufacturing process and lessen its environmental impact. We aim to reduce the amount of waste generated by 3% from the previous year by improving work processes and strengthening management in painting, surface treatment, and cleaning processes, which generate a large amount of designated waste with a high environmental impact.

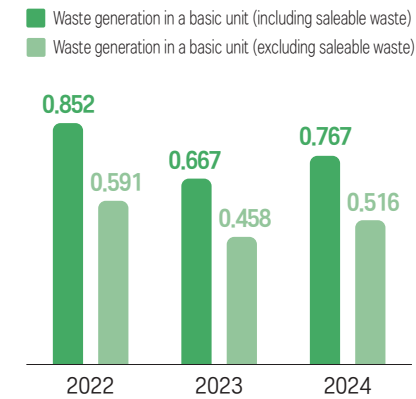
By giving preferential treatment to recycling companies when entering new waste vendor agreements, the waste recycling rate in 2024 was 83%, which was a 6% increase compared to the previous year.

Furthermore, various activities of collaborating departments are being registered and managed to achieve the waste reduction goals, such as improving recycling and waste management processes using the SHEC (safety, health, environment, chemicals) integrated management system.

Waste generation (Unit: tons)



Waste Generation in a Basic Unit (Unit: tons/billion KRW)



Waste Recycling Rate (Unit: %)



Classification	Unit	2022	2023	2024	Remarks
Waste generation	Designated Waste	Tons	494.99	478.33	382.63
	General Waste	Tons	1,143.71(1,867.89)	1,272.11(2,070.36)	1,472.53(2,378.74)
	Total	Tons	1,638.70(2,362.88)	1,750.44(2,548.69)	1,855.16(2,761.37)
	Recycling	Tons	1,203.74(1,927.92)	1,349.37(2,147.62)	1,543.78(2,449.99)
	Incineration	Tons	291.29	324.77	156.41
Waste generation by Treated Method	Landfill	Tons	44.1	43.8	74.41
	Others	Tons	99.57	32.5	80.56
Waste Generation in a Basic Unit	Total Amount Generated	Tons/billion KRW	0.591(0.852)	0.458(0.667)	0.516(0.767)

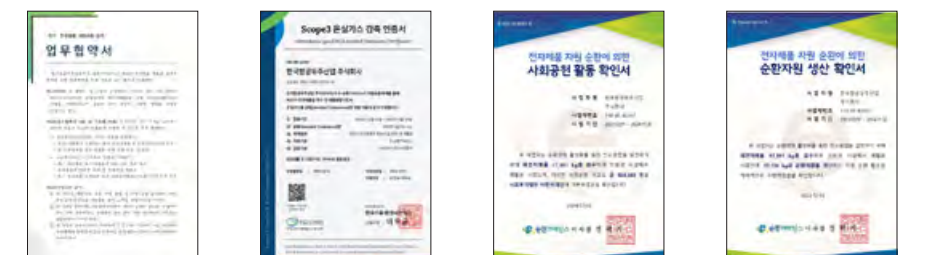
※ As of headquarters

Resource Circularity of Electrical and Electronic Products



We signed an MOU with E-Cycle Governance to practice the resource cycle of electrical and electronic products in order to proactively respond to the climate crisis and to participate in the practice of the resource cycle of electrical and electronic products by returning the benefits received from society.

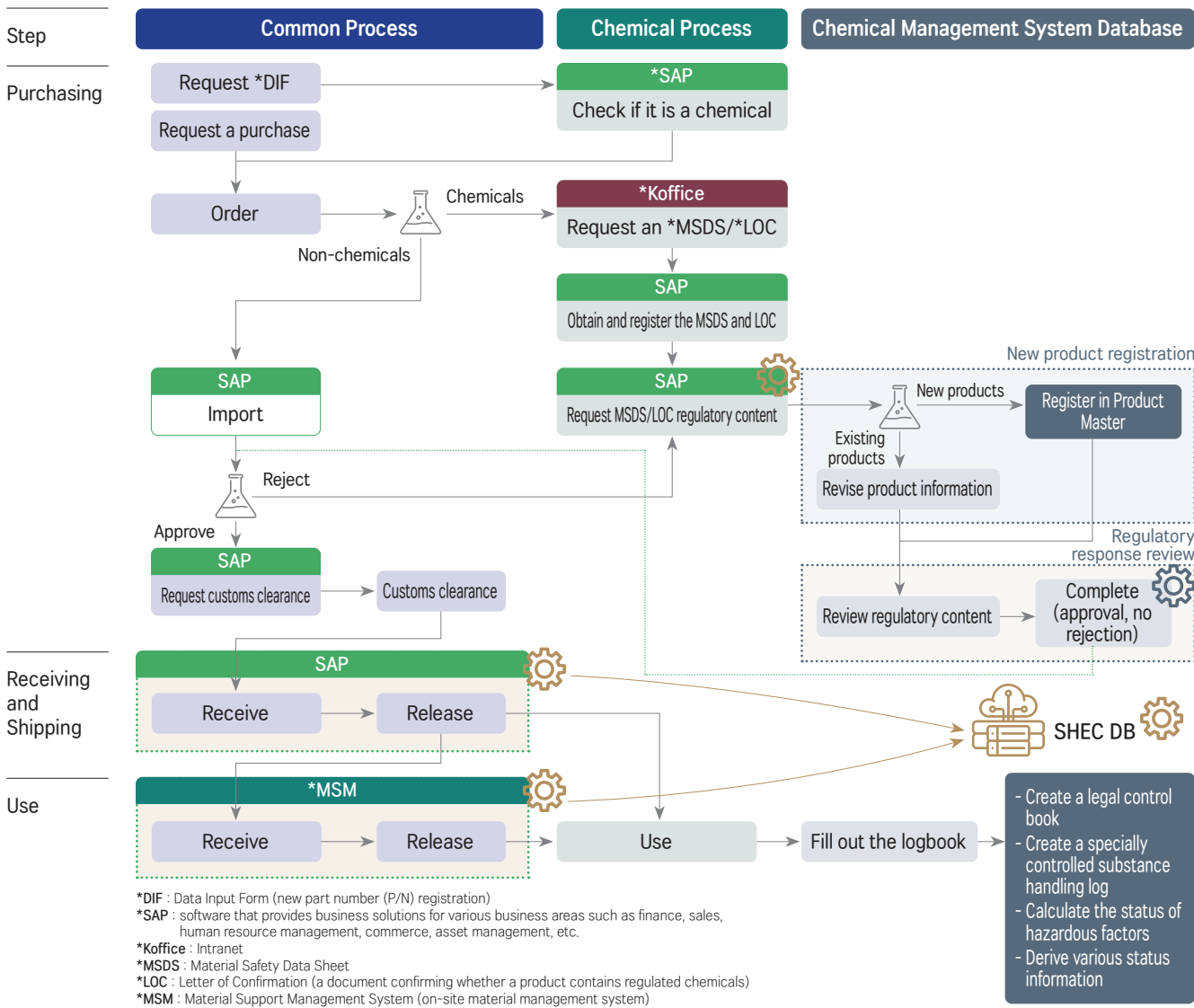
In 2024, the resource cycle for electric and electronic products was expanded to include office automation (OA) products. This resulted in the collection of 17,391 kg, representing a 287% increase from the previous year, which produced 17,151 kg of circulating resources. Additionally, this expansion led to a reduction of 33,198kg of CO2-equivalent greenhouse gas emissions.



Resource Circularity

Chemical management

KAI reviews and responds to regulated substances in accordance with the relevant laws and regulations, such as the Chemical Substances Control Act, the Act on Registration and Evaluation of Chemical Substances, etc., from the purchasing stage of chemical substances and manages them through a system so that they can be used in the production process after final approval by the Safety Environment Team, in order to minimize legal risks and ensure safety in the use of chemical substances. KAI endeavors to prevent chemical spills in advance by regularly inspecting facilities that handle hazardous chemicals, operating leakage/gas detection equipment, and emergency kits, while striving to minimize casualties of chemical spills by strengthening employees' emergency response skills through emergency response drills. KAI continuously monitors the hazardous chemicals handled by the Company through surveys of hazardous chemical use and emissions and aims to reduce use by 3% year on year by strengthening the hazardous chemical management system (reducing use, using substitutes, and applying systems). KAI participates as a member of the 'Sacheon Chemical Safety Management Committee' for the safe management of chemical substances, and it actively participates and engages in review and consulting on policies and execution for chemical substance safety management and to prepare against chemical accidents.



Chemical Safety Training

All members receive hazardous chemicals training annually, while specialized training is provided for those who directly handle hazardous chemicals, including vendor personnel, to ensure safety. Furthermore, hazardous chemical managers are being appointed for each handling facility, and they undergo specialized training to gain expertise in managing hazardous chemicals. This initiative is part of our commitment to creating a safer workplace.

Chemical Training Status

Curriculum	Subject	Institution	Outcomes
Hazardous Chemical Worker Training		In-house	5,377 persons (2 hours/1 year) 2024
Hazardous Chemical Handlers Course	Employees and suppliers	Korea Environmental Engineers Association National Institute of Chemical Safety	578 persons (16 hours/2 years) 2024
Hazardous Chemical Technician and Manager Course	Hazardous chemical managers	Korea Chemicals Management Association	18 people (16 hours / 2 years) in 2023 14 people (16 hours / 2 years) in 2024
Hazardous Chemical Manager Qualification Course	Hazardous chemical managers	Korea Chemicals Management Association	3 people (32 hours) in 2024



Chemical Management System

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

	2022	2023	2024	Remarks
Hazardous Chemical Usage (Tons)	107.07	99.67	101.16	As of headquarters
Chemical Emissions (Tons)	26.98	28.63	13.47	



KAI

SUSTAINABILITY REPORT 2025

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CSR (Corporate Social Responsibility)

Human Rights Management

Human Rights Management Policy

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

1) Human Rights Management Principles

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

Human Rights Management Policy Declaration

KAI commits to upholding corporate social responsibilities and standards, taking decisive action in accordance with the Ethical Compliance Regulation Article 3, which states, "The Company shall respect individual dignity and value and strive to improve the quality of life." Additionally, we adhere to Article 1 of the Universal Declaration of Human Rights, which declares, "All human beings are born free and equal in dignity and rights."

We defined the responsibilities for a high level of respect for human rights for clients, members, business partners, and the community. By identifying, assessing, preventing, and suggesting solutions to risks that can affect human rights, our corporate activities will be friendly to human rights. Moreover, we will do our best so that this policy may be protected by business partners as well.

KAI is a company that practices a high level of global civil awareness and respects the human rights of everyone who encounters our business activities.

Korea Aerospace Industries, Ltd.
CEO Kang Goo-young 

Human Rights Management Policy Declaration

KAI's 10 Principles of Human Rights Management



2) Human Rights Training

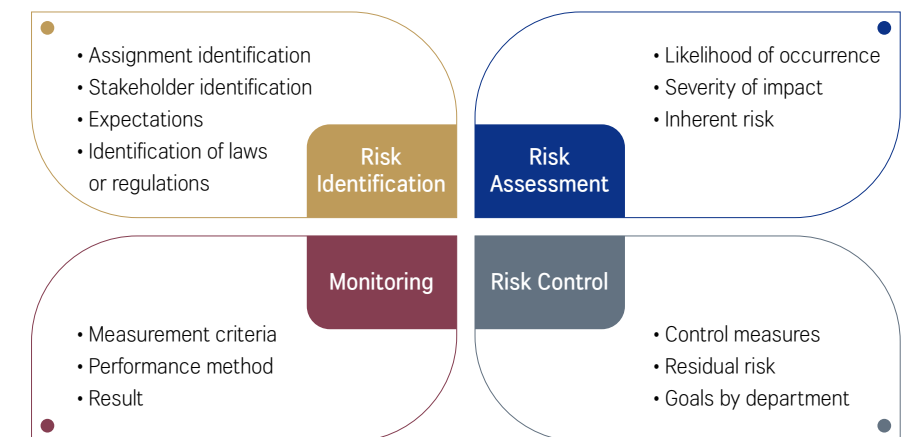
Every year, KAI conducts human rights training for all employees using various methods (online training, collective training, distribution of training materials, etc.), including legally required training on disability awareness and sexual harassment prevention.

3) Grievance Procedures for Human Rights Violations

KAI operates an online and offline reporting system to protect the human rights of all stakeholders, including employees, business partners with whom KAI enters into business contracts, and local communities. KAI operates an online reporting system to report all potential human rights violations and issues within and outside the company, as well as non-human rights issues, such as for local communities. Reports can be filed anonymously, and the contents are handled by a dedicated department (business ethics office) to protect the victims. In addition, when KAI receives an offline complaint about human rights violations in the company, the relevant department (HR Department) reviews the content and takes action, and if necessary, personnel measures such as standby or isolation are implemented. Further, KAI operates a grievance counseling center to provide free counseling on workplace harassment, sexual misconduct concerns, etc., and psychological testing to protect employees' human rights.

4) Human Rights Management Risk Management System

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



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

Human Rights Management

Employees

Personnel Management System

KAI has built a comprehensive talent management system to provide an exceptional employee experience throughout the entire career journey, from onboarding to off-boarding. We cultivate a positive introduction to the company through a variety of outreach initiatives including online and in-person job fairs and CEO-led campus recruiting events complemented by a structured onboarding program for all new hires. Post-onboarding, we empower employees to grow into core aerospace experts through robust training programs, a fair performance-based evaluation and compensation system, and benefits tailored to individual life stages. These initiatives are integral to achieving our corporate vision: "Global KAI Beyond Aerospace," aiming for KRW 40 trillion in revenue and a position among the world's top seven aerospace companies by 2050.

Talent Acquisition

1) Our Ideal Talent Profile

KAI is dedicated to cultivating forward-thinking talent who blend strong integrity with exceptional skill individuals who are creative, proactive, and collaborative. To this end, we continuously enhance our recruitment, training, benefits, and HR systems to foster a vibrant and positive corporate culture.



2) Recruitment Promotion

To secure the key talent who will lead Korea's aerospace industry, we engage in proactive and multi-channel recruitment campaigns. We provide clear and accessible information about the aerospace sector and specific roles within KAI through various platforms, including YouTube and social media. We conduct campus recruiting at major universities nationwide, where our CEO and executive team personally host information sessions to engage directly with prospective candidates. Furthermore, to connect with a diverse talent pool without geographical or time limitations, we host virtual recruiting events in the metaverse.



3) Recruitment Process

We are recruiting talented individuals through various channels, such as on-site interns who can later be hired, new employees, experienced employees, etc., to achieve the vision of our company. We conduct job-oriented recruitment to select the right talent for the Company based on applicants' skills and experience, and enhance recruitment reliability and suitability through evaluation processes, such as document screening, AI interview, interviews, background checks, and medical examinations. KAI also conducts fair recruitment procedures to ensure that there is no human rights discrimination based on gender, age, nationality, religion, or origin in the recruitment process.

4) Preemptive acquisition of outstanding human resources

We opened and operate specialized departments through industry-academic cooperation with a number of prominent universities in Korea as part of our efforts to preemptively secure outstanding human resources needed by the company, and we are looking for various ways to expand the number of schools and students.

In addition, close mutual cooperation systems with four universities in the Gyeongnam region were built for the purpose of developing the aerospace industry and to foster outstanding local human resources under the name of 'KAI Track'. By securing students with excellent grades and capacities in advance, we are overcoming the issues of shortages of manpower while offering preferential treatment for employment, such as exemption from initial resume reviews when students complete the KAI Track.

Human Rights Management

Education and training

1) Human Resources Training

■ Guided by our core DNA of Creativity, Challenge, and Collaboration, we operate a tailored talent development system that empowers our people to pioneer world-class technology, create high value in the aerospace industry, and contribute to a society of shared prosperity. Our training programs are focused on global leadership and job-specific expertise to enhance individual capabilities and strengthen our organizational competitiveness.

■ Through industry-academia partnerships, we support employees in pursuing master's and doctoral degrees, a program designed to deepen their research capabilities and professional expertise to drive technological innovation.

■ We support continuous learning by discovering and offering a diverse range of self-development programs, including the newly introduced AI-powered mobile English learning platform in 2025.

■ In 2025, a company-wide organizational enhancement initiative was launched to foster a cohesive corporate culture, promote collaboration, and drive collective synergy.

■ In compliance with laws promoting employment for older workers, KAI offers pre-retirement training to support employees in their career transition. From 2022 to 2024, 267 employees completed this program, preparing them for the next chapter of their lives.



2) Shared Growth for the Development of the Aerospace Industry

Through our partnership with the Human Resources Development Service of Korea, we leverage our corporate training infrastructure to deliver tailored, consortium-based training programs addressing the specific needs of our small and medium-sized enterprise (SME) partners. By expanding these programs and introducing courses supported by paid training leave, we have successfully trained 1,641 professionals from partner companies between 2022 and 2024.

3) Support for the Development of Future Talents

Hosted by KAI and sponsored by the Ministry of Trade, Industry and Energy and the Korean Society for Aeronautical and Space Sciences, the Aerospace Paper Contest has been a premier annual event since 2003. Now in its 22nd year, the contest has become a key platform for fostering academic interest and driving technological advancement in the aerospace field. To date, it has contributed over 657 research papers, laying a foundation for Korea's aerospace development. As Korea's premier aircraft systems integrator, KAI remains committed to fulfilling our responsibility by enhancing and diversifying educational programs for our employees, their families, partners, and the next generation of aerospace talent, thereby advancing the industry as a whole.

Fair Evaluation and Compensation System

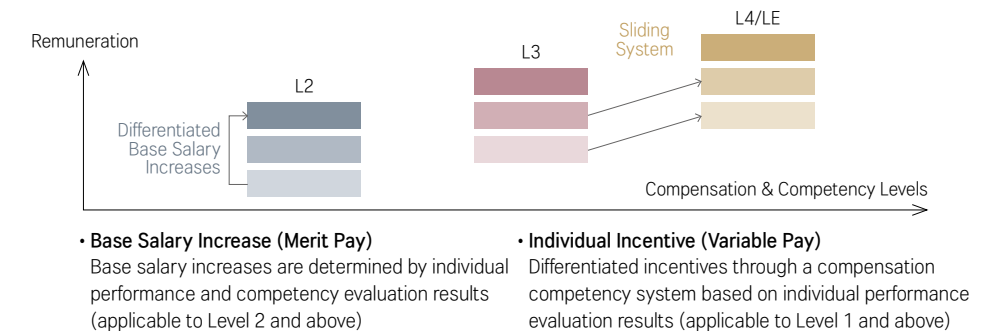
1) Performance Evaluation System

KAI utilizes the OKR (Objectives and Key Results) framework to align performance with strategic goals. Through annual organizational and individual evaluations, we assess goal achievement and provide constructive feedback, fostering both personal and organizational growth. We ensure a fair and transparent process by using a comprehensive set of tools, including performance evaluations, competency assessments, and 360-degree leadership reviews. Performance is assessed semi-annually based on goal attainment and job-related outcomes. A formal feedback and appeals process is in place to ensure procedural fairness. Annual competency evaluations assess the full range of employee capabilities, while 360-degree feedback provides a holistic view of leadership performance. The comprehensive annual evaluation results directly inform decisions regarding compensation, promotions, and career progression.

Individual evaluations consist of performance reviews, competency assessments, and multifaceted evaluation for organizational managers			
Item	Performance Evaluation (Performance)	Competency Evaluation (Competency)	Multifaceted Evaluation (Leadership)
Focus	Performance Improvement - Accurate Performance Measurement	Competency Development - Competency Review & Development Point Check	Reference to Appointment and Dismissal of Organizational Managers - Competency Review & Development Point Check
Evaluation Criteria	Job Performance Results	Job Performance Method (Behavioral Observation Method)	Leadership Performance Level (Behavioral Observation Method)
Subject	Supervisor	Supervisor	Subordinates, Colleagues
Frequency	Twice a year (1st/2nd Half)	Once a year	Once a year
Result Application	Individual Incentive (1st/2nd Half)	Individual Base Salary Increase	Promotion, Transfer, and Training
			Reference to Appointment and Dismissal of Organizational Managers

2) Compensation System

Our compensation structure consists of three main components: fixed salary, fringe benefits, and variable salary. A fixed salary includes a base salary and a fixed bonus that is increased annually based on individual performance. Fringe benefits include work-life balance incentives, homecoming and holiday bonuses, etc., and are paid based on the base salary at specific pay periods. Variable pay includes incentive pay tied to individual evaluation results, business goal achievement incentives based on semi-annual performance, and a profit-sharing (PS) plan linked to the per-capita operating income.



Human Rights Management

Employee Welfare Benefits

We operate a comprehensive benefits system across five key areas designed to provide our employees with financial security, family stability, opportunities for self-development, and a high quality of life. These diverse benefits are designed with fairness and life-cycle considerations in mind, supporting employees from onboarding through retirement. We regularly enhance and expand our benefits programs to increase employee satisfaction and adapt to their evolving needs through ongoing labor-management consultations.

Welfare Benefits

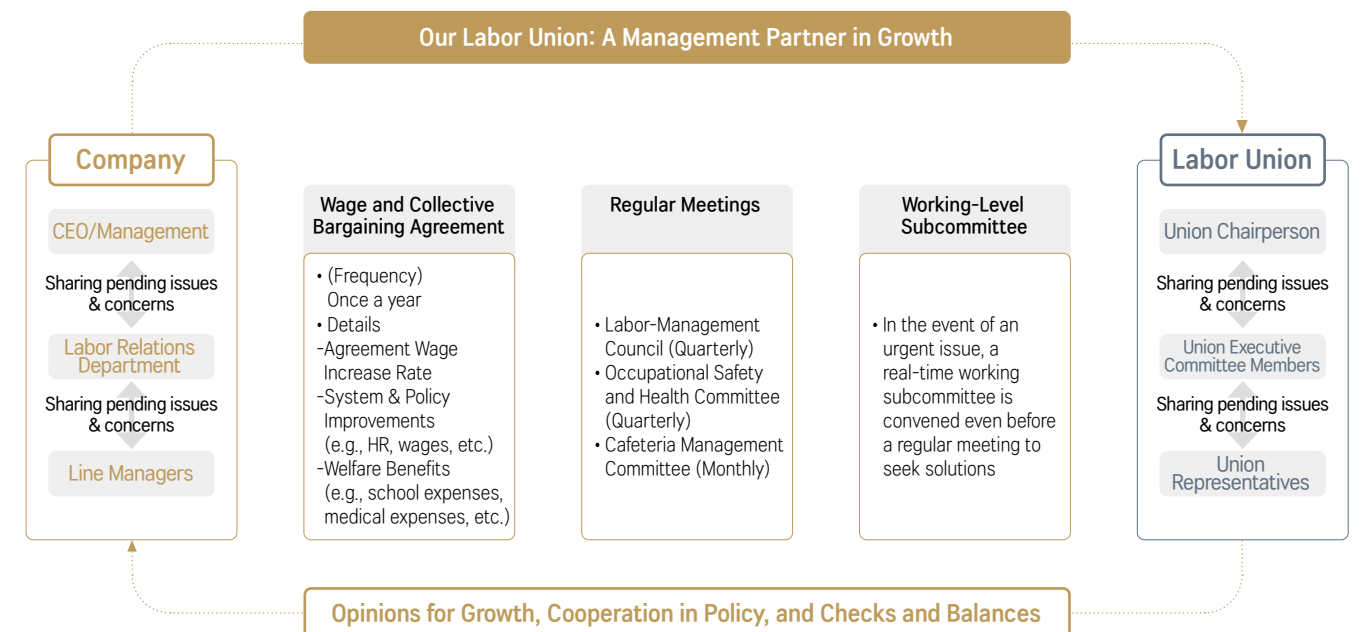


※ We operate a diverse range of benefits across five key areas designed to provide our employees with financial security, family stability, opportunities for self-development, and a high quality of life.
 ※ As a leading company committed to addressing the societal challenge of low birth rates, we increased our childbirth grants in March 2024.

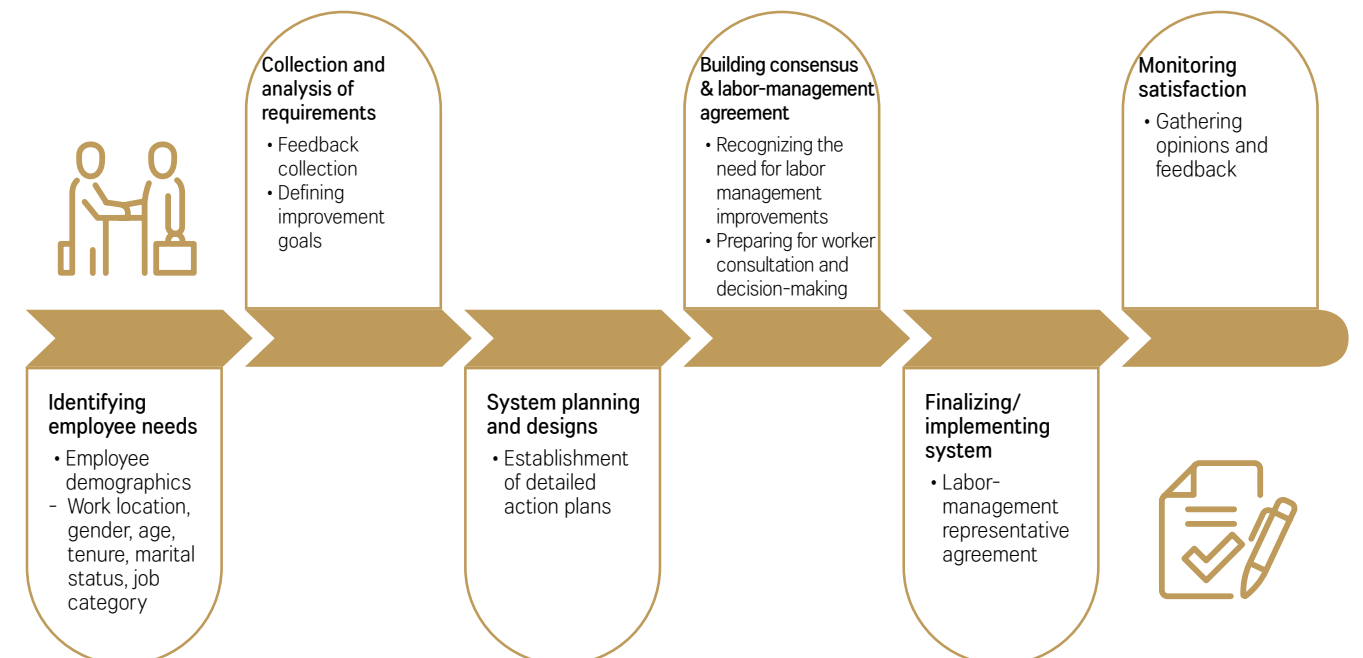
Labor-Management Relations

We foster a constructive relationship with our labor union through regular and transparent communication. This includes annual wage and collective bargaining, quarterly labor-management council meetings, and ad-hoc working-level subcommittees to collaboratively resolve issues as they arise. Additionally, we hold annual business briefings for all employees to share management goals and key updates, fostering greater understanding and engagement in achieving our corporate objectives.

Labor-Management Communication



Our Labor Union: A Management Partner in Growth



Human Rights Management

Labor-Management Council: Agenda Items Resolved (3-Year Data)

2022	2023	2024
28	42	16

3-Year Union Membership Data

Category	Eligible Employees	Union Members	Membership Rate
2022	4,262	3,439	80.7%
2023	4,238	3,544	83.6%
2024	4,578	3,842	83.9%



2023 Gyeongsangnam-do Industrial Peace Prize and Master Craftsman Awards Ceremony



Awarded The 2024 Excellent Company in Labor-Management Relations



2025 Management Briefing for the Labor Union's Executive Committee



2025 Collective Bargaining Agreement Signing Ceremony

Organizational Culture

Employee Satisfaction Survey

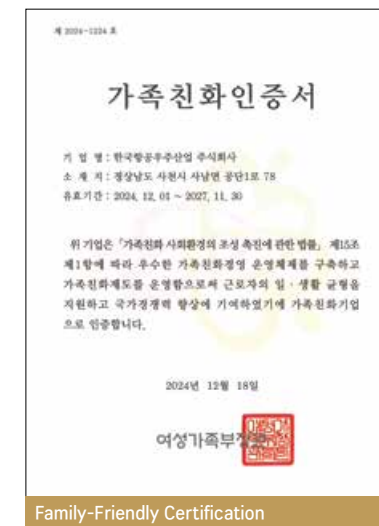
KAI conducts annual employee satisfaction surveys to assess our organizational culture and identify key areas for improvement. This survey serves as a key non-financial indicator of organizational health and provides critical data for management's strategic decisions and policy development.

Based on these results, we develop targeted initiatives to improve our culture and implement customized programs that enhance communication and collaboration across departments, fostering a sustainable and positive work environment.

Certified Family-Friendly Company

We are committed to helping employees achieve work-life balance in an era of low birth rates and an aging population by creating a supportive environment for childbirth and parenting. Key initiatives include our PC-OFF policy, flexible work arrangements, reduced hours for expectant mothers, and family care leave. We also foster a restorative atmosphere through cultural events, such as family invitation days and in-house concerts, where employees can recharge.

Our successful labor-management collaboration led to our recertification as a 'Family-Friendly Company' by the Ministry of Gender Equality and Family. Furthermore, to support national efforts to address low birth rates, we significantly increased our childbirth grants from KRW 1 million to KRW 10 million for the first and second child, and KRW 30 million for the third.



Family-Friendly Certification



KAI Starlight Concert

KEY PERFORMANCE



PC-OFF

A program that logs employees out of company networks after a set time to encourage on-time departures.

Human Rights Management

Team Building

KAI conducts annual company-wide team-building initiatives to enhance internal communication and foster interdepartmental collaboration. In 2024, we hosted a team-building event under the theme “Fly Together Again!” Led by the Open Committee—our organization-wide corporate culture task force—the initiative recognized 12 outstanding teams for their engagement, awarding them with special prizes. Each team also appointed a “Linker” to lead the team-building experience, fostering a company-wide appreciation for its importance and ensuring smooth communication.



2024 Team Building

Coffee On Wheels

To boost morale and show appreciation for employees at our more remote Sancheong and Goseong sites, we launched the “Coffee On Wheels” cultural event. In 2024, we took time to show appreciation to over 550 individuals—including employees and on-site partner staff—by sharing coffee and cookies in recognition of key business milestones, such as the post-pandemic production recovery at the Sancheong site and the completion of the 100th G280 main wing at Goseong. This initiative reflected our ongoing commitment to fostering a healthy and collaborative corporate culture. KAI is dedicated to cultivating a rewarding workplace where employees can recharge and feel inspired. We achieve this through a variety of organizational culture programs and shared growth initiatives.



“Coffee On Wheels” Event

Family Invitation and Open House Events

To foster a sense of belonging and pride, KAI hosted a company-wide open house in May to celebrate Children's Day. Additionally, since 2022, we have held the annual “Kadung-i Day,” a special event for the families of employees raising three or more children. This initiative aligns with the government's pro-natalist policies and demonstrates our commitment, as a leading company in the Western Gyeongnam region, to addressing the local challenges of low birth rates and population decline. Moving forward, we will continue to explore collaborations with local governments and develop internal policies that support childbirth, creating a workplace where our employees can work with peace of mind and a sense of pride.



Children's Day Open House

The Open Committee

In 2022, we launched the “Open Committee,” a new Change Agent program designed to empower our junior employees to take a leading role in improving our organizational culture. Comprising approximately 20 managers from both administrative and production divisions, the committee operates on a cohort basis. Serving as a vital communication bridge between management and employees, the committee has freely launched a wide range of “open” initiatives. These include a pilot program for casual dress, the introduction of new employee ID cards, “Culture Day” events, and the distribution of special Hangeul-themed envelopes for family occasions to celebrate Hangeul Day. In 2024, the committee also contributed to employee wellness by organizing a company-wide walking campaign.



The Open Committee, 2nd Cohort

Information Security

Information Security

Information Security Management Framework

KAI has appointed a Chief Information Security Officer (CISO) to strengthen our information security posture and enhance risk management. In compliance with applicable laws, we fulfill our annual information security disclosure obligations, promoting transparency and accountability. In 2023, KAI achieved ISO/IEC 27001:2022 certification, the leading international standard for information security, and successfully maintained it through a 2024 surveillance audit. Our security management program operates on a PDCA (Plan-Do-Check-Act) cycle of continuous improvement. Our information security organization is responsible for responding to external audits, establishing security policies and procedures, investigating internal security violations, managing the classification of defense technologies, and conducting security training. We also operate an Information Security Committee to share and address key security issues, and have established a Defense Technology Protection Committee dedicated to safeguarding defense industry technologies.

Information Security Systems

We operate an in-house, 24x365 Security Operations Center (SOC) to ensure robust incident responses and data loss prevention capabilities. This internal team works in tandem with an external specialized monitoring service to maximize our defensive readiness. To further strengthen our technical safeguards, KAI has implemented physical network separation between our internal business and external internet networks. We continuously enhance our security posture through advanced security solutions, regular vulnerability assessments, penetration testing, and threat analysis of phishing emails and malicious files.



Physical Network Separation
(Business network vs. Internet)



24 × 365
Security Monitoring



Data Leakage
Prevention



Firewall & Intrusion Prevention/
Detection



Network Access Control



Server Security &
Server Access Control



Document &
Drawing Encryption



Email Security &
Malicious Site Blocking

Defense Technology Protection

To protect core technologies critical to national security and the defense industry, KAI maintains a comprehensive defense technology protection framework in full compliance with all relevant laws and regulations. We establish and strictly enforce internal security policies and technology control procedures, conducting regular security training and inspections for the systematic protection of defense technology. We work in close cooperation with government bodies to implement all necessary measures for protecting defense technology. In accordance with the Defense Technology Security Act, we undergo annual regular and ad-hoc inspections by the Defense Acquisition Program

Administration (DAPA), the National Intelligence Service (NIS), and the Defense Counterintelligence Command (DCC). Through these efforts, we continuously strengthen our systems for technology identification and management, personnel and facility security, information protection, military secrets management, and overall security for defense R&D projects.

Personal Information Protection

Led by our Chief Privacy Officer (CPO), we regularly review and enhance our personal information management practices. Each year, we establish a Personal Information Protection Action Plan that includes training for all employees handling personal data, measures to secure our data processing systems, the encryption of critical information, and monitoring for data leaks. KAI implements a comprehensive range of administrative, physical, and technical safeguards to protect personal data against loss, theft, alteration, or damage.

Fostering a Culture of Security

Enhancing Employee Security Awareness

We conduct ongoing educational campaigns to raise security awareness and understanding across the entire company. To practice security in our daily work culture, we designate a monthly “Defense & Cybersecurity Awareness Day,” which includes activities such as simulated phishing exercises, security policy training, and internal security audits. We also conduct regular internal security inspections and provide additional, targeted training for employees who violate security protocols to prevent future incidents. These company-wide activities are designed to strengthen our overall security posture.

Defense Technology & Information Security Training

In full compliance with the Defense Technology Security Act, the Act on the Promotion of Information and Communications Network Utilization and Information Protection, and the Personal Information Protection Act, KAI provides regular training to enhance employee awareness of their security responsibilities. We also extend our security standards to our partners by providing them with clear compliance guidelines. For key partners, we conduct regular training sessions and security audits to ensure the integrity of our shared supply chain.

Defense Technology and Information Security Training Activities

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

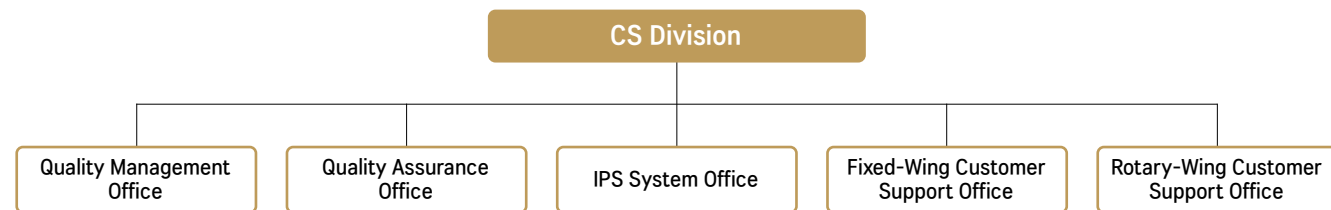
Quality Management

Quality Management

Organizational Introduction

To ensure maximum customer satisfaction, KAI has established a dedicated Customer Satisfaction (CS) Division that drives seamless collaboration among our quality, customer support, and *Integrated Product Support (IPS) functions. The CS Division operates a rapid customer response system to guarantee Total Life Cycle quality assurance and build customer trust, while proactively identifying and fulfilling customer requirements.

*IPS : Integrated Product Support



Quality Management System

As a global company, our foremost commitment is to customer satisfaction, which we deliver by providing products and services of the highest possible quality.

We have earned certifications for our Defense Quality Management System (DQMS) and Aerospace Quality Management System (AQMS) from leading domestic and international bodies, reflecting our dedication to excellence. We practice rigorous quality management and continuous improvement throughout the entire aircraft lifecycle—from product development and production to maintenance and customer service. Our unwavering commitment to customer satisfaction and trust is upheld through stringent quality standards and highly efficient processes.

Quality Policy

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

Second. all department shall systematize and implement all quality assurance activities to minimize quality defects and costs in order to provide products and services that meet customer needs.

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

Quality Certifications



Defense Quality Management System (DQMS)



Aerospace Quality Management System



Part 21 Production Organization Approval

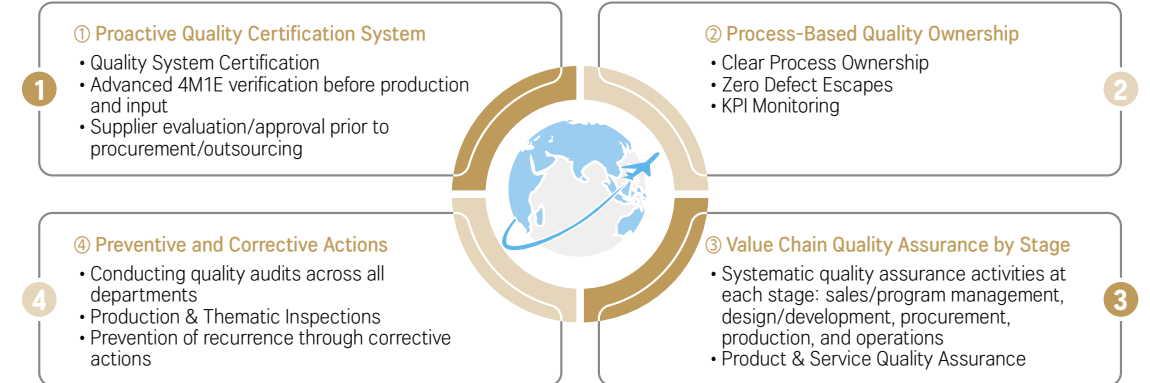


Special Process Certification

Quality Management Activities

We have established and operate a robust quality assurance system centered on four key initiatives designed to meet customer and market demands and to create lasting organizational value.

Four Key Initiatives



Enhancing Suppliers Quality Capabilities

We actively support the enhancement of our suppliers' quality capabilities, providing them with opportunities for growth and ensuring a stable, high-performing supply chain.

*2024 Supplier Quality Capability Enhancement Program Results

Category	Company	Pre-Program Diagnostic Score	Post-Program Diagnostic Score
Shared Growth (Processing)	Company A	60	70
	Company B	65	78
	Company C	78	83
	Company D	78	88
Components	Company E	72	79
	Company F	84	89
	Company G	67	75
	Company H	74	80

H1 2025 Supplier Quality Awards

Award	Number of Recipients	Prize Money
Outstanding Supplier	4 companies	KRW 7 Million
Quality Innovation Contest	7 companies	KRW 2.8 Million
BEST Quality Award	3 companies	KRW 1.1 million
Total	14 companies	KRW 10.9 million

1) Supplier Diagnosis & Development Activities

Since 2023, we have been selecting partners for our supplier development program through a comprehensive evaluation system. Using 175 diagnostic criteria, we conduct a detailed assessment of each supplier's quality systems and provide tailored development programs—including training, consulting, and targeted projects—to address areas for improvement. Through continuous monitoring, we provide the foundation for our partners to achieve fundamental growth in their quality capabilities.

*2024 Supplier Diagnosis & Development Program: Average Score Improvement

In 2024, eight suppliers participated in our five-month quality capability development program. During the program, our employees visited partner companies to provide training and support for task implementation, leading to an average 11% improvement in capabilities compared to pre-assessment levels. This initiative continues in 2025 with a new cohort of nine companies.

2) Supplier Quality Conferences

We hold regular quality conferences for supplier representatives to maintain an official channel for communication and to reinforce our shared commitment to a culture of quality. In 2024, we hosted a quality culture enhancement seminar with 34 of our partners, emphasizing the importance of quality-driven competitiveness and fostering a collaborative spirit. Furthermore, since 2025, we have started a KAI-Supplier Quality Competition and an awards program for outstanding suppliers to inspire a quality-first mindset and provide tangible recognition for excellence.



2024 Quality Culture Enhancement Seminar

Customer Support

Customer Support

Creating New Business Opportunities and Strengthening Our Brand Through Customer Satisfaction

1) Customer Appreciation Events

► Fixed-Wing

Since delivering the first KT-1 basic trainer in August 2000 and the first T-50 advanced trainer in December 2005, KAI has supplied a total of 427 aircraft, with 274 operating domestically and 153 in nine other countries (as of March 2025). For domestically operated aircraft, we have continued to support the stable operation of ROKAF aircraft even after delivery and warranty periods ended, beginning with the first logistics support agreement signed in 2014. Through follow-up technical support and Performance-Based Logistics (PBL) contracts, we have contributed to ongoing operational stability through 2025. Furthermore, with the revision of the logistics support agreement in September 2024, we are working to strengthen our ongoing cooperative relationship with the ROKAF.

Since 2013, we have been holding plaque presentation ceremonies to honor ROKAF pilots of the KT/A-1, T-50 series, and KT-100 aircraft who have achieved 1,000, 2,000, or 3,000 accident-free flight hours. These events aim to recognize their accomplishments, boost pilot pride, and highlight the excellence of Korea's domestically produced aircraft. As of March 2025, plaques have been awarded to 178 pilots.

Since 2023, we have expanded the program beyond pilots with accident-free flight hours to also recognize outstanding maintenance technicians who work behind the scenes—supporting aircraft operations before, during, and after each flight—to ensure safe and stable operations. Beginning in 2026, we plan to extend these appreciation events to include pilots from the nine countries that operate our exported aircraft.



► Rotary-Wing

We engage with our rotary-wing aircraft operators through seasonal Voice of Customer (VOC) sessions and aviation safety support activities. In 2024, we provided aviation safety support to an expanding roster of operators—including the 206th Aviation Group (Q1), the National Fire Agency (Q2), the Busan Police Agency (Q3), and the Army Aviation School (Q4)—enabling stable aircraft operations while gathering valuable customer feedback.

2) Supporting Aviation Safety and Unit Development for Domestic Operating Bases

Since 2013, we have provided donations to the military bases that operate our fixed- and rotary-wing aircraft. This initiative was launched to strengthen communication with our operating customers and to support our armed forces personnel. In 2024, we donated a total of KRW 278 million to over 30 units.

3) Technical and Resource Support

In March, KAI provided extensive technical and resource support in response to major national wildfires. We contributed to firefighting efforts by dispatching on-site technical personnel, providing vehicles and materials, and offering maintenance and operational support for helicopters from the Korea Forest Service, the National Police Agency, and the military. Additionally, in response to the April incident in which a machine gun and fuel tank fell from a ROKAF KA-1 tactical airborne command aircraft, we are providing technical support for the investigation and are currently reviewing recurrence prevention measures to avoid future human error.

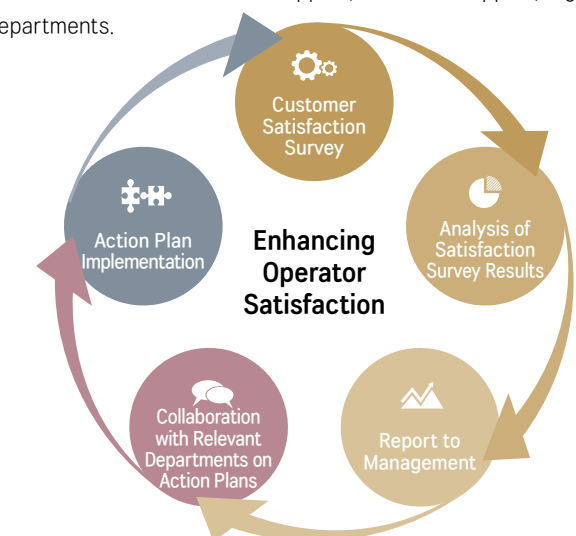


4) Customer Satisfaction Survey

Our Fixed-Wing and Rotary-Wing Customer Support Offices conduct an annual customer satisfaction survey to analyze our support activities and formulate improvement plans.

The survey is administered to domestic fixed- and rotary-wing operating bases and logistics support personnel, following the guidelines of the Defense Agency for Technology and Quality.

The 2024 survey yielded satisfaction scores of 89.9 for fixed-wing and 84.8 for rotary-wing aircraft. We are leveraging these insights to drive targeted improvements and deliver enhanced service across our customer support, technical support, logistics, and quality assurance departments.



Customer Support

Successful Events/Conferences, and Social Contribution



13th K-TCG & 7th SMG Event (2024)



14th K-TCG & 8th SMG Event (2025)



Visit to the 1st Fighter Wing in Gwangju (2024)

1) *K-TCG & SMG

To strengthen international technical cooperation and enhance customer trust, KAI co-hosts the K-TCG & SMG international conference, an ROKAF-led event for nations that operate our aircraft. Since establishing the K-TCG in 2009, the ROKAF has drawn on accumulated operational efficiency data—including improved availability rates, shorter maintenance times, and reduced sustainment costs—to provide technical support and actively promote the capabilities of Korea's indigenous aircraft to both export customers and potential markets. Since 2016, the K-TCG (T-50/KT-1/FA-50 Technical Coordination Group) conference has been in operation in conjunction with the SMG (Safety Management Group) meeting, focusing on sharing flight safety information as part of efforts to enhance the reliability of Korea's indigenous aircraft.

In 2024, the conference brought together 191 participants from the ROKAF, KAI, and seven operating nations to share operational updates and technical information and to explore mid to long-term strategies for stable fleet operation. The effective operation of aircraft with a 30- to 40-year lifespan requires seamless cooperation between the military customer and the manufacturer, as well as the open sharing of operational data and improvements among user nations. The K-TCG and SMG conference, hosted by the ROKAF and supported by KAI, not only solidifies cooperation among user nations but also enhances the reliability of our aircraft, contributing significantly to export expansion.

In October 2024, Gyeongnam Province, ROKAF Headquarters, Sacheon City, the Korea Aerospace Industries Association, and KAI signed the "Sacheon Airshow Global Leap Agreement." This agreement marked the first step toward expanding the Sacheon Airshow into a world-class aerospace and defense industry exhibition. The initiative reflects a strategic response to the launch of the Korea AeroSpace Administration (KASA) and aims to foster the growth of Korea's aerospace and defense sector while enhancing the global competitiveness of K-Defense.

We plan to hold the K-TCG international conference during the Sacheon Airshow to promote the excellence of K-Defense actively and to support the event's gradual expansion.

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

2) Domestic Aircraft Technical Cooperation Conference

We hold the Domestic Aircraft Technical Cooperation Conference twice a year to foster mutual logistics cooperation, technical support, and knowledge exchanges with the ROKAF. This conference serves as a key platform for discussing and addressing a wide range of operational issues essential to the stable, full-lifecycle sustainment of aircraft manufactured and delivered by KAI, covering modifications, technical inquiries, maintenance procedure improvements, and performance upgrades. Initially launched as a small gathering of about 10 participants at the time of the first T-50 delivery, the conference has since expanded significantly. As of 2024, it includes not only the ROKAF and KAI but also major partner companies, fostering continued dialogue on challenges and technical collaboration across all stakeholders.

Through this conference, we aim to enhance the long-term operational reliability of our aircraft, help shape the future of the domestic aviation industry, and foster sustainable communication and growth for all operators, manufacturers, and suppliers.

Business System Improvement



Initial Certificate



Renewal Certificate

3) Aviation Camp

We host our in-house Aviation Camp, a creative, experiential educational outreach program, for the children of our rotary-wing customers.

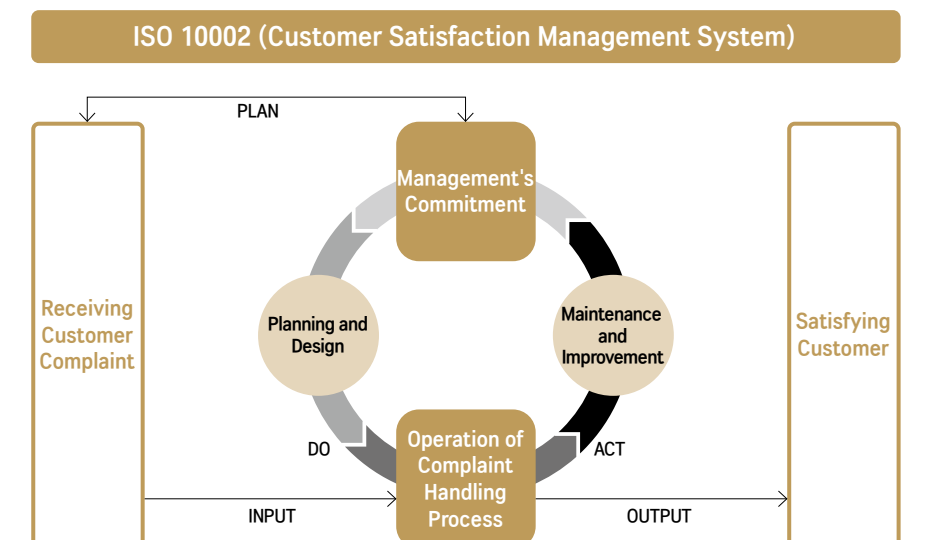
In May 2024, in collaboration with the Gyeongnam and Jeonbuk Provincial Police Aviation Units, we hosted an Aviation Camp for children in Tongyeong's island regions and Jeonju's Sanggwan-myeon area. The event featured an introduction to and a boarding experience on the Surion helicopter, accompanied by the donation of sports equipment and corporate outreach activities. In August 2024, we continued our social contribution efforts by inviting the children of military and civilian personnel from the Army Aviation Command.

ISO 10002 Customer Satisfaction Management System Certification

In September 2019, KAI became the first defense company in Korea to obtain ISO 10002 certification, establishing a systematic and effective process for handling customer complaints. We continue to pursue improved service quality and higher customer satisfaction through this framework. To achieve this certification, KAI documented and implemented a clear process for handling customer complaints. We transparently communicate the procedures for resolving any complaints that arise. We also collect and analyze customer feedback, using the data to drive service improvements. By responding with greater sensitivity to customer needs, KAI continues to enhance its brand image through positive interactions.

The upcoming 2025 recertification for the ISO 10002 system, which occurs on a three-year cycle, represents a valuable opportunity to further enhance our company's competitiveness, and will have a significant impact on our long-term growth and development. We will continuously maintain our customer satisfaction management system to ensure we remain a company that always puts the customer first.

ISO 10002 Customer Satisfaction Management System



Collaborative Cooperation

Building a Sustainable Supply Chain

Management for Shared Growth

KAI is committed to win-win management, identifying promising SMEs seeking to enter the aerospace sector and nurturing them into global competitors. We will continue to foster transparent and fair business relationships with our partners, enhancing our programs to promote shared growth and build a sustainable supply chain.

1) Action Principles

We provide fair business opportunities to all partner companies with specialized capabilities based on the principle of open competition. We are expanding our win-win partnership programs to drive the growth of Korea's aerospace industry. By fostering the strong and sustainable growth of SMEs, cultivating global hidden champions, and broadening the pool of qualified domestic partners, we aim to enhance supply chain competitiveness, build a resilient foundation for long-term growth, and promote a culture of mutual success.

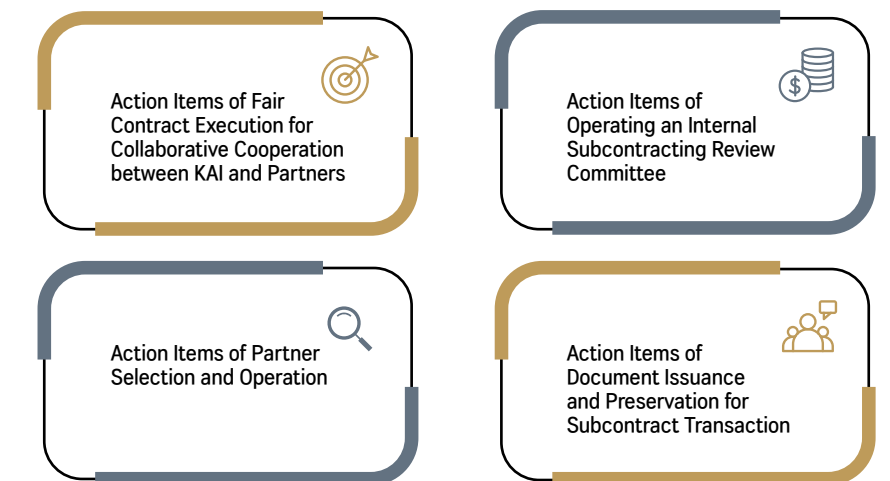
2) Core Strategies



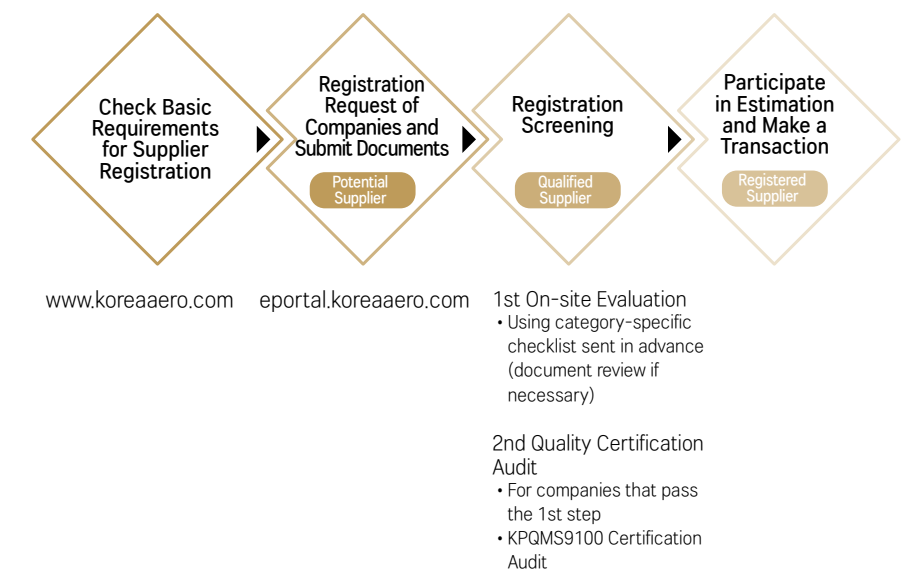
Supplier Registration and Selection

To build a sustainable supply chain, we operate a system for the continuous registration of new suppliers and select our partners based on our Four Major Principles for Fair Subcontracting.

Four Major Principles for Fair Subcontracting



Supplier Registration Process



1) Supplier Evaluation

We conduct regular evaluations of our suppliers, linking performance to a range of incentives and training opportunities to drive continuous improvements and boost the competitiveness of our supply chain.

2) Supplier Status

We collaborate with 1,473 partner companies worldwide (as of 2024) to advance the aerospace industry.

Collaborative Cooperation

Supplier Support Policies for Collaborative Support

KAI is committed to realizing the value of 'togetherness' to strengthen the competitiveness of the aerospace industry and build joyful and fulfilling workplaces for our suppliers.

1) Declaration of Collaborative Cooperation Policies & Selection as a “Considerate Company”

In February 2020, in the presence of the Minister of SMEs and Startups and the Governor of Gyeongnam Province, we declared the 'KAI Collaborative Cooperation Policy' to overcome the aerospace industry crisis and foster new growth. KAI also became the first mid-sized enterprise to be selected as the 11th “Jasanghan (voluntary and Cooperative) Company” by the Ministry of SMEs and Startups.



Declaration of Collaborative Cooperation Policies

2) Contribution to the Collaborative Cooperation Fund

Under the “Jasanghan (Voluntary and Cooperative)” initiative, established through an MOU with the Ministry of SMEs and Startups, KAI committed KRW 10 billion to support small and medium-sized partner companies. The initiative aims to enhance their technological capabilities and competitiveness through programs such as smart factory deployment and expansion, work environment and process improvements, R&D project support, and performance-sharing incentives. As of 2024, KRW 8.45 billion has been disbursed to 46 partner companies.

3) Contribution to the Joint Employee Welfare Fund

In October 2022, we signed an agreement with Gyeongnam Province, Jinju City, Sacheon City, and over 40 SME suppliers to establish a 'Joint Employee Welfare Fund.' We have jointly contributed an average of KRW 3.6 billion annually to enhance the welfare of partner company employees who need more support due to the COVID-19 pandemic.

4) “Excellent” Rating in the Shared Growth Index

As a result of our excellent performance and continuous contributions to shared growth, KAI has maintained an “Excellent” rating for nine consecutive years in the Shared Growth Index evaluation administered by the Korea Commission for Corporate Partnership.



Collaborative Cooperation Agreement Ceremony for Large-SMEs



Joint Declaration for Expanding Collaborative Cooperation in the Aerospace Manufacturing Industry



Collaborative Cooperation Partner Workshop



Rally for Strengthening Aviation Industry Competitiveness



Gyeongnam Aerospace Manufacturing Industry Shared Growth Agreement Ceremony

5) Large-SME Partnership Agreement for Collaborative Cooperation

In October 2022, KAI, Gyeongnam Province, and 30 partner companies signed an agreement to foster growth and create jobs in the region's aerospace SMEs. All parties committed to: ▲alleviating financial burdens through funding support, ▲revitalizing manpower acquisition, and resolving labor shortages through job stability, and ▲improving work environments and production efficiency to enhance competitiveness.

6) Joint Declaration for Expanding Collaborative Cooperation

In February 2024, KAI, the Ministry of Employment and Labor, Gyeongnam Province, Hanwha Aerospace, and partner companies held a Joint Declaration Ceremony to promote collaborative cooperation in the aerospace manufacturing industry. Through this declaration, a council was formed to identify the collaborative cooperation initiatives practically needed by suppliers, with expected outcomes including: ▲attracting and nurturing young and skilled Manpower, ▲improving working conditions and welfare benefits for supplier employees, and ▲creating quality jobs.

7) Supplier Workshop and Collaborative Cooperation Agreement

In July 2023, during our 'Collaborative Cooperation Supplier Workshop,' we signed a Collaborative Cooperation Agreement aimed at strengthening the competitiveness of the aerospace industry. Through this agreement, we enhanced our overall partnership policies—expanding collaborative cooperation funds, supporting productivity enhancement, and increasing the outsourcing of in-house workloads—while our partner companies committed to securing manpower and improving productivity. Together, we laid the foundation for a sustainable win-win ecosystem in the aerospace industry.

8) Rally for Aerospace Industry Production Stabilization and Competitiveness Enhancement

In March 2024, KAI pledged over KRW 10 billion in financial support through measures like price increases and relaxed terms for emergency loans. We also committed to reviewing a plan to share a portion of future profit increases with our partner companies. In return, our suppliers pledged to faithfully implement measures for ▲talent recruitment, ▲production capacity expansion, and ▲resolution of parts shortages. To this end, we issued a resolution of commitment, reaffirming our determination to help restore the aerospace industry ecosystem. The resolution focused on strengthening the self-reliance and management stability of domestic aerospace SMEs that have faced challenges since the COVID-19 pandemic.

9) Collaborative Cooperation Agreement to Address Dual Structural Imbalance in Gyeongnam's Aerospace Industry

In July 2024, KAI, the Ministry of Employment and Labor, Gyeongnam Province, Hanwha Aerospace, local government heads, and suppliers held a ceremony to celebrate this agreement. This agreement is part of the 'Region-Led Dual Structure Improvement Support Project' and it focuses on securing new and skilled talent for suppliers in Gyeongnam's aerospace industry and improving their residential conditions and welfare. The council identified practical tasks needed by suppliers, operating as the first regional collaborative cooperation model, where local governments and corporations collaborate with support from the central government. Through this agreement, the Ministry of Employment and Labor and Gyeongnam Province

Collaborative Cooperation

introduced new support measures for workers, including a ▲Job Onboarding Allowance (for newly hired employees), ▲Work-Family Balance Incentives (for marriage and childbirth), and ▲Incentives for Long-Term Skilled Workers; and for companies, including ▲Job Advancement Subsidies (for new recruitment), ▲Employment Environment Improvement, and ▲Working Conditions Enhancement. As the prime contractor, KAI will provide operational support for initiatives such as job fairs, a joint training center, the establishment of a Vietnam-based academy, and the Sangsaeng Hope Mutual Aid Program (a shared growth fund). Partner companies have agreed to offer matching support through long-term skilled worker incentives. KAI also pledged to continue pursuing collaborative cooperation with its partner companies in areas such as smart factory deployment and expansion, technical support, fund creation, low-interest loans, and industrial safety.

With this agreement, the first-year program was completed in 2024, and the project is being continuously extended and implemented in 2025 with a confirmed government budget and improved support measures, including expanded coverage of employee welfare benefits.

10) General Meeting for Collaborative Cooperation Partners: Expanding Support and Awarding Excellence

Reaffirming our commitment to mutual growth, we convened a general meeting with our partners in November 2024 to strengthen the domestic aerospace industry ecosystem. During the event, in recognition of the exceptional efforts made by partners to improve delivery performance amid the operational and production challenges of the pandemic, we expanded the scope of supplier awards from 20% to 30%, honoring a total of 14 outstanding companies.

Going forward, we will work closely with our partners to address challenges arising from global aerospace supply chain disruptions and expand support initiatives to enhance domestic production capacity and secure the industry's long-term sustainability. As the global commercial aircraft market recovers, driven by the increased production of programs like the B737, KAI remains committed to ensuring a stable supply of aerostructures. We will also support our partners' innovation efforts to boost productivity and reduce costs, thereby enhancing our collective competitiveness.



2024 General Meeting for Collaborative Cooperation Partners



2025 Business Briefing for Collaborative Cooperation Partners

11) 2025 Business Briefing for Collaborative Cooperation Partners

In February 2025, we hosted a business briefing to strengthen communication and build trust between KAI and our collaborative cooperation partners, while reinforcing supply chain collaboration. The briefing covered our major business outlook and strategies for enhancing production and quality control. We also detailed key support policies for collaborative cooperation, including expanded investment support to secure production capacity and a roadmap for ESG management to align with the EU's Corporate Sustainability Due Diligence Directive.

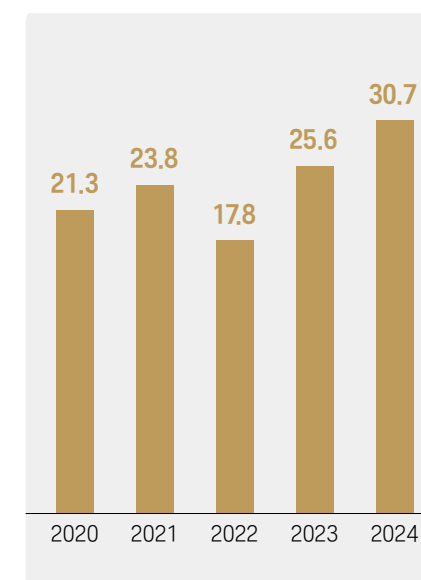
12) Collaborative Cooperation Support Policies

Our civil aircraft aerostructures business operates under a shared growth model that relies heavily on production volumes from our partner suppliers. KAI supports this ecosystem by handling technology development, material procurement, and initial tooling investments, while suppliers are responsible for production based on their own workforce and equipment. This collaborative model extends to our defense and complete aircraft export businesses, where approximately 90% of aerostructure components are produced by our SME and mid-sized partners.

Building on the Collaborative Cooperation Policy declared in February 2020 and our designation as a "Jasanghan(Voluntary and Cooperative)," KAI has been operating the Manufacturing Subcommittee—an independent supplier council formed voluntarily—to promote cooperation and sustainable growth between KAI and its partners. In response to the significant challenges posed by the pandemic, including reduced global aviation volumes, KAI has expanded its shared growth support policies. These initiatives are centered on three key pillars: Management Stabilization, Job Stability, and Competitiveness Enhancement.

Collaborative Cooperation Support Status

(Unit: KRW Billion)



Strengthening industrial competitiveness through collaborative cooperation and building a fun and happy workplace for our suppliers.

※ Based on performance from 2020-2024

Management Stabilization Support	Competitiveness Enhancement Support	Job Stability Support
KRW 98.85 billion provided to 49 companies - Emergency funding for management crises - Interest support for working capital loans - Direct/guaranteed support for companies with financing difficulties	KRW 8.46 billion provided to 46 companies - Improvement of poor on-site environments (5S) - Strengthening competitiveness through new technology/process improvements - Support for establishing smart factories	KRW 12.08 billion provided to 59 companies - Operation of the joint employee welfare fund - Support for the Naeil Chaeum Mutual Aid Program (long-term employment of key personnel) - Prevent restructuring of idle workforce due to COVID-19

Collaborative Cooperation

Shared Growth with Suppliers

Financial Support for Management Stabilization

1) Interest Support Program for Shared Growth Funds

Through partnerships with Gyeongnam Province and the Korea SMEs and Startups Agency (KOSME), we provide interest subsidies for loans drawn from a KRW 100 billion fund established to support investment and operating costs. As of 2024, we have extended a total of KRW 51.61 billion in subsidized loans to 38 SMEs.

2) Emergency Fund Support for Suppliers in Management Crisis

To assist suppliers facing temporary business challenges, KAI established an emergency operating fund and doubled its size from KRW 10 billion to KRW 20 billion. The per-company loan ceiling was raised from KRW 1 billion to KRW 2 billion, and loan terms were eased by introducing a grace period. As of now, KRW 43.23 billion has been disbursed to 22 companies.

3) Loan Guarantee Program for Collaborative Cooperation

To facilitate SME financing, we contributed KRW 180 million to a collaborative cooperation fund, which offers loan guarantees of up to KRW 3 billion per company. To date, we have guaranteed KRW 2.7 billion in loans for three companies. In November 2024, we also signed an agreement with the Korea Credit Guarantee Fund (KODIT) for a “Joint Project Guarantee Program,” offering guarantees of up to KRW 2 billion per company. Currently, we have guaranteed KRW 8.6 billion for loans to eight companies.

4) Emergency Financial Aid

To support the early recovery of our suppliers’ operations following the prolonged post-pandemic downturn, we provided approximately KRW 30 billion in emergency financial aid through unit price adjustments and compensation for business losses in 2020, 2022, and 2024.

5) Operation of the Collaborative Cooperation Fund

With outsourcing expenditures expected to double by 2030, there is an urgent need to proactively secure the mid- to long-term equipment capacity among our collaborative cooperation partners. However, due to delayed profit recovery following the pandemic, partners have been reluctant to invest. To address both the anticipated capacity shortfall and the need to improve productivity, KAI plans to launch a loan program in 2025, funded with KRW 30 billion from its own budget (operated at KRW 10 billion annually), to provide low-interest financing for equipment purchases.



Briefing Session on the Collaborative Cooperation Fund Operation

Overview of the Collaborative Cooperation Fund

Promoting Sustainable Financial Support Policies to Expand Production Capacity



Announced at the November 2024 General Meeting for Collaborative Cooperation Partners

New Initiative

KAI Collaborative Cooperation Fund Operational Plan (Draft)
 - Support Details: Ultra-low interest loans for equipment purchases
 - Support Scale: Total of KRW 30 billion

Support Plan

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

Competitiveness Enhancement Support

Supplier Incentives and Performance Sharing

Each year, we present an award of up to KRW 100 million to suppliers who demonstrate exceptional performance in our regular evaluations. These incentives are generally distributed directly to the employees of the recipient companies. We also run a “Cooperative Collaboration Suggestion Program,” which offers incentives based on the evaluation of innovation proposals. To foster a sustainable and self-driven innovation culture, we host “Innovation Activity Presentations,” where outstanding improvement cases are shared with partners to promote innovation across the supply chain.

Job Stability Support

1) Joint Employee Welfare Fund

From 2020 to 2024, KAI, local governments, and SMEs have jointly operated a matching fund program, creating an annual welfare fund of approximately KRW 3.6 billion. This fund has supported over 5,000 employees at 40 partner companies by providing holiday and anniversary gifts, funding for employee clubs and sports events, and improvement in the workplace environment.

2) Paid-Leave Training Support

In October 2020, we joined the nation’s first “Region-Specific Emergency Vocational Training Pilot Program,” initiated by the Ministry of Employment and Labor in Gyeongnam. In partnership with Korea Polytechnics (Jinju Campus), we offered paid-leave vocational training for the idle workforce at our partner companies. Over 5,500 employees completed the training program. With support from the Ministry of Employment and Labor, Gyeongnam Province, and local governments, we subsidized approximately KRW 13.2 billion in labor costs and 50% of social insurance premiums, helping our partners retain their workforce during the pandemic.



MOU for Region-Specific Emergency Vocational Training Pilot Program

Collaborative Cooperation

3) Naeil Chaeum Mutual Aid Program

This program, operated in partnership with the Korea SMEs and Startups Agency, aims to support the long-term retention of core personnel at supplier companies. In Phase 1, jointly funded by KAI, its suppliers, and their employees, each participant saved KRW 330,000 per month over five years, resulting in a total of approximately KRW 25 million per person. A total of 29 employees from 10 companies benefited from the program. Starting in 2024, the program expanded into Phase 2, with joint contributions from Gyeongnam Province, KAI, suppliers, and employees. Participants now save KRW 480,000 per month, accumulating approximately KRW 30 million over five years.

4) Workforce Securement Support

▶ Training of Foreign Workforce

To address labor shortages among our partner companies and to secure skilled foreign labor for aircraft parts manufacturing, KAI proposed the creation of a new E-7-3 visa category to the Ministry of Justice. As a result, the "Aircraft Parts Manufacturer" job category was officially approved in January 2024, and the corresponding visa program was implemented in May 2024.

In March 2024, KAI also signed an MOU with GAET, a state-owned enterprise under Vietnam's Ministry of National Defense, to establish an overseas training academy aimed at cultivating and hiring local professionals. Due to limited capacity among our suppliers, KAI took the initiative to launch a specialized training program focused on aircraft parts manufacturing. Linked to the new E-7-3 visa, this recruitment-focused program has already matched over 90 graduates with our suppliers. These trainees are now in the process of entering Korea to begin their employment.



MOU Signing for Vietnam Workforce Training Academy



Vietnam Workforce Training Academy Completion Ceremony



Signing of MOU for the Indonesia Workforce Training Academy

In February 2025, to strengthen ties with Indonesia—a key export market—and support marketing efforts while diversifying the supply of skilled foreign labor, KAI and PT PDS of Indonesia signed an MOU for the training and supply of Aerospace professionals to support KAI's partner companies. PT PDS, a leading workforce training and dispatch company in Indonesia, plans to establish an aerospace-focused academy in collaboration with local aerospace firms such as *PT Dirgantara Indonesia. The academy will be dedicated to training skilled professionals for the aviation industry.

*PT DI(Dirgantara Indonesia) : An Indonesian state-owned aerospace company and a partner in the KF-21 project.



Hosting an 'Aerospace-Specialized Job Fair' to support recruitment for partner companies



Aerospace-Specialized Job Fair

In November 2023, we hosted a "Recruitment Fair for Foreign Students" at six universities across Korea—Pusan National, Daegu, Keimyung, Jeonbuk, Sun Moon, and Geoje. The event aimed to connect international students with job opportunities at our partner companies. A total of 113 students participated, and 70 expressed a desire to pursue employment. At the fair, KAI presented its vision for the aviation industry, the development potential of the Sacheon region, and plans for cooperation with our suppliers. Partner companies also held one-on-one consultations with students interested in employment.

▶ Securing Domestic Workforce

Since 2022, we have been working to secure a domestic manpower pool by co-hosting the annual Aerospace-Specialized Job Fair in partnership with relevant institutions and local governments such as Sacheon City. During these events, KAI also provides job seekers with a company briefing on the aerospace manufacturing industry and its vision.

To address the wage and welfare disparities between prime contractors and subcontractors, we established a Collaborative Cooperation Council with Gyeongnam Province (Changwon, Sacheon), local governments, partner companies, and the Ministry of Employment and Labor. This council supports the Region-Led Dual Structure Improvement Support Project. In July 2024, to secure and retain new manpower in the Aerospace sector, we signed the Gyeongnam Dual Structure Improvement Collaborative Cooperation Agreement with the Ministry of Employment and Labor, Gyeongnam Province, KAI, Hanwha Aerospace, local governments (Changwon, Jinju, Sacheon), and suppliers. The first phase of the project was completed in 2024, and we plan to extend and implement it further in 2025.



Briefing Session for the Dual Structure Improvement Support Project

Collaborative Cooperation

Strengthening Partner Capabilities

1) Building a Foundation for Supply Chain ESG

Global trends, such as the EU Corporate Sustainability Due Diligence Directive and the standardization of global supply chain management (SCM), are intensifying the demand for ESG risk management across the entire supply chain. This is especially critical for KAI's major customers, including Airbus and Boeing, who now require their suppliers to demonstrate strong ESG compliance. Therefore, KAI launched the Supplier ESG Consulting Pilot Program in 2023, using its Collaborative Cooperation Fund to respond proactively to these evolving demands. The pilot targeted ten suppliers and included ESG training, diagnostic assessments, consulting, and ongoing improvement initiatives.

In preparation for the enforcement of the EU directive and to assist suppliers in identifying ESG risk, KAI will participate in the 2025 Climate Disclosure and Supply Chain Due Diligence Foundation Building Project. This initiative is jointly led with the Korea SMEs and Startups Agency (KOSME). To comply with the streamlined evaluation process required for supplier participation in the program, KAI submitted a single letter of intent on behalf of selected partners after conducting a needs survey. As a result, seven suppliers were ultimately chosen for participation.

2) Preparing for the Aircraft Parts Industrial Complex

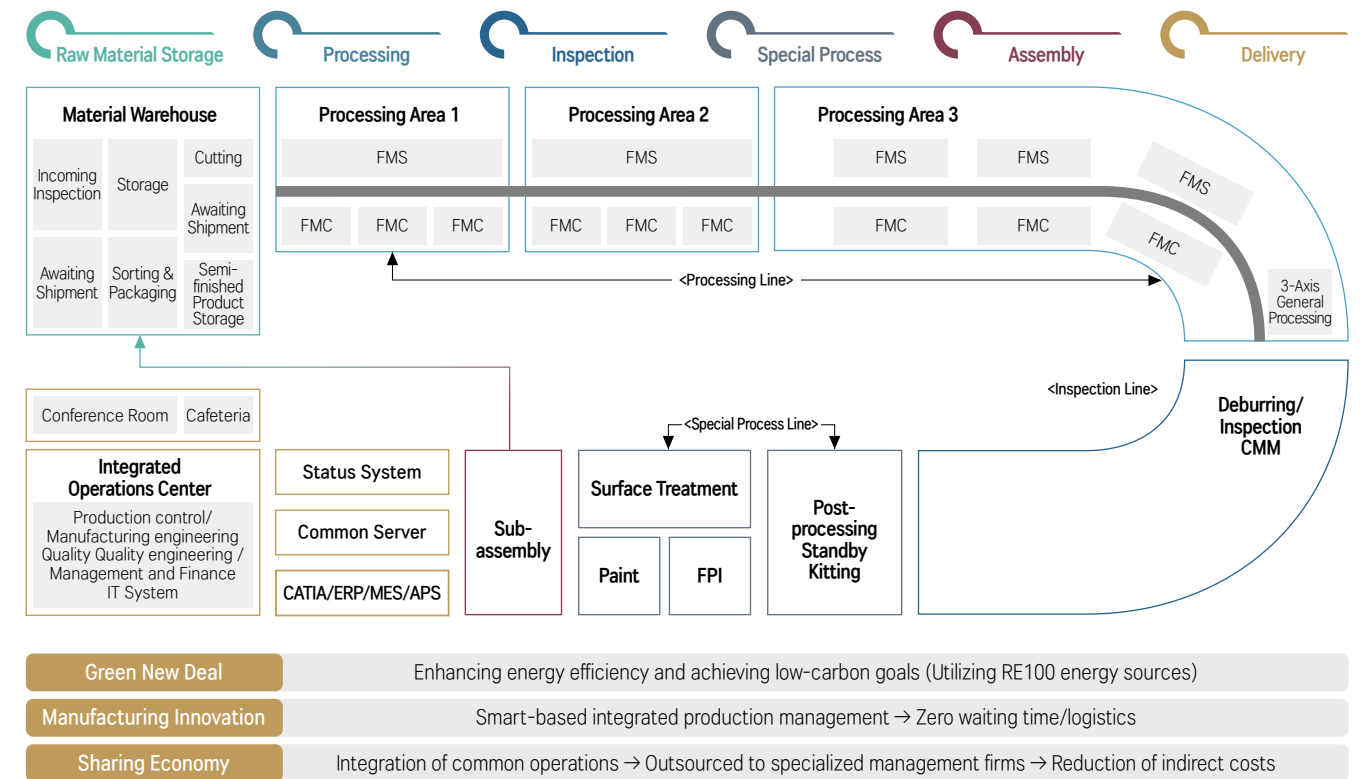
We are pursuing the 'Establishment of an Integrated Aerospace Parts Production Infrastructure' project to achieve manufacturing innovation and secure global competitiveness through specialized and consolidated aerospace parts manufacturing. Based on the core concepts of integrated production lines, smart factories using digital twin technology, and the shared economy model, we aim to transform unplanned and fragmented production into an efficient, smart manufacturing complex. To bring this vision to life, KAI was selected for a multi-year research project by the Korea Industrial Complex Corporation (KICOX) in both 2023 and 2024. We formed an industry-academia-research consortium that includes KICOX, suppliers, experts, and specialized research institutions to jointly conduct the necessary studies.

3) Workforce Development (Customized Training Support)

To ensure the sustainable advancement of Korea's aviation technology and industry, KAI has been operating a Joint Training Center since 2015. The program launched with 57 participating partner companies and has grown to 227 as of 2024. To date, more than 7,000 trainees have completed the center's training programs. Based on demand surveys, we develop tailored training curricula that meet the specific needs of our partner companies. We provide structured educational support to strengthen their technical competitiveness. Our commitment to workforce development has produced tangible results. In 2022, KAI earned the highest rating in the National Human Resource Development Consortium performance evaluation, a recognition of our leadership in cultivating talent for the aerospace industry.

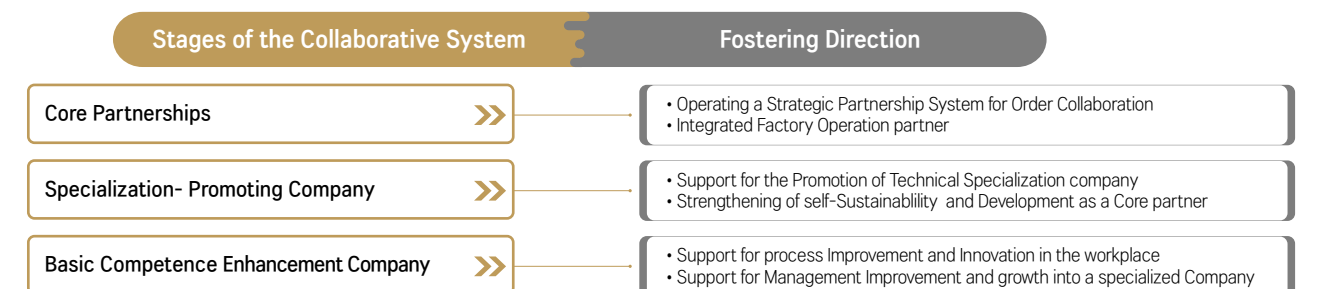


Conceptual Diagram for the Aerospace Parts Cluster Production Complex



Partner Development Roadmap

We are implementing a phased, performance-driven development system by building a strategic cooperation framework tailored to the specific capabilities of each supplier. This framework is structured into three tiers: Core Partnership, where we pursue strategic alliances through joint bidding opportunities and collaborations on major projects for self-sustaining suppliers with independent business systems; Specialized Development, where we offer targeted support to enhance their specialized expertise and guide them toward becoming core partners for suppliers with strong technical potential; Fundamental Capability Enhancement, where we support process improvements and workplace innovation to foster their development into specialized, growth-oriented companies for suppliers requiring a stronger operational foundation. Additionally, we are working on refining and optimizing a phased supply chain ecosystem (SCM) to boost global competitiveness. This includes supporting supplier-led manufacturing innovation, enhancing capabilities, and attracting talent. Ultimately, our goal is to strategically restructure and expand the domestic supply chain in line with the ongoing growth of our complete aircraft platform business.



Safety and Health

Commitment to Safety in Action

CEO's Commitment to Safety

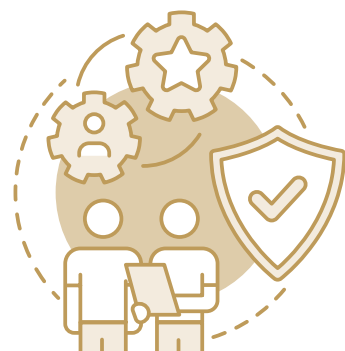
KAI has established a Safety Office under the direct supervision of the CEO to systematically manage and prevent various workplace accidents using advanced systems and technical expertise. All employees are committed to building and maintaining a safety culture unique to KAI. Our CEO places strong emphasis on safety at the operational level, firmly believing that “the solution lies at the site.” By identifying and eliminating risk factors in production activities in advance, KAI fosters a safe working environment. Regular safety and health campaigns are conducted to raise awareness and instill a strong safety mindset among employees.

At the end of each year, KAI holds a company-wide “Safety Day” event to evaluate the annual performance of safety initiatives. Outstanding individuals and departments are recognized, reinforcing employees’ safety awareness and further embedding a culture of safety across the organization. In addition, KAI extends its commitment to safety to partner companies. By transferring its advanced safety technologies and know-how to suppliers, KAI continues to explore collaborative approaches that support mutual growth and shared responsibility for safety. Through these comprehensive safety and health efforts, KAI ensures a safe and pleasant working environment for all employees.



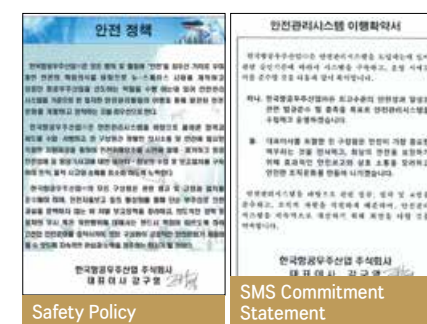
Safety, Health, and Environmental (SHE) Management: To foster a safe working environment and a healthy organizational culture, our SHE system proactively prevents, identifies, evaluates, and enhances risk factors, thereby preventing accidents and embedding a culture of safety.

Aviation Safety Management: We continuously develop and manage aviation safety by implementing ICAO Annex 19 standards and maintaining government approval for our Safety Management System (SMS) as stipulated by the Korean Aviation Safety Act.



Aviation Safety

Aviation Safety Policy and Goals



H1 KF-21 Emergency Response Drill (Fire Suppression)



H1 Surion Emergency Response Drill (Patient Evacuation)



H2 FA-50 Emergency Response Drill (Brake Check)

Safety is the highest priority across all of KAI's business activities. By making safety a part of daily practice, KAI consistently achieves its zero-accident goal in aircraft development, production, and test flights. To maintain a cutting-edge aviation safety management system, KAI focuses on proactively identifying, evaluating, and mitigating safety risks, while continuing to foster an advanced safety culture.

To ensure systematic and sustainable growth in aviation safety, KAI has established a robust organizational structure led by the CEO. This includes the General Safety Manager, Chief Safety Manager, and department-level safety officers who collaborate closely and promote active communication to strengthen proactive risk control. KAI reviews and updates its aviation safety performance indicators (SPIs) and goals annually. Progress is monitored and assessed on a quarterly basis to ensure continued alignment with safety objectives.

To prepare for potential emergencies during aircraft development, manufacturing, and test flights, KAI conducts more than four emergency response drills annually. These drills enhance initial response capabilities and incorporate self-assessments to identify issues and implement improvements, ensuring timely and effective response in real-life situations.

2024 Aviation Safety Performance Indicators and Targets

Category		Safety Performance Indicator	Incidents	Performance Goal	Result
Military Development/Production	Common	Voluntary Safety Reporting	72	≥ 65/year	○
		Fixed-Wing Aviation Safety Incidents (in accordance with Voluntary/Mandatory Reporting per Aviation Safety Act)	4	≤ 10/year	○
		Rotary-Wing Incidents (in accordance with Voluntary/Mandatory Reporting per Aviation Safety Act)	1	≤ 10/year	○
		Bird Strike	2	≤ 2/year	○
	Ground	Aircraft Ground Safety Accidents	0	≤ 1/year	○
		Safety Accidents during Ground Equipment Operation	0	≤ 1/year	○
	Flight	Aircraft Incidents	0	≤ 1/5 years	○

Aviation Safety Risk Management

KAI has established a robust aviation safety risk management system to proactively identify, analyze, and assess hazards and implement effective mitigation measures. We enhance our preventive measures by collecting and analyzing safety data. During the risk assessment phase, we apply mitigation strategies appropriate to the assessed level of risk.

Safety and Health

Aviation Safety Assurance

We conduct internal aviation safety audits. When deficiencies are found, we issue corrective action requests and implement improvements, continuously monitoring their effectiveness. Following our SMS manual, we analyze internal audit results and incorporate them into future audit plans to ensure continuous improvement.

We also establish and implement targeted mitigation measures tailored to each season to address potential seasonal safety risks in flight and production proactively. We conduct continuous aviation safety oversight in response to the increased frequency and complexity of test flights due to aircraft development, mass production, and seasonal factors. Through the integrated management of human, material, and environmental factors, we strive to minimize operational risks and prevent safety incidents before they occur.

2024 Aviation Safety Internal Audit

Classification		H1	H2	Remarks
Audit Status		- Auditors: 3 Safety Officers from the Aviation Safety Team - Audit Period: June 17 - June 21 (5 days) - Audit Scope: 12 departments including Flight Test, Production, and Quality	- Auditors: 3 Safety Officers from the Aviation Safety Team - Audit Period: December 2 - December 12 (9 days) - Audit Scope: 12 departments including Flight Test, Production, and Quality	
Audit Results	Result	- Checklist Items: 416 - Results: 408 Satisfactory, 8 Minor Non-conformities/Observations	- Checklist Items: 429 - Results: 422 Satisfactory, 7 Minor Non-conformities/Observations	
	Audit Findings	- Fixed-wing: 5 findings, including expired pilot medical certificates - Rotary-wing: 2 findings, including damage to hangar PODs - Maintenance/Training: 1 finding related to DI revision on training operations	- Fixed-wing: 4 findings, including insufficient compliance with CTT operating procedures - Rotary-wing: 3 findings, including partial mismatch of NOTAM items in daily flight plans by aircraft type	Decrease in Findings Compared to the First Half (↓ 1 case)

Enhancement of Aviation Safety

To strengthen and reinforce employees' safety awareness, KAI holds an annual company-wide "Safety Day" event. This occasion reaffirms the organization's commitment to embedding safety into everyday practices and highlights the CEO's SMS Commitment Statement, emphasizing a return to safety fundamentals. As part of the event, industry experts are invited to deliver lectures, equipping employees with the latest knowledge and information to support ongoing safety improvement. We also boost pride and motivation by recognizing individuals and teams for their contributions to safety and for achieving accident-free flight targets. To further promote employee participation, safety competitions and symposiums are also held in parallel. Moreover, biannual flight safety meetings are conducted with test pilots and engineers to listen to voices from the field and apply their feedback to improve the flight safety environment.



2024 Company-Wide Safety Day Event

MOU Signing Ceremony of Mutual Cooperation for Aviation Safety Promotion

Following a 2023 cooperation agreement with the ROK Air Force Safety Center, we signed agreements in 2024 with the ROK Army Aviation Command and the Army Aviation School. These partnerships aim to eliminate hazards and enhance aviation safety through expanded exchanges in technology, information, personnel, and training. In 2025, we plan to pursue similar agreements with the ROK Navy and Marine Corps, leading to a joint aviation safety seminar between aircraft manufacturers and operating agencies.



Aviation Safety Promotion Agreement Ceremony - ROK Army Aviation Command



Aviation Safety Promotion Agreement Ceremony - ROK Army Aviation School

Aviation Safety Training

We have developed an online aviation safety course and mandate that all employees complete it twice a year. We also appoint safety managers in each department, supporting their professional development through specialized training programs to cultivate a team of skilled experts. Furthermore, we host lectures by human factors experts for managers and flight personnel at least twice annually.

Aviation Safety Training

Period	Session	Course Name	Completed (Persons)
2022	H1	Aviation Safety Management	3,708
	H2	Aircraft Accident Investigation	3,702
2023	H1	Crew Resource Management (CRM)	3,697
	H2	Fundamentals and Overview of the Aviation Safety Management System (SMS)	3,682
	Annual	Professional training programs from institutions like the ROKAF Aviation Safety Center and Korea Aerospace University, In-house aviation safety training courses	28
2024	H1	Aviation Accidents and Human Factors	3,801
	H2	Case Studies on Aircraft Development-Related Accidents	3,764
	Annual	Cockpit Resource Management & Fatigue Risk Management (Guest Lecture) Risk Management (Guest Lecture) Specialized Courses (e.g., ROKAF Aviation Safety Center, Korea Aerospace University)	48 43 17

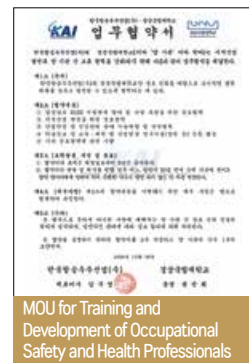
Recognition and Awards for Aviation Safety Contributors

Safety Culture Promotion Target	Description	Timing	Awarding Body
Aviation Safety Practice	• Outstanding Performers in Aviation Safety Practice	As needed	General Safety Manager
Outstanding Organization Evaluation and Award	• Award for Outstanding Organizations in Aviation Safety Prevention Activities (3 teams)	Once/year	General Safety Manager
Aviation Safety Achievement Award	• Award for Aviation Safety Contributors and Outstanding Organizations	Once/year	Top Management
Accident-Free Flight Achievement Award	• Commemorative Award for Achieving Accident-Free Flight Goals (Organization/Individual)	Upon achievement	Top Management
Safety Banners and Campaigns	• Promoting safety awareness and reinforcing safety culture through banner displays • Placement of banners highlighting aviation safety	Once/quarter	

Safety and Health

Safety, Health, and Environmental (SHE) Management

Safety, Health, and Environmental (SHE) Promotion System



Vision and Goals



ISO Certification Status by Site

Category	Business Locations	Validity Period
ISO 14001 (Environmental Management)	Headquarters, Sacheon Plant 2 (Leased), Jongpo Plant, Sancheong Plant, Goseong Plant	November 2023 - October 2026
ISO 45001 (Occupational Health and Safety Management)	Headquarters, Sacheon Plant 2 (Leased), Jongpo Plant, Sancheong Plant, Goseong Plant	October 2023 - October 2026
ISO 50001 (Energy Management)	Headquarters	December 2023 - December 2026

1) Achieving Our Vision and Goals

To achieve our vision of “growing into a strong and happy global company for all employees” by leading the safety culture in the aviation industry through continuous innovation and the establishment of an autonomous safety culture, KAI has set three key goals for 2025: a 10% reduction in the accident rate through proactive risk management, a 40% reduction in employees with health concerns by establishing a systematic health management system, and the achievement of greenhouse gas reduction targets by reinforcing our ESG-driven environmental framework. Additionally, we have obtained international certifications in Safety and Health Management (ISO 45001), Environmental Management (ISO 14001), and Energy Management (ISO 50001) to strengthen our global competitiveness in the fields of safety, health, and the environment. In collaboration with Gyeongsang National University, we are also conducting joint research and developing aviation-specific safety and health programs to advance the aerospace industry and cultivate specialized talent in safety, health, and environment (SHE).

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

In accordance with ISO 45001, 14001, and 50001 requirements, we conduct an annual analysis of internal and external issues, as well as stakeholder needs, at the beginning of each year. This analysis identifies risks and opportunities and formulates corresponding improvement plans. Each department establishes its own safety, health, and environmental improvement goals and implementation plans, which are managed through our integrated SHE (Safety, Health, and Environment) improvement program. Monthly progress evaluations are conducted to ensure the continuous monitoring and control of safety and environmental risks. In 2024, we identified 135 risk factors—90 related to safety and health and 45 to environment and energy—and successfully completed improvement measures for all but three, which have been designated as long-term projects.

2024 Safety, Health, and Environmental (SHE) Improvement Performance

Classification	Goals	Key Achievements (Detailed Goal: Improvement Program)
Safety & Health (90 cases)	Reducing Accident Rate by 10%	• Achieved a 10.2% reduction in the accident rate (from 0.471% to 0.423%), reaching 102% of the target. ※Note 1 • Implemented 63 improvement initiatives, including fall prevention through the expansion and enhancement of 300/600 SKIN scaffolding systems. - 2 goals not met (scheduled for re-registration in the 2025 program). ※Note 2
	Reducing musculoskeletal disorder (MSD) incidents (chronic and acute) by 23%	• Achieved a 53.8% year-over-year reduction in MSD cases (from 13 to 6), reaching 234% of the target. • Executed 15 improvement programs, including MSD prevention through optimization of component installation methods. - 1 goal not met (scheduled for re-registration in the 2025 program). ※Note 3
	Reducing the number of employees with health concerns by 30%	• Achieved a 60.1% reduction in overtime/special duty assignments for employees with health concerns (from 396 to 158), reaching 200% of the target. • Implemented 12 initiatives, including employee health management through the establishment and operation of Smart Health Zone. - 1 goal not met (scheduled for re-registration in the 2025 program). ※Note 4
Environment & Energy (45 cases)	Achieving an environmentally accident-free workplace through ESG-focused management practices	• Established an environmentally accident-free workplace by installing an oil-water separator in the flight line drainage channel, along with two additional initiatives.
	Enhancing the practicality of environmental impact assessments and strengthening detailed goal management	• Executed 23 environmental programs and reinforced environmental impact assessment management. • Contributed to the local community through 7 environmental cleanup initiatives in 2024.
	Managing and monitoring energy-saving targets	• Executed 21 specific energy-saving initiatives, including those related to autoclave operation.
	Strengthening the Hazardous Chemical Management System	• 20% reduction in the use of PAINT and STRIPPER. • Reduced fume generation from waste bins after MPK use.
	Minimizing environmental pollution across the air, water, waste, soil, and odor categories	• Reduced NOx emissions by installing a new once-through boiler in the cleanroom of the parts building, along with six additional initiatives.
	Conducting greenhouse gas reduction activities	• Reduced greenhouse gas emissions by 3,062 tons and saved KRW 1.27 billion through the use of solar power, while also expanding the fleet of eco-friendly vehicles — a total of 22 related initiatives were implemented.

※Note 1) Accident rate, including all accidents occurring within the workplace, in addition to the official industrial accident rate approved by the Korea Workers' Compensation and Welfare Service.

※Note 2) Fall prevention by applying a dedicated tool for crane loading, and flying object hazard prevention by installing protective barriers.

※Note 3) Strengthening of preventive activities to reduce musculoskeletal disorders (1 out of 5 enhancement initiatives did not meet the target).

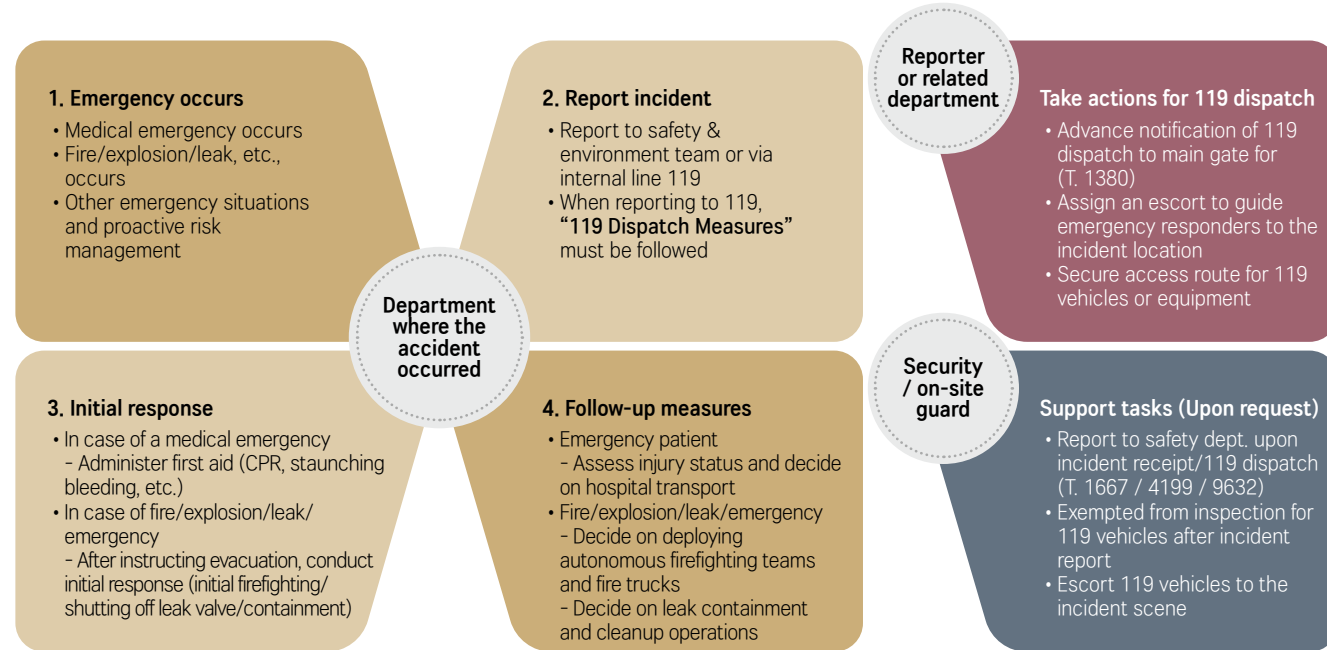
※Note 4) Strengthening employee health management through the establishment and operation of an on-site clinic.

3) Emergency Response System

We have established and maintain an emergency response system to ensure full preparedness and enable a swift, effective response to unforeseen emergencies. We proactively identify and analyze various types of potential disasters that may occur at our business sites, establish step-by-step response plans, and implement structured response procedures during actual emergencies to minimize real-world damage. In addition, we have distributed a company-wide emergency response flowchart to ensure a prompt initial response and reduce confusion during emergencies. Regular drills simulating virtual emergencies, that cover all from alerting emergency services (e.g., calling 119) to initial response and follow-up measures, help secure the critical “golden time” in the event of an actual emergency.

Safety and Health

Emergency Response Flowchart for In-house Incidents

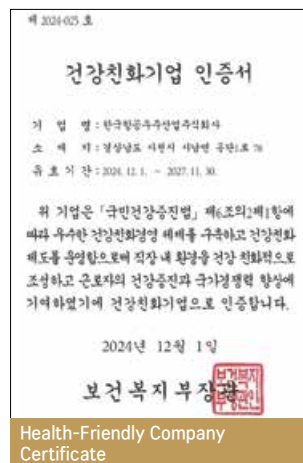
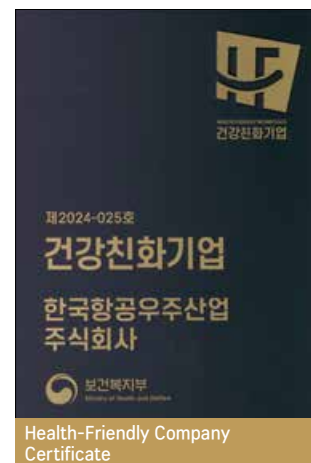


4) Health Management

KAI promotes a culture of workplace safety and health to enhance employee well-being. By offering educational programs, counseling, and health promotion activities that support effective self-care, we received the "Health-Friendly Company" certification from the Ministry of Health and Welfare in 2024. With strong support and commitment from management, we are working to establish a health-conscious corporate culture through a variety of programs and benefits. In particular, we support employee health through company-wide experiential programs such as yoga, meditation, smoking and alcohol cessation, and walking initiatives—ultimately aiming to boost productivity and foster a positive corporate culture.

5) Safety and Health Campaigns

Reflecting the growing societal interest and responsibility in safety and health, we implemented a range of initiatives in 2024 under the theme of "Safety Sharing Activities." First, we developed



participatory programs to enhance employee awareness and engagement in safety. Second, we engaged in joint safety activities with our on-site partner companies.

We provided safety training and risk assessment support to small partner companies to help prevent industrial accidents, while promoting collaborative safety and health initiatives aimed at mutual growth. Third, to promote regional development, we carried out a range of "Safety and Health Sharing Activities" through partnerships with government agencies—including the Safety Culture Practice Program—and joint R&D projects with key universities, thereby helping to strengthen the local community's competitiveness.

In the first half of 2024, we gathered a wide range of employee-driven ideas for improving workplace safety and health through an internal Safety and Health Risk Factor Improvement Contest. The contest invited employee feedback on topics such as near-miss incidents involving yourself or a colleague, routinely hazardous work environments, and safety procedures or standards in need of improvement. Immediate improvements were made where necessary, and outstanding ideas were recognized with individual awards to help raise safety awareness across the organization.

In the second half of 2024, we planned the first "KAI Safety and Environment Golden Bell Challenge" to assess and enhance employees' safety knowledge. We have been conducting monthly safety quizzes to improve employees' safety knowledge. Building on this initiative, we introduced the "Golden Bell" format to boost engagement and successfully assess the current level of safety and environmental awareness at KAI. The event was successful, attracting strong interest and participation, not only from KAI employees but also from on-site partner company staff.

Each year, KAI hosts a company-wide Safety Day event led by the CEO to recognize outstanding contributions to safety. This initiative promotes greater participation and interest in safety and health activities, helping to establish KAI's distinctive safety and health culture.

6) Supplier Safety Management

Since most safety accidents tend to occur at smaller companies, and many partner companies—both large and small—are stationed and working at our sites, safety management for these partners has become a critical aspect of our overall safety strategy. Therefore, we share KAI's safety and health knowledge, technical expertise, and best practices with them in advance to help prevent safety accidents among our on-site partners. We also actively participate in the government-led "Large and Small Business Safety and Health Shared Growth Cooperation Program." Through a consortium with our partner companies, we support efforts to improve their safety and health standards and to establish robust safety and health management systems. We are also working to help them build autonomous, self-regulating prevention systems that strengthen their competitiveness.

Accident Status

In 2024, KAI's official industrial accident rate was 0.16%, noticeably lower than the 0.83% industry average reported by the Korea Workers' Compensation and Welfare Service. An analysis of the "Accident Rate and Work Loss" resulting from industrial accidents in 2024 indicates a declining trend in all areas—including the accident rate, the number of cases, and days of work lost—compared to 2023. Due to the nature of the aviation industry, the incidence of musculoskeletal disorders tends to be relatively high. We are working to reduce these cases by conducting detailed analyses with external expert institutions and implementing improvements, such as changes to work methods.

CSR (Corporate Social Responsibility)

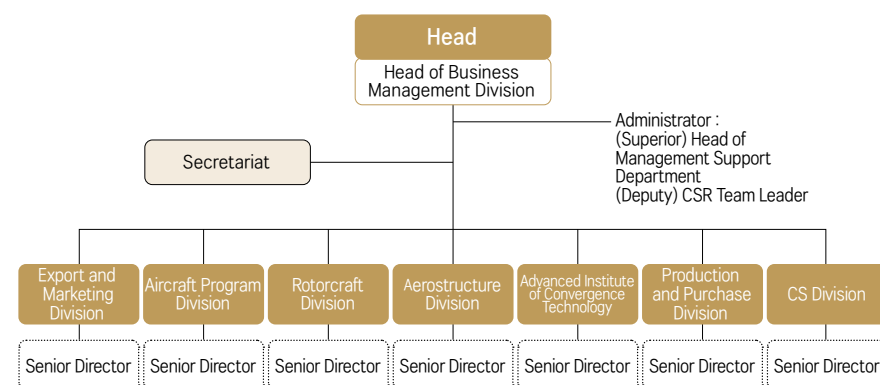
CSR System



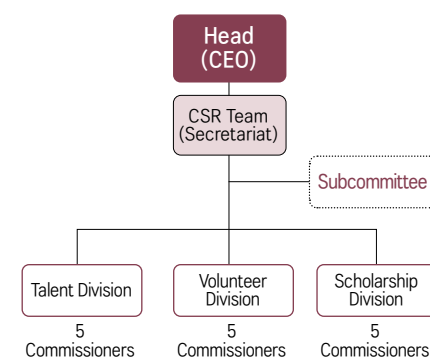
Charitable Giving

Our charitable giving is supported by corporate funds and contributions from the KAI Nanum Volunteer Corps, our employee-led volunteer organization. Each year, we contribute to the local community by carrying out tailored social contribution programs across all our sites, focusing on areas such as social welfare, educational scholarships, and job creation. To ensure transparency in the execution of donations, we operate two decision-making bodies: the Social Contribution Promotion Group, which manages company-supported funds, and the KAI Nanum Volunteer Corps Subcommittee, which oversees employee-contributed funds.

Social Contribution Promotion Group Organizational Chart



KAI Nanum Volunteer Corps Organizational Chart



2024 'Sharing of Love' Kimchi-Making Volunteer Event

Educational Donation

Since 2010, we have been operating the Aviation Camp, a creative experiential educational donation program, earning recognition as a "leading innovator in educational donation in Korea." Established in 2012, the Aviation Camp has consistently offered educational donation programs utilizing cutting-edge aerospace science and technology. We inspire and educate the next generation of aerospace dreamers with over 100 camp sessions held annually.



2024 Tongyeong High School Mechanical & Aerospace Engineering Camp

Cultural Donation

As Korea's first aerospace museum, we provide access to the nation's aerospace history and key infrastructure. The museum spans 46,281m² and houses real aircraft and national security-related artifacts. In 2024, we integrated with Sacheon City's Aerospace Science Museum to offer an enhanced exhibition experience for visitors. We also run weekly tour programs in collaboration with local governments (Gyeongsangnam-do and Sacheon City) to promote regional tourism.



KAI Aerospace Museum

CSR (Corporate Social Responsibility)

Charitable Giving Activities

Charitable Giving Activities

1) Defense KAI: Honoring Patriots, Veterans, and Supporting Partner Nations

► Defense KAI (Philippines): Medical Support for Korean War Veterans

In May 2024, KAI collaborated with Samcheonpo Seoul Hospital and Jinju Health University to provide medical support for approximately 1,500 Korean War veterans and their families at the PEFTOK Korean War Memorial Hall in Manila, Philippines. Among them was veteran Ruben A. Aquino (born in 1931), who received treatment at the event. We will continue to expand our patriotic remembrance and veterans' honor activities around the world, ensuring we never forget the sacrifices of the veterans who extended a helping hand to the Republic of Korea in its time of need, and to honor and express our gratitude for their dedication.

► Defense KAI (Philippines): National Fundraising Campaign

The Philippines dispatched 7,420 troops to aid in the Korean War. To honor their sacrifice, KAI partnered with the Ministry of Patriots and Veterans Affairs to launch a national fundraising campaign with a goal of KRW 74.2 million, kicking off the effort with a KRW 50 million donation campaign. The campaign surpassed its goal, raising over KRW 92.1 million. The funds were used to improve housing, provide scholarships for descendants, and cover medical expenses for Filipino veterans.



2) Employment Support

► Support for Job Training Programs for Individuals with Developmental Disabilities

After completing formal schooling, individuals with developmental disabilities often face a lack of opportunities, as short-term programs offered by welfare centers provide limited support. To support them, KAI sponsored a vocational program at a local center for developmental disabilities. Our support funded comprehensive life skills training, including personal grooming, etiquette, and interpersonal communication.



► Jinju Free Laundry Service

Since 2022, KAI has sponsored the Jinju Welfare Foundation's free laundry service for low-income households. The program assists elderly individuals living alone and people with severe disabilities who struggle with heavy laundry. It also creates a positive community loop by employing members from a local self-reliance center, providing both social welfare and a path to economic independence.



3) Education and Scholarships

► Cultural Classes at Child Welfare Facilities

Children in welfare facilities often have limited opportunities for cultural experiences. To address this, we have founded and continue to support cultural classes (① KAI Heavenly Love Choir, ② KAI Reading Club) and athletic programs (③ KAI Soccer Class). Through such initiatives, we focus on creating sustainable social impacts that extend beyond one-time financial aid.



► Sponsoring a Regional Representative Youth Sports Team

The representative student sport in Sacheon, the home of KAI's headquarters, is women's basketball. However, due to population decline and rural depopulation, the team is facing difficulties in maintaining its legacy. To help nurture local sports talent, KAI has been continuously participating in and supporting a scholarship program for the basketball team since 2021. Our support has been particularly helpful recently, as the team has been struggling due to the closure of elementary and middle school dormitories and insufficient operating funds.



CSR (Corporate Social Responsibility)



Essential Goods Donation Program for Local Senior Centers



Aid for Families Facing Economic and Housing Hardships



2024 Kimchi Sharing for Love Event



Bread of Love Volunteer Activity



Large-scale Wildfire Damage Support

4) Social Welfare

► Providing Essential Goods to Local Senior Centers

Utilizing KRW 150 million from our Agro-Fishery Cooperation Fund, entrusted to the Korea Foundation for Corporate Partnership, we launched a project to provide essential goods to senior centers near KAI facilities. A donation ceremony was held in December 2024. We delivered customized home appliances to 86 senior centers near KAI's Sacheon headquarters. Based on a needs assessment conducted at each center, we installed items such as TVs, air conditioners, water purifiers, and kimchi refrigerators by January 2025.

► Supporting Communities with Welfare Gap

We identify and support neighbors with welfare gaps, providing aid to vulnerable groups including the elderly, children, youth, individuals with disabilities, and multicultural families. We have provided hope and encouragement to households facing crises in housing and living conditions. Our support includes home improvement assistance for households with disabled members, the purchase of clothes and school supplies for underprivileged children, and creating opportunities for families who have never had the chance to visit an amusement park.

5) Employee Volunteer Activities

► Kimchi Sharing for Love Event

Every December, we host the "Kimchi Sharing for Love Event." In 2024, KAI employees and their families were joined by our valued partners, including Embraer, Lockheed Martin, BNK Kyongnam Bank, the KAI Community Credit Union, and the Sacheon Volunteer Organization Council. In response to rising ingredient costs that made kimchi-making increasingly difficult for many families, our volunteers came together over the weekend to prepare 2,700 heads of kimchi, which were then distributed to low-income households in the local community.

► Baking Bread and Making Goods

Each month, the KAI Nanum (Sharing) Volunteer Corps and their families prepare and donate food and daily necessities by hand. Our food contributions have ranged from handmade yanggaeng (sweet red bean jelly) and lunch boxes to Christmas cakes. We have also created pain relief ointments, carnation bouquets, and cypress wood humidifiers to promote wellness among the elderly. All handmade food and daily goods are delivered to children's centers and to households selected by the local government in the Sacheon area.

6) Fundraising for Wildfire Victims

The wildfires that broke out in March 2025 were so severe that they were declared a national disaster. To help the victims, all KAI employees participated in a company-wide fundraising campaign, donating a total of KRW 300 million. As Korea's sole aircraft systems integrator, KAI took swift action to fulfill its social responsibility by activating an emergency wildfire response task force. We provided real-time maintenance for the Surion-series helicopters used in firefighting operations, significantly shortening their turnaround time for redeployment. Our support extended to all aircraft types, including parking and operational assistance, technical and material support for belly-mounted water tanks, and fuel supply, playing a vital role in the firefighting effort.

Educational Donation

Aviation Camp

1) Camp Participants

A total of 89 schools and organizations took part in the 2024 Aviation Camp.

2) Camp Graduates and Satisfaction

Since its launch in 2010, the Aviation Camp has produced a cumulative total of 45,012 graduates. In 2024, 2,493 students completed the program. We continue to enhance the camp's content based on participant feedback, and this year's satisfaction rate reached 96.4%.

3) 2024 Republic of Korea Education Donation Expo

The 13th Neulbom School & Education Donation Expo was held in December 2024 at KINTEX in Goyang, Gyeonggi Province. Hosted by the Ministry of Education and the Korea Foundation for the Advancement of Science and Creativity, the expo brought together more than 130 institutions, schools, and companies to share their education donation efforts. KAI joined the expo to highlight its Aviation Camp and education donation programs, demonstrate its leadership in the Korean defense industry, and promote the values of inclusion and sharing through education. We also introduced hands-on aviation industry programs to visitors, including flight simulators, T-50B paper airplane workshops, and FA-50 wooden aircraft model classes. Given that many attendees were students, the event served as a valuable opportunity to spark interest in aerospace and help guide future talent toward careers in the field.



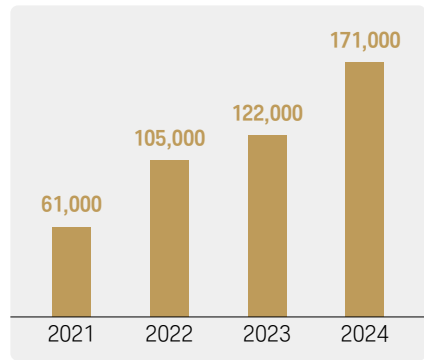
Aviation Camp

CSR (Corporate Social Responsibility)

Cultural Donation

Aerospace Museum

Visitor Statistics (Unit: Persons)



KAI established Korea's first aerospace museum to instill a proper understanding of the Korean War and national security, while also introducing the technologies and vision of the 21st-century aerospace industry. The museum was founded in 1995, based on aircraft and security-related artifacts transferred from the General Security Exhibition Hall in Yeouido, Seoul, by the UN Korean War Allies Association.

The museum consists of an indoor exhibition hall, including the Aerospace Pavilion and the Liberty Guardian Pavilion, and an outdoor exhibition area. The first floor of the Aerospace Pavilion features the history of the aviation industry's development, while the second floor showcases materials on the future of the space industry. The Liberty Guardian Pavilion mainly displays artifacts and materials related to the Korean War. The outdoor exhibition area includes permanent displays of real aircraft, tanks, and artillery.

As an aircraft systems integration company, KAI seeks to contribute to revitalizing the local economy by building infrastructure for aerospace industry-related cultural and tourism projects. Through real-life displays of various aircraft and public education on the history and knowledge of the aerospace industry, we aim to engage the public and support regional development.



Aerospace Museum Establishment Overview

Opening Date	August 28, 2002	Type	First-Class Specialized Museum (Privately Operated)
Museum Name	Aerospace Museum	Founder/Representative	Korea Aerospace Industries, Ltd.
Location	78, Gongdan 1-ro, Sanam-myeon, Sacheon-si	Site Area	46,281m ² (14,000 pyeong)

Exhibition Information

Exhibition Area	Exhibition Content	Exhibition Method
Aerospace Hall	- History of aviation (world/Korea), principles of flight and aircraft structure, jet engine, various aircraft models - Astronauts/rockets/satellites/international space station (ISS)/space shuttle models, history of space exploration, and overview of aerospace science development → The past, present, and future outlook of the aerospace industry	- Jet engine - Real aerospace artifacts - Aerospace models - Photo displays and graphics
Defense of Freedom Hall	- The tragedy and nature of the Korean War - Special exhibitions on the activities of participating UN forces, etc.	- Artillery, North Korean army motorcycle - Various firearms - War-related photo frames and various relics - Exhibition of actual items like military gear, personal effects, and memorabilia
Outdoor Exhibition Area	27 real aircraft 14 leased from the Korean military, 13 owned 5 tanks / 2 artillery pieces, 2 searchlight/Nike missiles 2 armored vehicles/Jeeps, J47-GE-27 engines, and other actual artifacts	- C-54E Air Force One - C-123K, C-124C aircraft interiors open for public viewing



Aerospace Museum Welcomes Its 5 Millionth Visitor

Over 5 Million Visitors to the Museum

In August 2024, a family of four from Daejeon marked a major milestone as the Aerospace Museum's five millionth visitor. Explaining their reason for the visit, they shared, "We've always been fascinated by aerospace, and we wanted to come to Sacheon—the heart of Korea's aerospace industry—to learn more and see it firsthand." This accomplishment comes nearly seven years after the museum surpassed the 4 million visitor mark in October 2017.

Public-Private Partnership Project

1) Integration of the KAI Aerospace Museum and Sacheon Aerospace Science Museum

To promote local aerospace history, culture, and tourism, we held a commemorative event in November 2024 to mark the integration of the Museum and Science Museum. Since October 2023, we have made various improvements to enhance visitor convenience, including integrated ticketing, removal of fences, and the addition of an LCH exhibit. Through this public-private partnership, we aim to develop the integrated Museum and Science Museum into a key pillar of local community growth.

2) Joint Tourism Programs with Local Governments

Agreeing with the local governments' goal to boost the regional economy through new tourism programs, we have launched and are operating such programs in partnership with Sacheon City and Gyeongnam Province. In collaboration with Sacheon City, we have been conducting the "Aviation Industry Tour" three times a month since April 2024. We also completed a pilot program for the "Defense Industry Tour" with Gyeongnam Province in 2024, and the tour has officially been held once a month since February 2025.



Integration of KAI Aerospace Museum and Sacheon Aerospace Science Museum



Sacheon Aerospace Science Museum Integrated Operation Commemorative Event



KAI

SUSTAINABILITY REPORT 2025

GOVERNANCE

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Risk Management

Governance Policy

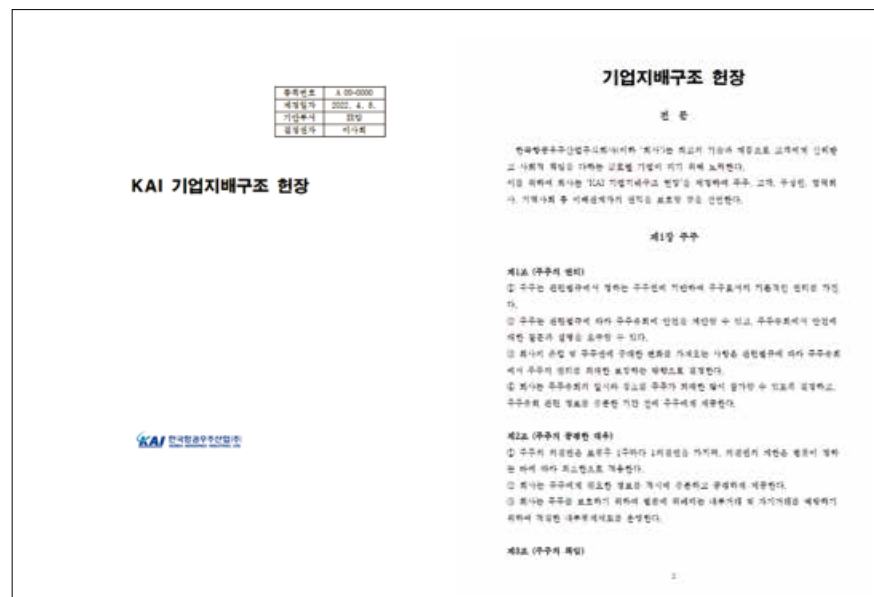
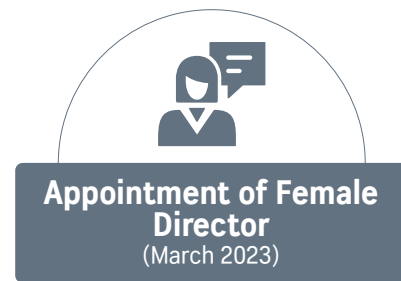
Governance Principles and Policies

KAI is committed to protecting shareholder interests and building a foundation for sustainable growth by enhancing transparency and fairness. Our governance structure promotes human rights and environmental stewardship. We provide transparent disclosures of our governance principles on our company website, including our Articles of Incorporation and details on our Board and audit bodies. We also publish an annual Corporate Governance Report.

Furthermore, to ensure diversity and expertise, we appoint outside directors from a range of professional backgrounds, including aerospace, finance, management, and ESG, while avoiding overrepresentation from any single group. To enhance the Board's effective oversight of management, we ensure that outside directors make up a majority on both the Board of Directors and its sub-committees.

Through these mechanisms, we have established a governance structure where the Board and management enhance corporate value through mutual cooperation and balance.

KEY PERFORMANCE



Transparent Management

Composition of the Board of Directors



※ The Board was expanded in March 2025 with the appointment of one additional inside director.

In accordance with Korean law and our Articles of Incorporation, the Board of Directors is responsible for deciding key matters of company policy and business execution, as well as overseeing the performance of management. The Board is composed of seven members: five outside directors and two inside directors. Our Director Candidate Recommendation Committee has the authority to suggest and evaluate all director candidates, both internal and external, to ensure a strong and independent nomination process. Candidates put forward by the committee are then officially appointed through a resolution at the General Meeting of Shareholders. A preliminary nomination review committee is convened prior to the official Director Candidate Recommendation Committee to assess the independence and qualifications of prospective candidates.

On September 5, 2022, the Board of Directors appointed an inside director, Kang Goo-young, as CEO. On September 30, 2022, outside director Park Chun-seop resigned for personal reasons. At the 24th Annual General Meeting in March 2023, two new outside directors, Kim Kyung-ja and Kim Geun-tai, were appointed. At the 26th Annual General Meeting in March 2025, Lee Sang-won and Hong Cheol-kyu were newly appointed as outside directors, and Cho Jin-soo was re-appointed. Additionally, Vice President Cha Jae-byoung was appointed as an inside director.

The Board of Directors meets regularly to approve quarterly and annual financial statements, with ad-hoc meetings held as needed. In 2024, the Board convened eight times, discussing 34 agenda items that resulted in 24 resolutions and 10 reports. The Audit Committee met five times to discuss five items, and the ESG Committee met four times to deliberate on four items. The results of these committee meetings were subsequently reported to the Board.

The Board appointed inside director Kang Goo-young as Chairman, deeming him best suited to coordinate the Board's activities and enhance management efficiency. The Board has five sub-committees: the ESG Committee, the Management Committee, the Director Candidate Recommendation Committee, the Audit Committee, and the Internal Transactions Committee. The Audit Committee is composed entirely of outside directors appointed at the General Meeting of Shareholders, enabling it to perform its oversight function with independence and effectiveness. In 2022, we established the ESG Committee to formulate ESG strategies and embed a culture of sustainable management throughout the company. In March 2025, the Director Candidate Recommendation Committee resolved to recommend two new outside directors, one re-appointed outside director, and one inside director. Accordingly, with the appointment of an additional inside director fulfilling its composition requirements, the Management Committee began operations in the first half of 2025.

Board Composition

Name	Date of Appointment	Area of Expertise	Major Experience	Final Education
Lee Sang-won	March 31, 2025	Management	Former Non-standing Director, Korea Credit Guarantee Fund; Former Member, National Economic Advisory Council, Office of the President; Former Director General for Future Economy Strategy, Ministry of Economy and Finance; Former Assistant Minister, Ministry of Education; Current Member, Deposit Insurance Committee, Korea Deposit Insurance Corporation; Current Non-standing Director, Korea Credit Guarantee Fund	MBA, University of Oregon, USA; BA/MA in Economics, Yonsei University
Hong Cheol-kyu	March 31, 2025	Accounting · Finance	Former Outside Director, Samyang Foods; Former Vice President, Korean Accounting Association; Current Professor, School of Business Administration, Chung-Ang University	Ph.D. in Accounting, London School of Economics and Political Science, UK; BA/MA, Seoul National University
Cho Jin-soo	March 31, 2025	Aerospace	Former Dean, College of Engineering IV, Hanyang University; Former President, The Korean Society for Aeronautical and Space Sciences; Current Vice President, Korea Aero-Space Cadet; Current Professor Emeritus, School of Mechanical Engineering, Hanyang University	Ph.D. in Aerospace Engineering, Purdue University, USA; BA/MA in Aeronautical Engineering, Seoul National University
Kim Geun-tai	March 30, 2023	Defense	Former Joint Chief of Staff of Operations Headquarters (Lieutenant General); Former Commanding General of the 1st Field Army, R.O.K. Army (General); Former Member of the 19th National Assembly; Former Representative of the National Defense Forum	MBA, Dongguk University; Korea Military Academy
Kim Kyung-ja	March 30, 2023	Export Finance	Former Vice President, Export-Import Bank of Korea; Former Head, Credit Assessment and Evaluation Group, Export-Import Bank of Korea; Current Outside Director, Innos Advanced Materials	MS in Environmental Engineering, Yonsei University; BA in Law, Yonsei University

Transparent Management

Operations of the Board of Directors

Board Meetings and Procedures

The chairman convenes the Board of Directors meetings. Any director may request the chairman to convene a Board meeting by specifying the agenda and reasons for doing so. If the chairman refuses to convene a Board meeting without having a justifiable reason to do so, any director may convene the meeting. To convene a Board meeting, directors must be notified of the time, place, and agenda at least seven days in advance via verbal communication, writing, fax, or email. With the unanimous consent of all directors, a Board meeting may be held without following the above procedures.

Board Resolution Method

Board resolutions require the attendance of a majority of incumbent directors and the approval of a majority of those present. However, resolutions related to Article 397-2 (Prohibition of Usurpation of Corporate Opportunities) or Article 398 (Prohibition of Self-Dealing) of the Commercial Act require the approval of at least two-thirds of the directors. The Board may permit directors to participate in resolutions through telecommunication methods that enable real-time voice communication, and such directors are deemed to have attended in person. A director who has a special interest in a resolution is not permitted to exercise their voting rights. According to Article 3 of the Board of Directors' regulations, a director with a special interest is included in the calculation of the quorum for the meeting, but is not included in the calculation of the quorum for a resolution.

Board of Directors Authority

The Board deliberates and decides on matters specified by law or the Articles of Incorporation, matters delegated by the General Meeting of Shareholders, and key issues related to management policies and business execution. The Board oversees management's execution of duties. If the Board determines that a director is performing or is likely to perform their duties in a manner that violates laws or the Articles of Incorporation or is significantly improper, it may request the submission of relevant materials, an investigation, and an explanation from that director. Furthermore, the Board may demand that the execution of such duties be suspended or changed.

Operations of the Board of Directors

The Board does not formally distinguish between regular and ad-hoc meetings. However, meetings for regular agenda items like the approval of annual and quarterly financial statements are held as scheduled, while ad-hoc meetings are convened as needed. In 2024, the Board achieved a 94% attendance rate, reflecting high engagement and thorough discussions on agenda items.

We conduct internal training to enhance our outside directors' understanding of the company and to foster their professional capabilities. Key training activities are as follows:

Operations of the Board of Directors

Training Date	Attending Outside Directors	Total Outside Directors	Meeting Agenda	Main Contents of Training
May 17, 2024	4	5	Global aviation industry trends and site visits to leading companies	Overseas (Visit to Lockheed Martin, etc.)
July 15, 2024	2	5	Gaining insights into leading trends in the global aerospace industry	Participation in COSPAR 2024
January 7, 2025	5	5	Cultivating knowledge in global aviation/aerospace/AI/mobility	Overseas (CES 2025)

Key Features of the Board

Board Independence

KAI appoints directors in strict compliance with legal regulations. Since September 2017, the Director Candidate Recommendation Committee, expanded from the former Outside Director Candidate Recommendation Committee, has been responsible for recommending and screening all director candidates, including both inside and outside directors. Director candidates are selected by the Director Candidate Recommendation Committee and appointed following approval at the General Meeting of Shareholders. To ensure the independence of the Board, directors are empowered to request relevant materials, investigations, or explanations through the Board if there is concern that a director's actions violate laws, the Articles of Incorporation, or are significantly improper. Furthermore, we maintain the Board's independence by composing it with a majority of outside directors (five out of seven total members). The appointment of outside directors adheres strictly to relevant laws, including Articles 382 and 542-8 of the Commercial Act and Article 34, Paragraph 5 of its Enforcement Decree.

Board Diversity

We recognize the critical importance of Board diversity and expertise to ensure that the Board makes effective decisions from a variety of perspectives, rather than representing any single background or interest group. In line with this commitment, we expanded our gender diversity by appointing a female outside director in March 2023.

Board Expertise

To ensure effective Board decision-making, we appoint directors with expertise in fields such as finance/accounting, aerospace, economics/management, and ESG. A dedicated IR team provides robust support to our outside directors, ensuring they can effectively execute their duties on the Board and its committees. This includes distributing comprehensive briefing materials and holding detailed information sessions well in advance of meetings to allow for thorough preparation. Directors receive regular updates on key company developments. To further their understanding of our operations, they may also conduct on-site inspections and receive direct briefings from management as needed.

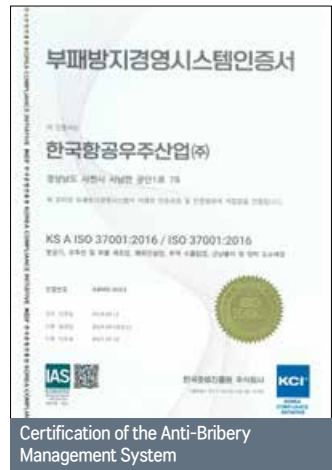
Organization for Supporting Outside Directors

Department (Team) Name	Number of Employees	Position	Major Activities
IR Team	4	1 Team Leader 3 Managers	- Facilitating shareholder, Board, and committee meetings - Supporting outside director training and fulfillment of duties - Building and maintaining a database of director candidates - Providing directors with necessary information for decision-making - Providing logistical support for meetings - Recording Board and committee meeting minutes - Managing public disclosures - Conducting IR activities

Ethics and Compliance Management

Ethical Management System

As a global aerospace leader, KAI is driven by a mission to ensure global safety and advance Korea's aerospace industry. We are dedicated to the successful development and production of the KF-21 fighter jet and to expanding our international exports. To support our advanced R&D and growing export opportunities, our Business Ethics Office ensures strict compliance with all domestic and international laws. This office integrates our Compliance, Management Audit, Security, and Technology Protection teams. We have proactively cultivated a corporate culture rooted in integrity and fairness. In 2018, we became the first Korean defense company to earn the ISO 37001 anti-bribery certification. We bolstered this achievement by acquiring the ISO 37301 compliance management certification in 2023, reinforcing our goal to be the nation's benchmark for integrity in the defense industry. Grounded in these ISO certifications, KAI mitigates legal and regulatory risks while upholding transparent and fair business practices.



Ethical Management Development and Plans

1	• In 2018, we established an independent ethics management division, now known as the Business Ethics Office. • All employees complete ethics and compliance training annually and reaffirm their commitment by signing an ethics pledge.
2	• After becoming the first Korean defense company to earn an ISO 37001 (Anti-bribery Management System) certification in 2018, we have maintained it through annual surveillance and triennial recertification audits. - In H2 2024, we successfully renewed our ISO 37001 certification and maintained our ISO 37301 certification.
3	• We actively engage with international anti-corruption initiatives by participating in the International Forum on Business Ethical Conduct (IFBEC), where we network with and benchmark against global defense peers. - Participation: 2018 (Paris), 2019 (Webinar), 2022 (Washington D.C.), 2023 (Toulouse), 2024 (Washington D.C.).
4	• We engage in semi-annual dialogues on integrity with the Defense Acquisition Program Administration (DAPA) and other defense industry leaders through the Integrity Private-Public Council.
5	• Through an annual, company-wide risk assessment, we proactively identify and mitigate compliance risks.
6	• We practice transparent and fair business through our Fair Trade *Compliance Program (CP) with a Compliance Officer appointed to oversee.
7	• We use a Fair Trade CP self-assessment checklist to systematically identify and manage fair trade-related risks.
8	• In 2024, our leadership in ethical management was recognized with a commendation from the Chairperson of the Anti-Corruption and Civil Rights Commission (a cabinet-level position).

*CP: Compliance

Expanding Ethical Management to Suppliers

KAI is committed to identifying and nurturing globally competitive small and medium-sized enterprises (SMEs) to join the aerospace industry, pursuing shared growth through fair and transparent partnerships. Our Fair Trade Compliance Program (CP) is central to this effort, fostering a culture of co-prosperity with our suppliers through a dedicated Compliance Officer and Council. KAI's Compliance Officer is the Head of the Business Ethics Office. The council includes six senior managers from our Legal, Business Management, Finance Management, Purchase and Planning, Domestic Purchase, and Future Strategy Offices. To promote mutual growth, we utilize the Subcontractor Payment Linkage System and are a registered "Partner Company" with the Ministry of SMEs and Startups. To promote ethical practices throughout our supply chain, we require our suppliers to complete a compliance questionnaire during their evaluation, awarding additional points for their responses. The questionnaire addresses key areas, such as fair trade laws, human rights, government relations, and stakeholder engagement. Suppliers are required to sign an ethics pledge, including matters regarding fair trade, as part of their contract, and any legal violations will result in disadvantages in future bidding opportunities. We also offer extensive supplier training. In 2021 and 2022, we provided training on the Subcontracting Act, National Contract Act, our code of conduct, and EL compliance to 43 and 50 companies, respectively.

Embedding and Promoting a Culture of Ethical Management

All employees annually sign an ethics pledge and complete mandatory ethics and compliance training. We leverage company-wide communication channels to post legal reminders during holidays and election periods, enhancing employees' ethical awareness. Furthermore, our employee handbooks feature our ethics policy, code of conduct, and a summary of the anti-graft law, ensuring employees can access the compliance guidance at any time. Each year, we conduct a company-wide risk assessment facilitated by ethics Points of Contact (POCs) from across the organization and prepare a comprehensive management review report. This report details our compliance activities, training programs, regulatory updates, stakeholder communications, internal audits, risk assessments, and performance metrics. We have also instituted a Fair Trade Compliance Program (CP) to deepen employee understanding of key regulations like the Subcontracting and Fair Trade Acts, supported by a dedicated Compliance Council. Led by our Compliance Officer (Head of the Business Ethics Office), the council convened twice in 2023 and twice in 2024. To fully embed our ethical culture, we use company-wide bulletins to share important notices, updates on legislative changes, new or revised company policies, and our Fair Trade Compliance Manual.

Key Activities of the Business Ethics Office

Outcomes	Description
Achieved an 'A' Grade in the Fair Trade Commission CP Evaluation (2024)	• 'A' Grade Benefits: 1-year exemption from ex-officio investigations and a reduced penalty for public announcement orders.
Received Commendation for Integrity and Ethical Management from the Anti-Corruption and Civil Rights Commission (Feb. 25, 2025)	• Maintained ISO 37301 (Compliance) certification (since 2023) • Maintained ISO 37001 (Anti-bribery) certification (since 2018)
Risk Identification and Assessment	• We ensure all business activities align with the requirements of domestic and international laws, conventions, and internal regulations. • When a potential non-conformity is identified, we assess the risk and implement appropriate mitigation measures. • Risks are rated on a five-level scale from Very Low to Very High. As of year-end 2024, there is zero residual risk in the 'High' and 'Very High' categories.
External Engagement	• Participation in DAPA's Integrity Private-Public Council (since 2019) • Participation in the International Forum on Business Ethical Conduct (IFBEC) (since 2018) • Operation of a company-wide Compliance Council (since 2023) • Amendment of the Code of Ethics and Compliance (since 2024) • Participation in the Ministry of SMEs and Startups' "Partner Company" program to activate the Subcontractor Payment Linkage System (since 2023) • Added new provisions to our Code of Conduct prohibiting unfair labor practices, discrimination, workplace harassment, and violations of community human rights. • Amended business standards for supplier due diligence in preparation for the EU Corporate Sustainability Due Diligence Directive (CSDDD) (from 2025) • Required to include a mandatory ethics assessment and due diligence for all compliance risks (beyond anti-corruption) when evaluating domestic and international partners.
Amendment of Internal Regulations	• Held five internal regulation review meetings over the past year, resulting in 51 amendments to company regulations, standards, and guidelines.

Fair Trade Compliance Training

Meeting Date	Description	Target Audience	Number of Participants
Jan. 2024	Fair Trade Act, Subcontracting Act	New Employees	344
Mar. 2024	Fair Trade Act, Subcontracting Act, ISO 37001 & 37301, Price Indexation System	Team Leaders Throughout the Company	226
May 2024	Fair Trade Act, Compliance Program (CP), FCPA, Anti-Graft Act, EU Supply Chain Due Diligence	CEO/Executives/Office Heads	80
Jun. 2024	Fair Trade Act/Subcontracting Act, Export Controls	New & Experienced Employees	93
Nov. 2024	Company Regulations & Fair Trade Compliance	All Employees (Remote)	All

Ethics and Compliance Management

Compliance Management

Compliance Management Philosophy

KAI has built its reputation as a transparent and trustworthy company by proactively preventing corruption, unfair trade practices, and legal violations while maintaining an effective internal whistleblowing system. We deeply recognize the importance of the ethical and compliance responsibilities for our employees and stakeholders. To foster ethical awareness and a robust corporate culture, we provide ongoing training on domestic and international laws related to fair trade and anti-corruption, as well as our internal Code of Ethics and Compliance. Violations are met with a strict zero-tolerance policy, ensuring a fair and transparent business environment.

Compliance Management Policy

Our Ethics and Compliance Policy comprises internal regulations, which outline employee obligations, and operational standards, which provide practical guidelines for implementation.

- We safeguard company and customer assets, strictly prohibiting their use for non-business purposes. The use of defective parts that impair product performance, the falsification of data, or tampering with supporting documents is strictly prohibited, with a zero-tolerance policy enforced for violations.
- Providing meals, gifts, or congratulatory/condolence payments to public officials in connection with duties is subject to the Improper Solicitation and Graft Act. Accepting gifts or meals from suppliers is also prohibited.
- To ensure transparent procurement, competitive bidding with multiple quotes is standard. If a contract manager becomes aware of a related party participating in a bid, they must report it to the department head and be excluded from the contracting process.

Compliance Management System

The Ethics and Compliance Management System consists of five stages: System Establishment, Prevention, Monitoring, Analysis and Evaluation, and System Improvement. The Compliance Team, dedicated to ethics and compliance, upholds ethical management through anti-corruption measures, regulatory adherence, technology diagnostics, and export control compliance. Whistleblowing reports are handled by the Management Audit Team.

- System Establishment includes revising internal regulations, appointing a Compliance Officer and Compliance Support Officer, updating the Fair Trade Compliance Manual, and distributing employee guides.
- Prevention activities include declaring our commitment to fair trade and ethical management, conducting training for employees and suppliers, and managing employee pledges.
- Monitoring activities include risk identification and assessment, verifying compliance with the internal accounting control system, conducting audits, and surveying training satisfaction.
- Analysis and Evaluation involve assessing violation risks, taking corrective actions, and reporting to the CEO and Board of Directors.
- System Improvement includes refining ethics-related regulations, adopting international standards, and engaging in external activities and benchmarking.

Anti-Corruption

Our anti-corruption framework is built on five core pillars: Policy, Activities, Transparent Transactions, Controls, and Management Review.

- Our anti-corruption policy is operationalized through a comprehensive management manual. This manual outlines detailed procedures for risk assessment, regulatory compliance, objective setting, supplier due diligence, internal audits, and management review.
- Our anti-corruption activities are driven by robust compliance controls. Overseen by an independent Compliance Officer, these activities include managing our ISO 37001 and 37301 certifications, conducting regular ethics training, performing risk assessments, updating internal regulations, and leading external engagements.
- We ensure transparency in all business dealings. Key practices include utilizing a formal supplier selection committee, maintaining a rigorous supplier registration process, diligent contract execution, ongoing supplier performance evaluations, and structured procedures for selecting overseas marketing partners.
- Key anti-corruption controls include our formal audit regulations and our confidential reporting (whistleblowing) standards.
- Led by our CEO, our management review process involves setting and implementing anti-bribery goals, assessing the system's effectiveness based on performance results, and reporting these outcomes directly to executive leadership.

Fair Trade

Our fair trade program consists of policy, activities, monitoring, and management review. In 2024, we achieved an A grade in the Fair Trade Commission's Compliance Program (CP) evaluation.

- Our fair trade policy is outlined in the internal Fair Trade Operational Guidelines, and the Fair Trade Compliance Manual is publicly available for all employees to access.
- Our fair trade activities include semi-annual Compliance Council meetings, mandatory fair trade training for all employees, and quality enhancement through training satisfaction surveys.
- Fair trade monitoring involves using a self-assessment checklist for relevant departments to evaluate risks and identify potential issues.
- All fair trade activities are reported to top management.

Cyber Whistleblowing

KEY PERFORMANCE



We have maintained a confidential reporting system since 2011, accessible via our company intranet and the official KAI website. In 2017, we reinforced this system by displaying hotline posters across all facilities to promote ethical awareness and prevent misconduct. To ensure transparency, the status of reports received and their resolution is publicly available on our website.

Report Summary (Received and Handled)

	Received	Processed	Processing rate	Total (cases)
2022	39	39	100	160
2023	68	68	100	
2024	53	53	100	

※ Note: Excludes non-report items such as advertisements, inquiries, and technical proposals

Shareholder-Friendly Management

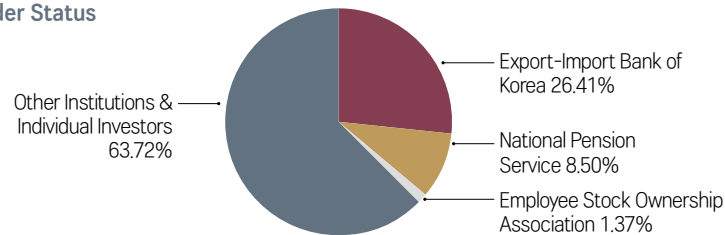
Shareholder-Friendly Management

Shareholder Status

As of December 31, 2024, KAI's total issued common shares amounted to 148,907,209. After accounting for 51,432,102 retired shares, the total number of listed shares is 97,475,107. The largest shareholder, the Export-Import Bank of Korea, holds 25,745,964 shares, representing 26.41% of the listed shares. The second-largest shareholder, the National Pension Service, holds 8,287,410 shares (8.50%), while the Employee Stock Ownership Association holds 1,336,104 shares (1.37%).

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

Shareholder Status



Shareholder Name	No. of Shares	Ownership (%)
Export-Import Bank of Korea	25,745,964	26.41
National Pension Service	8,287,410	8.50
Employee Stock Ownership Association	1,336,104	1.37
Other Institutions & Individual Investors	62,105,629	63.72
Total	97,475,107	100.00

Protection of Shareholder Rights

KAI codified and guarantees shareholder rights through its Corporate Governance Charter, established in April 2022.

To protect shareholder rights, we introduced electronic voting at the March 24, 2017, General Meeting of Shareholders and have applied it to all meetings starting from March 27, 2020.

To facilitate voting rights, we operate proxy solicitation and electronic proxy systems, taking measures to maximize shareholder participation in the General Meeting of Shareholders. The regular General Meeting of Shareholders is held within three months after the end of the fiscal year, with resolutions and announcements provided four weeks in advance to ensure sufficient information about the date, location, and agenda. We will continue to respect shareholder opinions and strive to incorporate them into our decision-making processes.



Shareholder Return Policy

Under the Articles of Incorporation, we implement a dividend policy to return a portion of the company's profits to shareholders, as resolved by the General Meeting of Shareholders. Dividends may be paid in cash or stock, and final decisions are made through resolutions by the General Meeting of Shareholders, following Board approval, considering future investment plans, financial structure, and dividend stability. We amended the Articles of Incorporation at the March 2024 General Meeting of Shareholders to enhance dividend predictability, which then provided prior disclosures of cash or stock dividend decisions before Board resolutions or the General Meeting. To improve dividend transparency and predictability, we commit to distributing at least 25% of net income from separate financial statements as dividends for the 2025-2027 fiscal years, prioritizing shareholder value.

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

Shareholder Communication

We also engage in Investor Relations (IR) activities of a diverse scope to foster active communication with shareholders. We conduct regular IR activities to communicate our vision and values to major shareholders, institutional investors, and individual investors. We actively communicate with the National Pension Service, our second-largest shareholder, regularly to discuss performance and long-term vision following earnings announcements. We also engage with domestic and international institutional investors, including asset management firms, through conference calls and non-deal roadshows (NDRs) to share business updates and gather feedback. We consider communication with stock market stakeholders as a critical activity that informs management decision-making. 3587 We provide individual investors with business updates and analyst reports on the IR section of our website to support their investment decisions. We provide English-language disclosures to minimize information asymmetry for foreign investors. Key IR activities are summarized in the table below.

Major IR Activities

Meeting Date	Target Audience	Format	Key Topics
Feb. 8, 2024	Analysts, etc.	Conference Call	Announcement of 2023 preliminary results and 2024 management goals
Feb. 13-15, 2024	Domestic Institutional Investors	Domestic NDR	Announcement of 2023 preliminary results and 2024 management goals
Mar. 25, 2024	Domestic Institutional Investors	Corp Day	2023 annual results update and Q1 2024 outlook
Apr. 30, 2024	Analysts	Conference Call	Announcement of 2024 Q1 preliminary results
May 7-8, 2024	Domestic Institutional Investors	Domestic NDR	Announcement of 2024 Q1 results and Q2 outlook
May 21, 2024	Overseas Institutional Investors	Conference	Key business updates and Q2 earnings outlook
May 23-24, 2024	Domestic Institutional Investors	Corp Day(NH C-Forum)	Announcement of 2024 Q1 results and Q2 outlook
Jul. 29, 2024	Analysts	Conference Call	Announcement of 2024 Q2 preliminary results
Jul. 30-31, 2024	Domestic Institutional Investors	Domestic NDR	Announcement of 2024 Q2 results and Q3 outlook
Aug. 26-27, 2024	Overseas Institutional Investors	Conference	Key business updates and Q3 earnings outlook
Sep. 9, 2024	Domestic Institutional Investors	Corp Day	Key business updates and Q3 earnings outlook
Oct. 29, 2024	Analysts	Conference Call	Announcement of 2024 Q3 preliminary results
Oct. 30-31, 2024	Domestic Institutional Investors	Domestic NDR	Announcement of 2024 Q3 results and Q4 outlook
Nov. 14-15, 2024	Overseas Institutional Investors	Conference	Key business updates and Q4 earnings outlook
Dec. 3, 2024	Domestic Institutional Investors	Corp Day	Key business updates and Q4 earnings outlook
Feb. 7, 2025	Analysts	Conference Call	Announcement of 2024 preliminary results and 2025 guidance
Feb. 20-21, 2025	Domestic Institutional Investors	NDR	Explanation of 2024 preliminary results and 2025 guidance
Feb. 20-21, 2025	Overseas Institutional Investors	Conference	Explanation of 2024 preliminary results and 2025 guidance
Apr. 30, 2025	Analysts	Conference Call	Announcement of 2025 Q1 preliminary results
May 7-8, 2025	Domestic Institutional Investors	NDR	Explanation of Q1 2025 business performance and Q2 outlook
May 15-16, 2025	Overseas Institutional Investors	Conference	Explanation of Q1 2025 business performance and Q2 outlook
May 19-20, 2025	Overseas Institutional Investors	Conference	Explanation of Q1 2025 business performance and Q2 outlook
May 19-20, 2025	Domestic Institutional Investors	Conference	Explanation of Q1 2025 business performance and Q2 outlook

Risk Management

Risk Management System

Risk Management

KAI has established a robust risk management framework to facilitate effective measures to address risks across all aspects of our operations. Given the nature of aircraft systems integration and development, even minor issues can escalate into significant concerns affecting profitability, safety, or international relations, making proactive management critical. To address this, we maintain a Risk Pool and operate a comprehensive system for early risk identification and response monitoring.

Risk Management Strategy

To fulfill our mission of being a ‘global company trusted for premier technology and products while fulfilling social responsibilities,’ proactive risk management is a key priority. We set annual risk mitigation targets and establish detailed risk management criteria.

Risk Management Organization

A dedicated risk management organization has been established to systematically manage risks. The risk management organization, under the Chief Risk Officer (CRO), sets risk management standards, operates the risk management system, and holds regular Management Council meetings. Through these risk management activities, we support risk resolution efforts across departments and provide timely information for management decision-making.

Risk Management Organizational Chart



Risk Rating Formula

※ (Cost Impact + Schedule Impact + Performance Impact) X Likelihood of Occurrence X Weight = Risk Assessment Score

Likelihood of Occurrence		Risk Assessment Score (with weight of 1.0 applied)														
Almost Certain / >80%	5	15			30			45			60			75		
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
Likely / 50-80%	4	12			24			36			48			60		
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
Possible / 10-50%	3	9			18			27			36			45		
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
Unlikely / 2-10%	2	6			12			18			24			30		
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
Rare / Below 2%	1	3			6			9			12			15		
		1	1	1	2	2	2	3	3	3	4	4	4	5	5	5
		1			2			3			4			5		
		Cost	Schedule	Performance	Cost	Schedule	Performance	Cost	Schedule	Performance	Cost	Schedule	Performance	Cost	Schedule	Performance
		Under 0.5% deviation from the plan/Insignificant impact on performance			0.5% to under 5% deviation from plan/Minimal reduction in performance			5% to 10% deviation from plan/Moderate reduction in performance			10% to 20% deviation from plan/ High reduction in performance			Over 20% deviation from plan/ Severe reduction in performance		
		Influence														
		Low: Below 28					Medium: 28 to 56					High: 56 and above				

[1] Risk Assessment	We manage potential threats through a two-level framework, categorizing them as either ‘Issues’ or ‘Risks’ based on their severity and likelihood. An ‘issue’ is defined as a potential concern identified during business operations that could evolve into a risk, but which currently has a relatively low company-wide impact or probability of occurrence. In contrast, a ‘Risk’ is a matter with a high probability of materializing or the potential to impact our business. KAI continuously identifies and evaluates both issues and risks, assigning specific ratings through periodic assessments.
[2] Management by Business Unit	Each organization strives to promptly resolve emerging issues. Regular risk review meetings are held to identify new issues and monitor the progress of existing ones. For urgent risks, a Task Force (T/F) of experts is formed to conduct intensive mitigation efforts. For major projects like the KF-21, a dedicated system is used to manage risks throughout the entire process, from design to production, enabling stakeholders to share and address risks.
[3] Company-Wide Management	While some risks can be resolved within individual organizations, others require company-wide collaborations or decision-making. A dedicated company-wide risk management organization consolidates internal risks, coordinates inter-departmental efforts, and manages risks at a corporate level. As part of our risk management framework, we have established and operate an Executive Council. The Management Council meets monthly to review business performance and develop strategies for profit improvement to achieve management goals. To ensure effective execution, the Management Council comprises executive-level members from each organization, fostering an organic cooperative system with relevant departments. The CEO chairs company-wide issue meetings. Organizational heads discuss issues that are challenging to resolve within their units, require cross-departmental cooperation, or necessitate company-wide management decisions during weekly meetings. Company-wide issue meetings are held regularly every week and convened as needed to share information and make decisions on key business and management issues.
[4] Risk Management System	We operate a risk management system for early identification and continuous monitoring of risks. The risk management system enables real-time tracking of the status, response plans, performance, trends, and statistics for issues and risks across organizations. System users identify issues by referencing the Risk Pool or case examples and manage assigned risks by updating their progress.

Risk Management

Risk Management Process

Issue Identification

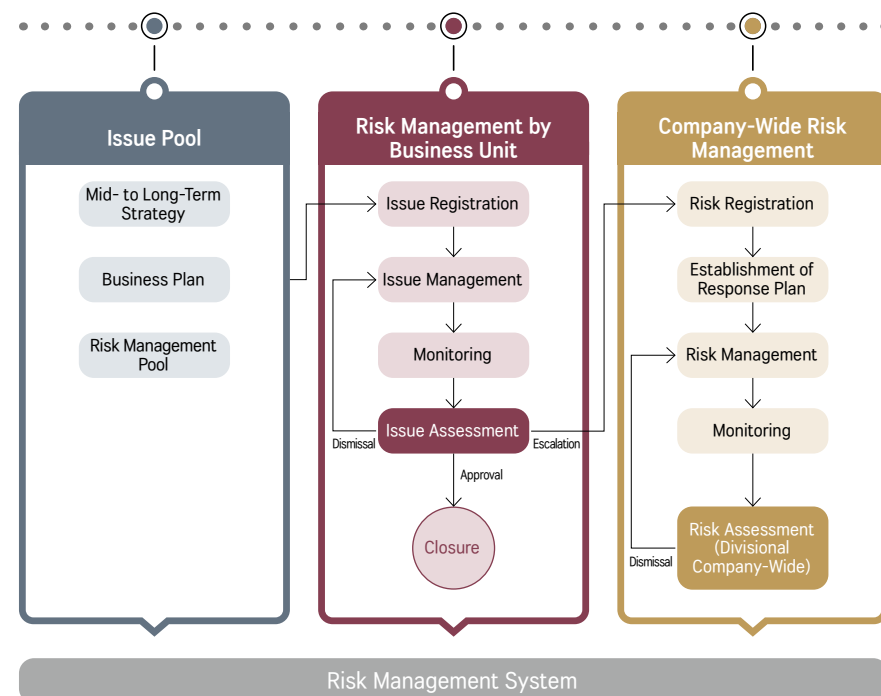
KAI has built a "Risk Pool" by analyzing past risk incidents, identifying the specific circumstances and conditions that were root causes. This framework facilitates our on-the-ground teams to readily spot potential issues as they arise in their daily work. The key functions of the Risk Pool include Strategy, Finance, Development, Business, Sales, and Operations. This categorization allows the proactive recognition of potential problems before they escalate.

Risk Identification

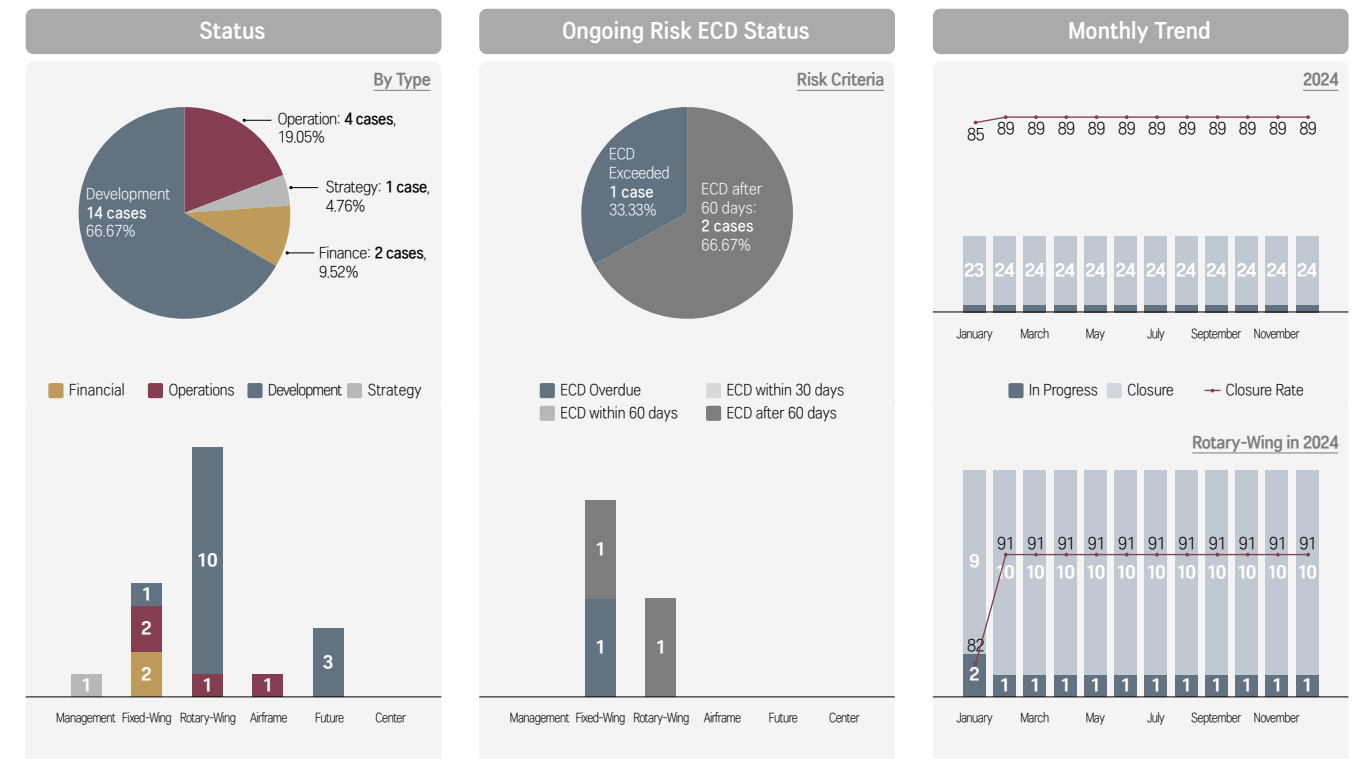
Failing to identify risks early can significantly jeopardize our development timelines or even lead to lost contracts, ultimately damaging the company's financial health. Therefore, the entire process of recognizing and addressing these risks is critical. At KAI, we ensure that any issue an individual discovers during their work is promptly logged into our risk management system. Our dedicated risk management organization then closely monitors these issues, assessing their potential for escalation. Should the danger level increase, an "issue" is formally upgraded to a "risk" and managed accordingly. Furthermore, issues with a significant company-wide reach or those affecting multiple departments are also elevated to a risk level for comprehensive oversight, considering their potential impact on other projects.

Risk Management

We conduct regular risk assessments to determine the difficulty and urgency of the necessary response based on each risk's rating. Once a risk's rating is established, the level of company-wide response is adjusted accordingly. Initially, each organizational unit is responsible for addressing risks internally. However, for major risks, our CEO personally reviews them every week. This management system is designed to facilitate the rapid resolution of risks.



Risk Management System



Risk Cases

To prevent similar incidents from recurring, we compile a dedicated project completion report upon the completion of each long-term aircraft development project. This helps us systematically accumulate data on any problems encountered. We categorize potential risks that might arise at different stages of the project lifecycle, identifying their type, root causes, impacts, and areas for improvement. Based on these historical cases, we create a comprehensive master checklist of key inspection items, which then serves as our "Risk Pool." This establishes a virtuous cycle: issues are pinpointed using the pool, escalated to risks if they worsen, and once resolved, the corresponding data is fed back into the pool. This continuous process not only minimizes human error throughout the development process, but also encourages every member of KAI to actively and proactively participate in risk management activities.





KAI

SUSTAINABILITY REPORT 2025



APPENDIX



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Independent Assurance Statement

Materiality Assessment

Overview of Materiality Assessment

At KAI, we rigorously analyze relevant issues by carefully considering both our overarching management strategy and our long-term sustainability goals. We identify material issues based on significant economic, financial, social, and environmental factors that directly influence our business operations. The progress and performance related to these key issues are reported transparently in our sustainability report. Going forward, we are committed to actively managing these issues and fully integrating them into our future business strategies.

1) Issue Identification and Issue Pool Creation

We have compiled a comprehensive “issue pool” consisting of 50 distinct topics. This pool was developed through a multi-faceted approach, including analyzing global standard indicators, closely monitoring industry trends, reviewing extensive internal and external documentation, conducting thorough media research, assessing government policy directions, and gauging the specific interests of both our internal and external stakeholders.

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

2) Implementation of Materiality Assessment

After establishing our key issue pool, we conducted a materiality assessment using two core criteria: “Urgency of Execution” and “Ease of Management.” This assessment was informed by interviews with management and relevant working-level departments, ensuring alignment with our short- and long-term business objectives and the strategic priorities of our ESG management.

- Urgency of Execution: Evaluates the degree and likelihood of financial and supply chain impacts stemming from potential risks or opportunities. These can arise from factors like domestic and international disclosure requirements, regulatory levels, and legislative developments.
- Ease of Management: Assesses the time and resources (including cost) required to establish an effective management system, drive improvement initiatives, and build robust risk management capabilities. This also considers the optimal timing for execution in alignment with our mid- to long-term strategies.

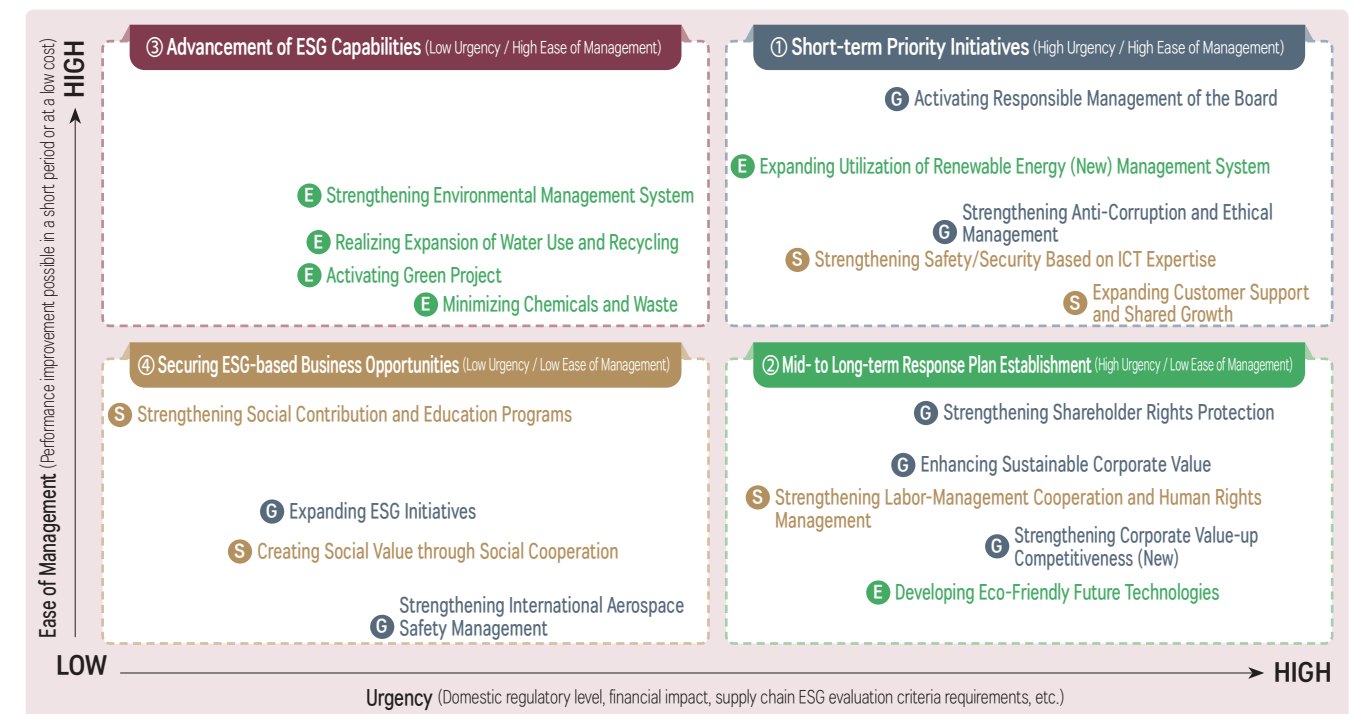
ESG Management Indicator Assessment Viewpoint	Assessment Criteria and Considerations	Scoring Formula
Urgency of Execution (a)×(b)	(a) Likelihood of Financial Impact from Related Risks/Opportunities • Likelihood of internalizing financial impact when related risks/opportunities arise • Magnitude of financial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

3) Derivation of Key Issues

Through the materiality assessment above, we have derived KAI’s key sustainability management issues and related sub-issues.

Materiality Assessment Results

*Reference:
 E Environment S Social G Governance



2025 SR ver. (Reflecting November 2024 POC data / Reflecting December 2024 ESG management strategy)

Short-Term (2025~2026)	Mid-Term (2027~2028)	Long-Term (2029~2030)
G Enhancing Board of Directors' Responsible Management S Expanding Customer Support and Shared Growth G Strengthening Anti-Corruption and Ethical Management S Strengthening Safety/Security Based on ICT Expertise G Improving Sustainable Corporate Value E Expanding the Use of Renewable Energy (New)	G Enhancing Shareholder Rights Protection S Strengthening Labor-Management Cooperation and Human Rights Management E Developing Eco-Friendly Future Technologies E Realizing Minimization of Chemicals and Waste E Strengthening Environmental Management System G (New) Strengthening Corporate Value-up Competitiveness	E Realizing Expansion of Water Use and Recycling E Activating Green Business G Expanding ESG Initiatives G Strengthening International Aerospace Safety Management S Creating Social Value through Social Cooperation S Strengthening Social Contribution and Education Programs

Key Issues	Report Contents	GRI STANDARD	Report Page
1 Activate Responsible Management by the Board of Directors	Governance Policy, Transparent Management	9 Governance Structure and Composition	92-95, 100-101
		10 Appointment and Selection of the Highest Governance Body	95
		11 Chair of the Highest Governance Body	93
		12 Role of the highest governance body in overseeing the management of impacts	17, 102-105
		14 Role of the highest governance body related to the report	92-95, 100-101
		17 Strengthening/Developing the Collective Knowledge of the Highest Governance Body	95
2 Expansion of Customer Support and Shared Growth	Customer Support Collaborative Cooperation	18 Performance Evaluation of the Highest Governance Body	Preparing for disclosure
		3 Management of Material Topics	58-59
3 Strengthening Anti-Corruption and Ethical Management	Ethics and Compliance Management	3 Management of Material Topics	62
		1 Assessment of Corruption Risk at Business Sites	97
4 Enhance security based on ICT expertise	Information Security	2 Communication and training on anti-corruption policies and procedures	96-99
		3 Confirmed incidents of corruption and actions taken	Preparing for disclosure
5 Enhancing Sustainable Corporate Value	Sustainability	3 Management of Material Topics	54-55
		2 Statement on Sustainable Development Strategy	6-7
6 [New] Expansion of Renewable Energy Utilization	Climate Change Response	1 Energy consumption within the organization	24-25, 33-34, 112
		2 Energy consumption outside of the organization	Preparing for disclosure
		3 Energy Intensity	112
		4 Reduction of energy consumption	Preparing for disclosure
		5 Reduction of the energy requirements of products and services	Preparing for disclosure

ESG Factbook

Economic Performance

Consolidated Statement of Financial Position

		2022	2023	2024
Assets	Current Assets	5,389,183,373,767	4,680,966,964,634	5,439,008,063,568
	Cash and Cash Equivalents	2,023,716,102,131	658,119,624,499	114,716,160,403
	Short-term Financial Instruments	145,931,355,069	101,961,643,835	-
	Financial Assets at Fair Value Through Profit or Loss	20,038,609,167	-	27,131,621,918
	Trade Receivables	216,457,553,156	347,080,182,507	398,755,279,903
	Contract Assets	196,255,705,973	167,048,244,926	481,616,109,522
	Other Financial Assets	14,005,545,801	54,273,859,444	22,371,366,814
	Inventories	1,593,078,711,223	1,736,483,586,736	2,359,034,707,814
	Current Tax Assets	10,495,177,131	4,675,032,310	53,939,720
	Other Assets	1,169,204,614,116	1,611,324,790,377	2,035,328,877,474
	Non-current Assets Held for Sale	-	-	-
	Non-current Assets	2,383,223,319,657	2,458,609,964,087	2,586,530,345,825
	Financial Assets at Fair Value Through Profit or Loss	67,844,576,976	66,899,807,799	79,655,609,179
	Trade Receivables	46,613,910,073	48,611,329,051	29,511,304,701
	Contract Assets	6,685,074,520	-	-
	Other Long-term Financial Assets	15,379,092,680	8,749,878,888	9,200,977,948
	Investments in Subsidiaries, Associates and Joint Ventures	15,198,509,455	13,217,033,407	14,537,075,358
	Tangible Assets	827,057,313,193	814,609,733,679	912,525,958,117
	Intangible Assets	745,840,951,492	804,198,545,232	845,689,955,229
	Deferred Tax Assets	356,026,695,989	320,830,153,204	334,408,365,983
	Other Assets	302,577,195,279	381,493,482,827	361,001,099,310
	Total Assets	7,772,406,693,424	7,139,576,928,721	8,025,538,409,393
Liabilities	Current Liabilities	5,055,361,234,345	4,400,307,820,313	4,914,742,846,130
	Trade Payables	243,116,703,888	353,106,646,319	503,924,820,654
	Other Financial Liabilities	371,564,487,390	308,478,574,208	455,034,586,958
	Contract Liabilities	2,189,306,435,993	1,801,883,479,074	1,790,653,761,352

		2022	2023	2024
Liabilities	Short-term Borrowings	18,900,000,000	21,400,000,000	413,870,080,000
	Current Portion of Long-term Borrowings	27,206,108,103	28,564,710,866	29,099,312,594
	Current Portion of Bonds Payable	499,789,443,308	349,928,509,685	-
	Current Tax Liabilities	176,081,843	149,178,123	37,150,836,166
	Provisions	67,269,494,439	65,195,380,769	64,007,068,063
	Other Liabilities	1,637,677,140,666	1,471,601,341,269	1,621,002,380,343
	Derivative Financial Liabilities	355,338,715	-	-
	Non-current Liabilities	1,263,828,633,213	1,119,328,591,131	1,383,618,681,142
	Long-term Borrowings	78,359,214,837	58,494,503,972	43,462,002,449
	Bonds	499,461,684,282	149,848,486,881	549,289,349,481
	Other Long-term Financial Liabilities	220,253,974,709	375,700,089,535	238,053,665,761
	Net Defined Benefit Liabilities	356,280,397,132	418,277,469,019	452,225,263,324
	Provisions	66,700,931,577	74,996,036,825	54,993,625,449
	Other Non-current Liabilities	39,394,662,941	40,096,783,707	45,594,774,678
	Deferred Tax Liabilities	1,998,758,759	477,425,788	-
	Derivative Financial Liabilities	1,379,008,976	1,437,795,404	-
	Total Liabilities	6,319,189,867,558	5,519,636,411,444	6,298,361,527,272
Equity	Equity Attributable to Owners of the Parent Company	1,427,802,657,469	1,597,412,953,604	1,705,857,243,034
	Capital Stock	487,375,535,000	487,375,535,000	487,375,535,000
	Additional Paid-in Capital	124,077,485,927	124,077,485,927	124,077,485,927
	Retained Earnings	833,138,539,682	1,002,625,836,715	1,111,014,146,545
	Other Components of Equity	(16,788,903,140)	(16,665,904,038)	(16,609,924,438)
	Non-controlling Interests	25,414,168,397	22,527,563,673	21,319,639,087
	Total Equity	1,453,216,825,866	1,619,940,517,277	1,727,176,882,121
	Total Liabilities and Equity	7,772,406,693,424	7,139,576,928,721	8,025,538,409,393

ESG Factbook

Environmental Performance

Classification			Unit	2022	2023	2024	Remarks
GHG Emissions	Scope 1		tCO2-eq	14,512	17,825	19,821	Based on Business Sites: Headquarters, Sancheong, Goseong, Jongpo, Jinju Rotary Wing Flight Center, Leased sites (Seoul Office, KAEMS)
	Scope 2		tCO2-eq	47,189	47,463	47,338	
	Scope 3		tCO2-eq	1,270	1,569	5,061	
	Total		tCO2-eq	62,971	66,857	72,220	
GHG Intensity	Revenue		KRW 1 billion	2,772	3,819	3,598	Based on Business Sites: Headquarters, Sancheong, Goseong, Jongpo, Jinju Rotary Wing Flight Center, Leased sites (Seoul Office, KAEMS)
	Scope 1		tCO2-eq/KRW 1 billion	5.24	4.67	5.51	
	Scope 2		tCO2-eq/KRW 1 billion	17.02	12.43	13.16	
	Scope 3		tCO2-eq/KRW 1 billion	0.46	0.41	1.41	
GHG Emissions Reduction	Total GHG Emissions Reduction		tCO2-eq	-	-	3,062	Reduction Performance Report
	Total GHG Emissions Reduction Rate		%	-	-	5%	
Emissions Trading Performance	Allocation		tCO2-eq	61,701	65,285	67,159	
	Emissions		tCO2-eq	61,701	65,285	67,159	
Energy Consumption and Reduction	Energy Consumpton and Reduciton	Electricity	kWh	102,718,446	103,312,995	103,040,999	Based on Business Sites: Headquarters, Sancheong, Goseong, Jongpo, Jinju Rotary-Wing Flight Center, Leased sites (Seoul Office, KAEMS)
		Renewable Energy	kWh	-	-	6,666,373	
		LNG (Natural Gas)	ton	613.37	382.070	220.860	
		LNG (City Gas)	1000m³	3,701.009	3,798.537	4,133.968	
		Jet Fuel	kℓ	1,437.797	3,200.877	3,866.700	
		Gasoline	kℓ	139.458	101.816	121.323	
		Kerosene	kℓ	0.40	0	0	
		Diesel	kℓ	341.0861	157.239	171.176	
	Energy Consumption Reduction		kWh	-	-	6,666,373	
	Energy reduction		GJ	-	-	63,997	
GHG emission reductions		tCO2-eq	-	-	3,062		
Energy Intensity	Revenue		KRW 1 billion	2,772	3,819	3,598	Based on Business Sites: Headquarters, Sancheong
	Electricity		kWh/KRW 1 billion	37,056	27,052	28,638	
	LNG (Natural Gas)		ton/KRW 1 billion	0.2	0.1	0.1	
	LNG (City Gas)		1000m³/KRW 1 billion	1.3	1.0	1.1	
Water Consumption	Water Consumption	Water Consumption	m³	232,507	174,294	142,745	Based on Headquarters, Sancheong, Jongpo, Goseong
		Water Withdrawal	m³	475,844	421,534	441,377	
		Wastewater Generation	m³	61,950	63,300	105,093	Based on Headquarters and Jongpo
		Sewage Discharge	m³	181,387	183,940	193,539	Based on Headquarters
	Recycled Water		m³	51,007	49,428	99,998	Based on Headquarters and Sancheong
	Water Recycling Rate		%	21.9	28.4	70.1	
Waste Generation	By Type Emissions Waste	Designated Waste Emissions	ton	494.99	478.33	382.63	Waste volume in parentheses includes waste sold (waste paper, steel scrap).
		General Waste Generation	ton	1,143.71 (1,867.89)	1,272.11 (2,070.36)	1,472.53 (2,378.74)	
		Total	ton	1,638.70 (2,362.88)	1,750.44 (2,548.69)	1,855.16 (2,761.37)	Based on Headquarters

Classification		Unit	2022	2023	2024	Remarks	
Waste Generation	Waste Generation by Treatment Method	Recycled - Designated Waste	ton	107.94	121.06	145.66	Waste volume in parentheses includes waste sold (waste paper, steel scrap)
		Recycled - General Waste	ton	1,095.8 (1,819.98)	1,228.31 (2,026.56)	1,398.12 (2,304.33)	
		Incinerated - Designated Waste	ton	284.18	324.77	156.41	
		Incinerated - General Waste	ton	7.11	-	-	
		Landfilled - Designated Waste	ton	3.3	-	-	
		Landfilled - General Waste	ton	40.8	43.8	74.41	
		Other- Designated Waste	ton	99.57	32.5	80.56	
		Other - General Waste	ton	-	-	-	
	Unit-based Waste Generation						Based on Headquarters
		Total Amount Generated	ton/KRW 1 billion	0.591(0.852)	0.458(0.667)	0.516(0.767)	
Waste Recycling Rate	Recycling Rate - Designated Waste	%	21.81	25.31	38.07		
	Recycling Rate - General Waste	%	95.81(97.43)	96.56(97.88)	94.95(96.87)		
	Total Recycling Rate	%	73.46(81.59)	77.09(84.26)	83.22(88.72)		
Pollutant Generation	Air Pollutant Emissions	Dust	ton	10.457	7.313	6.434	
		Nitrogen Oxides (NOx)	ton	4.457	3.11	2.943	
		Sulfur Oxides (SOx)	ton	0.724	0.243	0.044	
	Wastewater Generation		m³	61,950	63,300	105,093	
	Water Pollutant Emissions	BOD	ton	0.264	0.414	0.411	
		TOC	ton	0.347	0.418	0.709	
		SS	ton	0.363	0.237	0.916	
		T-N	ton	0.325	0.290	0.647	
		T-P	ton	0.005	0.003	0.006	
Eco-friendly Vehicle Ratio	Business Vehicles	Business Use_Long-term Rental	Units	124	124	136	
		Business Use_Purchase	Units	55	55	56	
		Total	Units	179	179	192	
		Eco-friendly Vehicle_Hybrid	Units	2	14	29	
		Eco-friendly Vehicle_Hydrogen Electric	Units	-	-	-	
		Total	Units	2	14	29	
	Eco-friendly Vehicle Ratio	%	1.12	7.82	15.1		
Environmental Facility Investment Costs	Environmental Facility Investment (Air, Water not specified)	KRW 1,000	1,597,409	2,008,182	2,308,788	Sum of Investment and Repair Costs	
Environmental Costs	Environmental Facility Operating Costs	KRW Million	990	1,085	1,367	Power Cost for Pollution Control Facilities	
	General Administrative Costs	KRW Million	1,929	2,066	2,238	Environmental Budget (Actual)	
Use of Hazardous Chemicals	Hazardous Chemical Usage	ton	107.07	99.67	101.16	Standard changed to record only the actual usage of hazardous chemicals, not the total usage of products containing them	
	Hazardous Chemical Spill Incidents	Incidents	-	-	-		
Major Certification Status	ISO 50001 Certification	Sites	-	1	1		
	ISO 14001 Certification	Sites	5	5	5		
	ISO 45001 Certification	Sites	5	5	5		
	Environmental Product Declaration Certification	Items	0	0	-		
	Low-Carbon Product Certification	Items	0	0	-		

ESG Factbook

Social Performance

Classification		Unit	2022	2023	2024	Remarks
Workforce Status	Total Number of Employees	Persons	5,119	5,098	5,093	Includes employees on leave
	Total Employees by Gender	Male	4,718	4,694	4,672	
		Female	401	404	421	
	Total Employees by Age	Under 30	653	626	654	
		30 to 39	1,509	1,474	1,475	
		40 to 49	1,281	1,273	1,212	
	Total Employees by Position	50 and over	1,676	1,725	1,752	
		Executives	32	24	32	
		Managers	270	240	293	
	Total Employees by Contract Type	Staff	4,817	4,834	4,768	
		Permanent Employees	4,242	4,251	4,516	
New Permanent Employee Hires (Employees)	Employee Diversity	Fixed-term Employees	877	847	591	
	Number of Employees with Disabilities	Persons	82	82	80	Includes employees on leave
		Percentage of Employees with Disabilities	%	1.66	1.7	
	Number of New Hires by Gender	Male	511	375	455	
		Female	402	314	371	
	New Hires by Age	Male	109	61	84	
		Female	238	167	231	
	New Hires by Position	Under 30	124	60	76	
		30 to 39	64	74	85	
Retirement Status	Number of New Hires by Contract Type	40 to 49	85	74	63	
		50 and over	4	-	1	
	Number of New Hires by Position	Managers	2	2	-	
		Staff	505	373	454	
	New Hires by Contract Type	Permanent Employees	230	146	249	
		Fixed-term Employees	281	229	206	
	Total Number of Retirees	Persons	441	397	511	
	Number of Involuntary Turnover	Male	160	128	112	
		Female	23	20	19	
Retirement Status	Total	Persons	183	148	131	
	Voluntary Turnover Rate	%	3.60	2.90	2.57	
	Number of Involuntary Turnover	Male	218	210	307	
		Female	40	39	72	
	Total	Persons	258	249	379	
	Involuntary Turnover Rate	%	5.07	4.88	7.44	
Years of Service	Average Years of Service by Gender	Male	13.86	13.96	13.94	
		Female	14.41	14.47	14.47	
	Average Years of Service by Gender	Male	7.40	7.99	8.08	
		Female				
	Total Training Participants	Persons	23,550	25,428	26,063	
	Total Training Cost	KRW 100 million	18.9	20.0	24.8	
	Total training hours	Hours	134,399	152,942	155,123	

Classification			Unit	2022	2023	2024	Remarks
Human Resource Development (Education and Training)	Average Training Hours per Person		Hours	26.5	30.4	30.8	
	Training Expense per Person		KRW 1000 /Person	372.0	397.0	493.0	
	Training Satisfaction		Points	4.47	4.50	4.64	
Maternity Leave Usage	Number of Employees on Maternity Leave	Male	Persons	131	131	161	
		Female	Persons	9	14	14	
		Total	Persons	140	145	175	
Parental Leave Usage	Number of Employees on Childcare Leave	Male	Persons	45	45	52	The number of users in 2023 changed due to a change in the calculation standard for childcare leave users
		Female	Persons	10	10	9	
		Total	Persons	55	55	61	
	Number of Returnees After Childcare Leave	Male	Persons	38	48	45	
		Female	Persons	10	10	8	
		Total	Persons	48	58	53	
	Return-to-Work Rate After Parental Leave		Total	%	94.54	92.72	100.00
Parental Leave Usage	Number of Employees Working for 12 Months After Returning from Parental Leave	Total	Persons	27	45	55	Number of employees who returned in the previous year and worked for more than one year
		Total	%	90.00	93.75	94.83	The aggregation criteria for the previous year and the current year have changed
Labor Union Membership Status	Eligible Employees		Persons	4,262	4,238	4,578	
	Union Members (Covered by Collective Agreement)		Persons	3,439	3,544	3,842	
	Union Membership Rate (Covered by Collective Agreement)		%	80.7	83.6	83.9	
	Labor-Management Council Meetings		Rounds	3	3	2	
Social Contribution Activities	Number of Employee Volunteers (including family)		Persons	340	262	448	
	Employee Volunteer Hours		Hours	1,885	2,768	1,503	
	Average Volunteer Hours per Employee		Hours	5.5	10.6	3.4	
	Social Contribution Fund		KRW Million	650	896	541	
	Number of Beneficiaries		Persons	13,020	11,893	10,846	
Employee Safety and Health	Environmental Accidents		Incidents	-	-		The industrial accident rate for 2023 was adjusted from 0.16 to 0.18 as applications filed in 2023 were approved in 2024.
	Serious Industrial Accidents		Incidents	-	-		
	Violations of Safety and Health Laws		Incidents	-	-		
	Industrial Accident Rate		%	0.16	0.18	0.16	Official industrial accident rate approved by the Korea Workers' Compensation & Welfare Service
Partner Companies	Total Number of Partner Companies		Units	79	80	83	Domestic Outsourcing Partners
	Financial Support for Partner Companies		KRW 100 million	178.9	267.7	299.1	
	Technical Support for Collaborative Cooperation		Items	1,989	3,421	1,388	
	Number of Partner Companies Participating in ESG Consulting		Units	-	10	-	
Information/ Cybersecurity	Number of Information/Cybersecurity Incidents		Items	-	-		
	Fines or Penalties Paid Due to Incidents		KRW	N/A	N/A	N/A	
	Number of Violations/Incidents Related to Customer Information Security		Items	-	-		
	Number of Customers Affected by Data Breaches		Persons	-	-		

ESG Factbook

Governance Performance

Classification		Unit	2022	2023	2024	Remarks	
Anti-corruption & Ethical Management	Employee Participation Rate in Anti-corruption & Integrity Training	%	97.0	100	100		
	Number of Legal Actions for Unfair Trade Practices	Items	0	0	0	See Business Report > XI. Other Matters Necessary for Investor Protection > 3. Matters Related to Sanctions, etc.	
	ISO37001		Acquired	Acquired	Acquired		
	ISO37301		-	Acquired	Acquired		
Cyber Whistleblowing Status	Number of Cyber Whistleblowing Reports Received	Items	39	68	53		
	Number of Cyber Whistleblowing Reports Processed	Items	39	68	52		
	Cyber Whistleblowing Processing Rate	%	100	100	98.11		
Board of Directors	Board Operation Performance	Number of Board Meetings Held	Rounds	12	10	8	
		Number of Agenda Items	Items	53	56	34	
		Ratio of Outside Director	%	75	83	83	
		Ratio of Female Directors	%	-	17	17	Percentage of female directors among all directors (20% among outside directors)
		Board Attendance Rate	%	100	100	94	
	Total Remuneration for the Board	Registered Directors (excluding outside directors and audit committee members)	KRW Million	1,463	707	780	Includes severance pay for 2022
		Outside Directors (excluding audit committee members)	KRW Million	-	-	-	All of the company's outside directors are members of the Audit Committee
		Audit Committee Members	KRW Million	253	307	400	This data provided here is derived from the executive compensation figures in the business report

GRI(Global Reporting Initiative) Index

GRI Index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2 : General Disclosures 2021	2-1 Organizational profile	8-9, Business Report: III. Financial Matters > 3. Consolidated Financial Statements > 1. General Information (Consolidated)
	2-2 Entities included in the organization's sustainability reporting	2-3
	2-3 Reporting period, frequency and contact point	2-3
	2-4 Restatements of information	X
	2-5 External assurance	122-123
	2-6 Activities, value chain and other business relationships	12-15, 62-73
	2-7 Employees	114
	2-8 Workers who are not employees	Preparing for disclosure
	2-9 Governance structure and composition	92-95, Business Report > VI. Matters Concerning the Company's Organs, Including the Board of Directors > 1. Matters Concerning the Board of Directors > Board Committees
	2-10 Nomination and selection of the highest governance body	95
	2-11 Chair of the highest governance body	93
	2-12 Role of the highest governance body in overseeing the management of impacts	17, 102-105
	2-13 Delegation of responsibility for managing impacts	17, 102-105
	2-14 Role of the highest governance body in sustainability reporting	17
	2-15 Conflicts of interest	Business Report > VIII. Matters Concerning Directors and Employees > 1. Status of Directors and Employees > a. Director Status > Major Experience
	2-16 Communication of critical concerns	93-94, Business Report > VI. Matters Concerning the Company's Organs, Including the Board of Directors > 1. Matters Concerning the Board of Directors > (b) Board Agenda Items
	2-17 Collective knowledge of the highest governance body	95
	2-18 Evaluation of the performance of the highest governance body	Preparing for disclosure
	2-19 Remuneration policies	Preparing for disclosure
	2-20 Process to determine remuneration	Preparing for disclosure
	2-21 Annual total compensation ratio	Preparing for disclosure
	2-22 Statement on sustainable development strategy	6-7
	2-23 Policy commitments	42, 50, 64, 78, 92
	2-24 Embedding policy commitments	43, 49, 62-73, 78-81, 93-95
	2-25 Processes to remediate negative impacts	59, 61
	2-26 Mechanisms for seeking advice and raising concerns	99

GRI(Global Reporting Initiative) Index

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2 : General Disclosures 2021	2-27 Compliance with laws and regulations	Business Report: XI. Other Matters Necessary for Investor Protection > 3. Matters Related to Sanctions, etc.
	2-28 Membership associations	Preparing for disclosure
	2-29 Approach to stakeholder engagement	49-50, 54, 72-73, 99-101
	2-30 Collective bargaining agreements	50
GRI 3 : Material Topics 2021	3-1 Process to determine material topics	108
	3-2 List of material topics	109
	3-3 Management of material topics	16-17, 54-55, 78-79, 99-101
GRI 201 : Economic Performance 2016	201-1 Direct economic value generated and distributed	Business Report: III. Financial Matters > 2. Consolidated Financial Statements > Consolidated Statement of Comprehensive Income
	201-2 Financial implications and other risks and opportunities due to climate change	21-22
	201-3 Defined benefit plan obligations and other retirement plans	Business Report: III. Financial Matters > 3. Notes to the Consolidated Financial Statements > 19. Net Defined Benefit Liability
	201-4 Financial assistance received from government	64-73
GRI 203 : Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Preparing for disclosure
	203-2 Significant indirect economic impacts	Preparing for disclosure
GRI 204 : Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Preparing for disclosure
GRI 205 : Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	97
	205-2 Communication and training about anti-corruption policies and procedures	96-99
GRI 302 : Energy 2016	302-1 Energy consumption within the organization	24-25, 33, 112
	302-2 Energy consumption outside of the organization	Preparing for disclosure
	302-3 Energy intensity	112
	302-4 Reduction of energy consumption	24
	302-5 Reductions in energy requirements of products and services	Preparing for disclosure
GRI 303 : Water and Effluents 2018	303-1 Interactions with water as a shared resource	32, 35, 112
	303-2 Management of water discharge-related impacts	32, 35, 112
	303-3 Water withdrawal	32, 35, 112
	303-4 Water discharge	32, 35, 112
	303-5 Water consumption	32, 35, 112
GRI 305 : Emissions 2016	305-1 Direct (Scope 1) GHG emissions	24-25, 112
	305-2 Energy indirect (Scope 2) GHG emissions	24-25, 112
	305-3 Other indirect (Scope 3) GHG emissions	112
	305-4 GHG emissions intensity	24-25, 112-113
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	31, 113

GRI STANDARD	DISCLOSURE	LOCATION
GRI 306 : Waste 2020	306-1 Waste generation and waste-related significant impacts	36-37, 112
	306-2 Management of waste-related significant impacts	36
	306-3 Waste generated	112
	306-4 Waste diverted from disposal	36-37, 112
	306-5 Waste directed to disposal	36-37, 112
GRI 308 : Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Preparing for disclosure
	308-2 Negative environmental impacts in the supply chain and actions taken	Preparing for disclosure
GRI 401 : Employment 2016	401-1 New employee hires and employee turnover	114-116
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	48
	401-3 Parental leave	51, 115
GRI 402 : Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	49
GRI 403 : Occupational Health and Safety 2018	403-1 Occupational health and safety management system	78-80
	403-2 Hazard identification, risk assessment, and incident investigation	76-77, 79-80
	403-3 Occupational health services	76-77, 80
	403-4 Worker participation, consultation, and communication on occupational health and safety	76-77, 80
	403-5 Worker training on occupational health and safety	77-79
	403-6 Promotion of worker health	48
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	75-76, 78-81, 115
	403-8 Workers covered by an occupational health and safety management system	78-81
	403-9 Work-related injuries	81, 115
	403-10 Work-related ill health	81, 115
GRI 404 : Training and Education 2016	404-1 Average hours of training per year per employee	46, 114-115
	404-2 Programs for upgrading employee skills and transition assistance programs	45-46
GRI 405 : Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	95, 114
GRI 408 : Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	42, 97
GRI 409 : Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	42, 97
GRI 413 : Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	62-73, 82-89
	413-2 Operations with significant actual and potential negative impacts on local communities	Preparing for disclosure

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

TCFD Index

Classification	Disclosure Topics	Page
Governance	The board's oversight of climate-related risks and opportunities	20
	Management's role in assessing and managing climate-related risks and opportunities	20
Strategy	The climate-related risks and opportunities the organization has identified over the short, medium, and long term	21
	The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	21
	The resilience of the organization's strategy, taking into consideration different climate-related scenarios	21
Risk Management	The organization's processes for identifying and assessing climate-related risks	22
	The organization's processes for managing climate-related risks	22
	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	22
Indicators and Objectives	The metrics used by the organization to assess climate-related risks and opportunities	23
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	25
	The targets used by the organization to manage climate-related risks and opportunities and performance against targets	23

KSSB(Korea Sustainability Standards Board) Index

KSSB No. 1 – General Provisions

No. 1	Key Provisions	Page
Governance	Governance of sustainability-related risks and opportunities	17, 54, 55, 74, 75, 93, 94, 95, 96, 102
Strategy	The company's strategy for responding to sustainability-related risks and opportunities	16, 43, 47, 56, 61, 62, 73, 78, 79, 80, 82, 96, 98, 102
Risk Management	The process of identifying, assessing, and managing sustainability-related risks and opportunities	36, 38, 43, 102-105, 108-109
Indicators and objectives	The company's performance related to sustainability-related risks and opportunities	76, 77, 110-116

KSSB No. 2 – Climate-related Disclosures

No. 2	Key Provisions	Page
Governance	Governance of climate-related risks and opportunities	20
	Climate-related risk and opportunity factors	21
Strategy	The impact of climate-related risks and opportunities on the company's business model and value chain	21
	The company's response plans for climate-related risks and opportunities	21
	The financial impact of climate-related risks and opportunities on the company	21
Risk Management	Scenario analysis for identifying climate-related risks	KAI plans to gradually implement scenario analysis for identifying climate-related risks
Indicators and objectives	Scope 1, 2, 3 Emissions	25

Independant Assurance Statement

Independant Assurance Statement

THE CSR (hereinafter referred to as “the Assurer”) was engaged by Korea Aerospace Industries, Ltd. to provide independent assurance of the “2025 KAI Sustainability Report” (hereinafter referred to as “the Report”). The Assurer conducted a review of the overall publication process and its contents, and submits the results of its assurance to the management and its stakeholders.

Assurance Standards

The Assurer conducted the assurance engagement in accordance with Account Ability’s sustainability assurance standard (AA1000AS v3), providing a limited level of assurance. The engagement included an assessment of the Report’s adherence to the four principles of the AccountAbility Principles Standard (AA1000AP (2018)) and the reporting principles of the GRI Standards. Additionally, the Assurer reviewed the application of the TCFD recommendations and KSSB No. 2 climate-related disclosure requirements.

- Application of principles of stakeholder inclusivity, materiality and responsiveness in AA1000AS
- Fulfillment of the principles for defining report content and report quality of the GRI Standards
- Fulfillment of GRI Standards 2021
- Application of the TCFD recommendations and the KSSB No. 2 climate-related disclosure requirements

Assurance Level

The assurance was conducted in accordance with AA1000AS (Assurance Standard) v3, at a moderate level of assurance, with a Type 2 assurance engagement. The review primarily relied on limited document checks and selected on-site interviews. The assurance process included the following key activities:

- Review of the feasibility of the materiality assessment process
- Review of stakeholder participation
- Review of reporting based on criteria for selected major topics
- Review of consistency with business report

Limitations

THE CSR planned and conducted the assurance work to reduce the risk that our opinion might be inaccurate, by collecting information we deemed necessary as a basis for our conclusions. However, this risk cannot be eliminated. The credibility of the Report was confirmed through a limited level of on-site interviews

and document reviews. We did not conduct any procedures on other information that may be published outside of this Report or on the company’s website during the reporting period and therefore express no conclusion thereon.

Independence

THE CSR is an independent third-party institute and presents its opinions with the ethical and independent status secured.

Opinions

THE CSR submits the following opinions after a series of processes to verify compliance with assurance standard of the AA1000AS and the principles of internationally recognized reporting guidelines.

Fulfillment of GRI Standards 2021

Based on the scope and methodology of our assurance engagement, THE CSR reviewed the following disclosure indicators by sampling the information and data(from January 1, 2024 to December 31, 2024) provided by KAI.

- The Assurer reviewed the Universal Standards applied in KAI’s Report, as well as the Material Topics identified through the materiality assessment and the related GRI Topic Standards.
- assessed the quality and reliability of specific sustainability performance information, including the following GRI disclosures: (Economic Performance) 201-1 to 201-4; (Anti-corruption) 205-1, 205-2; (Energy) 302-1, 302-3, 302-4; (Water) 303-1 to 303-5; (Emissions) 305-1 to 305-4, 305-7; (Waste) 306-1 to 306-5; (Employment) 401-1 to 401-3; (Labor/Management Relations) 402-1; (Occupational Health and Safety) 403-1 to 403-10; (Training and Education) 404-1, 404-2; (Diversity and Equal Opportunity) 405-1; (Child Labor) 408-1; (Forced or Compulsory Labor) 409-1; and (Local Communities) 413-1.
- reviewed the application of the TCFD recommendations and the KSSB No. 2 disclosure requirements.

Recommendations

THE CSR found no issue that would cause us to believe that the information and data presented in the Report were inappropriately stated with respect to the four principles of AA1000AP (2018). Regarding the reliability of performance data, we found no evidence that the reported data was inadequately reconciled with

operational data managed by KAI or that the assumptions applied were inappropriate. Furthermore, we found no indication that the Report was not prepared in accordance with the GRI Standards from a materiality perspective.

Application of principles of AA1000AS v3

THE CSR confirmed that the Report applied four principles of AA1000 accountability standards.

Inclusivity

KAI has identified its key stakeholders through a defined selection process to uphold the principle of stakeholder inclusivity and to ensure a responsible and strategic approach to advancing sustainability management. No key stakeholder groups were found to be intentionally omitted from the stakeholder engagement processes carried out by each department.

Materiality

KAI conducted a double materiality assessment and identified three key material issues requiring focused management from both financial and socio-environmental perspectives. The company reports on governance, strategy, risk management, and performance related to these material issues. THE CSR reviewed KAI’s procedures for identifying reportable issues and examined the materiality assessment process, finding no matters of concern.

Responsiveness

KAI identifies the risks and opportunities associated with its material topics to appropriately address stakeholder needs and expectations, managing their potential impact on the company. It also reports on management activities and performance related to these material topics to provide in-depth disclosures. THE CSR confirmed that KAI appropriately described the significant sustainability issues and related performance that affect stakeholders, using the GRI Topic Standards.

Impact

KAI establishes and monitors strategies and targets to manage material issues identified through materiality assessment. Risks are categorized and managed by area—including climate change response, occupational health and safety, and product safety and quality—and are addressed through a structured risk management system tailored to each risk type.

Basis of Assurance Opinion

This assurance engagement was conducted using a risk-based approach, focusing on material issues most relevant to KAI’s business and key stakeholders. As part of our limited assurance

procedures, we performed the following activities.

- Reviewed disclosures with a focus on the materiality assessment process and results, material topics, and related management processes.
- Reviewed the systems, processes, and controls in place for consolidating, collecting, managing, and reporting the information disclosed in this Report.
- Reviewed documentation supporting compliance with reporting principles and requirements.
- Conducted interviews with representatives from the ESG team and relevant departments responsible for overseeing information monitoring, data consolidation, and reporting.

Eligibility of the Assurance Institute

THE CSR, the independent assurance provider engaged by KAI, is a global sustainability assurance organization. THE CSR holds an officially accredited AA1000AS assurance license granted by AccountAbility, the leading global sustainability standards body based in the United Kingdom, and is also a Gold Community Member of the Global Reporting Initiative (GRI). Multinational CSR experts who have CSR research achievements in many countries including Korea, the US, the UK, and Germany participate as members of the THE CSR Expert Committee.

THE CSR
Seoul, South Korea
2025. 6. 25.

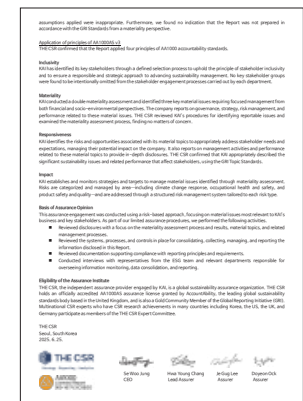
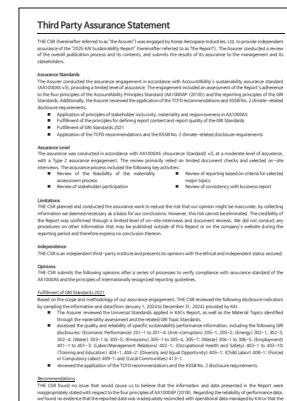


CEO
Se Woo Jung

Certification Team Head
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Certification Team Member
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Doyeon Ock



Independant Assurance Statement

GHG Scope 3 Assurance Report

1. Verification Scope

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

Shinhwa Engineering & Architects Inc. was engaged by KAI to verify its Scope 3 greenhouse gas (GHG) emissions for the 2024 fiscal year.

The report covers GHG emissions from 4 of the 15 Scope 3 categories (Category 4: Upstream transportation and distribution; Category 5: Waste generated in operations; Category 6: Business travel; Category 7: Employee commuting).

2. Management's Responsibility

KAI's management is responsible for ensuring compliance with ISO 14064-1:2018, the related claims and report preparation, and for maintaining effective internal controls over the data and information.

Shinhwa Engineering & Architects Inc.'s responsibility is limited to the assurance work on the report as stipulated in the contract with KAI.

Ultimately, the report was approved by and remains under the responsibility of KAI.

3. Verification Approach

The verification was conducted in accordance with ISO 14064-3:2019, "Specification with Guidance for the Verification and Validation of Greenhouse Gas Statements," to provide limited assurance that KAI's GHG data complies with ISO 14064-1:2018, "Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals."

Verification activities were conducted on a sampling basis to reach a conclusion, specifically including the following:

- Reviewing the processes related to the management of GHG emissions data and records.
- Interviewing relevant personnel responsible for the management of GHG emissions data and records.
- Verifying the 2024 GHG emissions data and records at an aggregate level.

4. Assurance Level and Materiality

As per the contract, verification of GHG emissions for four of the 15 Scope 3 categories was conducted at a limited assurance

level with a 5% materiality threshold. The verification opinion expressed in this statement was derived accordingly.

5. Verification Opinion

Based on Shinhwa Engineering & Architects Inc.'s verification approach, no evidence was found to suggest that the GHG emissions for the four Scope 3 categories summarized in Table 1 below are materially inaccurate, nor was there any indication that the report fails to comply with ISO 14064-1:2018.

Table 1. KAI Scope 3 GHG Emissions Summary

Classification	Category	GHG Emissions (tCO ₂ e)
Scope 3	4. Upstream transportation and distribution	384
	5. Waste generated in operations	3,461
	6. Business travel	1,084
	7. Employee commuting	132
Total		5,061

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CEO

Kim In-soo

Date of Issue: June 2, 2025



GHG Emissions Assurance Report

1. Verification Scope

- Boundary: All business sites and emission facilities under the operational control of the organization
- Verification Target: KAI Headquarters, Sancheong Plant, Jongpo Plant, Goseong Plant, Sacheon Plant 2, Seoul Office, Rotary-Wing Flight Center
- Verification Period: January 1, 2024 - December 31, 2024
- Emission Source Scope: Direct emissions (Scope 1), Indirect emissions (Scope 2)
- Assurance Level: Reasonable level of assurance (Materiality threshold: $\pm 5.0\%$ of total emissions)

2. Verification Standards

- Guidelines for Reporting and Certification of Greenhouse Gas Emissions from the Emissions Trading Scheme (Ministry of Environment Notice 2024-155)
- Verification Guidelines for the Operation of the Greenhouse Gas Emissions Trading Scheme (Ministry of Environment Notice 2024-169)
- KS A ISO 14064-1:2018, KS A ISO 14064-3:2019
- Emissions calculation plan submitted to the National GHG Management System (NGMS)

3. Verification Results

Classification	Direct Emissions (Scope 1)	Indirect Emissions (Scope 2)	Total (tCO ₂ e)
2024	19,821	47,338	67,159

4. Verification Opinion

We confirm that the calculation of Korea Aerospace Industries, Ltd.'s 2024 greenhouse gas emissions is appropriate.

Shinhwa Engineering & Architects Inc.

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