

Hanwha Aerospace Sustainability Report 2021



ABOUT THIS REPORT

Report Overview

Hanwha Aerospace publishes its first sustainability report to transparently communicate with various stakeholders about socioeconomic and environmental values and performances created through the business activities. This report will be used as a communication channel to share Hanwha Aerospace's sustainability management activities, performances, and plans with our stakeholders.

Reporting Standards

This report has been prepared in accordance with the core option of the Global Reporting Initiatives Standards, which is the sustainability report guidelines, and indexes of United Nations Sustainable Development Goals (SDGs), Task Force on Climate-Related Financial Disclosures (TCFD), and Sustainability Accounting Standards Board (SASB). The financial information in the report is prepared based on the Korean International Financial Reporting Standards (K-IFRS).

Reporting Period

This report contains the socioeconomic and environmental performances and activities from January 1 to December 31, 2020. In addition, this report used data from the previous three years (January 2018 to December 2020) to indicate the time-series trend for the quantitative performance. For significant performances that occurred outside the reporting period, issues as of the first half of 2021 were included in the report.

Reporting Scope

The reporting period of this report covers the Headquarter of Hanwha Aerospace and all domestic plants. The financial information was prepared according to the consolidated K-IFRS, and some information that needed to be paid attention to was put into separate commentaries to improve the reader's convenience.

Report Verification

The preparation process, disclosure data, and content reliability and fairness of the report were ensured through the verification request from the Korea Management Registrar(KMR), which is a third party, for the publication of a trusted objective and transparent report. The detailed independent assurance statement is contained in the ESG Factbook.

Report Inquiry

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Overview

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Dream Tomorrow with Hanwha Aerospace

Hanwha Aerospace is taking a leap toward the No.1 partner in global aerospace through ultra-precision aircraft engine technology.

Hanwha Aerospace, a leading company in the future aviation and aerospace industries, will always be with you where everyone's imagination and dreams come true.

CEO Message

Dear stakeholders,

I sincerely thank you for your continuous interest and support for Hanwha Aerospace. Communicating with you, our stakeholders, through this sustainability report, which is published for the first time since the founding of Hanwha Aerospace, makes me feel grateful and meaningful.

Hanwha Aerospace is Korea's only gas turbine engine manufacturer, positioning itself as a leader in the high-tech machinery industry specialized in the development, production, and maintenance of aircraft engines.

In the atmosphere of the recent beginning of the "New Space Era," we will develop various future space business models, such as space launch services, earth observation, exploration, In Situ Resource Utilization (ISRU) projects, and space transportation, thereby growing into a leading company in Korea's space industry.

In addition, Hanwha Aerospace is systematically performing the ESG management, which is a popular topic in the recent global management, while establishing and executing strategies to increase sustainability in the company's business activities.

First, we will put environmental management into practice through the development of eco-friendly products.

Hanwha Aerospace has contributed to the reduction of contaminants and carbon emissions from aircraft engines through the production and supply of next-generation high-efficiency aircraft engine parts.

In recent, we have been driving the development of eco-friendly, high-reliability electric actuators that will be years mounted on aircraft in the future Urban Air Mobility (UAM) market.

Furthermore, we plan to develop the related technologies and projects to lead the global electric propellant in the future UAM market, and more investment for the development of eco-friendly products will be continuously promoted.

Second, we will put socially responsible management in place, recognizing corporate social responsibility.

Hanwha Aerospace will faithfully fulfill its role as a socially leading company by practicing Compliance Management that abides by laws and regulations while expanding various social contribution activities and Win-win management of "Going Further Together."

Finally, we will establish a sound and transparent corporate governance.

Hanwha Aerospace will strengthen the independence and diversity of the Board of Directors, put ESG management in place based on the newly established ESG committee, and promote the internalization of ESG management enterprise-wide.

We hope that the publication of this sustainability report will serve as an opportunity to further raise the level of ESG management of Hanwha Aerospace and communicate more actively with stakeholders. We ask for your continued interest and support for Hanwha Aerospace in the future.

Thank you.

CEO of Hanwha Aerospace
Shin, Hyun Woo



Company Profile

Hanwha Aerospace is the only aircraft engine manufacturer in South Korea, which holds the trust in the global market based on our unrivaled technology.

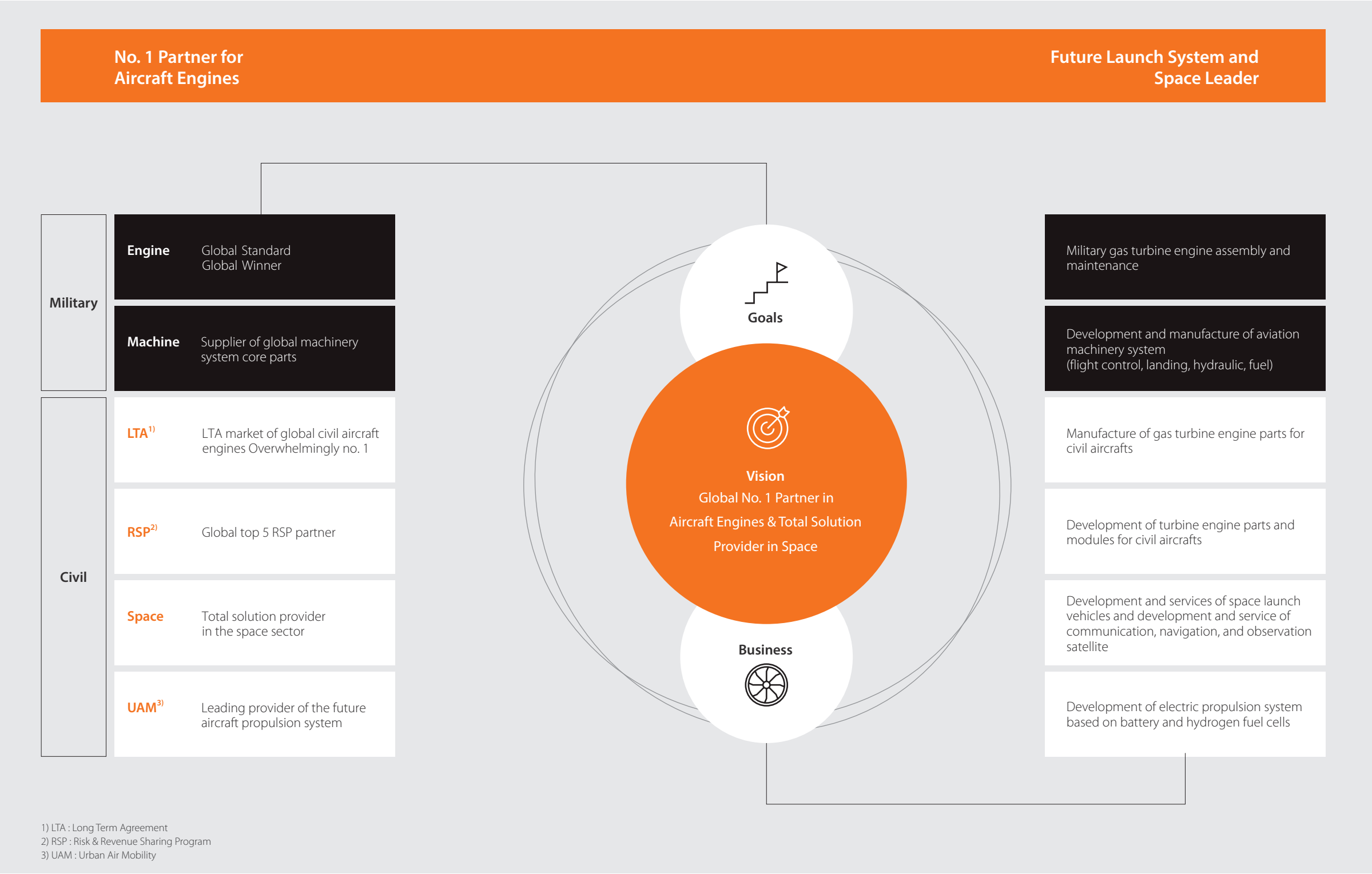
Company Introduction

Hanwha Aerospace is a company founded based on the aircraft engine and film camera businesses in 1977. Since then, we have built the top position in the precision machinery field in Korea and expanded our business based on the foundational technology in optics, video, and aircraft engine areas. Now, we have also entered the space business, including aircraft engine and machinery businesses. We have owned the global top-tier source and application technologies as well throughout the entire business area and rapidly responded to the market needs.

Furthermore, we entered the satellite business in 2021 through the acquisition of Satrec Initiative, a domestic satellite specialist. As a key company behind 'Space Hub,' Hanwha's foray into the space industry, we will actively promote research and development (R&D) investment and talent recruitment across space-related businesses.

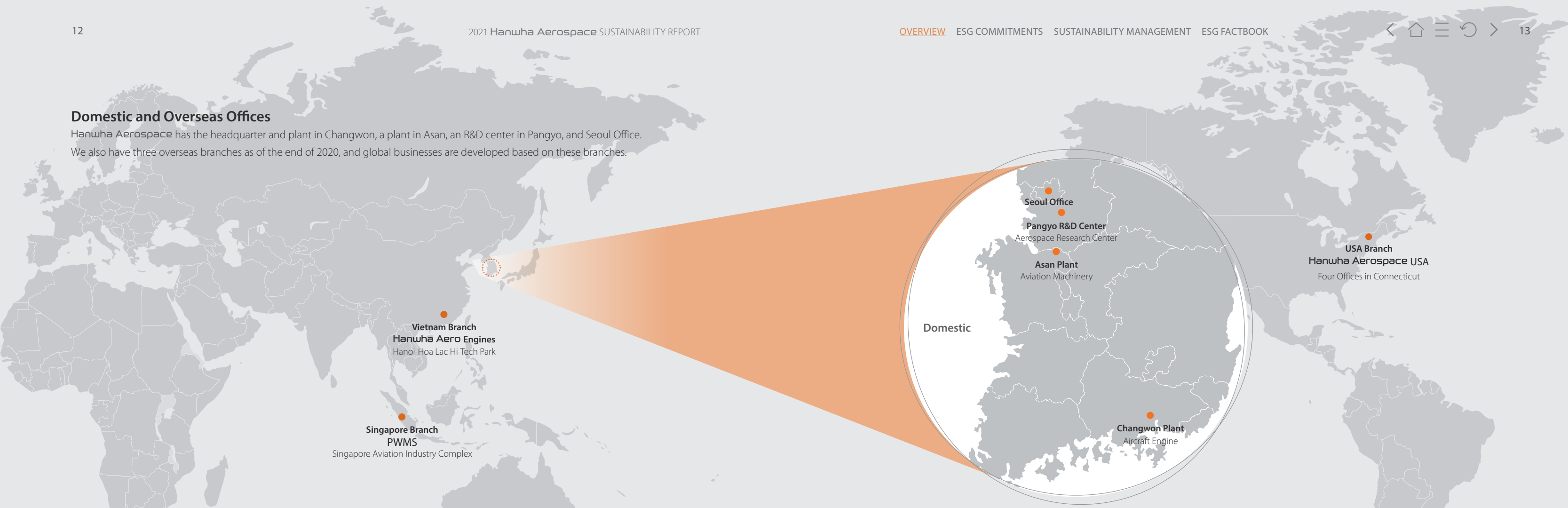
Hanwha Aerospace will preemptively respond to the rapidly changing market environment and leap forward to become the global No. 1 partner in the aviation industry with ongoing technical development and expansion of quality competitiveness. Embracing the promise of the New Space Age, we will continue our efforts to establish the space industry value chain, including launch vehicle engines, while providing total solutions for the industry.

Company Status	
(as of December 2020)	
Company Name	Hanwha Aerospace Co., Ltd.
Established Date	August 1, 1977
Business Area	Gas turbine engine and parts, aviation machinery system, space launch vehicle propulsion system, etc.
Sales	KRW 5.3214 trillion
Total Asset Amount	KRW 9.4648 trillion
No. of Employees	2,012 persons
Head Office Address	1204, Changwon-daero, Seongsan-gu, Changwon-si, Gyeongsangnam-do, Korea (Seongju-dong)
Website	www.hanwhaaerospace.co.kr



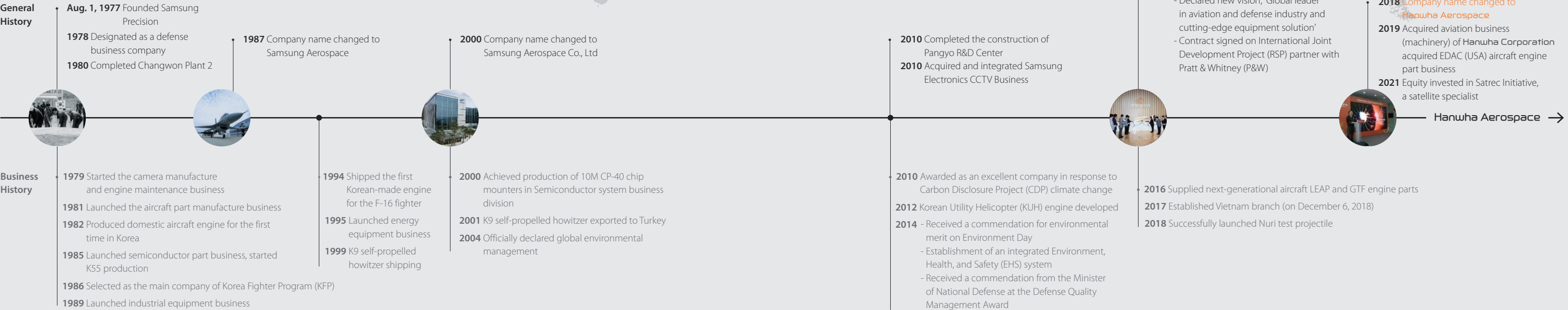
Domestic and Overseas Offices

Hanwha Aerospace has the headquarter and plant in Changwon, a plant in Asan, an R&D center in Pangyo, and Seoul Office. We also have three overseas branches as of the end of 2020, and global businesses are developed based on these branches.



Our History

Since its founding, Hanwha Aerospace has steadily developed technologies and enhanced quality competitiveness based on the cutting-edge technologies for the last 40 years and built trust as the No.1 partner in aircraft engine and future launch system and space providers.



Business Portfolio

Business Structure



Civilian Engine Parts (LTA and RSP Business)

The aircraft engine part business of Hanwha Aerospace has grown continuously in collaboration with major engine manufacturers and partners, and it is now positioned as the global No. 1 aircraft engine part supplier. We are supplying around 500 types of engine parts to major engine manufacturers and partners. In addition, we signed an RSP contract of next-generation geared turbofan (GTF) with P&W in 2015 to leap forward in becoming the major global engine part development partner. Furthermore, we have expanded our manufacturing basis as we entered Vietnam in 2018 and the USA in 2019 to put the global operation system in place.



Industrial Gas Turbine Engine Parts (Combined Cycle Power Plant AM Business)

The industrial gas turbine field of Hanwha Aerospace was started from GG4C and FT4C gas turbine maintenance business in 1983 based on the gas turbine maintenance and repair technology of the depot maintenance business in 1979. It provides an integrated solution, including the repair and manufacture of high-temperature parts for all power companies in Korea. In particular, we provide the unique Hanwha Extended Warranty Program (HEWP), by which parts of manufacturers are assessed through various tests with the experience in various models and long-term accumulated knowledge, and their service life is extended. More recently, we are promoting the development of a 1 MW-capacity micro gas turbine engine that uses hydrogen and renewable energy as a fuel, and it is committed to the expansion of our business, as we proactively invest in a hydrogen gas turbine manufacture business through the collaboration with Baker Hughes (BH).

Military Aircraft Engine (Assembly and Maintenance Business)

Hanwha Aerospace assembles engines on major weapon systems for each military and supplies them to system companies, as well as provides a Maintenance, Repair, and Overhaul (MRO) service for military engines. In particular, we supply the MRO service around the world based on our successful experience by increasing the equipment operability of customers through the reduction of bad inventory according to the support of Performance-based Logistics service and enabling the effective use of resources.

Aviation Machinery System (Part and Module Business)

Hanwha Aerospace is developing and mass-producing the flight control system, landing system, hydraulic system, and fuel system, which are the core components of aircraft. We are also striving to become the next-generation aviation industry leader. In recent years, hydraulic actuators, which were used in existing aircraft, are now converted into electromechanical actuators with the eco-friendly and high-efficiency trend. Thus, we are driving the business to develop electric actuators that are mounted in personal air vehicles (PAVs) and electric vehicle takeoff and landing (eVTOL) aircraft in the UAM market.

Space (Launch, Exploration, Transportation, and Earth Observation Services)

Hanwha Aerospace has actively participated in the area of launch component development since we started the business in space launch vehicles through the development, such as the Korean Sounding Rocket-3 (KSR-III) gimbal engine actuation system in 1999. In recent years, we have participated in the Korea Space Launch Vehicle-II (KSLV-II) project, which is a rocket to put a multipurpose satellite into the low-earth orbit for the first time in South Korea, and supplied a three-stage liquid rocket engine and turbopump, engine feed system valve, and flight and attitude control system of each rocket.



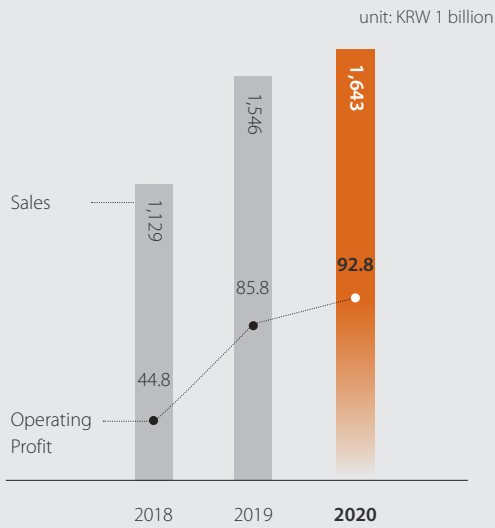
Business Portfolio of the Subsidiaries

Hanwha Systems

Hanwha Systems is a total defense electronic company, and its business areas include radar, electro-optical equipment, tactical communication system, and combat command system business fields that correspond to the brain and nervous system of the military weapon system. It also provides defense electronics solutions utilizing cutting-edge IT technologies, such as avionics, guided-weapon seekers, electronic warfare, and cyber warfare. The ICT Division provides integrated smart solutions optimized for various fields such as manufacturing, construction, and finance based on state-of-the-art data centers. In recent years, we have selected air taxi businesses using a Personal Air Vehicle (PAV) and satellite antenna business as the new future promising businesses and promote them proactively.



- Business Area**
- **Defense Division**
 - Surveillance reconnaissance command, control, and communication system
 - Naval combat system: Combat system for ships and submarines
 - Aerospace system
 - **New Business Division: UAM / Satellite communication**
 - Overair: High-performance, high-efficiency gases using vectored thrust
 - Phasor: Low-earth orbit satellite communication antenna
 - Kymeta: Entry-level satellite communication antenna
 - ICT Division: IT outsourcing, system integration (SI)



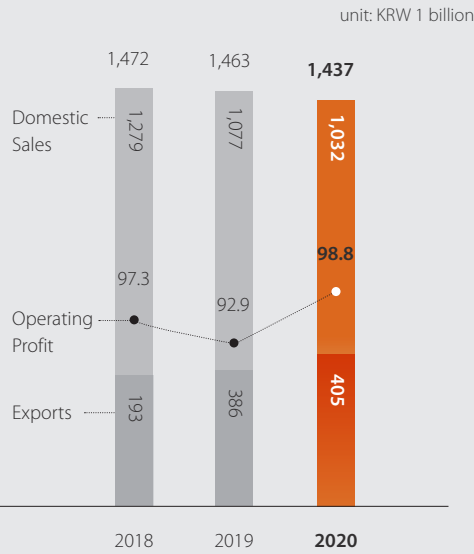
※ Based on the consolidated financial statement

Hanwha Defense

Hanwha Defense is engaged in the acquisition, development, production, and aftermarket business of firepower, maneuver systems, anti-aircraft, and unmanned systems businesses, such as the K9 self-propelled howitzer. More recently, it is also focusing on developing cutting-edge new products to prepare for the future battlefield, from unmanned systems to defense robots, remote fire control systems, and lithium battery systems for submarines.



- Business Area**
- **Ground weapon in the self-propelled howitzer series**
 - K9: The world's most advanced self-propelled howitzer developed with our own technology
 - K10: Ammunition carrier replenishing ammunition for K9 self-propelled howitzers
 - **Maneuver weapon system**
 - K21: Independently developed infantry fighting vehicle on caterpillar tracks
 - Barracuda: wheeled armored vehicle
 - **Anti-aircraft weapons system**
 - K30: 30mm self-propelled anti-aircraft gun
 - K30 surface-to-air missile (SAM) (Biho Complex): K30 + Mobile surface-to-air guided weapon (Shingung)
 - **Guided weapon launch system**
 - Cheongung: Medium range surface-to-air missile (M-SAM)



※ Based on the consolidated financial statement

Hanwha Techwin

Hanwha Techwin runs the business of developing, manufacturing, and supplying video security equipment (CCTV) from cameras and storage devices to operation software. We have secured the price competitiveness by independently developing a system on chip (SoC) mounted with optical and lens technology that implements the world’s best zoom magnification and image processing technology and intelligent image analysis function based on our technology accumulated for 30 years.

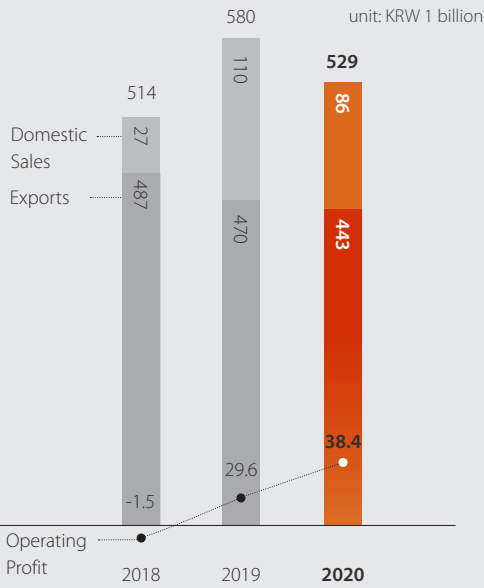


Business Area

- **Solution provider using AI image analysis**
 - Image security solutions are provided for various fields, such as smart city, smart factory, apartment, transportation, retail, and banking
 - Total lineup of image security products owned from AI CCTV, storage device, to video management software (VMS)
- **Specialized solutions provided for each area based on image technology**
 - Unmanned shop solution, including automating checkout (ACO) solution
 - Prevention solution using thermal imaging camera and AI camera (COVID-19)

Core technology

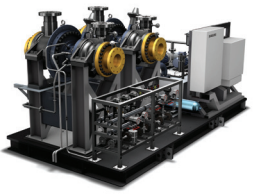
- **Independently developed SoC**
 - Independently developed image processing semiconductor 'Wisnet'
- **In-house developed AI algorithm: AI Research Center operated**
- **Cyber security technology:** Intentional certification 'UL CAP' acquired



※ Based on the consolidated financial statement

Hanwha Power Systems

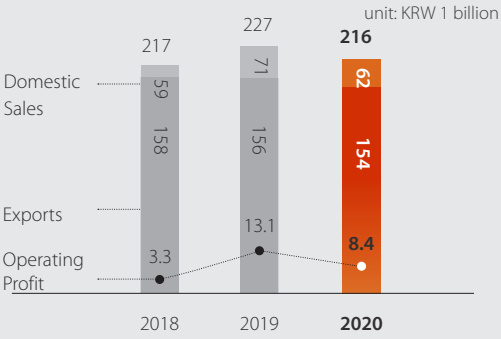
Hanwha Power Systems is running a business supplying highly reliable equipment and services required for plant operations to produce, transport, store, and process energy. We are expanding our business continuously into a global market as we enter an engineered compressor business in 2010 from existing standard compressors. Recently, we are entering into the hydrogen charging system business to build an infrastructure for hydrogen energy, which is spotlighted as next-generation eco-friendly energy. In 2020, we were selected as a hydrogen charging system supplier in the 'Complex Energy Hub Project,' which is promoted by the Korea Gas Corporation, and based on this, we have a plan to extend our global hydrogen solution business.



Business Area

- **Industrial compressors based on high-speed rotating technology of engines for aircrafts**

Air compressor	• Standard : Small- to medium-sized flow rate • Engineered : Large flow rate
Gas compressor	Used for oil and gas drilling, transportation, and storage • Upstream : Drilling vessel, LNG liquefaction • Midstream : LNG carriers • Downstream : Petrochemical plants, power plants



※ Based on the consolidated financial statement

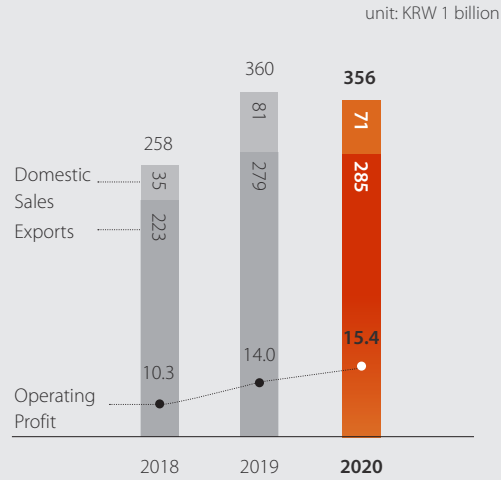
Hanwha Precision Machinery

Hanwha Precision Machinery is doing business in a chip mounter, which is electronic part assembly equipment, and computer numerical control (CNC) automatic lathe machine tools based on cutting-edge precision mechatronics technology. We compete with global companies by improving the speed and precision of chip mounter, which is our major business, through continuous R&D and investment, such as running development bases overseas, while constantly striving to improve product reliability and convenience.



Business Area

- **Supply of high-performance and high-reliability SMT equipment**
 - High-speed: Smartphone, tablets, etc.
 - Medium-speed: General electronic products
 - Others: Flip-chip mounter (semiconductors), screenprint (SMT In-Line), etc.
- **Providing SMT in-line solutions**
 - Productivity increased with optimized solutions
- **Supply of parts for aftermarket service to maintain the performance**
 - Quality control by providing regular maintenance and repair services
- **Machine tool business (acquired in January 2019)**
 - Manufacture and sales of CNC lathe and MWS machine
 - Securing a stable business structure through portfolio diversification



※ Based on the consolidated financial statement

MOVE TO TOMORROW

NEW SPACE

Hanwha Aerospace,
a Solution Provider in the space industry,
contributes to research future
technologies for the Planet.

As the New Space era, in which state-led space development is shifted to private company-led development with the wind of big change in the aerospace industry and outer space is rapidly approaching our daily life, various business models are created in outer space beyond the earth.

The space industry is an essential business from the national security and national pride perspective. Furthermore, it is a key industry in the future that can contribute to creating sustainable earth and improving the value of human life by providing solutions to problems facing the earth, such as climate change and resource depletion.

Hanwha Aerospace will provide a solution by developing various future space business models, such as space launch service, earth observation, and ISRU Projects. Through this, we aim to establish an innovative space industry ecosystem and secure global competitiveness to establish ourselves as a leading company in Korea's space industry.

Launching the 'Space Hub,' a Strategic Control Tower for Hanwha's Space Businesses



In March 2021, Hanwha Group launched a new 'Space Hub,' which will lead the overall space industry by bringing together the core technologies of the space industry that had been scattered in various affiliates within the Group, signaling the start of the space industry.

The Space Hub plays a lively strategic control tower in the space sector, which will plan to monitor trends in overseas private space business and strategically set directions for future research and business models.

Hanwha plans to develop a variety of space business models, such as space solar power generation, space resource exploration, and space nuclear power, in addition to building a space ecosystem by utilizing Hanwha's unique technology and strengthening basic space business capabilities, such as launch vehicles, communications, and earth observation.

Mid- to long-term driving direction and main areas of business

Launch vehicles	In-Situ Resource Utilization (ISRU) ¹⁾	Satellite image analysis and services
Leaping forward in becoming the system company and entering launching services, as we participate in the Korean launch vehicles	- Participating in international space projects through ISUR technical development - Developing ISRU Pilot System (around 2028)	- Promoting solution providing using cloud platform-based satellite data - Launching the development of our own optical satellite (ST-Pathfinder) (launch in 2024)
Engine system Total assembly of engine, turbo pump Propulsion system Propulsion supply system Duct assembly Control system Thrust-roll-attitude control system Separation pyro Stage separation Motor and device		

1) In Situ Resource Utilization (ISRU): It refers to the generation of consumables from raw materials found in situ on the moon or Mars.

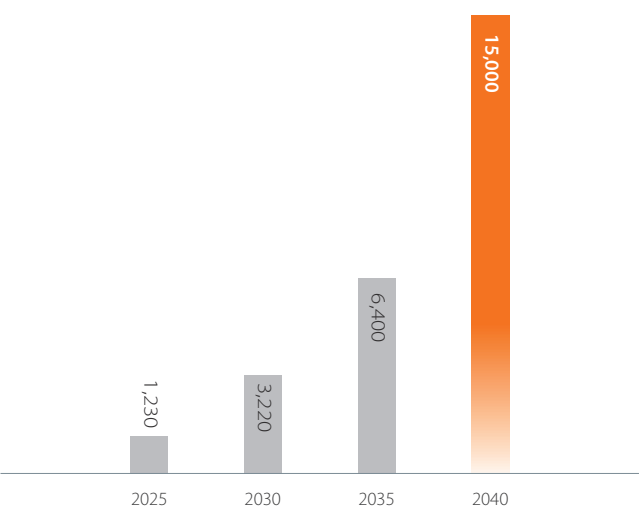
UAM(URBAN AIR MOBILITY)

Hanwha Aerospace,
a future mobility Solution Provider,
leads the new era of the Fourth Industrial Revolution.

Hanwha Aerospace, a leading player in the aerospace industry, is committed to the development of high-efficiency electric propulsion system solutions. The solutions can not only increase the flight distance by improving the energy efficiency of aircraft, but also dramatically lower operating costs. Doing so, we ensure the new growth engines in the future mobility fields and make our business more sustainable.

Starting with the development of a battery-based electric propulsion system to dominate the future personal air vehicle (PAV) market, such as air taxis, which is the center of the future urban air mobility (UAM) market, we will lead the global electric propulsion industry by developing an integrated business model, including related service areas such as hydrogen fuel cell propulsion development and fuel supply and battery replacement.

Global market prospect of urban air mobility (unit: USD 100M)
* Source: Morgan Stanley



Market status

Rapid growth of battery-centered electric launch vehicles in short term

Expended demands on mid-/long-distance flight market such as advanced aircraft mobility (AAM) in the future

Technical status



Battery launch vehicle

Technical Maturity ↑
Energy Density ↓

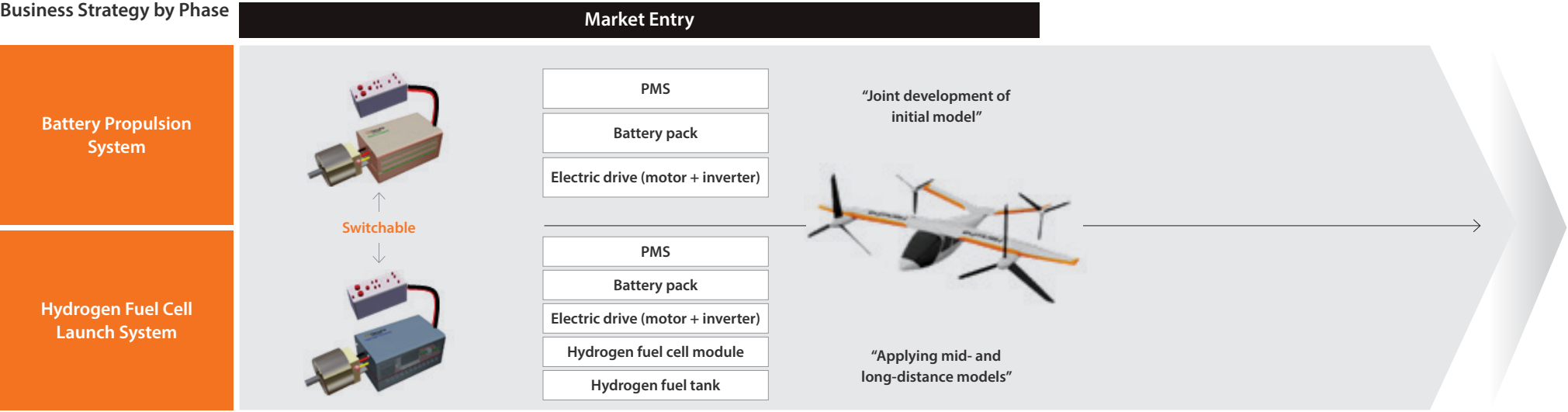


Hydrogen fuel cell launch vehicle

Technical Maturity ↓
Energy Density ↑

Future Mobility Solution Provider
that encompasses both battery and hydrogen fuel cell launch vehicles

Business Strategy by Phase



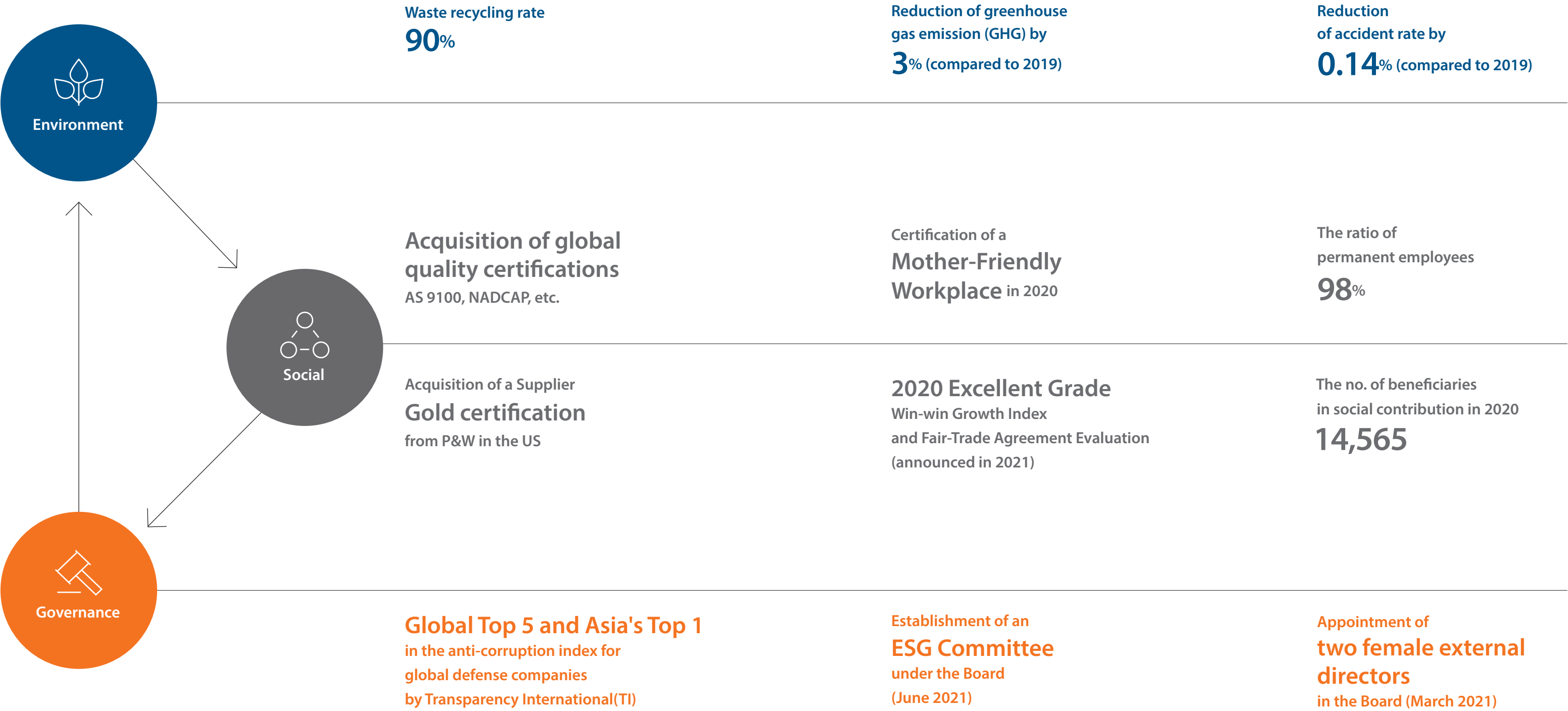
ESG Commitments

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Hanwha Aerospace will contribute to the national defense as a representative defense company in South Korea and continue to play a role as a responsible social member by strengthening the environmental, social, and corporate governance (ESG) areas.

2020-2021 ESG Key Figures



ESG

Highlights - Governance

Hanwha Aerospace will strategically respond to the changes in the business environment by building a new ESG system and moving forward toward a sustainable future through transparent communication with all stakeholders.

ESG evaluation performance in 2020

Selected as Global Top 5 in the anti-corruption index for global defense companies

Hanwha Aerospace has been ranked as the 'Global Top 5' defense company in the anti-corruption index by Transparency International(TI) in 2020 out of 134 defense companies in 38 nations, with the highest score among defense companies in Asia. We had a full mark in leadership and organizational culture, which includes evaluation criteria on the CEO's willingness to execute anti-corruption and its related regulations and management responsibility levels. We also received high scores in operation programs, such as the transparent and fair procedures to select partners, efforts to comply with integrity and anti-corruption regulations, regular training for all employees, and whistleblowers protecting systems. Hanwha Aerospace will endeavor to not only contribute to national defense as a representative defense company in Korea but also play a role as a responsible social member.



Received 'Integrated Grade A' in the KCGS ESG Evaluation in 2020

The Korea Corporate Governance Service(KCGS) announced that Hanwha Aerospace acquired integrated grade A in the 2020 Listed Company ESG Grade, by receiving all A grades in each category. We have fulfilled transparent and continuous environmental management activities through environmental information disclosure system and managing GHG and pollutant reduction records. Our socially responsible efforts have also been recognized, such as the Win-win management including technical support for partners, performance sharing, and the expansion of the Win-win fund up to KRW 34 billion, along with contribution activities in local communities. Hanwha Aerospace will strengthen ESG activities further for the steady increase in corporate value and sustainable management through various activities.



1

2

Establishing an ESG governance system

Founding of the ESG Committee

Hanwha Aerospace has established the ESG Committee under the BoD in June 2021, and the committee's members are all composed of external directors to ensure management transparency and independence. Hanwha Aerospace aims to accomplish long-term and sustainable growth by reinforcing the ESG management system on the environment, social, and corporate governance through the ESG Committee. We are also planning to establish the mid- to long-term ESG strategy and policies through the regular quarterly meeting and occasional meeting if needed and inspect the implementation progress on a regular basis.

Configuration of the ESG Committee

Chairperson Lee, Sun Hee	Currently, a professor in Sungkyunkwan University Law School (expert in fair trade and compliance)
Member Kim, Sang Hee	Currently, a lawyer in Kim Sang Hee Law Firm (expert in compliance and social area)
Member Choi, Kang-su	Formerly, a Senior Managing Director in Korea Ratings Corporation (expert in finance and economy)
Member Kim, Hyoun Jin	Currently, a professor in the Department of Aerospace Engineering at Seoul National University (expert in environmental space engineering and future business)

Securing diversification and expertise of external directors

In March 2021, Hanwha Aerospace has newly appointed two female external directors, which indicated our commitment to strengthen the diversification and expertise. External Director Lee Sun Hee is an expert in fair trade who has experienced court, law firms, and government agencies. We expect Lee to contribute to the reinforcement of ESG management. External Director Kim Hyoun Jin is equipped with expertise across the business areas of Hanwha Aerospace, such as air vehicle guidance control technology, autonomous flight system intelligence, and robot, and autonomous driving-related technology.

Activities to improve employees' understanding and awareness of ESG

The Sixth Compliance Week

Hanwha Aerospace has designated one of the weeks in June every year as the 'Compliance Week' since 2016 and striven to settle down the compliance culture through a variety of programs in relation to compliance management. In 2021, we set the theme of the event to the 'Journey to the Compliance with ESG in June' and held various events, such as the compliance and ESG slogan contest containing the philosophy and vision of compliance management and ESG management, an online compliance education application certification. Through these events, our employees had an opportunity to be naturally familiar with the subjects of anti-corruption, subcontracting, and prohibition of sexual harassment and bullying in the workplace, which are frequently encountered at work. In addition, we exerted efforts to inspire the awareness of employees on compliance by newly adding themes, such as ESG and sustainable management. Hanwha Aerospace will steadily reinforce the compliance and ESG activities to put the compliance culture in place in the future.



ESG

Highlights - Social

Hanwha Aerospace proactively communicates with customers at various points and performs continuous investment and improvement activities for the enhancement of quality competitiveness, thereby being recognized for its top-notch quality in the world.

1

Acquisition of a Supplier Gold certification from P&W in the USA

Hanwha Aerospace USA, which is the US subsidiary of Hanwha Aerospace, has acquired a Supplier Gold certification from the world-renowned aircraft engine manufacturer Pratt & Whitney. The certification is the product of a partner evaluation program known as RTX Supplier Gold, which is run by P&W's parent company, Raytheon Technology Corporation. It is awarded only to exceptional partners who have not missed deadlines or exhibited any quality control issues for 12 consecutive months while exhibiting continuous improvements and satisfying customers. Thus, the unwavering commitment to quality and customer satisfaction of our employees and Hanwha Aerospace has been recognized, and the Supplier Gold certification is a testament to our position as a strategic partner of P&W. We will expand the business scale in the aircraft engine area further by strengthening the partnership with global engine makers based on our differentiated quality and production competitiveness in the future.

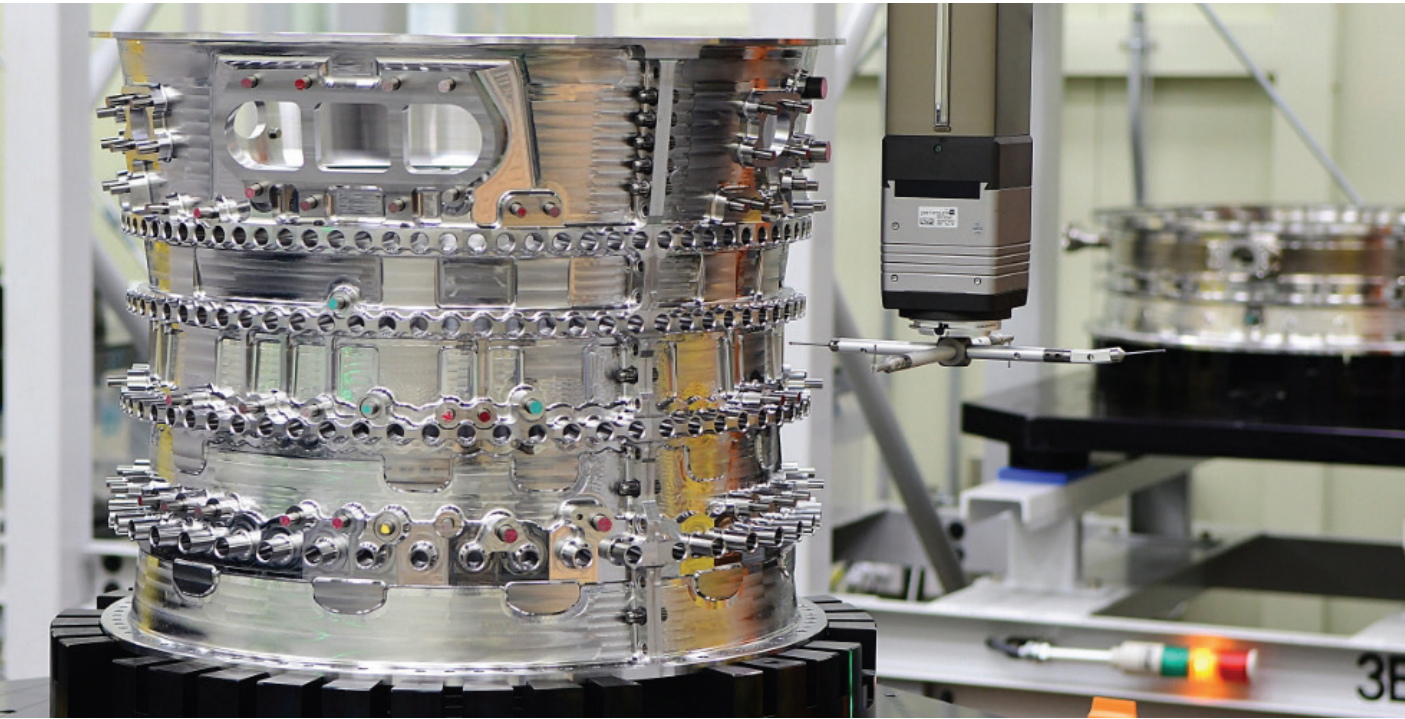
2

The first company in the world to receive Rolls-Royce's Product Part Approval Process (PPAP) quality certification

Hanwha Aerospace acquired the quality certification for self-examination and approval for mass production suitability for the first time in the world from Rolls-Royce in the United Kingdom, one of the world's top three engine manufacturers, in January 2021. Accordingly, this quality certification granted Hanwha Aerospace the authority to verify the quality of newly developed aircraft engine components and approve them for mass production (PPAP). This granted authority was because Hanwha Aerospace received PPAP Level 1, which is the highest level among the partners. Thus, this authority will be given to not only Changwon Plant in Korea but also plants in Vietnam as well. This is the first case that Rolls-Royce granted the authority of mass-production approval among hundreds of partners worldwide, and the result of the industry's best quality system-level and holding outstanding personnel based on the production knowledge and quality accumulated for the last 40 years. We will do our best to become a company that solidifies the top-tier position in the global aircraft engine market through continuous investment.



Inspection process of an aircraft engine in Hanwha Aerospace



The process to measure precision dimensions of engine components for quality verification

ESG

Highlights - Environment

Hanwha Aerospace is leading sustainable product development by expanding eco-friendly and high-efficiency product portfolio and promoting technological development in the aviation industry.

1

Production and supply of next-generation high-efficiency aircraft engine components

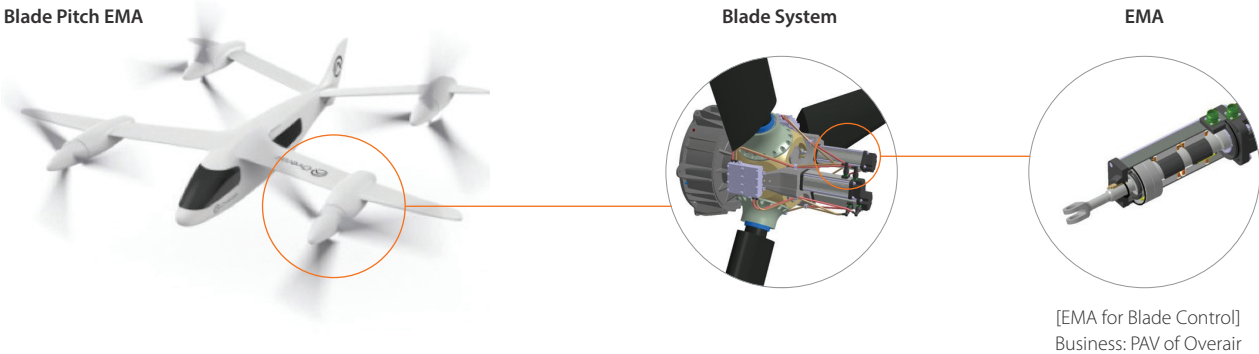
In 2015, Hanwha Aerospace signed an RSP contract for the next-generation geared turbo fan (GTF) engine with P&W, and in 2016, signed a long-term agreement (LTA) contract for LEAP engine parts with GE, thereby consolidating its global No. 1 position in aircraft engine component production. The GTF engine is the latest eco-friendly engine of P&W, which reduces noise by 50% compared to that of previous generation engines. Not only does it consume up to 25% less fuel per seat, but it also reduces nitrogen oxide (NOx) emissions by approximately 50% compared to industry standards. In addition, the LEAP engine is also the latest model of GE, which reduces fuel consumption and CO₂ emissions by 15% and NOx by up to 50% compared to the previous generation engine.

2

Development of high-efficiency electric aviation machinery devices

Hanwha Aerospace is driving the development of a highly reliable electromechanical actuator (EMA) for next-generation transportation which will be mounted in air vehicles (PAV, eVTOL) in the UAM market. An EMA is an actuator that controls mechanical motion through the rotational power of a motor using electric energy rather than the hydraulic actuator applied to existing aircraft. Because it does not emit pollutants, such as carbon, it is not only environmentally friendly but also attracts attention in the global market because it is excellent in safety and efficiency.

Furthermore, Hanwha Aerospace was successful in winning the project 'Development of a highly reliable electromechanical actuator for next-generation transportation' from the Ministry of Trade, Industry and Energy in June 2021. Through this, we will drive the development and commercialization of EMA, which is the key actuator in future PVA used in new-concept air transport, such as drone taxis, for the first time in Korea by 2024.

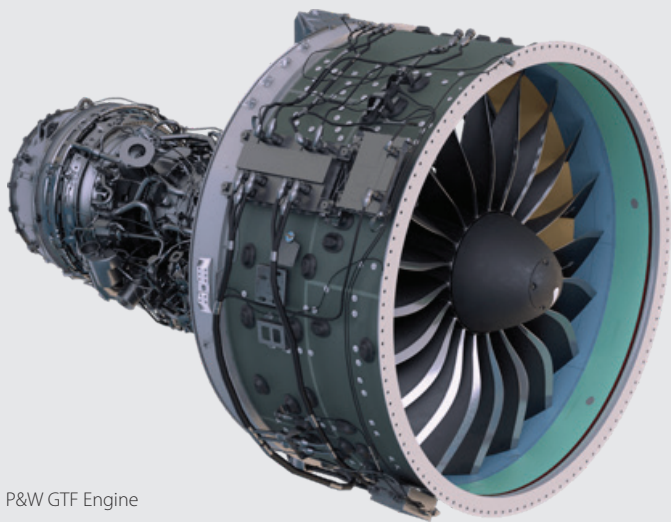


3

Development of hydrogen gas turbine engine using renewable energy

In recent years, the need for the technical development of hydrogen gas turbines has increased as the power market using renewable energy has expanded with the active support of the government for the transformation into hydrogen economy and climate change and environmental issues such as GHG and fine dust, etc.

Accordingly, we are promoting the development of a 1 MW-capacity micro gas turbine engine that uses hydrogen and renewable energy as a fuel, and committed to the expansion of our business, as we proactively invest in a hydrogen gas turbine manufacture business through the collaboration with Baker Hughes (BH). In this way, we are strengthening the development of future-leading engine technology and solidifying our position as a global partner.



P&W GTF Engine

UN SDGs Commitment

The UN Sustainable Development Goals (UN SDGs) are the common goals to solve global environmental, social, and economic problems. Hanwha Aerospace agrees with the UN SDGs and pursues future-oriented and sustainable development that achieves environmental protection, as well as social and economic development, through various activities to accomplish the goals.

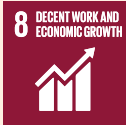
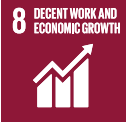
	Local Communities					Customers
UN SDGs Goals	6 CLEAN WATER AND SANITATION 	1 NO POVERTY 	2 ZERO HUNGER 	4 QUALITY EDUCATION 	13 CLIMATE ACTION 	8 DECENT WORK AND ECONOMIC GROWTH 
	Ensure availability and sustainable management of water and sanitation for all	End poverty in all its forms everywhere	End hunger, achieve food security and improve nutrition, and promote sustainable agriculture	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Take urgent action to combat climate change and its impacts	Promote inclusive and sustainable economic growth, employment, and decent work for all
Target Details	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally	1.3 Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable 1.5 By 2030, build the resilience of the poor and those in vulnerable situations, and reduce their exposure and vulnerability to climate-related extreme events and other economic, social, and environmental shocks and disasters	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious, and sufficient food all year round	4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations 4.7 By 2030, ensure all learners acquire knowledge and skills needed to promote sustainable development, including among others through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and nonviolence, global citizenship, and appreciation of cultural diversity and of culture's contribution to sustainable development	13.2 Integrate climate change measures into national policies, strategies, and planning 13.3 Improve education, awareness-raising, and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning	8.2 Achieve higher levels of productivity of economies through diversification, technological upgrading, and innovation, including through a focus on high value-added and labor-intensive sectors 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Main Activities of Hanwha Aerospace	- Recycling rainwater as landscaping water by utilizing a part of the (former) sewage treatment plant (100 m³ out of 1,000 m³ total capacity) 369 tons of wastewater treated effluent per year (0.13% of annual water consumption) is recycled as water for chemicals manufacturing in wastewater treatment plants	- Donation activities of employees every month and social contribution and regular donation through the matching grant operation of the company - Support for employment expansion and stable work-life for the socially disadvantaged through preferential treatment for people with disabilities and national veteran in employee recruitment	Continuous operation of the volunteering activity called 'Make Kimchi and Share Love at Summer' since 2016 (Groceries including kimchi were delivered to 11 group homes, 37 regional children centers, elderlies living alone, and families with disabilities in 2021)	Hanwha Aero Academy: Providing an opportunity for the youth to get aviation machinery-related education and career search, such as RC aircraft production, airplane piloting simulation program, workplace excursion, and mentoring from employees 3D printing technology contest: Fostering future youth talents in science and technology by hosting a 3D printing technology contest, which is the core theme of the Fourth Industrial Revolution Hanwha Flame Messenger: Providing opportunities for the youth and students to ponder and explore their career paths through lectures and talk concerts by officials	- Solar Road activity: Support for solar lighting installation in underdeveloped areas - Energy Keeper activity conducted by all employees: Energy-saving campaign conducted during the energy use peak period (for three months, June 1 to August 31), such as the shutdown of air-conditioners, lighting, and personal computers during lunchtime and after work - Strengthening the specialized competence of energy management: Fostering energy experts by organization and energy rationalization task conducted (10 to 20 cases of energy and GHG reduction and energy efficiency improvement activities) - Building the total energy control center in Changwon Plant and declaration of Green Management (Eco-Winner 2020)	- Acquisition of industry-specialized quality certification: Maintaining the world's best quality, such as the certification of the aviation industry quality management system standard AS 9100, the AS 9110 certification in the aviation maintenance field, the NADCAP certification in the special process field, and the ISO 17025 certification for testing and calibration laboratories - Various forms of Before-Service (BS) activities such as a self-developed customer satisfaction survey, airbase round visit, exchange meeting, and quality evaluation meeting.

UN SDGs Commitment

	 Employees		 Partners		 Government	 Shareholders and Investors
	3GOOD HEALTH AND WELL-BEING 	5GENDER EQUALITY 	12RESPONSIBLE CONSUMPTION AND PRODUCTION 	8DECENT WORK AND ECONOMIC GROWTH 	16PEACE, JUSTICE AND STRONG INSTITUTIONS 	8DECENT WORK AND ECONOMIC GROWTH 
UN SDGs Goals	Aspire to ensure health and well-being for all	Achieve gender equality and empower all women and girls	Ensure sustainable consumption and production patterns	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
Target Details	3.8 Achieve universal health coverage (UHC), including financial risk protection, access to quality essential health-care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all	5.1 End all forms of discrimination against women and girls everywhere	12.3 By 2030, ensure equal access for all women and men to affordable quality technical, vocational, and tertiary education, including university	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage formalization and growth of micro-, small-, and medium-sized enterprises, including through access to financial services	16.5 Substantially reduce corruption and bribery in all its forms 16.6 Develop effective, accountable and transparent institutions at all levels	8.2 Achieve higher levels of productivity of economies through diversification, technological upgrading, and innovation, including through a focus on high value-added and labor-intensive sectors
Main Activities of Hanwha Aerospace	• Safety-Clinic: Causal analysis of potential accidents and pre-preventive activities • Strengthening health care of executives and employees: Precise diagnosis of employees conducting processes with a high risk of musculoskeletal diseases and operating specialized exercise programs through in-house physical therapists, sports curers, and fitness instructors	• Creation of family-friendly workplace culture: Selected as a family-friendly company in 2013 and acquired the certification of Mother-Friendly Workplace from the Korean Committee for UNICEF • Implementation of related systems, such as support for childbirth and child-rearing, flexible working system, education support for children, and fostering an atmosphere to encourage breastfeeding	• Prohibition of the use of conflict minerals: Strongly prohibit the use and purchase of the four major minerals (tin, tantalum, tungsten, and gold) mined in the conflict zone in accordance with the Detailed Enforcement Decree of the US Conflict Minerals Regulations and the EU's Conflict Minerals Regulations	• Enhancing the competence of the partners: Regular exchange meeting for the quarterly in-house technical knowledge and trend exchange to strengthen the competitiveness of suppliers, support for new product development, technology stabilization, and implementation of strategies for nurturing suppliers through a regular evaluation system • Finance assistance to partners, technology protection and education support, early payment before a holiday, shared growth win-win fund, and win-win payment system	• Forming transparent recruitment processes and trade practices through the recruitment examination system of a retired public official • Strengthening ethical and compliance management system: Global Top 5 and Top 1 in Asia achieved, as we won B-level in the anti-corruption index assessment among 135 defense companies in 38 nations announced by the TI in 2021	• Continuously strengthening the business competitiveness and creating economic performance through the innovation of existing businesses and new R&D expansion • Achieving overwhelming no. 1 company in the global aircraft engine LTA market, such as being selected as Global Top 5 RSP partner by 2025 • Strengthening shareholder return policy through stable revenue generation

Stakeholder Communication

Hanwha Aerospace defines stakeholders who are associated with the business activity processes into six groups: local communities, customers, employees, partners, shareholders and investors, and compliance and ethical management and forms a solid, trusted relationship while giving value to the important opinions of stakeholders through communication with various stakeholders.

					
Local communities	Customers	Employees	Partners	Shareholders and investors	Government and academia
Interests and expectations					
• Vitalization of the regional economy • Environmental protection • Social contribution activities • Contribution to the UN SDGs • Corporate ESG impact-related transparent information disclosure	• Service and solution quality • Warranty services • Latest technology and trend • Information disclosure for the right selling • Safe use of products	• Employment and labor environment • Education and career development • Diversification and fair opportunity • Respect for human rights • Industrial-labor relations	• Creation of fair trade and win-win cooperation ecosystem	• Economic and financial performance • Investment strategy • Risk management • Management information sharing	• Indirect economic effect • Compliance management and policy engagement • Tax payment in good faith • Transparent information disclosure
Main communication channel					
• Media day and press release • NGO and related organizations, volunteer groups of employees • Hanwha Aerospace online website and SNS channels	• Customer visit meeting and technical support • Customer satisfaction survey • Customer complaints reception and contact center • Technical information exchange meeting for customers and quality assessment conference • Hanwha Aerospace online website, newsroom, and SNS channels	• Labor-Management Council • In-house intranet • Change Agent(CA) by department • Grievance and reporting channels	• Operation of councils and meetings with partners (win-win cooperation council, etc.) • Internal deliberation committee • VOC channel for partners • Fair trade and corruption-related reporting channel	• General meeting of shareholders • Electronic disclosure • IR regular and occasional meeting and NDR • Security-hosted conference	• Attending policy briefings • Participation in government collaboration programs • Academic society and association activities
Related UN SDGs					
    		 	 		

Materiality Assessment

Hanwha Aerospace has identified crucial issues in relation to the business across the economy, environment, and society and conducted a materiality assessment to select priorities. We have constructed an issue pool considering the global sustainable initiatives (GRI Standards, UN SDGs, ISO 26000, etc.) and analyzed the materiality and interest of each issue through media research, peer industry analysis, and internal and external surveys to derive issues with a significant impact.

Hanwha Aerospace aims to transparently disclose core issues and related activities and performances through this sustainability report. We will identify important issues to all stakeholders and corporate activities and manage them constantly, and actively communicate response status with stakeholders.

Materiality Assessment Process

Step 1

Configuration of important issue pool

We have derived 22 issues after analyzing global sustainable initiatives (GRI Standards, UN SDGs, ISO 26000, etc.) and guidance (SASB, TCFD, etc.), peer industry analysis, and media research results.

Step 2

Identification of stakeholders’ interest

To identify the interest of stakeholders from the derived sustainable management issues, we have surveyed various stakeholders, including employees, shareholders, investors, and partners.

Survey period: August 13 to 23, 2021

Step 3

Conducting materiality assessment

• Impact on business

- Verification of internal data: Hanwha Aerospace strategies, accomplishment letters, etc.

- Benchmarking of peers in the same industry: sustainable management excellent company and benchmarking of peers in the same industry conducted.

- GRI Standard, DJSI, ISO 26000, UN SDGs, etc. are reviewed.

• Stakeholders' interest

- The results of the survey with the stakeholders are used.

- Media research wherein around 2,840 articles exposed to the media from January 2020 to May 2021 is analyzed.

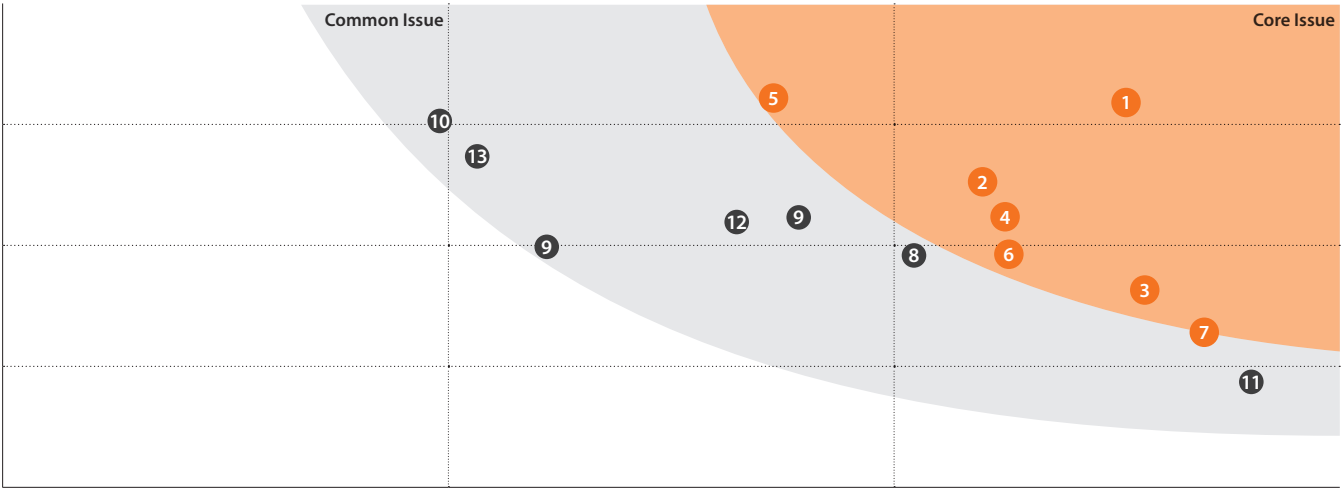
Step 4

Selection of core issues

In link with the economy, environment, and social subject indexes defined in the GRI Standards, seven issues of stakeholders’ interest, which belonged to the 'High' importance section, were verified finally, and core issues were selected considering the context, scope, impact, research period and limitation, etc.

Materiality Assessment Result

Materiality Map



Materiality Assessment Issue Report

No	Category	Category	Issue	Contents		Page	Related GRI
1	Core Issue	Economy	Creation of the stable business performance	Overview	Business Portfolio	14-19	102-2, 6
2			New business/growth		Move to Tomorrow	20-23	-
3			Strengthening technical innovation and R&D	ESG Commitments	ESG Highlights - Environment	32-33	-
4		Governance	Compliance management	Sustainability Management	Compliance Management	88-91	102-16
5		Social	Co-growth with partners		Supply Chain	70-72	102-9, 414-2
6		Governance	Strengthening unfair practices and anti-corruption activities	ESG Commitments	ESG Highlights - Governance	28-29	102-27, 29, 30, 31 205-2, 3 206-1
7		Social	Customer satisfaction	ESG Commitments	ESG Highlights - Social	30-31	-
	Sustainability Management			Customer	62-65	416-1	
8	Common Issue	Governance	Participation of stakeholders and communication	ESG Commitments	Stakeholder Communication	38-39	102-40, 41, 42, 43, 44
				Sustainability Management	Customer - Customer Satisfaction	64-65	
					Employee - Employee Communication	69	
					Supply Chain - Shared Growth Program	71	
					Local Communities - Social Contribution Activities	73-75	
					Shareholder-Friendly Management - Communication with Shareholders	82-83	
9		Environment	Responses to climate change	ESG Commitments	ESG Highlights - Environment	28-29	302-1, 4
				Sustainability Management	Environment, Safety, and Health Management	46-49, 54-55	305-1, 2, 5
				ESG Factbook	ESG Performance Data	96-97	
10		Governance	Organization of the BoD and transparency of the operation	Sustainability Management	Corporate Governance	78-81	102-18, 22, 23, 25, 27, 29
11		Environment	Safety and health management and prevention of occupational accidents		Environment, Safety, and Health Management	46-48, 56-59	403-1, 2, 5, 8
12		Social	Development of employees' competency		Employees	66-69	401-2 403-6, 7 404-2
13					Social contribution activities	Social Contribution	73-75

Sustainability Management

Environment

46 Environment, Safety, and Health Management

Social

62 Customers

66 Employees

70 Supply Chain

73 Social Contribution

Governance

78 Corporate Governance

82 Shareholder-Friendly Management

85 Ethical Management

88 Compliance Management

92 Risk Management

93 Information Security

Hanwha Aerospace is making various efforts in every field of environment, society, and corporate governance to gain the trust of all stakeholders, such as customers, partners, and investors, including employees for sustainable management.

Environment

Environment, Safety, and Health Management

Key performance in ESH Management



Accident rate reduced by
0.14%
(Compared to 2019)



Management criteria of
environmental pollution and
contaminants strengthened



Reduction in GHG
emissions by **3%**
(Compared to 2019)

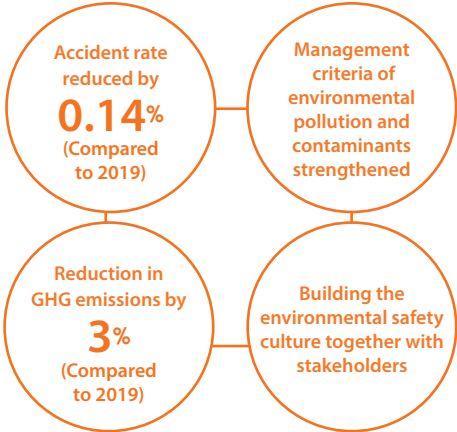


Building the
environmental safety culture
together with stakeholders

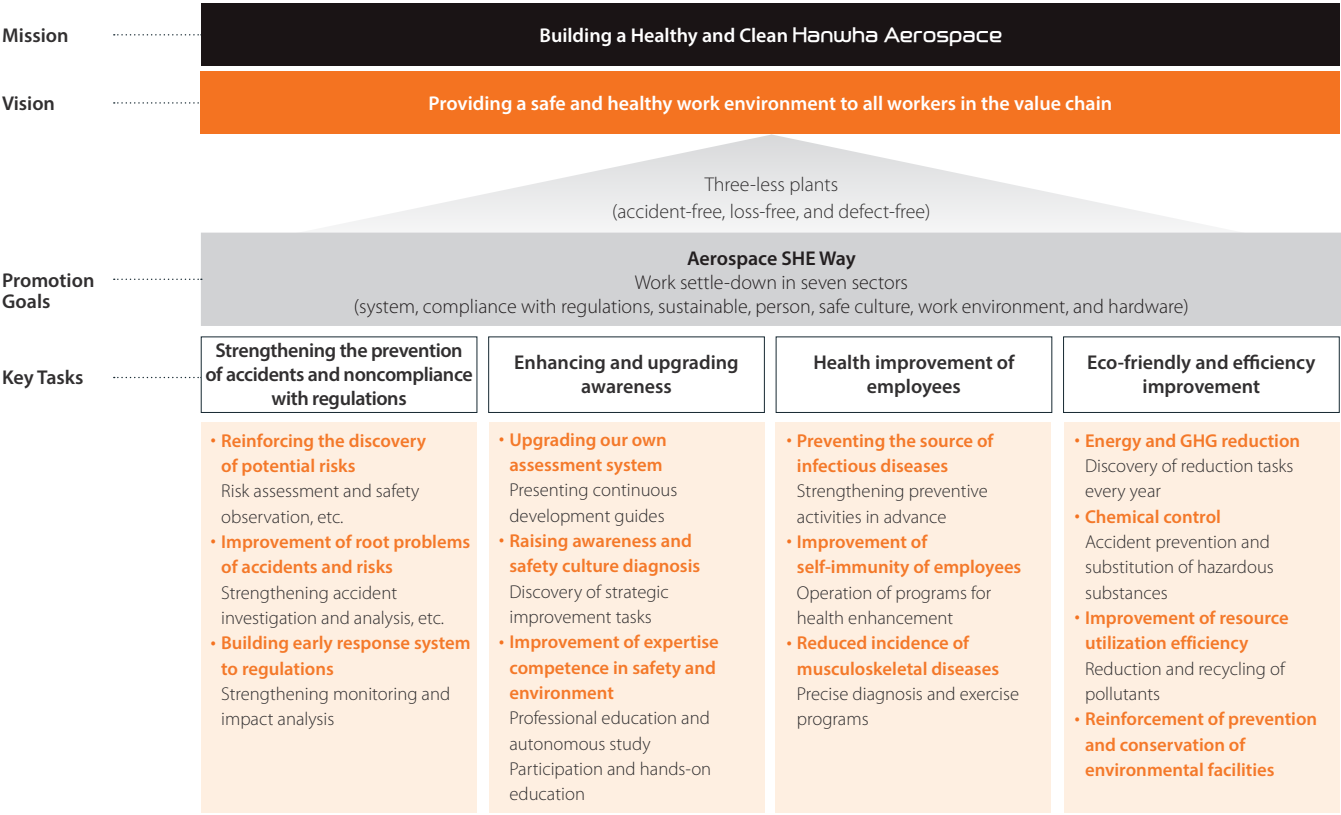
Environment, Safety, and Health Management

Hanwha Aerospace has built a global environmental safety management system where strengthening the global environment conservation and safety health management are put in the foremost value as a member of the responsible international community. In addition, we strive to play an active corporate social role while making healthy and clean workplaces along with our stakeholders.

Key Performance



Environmental Safety Vision



Environmental Safety Management System

Based on the environmental safety management mission, 'Building Healthy and Clean Hanwha Aerospace,' three promotion goals and four key tasks are established and put into practice, thereby making active efforts to become a leading global company in environmental safety.

Environmental and Safety Management Certification

Hanwha Aerospace has acquired the certifications of ISO 14001 (environment management system) and OHSAS 18001, and ISO 45001 (occupational health and safety management systems) through the systematic environment and safety management of the plants from 1996. In addition, we have established an environmental safety and health policy to minimize safety and health risks and environmental impact, and encourage all employees to fully understand and comply with the policy. In the future, we plan to continue our efforts to certify the enterprise-wide safety and health and environmental management system and to create a comfortable and healthy work environment.

Environment, Safety, and Health Policy

1. We achieve a pollution-free, accident-free, and disease-free plants by implementing environmental safety and health activities as the top priority in corporate management.
2. We establish a comfortable and safe work environment through continuous activities to minimize the emission of environmental pollutants and remove potential safety and health risk factors.
3. We lead the environmental safety and health activities of the local community and maintain a partnership community to establish a win-win environment and safety culture with business partners.
4. We make efforts to efficiently use energy and resources and to inhibit GHG emissions by removing wasteful factors of energy and resources.

Seven ESH Management sectors of Hanwha Aerospace



Performances and goals in ESH

ESH and Energy	System	Quantitative evaluation on our own environmental safety system operation		
		2019	2020	2021
		-	96 points	98 points
	Energy	Energy usage such as electricity and city gas		
		2019	2020	2021
		576 TJ	561 TJ	567 TJ
	Accident Rate	Percentage of accidents by employees in domestic plants		
		2019	2020	2021
		0.29	0.15	0.13
	Greenhouse Gas	Directly and indirectly generated total emission of GHG		
		2019	2020	2021
		28,585 tCO ₂ -eq	27,707 tCO ₂ -eq	27,000 tCO ₂ -eq

※ The data in 2021 is the target value

Environmental Safety Control System

The environmental safety control system of Hanwha Aerospace is put in place based on the autonomous environmental safety management system by the production line, and the Plan-Do-Check-Action (PDCA) system has been established based on the environmental management system (ISO 14001) certification. In addition, work plans are established and inspected according to the annual operation policies and goals of the environmental safety team.

Autonomous Management Hanwha Aerospace develops activities on pollution prevention based on the departments that employ environmental emission and prevention facilities. We have implemented the Key Man Scheme to notice and execute environmental safety works rapidly. The Key Man plays a pivotal role in communicating with sites through professional education and training. In particular, Changwon Plant has enforced the 'Scheme of Responsible Section by the Environmental Safety Team,' where employees in the environmental safety team are dedicated to managing one team of production and indirect office for efficient work operations. Through this scheme, close support and active commutation with on-site departments can be achieved, and even the professional environmental safety field that may be easily missed in sites can be supported, thereby increasing site satisfaction and creating safer work environments.

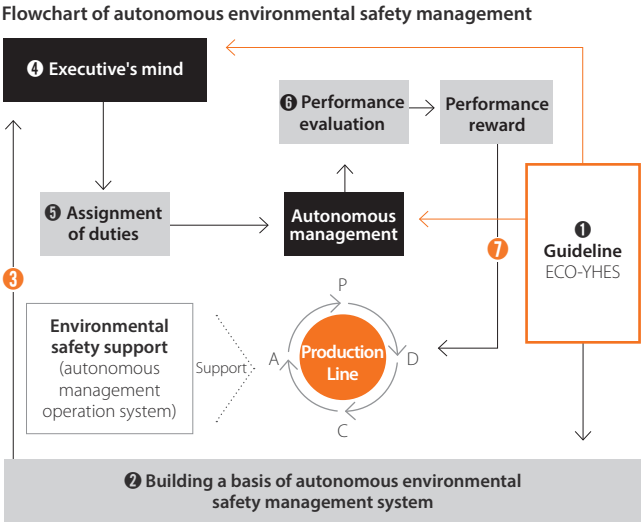
Line Assessment Hanwha Aerospace conducts a line assessment to manage the fulfillment record and performance of the environmental safety accident-free target plan, which is established at the indirect and direct department level every year. In

addition, plans and performances of activities such as resource reduction and improvement activities of pollutants, as well as the proposal of environmental safety programs in addition to the compliance with general regulations and environmental safety activities, are also assessed. The line assessment results are reflected in the evaluation of the managers in their department as they are summed with the plant assessment score, and for departments with excellent evaluation results, awards are given to increase motivation.

Internal Audit Every year, Hanwha Aerospace holds an internal audit where the environmental safety team and production on-site internal auditors participate together along with an external audit. The tasks to be improved and problems that are discovered through the audit are registered in the EHS system as tasks and fully corrected.

Accident-Free Achievement Plan and Management Linked to Policy and Goal				
HQ policy		Plant policy		Work plan
Management System	Compliance with Law	Safety Management	Health Management	Environment Management
• Policy and goal • ISO certification • Risk Assessment	• Standard Management • Regulation Management • Operation of the Industrial Safety and Health Committee • Environmental Regulation • Chemical substance	• Mark and protective gear • Inspection and Diagnosis of operations • Accident Investigation	• Health Examination • Follow-up Management • Hygiene Management	• Management of GHG Emissions • Eco-friendly Products
Legal and professional education, emergency training, partner management, communication				

Autonomous Environmental Safety Management System



Operation tasks for each step			
Building a System	• ECO-YHES	• Three strike-out system	• Arrangement of standards
Assignment of Duties	• Duties for each hierarchy	• Accident-free goal	• Absolute safety rules
Autonomous Management	• Risk assessment	• Accident-free execution	• Autonomous management system
Performance Evaluation	• Plant evaluation	• HQ evaluation	
Performance Reward	• Accident-free performance	→	• Challenging goal setup

Minimization of Environmental Impact

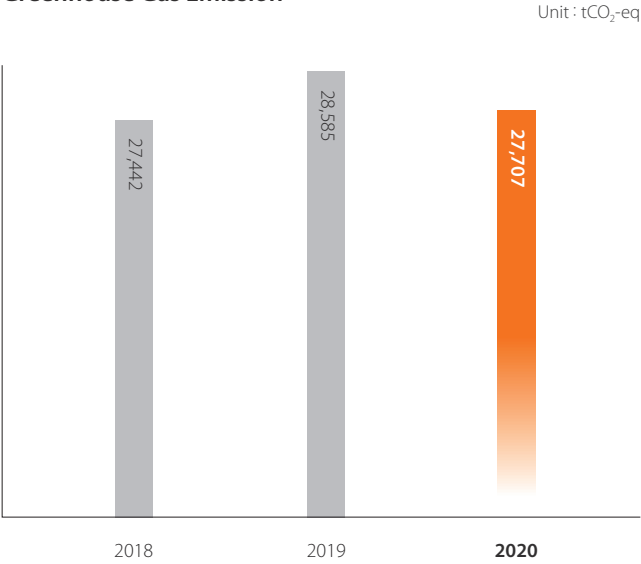
Management of Energy Efficiency

Hanwha Aerospace performs various functions, including energy management, as well as utility supply reliability and prediction management and fire monitoring by building a comprehensive Control Center in Changwon Plant. In addition, we encourage the efficient use of energy through the energy reduction activities in link with the work-site operations. Furthermore, energy experts are fostered, targeting the persons in charge of the production process and environmental safety, to continuously run the process efficiency improvement and energy reduction activities in daily living every year.

Management of GHG Emission

Hanwha Aerospace is committed to the obligation of GHG emission management according to the 'Low Carbon Green Growth Basic Act.' Starting from the 2009 Green Management Declaration Ceremony (Eco-Winner 2020), we have steadily continued the activities for energy reduction and efficient management within the plants. In particular, Changwon Plant was designated as an entity subject to the GHG Target Management System in 2014. Since then, it has been assigned the GHG emission goal through the government negotiation every year, and GHG generation has been transparently managed through verification by an external third party.

Greenhouse Gas Emission



※ Total Greenhouse gas emissions and energy consumption at Changwon and Asan plants

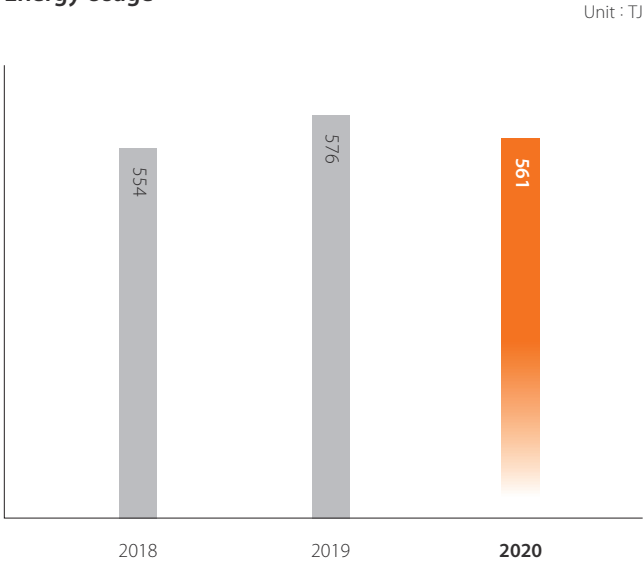
Spreading Low-Carbon Culture in Employees

Hanwha Aerospace promotes the improvement of awareness on the energy reduction by employees with the operation of the 'Carbon Mileage Scheme' that earns mileage via the energy usage reduction performance in daily living such as eco-friendly commuting and energy reduction.

Management of Water Usage

Hanwha Aerospace manages water usage in real-time through the comprehensive Control Center. We are promoting the water reduction activities in various areas, such as environmental safety, production, and daily level and driving the rainwater recycling project using part of the sewage treatment plant (100 m³ out of 1,000 m³) as one of the major water reduction activities. Previously, tap water (the city's water supply) was used as landscape water, but now, rainwater is recycled to save the water bill and increase the efficiency of landscape management. In addition, the effluent is recycled and used as water for some toilets, water for manufacturing chemicals in wastewater treatment plants, and cleaning water for chemical rooms. The amount of recycling through this is 0.13% of the annual water consumption (328 tons per year), and we plan to continuously expand it by reviewing legal matters.

Energy Usage



Water Quality Management

Hanwha Aerospace treats wastewater generated from processes, such as plating, surface treatment, developing and fixation, and heat treatment in the plant using internal and external wastewater treatment facilities. The management standards for pollutants in the effluent from our in-house wastewater treatment facilities are set at 30% of the legal standards and are being strictly operated. In addition, we monitor the pollutant concentration through outsourced analysis every month, and as a result, it is managed at a level of 0%–9% compared to that in the regulations. Changwon Plant is subject to the discharge standards of BOD 120 mg/L, COD 130 mg/L, and SS 120 mg/L, and the quality of the discharged water after wastewater treatment is managed to 10% or less of the standard. Along with this, the ‘Water Treatment Operation Manual’ has been prepared and observed to maintain proper operation and management procedures for wastewater treatment facilities.

Air Pollutant Management

Hanwha Aerospace executes periodical repair and improvements of air pollution prevention facilities, and the internal control standard of pollutants is set at 30% higher than the legal standards, thereby leading the thorough inspection and management for the prevention of related accidents. Air pollutants are generated from 240 emission facilities in the plants, and we manage and treat air pollutants a level of 30% or less compared to the legal standards with a total of 63 air pollution prevention facilities.

Air and Water Pollutants Emissions

Air Pollutants				
Category		2018	2019	2020
Dust	Concentration (mg/m ³)	2.9	3.1	2.7
	Compared to the Legal Standard	6%	6%	9%
Total Hydrocarbon	Concentration(mg/m ³)	24.3	18.1	23.7
	Compared to the Legal Standard	12%	9%	12%

※ Average emission concentration of air pollutants at Changwon and Asan plants

Water Pollutants

Category		2018	2019	2020
COD	Concentration (mg/L)	5.9	4.5	5.8
	Compared to the Legal Standard	5%	3%	4%
BOD	Concentration (mg/L)	3.8	2.2	2.3
	Compared to the Legal Standard	3%	2%	2%
SS	Concentration(mg/L)	2.2	1.7	1.1
	Compared to the Legal Standard	2%	1%	1%

※ Emission Concentration of water pollutants at Changwon Plant

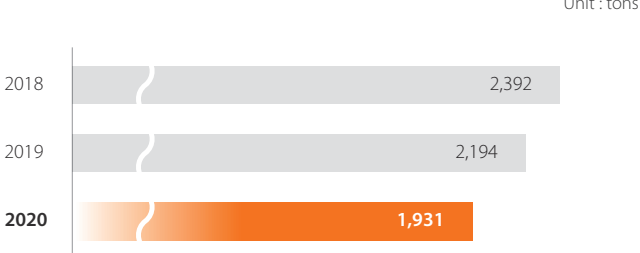
Waste Management

Hanwha Aerospace is committed to making all employees participate in the law-abiding treatment of waste, improvement of recycling rate, and waste reduction activities. We are raising the waste and environmental awareness of employees by conducting continuous improvement activities and campaigns to maintain our own recycling target, which is 95%. We monitor the generation and recycling of waste at least once a month and manage it in an integrated way through internal reporting. Furthermore, we conduct pre-site evaluations of consigned companies and conduct evaluations during the contract period to enhance timeliness and safety to lawfully transport and dispose of wastes generated in the plants.

Stewardship of Hazardous Chemical Materials

Hanwha Aerospace has built its own environmental safety system and run the Chemical Material Safety Data Sheet (MSDS) management and approval procedure to preemptively respond to controlling regulations on hazardous chemicals that are steadily strengthened. We are also actively conducting alternative activities in response to hazardous chemicals, which are rapidly increasing. Our system is put in place to enable the placement of order after pre-deliberation by the ESH Team on hazards and risks of all chemical substances used in the plants, and information of chemical substances approved through pre-deliberation is stored in the system, which can be viewed by anyone.

Waste Generation



Waste Recycling Rate



Moreover, there are two storage facilities for hazardous chemicals within the Changwon plant, and approximately 30 tons of hazardous chemicals used in the site are safely moved, stored, and discharged.

Protective Facilities to Prevent Chemical Spills

Hanwha Aerospace has built protective facilities, such as a recovery facility, automatic shut-off, and alarm equipment, to prevent chemical spills during injection and storage of chemicals in the plant and prevent spilled chemicals from entering the outside of the plant.

Environmental Pollution Monitoring System

Hanwha Aerospace has put our own monitoring and emergency response system to prevent environmental safety accidents, such as environment, chemicals, firefighting, and natural disasters, and quickly respond to various environmental safety accidents.

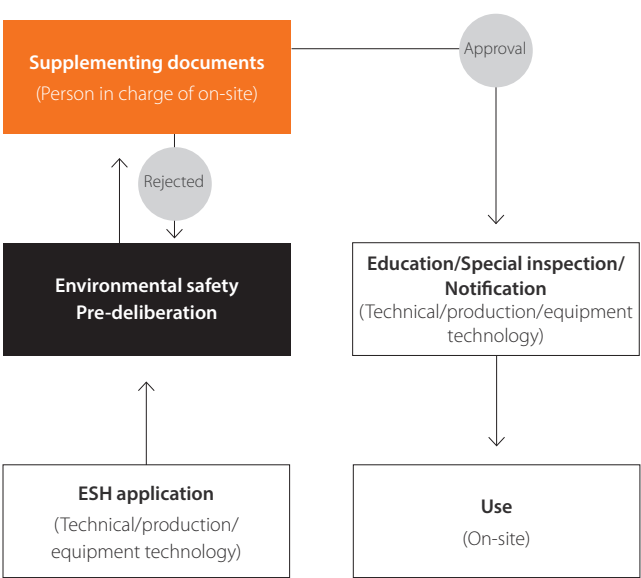
The Environmental Pollution Monitoring Center

Hanwha Aerospace has completed and operated the green center, which can detect abnormal states of operation in environmental and chemical facilities and leakage and take emergency response actions, and the comprehensive Control Center, which can manage the use of energy and utility status and sense the firefighting-related circumstances.

Main functions of the Comprehensive Control Center

Electricity	Reliable power supply and forecast management - Real-time voltage, wattage (peak), power factor check control - Power demand forecast management and control through data
Utility	Reliable utility supply and energy management - Water, air, and steam supply - Industrial equipment production temperature and humidity control
Fire Prevention	Early response to an emergency with fire monitoring and control - Monitoring and controlling automatic fire detection equipment and fire suppression system - Disaster Prevention Center (2 shifts), double monitoring of the main gate

Procedure to approve the use of chemical substances



①Green Center ②Comprehensive Control Center

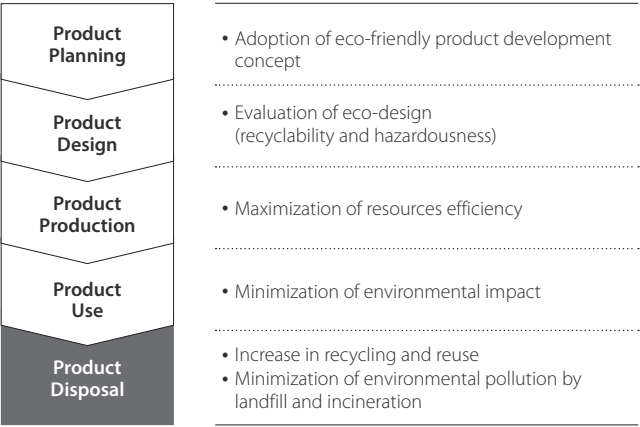
Improvement of Product Eco-Friendliness
Green Procurement

Hanwha Aerospace is actively promoting various green procurement activities throughout the whole life cycle of product production to provide eco-friendly products to customers. We have a thorough verification process from the development and design stage to ensure that harmful substances are not included in the product. When purchasing all parts, we have made the environmental management system (EMS) and hazardous substance evaluation process mandatory for partners and prepared a procurement manual to first review and use eco-friendly certified products for subsidiary materials, equipment, and office supplies. Moreover, we have evaluated the impact on the environment even in the use phase of purchased products and developed green procurement activities such as considering the evaluation results for future product purchases.

Procurement Amount of Green Products			Unit : KRW 1 million
2018	2019	2020	
243	89	81	

Development of Green Products

Eco-design refers to activities and procedures to improve environmental performance by integrating eco-friendly elements in a whole life cycle of product development and production. Hanwha Aerospace is gradually developing activities to improve the eco-friendliness of final products through a process that considers environmental elements from the product design phase. In addition, we are contributing to the expansion of the virtuous circular cycle of resources by increasing the recyclability of waste with using simple materials for easy recycling when disposing of products, and joining recycling organizations in European countries to enable recovery and disposal of waste.



Initiating the Life Cycle Assessment (LCA)

Hanwha Aerospace is promoting the life cycle assessment (LCA), which is an objective and scientific technique to evaluate the environmental impact according to the ISO 14010 Certification. Through the LCA, we quantify the amount of energy and substances consumed and emitted in the process of collecting, processing, manufacturing, transporting, using, and disposing of raw materials, and comprehensively evaluate their impact on the environment, thereby inducing the process and product improvement to minimize environmental impact. Furthermore, we have employed the execution results of the LCA as the external communication channel about our product eco-friendliness such as the response to the demand of environmental information by various stakeholders and the certification of Environmental Declaration Product (EDP) through the validation by a third party.

Self-Declared Environmental Label

Hanwha Aerospace has autonomously implemented an evaluation of environmental hazardousness, resource, and energy efficiencies of our products. Furthermore, self-declared environmental labels (Type III) are attached to absolutely or relatively excellent products in terms of environmental features for customers and consumers to help them easily recognize the environmental features of the products. If products and semifinished products are lead-free and comply with the in-house standards of six hazardous substances under RoHS in Europe, as well as comply with the in-house eco-design standards, environmental labels are marked on the outside of the product package to transparently notify customers of the environmental information of the product.

Environment + Ecology

The letter 'E,' which refers to both Environment and Ecology, represents the formation of organic relationship with external environments by opening the inside and outside of the curve using a leaf shape, which is a symbol of green nature. It expresses the will of eco-friendly product production that can become one with nature.



Type of Eco Mark		
Pb-Free Product	RoHS Compliant	Eco Information
Application of Lead-free soldering technology	Satisfied with internal management standards of six hazardous substances under Restriction of Hazardous Substances(RoHS)	Providing information about environmental characteristics of product

- Halogen-free flame retardants
- Reduction of weight by 20% compared to that of A product
- Lead-free soldering technology applied
- Recycling rate improved by 15%

Signed a voluntary agreement with the Ministry of Environment for green purchasing in the industry

Since Hanwha Aerospace had signed a voluntary agreement with the Korean Ministry of Environment for green purchasing in the industry in 2006, we are actively leading the effort to promote the use of environment-friendly products. We are continuously expanding the scope of our eco-friendly product purchasing activities, such as using 50% of our total purchase amount to purchase eco-friendly products.

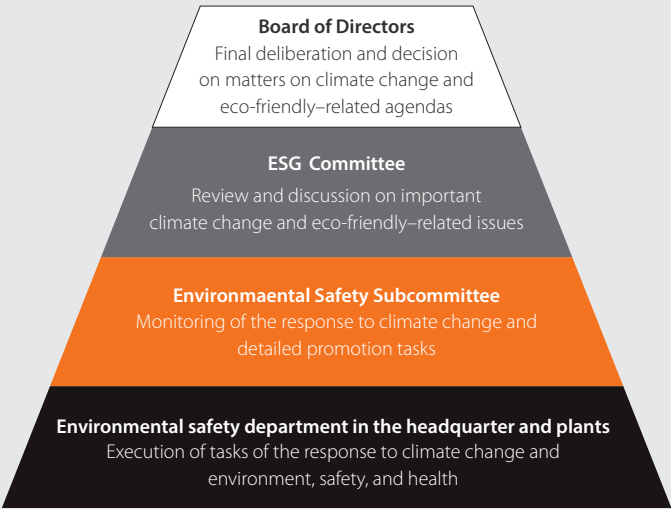


Special Section

Climate change-related information disclosure according to TCFD recommendations

Hanwha Aerospace identifies the risks and opportunities of climate change according to the recommendations of the TCFD and aims to establish and achieve the long-term goals and strategies for carbon neutrality.

1 Governance



Hanwha Aerospace has newly established the ESG Committee consisting of all external directors under the BoD for the responsible governance operation in response to climate change in June 2021. The ESG Committee deliberates and reviews important matters of climate change and environmental issues through the regular quarterly and occasional meetings and is continuously supervising the establishment of the mid- to long-term strategy of the company and the current status of implementation to achieve carbon neutrality. Under the ESG Committee, the Environmental Safety Subcommittee is founded and run to enterprise-widely respond to climate change and establish eco-friendly management operation plans as well as to fulfill the plans systematically. The strategies established by the BoD, ESG Committee, and Environmental Safety Subcommittee are executed and managed by the environmental safety departments, which are dedicated working organizations in the environment and safety of the HQ and individual plants.

2 Strategy

Hanwha Aerospace is committed to the creation of a reliable management environment by classifying short- and mid- to long-term risks and opportunity factors in relation to climate change into physical and transformation risks and establishing a response measure for each issue.

Category		Identified Risks	Potential Impact on Finance	Status of Response	Period
Physical Risk	Natural disasters such as typhoon and flood	Damage to the plant and infrastructure because of inundation and landslide	• Loss of financial, human, and property because of damage of the plants and production delay	• Building an emergency response system and configuring facilities • Execution of periodical safety inspection and training	Short term
	Increase in abnormal weather and average temperature	Increase in power use in the plant because of average temperature rise		• Strengthening environmental safety system monitoring for energy efficiency management	Mid- to long-term
Transfor- -ation Risk	Policy and regulation	Implementation of global GHG reduction policies such as carbon border tax and GHG emission trading system	• Investment in reduction technology and increase in business cost	• Establishment and fulfillment of GHG emission control and GHG reduction strategy	Short term/ Mid- to long-term
		Increase in demand for energy efficiency improvement and eco-friendly energy use	• Transformation cost because of the expansion of low-carbon energy source use	• Review on establishment and expansion of new and renewable energy power generation facilities in the plant to improve energy efficiency	Mid- to long-term
		Enactment and revision of environmental regulations	• Imposition of fines and sanctions in case of violations	• Execution of legal review and policy reflection by the ESG Committee and legal team	Short term
	Market and technology	Increase in demand for eco-friendly and high-efficiency products	• Increase in R&D cost to expand eco-friendly product portfolio	• Development of sustainable products such as next-generation high-efficiency aircraft engines and engines utilizing renewable energy	Mid- to long-term
	Reputation	Requirement of global eco-friendly initiative	• Investment withdrawal and loss of customers	• Proactive response to global initiatives such as TCFD and information disclosure	Short term



3 Risk Management

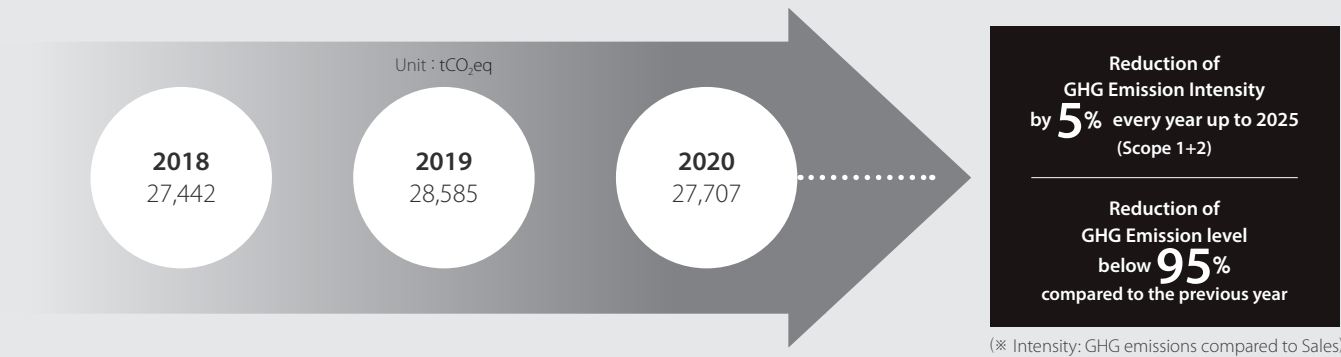
Hanwha Aerospace identifies climate change-related risk and opportunity factors by the ESG Committee and Environmental Safety Subcommittee as uncertainties of the business environment increase because of climate change. Then, the impacts of those factors on business activities are identified and managed.



4 Metrics and Targets

Hanwha Aerospace is steadily managing GHG emitted from each plant every month through the ESH monitoring system. In addition, we continue to minimize the impact of business activities on the environment by establishing and fulfilling plans to reduce GHG such as activities to improve the energy use every year.

GHG Emission



Safety and Health Management
Activities of Emergency Response Management

Hanwha Aerospace is spreading various on-site inspection activities led by the plant manager, department manager, and environmental safety team for accident prevention in the plant. We are preemptively discovering potential risks through the analysis at the worker level by introducing the risk assessment technique. The derived major risk factors are reflected in the standard work procedure and propagated throughout the plant via employee education and training.

Moreover, the risk factors are corrected in advance through near-miss accident management in all plants. Changwon Plant has put a system in place for workers to freely propose risk factors through the 'Autonomous safety risk observation system.' Furthermore, we are working hard to establish safety awareness among our employees by attaching safety pledge notices to operating facilities and conducting various safety culture-sharing activities.

Emergency Response Training

Hanwha Aerospace has defined eight emergency situations such as fire, explosion, and safety accident, chemical spill, wastewater, air pollutant exposure, gas leak, and natural disaster according to the internal 'Regulations on the Response to Emergency Situations,' and established a response process for each situation. We perform training programs in response to various emergencies at a department level at least once a year and upgrade a process that can be applied to real emergence situations through the environmental safety evaluation and feedback after training.

Improvement Activities of Work Environment

Hanwha Aerospace manages the enactment and revision of safety and health-related regulations to comply with safety and health-related laws and improve the health of employees regularly, and reviews major regulations in detail every week. In addition, potential accidents with a large application scope and high probability of recurrence are analyzed through the autonomous safety risk observation system that discovers potential risks and improvements by workers themselves. Also, we are implementing the 'Scheme of learning from salutary lessons' to horizontally analyzes previous near-miss accident cases, thereby deriving improvement measures. The derived improvement measures are then propagated throughout the plant. As such, we are committed to preventing safety accidents in advance.



1 Prevention of musculoskeletal system and support for personalized stretching 2 Inspection by the CEO

Health Management Activity

The employees of Hanwha Aerospace are easily exposed to a high risk of musculoskeletal diseases because of the nature of manufacturing parts for aircraft. Accordingly, we are making efforts to improve ergonomics by conducting detailed diagnoses on high-risk processes through the investigation of harmful factors in the musculoskeletal system. In addition, we plan and run specialized exercise programs through in-house physiotherapists, personal exercise trainers, and exercise instructors, as well as conduct customized fitness programs according to the work process and personal characteristics. In Changwon and Pangyo Plants, we are operating counseling and various psychological programs by hiring professional psychological counselors for the mental health of our employees.

Management of Safe Environment for Partners

Hanwha Aerospace is building a safe environmental culture, which is shared by our partners, through safety and health win-win cooperation programs and consultative group activities. Partners of Changwon Plant are 26 in total (14 internal and 12 external partners), and we are providing practical support for partners to not only comply with regulations and other requirements in relation to occupational safety but also improve the working environment and health promotion activities continuously.

The entire plant conducts quarterly joint inspections and monthly consultative session of partners to discover problems in the safe environment of the plant and comes up with improvement plans to create a safe and comfortable working environment. Furthermore, we are actively assisting partners for the safety management of the plant such as reviewing hazardous chemicals through systems, risk assessment, and preventive activities of serious disasters to prevent potential accident risks in the site that may occur in the internal partners. Moreover, Hanwha Aerospace is encouraging excellent partners in terms of environmentally safe activities by selecting and awarding them every year to promote the safety and health activities of all workers.



1 Awarding excellent win-win partners 2 Safety inspection by plant managers 3 Support of risk assessment (education) 4 Onsite inspection of partners

Special REPORT
Response to COVID-19

Hanwha Aerospace's New Organizational Culture
in the Post-COVID-19 Era

Hanwha Aerospace is rebuilding its organizational culture through communication channels for every management staff and employee to tighten the relationships curtailed by COVID-19. To this end, we have set the goals for organizational culture by organizing the gist of cultural key words selected by the management, which strongly influences corporate management and strategies, and conducted interviews and surveys targeting the employees. Accordingly, behavioral standards were finalized and incorporated into the corporate culture system.

Contact-Free Activities
toward an Improved Organizational Culture

Relationships between employees are not as close as they were before social distancing. Last year, Hanwha Aerospace saw dramatic reductions in organizational culture activities and off-line communications. Therefore, we opened the 'Connections' Program to enable communications and relationships between the employees. Various activities were conducted primarily through popular social media broadcasts for six weeks from February 2021 that earned more than 1,000 subscribers, amounting to more than 50% of the employees. Because of its popularity, it is now operated seasonally, providing various contactless activities that employees can participate in every month.



1 Connections (Contact-free organizational culture activities) 2 Social distancing in public spaces

In March 2020, the World Health Organization (WHO) declared the COVID-19 pandemic as a global threat, which persistently spreads until today. Amid this crisis, Hanwha Aerospace takes systematic action against hazardous risks in the workplace to protect the health of our employees, their families, and business partners as the top priority. Moreover, we contribute to preventing the pandemic from spreading throughout the community to ensure a safe society.

COVID-19 Response System

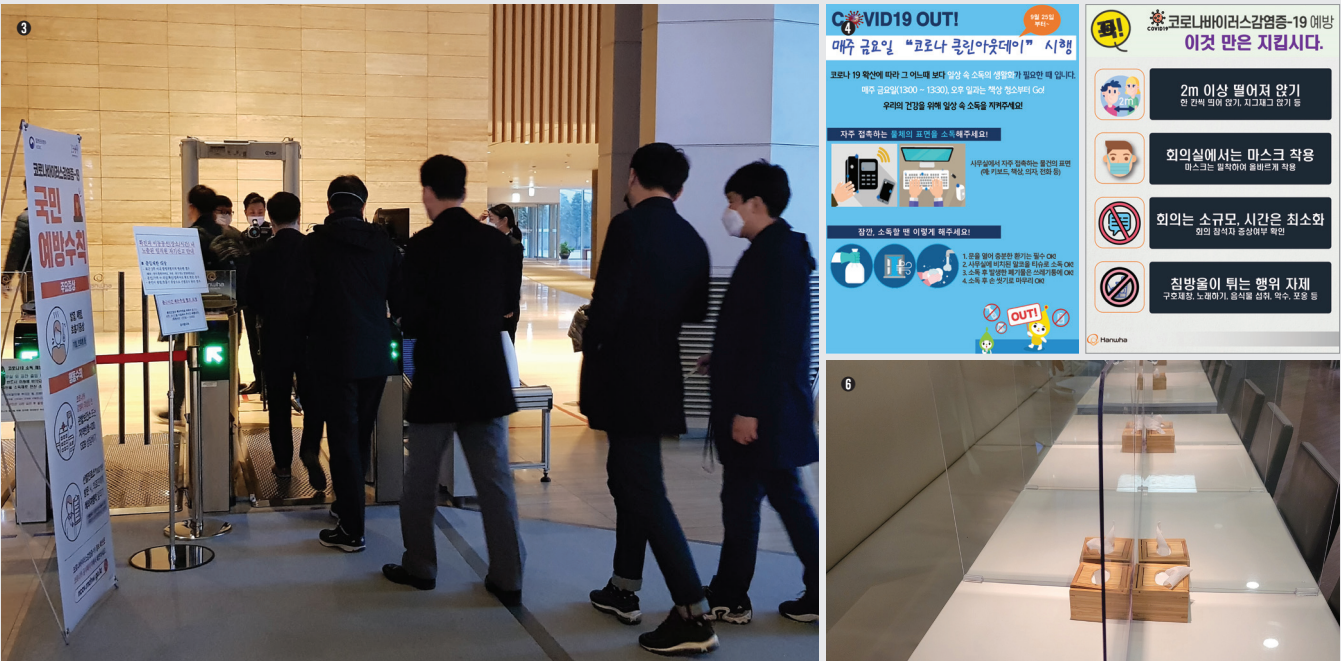
The ESH Team of Hanwha Aerospace, spearheaded by the Environmental Safety Team Manager, takes overall responsibilities against COVID-19. It closely collaborates with each department to quickly respond to COVID-19 concerns for smooth long-term business operations.

Quarantine Activities in Everyday Life

Hanwha Aerospace gradually fulfills preventive activities through its established quarantine guidelines such as holding the 'Clean-Out COVID-19 Day' campaign, conducting contactless conferences and training, reducing business trips and outside activities, working from home, wearing masks inside the building, distancing in public institutions, and distributing promotional pamphlets to raise awareness. Thus, a large variety of activities are being implemented to minimize damages and safely operate the company's businesses.

Health Management for Employees

Hanwha Aerospace takes various preventive and protective actions to keep our employees healthy and safe. We equipped the building entrance with temperature measurement devices, distributed hand sanitizers, fulfilled preemptive testing on suspected patients, provided quarantine kits for overseas business trips, and supported vaccination leaves.



3 Temperature measurement devices in the building entrance 4,5 Public relations (PR) materials to raise awareness 6 Partitions in the cafeteria to prevent infections

Social

Customers | Employees |
Supply Chain | Social Contribution

Customers Key Performance



**Global Quality
Certifications**
(e.g., AS 9100, NADCAP)



Pratt & Whitney (P&W)'s
Best Partner
Rated "Gold"

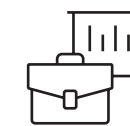


The world's first company
to be certified for the
Mass Production
of Rolls Royce

Employees Key Performance



Percentage of
permanent employees
98 %



Employees' training fees in 2020:
Approximately
KRW **428** million



Regular operations of
Contactless Training
courses

Supply Chain Key Performance



Number of major Korean
SME partners: **107**



Total amount of purchase price from
business partners: KRW **1,860** billion



Total amount of financial support for
business partners: KRW **400** billion

Social Contribution Key Performance



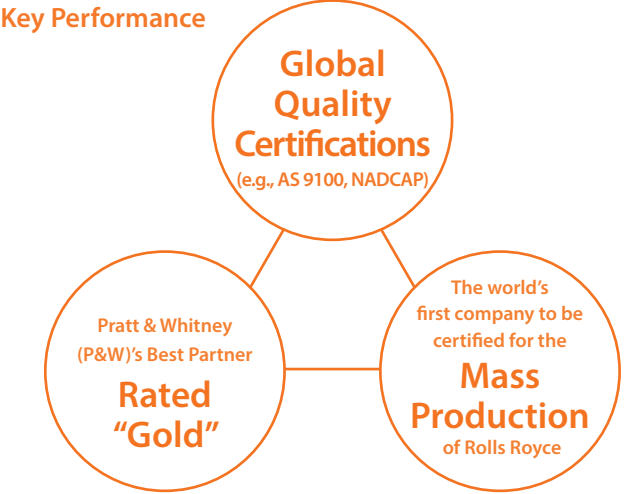
Donations in 2020:
KRW **7.4** million



Employees' volunteering hours in 2020:
3,444 hours

Customers

Hanwha Aerospace has established quality policies and a quality management system in line with its mid- to long-term management strategies. We seek continuous quality innovation based on a customer-oriented mindset and strive to provide the highest quality of service to meet customer expectations and requirements.



Quality Management Strategies



Quality and Safety Control

Quality Management Strategies

Hanwha Aerospace strictly maintains high-quality standards based on the quality policy, which is 'to provide flawless and reliable products and services that meet customer needs and satisfaction, enhance competitiveness, and lead to profitability.' We declare Quality Charter to provide safe products and services to our customers and ensure all employees work according to the Codes of Conduct. Furthermore, we establish annual quality strategies and goals, improve our quality system by reflecting customer needs, and make preemptive efforts to secure quality by identifying tasks to prevent accidents and secure quality completeness through proactive checkups.

Product Safety

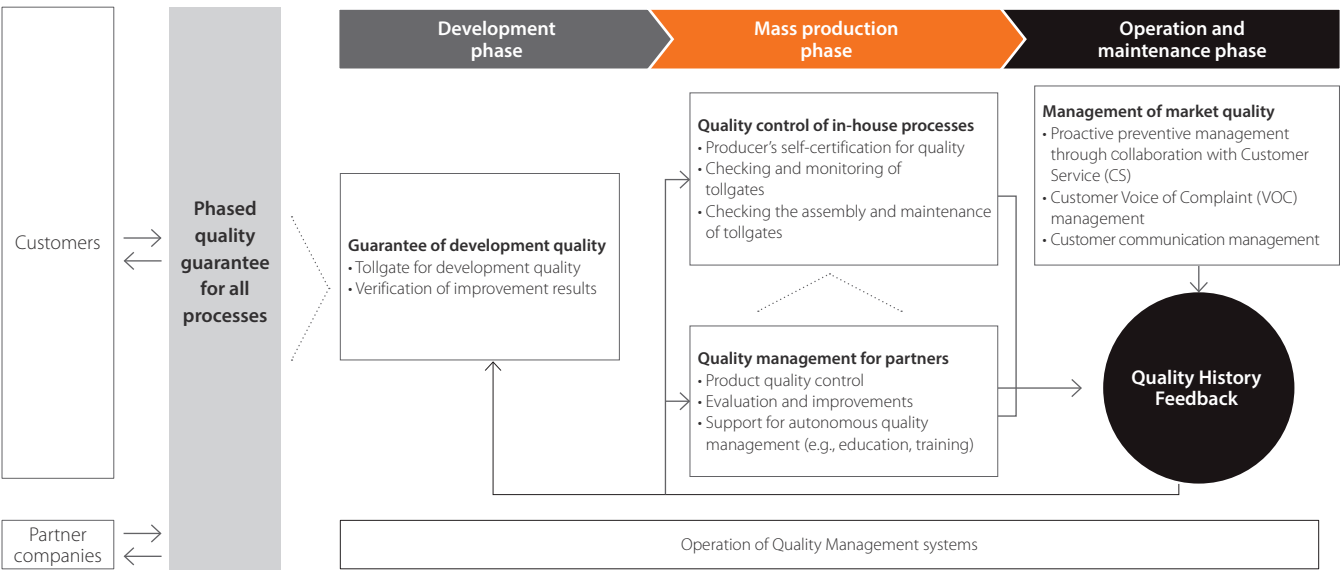
For aircraft engines, even minor mistakes and defects can lead to severe accidents. Therefore, Hanwha Aerospace pursues perfection in quality and checkups between manufacturing processes for 'Zero Defects' to fulfill 'Zero Unsatisfied Customers.' In the development stage, design defects are minimized by verifying drawings, modeling simulations, phasing Tollgate operations, and strengthening labor force capabilities. In manufacturing, Tollgate inspections and checkups are conducted on individual and finished items between processes through self-inspection systems on quality assurance.

In addition, various conferences are held between the management team and customers when product-related accidents or customer complaints are raised to quickly resolve complaints and identify their reason to prevent their recurrence. Furthermore, the company raises the subcontractors' integrity of outsourced products through strict examinations in the warehouse, business trips, and online transactions.

Quality Charter

Quality Vision	Our Quality Goal is to Exceed your Expectations [Quality perfection to impress customers]
Code of Conduct	The following code of conduct shall be fulfilled to accomplish quality visions through continuous innovation and bold challenges. 1. Customer-Centered Solutions - We make customer-centered solutions and provide high-quality products accordingly. 2. Sticking to the Basics - We strictly abide by the rules and processes and maintain a high quality of service to keep our honor. 3. Professionalism - We pursue quality completeness with a strong sense of responsibility and duty. 4. Fundamental Solutions - We zoom into on-site solutions to unravel the source of problems. 5. Lifelong Customers - We quickly and accurately meet customer needs through quality-based solutions to create lifelong customers.

Quality Control and Improvement Process



Quality Certification

Hanwha Aerospace acquires and maintains world-class quality certifications issued through audits of each plant by external certification agencies for annual evaluations of its quality management and operations of administration systems. Strict quality control processes are verified through various certificates, such as the aerospace quality management standard AS 9100 (currently KS Q 9100) in 2002, AS 9110 for aviation maintenance, and the NADCAP certification for special processes. We also acquired the international standard certification ISO/IEC 17025 for our in-house test and calibration laboratory, verifying its reliability in test analysis and measuring instrument quality.

Quality Control

Hanwha Aerospace takes improvement proposals to prevent human errors in the manufacturing process and proactively identify and remove defective elements. To this end, all employees are actively and voluntarily fulfilling on-site improvements, and we incentivize excellent mistake-proof cases to motivate employees to commit zero defects. We also regularly conduct professional in-house audits to improve the quality level of our plants and suppliers. Furthermore, we continuously provide customized quality control and support programs to business partners to encourage their settlement and fulfillment of on-site quality guarantees.

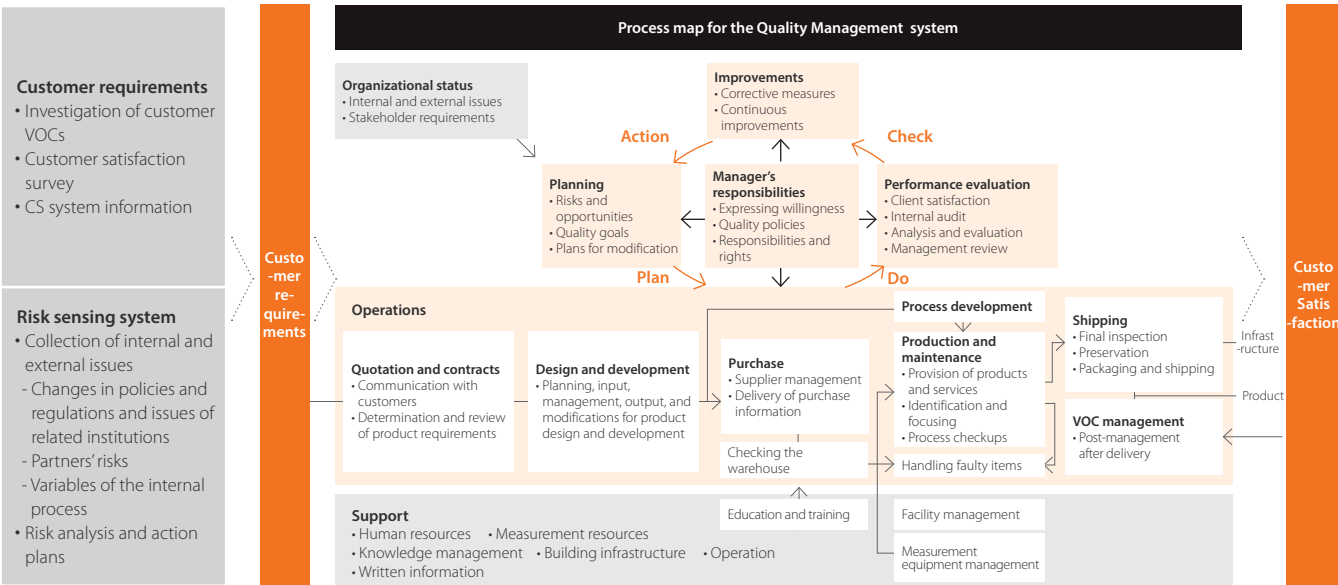
Product Innovation

Hanwha Aerospace is implementing various activities to become a ‘Global Tier 1 Partner’ in the aircraft engine field by securing ‘world-class manufacturing competitiveness’ by 2025. Especially, we established smart factories and systems that enable real-time monitoring and collection of production site data, in considering the significance of digital data in the new Fourth Industrial Revolution era.

Customer Satisfaction
Customer Management

Hanwha Aerospace analyzes external risks related to customer requirements and complaints and continuously raises customer satisfaction and provides reliable products by improving the internal processes. Signal lights flash whenever customer complaints are received to notify urgent matters to every employee. For defects during the manufacturing processes, the operator manually raises a red flag to prevent reoccurrence and proactive problem-solving.

Customer-Oriented Quality Management System



Customer Satisfaction Survey

Hanwha Aerospace developed our own customer satisfaction survey to execute survey procedures and analyze results. The customer satisfaction survey consists of four steps: establishing survey plans, visiting and surveying customers, analyzing survey results, and providing feedback. Customer opinions are listened to and collected through various before-service (BS) activities, including field trips, exchange meetings, and quality evaluation meetings. Afterward, a report on customer satisfaction survey results is prepared for the management to understand customer satisfaction levels and holds briefing sessions with relevant departments to reflect customer needs in management strategies and improve the efficiency of practical affairs.

Increasing Customer Satisfaction

Hanwha Aerospace upgrades annual goals based on customer satisfaction survey results, assigns tasks for each division, and conducts improvement activities to raise customer satisfaction. We also established our Customer Service (CS) Office for real-time operations in connection with the Customer Relationship Management (CRM) System for quick response to customers, improvement of products, and activation of services.

Survey Result for Customer Satisfaction

Classification	2018	2019	2020
Score	87.3	88.7	88.9

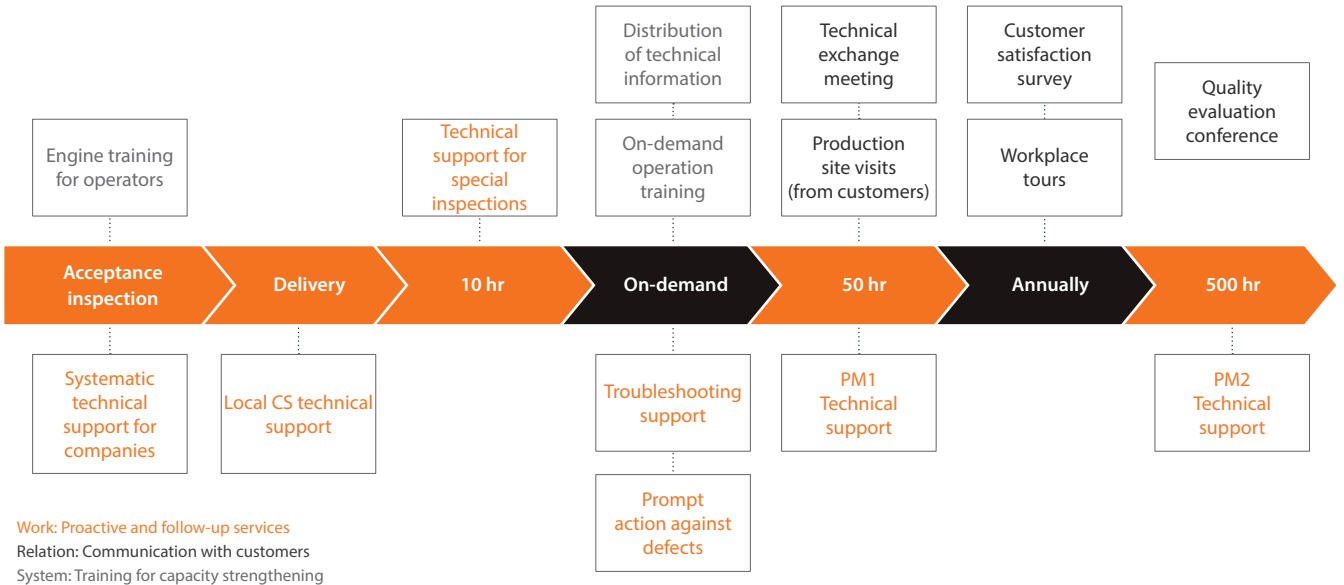
Survey Results for the Percentage of Timely Services

Classification	2018	2019	2020
Score	81	87	89

Customer Support

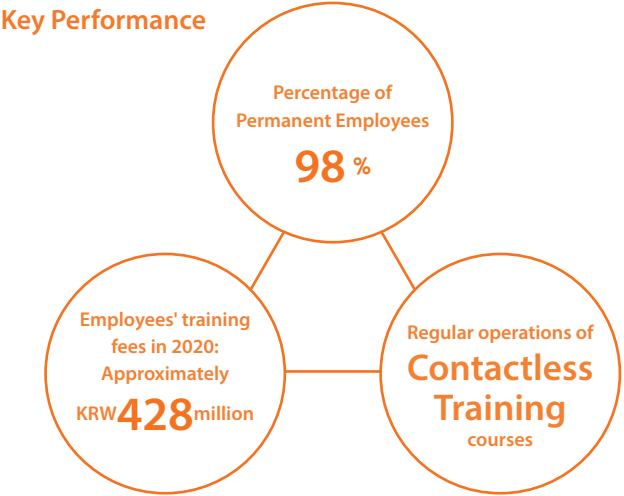
Hanwha Aerospace proactively prevents customer dissatisfaction through various customer support activities. First, our CS personnel are stationed at military bases in the major bases of the Army, Navy, and Air Forces to maintain 100% operations of customer equipment. Second, we established an On time Customer Service System to promptly address customer needs. Third, we minimize customer complaints by sharing the status of services and Key Performance Indicator (KPI) with the management and related departments through our CRM system and improving quality through company-wide conferences. Finally, we promote various quality improvement activities with customers, such as technical support for receipt inspections, technical information exchange meetings, and quality evaluation meetings.

On time Customer Service System



Employees

To improve work-life balance and increase job and company satisfaction of employees, Hanwha Aerospace operates various welfare programs and establishes win-win labor-management relationships.



Fair Recruitment Hanwha's Core Values

To flexibly respond to the rapidly changing industrial environment worldwide and raise competitiveness, Hanwha Aerospace recruits talented human resources based on the Hanwha Group's core values—Challenge, Dedication, and Integrity. In addition, we changed the recruitment method from openly recruiting new employees regularly to recruitment on-demand and operates internship programs as a long-term approach to overcome the limitations of short-term talent verifications methods and get to know the competency and talents of applicants better.

Hanwha Group's Core Values and Behavioral Principles —

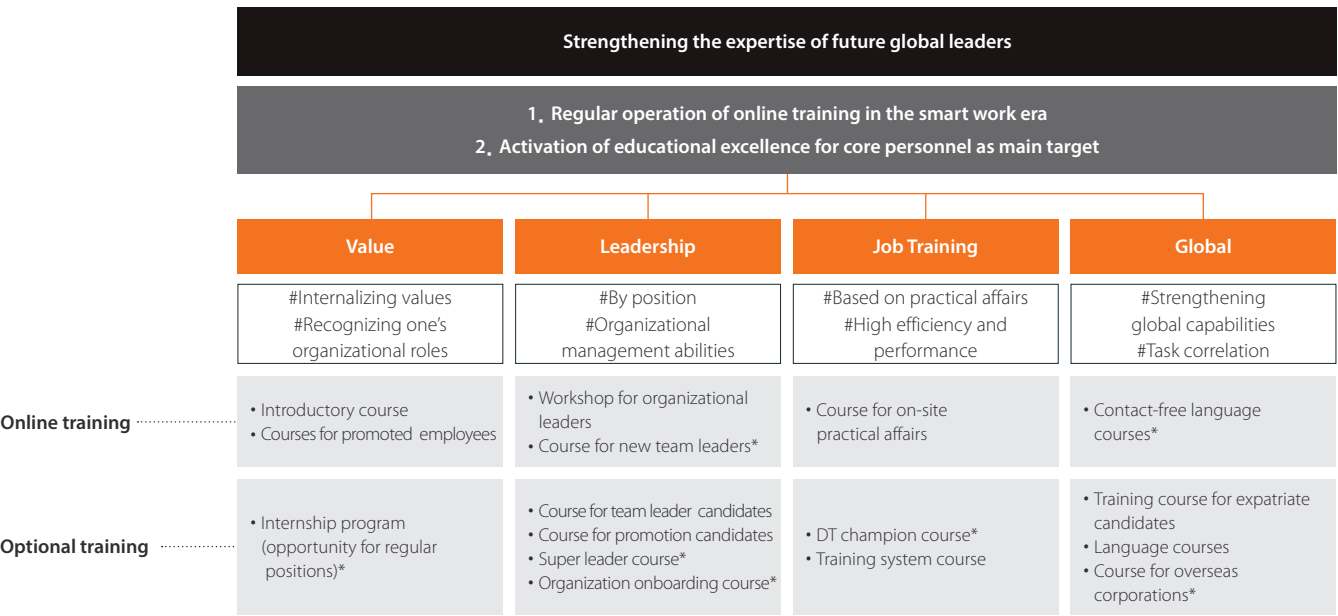
- Challenge**

 - Engage in active self-development towards being the best in your field.
 - Find opportunities and new ways of doing things through open-mindedness and creativity.
 - Set challenging goals and work towards achieving them with a can-do spirit.
- Dedication**

 - Put 'us' before 'me' and 'our goal' before 'my goal'.
 - Treasure the promise with customers and continue to create customer value.
 - Trust in each other's abilities and collaborate based on a strong sense of unity.
- Integrity**

 - Do not be swayed by immediate gains. Be honest and stick to the principles.
 - Draw a line between business and personal matters. Be impartial and treat others based on their performance and achievements.

2021 HR Development System



* Course for new plans in 2021

Human Resources (HR) Development System

Hanwha Aerospace seeks talented people who follow Hanwha Group's core values and fulfills its behavioral principals. To this end, we have established four HR development directionalities—Value, Leadership, Job Training, and Global—and operate HR systems based on these. Moreover, we provide various training programs to strengthen employees' professional skills and develop next-generation global leaders.

Capacity Development Programs Value

Hanwha Aerospace plans and operates various introductory training programs for new employees to welcome them as valuable corporate members and introduce the value of the company, their roles and responsibilities. We also provide various customized training for value internalization according to target audiences, including education by position, official responsibilities, and special training for promoted employees. Even amid COVID-19 that collective training was impossible in 2020, Hanwha Aerospace puts utmost effort into providing education and raising value for its employees. It was the first affiliate in the Hanwha group to self-develop and operate online training courses, promptly responding to the rapidly changing environment.

Leadership

Hanwha Aerospace operates systematic leadership training courses to strengthen the capabilities and skills of next-generation leaders who will lead the organization's future. First, it improves the capabilities and skills of its executives, the current leaders of Hanwha Aerospace, through the Innovative Leader Course for Executives, Workshops for Organizational Leaders, and Training for On-Site Managers. Second, it develops the competencies of future leaders by courses for new executives, team leaders, and promotion candidates for manager level and higher.

Job Training

Hanwha Aerospace plans practical programs for fieldwork and operates customized practical courses for each department, centering on field departments and education departments. We also arrange various systems, such as overseas training programs, to raise the expertise of key talents. In particular, the company has set its core educational purpose 'to provide educational excellence for talented personnel to increase professionalism' and continuously improves and manages its educational systems for more systematic, practical, and precise operations. Furthermore, Hanwha Aerospace supports talents showing outstanding performance and work efficiency through excellent training and strives to share and spread professionalism throughout the company.

Global

Hanwha Aerospace requires a high level of global business competency as numerous customers of our company are international corporations in the aviation and defense industry. Therefore, we train the employees to become globally competitive through our self-developed language textbook and courses specialized in the industry, courses for sojourning employee candidates, intensive language courses by level, and other relevant courses. In 2020, we made great efforts to motivate employees to acquire Opic AL (English speaking test) through campaigns and gave extra points for employees who acquired the certificate to strengthen their global competencies.

Evaluation and Rewards

Transparent Performance Management

Hanwha Aerospace has established a regular process management system to motivate its employees to achieve good performances and established a culture of fair assessments and compensation. Business goals are cascaded from the establishment of corporate management and department goals to personal goals. Intermediate counseling is also provided to manage the process and progress.

Reasonable Compensation System

Hanwha Aerospace’s wage system provides salaries and holiday bonuses. The company gives not only annual salaries but also bonuses incentives based on the employee’s work performance and achievement of organizational and management goals. We also established various compensation systems for motivation and allotted fair and reasonable rewards for the employees’ hard work.

Sharing Happiness with Employees

The Welfare System

Hanwha Aerospace provides various welfare programs to share happiness and improve the quality of employees’ lives. Programs include health benefits for our employees and their families, education for children, housing, and retirement plans.

Strengthening Work-Life Balance

Through its contact-free Connections Platform ‘Connections’, Hanwha Aerospace operates ‘Work-Life Balance Events’ for employees to appreciate both their personal and social lives. Moreover, we provide long-term vacations for refreshment and vacations for family occasions to a harmonious work and life balance.

The Welfare System

 Housing Support Operates a living center to provide employees with a housing environment tailored to individual lifestyles	 Education for Children Supports scholarships and education systems for employees’ children to receive a high-quality education
 Leisure Support Supports expenses and facilities for classy cultural and leisure activities	 Happy Birthday Event Provides coupons for birthday cakes or bread for the whole team to celebrate and share happiness
 Medical Support Provides the best medical services, medical expenses, and regular health checkups for medical treatment and good health	 Support for Retirement Plans Supports various pension systems to ensure stable and comfortable lives after retirement

Family-Friendly Corporation

In 2013, Hanwha Aerospace was nominated as a family-friendly company by supporting the work-life balance of its employees and has never been cancelled since then. The Ministry of Gender Equality and Family issues Family-friendly company certificates for corporations that properly observe family-friendly systems under the Act on the Promotion of Creation of Family-Friendly Social Environment, such as supporting birth and child-rearing, flexible working hours, and forming a family-friendly corporate culture. Hanwha Aerospace will maintain such a social environment and actively support employees to enjoy harmonious work and life balances.

Verified as a Mother-Friendly Workplace

In 2020, Hanwha Aerospace was certified as a ‘Mother-Friendly Workplace’ by the Korean Committee for UNICEF. By acquiring the certificate, we were recognized for our contribution to encourage breastfeeding in the company and reduce social medical expenses by advocating the rights of ‘Children’s Survival and Development’ under Article 6 of the United Nations Convention on the Rights of the Child.



Reemployment Services for Retirees

Hanwha Aerospace supports employees with reemployment services before retirement to adjust to new environmental changes and successfully proceed with their second stage of life. Personalized services and counseling are provided based on lifelong career design for each employee. Currently, a specialized consignment company handles the task for efficient management of the whole cycle of the services. In addition, we will continuously support actively to provide an institutional basis for employees to work long-term even after retirement for lifelong stability.

Communication with Employees

Change Agent (CA) Activities

The persistent spread of COVID-19 caused Hanwha Aerospace to refrain from company meetings and dinners. Instead, we strengthen Change Agent (CA) activities in each department, keyman activities for the organizational culture, to bridge communication and interactions between employees. CA activities are not operated in large gatherings but in small groups for employees to have a chance to open their minds and understand each other. The activities also serve as communication channels that deliver grievances and complaints to the management team.

20-50 Connection Camp

Hanwha Aerospace propels annual 20-50 Connection Camps to resolve misunderstandings and for employees to understand each other, strengthening cooperation and boosting productivity. Each department autonomously plans and implements 2-day camp activities on weekday to reinforce mutual understanding and consideration through smooth communication, becoming a place of harmony and communication to strengthen exchanges and cooperation.

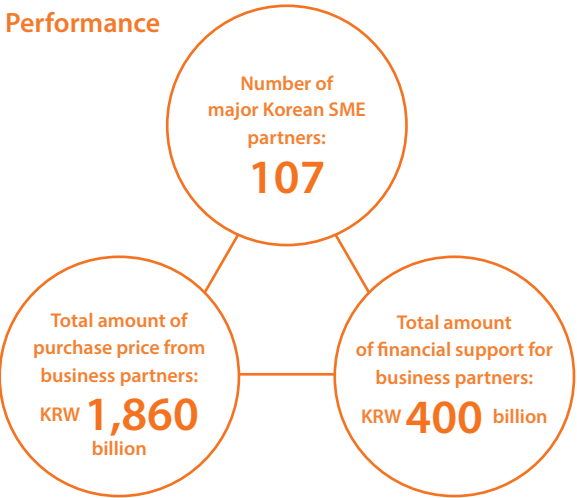
Establishing Stable Labor-Management Relations

Besides regular meetings with the labor union, Hanwha Aerospace arranges various indoor and outdoor labor-management activities for win-win relationships and harmonious labor-management culture. In addition, employees’ opinions are frequently reflected in management and organizational activities through various communication channels, including the 20-50 Connection Camp and CA activities. Moreover, quarterly management briefing sessions are held to enhance employees’ overall understanding of management and create an organizational culture that employees can actively participate in the corporate growth and development.

Supply Chain

Hanwha Aerospace operates various Win-win growth programs for business partners to increase sales, improve quality, provide management support, and boost cost competitiveness. We intend to ‘Going Further Together’ with partners and provide active support for their growth accordingly.

Key Performance



Win-win Growth Management System Strategies for Win-win Growth

Hanwha Aerospace established a Win-win growth system, which aims to strengthen and develop business partners’ technologies and skills, to leap toward a Global No. 1 Partner in the aircraft engine field. We also established a department dedicated to technical support for partners and are planning organized developmental strategies for partners, such as support for new product development, technology stabilization, and regular evaluations. Hanwha Aerospace will continue to support partners to improve competitiveness and accomplish sustainable management for Win-win growth based on sincere business partnerships.

Strategies for Win-Win Growth



Mutual Growth Program Strengthening Competitiveness

Hanwha Aerospace provides support systems in technological development, education, and training to boost its partners’ competitive edge. We support funds by participating in the projects with purchase conditions, which aims at developing and localizing materials, parts, and equipment. We also provide benchmarking training courses for advanced overseas companies to experience global technological trends. Moreover, Hanwha Aerospace has been implementing quarterly technology exchange meetings to share its technological knowledge and exchange market and product technology-related information with its partners.

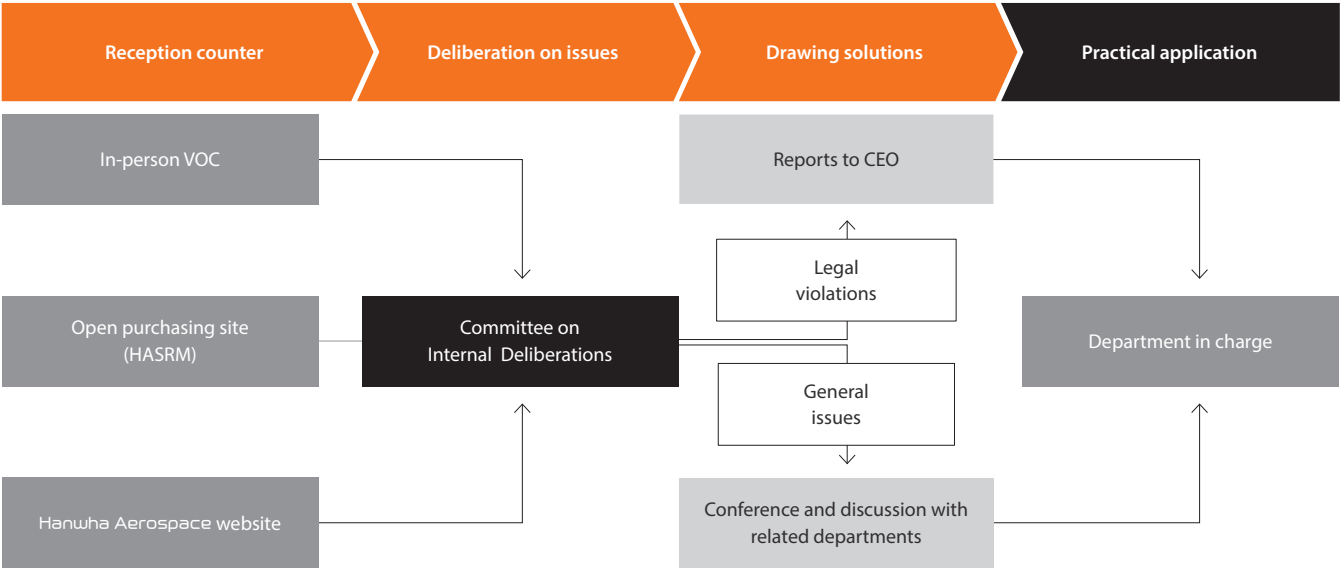
Sustainable Management Support

Hanwha Aerospace operates various programs for financial support and technological security for business partners to minimize business risks and achieve sustainable management. Complimentary rental services of special equipment and tools are granted for new technological development and mass production, along with early payments before holiday seasons to reduce interest costs. Furthermore, we operate Win-win growth funds and a win-win payment system to ensure timely payment and improved cash flows for its partners.

Win-win Cooperation Networks

Hanwha Aerospace operates its representative Win-win Cooperation Committee, regular general meetings, and business information sessions to activate communications and create synergy effects with business partners. We also arrange various communication channels to listen and help improve the difficulties faced by our partners. Furthermore, we organized an Internal Deliberation Committee to conduct pre- and post-examination reviews on subcontracting laws and a voice of complaint (VOC) system to systematically respond to the partners.

VOC Process for Business Partners



Sustainable Purchasing
Purchasing Policy

Hanwha Aerospace is pursuing innovative mindset and challenges, and strives to produce world-class products and services through securing global purchasing competitiveness and transparent purchasing.

Conflict Minerals

Hanwha Aerospace will not purchase materials containing conflict minerals to fulfill corporate social responsibilities. We will also continuously spread the 'No Conflict Minerals' policy through education and PR materials for its business partners.

Ten conflicted regions in Africa, including the Democratic Republic of the Congo, Rwanda, and Sudan, experience violation of human rights and environmental destruction during industrial minerals mining, and profits raised by such sales are used to purchase weapons. To meet international demands, Hanwha Aerospace will not purchase or use the four major conflict minerals (e.g., tin, tantalum, tungsten, and gold) whatsoever.

Strategic Material Management

First, Hanwha Aerospace abides by the Foreign Trade Act to fulfill corporate social responsibilities in maintaining international security and world peace for strategic material management. Second, we avoid trade retaliation arising from violations of export control and support safe exports. Third, we enhance transparent trades of strategic materials, promote imports of high-tech materials, and diplomatically prevents international conflicts arising from corporate trades. Finally, Hanwha Aerospace faithfully implements the Strategic Material Compliance Program of the Korea Strategic Trade Institute (KOSTI).

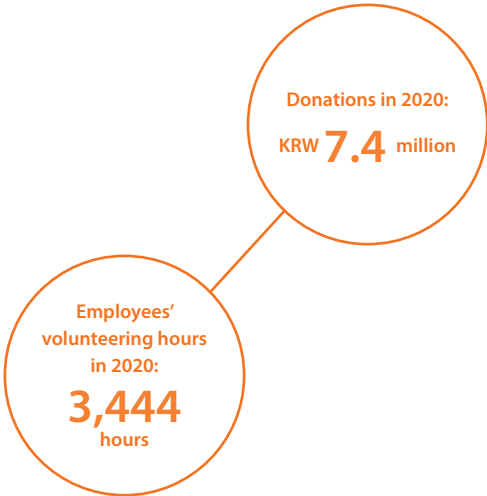
Significance of the Strategic Material Export Management



Social Contribution

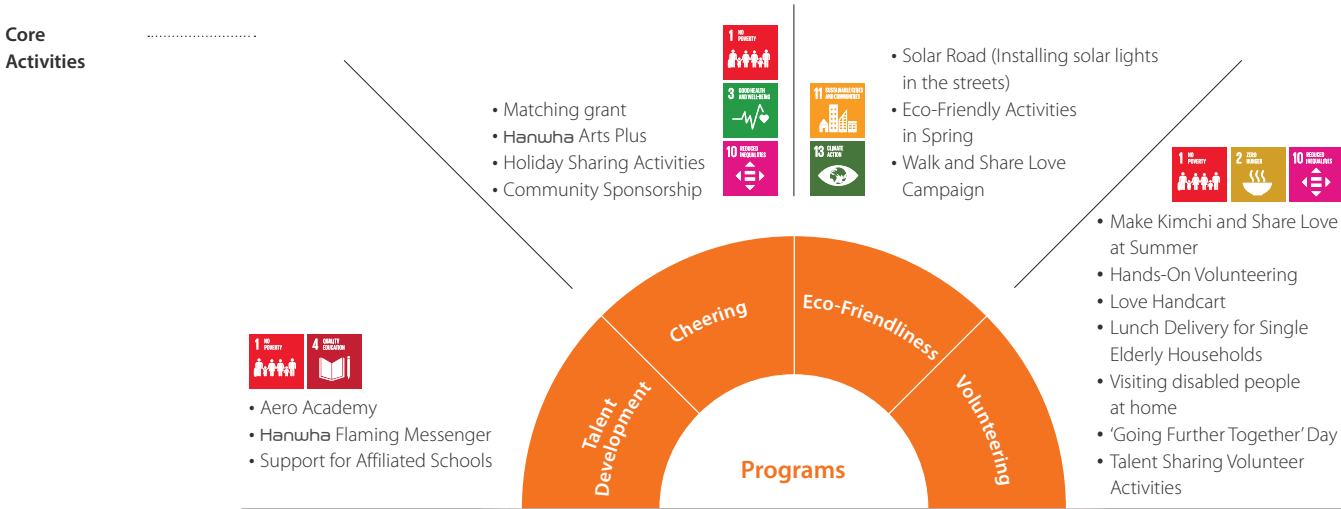
Based on Hanwha's spirit of 'Trust and Loyalty,' Hanwha Aerospace has gained a solid basis of trust from the community. We will continue to fulfill our social responsibility as a corporate citizen based on Hanwha Group's social contribution philosophy of 'Going Further Together,' instead of 'Going Fast Alone.'

Key Performance



Visions and Strategies for Social Contribution

Vision	Be a heartwarming global companion		
Core values	ECO	DREAM	TOGETHER
Core Strategies	Sustainable environmental conservation	Supporting the future generation's growth	Building community partnerships Improving community issues



Social Contribution Strategies

Hanwha Aerospace establishes visions and strategies, and delivers sharing management to solve community issues and contribute to changes and development for a better future. Moreover, we regularly review our social contribution program by reflecting internal and external environmental, social, and governance (ESG) management trends and shareholders' requirements to fulfill social contribution strategically.

Core Social Contribution Activities

Under the vision of 'Being a heartwarming global companion,' Hanwha Aerospace implements CSR activities under four core areas — Talent Development, Cheering, Eco-friendliness, and Volunteering.

Aero Academy

Hanwha Aerospace operates its Aero Academy program to provide young people with aircraft education and opportunities to explore careers. Students not only create their own radio-controlled (RC) airplanes and aircraft maneuvering simulators but also have fun learning about various subjects about aircraft, from scientific theory to practical skills. Through field trips and employee mentoring programs, Hanwha Aerospace provides career exploration opportunities to develop next-generation talents to lead the aircraft industry.

Hanwha Flaming Messenger

The Asan plant of Hanwha Aerospace invites prestigious and successful officials in the Hanwha Flaming Messenger program to encourage children and teenagers to achieve their careers and dreams. Recently, numerous new careers have emerged, and students pursue various careers different from the previous generation. However, acquiring relevant career information is challenging. Therefore, Hanwha Aerospace invites prestigious officials in lectures or talk concerts to inspire students to think about their future careers and find their own dreams and passion.



① Aero Academy ② Hanwha Flaming Messenger

Matching Grant

Hanwha Aerospace's employees donate a certain portion of their monthly wages voluntarily, and also the company operates a matching grant system, which adds the same amount of donations by its employees. The donations are fully supported for various businesses and public assistance for the community and vulnerable groups. Furthermore, we operate our own social contribution system on the company intranet for employees to participate in social contribution activities voluntarily and actively, and awards are presented annually to excellent volunteers to make them proud.

The Solar Road Campaign

Hanwha Aerospace formed a joint volunteer group with five Hanwha Group affiliates, including Hanwha Precision Machinery, and has implemented solar road activities to improve underdeveloped areas and create murals and solar streetlights. The activities not only prevent crimes and improve the community's conditions, but also protect the global environment with eco-friendly solar energy.

Make Kimchi and Share Love at Summer

Since 2013, Hanwha Aerospace has annually held the 'Make Kimchi and Share Love at Winter' Program for vulnerable families, which was converted into the 'Make Kimchi and Share Love at Summer' Program from 2016. All Kimchi ingredients are purchased from the sister village at Gwirae-myeon, Wonju-si, Gangwon-do, Republic of Korea. Employees make kimchi by themselves to share love with neighbors in need and contribute to revitalizing the rural economy. In 2021, beneficiaries of the programs were expanded, including childcare group homes, community childcare centers, single elderly households, and households with disabilities to help vulnerable groups overcome the challenging situation in the era of COVID-19.

Hands-On Volunteering

Hanwha Aerospace employees fulfill contactless volunteering through 'Hands-On activities' as a countermeasure against COVID-19 with families. In 2021, the volunteers created and delivered cheer-up kits comprising nine items, including vitamins and lactobacillus products, for the medical staff working at selective clinics for COVID-19. Hanwha Aerospace also held the 'Make Up-cycling Dolls to Save the Sea' Event, which involved making 400 dolls from waste plastic dumped into the sea and delivering them to community childcare centers.



① The Solar Road Campaign ② Hands-On Volunteering ③ Make Kimchi and Share Love at Summer

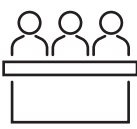
Governance

Corporate Governance | Shareholder-Friendly Management |
Ethical Management | Compliance Management |
Risk Management | Information Security

Key Performance in Governance



**Global Top 5 and
Asia's Top 1**
in the anti-corruption index for
global defense companies
by Transparency International(TI)



Establishment of an
**ESG
Committee**
under the Board
(June 2021)



Appointment of
**two female
external directors**
in the Board
(March 2021)

Corporate Governance

Composition and Roles of the Board of Directors (BOD)

Efficiency and Independence of the BOD

The BOD of Hanwha Aerospace is an influential organization that deliberates and determines major issues regarding the laws or the Articles of Association, delegated matters in the shareholders' general meetings, and basic management policies and business management. In accordance with Article 23 of the Articles of Association, the BOD consists of three to seven directors for efficient decision-making, and external directors are appointed from candidates recommended by External Director Nomination Committee.

As of the end of March 2021, Hanwha Aerospace's BOD consists of seven members: two internal directors, one non-executive director, and four external directors. The organization above abides by Article 542-8 of

the Commercial Act, which states that a company shall have at least three external directors and that external directors shall constitute a majority of the Board. Thus, the BOD can make judgments and acts independently from the management team and corporate governance.

Previously, the chairperson of the BOD was performed by the CEO as a position of the ex-officio. However, since 2020, the modified Articles of Association specified that the BOD, not the CEO, shall appoint the BOD chairperson for more flexible and transparent BOD operations. Although Hanwha Aerospace did not officially introduce the Senior External Director Policy, the initially nominated external director performs a role of a senior external director, taking the lead in coordinating opinions and facilitating negotiations.

In March 2021, two female external directors were appointed to boost the diversity and expertise of Hanwha Aerospace's BOD. They are Kim Hyoun Jin, Seoul National University Professor of the aerospace engineering department, and Lee Sun Hee, Sungkyunkwan University Law School Professor. As of the end of May 2021, the BOD organization is as follows.

※As of May 2021, female directors occupy 50% of the external member of the BOD.

BOD Composition							
Category	Name	Gender	Position	Date Appointed	Term	Specialty	Career Experiences
CEO	Shin, Hyun-Woo	M	Chairperson / Executive Committee Chairperson	March 25, 2020 (Initially appointed on June 29, 2015)	2 years	General manager	BA, Seoul National University Former Vice President of Hanwha Corporation / Defense Division Current CEO of Hanwha Aerospace Current Non-executive Director of Satrec Initiative
Internal Director	Kim, Dong Kwan	M	-	March 29, 2021	2 years	General business management	BA, Harvard University Former CCO of Hanwha Q CELLS & Advanced Materials Current CEO of Hanwha Solutions Current Strategic Division President of Hanwha Corporation Current Non-executive Director of Satrec Initiative
Non-executive Director	Kim, Seung-Mo	M	Executive Committee Member / Compensation Committee Member	March 29, 2021 (Initially appointed on March 22, 2019)	2 years	General business management	BA, Sungkyunkwan University Former CEO of Hanwha Q CELLS Current CEO of Hanwha Corporation Current Non-executive Director of Satrec Initiative
External Director	Kim, Sang Hee	M	Internal Trade Committee Chairperson / Compensation Committee Chairperson / External Director Nomination Committee Member / Audit Committee Member / ESG Committee Member	March 25, 2020 (Initially appointed on March 23, 2018)	2 years	Justice affairs	MA, Seoul National University Former Vice Minister of Justice Former Chief Prosecutor of the Daejeon High Prosecutors' Office Current Attorney at Kim Sang-hee Law Firm
	Choi, Kang-su	M	Audit Committee Chairperson / External Director Nomination Committee Chairperson / Internal Trade Committee Member / Compensation Committee Member / ESG Committee Member	March 25, 2020 (Initially appointed on March 23, 2018)	2 years	Finance	BA, Hannam University Former Non-executive Director of Korea Credit Bureau Former Executive Director of Korea Ratings Corporation
	Lee, Sun Hee	F	ESG Committee Chairperson / Audit Committee Member / Internal Trade Committee Member	March 29, 2021	2 years	Justice affairs	PhD, Seoul National University Former Judge of Seoul High Court Current Professor of Sungkyunkwan University Law School
	Kim, Hyoun Jin	F	External Director Nomination Committee Member / ESG Committee Member	March 29, 2021	2 years	Aerospace	PhD, UC Berkeley Current Professor of the Aerospace Engineering Department of Seoul National University Current External Director of Hyundai Transys Current Non-executive Director of the National IT Industry Promotion Agency Current Director of the Institute of Control, Robotics, and Systems

Recommending and Appointing Director Candidates

Hanwha Aerospace appoints directors with various backgrounds and expertise to secure the professionalism, responsibility, and diversity of the BOD.

First of all, when appointing an internal director, the BOD nominates the most suitable person among a number of candidates with various competencies fostered by related organizations such as the company HR teams.

Second, when appointing an external director, the External Director Nomination Committee, which has an independency according to relevant laws and internal regulations, nominates the most qualified candidate to the corporate management through a strict screening process, considering candidates' expertise, diversity, and suitability. External director candidates are nominated who must be qualified as required under the relevant laws and regulations and the Articles of Association, have no high stakes with the company, and able to oversee corporate management independently from the executives. Especially, we priorly consider candidates who can provide diverse views independently regardless of race, nationality, gender, region of birth, religion, and expertise.

The final appointment of internal and external directors is determined by the general shareholders' meeting, and we provide sufficient information to shareholders on the career history of directors, specialized fields, concurrent positions, and main activities via public notification for convocation of general meeting of shareholders,

which helps shareholders make proper judgement on the candidate's qualification.

Committees under the Board of Directors

Hanwha Aerospace has established a total of six committees under its BOD to ensure the professionalism and efficiency of its operations. Each committee has stipulated its own regulations and operates based on its establishment purpose, rights, responsibilities, organization, qualification, and nomination procedures. The BOD is being reported on the activities and resolutions of each committee along with meeting materials from each committee's meeting which is the basis for the resolution.

Audit Committee

The Audit Committee consists only of three external directors. It reviews and audit general matters concerning management of the company, including oversight of the company's financial status. The Committee also gets report on quarterly management performances of the company. The Audit Committee meetings were held eight times in 2020, and three times in the first quarter of 2021. All three audit committee members were participated for the whole meeting, and 9 resolutions and 16 reports were deliberated in total.

The Roles and Composition of the Board Committees (as of June 2021)

	Audit Committee	Internal Trade Committee	Compensation Committee	External Director Nomination Committee	Executive Committee	ESG Committee
Chairperson	Choi, Kang-su	Kim, Sang Hee	Kim, Sang Hee	Choi, Kang-su	Shin, Hyun-Woo	Lee, Sun Hee
Member	External Director Kim, Sang Hee Lee, Sun Hee	External Director Choi, Kang-su Lee, Sun Hee	Non-executive Director Kim Seung-mo External Director Choi Kang-su	External Director Kim, Sang Hee Kim, Hyoun Jin	Non-executive Director Kim, Seung-Mo	External Director Kim, Sang Hee Choi, Kang-su Kim, Hyoun Jin
Main Roles	Review and audit	Pre-deliberation on internal trades	Pre-deliberation on the remuneration limit for registered executives	Nominating external director candidates	Decision-making of the internal management issues and delegated matters from the BOD	ESG Management deliberations on environmental, society, and governance issues

Internal Trade Committee

The Internal Trade Committee pre-deliberates internal transaction matters between affiliates by establishing a fair-trade compliance system, therefore enhances transparency of the management. The Committee has the authority to get reports of current information on internal trades with the affiliates and to command on-demand investigation on detailed status data. Moreover, the Committee can make recommendations to the BOD for improvements on internal trades that severely violate relevant laws and corporate regulations. The Committee meetings were held seven times in 2020 and three times in the first quarter of 2021. All three committee members were participated for the whole meeting, and 13 resolutions and 2 reports were deliberated in total.

Compensation Committee

The Compensation Committee pre-deliberates the remuneration limit of registered directors for raised objectivity and transparency of the remuneration decision-making process. Compensation Committee meetings were held twice in 2020 and once in the first quarter of 2021. All three committee members were participated in every meeting, and three resolutions were deliberated in total.

External Director Nomination Committee

Every member is an external director in the External Director Nomination Committee. The Committee recommends external directors based on their qualifications for independence, diversity, and competencies. Committee meetings were held twice in 2020 and twice in the first quarter of 2021. All three committee members were present at each meeting and four resolutions were deliberated in total.

Executive Committee

The Executive Committee comprises two or more directors elected through the BOD's resolution according to relevant regulations. It fulfills roles in inspections, deliberations, and decision-making of delegated matters from the BOD, management status, and common challenges for quick and smooth management decision-making. Committee meetings were held 10 times in 2020 and three times in the first quarter of 2021. All two committee members were present at each meeting and 16 resolutions were deliberated in total.

ESG Committee

Hanwha Aerospace established its ESG Committee in June 2021 for professional deliberations on sustainability management. The committee is supposed to include three or more directors, with at least two-thirds of external directors. It deliberates and reviews ESG-related policy goals and activities, compliance management policies, and compliance control activities. As of June 2021, the ESG committee is operated by four external directors.

BOD Operation

BOD Activities

Hanwha Aerospace holds regular and temporary BOD meetings, in which regular BOD meetings are held on the fourth Wednesday of every odd-numbered month. Regular BOD meetings are held at least six times annually to approve quarterly large-scale internal transactions and convene regular general shareholders' meetings. Temporary BODs are held on-demand in case of emergencies. According to Article 28 of the Articles of Association and Article 8 of the BOD Regulations, the chairperson convenes the BOD and notifies directors on its date, place, and agenda at least 12 hours before its initiation. The BOD may hold a conference without notifying it 12 hours in advance upon unanimous agreement of the directors. At the BOD, decisions are resolved based on the attendance of a majority of directors and the agreement of the majority of attending directors. However, to secure the independence of discussions and decision-making for corporate management policies, Hanwha Aerospace restricts directors who have special stakes with the company in exercising their voting rights. In 2020, 9 BOD meetings were held to discuss 40 resolutions and reports. The attendance rate of the BOD was 98% in 2020.

Evaluation and Rewards

According to Article 24 of the Articles of Association, Hanwha Aerospace's external directors generally serve a two-year term. A comprehensive assessment is performed on new or reappointed external directors based on their past experiences in their field of expertise and fair and objective attitude in task fulfillment, faithfulness, and responsibility. Presently, Hanwha Aerospace does not officially operate reappointment assessment systems for external directors. However, the company determines the reappointment of external directors with expired terms based on their BOD attendance rates, professionalism of providing appropriate and valid consulting for major management decisions, contribution to the operation of monitoring devices, and internal control of core corporate financial risks. Hanwha Aerospace will introduce a transparent and fair assessment system to evaluate whether external directors have appropriately fulfilled their roles and responsibilities for efficient operations for BOD and its affiliated committees. The general shareholders' meeting approves the remuneration amount for all external directors to be granted fair payments within the remuneration limit. The 2020 remuneration limit for directors, including external directors, is KRW 9 billion per year and is provided as fixed wage, not as separate allowances or meeting expenses.

Remuneration Status for Directors		
Classification	Unit	2020
Number of Registered Directors	Numbers	5
Total Remuneration Amount	KRW 1 million	786
Average per Capita Remuneration	KRW 1 million	157
※ as of December 31, 2020		

Training and Support for External Directors

Hanwha Aerospace implements various programs to support external directors in fulfilling their roles. 'Introductory education materials' and professional training are provided for new external directors to understand the company's organization and business structures more deeply. All external directors are also provided with regular information on current management issues and challenges to help directors make decisions that meet the company and shareholders' interests. Moreover, the company provides external directors with vivid opportunities to visit and inspect major domestic and overseas production sites every year to better understand and experience the businesses.

Trainings for External Directors		
Training Date	Training content	Attendance
June 24, 2020	Internal Accounting Management System	All external directors
November 30, 2020	Audit Committee School Introductory and remuneration courses	Choi Kang-su, external director
March 23, 2021	Core corporate and management issues	New external directors (Lee Sun Hee, Kim Hyoun Jin)

Shareholder-Friendly Management

Shareholder Status

According to Hanwha Aerospace’s Articles of Association, Hanwha Aerospace is allowed to issue 200,000,000 shares, all having par values of KRW 5,000. All issued shares are common shares, thus every shareholder has equal voting rights according to the number of shares. As of the end of December 2020, Hanwha Aerospace has 50,630,000 issued shares in total, and its largest shareholder is Hanwha Corporation, holding 33.95% of the total shares.

Activities Enhancing Shareholder Value

Shareholder Return Policy

Hanwha Aerospace returns a certain portion of the company’s profits to shareholders and provides a moderate level of dividends as a key strategy to promote shareholders’ interests. From 2018 to 2019, the company purchased and retired its shares. In 2020, we distributed cash dividends to maximize shareholders’ benefits. Hanwha Aerospace notifies shareholders on the purchase and retirement of its shares through public announcements on the

‘acquisition of treasury stocks’ and ‘decision of stock retirement.’ After purchasing its own stocks, the company informs shareholders on confirmed matters on purchasing and retiring its stocks through public announcements on the ‘treasury stock acquisition results’ and ‘modifications on the stock retirement decision.’ For dividends, the company publicly posts the information about ‘Cash and in-kind dividends’ four weeks before the general meeting of shareholders. Hanwha Aerospace will continuously promote mutual growth and sustainable development with shareholders through shareholder return policies reflecting investments, management performance, and financial structure.

Notice of the Convening of the General Meeting of Shareholders and Introduction of the e-Voting System

Hanwha Aerospace holds regular general meeting of shareholders within three months after the end of each fiscal year and holds temporary general shareholders’ meetings on-demand. Previously, the decision and notice for the convening of the general shareholders’ meeting was conducted about three weeks in advance because the consolidated financial settlements, including multiple domestic and overseas subsidiaries, had to be confirmed. However, since 2020, Hanwha Aerospace notifies participants on convening general meeting of shareholders at least four weeks before its execution according to the Corporate Governance Code for ESG Practices(KCGS), to quickly provide shareholders with essential information for thorough reviews and consideration before exercising voting rights.

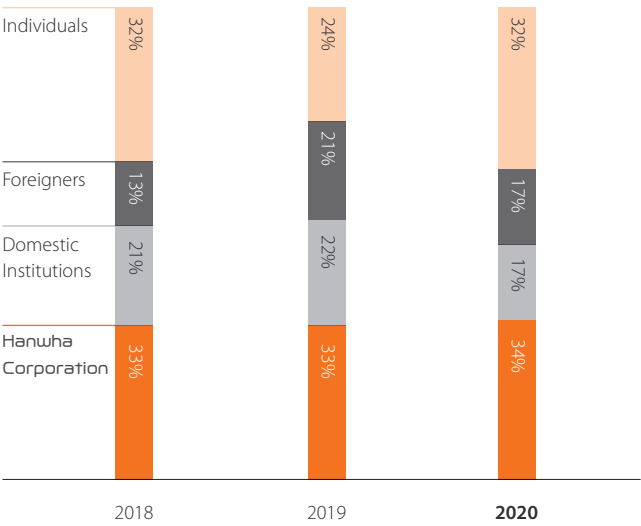
Types of Shares and Voting Rights

Unit: 1 stock

Classification	Number of stock	Remarks
Total number of issued shares	50,630,000	
Nonvoting shares	20,438	Treasury stock
Voting shares	50,609,562	

※ Shares as of December 31, 2020

Shareholder Status



Whenever possible, Hanwha Aerospace tries to schedule the general meeting of shareholders differently from the day of concentrated votes so more shareholders can attend and exercise their rights. We also prepared the e-voting system for shareholders to exercise voting rights remotely and conveniently. In addition, we also utilize the e-POA (Power of Attorney) System for all shareholders to exercise their voting rights by proxy to guarantee the smooth and convenient exercise of legal rights for minority shareholders. Hanwha Aerospace will continue to encourage shareholders to attend and exercise voting rights conveniently in the general shareholders’ meeting and will put its utmost effort to respectfully reflect the shareholders’ opinions in decision-making processes.

Communication with Shareholders

Hanwha Aerospace timely, fully, and equally provides all shareholders with sufficient corporate information based on its basic principle to enhance shareholders' value through activate communications with shareholders. To this end, Hanwha Aerospace holds investor relations (IR) briefing sessions on annual, semiannual, and quarterly performance and business progress and actively responds to requests for shareholder meetings. We also provide IR data and the IR team’s contact point on our website to transparently provide information to individual shareholders.

Introduction of the Webcasting System for Performance Announcements

In August 2020, Hanwha Aerospace newly introduced the audio webcasting system to announce its business performance. Existing conference calls included a limited group of participants in performance announcements, such as brokerage firm analysts and fund managers. However, the audio webcasting system creates a shareholder-friendly environment by inviting every shareholder to join the performance announcement in real-time online.

English Notices for International Shareholders

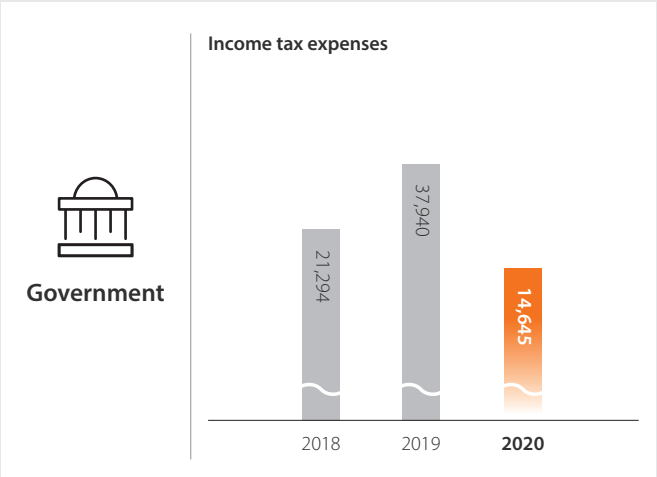
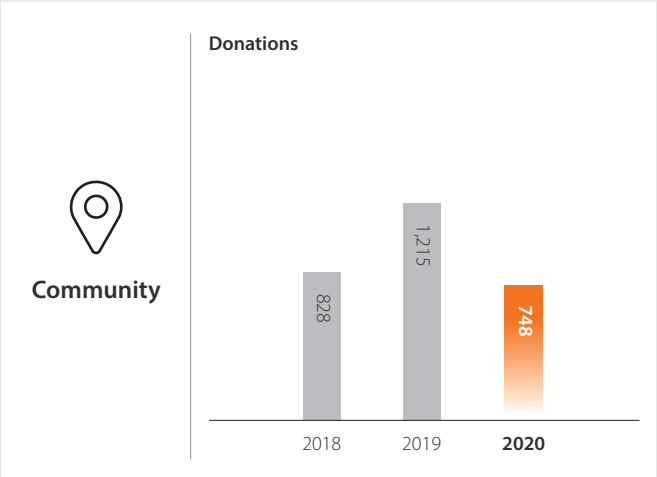
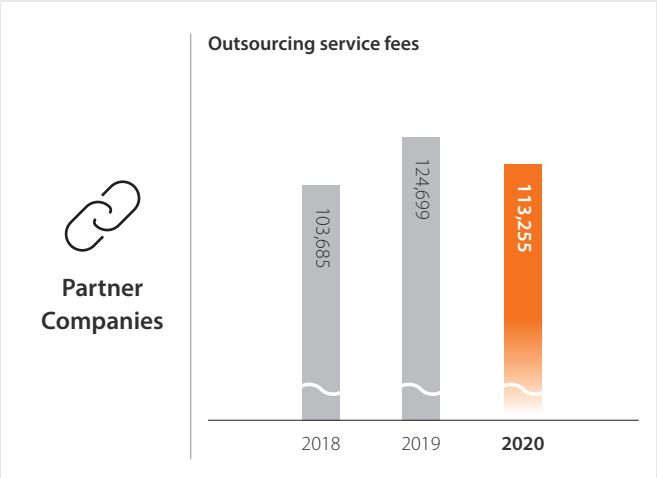
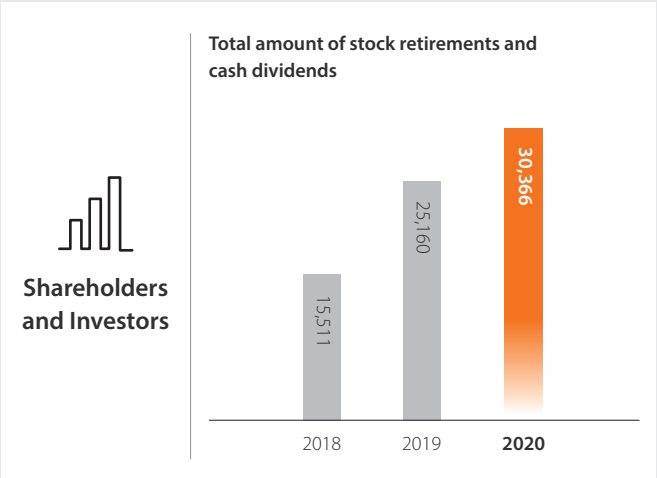
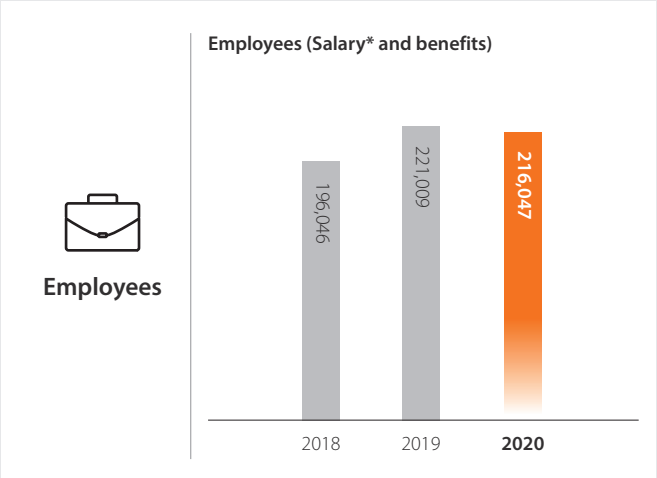
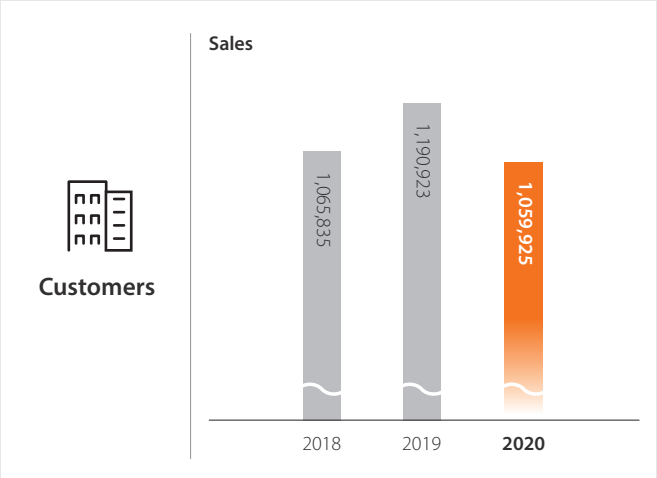
Hanwha Aerospace provides various in-depth IR information in line with significantly increasing requirements to help shareholders trust and understand the company more deeply. Various posts on IR data, financial and stock information, corporate governance, and business reports are made on Hanwha Aerospace’s website to raise accessibility for national and international shareholders. Moreover, the company ensures equal access to transparent information through public announcements in both Korean and English.

Dividend Status

Classification	2018	2019	2020
(Consolidated) Current net income (Unit: KRW 1 million)	32,328	132,205	121,426
(Separate) Current net income (Unit: KRW 1 million)	-29,820	27,746	28,407
(Consolidated) Earnings per share (KRW)	619	2,558	2,390
Total cash dividends (Unit: KRW 1 million)	-	-	30,366
(Consolidated) Dividend Payout Ratio (%)	-	-	25.01
Cash dividend yield rate (%)	-	-	2.15
Cash dividend per share (KRW)	-	-	600

※ Based on the consolidated financial statements, the (consolidated) current net income means the net income of the parent company's owner, and the earnings per share basically mean the net income per share.

Creating and Distributing Economic Value to Stakeholders



* Employee salaries include wages and retirement benefits.
* Separate criteria

Ethical Management

Ethical Management System Our Approach to Ethical Management

Hanwha Aerospace aims to prevent, inspect, and conduct post-management procedures to take root the compliance management and further develop into ethical management. We build our own unique ethical management system and fulfill tasks transparently to ensure corporate growth and customers’ trust.

Phased Action Plans

Step 1
Building a firm foundation to fulfill action plans

Step 2
Compliance Management

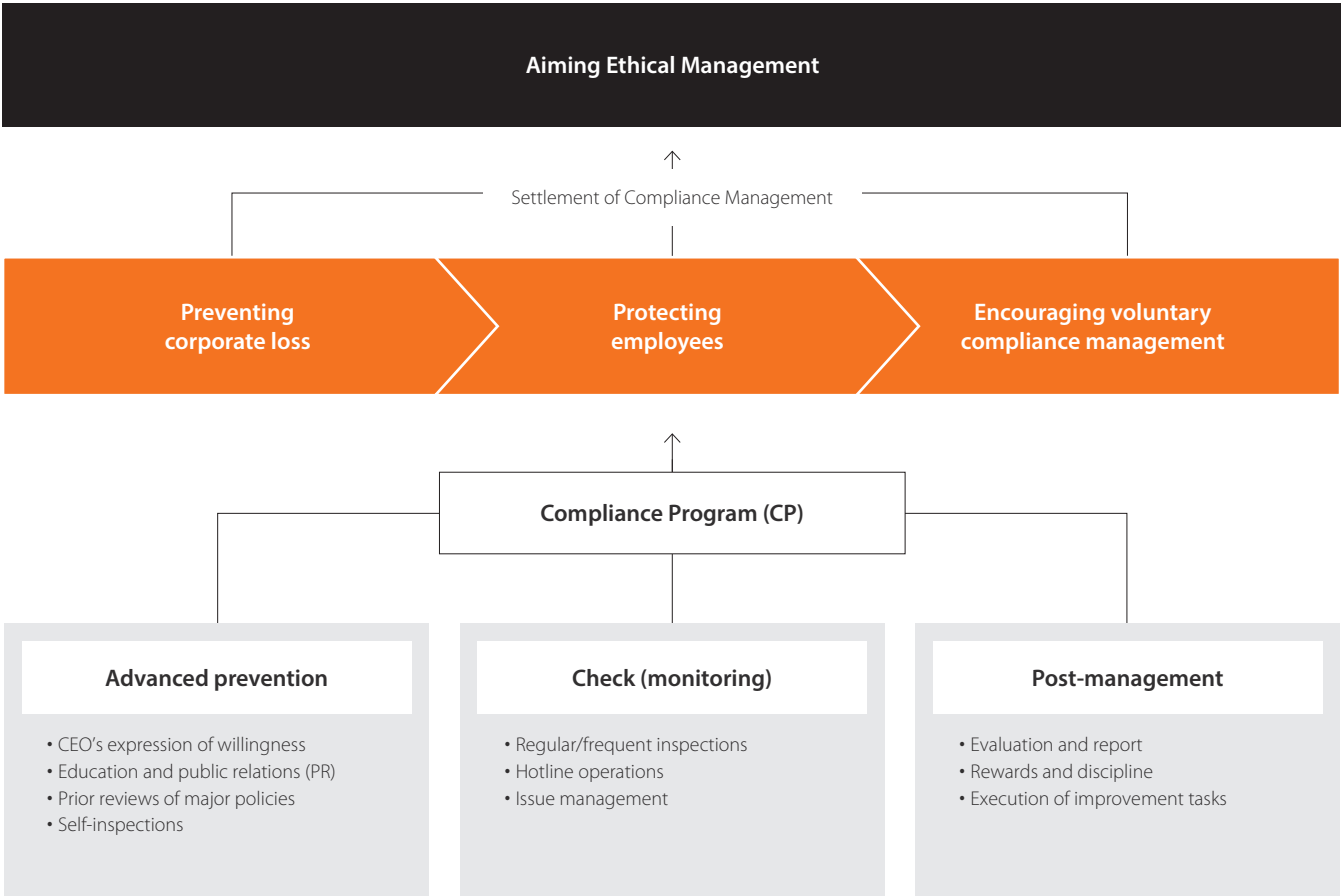
Step 3
Habituation of efficient operations

- Establishment of the organizational system and system development
- Organization of the Compliance Committee
- Establishment of roles, responsibilities, and rights
- Establishment of operating standards, systems, and procedures

- Preparation of regulations and manuals
- Training courses to raise employees’ awareness
- Inspection and monitoring to prevent violations

- Evaluation of operational performance
- Situational improvements and modifications
- Collaboration with external agencies and authorities concerned

Operational Direction of Ethical Management



Fulfilling Ethical Management
Raising Employees' Ethical Consciousness

Hanwha Aerospace not only expresses its willingness for compliance management through company bulletin boards, broadcasts, and newsletters but also commits to action. Also, we provide ethical management training for employees, self-monitoring activities, and self-inspections to prevent unethical practices and raise employees' sense of ethics. Moreover, we identify potential risks for each department, and executives themselves present compliance lectures to department members. In 2020, 40% of executives lectured compliance courses.

Self-Inspection and Self-Monitoring

- Self-monitoring of risks for the following themes (more than three times/year):**
Personal information, trade secrets, collusion, anti-corruption, law on subcontracting and win-win cooperation, sexual harassment and bullying in the workplace
- Self-inspection**
Employees' self
-inspection of his/her compliance with corporate regulations and understanding of legal knowledge according to the compliance support system(twice/year)



Self-inspection system

Completion of Ethical Training

Subject	2018	2019	2020	Remarks
Basic training for all staff	3,174/3,828 (96.89%)	1,723/1,781 (96.7%)	1,050/1,067 (98.4%)	Annually
Lectures by executives (Department head)	First half: 26 Second half: 22 (-)	First half: 27 Second half: 25 (66)	First half: 28 Second half: 28 (87)	Bi-annually
Fair-trade focused education	124	891	503	Regularly
Training for new, career, and promoted employees	-	26	4	Regularly
Training for overseas subsidiaries	-	834	-	Regularly
Themed Training (10 themes or more)	1,573	1,199	1,431	Regularly
Lectures by executives	4/19(21%)	10/23(43.5%)	11/27(40.7%)	Regularly

Evaluation of Ethical Management Performance and Post-management

Hanwha Aerospace fulfills ethical management through a cyclic process of identifying and modifying improvement plans by assessing managerial performances. Since 2013, Hanwha Aerospace has conducted an evaluation of 'Win-win Growth Index' by the Korean Commissions for Corporate Partnership annually and encourages managerial leaders to take the lead in compliance management by including the 'Compliance Index' in the executive evaluation items. Results of compliance control activities are deliberated and reported to the Compliance Committee twice a year, and the effectiveness of compliance support and the inspection system are evaluated to plan and execute improvements.

PR Activities for Compliance and Ethical Management

Hanwha Aerospace participated in the UNGC Compliance Commitment Ceremony and the UNGC Fair-Player Club in 2017 to realize anti-corruption and compliance and ethical management, and also tighten ties with UNGC. It continues to strengthen relationships with UNGC and strongly expresses its willingness to fulfill anti-corruption and compliance and ethical management externally. Hanwha Aerospace also participated as a representative of defense company in the Public-Private Integrity Defense Council with the Ministry of National Defense. We fulfilled various ethical management activities by declaring our commitment to compliance management, presenting practical cases of ethical management, and proposing further improvements.

Message from CEO on Compliance Management

We at, Hanwha Aerospace, fulfill 'Compliance Management' as our core ideology under related laws and regulations. As a prestigious company in society, we faithfully lead and fulfill social liabilities and responsibilities and will continue to do so. We know our efforts can only bear fruit when all of us put our plans into action—that the world can judge us by our actions, not words.

So, let's put our hearts together to show customers and society what we have as a respectful leader in compliance management. In the 21st century, only companies that follow laws, ethics, and social responsibilities can survive and bear bigger fruits.

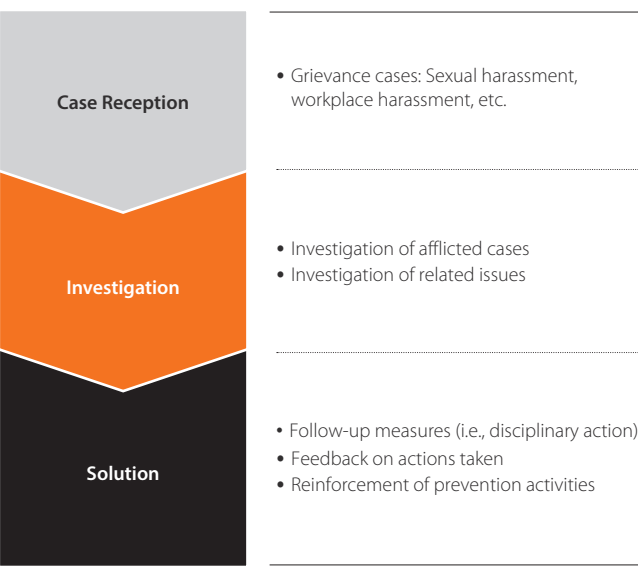


Ethical Management of Business Partners and Stakeholders

According to nationally and internationally reinforced laws on compliance, such as the revision of the agreement deliberation under the Defense Acquisition Program Act, Hanwha Aerospace has expanded its scope of targets for the compliance control system on internal regulations enacted as of 2018. Not only employees but also business partners and shareholders are obliged to follow the corresponding regulations. We also added practical regulations to ensure that business partners fulfill compliance management through education, compliance commitment, and adding compliance conditions under agreements. Furthermore, the company has implemented a Fair-Trade and Mutual Growth Agreement Ceremony with its business partners and opened a 'Win-Win Balance Academy' for win-win growth. As verified above, Hanwha Aerospace aggressively endeavors to join hands with its interested parties to fulfill compliance management.



Grievance Process



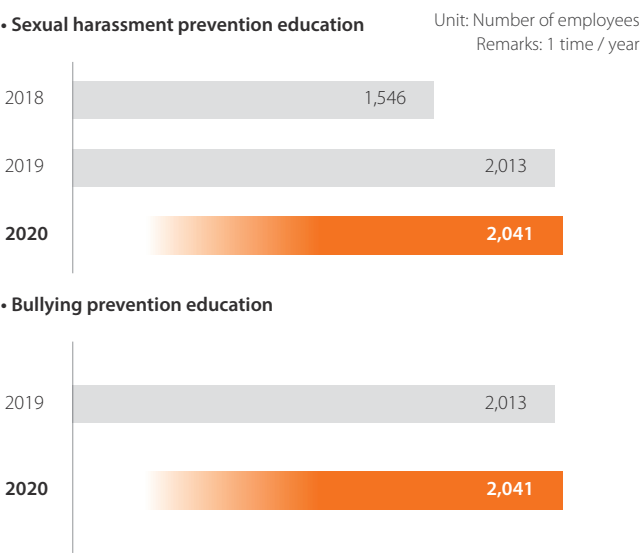
Smart Grievance System

Hanwha Aerospace operates a reporting system for insiders and stakeholders to promote transparent and fair ethical management. We also separately operate a Smart Grievance Center for prompt reports on overusing one's power, workplace bullying, and sexual harassment. The systems provide helpful counseling on grievances, investigations on the reported issue, and taking disciplinary procedures justifiably. Most importantly, the entire process and the information regarding the reporter and contents are kept completely confidential.

Preventive Education on Workplace Bullying and Sexual Harassment

Hanwha Aerospace provides annual education for all employees to prevent workplace bullying and sexual harassment. We also appoint a person to take charge of counseling and investigation for reported grievances and provide professional education to prevent such matters accordingly. Furthermore, we conduct in-person visits to each department to provide education on 'Preventing workplace bullying and sexual harassment,' hold Q&A sessions, and execute consulting. New and career staff are educated separately upon joining the company, and executives and senior managers receive additional education to eliminate discrimination in the workplace.

Completion of Preventive Education on Workplace Bullying and Sexual Harassment



Compliance Management

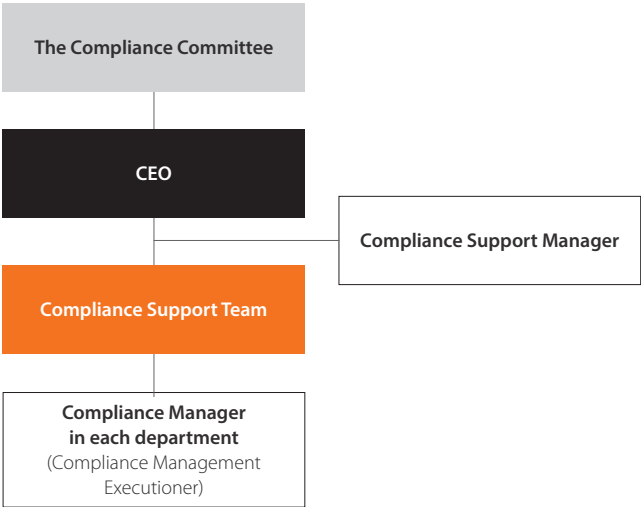
Compliance Management System

Companies today face various challenges in management, including, but not limited to, increasing risks arising from strengthened internal and external laws and regulations, social surveillance, and rampant demands for corporate social responsibilities. Hanwha Aerospace responded by declaring the 'Compliance Management Principles' and implementing compliance program for a sustainable and fair management.

We also organized a comprehensive and systematic compliance support system and an independent organization to encourage employees' voluntary compliance with laws and regulations, such as appointing a Compliance Support Manager, enacting the Compliance Control Criteria, and establishing the Compliance Committee. Moreover, we regularly provide diagnosis, education, PR, and assessments on legal issues, such as supporting compliance education for each position and in-person compliance counseling.

Compliance systems of Hanwha Aerospace encourage its employees to abide by all laws and regulations strictly. Accordingly, we gain trust from customers, shareholders, and society as a global company that faithfully fulfills social and legal responsibilities.

Compliance Management Governance



Compliance Committee

The Compliance Committee, the highest legislative organization for compliance control, comprises the chairperson (also the CEO of Hanwha Aerospace), heads of each business division and plant, and executives as staff department heads. Reports and deliberations are made at least twice a year on critical matters, including compliance control operations, revisions and countermeasures against laws, the status of inquiries and reports, and action results.

Compliance Management Organization

Hanwha Aerospace integrated each department's legal risk response system into a unified, comprehensive system for company-wide operations to prevent risks in advance. Also, we fulfill regular compliance management by establishing operational criteria including the 'Code of Conduct,' 'Compliance Control Criteria,' and the 'Anti-Corruption Regulations' and the governance which has an exclusive organization only in charge of compliance management.

Code of Conduct

All Hanwha Aerospace employees fully support the rules of the free-market economy and follow related laws and regulations based on the Compliance Control Criteria and operation regulations of the Compliance Program. The Code of Conduct was established to provide all employees with specific guidelines and behavior rules on management during transactions with customers to form a corporate culture centered on legal observance, challenge, trust, and communication.

Code of Conduct

1. We comply with laws and corporate regulations.

2.We are fair, transparent and compete freely while conducting legal and reasonable businesses in domestic and overseas markets.

3. We comply with quality standards to prevent product defects in development and manufacturing processes.

4. We protect intellectual property rights, trade secrets and other information of the company and the third party.

5. We manage the corporate decision-making body in accordance with laws and corporate regulations and we comply with legal standards of accounting and disclosure.

6. We comply with laws and corporate regulations of the environment and safety.

7. We do not discriminate in employment and labor practices and we do not deviate from sound organizational culture.

8. We do not pursue personal benefits through corporate endeavors and we do not make wrongful relations with stakeholders in a task involving possible conflict of interests.

Compliance Program (CP) Operations

The Compliance Program is a diagnosis and judgment system that regularly provides comprehensive and systematic support for Hanwha Aerospace's employees to voluntarily and strictly comply with laws and regulations. The CP is a key strategy for accomplishing compliance management by its overall internal legal control systems, such as the legal compliance and risk management systems. Through CP, Hanwha Aerospace strives to fulfill reliable and sustainable management by preventing corporate losses, protecting employees, and ensuring employees' voluntary legal compliance. By realizing strategies and action plans, we are striving to gain trust from customers and shareholders.

Stages of CP Operation and Key Factors

Planning	• Enactment of compliance and basic policies • Establishment of compliance standards and procedures
Execution and Operation	• Compliance support organization (department) • Compliance support manual • Code of Conduct
Monitoring and Improvement	• Applying sanctions based on the compliance progress • Modifying training, educational, and program regulations

Completion of Voluntary CP Activities in 2020

Category		Period	Content	Execution Results
Self-inspection	Risk monitoring by department	April, June, August	Identifying risks according to each theme's checklist	Completed three themes (Protection of trade secrets, prevention of workplace sexual harassment, and anti-corruption)
	Employee self-inspection system	Primary: April 20–30 Secondary: July 13–31	Each employee connects to the system and takes the self-inspection test.	Primary: 2,823/2,854 (98.9%) Secondary: 2,770/2,786 (99.54%)
CP activities	Commitment on compliance by all staff	May 18–29	Commitment via online and off-line	2,926/2,971(98.5%)
	System inquiries	Regularly	Compliance risk inquiries (via the compliance support system or email)	-
	Proposal for CP improvements	August	Improvement proposals received by the compliance support system	80 proposals

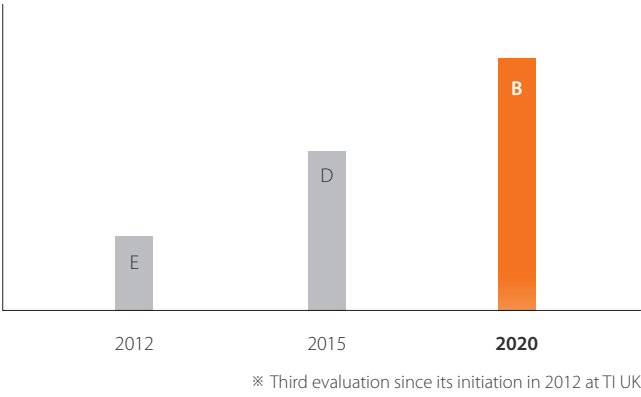
Management Procedures and Areas

Advanced Prevention		Checking (Monitoring)		Post-management		
Fair trade in subcontracting	Product liability	Intellectual property and trade secrets	Finance and accounting	Environment and safety	Labor-management and organizational culture	Anti-corruption
• Unfair trades • Illegal collaborative acts • Illegal subcontracting	• Compliance with standards under the Product Liability Act and the Framework Act on Consumers • Compliance status of internal quality standards	• Protecting intellectual property rights (IPRs) and prohibiting unauthorized use of competitor's IPRs • Protecting and preventing leakage of trade secrets and personal information	• Transparent business administration (i.e., disclosure system, insider trading) • Compliance with procedures related to the Commercial Act • Relavance of cost of defense industry	• Green management • Compliance status of workplace environment and safety management regulations	• Employment, discipline, dismissal, and welfare • Equal employment • Compliance status of labor standards • Prohibition of sexual harassment • Transparent organizational culture	• Bribes • Anti-corruption • FCPA, etc.

Anti-Corruption Index Acknowledged by Transparency International (TI)

In 2021, Hanwha Aerospace ranked B in the anti-corruption index among 134 defense companies in 38 countries, according to Transparency International (TI). This means Hanwha Aerospace is one of the Top 5 companies worldwide and No.1 company in Asia for anti-corruption. TI evaluates the anti-corruption index based on 10 sectors, and grades range from A (very high) to F (very low) for each sector. Hanwha Aerospace received the highest score in leadership and organizational culture, which includes evaluation criteria on the CEO's willingness to execute anti-corruption and its related regulations and management responsibility levels.

Evaluation for Anti-Corruption Index



Compliance Management Activities

Hanwha Aerospace stipulates transparent and ethical management regulations and conducts various ethical management activities to put its Code of Conduct into action and raise employees' awareness of compliance and sense of ethics. Accordingly, employees encourage its subsidiaries, business partners, and interested parties to follow its lead in the active fulfillment of compliance activities.



Lists of Compliance Activities

Compliance Week and Compliance Action Day	Hanwha Aerospace develops various programs to encourage employees' participation and experiences in compliance activities, such as Compliance Week and Compliance Action Day. The events support all employees to fulfill corporate compliance activities naturally in their everyday lives like a habit.
Employees' Commitment for Compliance	All Hanwha Aerospace employees submit a Written Pledge for Compliance Management, which confirms their commitment to comply with policies and systems based on understanding compliance management regulations at least once a year. The written pledge specifies employees' commitment to various legal and ethical obligations, including but not limited to fair trade, anti-corruption, protection of trade secrets, subcontracting, and win-win management.
Business Partners' Commitment to Compliance	Hanwha Aerospace requires its business partners to submit a Written Pledge on Transparency, which specifies their commitment to obligations prohibiting the provision and reception of bribery, illegal requests, money, and valuables.
Compliance Education for Employees	Hanwha Aerospace executes basic education on compliance management and anti-corruption for all employees, advanced education courses on compliance management for executives and senior managers, and essential courses on introductory compliance for new and career staff. Meanwhile, the 'Customized In-Person Course' provides education for each department on its applied subject among 18 themes, including anti-corruption. All employees must receive at least five education courses a year.
Recruitment Screening System for Retired Public Officials	Hanwha Aerospace verifies the public official's qualification in advance before proceeding with the recruitment process.

Compliance Reporting Channel

Hanwha Aerospace stipulates reporting system regulations for employees and external interested parties for transparent and fair management. Operations include the Compliance Reporting Channel, which reports violations on compliance, and the bribery and corruption report system. Real-time reports are made through the system by real name or anonymous identity. Violations subject to report are matters stipulated under related laws and regulations, including the Compliance Control Criteria and Code of Conduct. Hanwha Aerospace's employees may report through the Intranet Compliance Management Support System (CPMS), and outside parties may report via the company website. All reports are entirely confidential, and the reporter is protected from any disadvantages incurred from the report.

Contact Point for Compliance Reporting	
Phone No.:	+82-70-7147-7761
Fax:	+82-31-8018-3967
Address:	6, Pangyo-ro 319beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea (Post No.: 13488)
Email:	compliance1@Hanwha.com

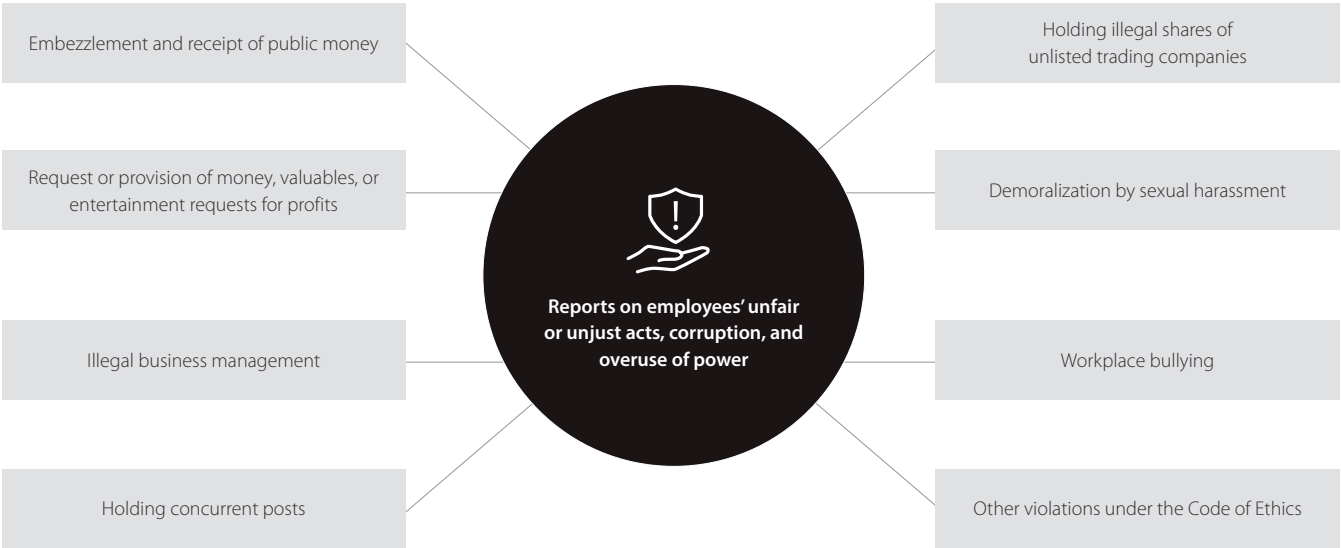
Fair Trade

Hanwha Aerospace introduced the four guidelines regulated by the Fair Trade Commission to operate fair and detailed criteria on the appointment of business partners and signing agreements with fair conditions. The criteria comply with the Fair Transactions in Subcontracting Act and include detailed action plans to provide business partners with justifiable income and promote reasonable trade customs. Furthermore, we fulfill our commitment and obligations for fair trade by sharing related content through Fair Trade Agreements with our business partners every year.

Committee on Internal Deliberations for Subcontract

Hanwha Aerospace established the Committee on Internal Deliberations for Subcontract for procedural compliance of voluntary pre- and post- self-inspections to avoid any legal violations. Checklists include the suitability of the new contract signing process, registration and cancelation of business partners, the status of unjust special contracts or unfair shifting of responsibilities, requests for adjustments of subcontract costs, and required procedures for providing technical information. Guidelines are provided and are obliged to be complied with in all cases, whether the technical information supplied by business partners is insufficient or whether the partners put reasonable effort into providing Hanwha Aerospace with the technical data. Moreover, we developed a system that enables prompt issuance of the request for providing technical data.

Matters Subject for Compliance Reports



Risk Management

Establishing a Proactive Response System

Hanwha Aerospace is building a proactive response system that identifies, prevents, and responds to risks. We also formed a Risk Management Organization for prompt response to the management team's report to minimize management losses. Moreover, we regularly review corporate management-related risks and manage the risks from a mid- to long-term perspective.

Financial, Contracting, and Business Risks

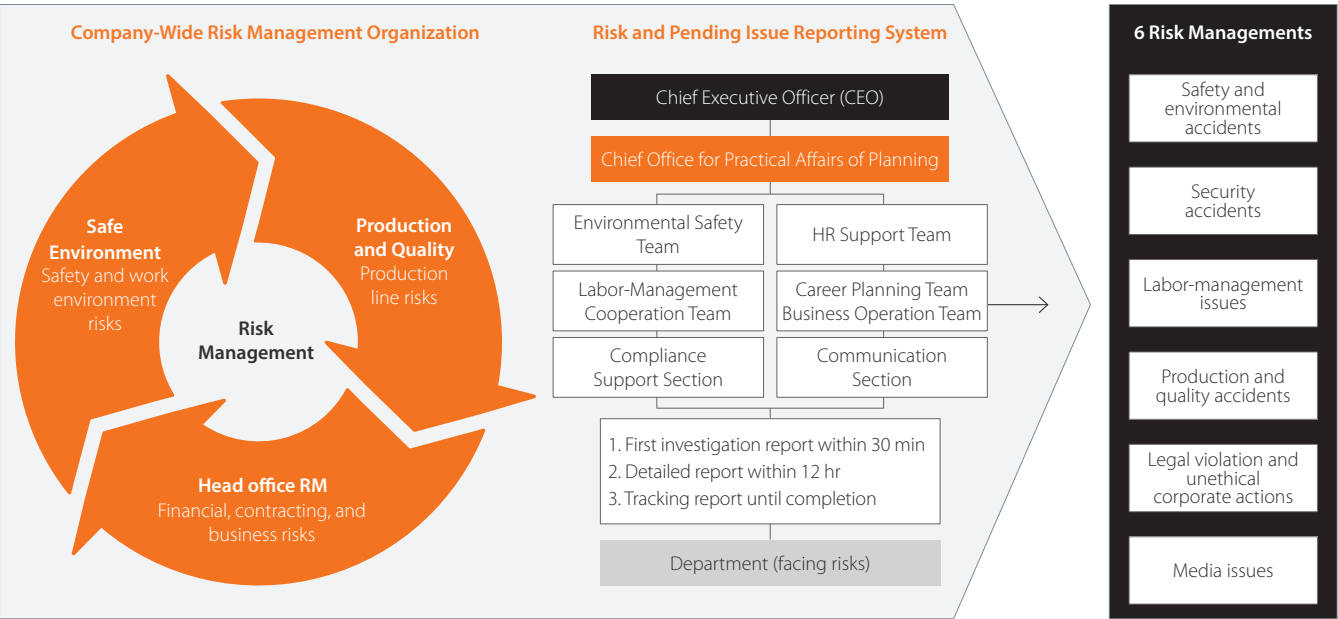
Hanwha Aerospace prevents management shortages and avoids risks through periodic monitoring in response to financial, contracting, and business-related risks. We review risks in the bidding and contracting of major projects to proactively manage contracting risks and regularize a business management system to identify potential business risks. The company also uses the regular risk sensing system and draws risks subject for effective business risk management. If required, the Company Response Team takes preemptive measures for high-urgency risks. Furthermore, we track and manage potential management shortages, such as weak credits and inventory, lawsuits, claims, and compensation of deferment, and respond to challenges through weekly reports and regular operations of the Company Response Team.

Safety and Health Risks

Hanwha Aerospace continuously reviews and improves environmental hazards in its workplaces for 'zero accidents and hazards' and responds to safety and health risks by activating and reinforcing its safety and health systems and programs for workers. Moreover, the CEO and production site leaders conduct regular screening of safety and health activities to identify risks, make improvements, and grant awards to excellent safety and health executioners for risk minimization.

Environmental Safety Risks

Hanwha Aerospace assigns tasks for all potential environmental and safety risks for proactive responses. We identify risks, plans improvement measures, schedules, and assign tasks to the person in charge. Afterward, we aggressively respond by registering the task, managing its progress through the system, and analyzing and managing various assignments and statistics. Moreover, we strictly operate our own computerizing system to take '100% responsibility' for resolving the identified environmental risk. Furthermore, the company monitors legal modifications weekly to ensure compliance with revised laws and regulations. The production site leader leads monthly discussions on core environmental and safety issues to draw more effective improvement measures and prevent their recurrence.



Information Security

The Information Security System

Hanwha Aerospace has appointed an in-house Chief Security Officer (CSO) and Chief Information Security Officer (CISO) to strengthen information security and effectively manage risks. Based on security-dedicated organizations in each production site, Hanwha Aerospace systematically fulfills information security tasks. The Chief Officer of the Business Administration Division holds concurrent positions as CSO and CISO and appoints personnel to take complete charge of security operations in the Security Team and Information Support Team. Moreover, business partners are entrusted with the operation and management of information security systems.

Protection of Core Technologies

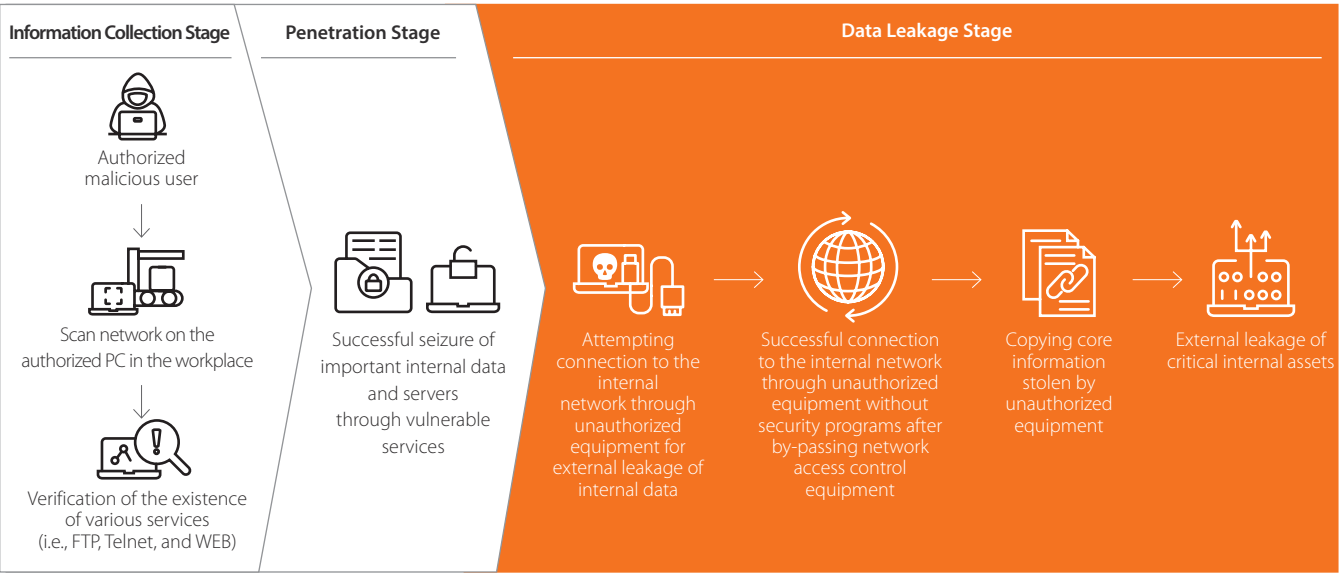
First, Hanwha Aerospace conducts comprehensive security management for its employees and business partners to protect and maintain confidentiality for the most influential technologies in the defense industry. Also, we operate a control system that prevents illegal wiretapping and eavesdropping. Moreover, we reinforce intelligent security solutions and real-time detections for response to intrusions, and establish systems for facilities and cyber security to effectively prevent potential security risks and leakage of company information assets. Lastly, the company actively enacts and regularly revises various internal security regulations, such as the 'Information

Protection Guidelines,' 'Internal Regulations for Defense Technology Security,' and the 'International Regulations for Security of the Defense Industry.' Hanwha Aerospace will continue to establish and execute annual action plans for security activities and protection of defense technologies and periodically improve potential risks.

Raising Awareness on Information Security

Hanwha Aerospace strives to raise employees' awareness of information security and protection of defense technologies through various activities. First, the company operates online security training courses for all employees annually and provides security training for resident partners at least once a year to highlight the importance of information security. Second, employees involved in tasks prone to security violations more than twice a year must receive special training to become fully aware of the significance of security. Third, employees are recommended to actively participate in the security training led by government and external institutions like the Defense Acquisition Program Administration (DAPA) and the Defense Security Support Command (DSSC). Fourth, Hanwha Aerospace takes proactive response against various cybersecurity threats by separating the physical network between its businesses and the Internet, reporting emails containing malignant codes, encrypting document PC files, operating automatic delete program of saved data on the Internet and PC, conducting simulated penetration tests, and regular checkups of the information system. Lastly, we designate a 'Cybersecurity Day' every month and implement frequent security checkups with distributing educational materials to reinforce the timeliness of security trainings.

Conducting Simulated Penetration Tests



ESG Factbook

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ESG Performance Data

Financial Performance					
		Unit	2018	2019	2020
Consolidated Financial Statements	Sales	KRW	4,453,176,623,308	5,264,114,375,095	5,321,444,270,673
	Operating Income		53,177,339,126	165,225,934,743	243,947,058,546
	Net Income for the year		49,251,058,766	162,427,318,272	164,739,761,653
	Total Liabilities		4,760,935,791,485	5,853,055,428,024	6,475,090,147,420
	Total Assets		7,396,686,212,948	8,708,410,720,271	9,464,815,678,256
Separate Financial Statements	Sales	KRW	1,065,834,898,271	1,190,922,914,294	1,059,925,450,827
	Operating Income(Loss)		(91,025,893,531)	(64,196,096,114)	(7,325,848,594)
	Net Income(Loss) for the year		(29,820,419,983)	27,746,258,654	28,407,068,641
	Total Liabilities		1,912,114,462,283	2,379,128,583,752	2,645,824,933,197
	Total Assets		3,881,087,002,288	4,357,480,780,305	4,641,446,967,860
Credit Ratings	Korea Ratings		AA-	AA-	AA-
	NICE Ratings		AA-	AA-	AA-

Creation and Distribution of Economic Performance					
	Calculation Criteria	Unit	2018	2019	2020
Customers	Sales	KRW 1 million	1,065,835	1,190,923	1,059,925
Employees	Wages*		196,046	221,009	216,047
Shareholders and Investors	Total amount of share retirements and cash dividends		15,511	25,160	30,366
Suppliers	Purchases from suppliers		103,685	124,699	113,255
Local Community	Expenses for social contributions and donations		828	1,215	748
Government	Corporate Tax		21,294	37,940	14,645

* Employee Wages include wages and retirement benefit.
※ For Separate Financial Statements

R&D Investment				
	Unit	2018	2019	2020
R&D Expense	KRW 1 million	415,818	438,334	462,480
Ratio of R&D Expenses to Sales	%	9.3	8.3	8.7

※ For Consolidated Financial Statements

ESG evaluation by Korea Corporate Governance Service(KCGS)			
	2018	2019	2020
Final ESG Scores	B+	B+	A
Environment	A	B+	A
Social	B	B+	A
Governance	B	A	A

Environment

Energy Consumption (Domestic)				
	Unit	2018	2019	2020
Total Energy Consumption	TJ	554	576	561
※ Total amount of energy consumption from Changwon Plant and Asan Plant (Energy consumption from Pangyo R&D Center excluded)				

Water Consumption (Domestic)				
	Unit	2018	2019	2020
Total Water Consumption	Tons	223,042	228,717	244,830
※ Total amount of water consumption from Changwon Plant and Asan Plant (Water consumption from Pangyo R&D Center excluded)				

Greenhouse Gas Emissions (Domestic)				
	Unit	2018	2019	2020
Total(Scope 1+2)		27,442	28,585	27,707
Scope 1	tCO ₂ eq	4,646	4,479	4,132
Scope 2		22,796	24,106	23,575

※ Total amount of greenhouse gas emissions from Changwon Plant and Asan Plant (Greenhouse Gas Emissions from Pangyo R&D Center excluded)

Waste (Domestic)					
		Unit	2018	2019	2020
Total waste generated			2,392	2,194	1,931
Total waste recycled			2,178	1,972	1,741
Waste (General)	Incineration	Tons	-	-	
	Landfill		94	61	64
Waste (Designated)	Incineration		26	26	28
	Landfill		28	37	28
	Neutralization	67	98	70	

※ Total amount of waste from Changwon Plant and Asan Plant (Waste from Pangyo R&D Center excluded)

Air Pollutants Emissions				
	Unit	2018	2019	2020
Dust	ppm, mg/m ³	2.90	3.11	2.67
Total Hydrocarbon		24.34	18.11	23.71

※ Average concentration of air pollutants emissions from Changwon Plant and Asan Plant

Water Pollutants Emissions				
	Unit	2018	2019	2020
COD	mg/L	5.88	4.49	5.8
BOD		3.76	2.22	2.32
SS		2.22	1.66	1.07
※ Concentration of water pollutants emissions from Changwon Plant				

Social

Employment Status					
		Unit	2018	2019	2020
Total number of employees (Domestic)	Total		1,564	2,036	2,012
By Region (Location of work)	Domestic worksites		1,564	2,036	2,012
	Overseas		192	959	884
By Gender	Male	Persons	1,475	1,917	1,894
	Female		89	119	118
By Age	Under 30		141	168	137
	30 ~ 50		1,021	1,369	1,260
	Over 50	402	499	615	
By Employment Type	Permanent employees		1,481	1,968	1,971
	Contract employees		83	68	41

Employee Diversity (Domestic)					
		Unit	2018	2019	2020
Diversity Index	Disabled employees	Persons	42	42	42
	Female executives		1	1	1
	Number of Female Managers*		21	31	34
	Ratio of Female Managers*	%	4.0	4.6	4.7
* Female managers: General and senior managers, executive excluded					
※ Ratio of female managers is calculated as (Number of female managers)/(Number of total managers)					

Parental Leave (Domestic)					
		Unit	2018	2019	2020
Number of Employees on Parental Leave	Subtotal	Persons	14	18	12
	Male		5	5	5
	Female		9	13	7
Number of Employees returning to work after Parental Leave	Subtotal	Persons	14	14	10
	Male		5	3	4
	Female		9	11	6
Ratio of Return from Parental Leave	Subtotal	%	100	78	83
	Male		100	60	80
	Female		100	85	86
Number of Employees who served 12 months or longer after return from Parental leave	Subtotal	Persons	14	14	10
	Male		5	3	4
	Female		9	11	6
Ratio of Employees serving 12 months or longer after return from Parental leave	Subtotal	%	100	100	100
	Male		100	100	100
	Female		100	100	100

Employee Training and Education					
		Unit	2018	2019	2020
Total expenses for training	Total	KRW 1 million	1,063	1,395	428
Total hours for training	Total	Hours	63,505	53,789	30,227

Employees on Periodic Evaluation				
	Unit	2018	2019	2020
Number of Employees	Persons	1,553	2,031	1,977
Ratio of Employees	%	100	100	100

Basic salary of Women to Men				
	Unit	2018	2019	2020
Ratio of basic salary of women to men	%	83	82	82

Retirement Pension			
			2020
Management of Retirement Pension (Defined Benefit)	Number of pension holders	Persons	2,910
	Amount of pension held	KRW 1 million	191,628

Accident Rates (accidents, diseases)				
	Unit	2018	2019	2020
Domestic worksites (Employees)	%	0.10	0.29	0.15

Customer Satisfaction Measurement				
	Unit	2018	2019	2020
Customer Satisfaction Measurement	Points	87.3	88.7	88.9

Personal Data Breach				
	Unit	2018	2019	2020
Number of personal data breach	Cases	0	0	0

Partners				
	Unit	2018	2019	2020
Number of partner companies	Numbers	571	920	1,002

Win-win Growth Index by Korea Commision for Corporate Partnership				
		2018	2019	2020
Evaluation		Excellent	Inadequate	Excellent

Win-win Growth					
		Unit	2018	2019	2020
Win-win Growth Fund	The amount of fund from financial institutions (A)	KRW 1 million	12,000	12,000	12,000
	The amount of fund from Hanwha Aerospace (B)		12,000	12,000	22,000
	Total amount of fund (A+B)		24,000	24,000	34,000
	Total amount of fund executed		24,000	24,000	34,000
Technical Assistance	Number of assistances	Numbers	10	37	39
	Number of depositting technical data	Cases	1	5	6

Fair Trade Agreement Evaluation by Fair Trade Commission			
	2018	2019	2020
Evaluation	Excellent	—	Excellent

Corporate Social Responsibility(CSR) Activities					
		Unit	2018	2019	2020
CSR Activities	Investing expenses	KRW 1 million	473	523	365
	Number of Beneficiaries	Persons	8,000	18,810	14,565
Donations	Donations by Company	KRW 1 million	575	978	523
	Donations by Employees		253	237	225
Employee Volunteering	Total hours spent in volunteering	Hours	11,747	14,199	3,444
	Number of Participants	Persons	1,681	3,026	659

Governance

Board of Directors					
		Unit	2018	2019	2020
Operation of the BOD	Number of the Board meetings held	Sessions	12	10	9
	Participation rate	%	94	92	98
	Number of agenda items for report	Cases	41	33	40
Composition of the BOD	Internal Director	Persons	1	1	1
	Non-standing Director		0	1	1
	External Director		4	3	3

CEO Remuneration				
	Unit	2018	2019	2020
CEO Remuneration	KRW 1 million	581	653	545

Compliance					
		Unit	2018	2019	2020
Violation of regulations	Total amount of penalty and fine for violations of regulations	KRW 1 million	0	0	0
	Number of actions filed	Cases	0	0	0
	Number of non-financial punishments		0	1	0
	Number of violations of fair trade		0	0	1
	Penalty and fine for non-compliance with regulations	KRW 1 million	0	0	0

GRI Standards

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Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	Business Report (1 case)
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Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	101

SASB, TCFD Index

SASB Index

Aerospace & Defense (RT-AE)

Topic	Code	Accounting Metric	Hanwha Aerospace's Response
Energy Management	RT-AE-130a.1	(1) Total energy consumed	561,429 GJ
		(2) Percentage grid electricity	N/A
		(3) Percentage renewable	N/A
Hazardous Waste Management	RT-AE-150a.1	Amount of hazardous waste generated, percentage recycled	496 tons
	RT-AE-150a.2	Number and aggregate quantity of reportable spills, quantity recovered	0 Case
Data Security	RT-AE-230a.1	(1) Number of data breaches	0 Case
		(2) Percentage involving confidential information	0%
	RT-AE-230a.2	Description of approach to identifying and addressing data security risks in (1) company operations and (2) products	• Information Gathering — Gathering information related to threats to external security and weak points of products, and updated information, with technology trend information portal. — Gathering security information, with institutions such as FS-ISAC, H-ISAC and security companies.
			• Processing Methods — Confirming property information relevant to distinguished risks, and updating it in cases it is needed, after establishing plans. — When malicious information is found, • E-mails: Blocking the senders' IPs and deleting(withdrawing) the e-mails by analyzing the search logs (in the scope of at least a month) of the senders' IPs and the malicious files. • Malicious files: Blocking them with APT and MDS equipments. • Other information in danger of being hacked: processing real time management with IP block management system after blocking the attacking IPs rapidly, considering their impacts on our services. • Other information is in page 83 of the report.
Product Safety	RT-AE-250a.1	Number of recalls issued, total units recalled	Hanwha Aerospace is not applicable to this indicator.
	RT-AE-250a.2	Number of counterfeit parts detected, percentage avoided	
	RT-AE-250a.3	Number of Airworthiness Directives received, total units affected	
	RT-AE-250a.4	Total amount of monetary losses as a result of legal proceedings associated with product safety	0 KRW

Topic	Code	Accounting Metric	Hanwha Aerospace's Response
Fuel Economy & Emissions in Use-phase	RT-AE-410a.1	Revenue from alternative energy-related	Hanwha Aerospace is not applicable to this indicator.
	RT-AE-410a.2	Description of approach and discussion of strategy to address fuel economy and greenhouse gas (GHG) emissions of products	
Materials Sourcing	RT-AE-440a.1	Description of the management of risks associated with the use of critical materials	page 51
Business Ethics	RT-AE-510a.1	Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and/or illicit international trade	0 Case
	RT-AE-510a.2	Revenue from countries ranked in the "E" or "F" Band of Transparency International's Government Defence Anti-Corruption Index	N/A
	RT-AE-510a.3	Discussion of processes to manage business ethics risks throughout the value chain	page 71, 85–92

TCFD Index

TCFD Recommended Disclosures

Category	TCFD Recommendations	Reporting Page
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	54
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	54
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	54
	b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	54
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	54
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks.	55
	b) Describe the organization's processes for managing climate-related risks.	55
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	55
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	49, 55
	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	49, 55
	c) Describe the targets used by the organization to manage climate-related risks and the opportunities and performance against targets.	55

Independent Assurance Statement

To readers of Hanwha Aerospace Sustainability Report 2021

Introduction

Korea Management Registrar (KMR) was commissioned by Hanwha Aerospace to conduct an independent assurance of its Sustainability Report 2021 (the “Report”). The data and its presentation in the Report is the sole responsibility of the management of Hanwha Aerospace. KMR’s responsibility is to perform an assurance engagement as agreed upon in our agreement with Hanwha Aerospace and issue an assurance statement.

Scope and Standards

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

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process.

- GRI Sustainability Reporting Standards
- Universal standards
- Topic specific standards
 - Management approach of Topic Specific Standards
 - GRI 205: Anti-Corruption
 - GRI 206: Anti-Competitive Behavior
 - GRI 302: Energy
 - GRI 303: Water and Effluents
 - GRI 305: Emissions
 - GRI 306: Effluents and Waste
 - GRI 401: Employment
 - GRI 403: Occupational Health and Safety

- GRI 404: Training and Education
- GRI 405: Diversity and Equal Opportunity
- GRI 413: Local Communities
- GRI 416: Customer Health and Safety

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

KMR's Approach

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

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

Limitations and Recommendations

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

Conclusion and Opinion

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

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

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

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

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

Reliability of Specific Sustainability Performance Information

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

Competence and Independence

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

Nov. 2021 Seoul, Korea

E. J. Hwang

