

# DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

## FINAL ASSESSMENT

### KOREA AEROSPACE INDUSTRIES LTD.


The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	8/8
2. Internal Controls	6	4/12
3. Support to Employees	7	11/14
4. Conflict of Interest	4	5/8
5. Customer Engagement	4	5/8
6. Supply Chain Management	6	4/12
7. Agents, Intermediaries and Joint Ventures	10	7/20
8. Offsets	4	0/8
9. High Risk Markets	4	2/8
10. State-Owned Enterprises	N/A	N/A
<b>TOTAL</b>		<b>46/96</b>
<b>BAND</b>		<b>D</b>

\*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

## 1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
2
Comments
There is evidence that the company has a publicly stated anti-bribery and corruption commitment, which details the company's stance against any form of bribery or corruption within the organisation. It is clear that this commitment was authorised and endorsed by the company's CEO.
Evidence
<p><b>[26] Announcement of the Will to Practice Ethics &amp; Compliance (Document)</b>  Accessed 16/04/2020  <a href="http://www.koreaaero.com/data_file/1_1_CEO_letter_pledge.pdf">http://www.koreaaero.com/data_file/1_1_CEO_letter_pledge.pdf</a>  [p.1]</p> <p><b>Dear respectful CEO,</b></p> <p>I'm Ahn Hyun-ho, CEO of Korea Aerospace Industries.</p> <p>The diligent New Year in 2020 has already passed the winter, and I can feel the vibe of the spring. We thank you for your efforts in accompanying us with creative ideas for mutual prosperity. KAI also remembers the goal of mutual prosperity that has been and should continue to be followed.</p> <p>Major countries around the world are closing upon anti-corruption regulations and it has become a clear standard required around the world, including the defense industry. As well as in Korea, the anti-corruption principle is applied without exception to all business suppliers and stakeholders. In participation, KAI is executing ethical management, certifying Anti-Bribery Management System (ISO37001).</p> <p>Under the business standard of "what is good is not good, but righteousness is good", our employees are committed to internalizing transparent and fair corporate culture. However, since the problem of ethical standards can never be solved alone, interactions between companies are crucial. Therefore, KAI anticipates that we move towards the right path built upon corporate ethics, competing, cooperating and growing solely with our products, services and creative solutions.</p> <p>Following the upcoming Lunar New Year holidays KAI employees will not accept gifts or other items given unfairly, so please make a personal greeting through phone calls and letters.</p> <p>Once again, we thank you for your efforts and wish you an everlasting development.</p> <p style="text-align: right;">January 20, 2020</p> <p style="text-align: right;">CEO and Representative of KAI</p> <p style="text-align: right;">Ahn Hyun-ho </p>

**[1] CEO Message (Webpage)**

Accessed 08/10/2019

[http://www.koreaaero.com/english/company/ethical\\_management.asp](http://www.koreaaero.com/english/company/ethical_management.asp)

KAI will practice a world class  
ethics management to ensure fair, transparent,  
and sustainable business based on  
Anti-Bribery Management System(ISO37001)



As a result of our pride and responsibility in leading the Korea's aerospace industry, KAI has succeeded in technical advancement of developing and producing various types of aircraft, satellites and launchers.

I believe that this progress in aerospace industry is founded upon the enduring trust and support of the public, shareholders, customers, business partners, and local communities, which all of our members deeply appreciate.

KAI shall repay this trust and support by being an outstanding company in global industry through continuous practice of ethics management and forefront technology.

To that end, KAI members will pursue ethics management on an international level to ensure a fair, transparent, and sustainable business established on right cause and principles.

**AHN, HYUN-HO**

CEO of  
Korea Aerospace Industries, LTD.

Question
<b>1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:</b> <b>a) All employees, including staff and leadership of subsidiaries and other controlled entities;</b> <b>b) All board members, including non-executive directors.</b>
Score
<b>2</b>
Comments
<p>There is evidence that the company publishes an explicit anti-bribery and corruption policy, which makes specific reference to the prohibition of bribery, payments to public officials, commercial bribery, and facilitation payments. This policy clearly applies to all employees and board members.</p>
Evidence
<p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p><b>Code of Conduct (A 04-0100)</b></p> <p>The Code of Conduct is applicable not only to executives and employees, but also to the Board of Directors, related companies, business partners, and trading contractors. Under the Code of Conduct, all employees involved in the Company shall comply with the Company's regulations for transparent management and fair business, including the Korea Anti-Corruption Act, the Fair Trade Act, the Labor Standards Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act etc... In addition, the company applies zero tolerance principle, even if an act is done by social practice, in the event of violation of laws and regulations.</p> <p><b>1) The Improper Solicitation and Graft Act</b>  According to South Korea's "The Improper Solicitation and Graft Act", all executives, employees, and directors of the Company are prohibited from indirectly/indirectly giving, receiving, or promising improper solicitation, lobbying, political funds and bribing for suspected or purposeful bribery to public officials and journalists.</p> <p><b>2) Facilitating Payments</b>  Facilitating Payments are improper payment to promote business performance, and since such acts are considered internationally a bribe, the company prohibits the payment of facilitating charges. If an employee is asked to pay the facilitating payment, he or she shall request a certificate and an official payment receipt to verify it's legal, if it is illegal or not satisfied with the evidence, he/she must refuse the payment.</p> <p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a></p> <p>[p.1] 2. We shall deal fairly and transparently with all business associates such as customers, suppliers, partners and agencies and shall not deal improper advantages and bribery.</p> <p>[p.9] 19.0 Limitations of providing and receiving anything of value</p> <p>All employees shall not directly or indirectly provide, receive, suggest, promise, approve any gratuities, bribery, kickbacks, gifts, business courtesies, hospitality, travel expenses, facilitating payments, political contributions or lecture fees etc. to or from a client or other third party in order to acquire improper profits. Nevertheless, providing and receiving activity of value in work shall be allowed within "Practice Standards for ethics and compliance (A -04-01)" or the code of conduct or the law in each company or country.</p> <p>[p.12] 2.0 Subject of application</p>

The regulations shall be applied not only to all employees of the company but also to business partners who cooperate in the interests of the company.

**[6] Code of Conduct for Ethics and Compliance (Document)**

Accessed 08/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/A\\_04-0100\\_R6\\_Code\\_of\\_Conduct\\_for\\_Ethics\\_&\\_Compliance\\_ENG\\_190410.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&_Compliance_ENG_190410.pdf)

[p.2] Article 1.0 Purpose

The following Code of Conduct for Ethics (COC) shall be followed by members of the Company in performing their duties on a basis that is required both internally and externally under the provisions of the Code of Ethics.

**Article 2.0 Application**

The scope of this Code shall apply to members of subsidiaries and affiliated companies, including members of the Company, and also to the trading lines.

[p.6] Article 12 Prohibition of Receiving and Providing Money and Goods

12.1 Members shall comply with relevant laws, including the National and Foreign Corrupt Practices Act such as US FCPA and Bribery Act, the Fair Trade Act and the Labor Standards Act (hereinafter "No Corruption Claims Act."), to ensure managerial transparency and fair competition.

12.2 A member or his or her family shall not give, receive, or make an appointment directly or

[p.7] indirectly to the customer or the merchant for the purpose of suspected bribery or bribery. The principle of zero tolerance shall be applied if an act made by social or business practices violates laws and regulations.

[p.10] Article 20 Express Fee Payment

20.1 The express fee refers to money and other goods provided to promote the performance of the work, and the member shall not pay the express fee because such an act is considered a bribe.

20.2 If he or she is requested to pay the express fee, he or she must request a certificate and a formal receipt to verify that it is legal and refuse to pay if the proof is illegal or unsatisfactory. In case of threatened with his or her life or safety, he or she shall be recognized as an exception, but the payment details shall be reported to the Business Ethics & Support Division Department.

20.3 Business Ethics & Support Division Department shall determine whether the reported express fee is valid and must report to the relevant state agency if it is illegal.

[p.15] Article 34 Members' Duty and Responsibility

34.1 All members shall comply with this Code of Conduct as soon as they belong to the Company.



Question
<b>1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?</b>
Score
<b>2</b>
Comments
<p>Based on publicly available information, there is evidence that the board is ultimately responsible for the oversight of the company's ethics and compliance programme. This includes reviewing reports from management on the programme's performance along with the results of audits, and there is evidence that the board has the authority to require that any necessary changes are made.</p>
Evidence
<p><b>[8] Prevention Activities (Webpage)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery_2.asp">http://www.koreaaero.com/english/company/anti_bribery_2.asp</a>  <b>Compliance Control Regulations (A02-0100)</b></p> <p>According to 13 of Article 542 of the Commercial Law of the Republic of Korea, the company has established compliance control regulations under the authority of the Board of Directors and appointed independent legal support officer to be subject to compliance control. The Compliance officer conducts compliance programs, training, advice, internal audits, and report to the CEO and the board of directors on a quarterly basis.</p> <p><b>[7] Management Review (Webpage)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery_5.asp">http://www.koreaaero.com/english/company/anti_bribery_5.asp</a>  <b>Anti-Bribery Executive Review (DI035-06)</b></p> <p>The CEO of the company assesses the Anti-Bribery Management System through its management goals, ethics management prevention activities, and effectiveness reviews. The results of the management review are reported quarterly to the Board of Directors and the Audit Committee in accordance with the procedures set forth in the Regulations for Operation of the Board (A02-0000), Compliance Control (A02-0100), Audit Committee (C06-0000), Ethics &amp; Compliance (A04-0000) and Ethics Committee (C03-0000).</p> <p><b>[27] Compliance Operating Regulation (Document)</b>  Accessed 16/04/2020  <a href="http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf">http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf</a>  [p.3] 1. The Board of Directors shall determine the Compliance Operating Regulation and important matters concerning them. In addition, the Board oversees whether the CEO faithfully reflects the decisions of the Board of Directors and manages the compliance system effectively.</p> <p>2. The CEO shall establish, maintain and operate a compliance system that conforms to the size of the Company or the nature of its operations and supervise its operation as directed from the Standards and the Board of Directors.</p>

Question														
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?														
Score														
2														
Comments														
There is evidence that a designated senior executive, the company's Chief Ethics and Compliance Officer, has ultimate responsibility for implementing and managing the company's ethics and compliance programme. It is clear this person has a direct reporting line to the board, which provides oversight of the programme.														
Evidence														
<p><b>[8] Prevention Activities (Webpage)</b> Accessed 08/10/2019 <a href="http://www.koreaaero.com/english/company/anti_bribery_2.asp">http://www.koreaaero.com/english/company/anti_bribery_2.asp</a> <b>Compliance Control Regulations (A02-0100)</b></p> <p>According to 13 of Article 542 of the Commercial Law of the Republic of Korea, the company has established compliance control regulations under the authority of the Board of Directors and appointed independent legal support officer to be subject to compliance control. The Compliance officer conducts compliance programs, training, advice, internal audits, and report to the CEO and the board of directors on a quarterly basis.</p> <p>※ Activities of Compliance Officer in 2018</p> <table><tr><th>CATEGORY</th><th>CONTENTS</th></tr><tr><td>Systematic inspection of ISO37001</td><td>- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment</td></tr><tr><td>Performing routine audits</td><td>- Routine audit for law and compliance and risk prevention</td></tr><tr><td>Performing a Risk Assessment</td><td>- Derive and improve risks such as enterprise legal, ethics, security, etc. - Risk management such as prohibition of solicitation, bribery, and security leaks</td></tr><tr><td>Ethics &amp; Compliance Training</td><td>- Training of executive/administrator/new personnel - Specialized Training by position and occupation group</td></tr><tr><td>Reviewing the Establishment and Revision of Company Regulations</td><td>- Establishment and interpretation of company regulations</td></tr><tr><td>Compliance activity report</td><td>- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)</td></tr></table>	CATEGORY	CONTENTS	Systematic inspection of ISO37001	- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment	Performing routine audits	- Routine audit for law and compliance and risk prevention	Performing a Risk Assessment	- Derive and improve risks such as enterprise legal, ethics, security, etc. - Risk management such as prohibition of solicitation, bribery, and security leaks	Ethics & Compliance Training	- Training of executive/administrator/new personnel - Specialized Training by position and occupation group	Reviewing the Establishment and Revision of Company Regulations	- Establishment and interpretation of company regulations	Compliance activity report	- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)
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<p><b>[10] Prevention Measure (Webpage)</b> Accessed 01/05/2020 <a href="http://www.koreaaero.com/english/company/anti_bribery_4.asp">http://www.koreaaero.com/english/company/anti_bribery_4.asp</a> <b>Audit Regulations (E02-0000)</b></p> <p>The company audit department consists of an organization separated from the management organization to ensure its independence and minimum working periods as auditors for fair and stable work. Audit departments can access information on all records of the company in order to effectively perform audit tasks. The Audit Department shall immediately report and conduct audits to the CEO, the Audit Committee and the Board of Directors in the event of improper conduct causing fraud or social criticism and the audit results are released for the purpose of preventing expansion and recurrence of hazards.</p> <div><div>Download Audit Regulation ↓</div></div>														



## [27] Compliance Operating Regulation (Document)

Accessed 16/04/2020

[http://www.koreaaero.com/data\\_file/2\\_1\\_Compliance\\_Operating\\_Regulation.pdf](http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf)

[p.3] Article 6. Role

1. The Board of Directors shall determine the Compliance Operating Regulation and important matters concerning them. In addition, the Board oversees whether the CEO faithfully reflects the decisions of the Board of Directors and manages the compliance system effectively.
2. The CEO shall establish, maintain and operate a compliance system that conforms to the size of the Company or the nature of its operations and supervise its operation as directed from the Standards and the Board of Directors.
3. The Compliance Officer shall establish and implement a compliance education and training program, check compliance with the Standards, report it to the Board of Directors or the CEO.

### Article 7. Appointment and Dismissal of Compliance Officer

1. CEO appoints and dismisses Compliance Officer through the resolution of the Board of Directors.
2. The CEO may dismiss the Compliance Officer if he or she has any of the following reasons:
  - a. In case a physical or mental disability prevents him/her from performing his/her duties.
  - b. In case of illicit act or violation of laws or articles of association with duties;
  - c. In case of loss to the Company due to negligence or on purpose.

[p.4] 3. The Compliance Officer is not dismissed during his or her term without due cause, and in the event of his dismissal during his term, the CEO shall provide sufficient evidence to prove the reasons for dismissal in association with paragraph 2.

4. The Compliance Officer may express his or her opinion to the Board of Directors regarding dismissal.
5. In the event that the Compliance Officer is dismissed or retired due to the expiration or resignation of his term of office, the CEO shall promptly appoint a new Compliance Officer to maintain continuity of work.

### Article 8. Requirements, Term, and Status of Compliance Officer

1. The Compliance Officer shall be appointed from among those who meet the requirements of Article 542-13 of the Commercial Act and Article 40 of the Enforcement Decree of the same Act.
2. An auditor or a member of the Board of Audit shall not be the Compliance Officer.
3. The Compliance Officer is a full-time employee, whose term is three years but he/she may serve a second term.



Article 9. Rights and Duties of Compliance Officer

1. The Compliance Officer shall have the following rights:

- a. Implementation of education and training programs on compliance
- b. Regular or frequent inspection and reporting of Compliance Operating Regulation status
- c. Demand for the collection and submission of information and data required for Compliance Officer to perform his/her duties

[p.5] d. Demand for compliance on executives and employees and demands for suspension, improvement or correction of matters deemed illegal

e. Requesting sanctions against executives and employees who violated the Compliance Operating Regulation

f. Attendance and opinions of the Board of Directors in relation to the compliance tasks

g. Conducting the leadership of the compliance organization and recommending personnel from relevant departments

h. Other matters issued by the Board of Directors under the authority of the Compliance Officer

2. The Compliance Officer may seek advice and assistance from outside experts, if necessary.

3. The Compliance Officer shall perform due diligence with good faith and shall not divulge the proprietary information of the Company that he/she has learned from his/her duties, not only during his/her tenure but also after his/her retirement.

Article 10. Independent Execution of Compliance Officer

1. The Compliance Officer may report directly and in a timely manner to the Board of Directors or the CEO in regards to his or her performance.

2. The Compliance Officer may ask the CEO to convene the Board of Directors if necessary for the reporting of paragraph 1.

3. The Compliance Officer has a position within the Company that effectively and independently carries out support and control compliance tasks.

4. The company shall not give disadvantage of current or past Compliance Officers for unfair personnel management for reasons related to his/her performance.

## 2. Internal Controls

Question														
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?														
Score														
1														
Comments														
<p>There is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of its anti-bribery and corruption programme.</p> <p>However, the company receives a score of '1' because there is no clear publicly available evidence that the company reviews risk assessments on at least an annual basis with the results also reviewed at board level.</p>														
Evidence														
<p><b>[8] Prevention Activities (Webpage)</b> Accessed 08/10/2019 <a href="http://www.koreaaero.com/english/company/anti_bribery_2.asp">http://www.koreaaero.com/english/company/anti_bribery_2.asp</a> <b>Compliance Control Regulations (A02-0100)</b></p> <p>According to 13 of Article 542 of the Commercial Law of the Republic of Korea, the company has established compliance control regulations under the authority of the Board of Directors and appointed independent legal support officer to be subject to compliance control. The Compliance officer conducts compliance programs, training, advice, internal audits, and report to the CEO and the board of directors on a quarterly basis.</p> <p>※ Activities of Compliance Officer in 2018</p> <table><tr><th>CATEGORY</th><th>CONTENTS</th></tr><tr><td>Systematic inspection of ISO37001</td><td>- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment</td></tr><tr><td>Performing routine audits</td><td>- Routine audit for law and compliance and risk prevention</td></tr><tr><td>Performing a Risk Assessment</td><td>- Derive and improve risks such as enterprise legal, ethics, security, etc. - Risk management such as prohibition of solicitation, bribery, and security leaks</td></tr><tr><td>Ethics &amp; Compliance Training</td><td>- Training of executive/administrator/new personnel - Specialized Training by position and occupation group</td></tr><tr><td>Reviewing the Establishment and Revision of Company Regulations</td><td>- Establishment and interpretation of company regulations</td></tr><tr><td>Compliance activity report</td><td>- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)</td></tr></table>	CATEGORY	CONTENTS	Systematic inspection of ISO37001	- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment	Performing routine audits	- Routine audit for law and compliance and risk prevention	Performing a Risk Assessment	- Derive and improve risks such as enterprise legal, ethics, security, etc. - Risk management such as prohibition of solicitation, bribery, and security leaks	Ethics & Compliance Training	- Training of executive/administrator/new personnel - Specialized Training by position and occupation group	Reviewing the Establishment and Revision of Company Regulations	- Establishment and interpretation of company regulations	Compliance activity report	- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)
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## Anti-Bribery Objective Management (DI035-03)

The company evaluates corruption risks by establishing Anti-Bribery Management Regulations and establishes and implements targets for each department. The company awards excellent organizations by assessing the results of activities by each department for the revitalization of anti-bribery activities.

## Risk Assessment for Anti-Bribery (DI035-01)

The company reduces risk by developing potential risks, assessing risks, and setting improvement tasks in accordance with the procedures for evaluating anti-bribery risks. The company's overall risk is managed in accordance with the risk management process (SOP712) for comprehensive strategy, finance, business, security, environment, sustainability and corruption.

The anti-corruption risk assessment draws a risk priority for each organization, establishes improvement goals, carries out continuous management, and grants incentives based on the results of the activities.

### [9] Ethics Management System (Webpage)

Accessed 08/10/2019

[http://www.koreaaero.com/english/company/ethical\\_management\\_3.asp](http://www.koreaaero.com/english/company/ethical_management_3.asp)

Ethics management system (Application of ISO37001)



#### Establishment of ethics system

- Dedicated organization assignment
- Appointment of compliance officer
- Establishing regulations for ethics
- Distribute employee guide books
- Operation of ethics committee

#### Preventive Activity

- Ethics management promotion
- Employees and Managers Training
- Employees and Managers Training
- Operation of the Cyber Reporting System
- Employees/Partners Ethical pledge
- Legal advice and consulting

#### Inspection

- Assess risks by organization
- Periodic, annual audit
- Check compliance with accounting standards
- Compliance with Export License

#### Evaluation of analysis

- Analyze and mitigate risks
- Annual activity validation
- Report to CEO / Board / Audit Committee

#### Complement the Ethics System

- Reconstitute annual activities
- Supplement the regulations
- Update international regulations
- Participate in external ethics forums and benchmarking

## Organization for Ethics Management

KAI operates an Ethics Management Support Division consisting of a compliance team for compliance with international regulations, a management diagnosis team for preventing business risks, and a legal team for compliance with relevant national laws and preventing corruption to be a Global aerospace Development Company

**ISO37001  
Anti-Bribery Management System  
Certification (Sep.2018)**



### [5] Regulation for Ethics & Compliance (Document)

Accessed 08/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/Regulation\\_for\\_ethics\\_and\\_compliance\\_ENG.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf)

[p.10] 22.0 Risk assessment

A Compliance team shall periodically conduct risk assessment such as observation, monitoring, evaluation, education whether the employees and third parties comply with the company's ethics regulation and anti- corruption laws faithfully, and shall report the results to the top management.

### [27] Compliance Operating Regulation (Document)

Accessed 16/04/2020

[http://www.koreaaero.com/data\\_file/2\\_1\\_Compliance\\_Operating\\_Regulation.pdf](http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf)



[p.10] Article 21. Standards and Procedures of Validation

1. The Board of Directors shall periodically review Compliance Operating Regulation and related systems to seek improvements on insufficient issues.
2. The Compliance Officer shall conduct self-assessment of the validity on compliance system and report the results to the Board of Directors.
3. The Board of Directors may conduct an annual evaluation of the validity of the compliance system throughout the Company, apart from the self-assessment of the Compliance Officer.

[p.11] 4. In assessing the validity, detailed review shall be made on the adequacy and effectiveness of the Compliance Operating Regulation, management system of legal risks, compliance check and reporting system, independent performance of Compliance Officer, and the penalty system for violations.

Article 22. Follow-up measures of Validation

1. The Board of Directors shall establish measures for improvement on defects based on validation results. For this, the Board of Directors shall adhere to Compliance Officer's opinions.
2. The CEO shall implement improvement measures based on the validation results.

Question
<b>2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?</b>
Score
<b>2</b>
Comments
<p>Based on publicly available information, there is evidence that the company's ethics and compliance programme is subject to regular audit and review. There is evidence indicating that this includes measures for continuous improvement, supplemented by an internal audit on an annual basis. There is also evidence that high-level audit findings are presented to the board and Audit Committee, with ownership assigned to individuals for planned updates and improvements to the anti-bribery and corruption programme.</p>
Evidence
<p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a>  [p.1] KAI is aware of the importance of ethics and compliance management and operates a dedicated department to establish ethics &amp; compliance program. We shall grow and develop a healthy corporate culture through ongoing training, checking and improving of ethics programs.</p> <p><b>[10] Prevention Measure (Webpage)</b>  Accessed 01/05/2020  <a href="http://www.koreaaero.com/english/company/anti_bribery_4.asp">http://www.koreaaero.com/english/company/anti_bribery_4.asp</a></p> <p><b>Audit Regulations (E02-0000)</b></p> <p>The company audit department consists of an organization separated from the management organization to ensure its independence and minimum working periods as auditors for fair and stable work, Audit departments can access information on all records of the company in order to effectively perform audit tasks, The Audit Department shall immediately report and conduct audits to the CEO, the Audit Committee and the Board of Directors in the event of improper conduct causing fraud or social criticism and the audit results are released for the purpose of preventing expansion and recurrence of hazards.</p> <div style="border: 1px solid #ccc; padding: 10px; margin: 10px 0;"> <div style="text-align: center; background-color: #333; color: white; padding: 5px; display: inline-block;">Download Audit Regulation </div> </div>  <pre> graph TD     CECO["Ethics Management Support Headquarters CECO J.H. Lee Executive Vice President Chief Ethics &amp; Compliance Officer"]     CECO --- MD["Management Diagnosis Team"]     CECO --- CT["Compliance Team"]     CECO --- LT["Legal Team"]     MD --- MD_L["Management diagnosis Special audit, Routine audit Operation of Audit Committee"]     CT --- CT_L["Technical diagnosis Export License control management and training Operate Export License Control and Management Committee"]     LT --- LT_L["Compliance control Ethics management Legal Support Management of company regulations and manuals"] </pre>



## Internal Audit and Improvement Measures to Prevent Corruption (DI035-05, DI035-07)

The Ethics Management Support Headquarters conducts an internal audit of the Anti-Corruption System every year in accordance with the procedures for internal audit and improvement measures to prevent corruption, and conducts an investigation into the causes and effects of non-compliance to establish measures to prevent recurrence.

### [8] Prevention Activities (Webpage)

Accessed 08/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery\\_2.asp](http://www.koreaaero.com/english/company/anti_bribery_2.asp)

## Compliance Control Regulations (A02-0100)

According to 13 of Article 542 of the Commercial Law of the Republic of Korea, the company has established compliance control regulations under the authority of the Board of Directors and appointed independent legal support officer to be subject to compliance control. The Compliance officer conducts compliance programs, training, advice, internal audits, and report to the CEO and the board of directors on a quarterly basis.

### ※ Activities of Compliance Officer in 2018

CATEGORY	CONTENTS
Systematic inspection of ISO37001	- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment
Performing routine audits	- Routine audit for law and compliance and risk prevention
Performing a Risk Assessment	- Derive and improve risks such as enterprise legal, ethics, security, etc. - Risk management such as prohibition of solicitation, bribery, and security leaks
Ethics & Compliance Training	- Training of executive/administrator/new personnel - Specialized Training by position and occupation group
Reviewing the Establishment and Revision of Company Regulations	- Establishment and interpretation of company regulations
Compliance activity report	- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)

### [2] Anti-bribery Policy (Webpage)

Accessed 08/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery.asp](http://www.koreaaero.com/english/company/anti_bribery.asp)

## Internal Accounting Management Regulations (I04-0000)

For accurate accounting and recording, the company establishes internal accounting management regulations to ensure accounting transparency in accordance with the "External Audit of Stock Companies, etc. Act" of Korea.

### [28] 감사위원회 직무규정/ Audit Committee Regulation (Document)

Accessed 16/04/2020

[http://www.koreaaero.com/data\\_file/COUNCIL/KAI\\_%EA%B0%90%EC%82%AC%EC%9C%84%EC%9B%90%ED%9A%8C\\_%EC%A7%81%EB%AC%B4%EA%B7%9C%EC%A0%95.pdf](http://www.koreaaero.com/data_file/COUNCIL/KAI_%EA%B0%90%EC%82%AC%EC%9C%84%EC%9B%90%ED%9A%8C_%EC%A7%81%EB%AC%B4%EA%B7%9C%EC%A0%95.pdf)

[p.7] 제12조(회의)

- ① 감사위원회는 정기위원회와 임시위원회로 한다.
- ② 정기위원회는 매 결산기중 2월에 개최하며, 부득이한 경우 3월에 개최할 수 있다.

③ 임시위원회는 필요에 따라 수시로 개최한다.

**Translation:**

Article 12 Meetings

1. Audit Committee consists of regular and temporary meetings.
2. Regular Audit Committee is held in February during the period of settlement of accounts, yet in case of force majeure, shall be held in March.
3. Temporary meetings are held frequently in necessary occasions.

**[27] Compliance Operating Regulation (Document)**

Accessed 16/04/2020

[http://www.koreaaero.com/data\\_file/2\\_1\\_Compliance\\_Operating\\_Regulation.pdf](http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf)

[p.8] Article 17. Compliance Check

1. The Compliance Officer shall establish and operate a compliance check system to inspect compliance with all employees' compliance with the Compliance Operating Regulation.
2. Compliance check performed by Compliance Officer shall be carried out on a specific legal issue once every year.
3. The Compliance Officer may produce specific types issues by department for efficient [p.8] compliance check, and may be required to report particular issues if necessary.
4. The Compliance Officer shall report the results of the compliance check to the Board of Directors.
5. The Compliance Officer may notify the audit or consultant if necessary while checking compliance.

[p.10] Article 21. Standards and Procedures of Validation

1. The Board of Directors shall periodically review Compliance Operating Regulation and related systems to seek improvements on insufficient issues.
2. The Compliance Officer shall conduct self-assessment of the validity on compliance system and report the results to the Board of Directors.
3. The Board of Directors may conduct an annual evaluation of the validity of the compliance system throughout the Company, apart from the self-assessment of the Compliance Officer.

[p.11] 4. In assessing the validity, detailed review shall be made on the adequacy and effectiveness of the Compliance Operating Regulation, management system of legal risks, compliance check and reporting system, independent performance of Compliance Officer, and the penalty system for violations.

[p.11] Article 22. Follow-up measures of Validation

1. The Board of Directors shall establish measures for improvement on defects based on validation results. For this, the Board of Directors shall adhere to Compliance Officer's opinions.
2. The CEO shall implement improvement measures based on the validation results.

Question
<b>2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?</b>
Score
<b>1</b>
Comments
<p>There is evidence that the company publicly commits to investigating incidents and there is a specific procedure in place to deal with whistleblowing cases. The company's compliance department conducts investigations.</p> <p>However, in publicly available evidence the company does not cover the whole investigation process from receipt to final outcome. There is also no clear publicly available evidence that a central body reviews the status of all investigations on at least an annual basis.</p>
Evidence
<p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a>  [p.11] 25.0 Reporting on Prohibited activities and Protection of whistleblowers</p> <p>In the event that an employee has knowledge that the anti-corruption acts or this regulation has been violated or is suspected of being violated, all Employees shall be responsible for immediately reporting such information to the Compliance Department.</p> <p>The compliance department shall investigate the nature of the violation reported and the results shall be given to the reporter. The company shall fully protect the identity of the employees who report a case of suspicion or an actual violation and shall not give any disadvantage to them with respect to their employment. In addition, The Company may provide appropriate rewards for employees who report cases of violations after evaluating the contents of such reports.</p> <p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;Compliance_ENG_190410.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;Compliance_ENG_190410.pdf</a>  [p.15] Article 35 Reporting and Taking Appropriate Measure of Violation  35.1 When a member finds out about a violation of domestic or international laws or Codes of Conduct that may cause damage to the Company, he or she shall report to the Business Ethics &amp; Support Division Department using the phone, e-mail, and the Internet.</p> <p>[p.16] 35.2 Business Ethics &amp; Support Division Department shall investigate the details of the report according to the relevant procedures and reply to the informer the results, in order to ensure the identity of the informant and keep the information secret. The Business Ethics &amp; Support Division Department should also protect informants from retaliation or disadvantage for reporting.</p> <p>35.3 The company can give the informer proper rewards by evaluating the information.</p> <p><b>[10] Prevention Measure (Webpage)</b>  Accessed 01/05/2020  <a href="http://www.koreaaero.com/english/company/anti_bribery_4.asp">http://www.koreaaero.com/english/company/anti_bribery_4.asp</a>  <b>Cyber Reporting Regulation (E02-0100)</b></p> <p>The company operates the reporting system and keeps the identity of the reporter confidential to protect the informant. In addition, it is prescribed not to give any disadvantages to informant employees even if they reject unethical behavior and cause financial losses to the company. The informer shall be notified of the results of the investigation and the reward shall be given according to the results of the report. The report can be provided on various channels, such as an internal internet, external homepage, telephone, mail, and direct interview. In addition to the personal information can be received anonymously as well as by real name.</p>

**[27] Compliance Operating Regulation (Document)**

Accessed 16/04/2020

[http://www.koreaaero.com/data\\_file/2\\_1\\_Compliance\\_Operating\\_Regulation.pdf](http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf)

[p.9] Article 18. Whistleblowing

1. The CEO may set up a whistleblowing system that can be reported directly to the Compliance Officer concerning the employees' misconduct or unfair execution of their duties.
2. The person who receives or processes whistleblowing report shall keep a secret about the informant's personal information and the contents of the information.
3. If an internal informant reports any wrongdoing or irregularities involving him, he or she may extenuate circumstances in the examination of an offense, and all internal informants shall not suffer any personnel disadvantages due to whistleblowing.

Article 19. Handling Violations

1. The Compliance Officer may notify the head of the department concerned or report the violation of the Compliance Operating Regulation to the CEO, request appropriate measures such as suspension, improvement, correction or sanctions, and, if necessary, may consult with the relevant department to prepare a comprehensive response plan and make a recommendation to the CEO. However, in case of emergency, the Compliance Officer may take necessary measures, such as the suspension, improvement, and request of correction, to the relevant executives and employees under his/her judgment prior to the report.
2. The Company shall impose appropriate sanctions to those who violate the Compliance

[p.10] Operating Regulation commensurate with the importance of case.

3. The Compliance Officer may propose to the Board of Directors or the CEO by drawing up a plan to prevent recurrence of the same or similar violations. Once the Prevention Plan has been decided, the Compliance Officer shall notify the relevant department and it shall reflect the plan in related programs and policies.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
0
Comments
There is no clear publicly available evidence that the company assures itself of the quality of its internal investigations by ensuring that staff are properly trained, implementing a system to handle complaints about the procedure, or reviewing its procedure at least every three years.
Evidence
No evidence found.



Question
<b>2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?</b>
Score
<b>0</b>
Comments
<p>Based on publicly available information, there is no clear evidence that the company commits to report material findings of bribery and corruption from investigations to the board. The company states that its Compliance Officer may report violations to the company CEO, but it is not clear whether this is required. In addition, while the company refers to potential criminal prosecution for violations of its Code of Conduct, there is no clear public evidence that an appropriate senior individual is responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if necessary.</p>
Evidence
<p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf</a>  [p.4] Article 8.0 Member Recruitment Procedure</p> <p>[p.5] d) The Personnel Department shall educate members that the policy of no-tolerance, such as termination of employment and criminal prosecution, is applied in the event of violation of the Code of Ethics.</p> <p>[p.16] Article 36 Punishment of Offenders</p> <p>36.1 The company shall take disciplinary measures (maximum measure to discharge and file civil/criminal charges) against members, who violates the Code of Ethics and Compliance Laws in accordance with the employment rules and personnel regulations, and shall maintain its zero-tolerance policy.</p> <p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a>  [p.11] 26.0 Disciplining for Violators</p> <p>The company may take disciplinary action (from a warning to termination [p.12] of employment) against an employee who violates the ethics regulations or national laws under its employment regulations or personal policies in addition to taking civil and criminal actions.</p> <p><b>[27] Compliance Operating Regulation (Document)</b>  Accessed 16/04/2020  <a href="http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf">http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf</a>  [p.9] Article 18. Whistleblowing</p> <p>1. The CEO may set up a whistleblowing system that can be reported directly to the Compliance Officer concerning the employees' misconduct or unfair execution of their duties.  2. The person who receives or processes whistleblowing report shall keep a secret about the informant's personal information and the contents of the information.  3. If an internal informant reports any wrongdoing or irregularities involving him, he or she may extenuate circumstances in the examination of an offense, and all internal informants shall not suffer any personnel disadvantages due to whistleblowing.</p> <p>Article 19. Handling Violations</p> <p>1. The Compliance Officer may notify the head of the department concerned or report the violation of the Compliance Operating Regulation to the CEO, request appropriate measures such as suspension, improvement, correction or sanctions, and, if necessary, may consult with the relevant department to prepare a comprehensive response plan and make a recommendation to the CEO. However, in case of emergency, the Compliance Officer</p>

may take necessary measures, such as the suspension, improvement, and request of correction, to the relevant executives and employees under his/her judgment prior to the report.

2. The Company shall impose appropriate sanctions to those who violate the Compliance

[p.10] Operating Regulation commensurate with the importance of case.

3. The Compliance Officer may propose to the Board of Directors or the CEO by drawing up a plan to prevent recurrence of the same or similar violations. Once the Prevention Plan has been decided, the Compliance Officer shall notify the relevant department and it shall reflect the plan in related programs and policies.

Question																				
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?																				
Score																				
0																				
Comments																				
While the company publishes some data on disciplinary actions and reports received through its whistleblowing channel, there is no clear evidence that this includes data on ethical or bribery and corruption investigations. The company also does not publish further information on its investigations, such as the number of reports received and number of investigations launched.																				
Evidence																				
<p><b>[10] Prevention Measure (Webpage)</b> Accessed 01/05/2020 <a href="http://www.koreaaero.com/english/company/anti_bribery_4.asp">http://www.koreaaero.com/english/company/anti_bribery_4.asp</a> · Cyber Whistleblowing/Punishment Record</p> <table><tr><th>LEVELS</th><th>'17 YEARS</th><th>'18 YEARS</th><th>'19 YEARS</th></tr><tr><td>Suggestions</td><td>38</td><td>46</td><td>67</td></tr><tr><td>Punishment</td><td>-</td><td>3</td><td>27</td></tr><tr><td>Caution</td><td>2</td><td>2</td><td>4</td></tr><tr><td>Total reception</td><td>40</td><td>51</td><td>73</td></tr></table>	LEVELS	'17 YEARS	'18 YEARS	'19 YEARS	Suggestions	38	46	67	Punishment	-	3	27	Caution	2	2	4	Total reception	40	51	73
LEVELS	'17 YEARS	'18 YEARS	'19 YEARS																	
Suggestions	38	46	67																	
Punishment	-	3	27																	
Caution	2	2	4																	
Total reception	40	51	73																	

### 3. Support to Employees

Question														
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?														
Score														
2														
Comments														
Based on publicly available information, there is evidence that the company provides an annual training module that outlines the basic principles of the anti-bribery and corruption policy, including the whistleblowing options available to employees. There is evidence that the training is provided to all employees in all relevant divisions and jurisdictions.														
Evidence														
<p><b>[8] Prevention Activities (Webpage)</b> Accessed 08/10/2019 <a href="http://www.koreaaero.com/english/company/anti_bribery_2.asp">http://www.koreaaero.com/english/company/anti_bribery_2.asp</a></p> <p><b>Compliance Control Regulations (A02-0100)</b></p> <p>According to 13 of Article 542 of the Commercial Law of the Republic of Korea, the company has established compliance control regulations under the authority of the Board of Directors and appointed independent legal support officer to be subject to compliance control. The Compliance officer conducts compliance programs, training, advice, internal audits, and report to the CEO and the board of directors on a quarterly basis.</p> <p>※ Activities of Compliance Officer in 2018</p> <table><thead><tr><th>CATEGORY</th><th>CONTENTS</th></tr></thead><tbody><tr><td>Systematic inspection of ISO37001</td><td>- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment</td></tr><tr><td>Performing routine audits</td><td>- Routine audit for law and compliance and risk prevention</td></tr><tr><td>Performing a Risk Assessment</td><td>- Derive and improve risks such as enterprise legal, ethics, security, etc. - Risk management such as prohibition of solicitation, bribery, and security leaks</td></tr><tr><td>Ethics &amp; Compliance Training</td><td>- Training of executive/administrator/new personnel - Specialized Training by position and occupation group</td></tr><tr><td>Reviewing the Establishment and Revision of Company Regulations</td><td>- Establishment and interpretation of company regulations</td></tr><tr><td>Compliance activity report</td><td>- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)</td></tr></tbody></table> <p>All employees, including executives, are required to receive ethical training each year in accordance with the Compliance Control Regulations. Employees also pledge to comply with domestic and foreign laws, codes of conduct and regulations, and not to commit any corruption activities. The company provides ethical characterization training for executives, managers, new employees, and purchasing staff considering the characteristics of its duties other than regular training.</p>	CATEGORY	CONTENTS	Systematic inspection of ISO37001	- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment	Performing routine audits	- Routine audit for law and compliance and risk prevention	Performing a Risk Assessment	- Derive and improve risks such as enterprise legal, ethics, security, etc. - Risk management such as prohibition of solicitation, bribery, and security leaks	Ethics & Compliance Training	- Training of executive/administrator/new personnel - Specialized Training by position and occupation group	Reviewing the Establishment and Revision of Company Regulations	- Establishment and interpretation of company regulations	Compliance activity report	- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)
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Systematic inspection of ISO37001	- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment													
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Ethics & Compliance Training	- Training of executive/administrator/new personnel - Specialized Training by position and occupation group													
Reviewing the Establishment and Revision of Company Regulations	- Establishment and interpretation of company regulations													
Compliance activity report	- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)													

## ※ Performance of Anti-Bribery Training (2018)

SUBJECT	DURATION(MONTH)	PARTICIPATIONS(PEOPLE)
Anti-corruption prevention	May	Chief Executive/Managers(45)
Fair Trade Training	May	Partner management(46)
Code of Conduct	June	New employee in charge of MRO (30)
Fair Trade Training	June	Team Leaders(46)
Code of Conduct	June ~ December	New employees (400)
Ethics compliance education	June	All employees(4,205)
Export/Import Regulation	June	Executives(60)
Compliance legislation	June	Team Leaders(6)
Ethics Training	September	Partner company(40)
Fair Trade Act	October	Purchasing person(50)
Anti-use of Internal Information	October	Personnel in charge of related affairs(80)
Legal education	October	Team Leaders(100)
Information Security Training	Monthly	All employees
Industrial Safety and Health	Every quarter	
Improved awareness of the disabled	Once a year	
Sexual harassment prevention education	Once a year	

**[5] Regulation for Ethics & Compliance (Document)**

Accessed 08/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/Regulation\\_for\\_ethics\\_and\\_compliance\\_ENG.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf)

[p.1] KAI is aware of the importance of ethics and compliance management and operates a dedicated department to establish ethics & compliance program. We shall grow and develop a healthy corporate culture through ongoing training, checking and improving of ethics programs.

[p.10] Charter 6 Responsibilities of Ethics & Compliance regulations

### 23.0 Employee's obligation and responsibility

All Employees shall periodically acknowledge and comply with this regulation and the department manager of the Company shall annually provide training and consulting to department Employees to fully familiarize themselves with the Regulation. The department manager shall be responsible for taking necessary precautionary measures to prevent potential violations. The results of training and acknowledgment (A pledge) shall be kept as a record at the HR systems.

[p.12] 2.0 Subject of application

The regulations shall be applied not only to all employees of the company but also to business partners who cooperate in the interests of the company.

**[6] Code of Conduct for Ethics and Compliance (Document)**

Accessed 08/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/A\\_04-0100\\_R6\\_Code\\_of\\_Conduct\\_for\\_Ethics\\_&\\_Compliance\\_ENG\\_190410.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&_Compliance_ENG_190410.pdf)

[p.15] Chapter 8 Members' Duty and Responsibility

### Article 34 Members' Duty and Responsibility



34.1 All members shall comply with this Code of Conduct as soon as they belong to the Company.  
34.2 The Company Management and organizational managers are responsible for annual training and frequent consultation to ensure that members do not violate the Code of Conduct.

[p.15] Article 37 Duty of Education

All members shall be educated at least once a year on the Code of Ethics and Conduct (Form 1), and shall make a pledge of compliance (Form 1) to perform their duties according to ethics and law. The Company shall maintain the educational results and records of the pledge of compliance.

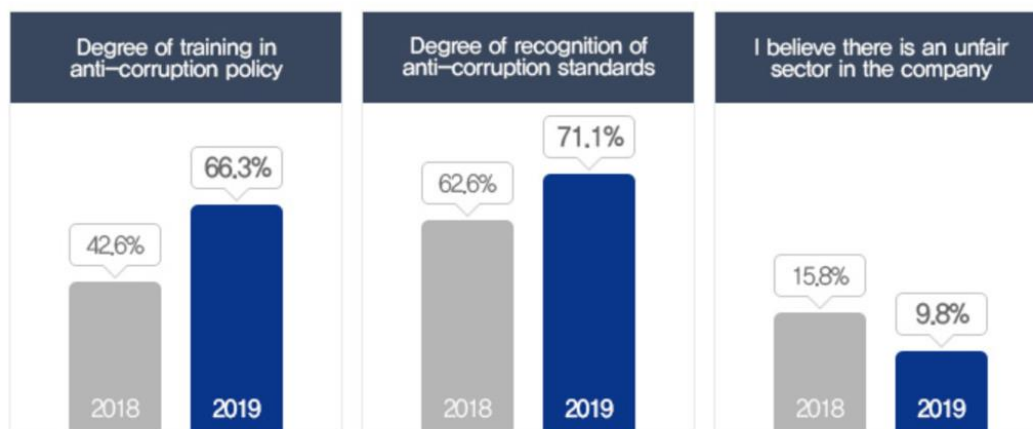
#### [7] Management Review (Webpage)

Accessed 08/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery\\_5.asp](http://www.koreaaero.com/english/company/anti_bribery_5.asp)

#### Corruption Perceptions Index Management

The company measures the Corruption Perceptions Index with a member survey to evaluate the performance of anti-corruption activities. In order to raise awareness of the company's management policy and anti-corruption standards to its members, the anti-corruption awareness index continues to rise every year as the chart shown below.



#### [9] Ethics Management System (Webpage)

Accessed 08/10/2019

[http://www.koreaaero.com/english/company/ethical\\_management\\_3.asp](http://www.koreaaero.com/english/company/ethical_management_3.asp)

Ethics management system (Application of ISO37001)



#### Establishment of ethics system

- Dedicated organization assignment
- Appointment of compliance officer
- Establishing regulations for ethics
- Distribute employee guide books
- Operation of ethics committee

#### Preventive Activity

- Ethics management promotion
- Employees and Managers Training
- Employees and Managers Training
- Operation of the Cyber Reporting System
- Employees/Partners Ethical pledge
- Legal advice and consulting

#### [27] Compliance Operating Regulation (Document)

Accessed 16/04/2020

[http://www.koreaaero.com/data\\_file/2\\_1\\_Compliance\\_Operating\\_Regulation.pdf](http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf)

[p.7] 1. The Compliance Officer designs and implements specific and systematic compliance education and training programs to ensure that all employees can proactively identify and properly deal with legal risks associated with their tasks.

2. The Compliance Officer shall provide at least a certain amount of follow-up training for all employees every year.

a. Regulatory compliance education: Regulatory education for all employees

b. Compliance education when hiring: Compliance education for new employees should be conducted before job placement

c. Special education: compliance education provided by Compliance Officer for departments that are expected to be at high legal risk or require training.

3. The Compliance Officer may conduct compliance education under the paragraph 2 by means of "Online-education" using information technology.

4. The Compliance Officer shall evaluate the effectiveness and validity of the compliance education and training programs and conduct a survey on the improvement if necessary.

5. The Compliance Officer may operate a consulting system for employees who are highly exposed to occupational legal risks, which separates from the education and training programs.

Question
<b>3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:</b> <b>a) Employees in high risk positions,</b> <b>b) Middle management,</b> <b>c) Board members.</b>
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company tailors its anti-bribery and corruption training programme to the different levels of risk facing employees in different roles, with specific reference to the categories of employees referred to in the question. There is evidence that employees working in high risk positions are required to refresh their training on at least an annual basis.</p>
Evidence
<p><b>[27] Compliance Operating Regulation (Document)</b>  Accessed 16/04/2020  <a href="http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf">http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf</a>  [p.7] 1. The Compliance Officer designs and implements specific and systematic compliance education and training programs to ensure that all employees can proactively identify and properly deal with legal risks associated with their tasks.</p> <p>2. The Compliance Officer shall provide at least a certain amount of follow-up training for all employees every year.</p> <p>a. Regulatory compliance education: Regulatory education for all employees</p> <p>b. Compliance education when hiring: Compliance education for new employees should be conducted before job placement</p> <p>c. Special education: compliance education provided by Compliance Officer for departments that are expected to be at high legal risk or require training.</p> <p><b>[8] Prevention Activities (Webpage)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery_2.asp">http://www.koreaaero.com/english/company/anti_bribery_2.asp</a></p> <p><b>Compliance Control Regulations (A02-0100)</b></p> <p>According to 13 of Article 542 of the Commercial Law of the Republic of Korea, the company has established compliance control regulations under the authority of the Board of Directors and appointed independent legal support officer to be subject to compliance control. The Compliance officer conducts compliance programs, training, advice, internal audits, and report to the CEO and the board of directors on a quarterly basis.</p>

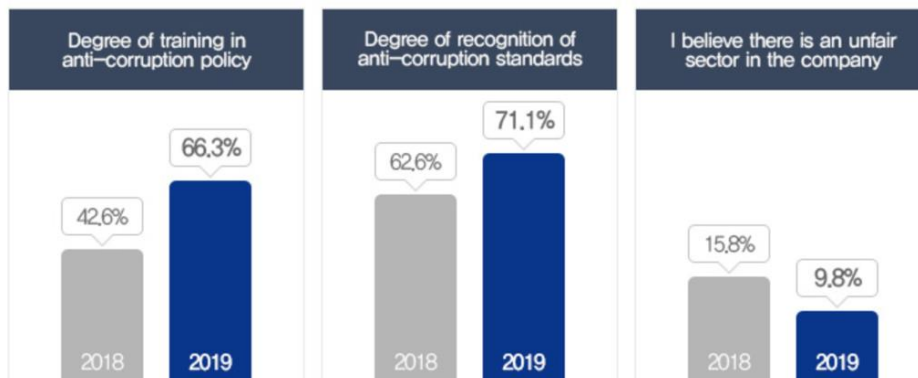
## ※ Activities of Compliance Officer in 2018

CATEGORY	CONTENTS
Systematic inspection of ISO37001	- Establishment of Ethical Management System of International Standards - Internal and external audits and organizational risk assessment
Performing routine audits	- Routine audit for law and compliance and risk prevention
Performing a Risk Assessment	- Derive and improve risks such as enterprise legal, ethics, security, etc. - Risk management such as prohibition of solicitation, bribery, and security leaks
Ethics & Compliance Training	- Training of executive/administrator/new personnel - Specialized Training by position and occupation group
Reviewing the Establishment and Revision of Company Regulations	- Establishment and interpretation of company regulations
Compliance activity report	- Board Report (Semi-Annual) - Audit Committee Report (Quarterly) - Critical issue (Immediate Reporting)

All employees, including executives, are required to receive ethical training each year in accordance with the Compliance Control Regulations. Employees also pledge to comply with domestic and foreign laws, codes of conduct and regulations, and not to commit any corruption activities. The company provides ethical characterization training for executives, managers, new employees, and purchasing staff considering the characteristics of its duties other than regular training.

## ※ Performance of Anti-Bribery Training (2018)

SUBJECT	DURATION(MONTH)	PARTICIPATIONS(PEOPLE)
Anti-corruption prevention	May	Chief Executive/Managers(45)
Fair Trade Training	May	Partner management(46)
Code of Conduct	June	New employee in charge of MRO (30)
Fair Trade Training	June	Team Leaders(46)
Code of Conduct	June ~ December	New employees (400)
Ethics compliance education	June	All employees(4,205)
Export/Import Regulation	June	Executives(60)
Compliance legislation	June	Team Leaders(6)
Ethics Training	September	Partner company(40)
Fair Trade Act	October	Purchasing person(50)
Anti-use of Internal Information	October	Personnel in charge of related affairs(80)
Legal education	October	Team Leaders(100)
Information Security Training	Monthly	
Industrial Safety and Health	Every quarter	
Improved awareness of the disabled	Once a year	All employees
Sexual harassment prevention education	Once a year	

Question												
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?												
Score												
2												
Comments												
Based on publicly available information, there is evidence that the company reviews its anti-bribery and corruption communications and personnel training programme through staff surveys. There is also evidence indicating that the company conducts reviews on an annual basis and that the results are used to update the company's anti-bribery and corruption programme.												
Evidence												
<p><b>[7] Management Review (Webpage)</b> Accessed 08/10/2019 <a href="http://www.koreaaero.com/english/company/anti_bribery_5.asp">http://www.koreaaero.com/english/company/anti_bribery_5.asp</a></p> <p><b>Corruption Perceptions Index Management</b></p> <p>The company measures the Corruption Perceptions Index with a member survey to evaluate the performance of anti-corruption activities. In order to raise awareness of the company's management policy and anti-corruption standards to its members, the anti-corruption awareness index continues to rise every year as the chart shown below.</p>  <table><thead><tr><th>Question</th><th>2018</th><th>2019</th></tr></thead><tbody><tr><td>Degree of training in anti-corruption policy</td><td>42.6%</td><td>66.3%</td></tr><tr><td>Degree of recognition of anti-corruption standards</td><td>62.6%</td><td>71.1%</td></tr><tr><td>I believe there is an unfair sector in the company</td><td>15.8%</td><td>9.8%</td></tr></tbody></table> <p><b>[27] Compliance Operating Regulation (Document)</b> Accessed 16/04/2020 <a href="http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf">http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf</a></p> <p>[p.7] 4. The Compliance Officer shall evaluate the effectiveness and validity of the compliance education and training programs and conduct a survey on the improvement if necessary.</p> <p>[p.10] Article 21 Standards and Procedures of Validation</p> <ol style="list-style-type: none"><li>1. The Board of Directors shall periodically review Compliance Operating Regulation and related systems to seek improvements on insufficient issues.</li><li>2. The Compliance Officer shall conduct self-assessment of the validity on compliance system and report the results to the Board of Directors.</li><li>3. The Board of Directors may conduct an annual evaluation of the validity of the compliance system throughout the Company, apart from the self-assessment of the Compliance Officer.</li></ol> <p>[p.11] 4. In assessing the validity, detailed review shall be made on the adequacy and effectiveness of the Compliance Operating Regulation, management system of legal risks, compliance check and reporting system, independent performance of Compliance Officer, and the penalty system for violations.</p> <p>Article 22 Follow-up measures of Validation</p> <ol style="list-style-type: none"><li>1. The Board of Directors shall establish measures for improvement on defects based on validation results. For this, the Board of Directors shall adhere to Compliance Officer's opinions.</li><li>2. The CEO shall implement improvement measures based on the validation results.</li></ol>	Question	2018	2019	Degree of training in anti-corruption policy	42.6%	66.3%	Degree of recognition of anti-corruption standards	62.6%	71.1%	I believe there is an unfair sector in the company	15.8%	9.8%
Question	2018	2019										
Degree of training in anti-corruption policy	42.6%	66.3%										
Degree of recognition of anti-corruption standards	62.6%	71.1%										
I believe there is an unfair sector in the company	15.8%	9.8%										
Question												



**3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?**
**Score**
**1**
**Comments**

There is some evidence that the company's incentive schemes for employees incorporate ethical principles. The company indicates that it incentivises its employees to comply with its ethics programme and report violations of its ethics policies.

However, in publicly available evidence, the company provides limited details on how it rewards this behavior or structures its incentives. It is also unclear whether the company uses financial rewards in high risk departments to incentivise sales and, if so, whether these rewards must be proportionate to the employee's salary.

**Evidence**
**[7] Management Review (Webpage)**

Accessed 08/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery\\_5.asp](http://www.koreaaero.com/english/company/anti_bribery_5.asp)
**Anti-Bribery Executive Review (DI035-06)**

The CEO of the company assesses the Anti-Bribery Management System through its management goals, ethics management prevention activities, and effectiveness reviews. The results of the management review are reported quarterly to the Board of Directors and the Audit Committee in accordance with the procedures set forth in the Regulations for Operation of the Board (A02-0000), Compliance Control (A02-0100), Audit Committee (C06-0000), Ethics & Compliance (A04-0000) and Ethics Committee (C03-0000).

CEO shall select outstanding Divisions or contributors who faithfully comply with compliance activities every year who devoted in preventing and reducing damages to the Company and reflect them as a reward or promotion.

**[27] Compliance Operating Regulation (Document)**

Accessed 16/04/2020

[http://www.koreaaero.com/data\\_file/2\\_1\\_Compliance\\_Operating\\_Regulation.pdf](http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf)

[p.11] Article 23. Reward for Executives and Employees

The Compliance Officer may propose a reward or promotion for those who faithfully comply with Compliance Operating Regulation to prevent or reduce damages of the Company.

**[10] Prevention Measure (Webpage)**

Accessed 01/05/2020

[http://www.koreaaero.com/english/company/anti\\_bribery\\_4.asp](http://www.koreaaero.com/english/company/anti_bribery_4.asp)
**Cyber Reporting Regulation (E02-0100)**

The company operates the reporting system and keeps the identity of the reporter confidential to protect the informant. In addition, it is prescribed not to give any disadvantages to informant employees even if they reject unethical behavior and cause financial losses to the company. The informer shall be notified of the results of the investigation and the reward shall be given according to the results of the report. The report can be provided on various channels, such as an internal internet, external homepage, telephone, mail, and direct interview. In addition to the personal information can be received anonymously as well as by real name.



Question
<b>3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?</b>
Score
<b>1</b>
Comments
<p>The company makes a public commitment to protecting whistleblowers even when it might result in a loss of business. However, there is no evidence that the company assures itself of its employees' confidence in this statement through anonymised surveys or other clearly stated means.</p>
Evidence
<p><b>[10] Prevention Measure (Webpage)</b>  Accessed 01/05/2020  <a href="http://www.koreaaero.com/english/company/anti_bribery_4.asp">http://www.koreaaero.com/english/company/anti_bribery_4.asp</a></p> <p><b>Cyber Reporting Regulation (E02-0100)</b></p> <p>The company operates the reporting system and keeps the identity of the reporter confidential to protect the informant. In addition, it is prescribed not to give any disadvantages to informant employees even if they reject unethical behavior and cause financial losses to the company. The informer shall be notified of the results of the investigation and the reward shall be given according to the results of the report. The report can be provided on various channels, such as an internal internet, external homepage, telephone, mail, and direct interview. In addition to the personal information can be received anonymously as well as by real name.</p> <p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 16/04/2020  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf</a></p> <p>[p.15] Article 35 Reporting and Taking Appropriate Measure of Violation</p> <p>35.1 When a member finds out about a violation of domestic or international laws or Codes of Conduct that may cause damage to the Company, he or she shall report to the Business Ethics &amp; Support Division Department using the phone, e-mail, and the Internet.</p> <p>35.2 Business Ethics &amp; Support Division Department shall investigate the details of the report according to the relevant procedures and reply to the informer the results, in order to ensure the identity of the informant and keep the information secret. The Business Ethics &amp; Support Division Department should also protect informants from retaliation or disadvantage for reporting.</p> <p>35.3 The company can give the informer proper rewards by evaluating the information.</p>

Question
<b>3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has a policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents. There is evidence indicating that this commitment extends to business partners of the company.</p> <p>However, there is no evidence that the company assures itself of its employees' confidence in this commitment through surveys, usage data or other clearly stated means.</p>
Evidence
<p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf</a>  [p.15] 35.2 [...] The Business Ethics &amp; Support Division Department should also protect informants from retaliation or disadvantage for reporting.</p> <p>[p.16] Article 36 Punishment of Offenders</p> <p>36.1 The company shall take disciplinary measures (maximum measure to discharge and file civil/criminal charges) against members, who violates the Code of Ethics and Compliance Laws in accordance with the employment rules and personnel regulations, and shall maintain its zero-tolerance policy.</p> <p>36.2 In the event that a member is charged with fines or damages for civil or criminal penalties in violation of this regulation and related laws, the Company shall not be responsible for the member in any case, and the member shall not be reimbursed from the Company for the fines and other damages.</p> <p>36.3 The Company shall not impose penalties such as claims for damages or disciplinary measures on its members even if the Company has been injured by the Company by refusing to engage in fraud or corruption.</p> <p><b>[11] Cyber Reporting Center (Webpage)</b>  Accessed 08/10/2019  <a href="https://www.koreaaero.com/english/company/ethical_management_4.asp">https://www.koreaaero.com/english/company/ethical_management_4.asp</a></p> <div> <div><b>Whistleblower Protection</b></div> <div> <p>KAI believes that Whistleblower protection is essential to encourage the reporting of misconduct, fraud and corruption to meet the corporate business ethics and code of conduct. Company shall fully protect reporter identity and shall not give the reporter any disadvantages caused by the report.</p> <p><b>The information shall be reported with your legal name.</b></p> </div> </div> <p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a>  [p.1] 4. We shall immediately report violations at the helpline-center when found, and the company shall fully protect the identity of the internal Whistleblower.</p> <p>[p.11] 25.0 Reporting on Prohibited activities and Protection of whistleblowers</p> <p>In the event that an employee has knowledge that the anti-corruption acts or this regulation has been violated or is suspected of being violated, all Employees shall be responsible for immediately reporting such information to the Compliance Department.</p>

The compliance department shall investigate the nature of the violation reported and the results shall be given to the reporter. The company shall fully protect the identity of the employees who report a case of suspicion or an actual violation and shall not give any disadvantage to them with respect to their employment. In addition, The Company may provide appropriate rewards for employees who report cases of violations after evaluating the contents of such reports.

[p.12] 2.0 Subject of application

The regulations shall be applied not only to all employees of the company but also to business partners who cooperate in the interests of the company.

**[10] Prevention Measure (Webpage)**

Accessed 01/05/2020

[http://www.koreaaero.com/english/company/anti\\_bribery\\_4.asp](http://www.koreaaero.com/english/company/anti_bribery_4.asp)

**Cyber Reporting Regulation (E02-0100)**

The company operates the reporting system and keeps the identity of the reporter confidential to protect the informant. In addition, it is prescribed not to give any disadvantages to informant employees even if they reject unethical behavior and cause financial losses to the company. The informer shall be notified of the results of the investigation and the reward shall be given according to the results of the report. The report can be provided on various channels, such as an internal internet, external homepage, telephone, mail, and direct interview. In addition to the personal information can be received anonymously as well as by real name.

Question
<b>3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?</b>
Score
<b>2</b>
Comments
Based on publicly available information, there is evidence that the company has whistleblowing and advice channels, including anonymous and confidential channels. The channels are available to all employees and there is evidence indicating that they are also open to business partners of the company.
Evidence
<p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf</a>  [p.2] Article 2.0 Application</p> <p>The scope of this Code shall apply to members of subsidiaries and affiliated companies, including members of the Company, and also to the trading lines.</p> <p>[p.15] Article 35 Reporting and Taking Appropriate Measure of Violation</p> <p>35.1 When a member finds out about a violation of domestic or international laws or Codes of Conduct that may cause damage to the Company, he or she shall report to the Business Ethics &amp; Support Division Department using the phone, e-mail, and the Internet.</p> <p>[p.21] Form 2 Code of Practice for Ethics between Trading Lines</p> <p>_____ vows to comply with the following while maintaining a contractual relationship with KAI in accordance with the Faithful Office:</p> <p>[...] 3. In the event that we receive a request for corruption from KAI members, we will report it to KAI Reporter Center (www.koreaaero.com) to establish a transparent and sound transaction relationship.</p> <p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a>  [p.1] Ethics &amp; Compliance Policy</p> <p>Korea Aerospace Industry (hereinafter "KAI or Company") has established "Ethics &amp; Compliance Policy" to grow a respected and trusted company based on the transparent and clean culture. This policy will be used to conduct the standard of our actions and judgments.</p> <p>[...]</p> <p>2. We shall deal fairly and transparently with all business associates such as customers, suppliers, partners and agencies and shall not deal improper advantages and bribery.</p> <p>[...]</p> <p>4. We shall immediately report violations at the helpline-center when found, and the company shall fully protect the identity of the internal Whistleblower.</p>

[p.11] 25.0 Reporting on Prohibited activities and Protection of whistleblowers

In the event that an employee has knowledge that the anti-corruption acts or this regulation has been violated or is suspected of being violated, all Employees shall be responsible for immediately reporting such information to the Compliance Department.

The compliance department shall investigate the nature of the violation reported and the results shall be given to the reporter. The company shall fully protect the identity of the employees who report a case of suspicion or an actual violation and shall not give any disadvantage to them with respect to their employment. In addition, The Company may provide appropriate rewards for employees who report cases of violations after evaluating the contents of such reports.

[p.12] 2.0 Subject of application

The regulations shall be applied not only to all employees of the company but also to business partners who cooperate in the interests of the company.

**[10] Prevention Measure (Webpage)**

Accessed 01/05/2020

[http://www.koreaaero.com/english/company/anti\\_bribery\\_4.asp](http://www.koreaaero.com/english/company/anti_bribery_4.asp)

## Cyber Reporting Regulation (E02-0100)

The company operates the reporting system and keeps the identity of the reporter confidential to protect the informant. In addition, it is prescribed not to give any disadvantages to informant employees even if they reject unethical behavior and cause financial losses to the company. The informer shall be notified of the results of the investigation and the reward shall be given according to the results of the report. The report can be provided on various channels, such as an internal internet, external homepage, telephone, mail, and direct interview. In addition to the personal information can be received anonymously as well as by real name.

**[11] Cyber Reporting Center (Webpage)**

Accessed 08/10/2019

[https://www.koreaaero.com/english/company/ethical\\_management\\_4.asp](https://www.koreaaero.com/english/company/ethical_management_4.asp)

## Cyber Reporting Center

Korea Aerospace Industries Ltd. ("KAI") recognizes the core values for customer satisfaction and corporate ethical management, and continues to make an effort to be fair and transparent enterprises with integrity to be a global leading aerospace company.

### Reporting Unethical Behavior

- Fraud and Corruption by employees
- Improper use of company property
- Using corporate information for personal profit
- Proposal unreasonable practices of employees or company
- Illegal or Unfair treatment for duties
- Others

### Whistleblower Protection

KAI believes that Whistleblower protection is essential to encourage the reporting of misconduct, fraud and corruption to meet the corporate business ethics and code of conduct. Company shall fully protect reporter identity and shall not give the reporter any disadvantages caused by the report.

**The information shall be reported with your legal name.**

### How to Report

- Email : [kaicompliance@koreaaero.com](mailto:kaicompliance@koreaaero.com)
- Phone : 82-55-851-1140/0935
- FAX : 82-55-851-0897
- Address : **Business Audit & Improvement Team**  
78, Gongdan 1-ro, Sanam-myeon, Sacheon,  
Gyeongsangnam-do, KOREA

Cyber Report Now

The response of your report will be provided as soon as possible via e-mail or telephone upon your request after verifying the facts.

Subject	<input type="text"/>
Name	<input type="text"/>
Phone Number	<input type="text"/> - <input type="text"/> - <input type="text"/>
E-mail	<input type="text"/> @ <input type="text"/>
Comments	<div></div>

SEND

Consultation on Sexual Harassment, Bullying in Workplace, and other concerns

- Person in charge : Head of Human Resources Management Team
- Phone : +82-55-851-2855
- Email : shpark@koreaaero.com

Consultation on Ethics & Compliance, Compliance Support

- Division in charge : Head of Legal Affairs Team(Compliance Officer)
- Phone : +82-55-851-1017
- Email : sc44.ubk@koreaaero.com



## 4. Conflict of Interest

Question
<b>4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has a policy which covers actual conflicts of interest. The policy covers employee relationships and other employment. There is evidence the policy applies to all employees and board members.</p> <p>However, in publicly available evidence, the company does not refer to potential or perceived conflicts, nor does it clearly cover conflicts associated with financial interests and government relationships.</p>
Evidence
<p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf</a></p> <p>[p.2] Article 1.0 Purpose  The following Code of Conduct for Ethics (COC) shall be followed by members of the Company in performing their duties on a basis that is required both internally and externally under the provisions of the Code of Ethics.</p> <p>Article 2.0 Application  The scope of this Code shall apply to members of subsidiaries and affiliated companies, including members of the Company, and also to the trading lines.</p> <p>[p.4] Article 8.0 Member Recruitment Procedure</p> <p>8.1 In order to carry out the recruitment of members in a transparent and fair manner, the following paragraphs shall be observed:  a) A member shall not exercise unfair influence, such as ordering his or her family or relatives to be hired.</p> <p>[p.11] Article 23 Restrictions on Sideline activities</p> <p>23.1 Since a member is obliged to do his or her best in the Company, he or she shall not engage in double or side-work that may interfere with the company's operations as described in the following paragraphs.</p> <p>a) Double employment (including part time) as a member of another company, or an actual operation of a company, even if it is under the name of another person, such as a family member.</p> <p>b) Violation of the law by lending technical certificates to another company at random.</p> <p>23.2 In the event of a need for a double-time or a side job, such as for help in a job or for enhancing the company's image, the Head of Department and Personnel Department should be approved in advance. (Except the Company approval for concurrent businesses that do not involve services, such as property rental business registration)</p> <p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a></p> <p>[p.9] 20.0 Employment procedures</p>

[...]

The company shall not provide improper preferential hiring and improper treatment to an employee during working.

**[2] Anti-bribery Policy (Webpage)**

Accessed 08/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery.asp](http://www.koreaaero.com/english/company/anti_bribery.asp)**Code of Conduct (A 04–0100)**

The Code of Conduct is applicable not only to executives and employees, but also to the Board of Directors, related companies, business partners, and trading contractors. Under the Code of Conduct, all employees involved in the Company shall comply with the Company's regulations for transparent management and fair business, including the Korea Anti-Corruption Act, the Fair Trade Act, the Labor Standards Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act etc... In addition, the company applies zero tolerance principle, even if an act is done by social practice, in the event of violation of laws and regulations.

[...]

**5) Conflict of Interest**

Employees cannot conclude voluntary contract with companies operated by someone, who is associated with conflicts of interest. If a company, subject to conflict of interest, has made a bid, the related employee will not be able to participate in the evaluation or review of the contract. In addition, when an employee finds out about the bidding of a private stakeholder, he or she shall report the bidding to the respective department manager immediately, and the manager of the department shall exclude the members from the relevant work and keep the relevant records.

**Regulations for Employment Management (F01–1400)**

The new personnel shall be recruited after screening disqualification status from defense project and restriction from employment of civil servants in accordance with the National Civil Service Act, the Defense Industry Security Act, and the ethics committee of public officials. In addition, the company conducts blind interviews to exclude conflicts of interest, such as schools, regions, and relatives, for fair and transparent recruitment. Personnel, who are confirmed to be employed, shall understand and agree to comply with the company's ethics compliance policy and pledge to be hired and prosecuted in the event of violation of national laws and regulations.

Question
<b>4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is some evidence that the company has procedures in place to deal with conflicts of interest in certain instances.</p> <p>However, the evidence is incomplete regarding a broader policy or set of procedures in place to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts, across all areas of its operations.</p>
Evidence
<p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf</a></p> <p>[p.5] e) In the event of a personal interest between an employment auditor and an applicant, the employment auditor shall report it to the Director of Personnel and the Director of Personnel shall exclude the employee from the reviewer and record and maintain the information.</p> <p>[p.11] Article 23 Restrictions on Sideline activities</p> <p>[...]</p> <p>23.2 In the event of a need for a double-time or a side job, such as for help in a job or for enhancing the company's image, the Head of Department and Personnel Department should be approved in advance. (Except the Company approval for concurrent businesses that do not involve services, such as property rental business registration).</p> <p>[p.12] Article 26 Restrictions on Contracts with Private Stakeholders</p> <p>26.1 Job-related persons shall not enter into a private contract directly with a company operated by a private stakeholder.</p> <p>26.2 If a company operated by a private stakeholder has submitted a bid, the interested member shall not participate in the review or evaluation of the contract. If a stakeholder's bid is known, he or she shall report it voluntarily to the head of the responsible team, and the head of the responsible team shall temporarily exclude the member from the related work and maintain the records.</p> <p><b>2] Anti-bribery Policy (Webpage)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p>5) Conflict of Interest  Employees cannot conclude voluntary contract with companies operated by someone, who is associated with conflicts of interest. If a company, subject to conflict of interest, has made a bid, the related employee will not be able to participate in the evaluation or review of the contract. In addition, when an employee finds out about the bidding of a private stakeholder, he or she shall report the bidding to the respective department manager immediately, and the manager of the department shall exclude the members from the relevant work and keep the relevant records.</p>

Question
<b>4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?</b>
Score
<b>1</b>
Comments
Based on publicly available information, there is some evidence that the company conducts some screening of civil servants before employment. However, there is no evidence that the company has a specific policy regulating the employment of current or former public officials.
Evidence
<p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p><b>Regulations for Employment Management (F01–1400)</b></p> <p>The new personnel shall be recruited after screening disqualification status from defense project and restriction from employment of civil servants in accordance with the National Civil Service Act, the Defense Industry Security Act, and the ethics committee of public officials. In addition, the company conducts blind interviews to exclude conflicts of interest, such as schools, regions, and relatives, for fair and transparent recruitment. Personnel, who are confirmed to be employed, shall understand and agree to comply with the company's ethics compliance policy and pledge to be hired and prosecuted in the event of violation of national laws and regulations.</p> <p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf</a></p> <p>[p.4] Article 8.0 Member Recruitment Procedure</p> <p>8.1 In order to carry out the recruitment of members in a transparent and fair manner, the following paragraphs shall be observed:</p> <p>a) A member shall not exercise unfair influence, such as ordering his or her family or relatives to be hired.</p> <p>b) Before hiring personnel, the Human Resources Department should identify whether they are subject to employment restrictions, such as cases of violations in ethics, compliance and security, and whether they are legitimate or not.</p> <p>[p.5] c) Members shall understand and agree to comply with the Company's ethics compliance policy before establishing an employment contract (Form 1. Use of the Code of Ethics and Compliance).</p> <p>d) In the event of a personal interest between an employment auditor and an applicant, the employment auditor shall report it to the Director of Personnel and the Director of Personnel shall exclude the employee from the reviewer and record and maintain the information.</p>

Question
<b>4.4. Does the company report details of the contracted services of serving politicians to the company?</b>
Score
<b>2</b>
Comments
There is evidence that the company publishes a statement that it does not enter into contractual relationships with current or serving politicians in the conduct of business.
Evidence
<p><b>[32] Anti-Bribery Transparent Business – Updated Feb 2021 (Webpage)</b>  Accessed 05/02/2021  <a href="https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx">https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx</a>  Regarding contract/serving politicians  As a defense company, KAI do not make any contractual relationship with politicians. Not only politicians but also those who were in public office cannot sign with the company and there are restrictions on contracting even after they retire from work. When meeting a member of the National Assembly, politicians, officials, governors, the company follows the guideline set by The Improper Solicitation and Graft Act. When serving food, it is not allowed to provide food costs more than \$30. In case of gift, it is \$50. If the company is the host in the event, food and gift in total shall not exceed \$50.</p>

## 5. Customer Engagement

### 5.1 Contributions, Donations and Sponsorships

Question
<b>5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?</b>
Score
<b>2</b>
Comments
Based on publicly available information, the company publishes a clear statement that it prohibits corporate political contributions. There is evidence to indicate that this policy applies to donations of any kind, and that it applies to all employees and divisions across the group.
Evidence
<p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a>  Code of Conduct (A 04-0100)</p> <p>[...]</p> <p>4) Limit of Contributions  The company does not allow political donations in accordance with the company's Contribution Regulation (105-0000). In case of charity donation, the compliance officer shall check for status of violation and approved by the board of directors before the final execution carries out.</p> <p><b>[12] Ethical Management (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/ethical_management_2.asp">http://www.koreaaero.com/english/company/ethical_management_2.asp</a>  Code of Conduct for Ethics &amp; Compliance</p> <p>[...]</p> <p><b>6. Donation</b>  – Donations to politics related are not allowed, and charitable giving shall only take place within registered national institution.</p> <p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf</a>  [p.10] Article 21 Limit of Donations</p> <p>Donations related to politics in the name of the Company are not allowed, and donations to charities should also be made to identify the following issues and carried out in accordance with the donation rules [...].</p> <p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a>  [p.8] 17.0 Political Participation  All employees shall take notice of political activities such as:</p>



17.1 Employee's political participation and representation are respected. However, It should not be misunderstood as the company's political opinion.

17.2 The Company prohibits illegal contributions, funds or services, directly or indirectly, to political parties or candidates.

17.3 The Company prohibits using organizations and goods including employee work time for political purposes within the company.

[p.9] 19.0 Limitations of providing and receiving anything of value

All employees shall not directly or indirectly provide, receive, suggest, promise, approve any gratuities, bribery, kickbacks, gifts, business courtesies, hospitality, travel expenses, facilitating payments, political contributions or lecture fees etc. to or from a client or other third party in order to acquire improper profits. Nevertheless, providing and receiving activity of value in work shall be allowed within "Practice Standards for ethics and compliance (A -04-01)" or the code of conduct or the law in each company or country.

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
N/A
Comments
The company states that it does not make political contributions and therefore it is exempt from scoring on this question.
Evidence
No evidence found.

Question
<b>5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has a policy covering both charitable donations and sponsorships. The company's policy includes specific criteria and procedures for donations. However, the company receives a score of '1' because there is no evidence that it publishes full details of its charitable donations, such as name, amount and country of each recipient entity.</p>
Evidence
<p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf</a></p> <p>[p.8] Article 16 Payment of Offering for Events  16.1 The sponsorship of cash, wreaths, goods, and transportation shall not be provided for the Company events such as picnic, and sports competition. If money and other goods are received, it shall be returned immediately.  16.2 A Trading lines should not be present at events such as departmental units or unofficial clubs except official events (such as Foundation Day Anniversary) of the company and headquarters.</p> <p>[p.9] 16.3 An event-related notice shall not be made to a trading company as follows:  a) Requiring posting on in-house bulletin boards of trading companies.  b) Delivering an unauthorized event notice to the Company to the trading line.  16.4 When an event is made to a trading line, it shall be notified that it does not accept any consignment items so that receiver does not feel discomfort.  16.5 In the name of the Company or its representative, the General Affairs Department shall take actions when a wreath within the allowable range of "No Corruption Claims Act" is provided to a trading line.</p> <p>[p.10] Article 21 Limit of Donations</p> <p>Donations related to politics in the name of the Company are not allowed, and donations to charities should also be made to identify the following issues and carried out in accordance with the donation rules:</p> <p>21.1 Whether a charity is a legitimate organization (A legal donor organization registered with a state agency or designated donor organization.)</p> <p>21.2 Whether the charitable giving is of a political nature or does not exceed the limit of the law</p> <p>21.3. Whether donations from charities are not used as channels for money laundering</p> <p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 08/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a></p> <p>[p.4] 6.0 Social Contribution</p> <p>The company shall pursue cooperative developments with the local community based on our role and obligations.  6.1 The company shall create employment opportunities from management activities of the corporate sustainability and fulfill responsibilities and obligations by the payment of taxes.  6.2 The company shall encourage wholesome corporate social responsibility and active participation in community service, disaster relief and enlightenment of society.  6.3 The company shall perform social responsibility and strive for the area of development.</p> <p><b>[2] Anti-bribery Policy (Webpage)</b></p>

Accessed 09/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery.asp](http://www.koreaaero.com/english/company/anti_bribery.asp)

Code of Conduct (A 04-0100)

[...]

#### 4) Limit of Contributions

The company does not allow political donations in accordance with the company's Contribution Regulation (105-0000). In case of charity donation, the compliance officer shall check for status of violation and approved by the board of directors before the final execution carries out.

### [12] Ethical Management (Webpage)

Accessed 09/10/2019

[http://www.koreaaero.com/english/company/ethical\\_management\\_2.asp](http://www.koreaaero.com/english/company/ethical_management_2.asp)

Ethics & Compliance Policy

05

#### Social contribution activities

The company will pursue harmonious development with the local community and faithfully fulfill its roles and duties.

[...]

Code of Conduct for Ethics & Compliance

[...]

#### 3. Supporting event

– Employees must not be provided with cash, garlands, or other items for company events such as picnics, sports, etc.

[...]

#### 6. Donation

– Donations to politics related are not allowed, and charitable giving shall only take place within registered national institution.

### [4] Mission (Webpage)

Accessed 09/10/2019

<http://www.koreaaero.com/english/company/mission.asp>

#### Social responsibility



Being a social being, KAI seeks out maximizing the profit and at the same time should comply with corporate ethics, make every effort for Win-Win business development with partners, and ultimately carry out its social contribution activities in proactive manner.

## [14] Social Responsibility (Webpage)

Accessed 09/10/2019

[http://www.koreaaero.com/english/company/social\\_responsibility.asp](http://www.koreaaero.com/english/company/social_responsibility.asp)

### ■ Social Responsibility

# SOCIAL RESPONSIBILITY

Korea Aerospace Industries LTD. strives to make a healthy society in which everyone lives altogether by practicing sharing pleasure and sharing happiness to perform its social responsibilities and create the ample future of mankind.

#### Aviation Camp

1. Operation of an experience learning hall
  - Set-up of the experiment & practice-centered experience space.
  - Enlargement of the teacher and student beneficiaries.
2. Diversification of programs
  - Linkage to aerospace experience programs.
  - Implementation of movable camps.

#### Innovative support for the military

1. Implementation of innovative change education
  - Operation the GB course for the army, navy and air force.
  - Implementation of innovative special lectures for commanding officers.
2. Support for establishing an innovative system
  - Conclusion of the agreements for innovative support.
  - Discovery and promotion of joint tasks.



#### KAI Social Service Organization

1. Support for welfare
  - Support for life and self-reliance of the disadvantaged.
  - Support for 'villages' long-cherished projects.
  - Sharing relay (bread and kimchi making for the winter, heating kit, etc)
2. Culture/environment volunteering activity
  - Talent donation (performances, portrait of the deceased-taking)
  - Support for traditional culture inheritance
  - Environment-purifying activity
3. Education support
  - Talent training/scholarship program
  - Sponsoring for children center choirs
4. Global overseas volunteering

#### Support for education for vendors

1. Beef-up of vendor's innovative abilities
  - Education for the vendor's representatives and cultivation of specialists.
  - Support for custom-made innovation for the vendors.
2. Enhancement of the vendor's technological abilities
  - Cultivation of professional technology manpower
  - Beef-up of the expedite system and infrastructure

#### Aviation Camp

As part of the company's knowledge, experience and space-sharing movement, the KAI Aviation Camp is a training program which provides opportunities which teachers and students are able to experience and feel in person in the fronts the math and science theories which are applied in the real aerospace field. Through the KAI's Aviation Camp, also a knowledge-sharing activity, those teachers and students are capable of getting access to math and science in an easier and more exiting way and stepping further resolving the student's phenomenon for being reluctant to enter schools of natural science and engineering.



#### KAI Social Service Organization

KAI launched a "KAI Social Service Organization" to be borne into a company which fulfills a social responsibility beyond the limit of its profit-seeking. Via the voluntary donation and participation of the executives and staff of the company, KAI tries to grow to be a stout partner of our neighbors.



### Support for the military's innovative activities

In order to reinforce the national defense capabilities via the military's own innovative activities, KAI provides sustainable education support by grasping the demand for innovation of the army/navy/air force and dispatches its experts upon the guidance of the 6 Sigma tasks and the evaluation of the innovative military's own special lecture tasks for the officials.



### Support for vendor's education

As part of growth-sharing with both the large and small and mid-sized enterprises in the Korean aerospace industry, KAI supports for small and medium vendors which are difficult to complete investment and an education system on their own, including offering technology education to vendor manpower and support for text publication, etc.



## [29] Welfare Organization Sponsorship (Webpage)

Accessed 04/05/2020

<http://kaisocialservices.com/kor/index.php?pCode=periodicsup>

### 정기지원

☐ 관내 복지기관을 대상으로 정기적인 후원 및 봉사활동 전개

.. 아동복지센터, 복지기관/재단, 다문화 센터 23곳 후원

.. 지자체 복지와 협력 하에 검증된 복지기관, 지원이 열악한 복지기관 선정 후원

구분	복지기관 현황	개수	지원금	지원시기
복지재단	합심원, 삼소원, 신아원, 노인복지회관, 진주 복지원, 행복한 집, 내일을 여는 길, 사천시 자활센터, 평생학교, 장애인종합복지관	10	년간 6백만원	- 구정 3백만원 - 추석 3백만원
아동복지센터	두레공부방, 하늘바라기공부방, 창대공부방, 두랑공부방, 방주아동센터, 꿈생공부방, CMS아동센터, 호산나그들홈, 까치둥지, 사천청소년수련원, 황금수레(산청)	11		매월 50만원
다문화센터	사천시 다문화통합지원센터(사천지역), 사천시 다문화 가족센터 (삼천포 지역)	2		5월 일시금(세계인의 날)
합계		21	-	-

## Translation :

### Regular support

☐ Regular sponsorship and volunteer activities for welfare centers

.. Sponsored 23 child welfare centers, welfare institutions / foundations, and multicultural centers

.. Sponsored by selected welfare institutions and poorly supported welfare institutions in cooperation with local government welfare

division	Welfare Institution Status	Count	Subsidy	When to apply
Welfare Foundation	Hapsimwon, Samsowon, Shin Aewon, Senior Welfare Center, Jinju Welfare Center, Happy House, House Opening Tomorrow, Sacheon Self-Support Center, Lifelong School, Disabled Welfare Center	10	6 million won per year	- Lunar New Year 3 million won - Chuseok 3 million won
Child welfare center	Durre Study Room, Heavenly Hope Study Room, Changdae Study Room, Duryang Study Room, Ark Children's Center, Dream Sam's Study Room, CMS Children's Center, Hosanna Group Home, Maggie Nest, Sichuan Youth Training Center, Golden Wagon (Sancheong)	11		500,000 won per month
Multicultural Center	Sacheon City Multicultural Integration Support Center (Sacheon Area), Sacheon City Multicultural Family Center (Samcheonpo Area)	2		May lump sum (World People's Day)
Sum		21	-	-



## 5.2 Lobbying

Question
<b>5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?</b>
Score
<b>1</b>
Comments
<p>There is evidence that the company publishes a statement to indicate that it does not engage in lobbying activities or employ lobbyists in the conduct of business, in accordance with relevant laws in Korea.</p> <p>The company receives a score of '1' because it is not clear from publicly available information whether this approach also applies to any lobbying activities conducted in other jurisdictions. There is no publicly available evidence that the company publishes a clear policy to regulate its lobbying activities in other jurisdictions, nor does it publish a statement to indicate that it does not lobby outside Korea.</p>
Evidence
<p><b>[32] Anti-Bribery Transparent Business – Updated Feb 2021 (Webpage)</b>  Accessed 05/02/2021  <a href="https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx">https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx</a>  Regarding the Lobby  According to The Improper Solicitation and Graft Act in ROK, the company does not support or work with lobbyists whose nationality does not only include Korean but foreign, nor is involved in any lobbying. The company is well aware that lobbying is strictly illegal and does not attempt in contacting lobbyists in any way.</p> <p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p><b>1) Political and Lobbying Activities</b>  The Republic of Korea strictly restricts the provision of solicitation (lobbies) and money to government officials and journalists under the Korea Anti-Corruption Act. Also the company strictly restricts political and soliciting (lobbies) activities of executives and employees in accordance with the company Regulation for Ethics and Compliance (A 04-0000).</p> <p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a></p> <p>[p.1] Ethics &amp; Compliance Policy  Korea Aerospace Industry (hereinafter "KAI or Company") has established "Ethics &amp; Compliance Policy" to grow a respected and trusted company based on the transparent and clean culture. This policy will be used to conduct the standard of our actions and judgments.</p> <p>[...]</p> <p>2. We shall deal fairly and transparently with all business associates such as customers, suppliers, partners and agencies and shall not deal improper advantages and bribery.</p> <p>[p.8] 17.0 Political Participation  All employees shall take notice of political activities such as:  17.1 Employee's political participation and representation are respected. However, It should not be misunderstood as the company's political opinion.  17.2 The Company prohibits illegal contributions, funds or services, directly or indirectly, to political parties or candidates.  17.3 The Company prohibits using organizations and goods including employee work time for political purposes within the company.</p> <p>[p.12] 2.0 Subject of application</p>

The regulations shall be applied not only to all employees of the company but also to business partners who cooperate in the interests of the company.

Question
<b>5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?</b>
Score
N/A
Comments
<p>There is evidence that the company publishes a statement to indicate that it does not engage in lobbying activities or employ lobbyists in the conduct of business, in accordance with relevant laws in Korea. Since this statement applies to the main jurisdiction in which the company operates, it is exempt from scoring on this question; though it is noted that it is not clear from publicly available information whether the company conducts lobbying in other jurisdictions outside of Korea.</p>
Evidence
<p><b>[32] Anti-Bribery Transparent Business – Updated Feb 2021 (Webpage)</b>  Accessed 05/02/2021  <a href="https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx">https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx</a>  Regarding the Lobby  According to The Improper Solicitation and Graft Act in ROK, the company does not support or work with lobbyists whose nationality does not only include Korean but foreign, nor is involved in any lobbying. The company is well aware that lobbying is strictly illegal and does not attempt in contacting lobbyists in any way.</p> <p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p><b>1) Political and Lobbying Activities</b>  The Republic of Korea strictly restricts the provision of solicitation (lobbies) and money to government officials and journalists under the Korea Anti-Corruption Act. Also the company strictly restricts political and soliciting (lobbies) activities of executives and employees in accordance with the company Regulation for Ethics and Compliance (A 04-0000).</p>

Question
<b>5.2.3 Does the company publish full details of its global lobbying expenditure?</b>
Score
N/A
Comments
<p>There is evidence that the company publishes a statement to indicate that it does not engage in lobbying activities or employ lobbyists in the conduct of business, in accordance with relevant laws in Korea. Since this statement applies to the main jurisdiction in which the company operates, it is exempt from scoring on this question; though it is noted that it is not clear from publicly available information whether the company conducts lobbying in other jurisdictions outside of Korea.</p>
Evidence
<p><b>[32] Anti-Bribery Transparent Business – Updated Feb 2021 (Webpage)</b>  Accessed 05/02/2021  <a href="https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx">https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx</a>  Regarding the Lobby  According to The Improper Solicitation and Graft Act in ROK, the company does not support or work with lobbyists whose nationality does not only include Korean but foreign, nor is involved in any lobbying. The company is well aware that lobbying is strictly illegal and does not attempt in contacting lobbyists in any way.</p> <p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p><b>1) Political and Lobbying Activities</b>  The Republic of Korea strictly restricts the provision of solicitation (lobbies) and money to government officials and journalists under the Korea Anti-Corruption Act. Also the company strictly restricts political and soliciting (lobbies) activities of executives and employees in accordance with the company Regulation for Ethics and Compliance (A 04-0000).</p>

### 5.3 Gifts and Hospitality

Question
<b>5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has a policy and procedure on the giving and receipt of gifts and hospitality. The policy specifies financial limits for different types of promotional expenses and it addresses the risks associated with gifts and hospitality given to public officials.</p> <p>However, there is no clear publicly available evidence that all gifts and hospitality are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process.</p>
Evidence
<p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf</a>  [p.6] Article 12 Prohibition of Receiving and Providing Money and Goods</p> <p>12.1 Members shall comply with relevant laws, including the National and Foreign Corrupt Practices Act such as US FCPA and Bribery Act, the Fair Trade Act and the Labor Standards Act (hereinafter "No Corruption Claims Act."), to ensure managerial transparency and fair competition.</p> <p>12.2 A member or his or her family shall not give, receive, or make an appointment directly or indirectly to the customer or the merchant for the purpose of suspected bribery or bribery. The principle of zero tolerance shall be applied if an act made by social or business practices violates laws and regulations.</p> <p>12.3 The following subsections do not include any other goods prohibited in Article 12.1:</p> <ul style="list-style-type: none"> <li>a) Money and other goods given to a subordinate for the purpose of consolation, contest, and reward.</li> <li>b) Money, food, tours, and gifts provided for the purpose of smooth job performance and social or ritual assistance as defined in [Permitted range of monetary items described in Attachment 1].</li> <li>c) Money and other goods provided on a legitimate authority, such as the performance of a debt due to a private transaction.</li> <li>d) Money and other goods provided by relatives of members regardless of their duties.</li> <li>e) Money and other goods provided to members according to the standards set by the employee association, fraternity, religious and social organizations, and those who have long-term and lasting friendships provide to those in need due to illness or disaster.</li> <li>f) In official events relating to duties, such as transportation, accommodation, and food provided uniformly to the participants by the Organizer under social norms.</li> <li>g) A souvenir or promotional item for distribution to an unspecified number of people, or a reward or prize received through contest.</li> <li>h) Other items that are allowed under social norms.</li> <li>i) In case of an inevitability, such as critical management risk, personal risk, and natural disasters.</li> </ul> <p>12.4 No prize money, such as gifts, convenience, entertainment, travel and tribute expenses, shall be given or received by any trading line other than Article 2. If it is received regardless of his or her will, it must be returned immediately and report to the Business Ethics &amp; Support Division Department.</p> <p>Article 13 Sortation of Gifts and Bribes</p>

A "Gift" means a simple item provided as a token of sincerity, and a "bribe" means unjustifiable money and other goods provided for the purpose of receiving any payment or favor. The extent to which a gift can be provided and received shall be in accordance with Article 12.3 of this

[p.8] Code.

[...]

#### Article 15 Travel Expenses

15.1 It shall not provide or receive excessive travel expenses to the customer or business related person concerned. In case of exceptions to the provision and receipt of travel expenses are as follows.

- a) It is possible to receive and accept food, accommodation, and transportation with the approval of the manager within the scope of Article 12.3 of this Code for smooth job performance.
- b) When the provision is made according to the pre-contract, travel expenses are provided at the actual cost level.

15.2 Spouse or family travel expenses shall not be provided and received without a prior approval.

[p.9] Article 17 Limit of Trading Line Hospitality

17.1 Members shall comply with the scope of Article 12.3 of this Code when they provide or receive meals or other entertainment to the customer.

17.2 If a member is inevitably entertained beyond the scope of Article 12.3 by a subcontractor, he or she shall be returned at the Company (party) or personal expense.

17.3 The meals and entertainment of ordinary expenses between trading lines shall not be provided or received repeatedly.

[p.14] Article 31 Prohibited use of Budget without Purpose

31.1 A member shall account for all costs, benefits, entertainment expenses, travel expenses, contributions and external lectures in accordance with domestic and international legislation and international standards for the purpose of the budget, and obtain prior approval from the Accounting Department if any expenditure exceeds the accounting limit or is not eligible for an account is expected.

31.2 A member shall not use the budget for his or her work activities, such as travel expenses and work support expenses, for purposes other than that.

31.3 A member shall not submit a receipt different from the actual place of use when handling expenses. In case of loss of the receipt, the member shall reissue the receipt from the subcontractor and report it.

31.4 The Accounting Management Department shall receive a periodic audit of accounting from an external accounting firm every year and maintain and disclose accounting records.

#### Article 32 Prohibit Use of Random Profits

32.1 A small amount of miscellaneous income generated by the Company (such as gifts, scraps, surplus goods, and sales of recyclables) shall not be used at random by an individual or a department, but shall be credited to the Company.

[p.18] Attachments 1

#### Permitted Range of Money and other Goods



sortation	details	permitted range
External lecture	Receive Membership Fees	<ul style="list-style-type: none"> <li>• 400,000 won per hour/ case, 1 hour and up to 600,000 won</li> <li>• A maximum of 4 hours per week for work hours and paid classes (Mandatory use of annual leave in excess)-Exception of free lectures, such as business partners and community development</li> <li>• Transportation expenses / accommodation expenses can be collected separately.</li> <li>• No limits or time limit for implementation in accordance with company contract and agreement.</li> </ul>
	Offering External Lectures to Government Officials/ Pressers	<ul style="list-style-type: none"> <li>• Compliance with "No Corruption Claims Act."</li> </ul>
	Provide Lectures for Non-Government Employees/Media Personnel	<ul style="list-style-type: none"> <li>• Comparative estimate (market price)</li> </ul>
Gift	Receiving and Providing Gifts	<ul style="list-style-type: none"> <li>• Within 50,000 won (100,000 won for agricultural and marine products and their processed goods)</li> </ul>
Food and Drink	Receiving and – Providing Food and Drink	<ul style="list-style-type: none"> <li>• A person per 30,000 won / once per 30,000 won</li> </ul> <p>Exceptions for official events</p>
[p.19]		
Convenience	Receiving and Providing Transportation and Accommodation Expenses	<ul style="list-style-type: none"> <li>• Within 50,000 won (dual offer/not accepted between trading lines)</li> </ul> <p>In the case of official events, they can be handled with actual expenses</p>
Tribute Fee and Wreath	Handling Company Expenses	<ul style="list-style-type: none"> <li>• Unable to support Tribute Fee</li> <li>• Able to receive and offer wreaths (within 100,000 won), submission processing to the General Affairs Department</li> </ul>
	Personal Expense	<ul style="list-style-type: none"> <li>• Receipt and provision of costs under social norms (In the case of public officials, they are paid under the No Corruption Claims Act)</li> </ul>

- 1) No money or gifts are provided or received by direct officials of the job (Screening and evaluation staff).
- 2) Gifts, food, convenience, and tribute fees among members can be at a normal level without separate criteria.
- 3) The purpose, cost, and name of the official event shall be notified (opened) to the other party prior to the event by the in-house item and official letter/email/public relations channel. Detailed interpretation of official events applies the Enforcement Decree of the No Corruption Claims Act.

[p.21] Form 2 Code of Practice for Ethics between Trading Lines

\_\_\_\_\_ vows to comply with the following while maintaining a contractual relationship with KAI in accordance with the Faithful Office:

[...]

2. We will not pay, receive, or promise you anything, such as improper gifts, money, entertainment, entertainment, entertainment, express or tribute fees.

#### [12] Ethical Management (Webpage)

Accessed 09/10/2019

[http://www.koreaaero.com/english/company/ethical\\_management\\_2.asp](http://www.koreaaero.com/english/company/ethical_management_2.asp)

Code of Conduct for Ethics & Compliance

[...]

##### \* Trade-related compliance management

##### 1. Anti-Bribery and Acceptance

– Employees must not directly or indirectly accept bribes or bribers for suspected purposes, or make such promises. Even actions performed by social or business practices can not be immune from liability if they violate laws and regulations.

\*Foods(30,000 won), Gifts (50,000 won), Farm products(100,000 won), Family events expenses (50,000 won) or Flowers of family events (100,000 won) are allowed under the anti-forgiving law of Korea

##### 2. Business travel expenses

– Do not overcompensate or overspend travel expenses to the customer or to a person in charge of duty.

##### 3. Supporting event

– Employees must not be provided with cash, garlands, or other items for company events such as picnics, sports, etc.

##### 4. Entertainment

– When providing or receiving meals or activities, the amount must be within the Social concept limit through business meetings with business partners.

#### [5] Regulation for Ethics & Compliance (Document)

Accessed 09/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/Regulation\\_for\\_ethics\\_and\\_compliance\\_ENG.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf)

[p.8] 15.2 Gifts between employees can be provided according to “Practice Standards for ethics and compliance (A -04-01)”.

[p.9] 19.0 Limitations of providing and receiving anything of value

All employees shall not directly or indirectly provide, receive, suggest, promise, approve any gratuities, bribery, kickbacks, gifts, business courtesies, hospitality, travel expenses, facilitating payments, political contributions or lecture fees etc. to or from a client or other third party in order to acquire improper profits. Nevertheless, providing and receiving activity of value in work shall be allowed within “Practice Standards for ethics and compliance (A -04-01)” or the code of conduct or the law in each company or country.

[p.11] 24.0 Accurate accounting and records

All Employees shall account all payments in accordance with the International Financial Reporting Standards when accounting for such gifts, business courtesies, hospitality, donations, Lecture fee etc. If the cost of the expenditure or receipt exceeds the company's policy or the national law, it shall be reported to the compliance department and shall be checked for validity. For contracts engaged with a government entity, the company is committed to be in compliance with the National Contracting Laws, Defense Program Regulations, and US False Claims / Statements

Act. The company applies accounting and costs in accordance with the regulations set by the government and must make sure that there are no fraudulent claims. When serving as a prime contractor, the Company also has the burden of ensuring that their subcontractors are not submitting a fraudulent claim that results in a false statement to the government.

**[2] Anti-bribery Policy (Webpage)**

Accessed 09/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery.asp](http://www.koreaaero.com/english/company/anti_bribery.asp)

Code of Conduct (A 04-0100)

[...]

**3) Offering Lecture Fees, Gifts, and Accommodation**

For transparent transactions between trading companies, according to the Korea Anti-Corruption Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act, the company prohibits inter-trade solicitation or acceptance(or providing) of money. In particular, lecture fees, gifts, greeting money, accommodation, etc... are prescribed within the scope of the national statutes. In accordance with the Korea Anti-Corruption Act, the provision of lecture fees, gifts and accommodation to public officials or journalists is conducted after review by a compliance officer appointed by the Board of Directors.

## 6. Supply Chain Management

Question
<b>6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company's procurement department is responsible for the establishment of supplier relationships.</p> <p>However, based on public evidence, it is not clear that the procurement department is the main body responsible for oversight of the company's supplier base. There is also no evidence that the company assures itself of the procurement department's involvement at least every three years.</p>
Evidence
<p><b>[24] Practices for selecting and operating partner companies (document)</b>  Accessed 11/12/2019  <a href="http://www.koreaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8002_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%ED%98%91%EB%A0%A5%EC%82%AC_%EC%84%A0%EC%A0%95_%EC%9A%B4%EC%9A%A9_DI742-32.pdf">http://www.koreaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8002_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%ED%98%91%EB%A0%A5%EC%82%AC_%EC%84%A0%EC%A0%95_%EC%9A%B4%EC%9A%A9_DI742-32.pdf</a></p> <p>[p.4] 제 1 장 목적 : 회사는 협력사 선정 및 운용에 대한 투명성과 공정성을 제고하여 공정한 거래질서 확립에 이바지하고 있습니다.</p> <p>제3.3장 협력사 평가 : KAI와 거래하는 협력사의 거래실적이나 실태에 대해 매년 실시하는 평가합니다.</p> <p>제5.3.1 구매부서는 다음의 책임을 집니다.</p> <p>a. 업체선정을 위한 RFQ/RFP 발송</p> <p>b. 협력회사 선정</p> <p>[...]</p> <p>d. 협력회사 등록 및 고객승인 확인요청</p> <p>[...]</p> <p>f. 협력회사 계약관리</p> <p><b>Translation:</b>  [p.4] Chapter 1: The Company contributes to establishing a fair transaction order by enhancing transparency and fairness in appointing and operating business partners.  Chapter 3.3 Evaluation of Business Partners: Conduct an annual due diligence on the transaction performance or status of business partners that do business with KAI.  5.3.1 The procurement department shall be responsible for the following:  a. Send RFQ /RFPs for the selection of partner companies  b. Selection of partner companies</p> <p>[...]</p> <p>d. Register partner companies and confirm customer approval</p> <p>[...]</p> <p>f. Contract management of partner companies</p>

**[15] Transparent Business (Webpage)**

Accessed 09/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery\\_3.asp](http://www.koreaaero.com/english/company/anti_bribery_3.asp)**Supplier Registration and Selection Procedure (DI742-22, DI741-07)**

The company establishes and operates regulations for supplier registration and selection based on transparent and fair trading principles. This regulation describes the Due Diligence methods how to investigate suppliers' executive status, history of corruption, financial status and security system through interviews or specialized agencies. The company selected contractors by dividing them into required departments, procurement departments, and evaluation departments (Committee) to enhance transparency and eliminate conflicts of interest.

**[25] Implementation of the Subcontracting Internal Review Committee (document)**

Accessed 11/12/2019

[http://www.koreaaero.com/data\\_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8003\\_%ED%95%98%EB%8F%84%EA%B8%89\\_%EA%B1%B0%EB%9E%98\\_%EB%82%B4%EB%B6%80%EC%8B%AC%EC%9D%98%ED%9A%8C\\_%EC%9A%B4%EC%98%81%EC%A7%80%EC%B9%A8\\_DI742-33.pdf](http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8003_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%EB%82%B4%EB%B6%80%EC%8B%AC%EC%9D%98%ED%9A%8C_%EC%9A%B4%EC%98%81%EC%A7%80%EC%B9%A8_DI742-33.pdf)
**[p.1] 1. 목적**

이 지침은 한국항공우주산업(주)(이하 KAI)가 협력사 선정기준과 절차의 공정한 운영, 불공정한 거래의 사전 예방, 협력사와 신뢰를 바탕으로 하는 상생관계 구축 등을 위하여 하도급거래 내부심의위원회(이하 "위원회"라 한다)의 구성 및 운영에 필요한 세부 기준과 절차에 대한 내용을 규정함에 있다.

2. 적용범위 본 지침은 KAI의 전 사업부문에 적용된다. (KAI와 협력사 간의 거래와 관련하여 이 지침에서 정하는 바가 없는 경우에는 KAI가 규정하고 있는 회사 내 관련 규정에 따른다.)

**[p.2] 6.1.3 심의위원회는 아래사항을 심의한다.**

6.1.3.1 계약체결 및 가격결정 과정의 공정성, 하도급법 등 관련 법규의 준수 여부

[...]

6.1.3.3 협력사의 미선정 또는 등록취소에 대한 이의 신청건 심의

[p.3] 6.1.3.6 심의된 안건이 하도급법 등 관련법규에 위반될 소지가 있는 경우에는 시정되도록 조치 하며, 관련 임직원의 고의 또는 중대한 과실이 있는 경우에는 위반 정도에 상응하는 제재조치(인사상 불이익 등)를 취한다.

6.1.3.7 심의위원회의 심의결과 및 조치사항 등과 관련된 문서는 심의종료일로부터 3년 이상 보관한다.

**Translation:****[p.1] 1. Purpose**

The guidelines stipulate the detailed criteria and procedures necessary for the Korea Aerospace Industries (KAI) to form and operate a subcontracting review committee (hereinafter referred to as the "Committee") to ensure fair operation of the criteria and procedures for selecting its partners, prevent unfair transactions in advance, and establish win-win relationships based on their trust.

2. The scope of this guidance applies to all business departments of KAI. (If nothing is set forth in this guideline regarding transactions between KAI and its partners, it shall comply with the relevant regulations within the company as provided by KAI.)

**[p.2] 6.1.3 The Review Committee shall review the following:**

6.1.3.1 Conduct a preliminary review of the adequacy of the registration, cancellation criteria, and procedures of subcontractor, including the fairness of the contract settlement and pricing process, and compliance with relevant laws, including the Subcontracting Act.

[...]

6.1.3.3 Review of objections to non-selection or cancellation of registration of business partners

[p.3] 6.1.3.6 If the agenda item reviewed is likely to be in violation of the relevant laws, such as the Subcontracting Act, it shall be corrected. In the event of a deliberate or grave negligence of the employees concerned, the company shall take sanctions corresponding to the extent of the violation (such as a human rights disadvantage).

6.1.3.7 Documents related to the review results and actions of the review committee shall be kept for at least three years from the end of the review.



Question
<b>6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures to conduct due diligence on its suppliers, and that this includes checks on ownership.</p> <p>However, there is no clear evidence that anti-bribery and corruption due diligence is repeated at least every two years on whenever there is a change in business relationship. There is also no evidence that the highest risk suppliers are subject to enhanced due diligence. In addition, there is no public evidence to suggest that the company might be willing to review or terminate supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated.</p>
Evidence
<p><b>[15] Transparent Business (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery_3.asp">http://www.koreaaero.com/english/company/anti_bribery_3.asp</a>  <b>Supplier Registration and Selection Procedure (DI742-22, DI741-07)</b></p> <p>The company establishes and operates regulations for supplier registration and selection based on transparent and fair trading principles. This regulation describes the Due Diligence methods how to investigate suppliers' executive status, history of corruption, financial status and security system through interviews or specialized agencies. The company selected contractors by dividing them into required departments, procurement departments, and evaluation departments (Committee) to enhance transparency and eliminate conflicts of interest.</p> <p><b>Supplier Contract Establishment and Implementation Management (DI741-02)</b></p> <p>Suppliers, who wish to enter into a supply contract, shall be evaluated and approved by the financial, production, quality, environment, security and customer satisfaction in advance in accordance with the Supplier Contract Establishment and Implementation Management Procedures. When signing a contract with the company, a supplier shall pledge in compliance with the Anti-Corruption Act, the obligation to notify employees of violations or suspected violations, and employee training of Anti-Corruption Act.</p> <p><b>Supplier Performance Evaluation and Management (DI742-01)</b></p> <p>According to the performance evaluation and management procedures of the suppliers, the company evaluates the supplier's financial, production, quality, environment, security, and customer satisfaction and provides incentives or penalties based on the results. Supplier management is equipped with a real-time system with a Production Status Monitoring System (internal facilities) and a Corporate Financial Monitoring System (external institutions). If a supplier is sanctioned by a government agency, the company's deliberation committee will promptly decide whether to maintain the contract or terminate the contract. The Committee's review results are immediately notified to the client and registered in the Company's Resource Management System to restrict transactions.</p> <p><b>[13] Compliance Questionnaire</b>  Accessed 04/05/2020  <a href="http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf">http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf</a></p> <p>[p.1] 2. (Company Ownership &amp; Management)  a. 귀사는 유가증권에 공개되었습니까? Are the securities of the Company traded publicly? <input type="checkbox"/> No <input type="checkbox"/> Yes. b. 귀사의 주식에 대한 소유주 비중을 기입바라며 국가나 공공기관이 소유한 주식 비율을 상세히 확인바랍니다. 5%이상은 모두 기록. Identify the owner(s)/shareholder(s) of the Company and the nationality and percentage interest held by each. If you answered yes to question 2.a. above, the list of owners/shareholders need only refer to persons directly or indirectly holding an ownership interest greater than 5% of any class of the Company's securities.</p>

[p.2] 3. 정부와의 관계 (Governmental Connections of the Company)

- a. 귀사의 소유주나 운영자가 정부나 정부소유기관 관계자입니까? Is the Company owned or controlled by any government or government-owned or controlled company ("instrumentality")? ☐ No ☐ Yes.
- b. 현재 대표이사, 임원, 거래담당직원이 정부소유 기관에 근무한 경험이 있습니까? 만약 그렇다면 각 인력별 과거 근무이력과 근무 부서를 기록하세요. Is any owner, director, officer, employee, or other representative of the Company a current or former official or employee of the government of the country or any agency, military branch, or instrumentality thereof (including a government-owned or government-controlled company)? ☐ No ☐ Yes. If Yes, identify each person, his/her last date of employment, and government department, agency or instrumentality:
- c. 이 거래가 정부, 공공기관, 정당, 정당후보와 관련이 있거나 이익을 주거나 받고 있나요? Does or will any government or public official or employee or any official of any political party or candidate for political office have any interest in, or receive any benefit from, the proposed Project? ☐ No ☐ Yes. If Yes, explain in detail:
- d. 정부, 공공기관, 정당, 정당후보자 등이 본 사업영역에서 영향력을 행사할 수 있는 부분을 알거나 의심되는 부분이 있습니까? Is the Company aware of any other relationships, connections, or ties to any government or public official or employee or any official of any political party or candidate for political office such that execution of the Project could be expected to affect the award of business to Korea Aerospace Ind. or affect the evaluation, payment approval, or other aspect of the administration of any Korea Aerospace Ind. business with the government of the country? ☐ No ☐ Yes. If Yes, explain in detail:
- e. 과거 5 년 동안 회사는 정부나 공공기관, 정당, 에이전트, 중개업체 등에게 기부활동으로 금전 제공을 하였습니까? 제공하였다면 내역을 설명하세요. During the past five years, has the Company provided monetary or other contributions to any government or public official, political party, political campaign, or government department, agency, or instrumentality? ☐ No ☐ Yes. If Yes, explain in detail, including the recipient, date, amount, and nature of the contribution:
- f. 과거 5 년 동안 정부나 공공기관에게 식사, 행사비, 교통비, 호텔여비, 선물 등을 제공하였습니까? During the past five years, has the Company provided hospitality to any government or public official, including meals, entertainment, transportation, hotels, gifts, etc.? ☐ No ☐ Yes. If Yes, explain in detail:

[p.3] g. 과거 5 년동안 회사는 정부나 공공기관, 에이전트, 중개업체 등에게 급행료를 제공하였습니까? 그 결과(내역영수증, 날짜, 총계, 지불내용)를 포함하여 설명하세요. During the past five years, has the Company provided any facilitating or expediting payments to any government or public official, department, agency, or instrumentality? ☐ No ☐ Yes. If Yes, explain in detail, including the name of the recipient, date, amount, and nature of the payment:

4. 법률 소송 (Allegations and Legal Proceedings) a. 과거 5 년 동안 회사나 최대주주나 과거 책임자가 사기나 부정부패 등 이와 유사한 사건으로 공공매체 노출, 민·형사 소송 등이 있습니까? 상세하게 설명바랍니다. During the past five years, has the Company, any affiliate (any entity controlling, controlled by, or under common control with the Company), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or key employee been the subject of any allegations of fraud, misrepresentation, bribery, or other similar activity in the media or other forum? ☐ No ☐ Yes. If Yes, please explain in detail:

b. 귀사나 임원이 당사나 정부사업으로부터 제외되거나 일시정지 등의 제한을 받은 적이 있습니까? 상세설명바랍니다. Has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, any present or former owner, director, officer, or key employee ever been debarred, suspended, or otherwise restricted from doing business with any government or been notified that such action is pending? ☐ No ☐ Yes. If Yes, please explain in detail:

c. 귀사는 법적으로 계약파기, 미지불 및 손해배상 등 주요한 소송이 있었습니까? 만약 있다면 사건번호와 사건내용을 기입하세요. Does the Company have any pending material legal proceeding or have any pending proceeding in bankruptcy or insolvency? ☐ No ☐ Yes. If Yes, explain in detail including identification of the jurisdiction and case number of any proceeding:

**[24] Practices for selecting and operating partner companies (document)**

Accessed 11/12/2019

[http://www.koreaaero.com/data\\_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8002\\_%ED%95%98%EB%8F%84%EA%B8%89\\_%EA%B1%B0%EB%9E%98\\_%ED%98%91%EB%A0%A5%EC%82%AC\\_%EC%84%A0%EC%A0%95\\_%EC%9A%B4%EC%9A%A9\\_DI742-32.pdf](http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8002_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%ED%98%91%EB%A0%A5%EC%82%AC_%EC%84%A0%EC%A0%95_%EC%9A%B4%EC%9A%A9_DI742-32.pdf)

[p.1] 1. 목적

이 지침은 한국항공우주산업(주)(이하 'KAI')의 협력사 선정 및 운용에 대한 투명성과 공정성을 제고하여 공정한 거래질서 확립에 이바지함을 목적으로 한다.

2. 적용범위 본 지침은 KAI의 전 사업부문에 적용된다. (KAI와 협력사 간의 거래와 관련하여 이 지침에서 정하는 바가 없는 경우에는 KAI가 규정하고 있는 회사 내 관련 규정에 따른다.)

3. 용어의 정의

3.1 등록업체 KAI의 등록평가(관리 및 품질평가)를 통하여 등록된 공급업체로서 KAI와 거래 가능한 공급업체를 말한다.

3.2 협력사 등록업체중 가격/품질/납기 등의 요건을 갖추어 절차에 따라서 KAI와 거래하는 업체를 말한다.

3.3 협력사 평가 KAI와 거래하는 협력사의 거래실적이나 실태에 대해 매년 실시하는 평가를 말한다

[...]

3.5 Site Survey 제안서 검토 및 협상 과정에서 제안서의 내용을 확인할 목적으로 업체를 직접 방문하여 현장 확인을 통해 제안서와의 차이점을 비교/검토하는 업체 실사 과정을 말한다.

[p.4] 제 1 장 목적 : 회사는 협력사 선정 및 운용에 대한 투명성과 공정성을 제고하여 공정한 거래질서 확립에 이바지하고 있습니다.

제3.3장 협력사 평가 : KAI와 거래하는 협력사의 거래실적이나 실태에 대해 매년 실시하는 평가합니다.

제5.3.1 구매부서는 다음의 책임을 집니다.

a. 업체선정을 위한 RFQ/RFP 발송

b. 협력회사 선정

[...]

d. 협력회사 등록 및 고객승인 확인요청

[...]

f. 협력회사 계약관리

**Translation:**

[p.1] 1. Purpose

The purpose of this guideline is to enhance transparency and fairness in the selection and operation of partners of the Korea Aerospace Industries (KAI) (hereinafter referred to as the "KAI"), thus contributing to the establishment of a fair trade order.

2. The scope of this guidance applies to all business divisions of KAI. (If nothing is set forth in this guideline regarding transactions between KAI and its partners, it shall comply with the relevant regulations within the company as provided by KAI.)

3. Definition of terms

3.1 Supplier registered through the registration assessment (management and quality evaluation) of the registered company KAI is a vendor that can be traded with KAI.

3.2 Refers to those registered with partner companies that do business with KAI in accordance with procedures that meet price/quality/delivery equipment, etc.

3.3 Evaluation of business partners refers to an evaluation conducted annually on the performance or actual status of business partners dealing with KAI

[...]

3.5 A vendor walk-in process that compares/reviews differences from proposals through on-site verification by visiting companies directly to verify the contents of the proposals during the Site Survey proposal review and negotiation process.

[p.4] Chapter 1: The Company contributes to establishing a fair transaction order by enhancing transparency and fairness in appointing and operating business partners.

Chapter 3.3 Evaluation of Business Partners: Conduct an annual due diligence on the transaction performance or status of business partners that do business with KAI.

5.3.1 The procurement department shall be responsible for the following:

- a. Send RFQ /RFPs for the selection of partner companies
- b. Selection of partner companies

[...]

d. Register partner companies and confirm customer approval

[...]

f. Contract management of partner companies

Question
<b>6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?</b>
Score
<b>2</b>
Comments
<p>Based on publicly available information, there is evidence that the company requires its suppliers to have adequate anti-bribery and corruption policies and procedures in place. The company's Code of Conduct applies to business partners, which can be understood to include suppliers. The Code of Conduct includes prohibition of bribery and facilitation payments as well as policies related to conflicts of interest, gifts and hospitality and whistleblowing. The company requires suppliers to pledge to comply with the ethical rules that the company has set. There is evidence indicating that the company assures itself of this when onboarding new suppliers and periodically monitors third parties' compliance with its anti-bribery policies.</p>
Evidence
<p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p><b>Code of Conduct (A 04-0100)</b></p> <p>The Code of Conduct is applicable not only to executives and employees, but also to the Board of Directors, related companies, business partners, and trading contractors. Under the Code of Conduct, all employees involved in the Company shall comply with the Company's regulations for transparent management and fair business, including the Korea Anti-Corruption Act, the Fair Trade Act, the Labor Standards Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act etc... In addition, the company applies zero tolerance principle, even if an act is done by social practice, in the event of violation of laws and regulations.</p> <p><b>1) Political and Lobbying Activities</b>  The Republic of Korea strictly restricts the provision of solicitation (lobbies) and money to government officials and journalists under the Korea Anti-Corruption Act. Also the company strictly restricts political and soliciting (lobbies) activities of executives and employees in accordance with the company Regulation for Ethics and Compliance (A 04-0000).</p> <p><b>2) Facilitating Payments</b>  Facilitating Payments are improper payment to promote business performance, and since such acts are considered internationally a bribe, the company prohibits the payment of facilitating charges. If an employee is asked to pay the facilitating payment, he or she shall request a certificate and an official payment receipt to verify it's legal, if it is illegal or not satisfied with the evidence, he/she must refuse the payment.</p> <p><b>3) Offering Lecture Fees, Gifts, and Accommodation</b>  For transparent transactions between trading companies, according to the Korea Anti-Corruption Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act, the company prohibits inter-trade solicitation or acceptance(or providing) of money. In particular, lecture fees, gifts, greeting money, accommodation, etc... are prescribed within the scope of the national statutes. In accordance with the Korea Anti-Corruption Act, the provision of lecture fees, gifts and accommodation to public officials or journalists is conducted after review by a compliance officer appointed by the Board of Directors.</p> <p><b>4) Limit of Contributions</b>  The company does not allow political donations in accordance with the company's Contribution Regulation (I05-0000). In case of charity donation, the compliance officer shall check for status of violation and approved by the board of directors before the final execution carries out.</p> <p><b>5) Conflict of Interest</b>  Employees cannot conclude voluntary contract with companies operated by someone, who is associated with conflicts of interest. If a company, subject to conflict of interest, has made a bid, the related employee will not be able to participate in the evaluation or review of the contract. In addition, when an employee finds out about the bidding of a private stakeholder, he or she shall report the bidding to the respective department manager immediately, and the manager of the department shall exclude the members from the relevant work and keep the relevant records.</p>



**[13] Compliance Questionnaire**

Accessed 04/05/2020

[http://www.koreaaero.com/data\\_file/7\\_1\\_3\\_Compliance\\_Questionnaire.pdf](http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf)

[p.4] 6. Compliance 정책과 절차 여부 (Company Policies and Procedures)

a. 귀사는 임직원에게 Compliance 교육을 어떻게 얼마나 자주 시행합니까? Does the Company require anti-corruption training of its employees and, if so, how often? ☐ No ☐ Yes.

b. 귀사는 Compliance 강화를 위해 윤리강령, 행동강령, 반부패 강화정책 등 유사한 정책을 가지고 있습니까? 만약에 있다면 복사본을 제출바랍니다. Does the Company have a Code of Ethics, Code of Business Conduct, or similar policy? ☐ No ☐ Yes. If Yes, please provide a copy.

c. 귀사는 선물, 편의제공, 기부, 스폰스, 접대 등을 공무원이나 사업거래자에게 제공하는 기준이나 정책이 있습니까? 만약 있다면 복사본을 제출바랍니다. Does the Company have any policy or procedure regarding the giving of gifts, business courtesies, gratuities, or hospitality to commercial relations and government or public officials, by Company personnel or its consultants, representatives, or agents? ☐ No ☐ Yes. If Yes, please provide a copy.

d. 귀사는 정부나 공공기관, 에이전트, 중계업자에게 급행로 지급금지에 관한 절차나 정책을 가지고 있습니까? 만약 있다면 복사본을 제출바랍니다. Does the Company have any policy or procedure regarding facilitating or expediting payments to government or public officials, departments, agencies, or instrumentalities? ☐ No ☐ Yes. If Yes, please provide a copy.

[...]

f. 귀사는 이러한 정책이나 절차를 Compliance 에게 검토, 평가, 감사를 받나요? Does the Company conduct any audits, assessments, or other reviews of its compliance with these policies and procedures? ☐ No ☐ Yes. If Yes, explain in detail:

**[5] Regulation for Ethics & Compliance (Document)**

Accessed 09/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/Regulation\\_for\\_ethics\\_and\\_compliance\\_ENG.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf)

[p.1] 2. We shall deal fairly and transparently with all business associates such as customers, suppliers, partners and agencies and shall not deal improper advantages and bribery

[p.10] 21.0 Contract with a third party

All Employees shall adequately deliver the company's ethics regulation and anti-corruption laws when trading with third parties and shall include conditions in a contract that they fully comply with this policy. Also, the contract shall include the terms for termination, compensation for damages and conditions for auditing the third party in case the third party violates(or is suspected of violating) anti- corruption act or this regulation. KAI maintains the integrity of the procurement process in bidding, negotiating, and performing contracts for federal agencies. This prohibits the release of source selection information and competitor's bid or proposal information. This also sets restrictions for attempting to obtain such information. The Company is committed to full compliance with the Procurement Integrity Act and applicable laws and regulations.

22.0 Risk assessment

A Compliance team shall periodically conduct risk assessment such as observation, monitoring, evaluation, education whether the employees and third parties comply with the company's ethics regulation and anti- corruption laws faithfully, and shall report the results to the top management.

[p.12] 2.0 Subject of application



The regulations shall be applied not only to all employees of the company but also to business partners who cooperate in the interests of the company.

**[6] Code of Conduct for Ethics and Compliance (Document)**

Accessed 09/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/A\\_04-0100\\_R6\\_Code\\_of\\_Conduct\\_for\\_Ethics\\_&\\_Compliance\\_ENG\\_190410.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&_Compliance_ENG_190410.pdf)

[p.2] Article 2.0 Application

The scope of this Code shall apply to members of subsidiaries and affiliated companies, including members of the Company, and also to the trading lines.

[p.3] d) A third party is an individual, corporation, or organization that has contractual relationships with the company, including customers, traders, agents, consultants, partners, and advisors.

[p.13] Article 27 Integrity Contract with Trading Company

27.1 A person in charge who carries out the contract on behalf of the Company shall notify and pledge to comply with this Code and domestic and international laws (such as the Fair Trade Act and the Anti-Corruption Act) with a third party prior to the contract (Form 2).

27.2 A contract manager shall specify in the contract the conditions under which a third party actively cooperates with the Company's investigation in the event of any suspicion that he or she has provided inappropriate money or other goods to unjustly benefit from the related business. 27.3 The Contract Manager will terminate the contract in the event of fraud or corruption to a third party and indicate in the contract that damage claims may be claimed.

[p.15] Article 35 Reporting and Taking Appropriate Measure of Violation

35.1 When a member finds out about a violation of domestic or international laws or Codes of Conduct that may cause damage to the Company, he or she shall report to the Business Ethics & Support Division Department using the phone, e-mail, and the Internet.

[p.21] Form 2 Code of Practice for Ethics between Trading Lines

\_\_\_\_\_ vows to comply with the following while maintaining a contractual relationship with KAI in accordance with the Faithful Office:

1. We will provide training on preventing corruption to those who work for the company's interests, including executives, managers, employees, and agents.
2. We will not pay, receive, or promise you anything, such as improper gifts, money, entertainment, entertainment, entertainment, express or tribute fees.
3. In the event that we receive a request for corruption from KAI members, we will report it to KAI Reporter Center (www.koreaaero.com) to establish a transparent and sound transaction relationship.
4. In order to acquire or maintain a business, we will not commit any unfair acts that impede the competition for open bidding.
5. We will not be involved in any unfair political donations, support and promise.
6. We will not engage in unethical conduct in all aspects of human rights, environment, accounting, and quality.
7. In the event of a breach of contract clause or unfair trade, we will notify KAI in writing and actively cooperate with KAI or the state agency if the violation is revealed or suspected.
8. If any irregularities or corrupt practices are confirmed, we shall pledge to accept disadvantages such as limiting the eligibility of transactions, termination of contracts and damages

**[15] Transparent Business (Webpage)**

Accessed 09/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery\\_3.asp](http://www.koreaaero.com/english/company/anti_bribery_3.asp)**Supplier Contract Establishment and Implementation Management (DI741-02)**

Suppliers, who wish to enter into a supply contract, shall be evaluated and approved by the financial, production, quality, environment, security and customer satisfaction in advance in accordance with the Supplier Contract Establishment and Implementation Management Procedures. When signing a contract with the company, a supplier shall pledge in compliance with the Anti-Corruption Act, the obligation to notify employees of violations or suspected violations, and employee training of Anti-Corruption Act.

**[24] Practices for selecting and operating partner companies (document)**

Accessed 11/12/2019

[http://www.koreaaero.com/data\\_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8002\\_%ED%95%98%EB%8F%84%EA%B8%89\\_%EA%B1%B0%EB%9E%98\\_%ED%98%91%EB%A0%A5%EC%82%AC\\_%EC%84%A0%EC%A0%95\\_%EC%9A%B4%EC%9A%A9\\_DI742-32.pdf](http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8002_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%ED%98%91%EB%A0%A5%EC%82%AC_%EC%84%A0%EC%A0%95_%EC%9A%B4%EC%9A%A9_DI742-32.pdf)

[p.14] 6.16 부정당업체 제재

6.16.1 부정당업체 결정 및 통보

6.16.1.1 관련 근거서류를 첨부하여 본부장에게 보고 및 결정한다.

6.16.1.2 부정당 사유 및 건적제재 기간을 포함한 제재 내용을 업체로 통보한다.

**Translation:**

[p.14] 6.16 Improper enterprise Sanctions

6.16.1 Determination and notification of an improper enterprise

6.16.1.1 Report and decide to the Director General with the relevant supporting documents attached.

6.16.1.2 Notifies the enterprise of the sanctions, including the reason for the fraud and the period of the estimate sanctions.

Question
<b>6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?</b>
Score
<b>0</b>
Comments
There is no clear evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required throughout the supply chain.
Evidence
<p><b>[15] Transparent Business (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery_3.asp">http://www.koreaaero.com/english/company/anti_bribery_3.asp</a></p> <p><b>Supplier Performance Evaluation and Management (DI742-01, DI742-30)</b></p> <p>The company applies incentives or penalties every year by assessing the financial status, production quality, production environment, customer satisfaction, and anti-bribery programs of its suppliers according to the performance assessment and management procedures. In particular, KAI encourages business partners to practice ethical management by assessing the Code of Conduct, prevention education on bribery, whistleblowing system, and audit activities. Partner company monitoring system is equipped with performance evaluation systems such as real-time monitoring system of production status (Aerogori) and real-time monitoring of corporate finance (using Korea Enterprise Data) etc. If company sanctions are imposed by the state agency, the Subcontractor Review Committee shall be held to decide whether to maintain or terminate the contract. The results of the review are notified to the customer and registered with the company's Enterprise Resource Planning (ERP) for disclosure.</p>

Question
<b>6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?</b>
Score
<b>0</b>
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations or disciplinary actions involving its suppliers.
Evidence
No evidence found.

## 7. Agents, Intermediaries and Joint Ventures

### 7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
1
Comments
<p>There is some evidence that the company has a policy on the use of agents.</p> <p>However, in publicly available evidence, the company does not address in any detail the corruption risks associated with the use of agents. There is no evidence that the company commits to establishing and verifying that the use of agents is, in each case, necessary to perform a legitimate business function. There is also no evidence that the company's policy applies to subsidiaries and joint ventures.</p>
Evidence
<p><b>[15] Transparent Business (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery_3.asp">http://www.koreaaero.com/english/company/anti_bribery_3.asp</a></p> <p><b>Consultant Selection Procedure (DI741–39)</b></p> <p>If an agent, consultant, or joint venture is selected, the company shall undergo due diligence, management evaluation, and final estimate evaluation. In particular, the company shall conduct a survey of the qualification of agents (through questionnaires, interviews, field inspections) and consult overseas national agencies or KOTRA to prevent corruption risks. In the final stage of the contract, the agent shall also perform a pledge that the contract will be terminated in the event of corruption. The contract must state the anti-corruption law and the prohibited activities.</p>

Question
<b>7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures to conduct anti-bribery and corruption due diligence prior to engaging with its third parties and agents.</p> <p>However, there is no clear evidence that due diligence is repeated at least every two years or when there is a significant change in the business relationship. There is also no clear evidence that agents and the highest risk intermediaries are subject to enhanced due diligence.</p>
Evidence
<p><b>[15] Transparent Business (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery_3.asp">http://www.koreaaero.com/english/company/anti_bribery_3.asp</a></p> <p><b>Consultant Selection Procedure (DI741–39)</b></p> <p>If an agent, consultant, or joint venture is selected, the company shall undergo due diligence, management evaluation, and final estimate evaluation. In particular, the company shall conduct a survey of the qualification of agents (through questionnaires, interviews, field inspections) and consult overseas national agencies or KOTRA to prevent corruption risks. In the final stage of the contract, the agent shall also perform a pledge that the contract will be terminated in the event of corruption. The contract must state the anti-corruption law and the prohibited activities.</p>



Question
<b>7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?</b>
Score
<b>0</b>
Comments
There is evidence that the company asks agents to disclose their beneficial ownership to the company as part of its due diligence processes. However, there is no clear evidence that the company verifies this information, nor that the company commits to not engaging or terminating its engagement with agents or intermediaries if beneficial ownership cannot be established.
Evidence
<p><b>[13] Compliance Questionnaire</b>  Accessed 04/05/2020  <a href="http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf">http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf</a></p> <p>[p.1] 2. (Company Ownership &amp; Management)  a. 귀사는 유가증권에 공개되었습니까? Are the securities of the Company traded publicly? <input type="checkbox"/> No <input type="checkbox"/> Yes. b. 귀사의 주식에 대한 소유주 비중을 기입바라며 국가나 공공기관이 소유한 주식 비율을 상세히 확인바랍니다. 5%이상은 모두 기록. Identify the owner(s)/shareholder(s) of the Company and the nationality and percentage interest held by each. If you answered yes to question 2.a. above, the list of owners/shareholders need only refer to persons directly or indirectly holding an ownership interest greater than 5% of any class of the Company's securities.</p> <p>[p.2] 3. 정부와의 관계 (Governmental Connections of the Company)  a. 귀사의 소유주나 운영자가 정부나 정부소유기관 관계자입니까? Is the Company owned or controlled by any government or government-owned or controlled company ("instrumentality")? <input type="checkbox"/> No <input type="checkbox"/> Yes.</p>

Question
<b>7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?</b>
Score
<b>2</b>
Comments
Based on publicly available information, there is evidence indicating that the company's anti-bribery and corruption policy applies to business partners, which can be understood to include agents and intermediaries. All agents and intermediaries are subject to anti-bribery and corruption clauses in their contracts, which include audit and termination rights.
Evidence
<p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p><b>Code of Conduct (A 04-0100)</b></p> <p>The Code of Conduct is applicable not only to executives and employees, but also to the Board of Directors, related companies, business partners, and trading contractors. Under the Code of Conduct, all employees involved in the Company shall comply with the Company's regulations for transparent management and fair business, including the Korea Anti-Corruption Act, the Fair Trade Act, the Labor Standards Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act etc... In addition, the company applies zero tolerance principle, even if an act is done by social practice, in the event of violation of laws and regulations.</p> <p><b>1) Political and Lobbying Activities</b>  The Republic of Korea strictly restricts the provision of solicitation (lobbies) and money to government officials and journalists under the Korea Anti-Corruption Act. Also the company strictly restricts political and soliciting (lobbies) activities of executives and employees in accordance with the company Regulation for Ethics and Compliance (A 04-0000).</p> <p><b>2) Facilitating Payments</b>  Facilitating Payments are improper payment to promote business performance, and since such acts are considered internationally a bribe, the company prohibits the payment of facilitating charges. If an employee is asked to pay the facilitating payment, he or she shall request a certificate and an official payment receipt to verify it's legal, if it is illegal or not satisfied with the evidence, he/she must refuse the payment.</p> <p><b>3) Offering Lecture Fees, Gifts, and Accommodation</b>  For transparent transactions between trading companies, according to the Korea Anti-Corruption Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act, the company prohibits inter-trade solicitation or acceptance(or providing) of money. In particular, lecture fees, gifts, greeting money, accommodation, etc... are prescribed within the scope of the national statutes. In accordance with the Korea Anti-Corruption Act, the provision of lecture fees, gifts and accommodation to public officials or journalists is conducted after review by a compliance officer appointed by the Board of Directors.</p> <p><b>4) Limit of Contributions</b>  The company does not allow political donations in accordance with the company's Contribution Regulation (I05-0000). In case of charity donation, the compliance officer shall check for status of violation and approved by the board of directors before the final execution carries out.</p> <p><b>5) Conflict of Interest</b>  Employees cannot conclude voluntary contract with companies operated by someone, who is associated with conflicts of interest. If a company, subject to conflict of interest, has made a bid, the related employee will not be able to participate in the evaluation or review of the contract. In addition, when an employee finds out about the bidding of a private stakeholder, he or she shall report the bidding to the respective department manager immediately, and the manager of the department shall exclude the members from the relevant work and keep the relevant records.</p> <p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 09/10/2019</p>

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/A\\_04-0100\\_R6\\_Code\\_of\\_Conduct\\_for\\_Ethics\\_&\\_Compliance\\_ENG\\_190410.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&_Compliance_ENG_190410.pdf)

[p.2] Article 2.0 Application

The scope of this Code shall apply to members of subsidiaries and affiliated companies, including members of the Company, and also to the trading lines.

[p.3] d) A third party is an individual, corporation, or organization that has contractual relationships with the company, including customers, traders, agents, consultants, partners, and advisors.

[p.13] Article 27 Integrity Contract with Trading Company

27.1 A person in charge who carries out the contract on behalf of the Company shall notify and pledge to comply with this Code and domestic and international laws (such as the Fair Trade Act and the Anti-Corruption Act) with a third party prior to the contract (Form 2).

27.2 A contract manager shall specify in the contract the conditions under which a third party actively cooperates with the Company's investigation in the event of any suspicion that he or she has provided inappropriate money or other goods to unjustly benefit from the related business.

27.3 The Contract Manager will terminate the contract in the event of fraud or corruption to a third party and indicate in the contract that damage claims may be claimed.

[p.21] Form 2 Code of Practice for Ethics between Trading Lines

\_\_\_\_\_ vows to comply with the following while maintaining a contractual relationship with KAI in accordance with the Faithful Office:

1. We will provide training on preventing corruption to those who work for the company's interests, including executives, managers, employees, and agents.
2. We will not pay, receive, or promise you anything, such as improper gifts, money, entertainment, entertainment, entertainment, express or tribute fees.
3. In the event that we receive a request for corruption from KAI members, we will report it to KAI Reporter Center (www.koreaaero.com) to establish a transparent and sound transaction relationship.
4. In order to acquire or maintain a business, we will not commit any unfair acts that impede the competition for open bidding.
5. We will not be involved in any unfair political donations, support and promise.
6. We will not engage in unethical conduct in all aspects of human rights, environment, accounting, and quality.
7. In the event of a breach of contract clause or unfair trade, we will notify KAI in writing and actively cooperate with KAI or the state agency if the violation is revealed or suspected.
8. If any irregularities or corrupt practices are confirmed, we shall pledge to accept disadvantages such as limiting the eligibility of transactions, termination of contracts and damages

#### **[5] Regulation for Ethics & Compliance (Document)**

Accessed 09/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/Regulation\\_for\\_ethics\\_and\\_compliance\\_ENG.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf)

[p.1] 2. We shall deal fairly and transparently with all business associates such as customers, suppliers, partners and agencies and shall not deal improper advantages and bribery

[p.10] 21.0 Contract with a third party

All Employees shall adequately deliver the company's ethics regulation and anti-corruption laws when trading with third parties and shall include conditions in a contract that they fully comply with this policy. Also, the contract shall include the terms for termination, compensation for damages and conditions for auditing the third party in case the third party violates(or is suspected of violating) anti- corruption act or this regulation. KAI maintains the integrity of the procurement process in bidding, negotiating, and performing contracts for federal agencies. This prohibits the release of source selection information and competitor's bid or proposal information. This also sets restrictions for attempting to obtain such information. The Company is committed to full compliance with the Procurement Integrity Act and applicable laws and regulations.

## 22.0 Risk assessment

A Compliance team shall periodically conduct risk assessment such as observation, monitoring, evaluation, education whether the employees and third parties comply with the company's ethics regulation and anti- corruption laws faithfully, and shall report the results to the top management.

### [p.12] 2.0 Subject of application

The regulations shall be applied not only to all employees of the company but also to business partners who cooperate in the interests of the company.

### **[15] Transparent Business (Webpage)**

Accessed 09/10/2019

[http://www.koreaaero.com/english/company/anti\\_bribery\\_3.asp](http://www.koreaaero.com/english/company/anti_bribery_3.asp)

### **Consultant Selection Procedure (DI741–39)**

If an agent, consultant, or joint venture is selected, the company shall undergo due diligence, management evaluation, and final estimate evaluation. In particular, the company shall conduct a survey of the qualification of agents (through questionnaires, interviews, field inspections) and consult overseas national agencies or KOTRA to prevent corruption risks. In the final stage of the contract, the agent shall also perform a pledge that the contract will be terminated in the event of corruption. The contract must state the anti-corruption law and the prohibited activities.

Question
<b>7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?</b>
Score
<b>0</b>
Comments
There is no publicly available evidence that the company addresses incentive structures as a risk factor in agent behaviour.
Evidence
No evidence found.

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for or on its behalf.
Evidence
No evidence found.



Question
<b>7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?</b>
Score
<b>0</b>
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption related investigations, incidents or associated disciplinary actions involving its agents.
Evidence
No evidence found.

## 7.2 Joint Ventures

Question
<b>7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?</b>
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures to conduct anti-bribery and corruption due diligence prior to entering all of its joint ventures. There is evidence indicating that this includes checks on the ownership of the company.</p> <p>However, there is no evidence that joint ventures operating in high risk markets or with high risk partners are subject to enhanced due diligence, nor that due diligence is repeated at least every two years.</p>
Evidence
<p><b>[15] Transparent Business (Webpage)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery_3.asp">http://www.koreaaero.com/english/company/anti_bribery_3.asp</a></p> <p><b>Consultant Selection Procedure (DI741-39)</b></p> <p>If an agent, consultant, or joint venture is selected, the company shall undergo due diligence, management evaluation, and final estimate evaluation. In particular, the company shall conduct a survey of the qualification of agents (through questionnaires, interviews, field inspections) and consult overseas national agencies or KOTRA to prevent corruption risks. In the final stage of the contract, the agent shall also perform a pledge that the contract will be terminated in the event of corruption. The contract must state the anti-corruption law and the prohibited activities.</p> <p><b>[13] Compliance Questionnaire</b>  Accessed 04/05/2020  <a href="http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf">http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf</a></p> <p>[p.1] 2. (Company Ownership &amp; Management)  a. 귀사는 유가증권에 공개되었습니까? Are the securities of the Company traded publicly? <input type="checkbox"/> No <input type="checkbox"/> Yes. b. 귀사의 주식에 대한 소유주 비중을 기입바라며 국가나 공공기관이 소유한 주식 비율을 상세히 확인바랍니다. 5%이상은 모두 기록. Identify the owner(s)/shareholder(s) of the Company and the nationality and percentage interest held by each. If you answered yes to question 2.a. above, the list of owners/shareholders need only refer to persons directly or indirectly holding an ownership interest greater than 5% of any class of the Company's securities.</p> <p>[p.2] 3. 정부와의 관계 (Governmental Connections of the Company)  a. 귀사의 소유주나 운영자가 정부나 정부소유기관 관계자입니까? Is the Company owned or controlled by any government or government-owned or controlled company ("instrumentality")? <input type="checkbox"/> No <input type="checkbox"/> Yes.  b. 현재 대표이사, 임원, 거래담당직원이 정부소유 기관에 근무한 경험이 있습니까? 만약 그렇다면 각 인력별 과거 근무이력과 근무 부서를 기록하세요. Is any owner, director, officer, employee, or other representative of the Company a current or former official or employee of the government of the country or any agency, military branch, or instrumentality thereof (including a government-owned or government-controlled company)? <input type="checkbox"/> No <input type="checkbox"/> Yes. If Yes, identify each person, his/her last date of employment, and government department, agency or instrumentality:</p>

- c. 이 거래가 정부, 공공기관, 정당, 정당후보와 관련이 있거나 이익을 주거나 받고 있나요? Does or will any government or public official or employee or any official of any political party or candidate for political office have any interest in, or receive any benefit from, the proposed Project? ☐ No ☐ Yes. If Yes, explain in detail:
- d. 정부, 공공기관, 정당, 정당후보자 등이 본 사업영역에서 영향력을 행사할 수 있는 부분을 알거나 의심되는 부분이 있습니까? Is the Company aware of any other relationships, connections, or ties to any government or public official or employee or any official of any political party or candidate for political office such that execution of the Project could be expected to affect the award of business to Korea Aerospace Ind. or affect the evaluation, payment approval, or other aspect of the administration of any Korea Aerospace Ind. business with the government of the country? ☐ No ☐ Yes. If Yes, explain in detail:
- e. 과거 5 년 동안 회사는 정부나 공공기관, 정당, 에이전트, 중개업체 등에게 기부활동으로 금전 제공을 하였습니까? 제공하였다면 내역을 설명하세요. During the past five years, has the Company provided monetary or other contributions to any government or public official, political party, political campaign, or government department, agency, or instrumentality? ☐ No ☐ Yes. If Yes, explain in detail, including the recipient, date, amount, and nature of the contribution:
- f. 과거 5 년 동안 정부나 공공기관에게 식사, 행사비, 교통비, 호텔여비, 선물 등을 제공하였습니까? During the past five years, has the Company provided hospitality to any government or public official, including meals, entertainment, transportation, hotels, gifts, etc.? ☐ No ☐ Yes. If Yes, explain in detail:
- [p.3] g. 과거 5 년동안 회사는 정부나 공공기관, 에이전트, 중개업체 등에게 급행료를 제공하였습니까? 그 결과(내역영수증, 날짜, 총계, 지불내용)를 포함하여 설명하세요. During the past five years, has the Company provided any facilitating or expediting payments to any government or public official, department, agency, or instrumentality? ☐ No ☐ Yes. If Yes, explain in detail, including the name of the recipient, date, amount, and nature of the payment:
4. 법률 소송 (Allegations and Legal Proceedings) a. 과거 5 년 동안 회사나 최대주주나 과거 책임자가 사기나 부정부패 등 이와 유사한 사건으로 공공매체 노출, 민·형사 소송 등이 있습니까? 상세하게 설명바랍니다. During the past five years, has the Company, any affiliate (any entity controlling, controlled by, or under common control with the Company), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or key employee been the subject of any allegations of fraud, misrepresentation, bribery, or other similar activity in the media or other forum? ☐ No ☐ Yes. If Yes, please explain in detail:
- b. 귀사나 임원이 당사나 정부사업으로부터 제외되거나 일시정지 등의 제한을 받은 적이 있습니까? 상세설명바랍니다. Has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, any present or former owner, director, officer, or key employee ever been debarred, suspended, or otherwise restricted from doing business with any government or been notified that such action is pending? ☐ No ☐ Yes. If Yes, please explain in detail:
- c. 귀사는 법적으로 계약파기, 미지불 및 손해배상 등 주요한 소송이 있었습니까? 만약 있다면 사건번호와 사건내용을 기입하세요. Does the Company have any pending material legal proceeding or have any pending proceeding in bankruptcy or insolvency? ☐ No ☐ Yes. If Yes, explain in detail including identification of the jurisdiction and case number of any proceeding:

Question
<b>7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?</b>
Score
<b>2</b>
Comments
Based on publicly available information, there is evidence that the company commits to establishing and implementing anti-bribery and corruption policies and procedures in all of its joint ventures. The company's Code of Conduct applies to joint ventures. The company includes anti-bribery and corruption contractual terms in its contracts with joint ventures, which include audit and termination rights.
Evidence
<p><b>[2] Anti-bribery Policy (Webpage)</b>  Accessed 10/10/2019  <a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a></p> <p><b>Code of Conduct (A 04-0100)</b></p> <p>The Code of Conduct is applicable not only to executives and employees, but also to the Board of Directors, related companies, business partners, and trading contractors. Under the Code of Conduct, all employees involved in the Company shall comply with the Company's regulations for transparent management and fair business, including the Korea Anti-Corruption Act, the Fair Trade Act, the Labor Standards Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act etc... In addition, the company applies zero tolerance principle, even if an act is done by social practice, in the event of violation of laws and regulations.</p> <p><b>1) Political and Lobbying Activities</b>  The Republic of Korea strictly restricts the provision of solicitation (lobbies) and money to government officials and journalists under the Korea Anti-Corruption Act. Also the company strictly restricts political and soliciting (lobbies) activities of executives and employees in accordance with the company Regulation for Ethics and Compliance (A 04-0000).</p> <p><b>2) Facilitating Payments</b>  Facilitating Payments are improper payment to promote business performance, and since such acts are considered internationally a bribe, the company prohibits the payment of facilitating charges. If an employee is asked to pay the facilitating payment, he or she shall request a certificate and an official payment receipt to verify it's legal, if it is illegal or not satisfied with the evidence, he/she must refuse the payment.</p> <p><b>3) Offering Lecture Fees, Gifts, and Accommodation</b>  For transparent transactions between trading companies, according to the Korea Anti-Corruption Act, the U.S. Foreign Corrupt Practices Act and the U.K. Anti-bribery Act, the company prohibits inter-trade solicitation or acceptance(or providing) of money. In particular, lecture fees, gifts, greeting money, accommodation, etc... are prescribed within the scope of the national statutes. In accordance with the Korea Anti-Corruption Act, the provision of lecture fees, gifts and accommodation to public officials or journalists is conducted after review by a compliance officer appointed by the Board of Directors.</p> <p><b>4) Limit of Contributions</b>  The company does not allow political donations in accordance with the company's Contribution Regulation (105-0000). In case of charity donation, the compliance officer shall check for status of violation and approved by the board of directors before the final execution carries out.</p> <p><b>5) Conflict of Interest</b>  Employees cannot conclude voluntary contract with companies operated by someone, who is associated with conflicts of interest. If a company, subject to conflict of interest, has made a bid, the related employee will not be able to participate in the evaluation or review of the contract. In addition, when an employee finds out about the bidding of a private stakeholder, he or she shall report the bidding to the respective department manager immediately, and the manager of the department shall exclude the members from the relevant work and keep the relevant records.</p> <p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b></p>

Accessed 10/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/A\\_04-0100\\_R6\\_Code\\_of\\_Conduct\\_for\\_Ethics\\_&\\_Compliance\\_ENG\\_190410.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&_Compliance_ENG_190410.pdf)

[p.2] Article 2.0 Application

The scope of this Code shall apply to members of subsidiaries and affiliated companies, including members of the Company, and also to the trading lines.

[p.3] d) A third party is an individual, corporation, or organization that has contractual relationships with the company, including customers, traders, agents, consultants, partners, and advisors.

[p.13] Article 27 Integrity Contract with Trading Company

27.1 A person in charge who carries out the contract on behalf of the Company shall notify and pledge to comply with this Code and domestic and international laws (such as the Fair Trade Act and the Anti-Corruption Act) with a third party prior to the contract (Form 2).

27.2 A contract manager shall specify in the contract the conditions under which a third party actively cooperates with the Company's investigation in the event of any suspicion that he or she has provided inappropriate money or other goods to unjustly benefit from the related business.

27.3 The Contract Manager will terminate the contract in the event of fraud or corruption to a third party and indicate in the contract that damage claims may be claimed.

[p.21] Form 2 Code of Practice for Ethics between Trading Lines

\_\_\_\_\_ vows to comply with the following while maintaining a contractual relationship with KAI in accordance with the Faithful Office:

1. We will provide training on preventing corruption to those who work for the company's interests, including executives, managers, employees, and agents.
2. We will not pay, receive, or promise you anything, such as improper gifts, money, entertainment, entertainment, entertainment, express or tribute fees.
3. In the event that we receive a request for corruption from KAI members, we will report it to KAI Reporter Center (www.koreaaero.com) to establish a transparent and sound transaction relationship.
4. In order to acquire or maintain a business, we will not commit any unfair acts that impede the competition for open bidding.
5. We will not be involved in any unfair political donations, support and promise.
6. We will not engage in unethical conduct in all aspects of human rights, environment, accounting, and quality.
7. In the event of a breach of contract clause or unfair trade, we will notify KAI in writing and actively cooperate with KAI or the state agency if the violation is revealed or suspected.
8. If any irregularities or corrupt practices are confirmed, we shall pledge to accept disadvantages such as limiting the eligibility of transactions, termination of contracts and damages

#### **[5] Regulation for Ethics & Compliance (Document)**

Accessed 09/10/2019

[http://www.koreaaero.com/data\\_file/ETHICS\\_PDF/Regulation\\_for\\_ethics\\_and\\_compliance\\_ENG.pdf](http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf)

[p.1] 2. We shall deal fairly and transparently with all business associates such as customers, suppliers, partners and agencies and shall not deal improper advantages and bribery

[p.9] 19.0 Limitations of providing and receiving anything of value

All employees shall not directly or indirectly provide, receive, suggest, promise, approve any gratuities, bribery, kickbacks, gifts, business courtesies, hospitality, travel expenses, facilitating payments, political contributions or lecture fees etc. to or from a client or other third party in order to acquire improper profits. Nevertheless, providing and receiving activity of value in work shall be allowed within "Practice Standards for ethics and compliance (A -04-01)" or the code of conduct or the law in each company or country.

20.0 Employment procedures

[...] The company shall not provide improper preferential hiring and improper treatment to an employee during working.

[p.10] 21.0 Contract with a third party

All Employees shall adequately deliver the company's ethics regulation and anti-corruption laws when trading with third parties and shall include conditions in a contract that they fully comply with this policy. Also, the contract shall include the terms for termination, compensation for damages and conditions for auditing the third party in case the third party violates(or is suspected of violating) anti- corruption act or this regulation. KAI maintains the integrity of the procurement process in bidding, negotiating, and performing contracts for federal agencies. This prohibits the release of source selection information and competitor's bid or proposal information. This also sets restrictions for attempting to obtain such information. The Company is committed to full compliance with the Procurement Integrity Act and applicable laws and regulations.

22.0 Risk assessment

A Compliance team shall periodically conduct risk assessment such as observation, monitoring, evaluation, education whether the employees and third parties comply with the company's ethics regulation and anti- corruption laws faithfully, and shall report the results to the top management.

[p.12] 2.0 Subject of application

The regulations shall be applied not only to all employees of the company but also to business partners who cooperate in the interests of the company.



Question
<b>7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?</b>
Score
<b>0</b>
Comments
There is no clear publicly available evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures.
Evidence
<p><b>[5] Regulation for Ethics &amp; Compliance (Document)</b>  Accessed 09/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a>  [p.10] 22.0 Risk assessment</p> <p>A Compliance team shall periodically conduct risk assessment such as observation, monitoring, evaluation, education whether the employees and third parties comply with the company's ethics regulation and anti- corruption laws faithfully, and shall report the results to the top management.</p> <p><b>[6] Code of Conduct for Ethics and Compliance (Document)</b>  Accessed 10/10/2019  <a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R6_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_190410.pdf</a>  [p.3] d) A third party is an individual, corporation, or organization that has contractual relationships with the company, including customers, traders, agents, consultants, partners, and advisors.</p>

## 8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
0
Comments
<p>There is evidence that the company makes a public statement that it does not engage in offset trades, however there is also evidence on the company's website to indicate that it engages in industrial cooperation activities and strategic partnerships as part of offset requirements set by purchasing customers; as such, the company's position on offsets is unclear.</p> <p>Although there is some evidence that the company has a dedicated team to manage its industrial cooperation and offset projects, it is not clear from publicly available information that employees in this team receive dedicated anti-corruption or compliance training based on the possible risks associated with offsets. There is also no clear evidence that the company has a procedure in place to manage offsets, nor is there evidence that its industrial cooperation team is responsible for monitoring and oversight of the company's offset activities throughout the lifecycle of each project.</p>
Evidence
<p><b>[31] Anti-Bribery Policy – Updated Feb 2021 (Webpage)</b> Accessed 05/02/2021 <a href="https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx">https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx</a> OffSet The company does not provide, attain, involve in offset trades. Offset trade is a trade that requires the purchase of weapons or equipment from abroad to receive certain counter-payments, such as transferring relevant knowledge or technology or exporting domestic weapons, equipment or components. The company is not subject to offsets based on security issues on related knowledge or technology and violations of The Improper Solicitation and Graft Act on the provision of counter-payments, and it is also impossible to provide offsets implicitly through the company's accounting, since accounting audit is conducted every year.</p> <p><b>[30] Industrial Cooperation (Webpage)</b> Accessed 05/02/2021 <a href="https://www.koreaaero.com/EN/Sustainability/IndustrialCooperation.aspx">https://www.koreaaero.com/EN/Sustainability/IndustrialCooperation.aspx</a> Industrial Cooperation Program(ICP) Activities</p>
<p>All activities such as ICP Development, Proposal and Implementation for an offset obligation imposed on a foreign contractor in line with defense procurement.</p> <div><div>Concept</div><div><div><div>Contractor</div></div><div><div>Export of Defense Product/Service</div></div><div><div>Offset Requirement</div></div><div><div>ICP Implementation</div></div><div><div>Customer (Government)</div></div></div></div> <div><div>Example of ICP</div><div><div><div>Buyback</div><div>Defense Products &amp; Services</div></div><div><div>Subcontract</div><div>Product Localization</div></div><div><div>R&amp;D</div><div>Technology Cooperation, Provision of Equipment &amp; Infra, Education &amp; Training</div></div><div><div>FDI/JV</div><div>Foreign Direct Investment, Joint Venture</div></div></div></div>

### Strategic Partnerships for Industrial Cooperation

KAI is currently doing variable ICP Activities such as procuring defence goods, subcontracting products, technology cooperation, R&D investment and so on by making long-term strategic partnerships with domestic and foreign companies that want to participate in ICP.

It makes all participants not only to gain intangible benefits like a cost reduction of sustainable supply chains from ICP but also increase market share through new business development in Defense & Aerospace Sector.

### Contact

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Please contact us for more details.

**Industrial Cooperation Team, Mr. Junyang Choi** • Tel +82-55-851-0991 • e-Mail [choijyng@koreaaero.com](mailto:choijyng@koreaaero.com)

### [16] Offset (Webpage)

Accessed 11/10/2019

<http://www.koreaaero.com/english/partnership/offset.asp>

#### Definition

The term "offset trade" means trade where a condition of reciprocal service, such as transfer of relevant knowledge, technology, etc., the overseas export of domestic weapons, equipment, parts, etc. is attached when purchasing weapons, equipment, etc. from abroad; [DEFENSE ACQUISITION PROGRAM ACT Article 3 (Definition of Offset Trade)]

#### Related Statutes and Regulation

To ensure fairness and transparency of the trade-off deal, the company implements and operates "Procedures for Trade-off in Defense Acquisition Projects(DI-PM-202)." These regulations were established based on the National Defense Acquisition Program Act, Enforcement Decree of the Defense Acquisition Program Act, Enforcement Rules of the Defense Acquisition Program Act, Enforcement Decree of the Foreign Investment Promotion Act, Enforcement Rules of the Foreign Investment Promotion Act, Regulations for Defense Acquisition Program Administration Regulations, and Trade-off Guidelines of Defense Acquisition Program Administration.

#### ■ Contact


#### KAI's Industrial Cooperation and Offset Team

J.H. Kim (Senior manager & Chief) - E-mail : [jin0828@koreaaero.com](mailto:jin0828@koreaaero.com)

J.Y. Choi - E-mail : [choijyng@koreaaero.com](mailto:choijyng@koreaaero.com) \* In charge of Turkey

Question
<b>8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?</b>
Score
<b>0</b>
Comments
There is no publicly available evidence that the company has procedures in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations or industrial cooperation requirements.
Evidence
No evidence found.

Question
<b>8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?</b>
Score
<b>0</b>
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of its offset and industrial cooperation programme, nor does it publish a statement that it does not engage such entities.
Evidence
No evidence found.

Question				
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?				
Score				
0				
Comments				
<p>There is evidence that the company provides some information on the types of offset or industrial cooperation projects that it may engage in, as well as indicating that it engages in relevant strategic partnerships. However, there is no clear public available evidence that the company publishes further details about its offset or industrial cooperation projects, whether direct or indirect, or about the beneficiaries of such projects.</p>				
Evidence				
<p><b>[30] Industrial Cooperation (Webpage)</b> Accessed 05/02/2021 <a href="https://www.koreaaero.com/EN/Sustainability/IndustrialCooperation.aspx">https://www.koreaaero.com/EN/Sustainability/IndustrialCooperation.aspx</a> Industrial Cooperation Program(ICP) Activities</p> <hr/> <p>All activities such as ICP Development, Proposal and Implementation for an offset obligation imposed on a foreign contractor in line with defense procurement.</p> <div><p><b>Concept</b></p><p><b>Example of ICP</b></p><table><tr><td><b>Buyback</b> Defense Products &amp; Services</td><td><b>Subcontract</b> Product Localization</td><td><b>R&amp;D</b> Technology Cooperation, Provision of Equipment &amp; Infra, Education &amp; Training</td><td><b>FDI/JV</b> Foreign Direct Investment, Joint Venture</td></tr></table></div>	<b>Buyback</b> Defense Products & Services	<b>Subcontract</b> Product Localization	<b>R&amp;D</b> Technology Cooperation, Provision of Equipment & Infra, Education & Training	<b>FDI/JV</b> Foreign Direct Investment, Joint Venture
<b>Buyback</b> Defense Products & Services	<b>Subcontract</b> Product Localization	<b>R&amp;D</b> Technology Cooperation, Provision of Equipment & Infra, Education & Training	<b>FDI/JV</b> Foreign Direct Investment, Joint Venture	
<p>Strategic Partnerships for Industrial Cooperation</p> <p>KAI is currently doing variable ICP Activities such as procuring defence goods, subcontracting products, technology cooperation, R&amp;D investment and so on by making long-term strategic partnerships with domestic and foreign companies that want to participate in ICP.</p> <p>It makes all participants not only to gain intangible benefits like a cost reduction of sustainable supply chains from ICP but also increase market share through new business development in Defense &amp; Aerospace Sector.</p>				
<p><b>[16] Offset (Webpage)</b> Accessed 11/10/2019 <a href="http://www.koreaaero.com/english/partnership/offset.asp">http://www.koreaaero.com/english/partnership/offset.asp</a></p>				



### Types of Offset

#### Procurement

Purchasing the complete products and services or components of weapon system developed from abroad

- **G2G Procurement** : Counter purchase of defense products and services of customer's country
- **Commercial Purchase** : Direct purchase from company in aboard (including subcontracting)

#### Overseas Outsourcing

Support of outsourcing production for domestic defense products in customer's country

#### Technology Cooperation

Providing required technologies for a customer such as, technical information, technical assistance, education and training.

#### Technical Information :

A set of Data, which contains technical document, information manual, doctrine and specification

#### Technical Assistance :

Seller dispatch technician to customer's country to transfer technologies to relevant representative from requirement military and research agency, while resides in customer's country.

#### Overseas Training :

Representative from requirement military and research agency in customer's country will receive training courses in overseas.

#### Investment / Joint Venture

Investment in new or current business in customer's country.

### [17] Annual Report 2017 (Document)

Accessed 11/10/2019

<https://www.koreaaero.com/english/ir/ir02.asp>

### Successful business achievement – supply of final KT-1P Peru on time

The project was completed as 20 units of KT-1P, a Peru exported type aircraft, was delivered to the Peru Air Force. To celebrate the successful delivery, 'Ceremony for Successful Delivery of KT-1P Peru Final Units' was held in the Peru Air Force base in Las Palmas, Lima, on April 7.

Since KAI won the export contract of 20 KT-1P Peru units in 2012, the first 4 units was produced at KAI facilities, and the rest 16 units were produced at the plant of Seman, a Peruvian company.

It implies the industrial cooperation between two countries involved with the exportation to Peru, including the plant construction in Peru, was done successfully.

## 9. High Risk Markets

Question
<b>9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?</b>
Score
<b>0</b>
Comments
There is no publicly available evidence to indicate that the company acknowledges the corruption risks of operating in different markets, nor that it has a risk assessment procedure in place to identify such risks.
Evidence
No evidence found.



Question																										
<b>9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?</b>																										
Score																										
1																										
Comments																										
<p>Based on publicly available information, there is evidence that the company publishes lists of its consolidated subsidiaries and non-fully consolidated holdings. The company's lists indicate the percentage ownership and the countries of incorporation for each entity. There is evidence that these lists are updated on an annual basis.</p> <p>However, the company receives a score of '1' because there is no evidence that it publishes the country or countries of operation for each entity.</p>																										
Evidence																										
<p><b>[18] Consolidated financial statements 2018 and 2017 (Document)</b>  Accessed 11/10/2019  <a href="http://www.koreaaero.com/data_file/FINANCIAL/KAI_2018_audited_financial_statement_eng.pdf">http://www.koreaaero.com/data_file/FINANCIAL/KAI_2018_audited_financial_statement_eng.pdf</a>  [p.9] 1.2 Consolidated Subsidiaries</p> <p>(A) The Company's consolidated subsidiaries as of December 31, 2018 and 2017 are as the following:</p> <table> <tr> <th rowspan="2">Subsidiary</th><th rowspan="2">Location</th><th rowspan="2">Year end</th><th colspan="2">Percentage of ownership (%)</th></tr> <tr> <th>2018</th><th>2017</th></tr> <tr> <td>Korea Aerospace F.W. Inc.</td><td>U.S.A.</td><td>December 31</td><td>100.00</td><td>100.00</td></tr> <tr> <td>TAAS Inc.<sup>1</sup></td><td>KOR</td><td>December 31</td><td>100.00</td><td>-</td></tr> <tr> <td>KAEMS Inc.<sup>2</sup></td><td>KOR</td><td>December 31</td><td>66.41</td><td>-</td></tr> </table> <p><sup>1</sup> The Company classified the entity as a subsidiary as it acquired 100% of the equity shares and obtained control of the subsidiary for the year ended December 31, 2018.</p> <p><sup>2</sup> The Company classified the entity as a subsidiary as it participated in incorporation and obtained control of the subsidiary for the year ended December 31, 2018. For the year ended 31, 2018, the Company invested ₩35,700 million of cash, ₩36,700 million of land, and ₩12,000 million of building, and ₩5,400 million of structures in the subsidiary.</p> <p>[p.49] 9. Investments in Associates and Joint Venture</p> <p>Investments in associates and joint venture as of December 31, 2018 and 2017, and their summarized financial information as of and for the years ended December 31, 2018 and 2017, are as follows:</p>					Subsidiary	Location	Year end	Percentage of ownership (%)		2018	2017	Korea Aerospace F.W. Inc.	U.S.A.	December 31	100.00	100.00	TAAS Inc. <sup>1</sup>	KOR	December 31	100.00	-	KAEMS Inc. <sup>2</sup>	KOR	December 31	66.41	-
Subsidiary	Location	Year end	Percentage of ownership (%)																							
			2018	2017																						
Korea Aerospace F.W. Inc.	U.S.A.	December 31	100.00	100.00																						
TAAS Inc. <sup>1</sup>	KOR	December 31	100.00	-																						
KAEMS Inc. <sup>2</sup>	KOR	December 31	66.41	-																						

(In thousands of Korean won)		2018												
		Ownership (%)	Acquisition Cost	Net Asset Value	Recorded Book amount	Assets	Liabilities	Profit (loss) for the year						
<b>Joint venture</b>														
KAI-EC <sup>1</sup>	51.00	\	2,805,000	\	266,984	\	523,756	\	259	\	-	\	(11,311)	
<b>Associates</b>														
S&K Aerospace Co., Ltd.	29.41		1,000,000		4,906,298		4,906,298		42,987,538		26,306,126		21,831,637	918,109
Korea Surface Treatment Co., Ltd.	29.69		1,900,000		1,218,722		1,218,722		9,872,269		5,767,447		654,858	(1,821,802)
Total		\	5,705,000	\	6,392,004	\	6,392,004							

<sup>1</sup> Considering unanimity rule in the Articles of Incorporation of KAI-EC, it is classified as a joint venture, irrespective of the Group's ownership percentage of 51%.

[17] Annual Report 2017 (Document)  
 Accessed 11/10/2019  
<https://www.koreaaero.com/english/ir/ir02.asp>  
 [p.25]

### 3. The Holding Company, the Affiliated Companies and Corporate Combination Agenda

1) Current state of the holding company
Not applicable

2) Current state of the affiliated companies
(Share, %)

Companies			Relationship with our corporation		
Name	Address	Type of main business	Numbers of holding shares	Rate of holdings	Relation for Business
Korea Aerospace FW.Inc	USA TX. Fort Worth	Service	100 shares	100.0%	Yes
KAI EC	463, Cheongparo, Jung-gu, Seoul	Marketing	2,550,000 shares	51.0%	Yes

[19] Company Profile (Webpage)  
 Accessed 11/10/2019  
<http://www.koreaaero.com/english/ir/operation.asp>

#### ■ Subsidiaries

Business Site	Program Contents	Site Address	Country of incorporation
Korea Aerospace FW.Inc	US branch	USA TX. Fort Worth	USA
Aviosys TECHNOLOGIES	Aerospace & Defense Electronic Components/Solution	723 Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do	KOR
KAEMS	Aviation MRO	64, Hanggong-ro, Sacheon-eup, Gyeongsangnam-do	KOR

### [17] Annual Report 2017 (Document)

Accessed 11/10/2019

<https://www.koreaaero.com/english/ir/ir02.asp>

[p.25]

## 3. The Holding Company, the Affiliated Companies and Corporate Combination Agenda

1) Current state of the holding company \_ Not applicable

2) Current state of the affiliated companies

(Share, %)

Companies			Relationship with our corporation		
Name	Address	Type of main business	Numbers of holding shares	Rate of holdings	Relation for Business
Korea Aerospace FW, Inc	USA TX. Fort Worth	Service	100 shares	100.0%	Yes
KAI EC	463, Cheongparo, Jung-gu, Seoul	Marketing	2,550,000 shares	51.0%	Yes

### [19] Company Profile (Webpage)

Accessed 11/10/2019

<http://www.koreaaero.com/english/ir/operation.asp>

#### ■ Subsidiaries

Business Site	Program Contents	Site Address	Country of incorporation
Korea Aerospace FW, Inc	US branch	USA TX. Fort Worth	USA
Aviosys TECHNOLOGIES	Aerospace & Defense Electronic Components/Solution	723 Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do	KOR
KAEMS	Aviation MRO	64, Hanggong-ro, Sacheon-eup, Gyeongsangnam-do	KOR

**Question****9.3 Does the company disclose its beneficial ownership and control structure?****Score****1****Comments**

There is evidence that the company publishes information on the entities with significant holdings in the company. In its annual report the company states that approximately 60% of its equity is held by institutional investors, with only one shareholder having a stake higher than 25%.

However, the company receives a score of '1' because it does not disclose this information in an open data format and there is no evidence that its information is available through a national or global corporate register. Although the company is publicly listed in South Korea, its voting shares are not admitted to one of the regulated markets specified in the guidance.

**Evidence****[21] Stock Exchange (Webpage)**

Accessed 11/10/2019

<https://www.bloomberg.com/quote/047810:KS>
**Bloomberg**

00	<b>NASDAQ</b>	<b>FTSE 100</b>	<b>NIKKEI 225 Future</b>	<b>EUR-USD</b>	<b>WTI C</b>
11	8,089.75	7,224.82	22,050.00	1.1053	53.98
38	▲+138.97	▲+38.46	▲+250.00	▲+0.0048	▲+0.41

**047810:KS** Korea SE**Korea Aerospace Industries Ltd** [COMPANY INFO](#)
**38,150.00** KRW +150.00 +0.39% ▲

OPEN	PREV CLOSE	VOLUME
38,350.00	38,000.00	179,965
MARKET CAP	DAY RANGE	52 WEEK RANGE
3.719T	38,050.00 - 38,500.00	27,950.00 - 42,100.00

**[20] Stock Status (Webpage)**

Accessed 11/10/2019

<http://www.koreaaero.com/english/ir/stock.asp>
■ **Principal Stakeholder Status**

\* National Pension (As of December 31, 2018)

Stakeholder	Number of Stockholdings	Stockholding Ratio (%)	Dealings W/Co.	Remark
The Export-Import Bank Of Korea	25,745,964	26.41%	None	Common Stock
National Pension	6,174,444	6.33%	None	Common Stock
Hana Financial Investment	4,731,292	4.85%	None	Common Stock
Employee Ownership	1,506,817	1.55%	None	Common Stock
Institutional Investors	59,316,590	60.86%	None	Common Stock
TOTAL	97,475,107	100%		

**[17] Annual Report 2017 (Document)**

Accessed 11/10/2019

<https://www.koreaaero.com/english/ir/ir02.asp>

[p.26]

**6. Current State of Major Shareholders**

(Share, %)

Name of Shareholder	Number of holding shares	Rate of holdings(%)	Transaction with the corporation	Remark
The Export-Import Bank of Korea	25,745,964 shares	26.4%	A typical financial transaction	Common stock
National Pension Service	6,424,553 shares	6.6%	No	Common stock
Hanwha Techwin	5,847,511 shares	6.0%	Yes	Common stock
Hana Financial Investment	4,731,037 shares	4.9%	No	Common stock
BLACKROCK GLOBAL FUNDS	1,947,104 shares	2.0%	No	Common stock
Employee Stock Ownership Association	1,525,467 shares	1.6%	No	Common stock



Question																																				
9.4 Does the company publish a percentage breakdown of its defence sales by customer?																																				
Score																																				
0																																				
Comments																																				
There is no evidence that the company publishes information on its defence sales by customer. The company publishes some information on its overall revenue from its defence business, however there is no evidence that it provides any details on its major customers.																																				
Evidence																																				
<p><b>[18] Consolidated financial statements 2018 and 2017 (Document)</b> Accessed 11/10/2019 <a href="http://www.koreaaero.com/data_file/FINANCIAL/KAI_2018_audited_financial_statement_eng.pdf">http://www.koreaaero.com/data_file/FINANCIAL/KAI_2018_audited_financial_statement_eng.pdf</a> [p.70 ] 23. Sales</p> <p>Details of sales for the years ended December 31, 2018 and 2017, are as follows:</p> <p><i>(In thousands of Korean won)</i></p> <table><tr><th></th><th>2018</th><th>2017</th></tr><tr><td>Sales</td><td></td><td></td></tr><tr><td>Sales of goods</td><td>₩ 2,161,417,592</td><td>₩ 1,095,821,986</td></tr><tr><td>Construction contract revenue</td><td>597,793,678</td><td>976,427,156</td></tr><tr><td>Significant financing component</td><td>26,812,241</td><td>-</td></tr><tr><td>Total</td><td>₩ 2,786,023,511</td><td>₩ 2,072,249,142</td></tr></table> <p>[...]</p> <p>Accumulated construction contract revenue, cost of construction, construction profit and advanced payment on the ongoing projects as of December 31, 2018 and 2017, consist of the following:</p> <p><i>(In thousands of Korean won)</i></p> <table><tr><th></th><th>Segment</th><th>Accumulated revenue recognized</th><th>Cost of construction</th><th>Construction profit</th><th>Contract liabilities / Advanced payment</th></tr><tr><td>2018</td><td>Government defense business and aircraft export business</td><td>₩ 1,429,115,553</td><td>₩1,504,924,235</td><td>₩ (75,808,682)</td><td>₩ 268,139,452</td></tr><tr><td>2017</td><td>Government defense business and aircraft export business</td><td>5,316,174,337</td><td>4,871,043,126</td><td>445,131,211</td><td>242,803,872</td></tr></table>		2018	2017	Sales			Sales of goods	₩ 2,161,417,592	₩ 1,095,821,986	Construction contract revenue	597,793,678	976,427,156	Significant financing component	26,812,241	-	Total	₩ 2,786,023,511	₩ 2,072,249,142		Segment	Accumulated revenue recognized	Cost of construction	Construction profit	Contract liabilities / Advanced payment	2018	Government defense business and aircraft export business	₩ 1,429,115,553	₩1,504,924,235	₩ (75,808,682)	₩ 268,139,452	2017	Government defense business and aircraft export business	5,316,174,337	4,871,043,126	445,131,211	242,803,872
	2018	2017																																		
Sales																																				
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2018	Government defense business and aircraft export business	₩ 1,429,115,553	₩1,504,924,235	₩ (75,808,682)	₩ 268,139,452																															
2017	Government defense business and aircraft export business	5,316,174,337	4,871,043,126	445,131,211	242,803,872																															

## 10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
<b>10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?</b>
Score
N/A
Comments
N/A
Evidence

## List of Evidence &amp; Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Webpage	CEO Message	08/10/19	<a href="http://www.koreaaero.com/english/company/ethical_management.asp">http://www.koreaaero.com/english/company/ethical_management.asp</a>
02	Webpage	Anti-bribery Policy	08/10/19	<a href="http://www.koreaaero.com/english/company/anti_bribery.asp">http://www.koreaaero.com/english/company/anti_bribery.asp</a>
03	Webpage	Core Values	08/10/19	<a href="http://www.koreaaero.com/english/company/mis-sion02.asp">http://www.koreaaero.com/english/company/mis-sion02.asp</a>
04	Webpage	Mission	08/10/19	<a href="http://www.koreaaero.com/english/company/mis-sion.asp">http://www.koreaaero.com/english/company/mis-sion.asp</a>
05	Document	Regulation for Ethics & Compliance	08/10/19	<a href="http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/Regulation_for_ethics_and_compliance_ENG.pdf</a>
06	Document	Code of Conduct for Ethics and Compliance	08/10/19	<a href="http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf">http://www.koreaaero.com/data_file/ETHICS_PDF/A_04-0100_R7_Code_of_Conduct_for_Ethics_&amp;_Compliance_ENG_191104.pdf</a>
07	Webpage	Management Review	08/10/19	<a href="http://www.koreaaero.com/english/company/anti_bribery_5.asp">http://www.koreaaero.com/english/company/anti_bribery_5.asp</a>
08	Webpage	Prevention Activities	08/10/19	<a href="http://www.koreaaero.com/english/company/anti_bribery_2.asp">http://www.koreaaero.com/english/company/anti_bribery_2.asp</a>
09	Webpage	Ethics Management System	08/10/19	<a href="http://www.koreaaero.com/english/company/ethical_management_3.asp">http://www.koreaaero.com/english/company/ethical_management_3.asp</a>
10	Webpage	Prevention Measure	01/05/2020	<a href="http://www.koreaaero.com/english/company/anti_bribery_4.asp">http://www.koreaaero.com/english/company/anti_bribery_4.asp</a>
11	Webpage	Cyber Reporting Center	08/10/19	<a href="https://www.koreaaero.com/english/company/ethical_management_4.asp">https://www.koreaaero.com/english/company/ethical_management_4.asp</a>
12	Webpage	Ethical Management	09/10/19	<a href="http://www.koreaaero.com/english/company/ethical_management_2.asp">http://www.koreaaero.com/english/company/ethical_management_2.asp</a>
13	Document	Compliance Questionnaire	04/05/2020	<a href="http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf">http://www.koreaaero.com/data_file/7_1_3_Compliance_Questionnaire.pdf</a>
14	Webpage	Social Responsibility	09/10/19	<a href="http://www.koreaaero.com/english/company/social_responsibility.asp">http://www.koreaaero.com/english/company/social_responsibility.asp</a>
15	Webpage	Transparent Business	09/10/19	<a href="http://www.koreaaero.com/english/company/anti_bribery_3.asp">http://www.koreaaero.com/english/company/anti_bribery_3.asp</a>
16	Webpage	Offset	11/10/19	<a href="http://www.koreaaero.com/english/partnership/offset.asp">http://www.koreaaero.com/english/partnership/offset.asp</a>
17	Document	Annual Report 2017	11/10/19	<a href="https://www.koreaaero.com/english/ir/ir02.asp">https://www.koreaaero.com/english/ir/ir02.asp</a>
18	Document	Consolidated financial statements 2018 and 2017	11/10/19	<a href="http://www.koreaaero.com/data_file/FINANCIAL/KAI_2018_audited_financial_statement_eng.pdf">http://www.koreaaero.com/data_file/FINANCIAL/KAI_2018_audited_financial_statement_eng.pdf</a>
19	Webpage	Company Profile	11/10/19	<a href="http://www.koreaaero.com/english/ir/operation.asp">http://www.koreaaero.com/english/ir/operation.asp</a>
20	Webpage	Stock Status	11/10/19	<a href="http://www.koreaaero.com/english/ir/stock.asp">http://www.koreaaero.com/english/ir/stock.asp</a>
21	Webpage	Stock Exchange	11/10/19	<a href="https://www.bloomberg.com/quote/047810:KS">https://www.bloomberg.com/quote/047810:KS</a>
22	Webpage	Open Ownership Register	11/10/19	<a href="https://register.openownership.org/search?utf8=%E2%9C%93&amp;q=Korean+Aerospace+Industries">https://register.openownership.org/search?utf8=%E2%9C%93&amp;q=Korean+Aerospace+Industries</a>
23	Document	Practices for Win-Win Cooperation among KAI Partners	11/12/19	<a href="http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8001_KAI%EC%99%80_%ED%98%91%EB%A0%A5%EC%82%AC_%EA%B0%84_%EC%83%81%EC%83%9D%ED%98%91%EB%A0%A5%EC%9D%84_%EC%9C%84%ED%95%9C_%EA%B3%84%E">http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8001_KAI%EC%99%80_%ED%98%91%EB%A0%A5%EC%82%AC_%EA%B0%84_%EC%83%81%EC%83%9D%ED%98%91%EB%A0%A5%EC%9D%84_%EC%9C%84%ED%95%9C_%EA%B3%84%E</a>



				<a href="#">C%95%BD%EC%B2%B4%EA%B2%B0_%EC%A7%80%EC%B9%A8_DI742-31.pdf</a>
24	Document	Practices for selecting and operating partner companies	11/12/19	<a href="http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8002_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%ED%98%91%EB%A0%A5%EC%82%AC_%EC%84%A0%EC%A0%95_%EC%9A%B4%EC%9A%A9_DI742-32.pdf">http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8002_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%ED%98%91%EB%A0%A5%EC%82%AC_%EC%84%A0%EC%A0%95_%EC%9A%B4%EC%9A%A9_DI742-32.pdf</a>
25	Document	Implementation of the Subcontracting Internal Review Committee	11/12/19	<a href="http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8003_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%EB%82%B4%EB%B6%80%EC%8B%AC%EC%9D%98%ED%9A%8C_%EC%9A%B4%EC%98%81%EC%A7%80%EC%B9%A8_DI742-33.pdf">http://www.koreaaero.com/data_file/PARTNERSHIP/%EC%B2%A8%EB%B6%8003_%ED%95%98%EB%8F%84%EA%B8%89_%EA%B1%B0%EB%9E%98_%EB%82%B4%EB%B6%80%EC%8B%AC%EC%9D%98%ED%9A%8C_%EC%9A%B4%EC%98%81%EC%A7%80%EC%B9%A8_DI742-33.pdf</a>
26	Document	Announcement of the Will to Practice Ethics & Compliance	16/04/2020	<a href="http://www.koreaaero.com/data_file/1_1_CEO_Letter_pledge.pdf">http://www.koreaaero.com/data_file/1_1_CEO_Letter_pledge.pdf</a>
27	Document	Compliance Operating Regulation	16/04/2020	<a href="http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf">http://www.koreaaero.com/data_file/2_1_Compliance_Operating_Regulation.pdf</a>
28	Document	Audit Committee Regulation	16/04/2020	<a href="http://www.koreaaero.com/data_file/COUNCIL/KAI_%EA%B0%90%EC%82%AC%EC%9C%84%EC%9B%90%ED%9A%8C_%EC%A7%81%EB%AC%B4%EA%B7%9C%EC%A0%95.pdf">http://www.koreaaero.com/data_file/COUNCIL/KAI_%EA%B0%90%EC%82%AC%EC%9C%84%EC%9B%90%ED%9A%8C_%EC%A7%81%EB%AC%B4%EA%B7%9C%EC%A0%95.pdf</a>
29	Webpage	Welfare Organization Sponsorship	04/05/2020	<a href="http://kaisocialservices.com/kor/index.php?pCode=periodicsup">http://kaisocialservices.com/kor/index.php?pCode=periodicsup</a>
30	Webpage	Industrial Cooperation	05/02/2021	<a href="https://www.koreaaero.com/EN/Sustainability/IndustrialCooperation.aspx">https://www.koreaaero.com/EN/Sustainability/IndustrialCooperation.aspx</a>
31	Webpage	Anti-Bribery Policy – Updated Feb 2021	05/02/2021	<a href="https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx">https://www.koreaaero.com/EN/Sustainability/AntiBribery.aspx</a>