KD Navien
Sustainability Report
2025

# OPTIMIZE LIVING AND ENVIRONMENT

KD Navien

# About this Report

## Report Overview

This is KD Navien's 2025 Sustainability Report. Based on its corporate philosophy of "Contribute to Society through Business," this report presents the economic, environmental, and social value created by KD Navien through its business activities, along with the Company's related efforts. KD Navien publishes a sustainability report annually to communicate with stakeholders and transparently disclose its ESG performance and activities.

## Reporting Principles

This report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards 2021, an international framework for sustainability reporting. It also reflects the disclosure topics and metrics set out in the SASB (Sustainability Accounting Standards Board) Electrical & Electronic Equipment Industry Standard and the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

## Reporting Period

This report covers KD Navien's economic, environmental, and social performance from January 1 to December 31, 2025. Certain performance information through March 2026 is also included, while quantitative performance data are presented for the past three years to enable year-on-year trend analysis.

## Reporting Scope

The financial performance and greenhouse gas data presented in this report are based on consolidated figures. Non-financial performance data, excluding greenhouse gas data, are primarily based on KD Navien's domestic operations on a standalone basis, including the Seoul Office, Research Institute, Seotan Factory (ECO Hub), Pyeongtaek Factory, Songtan Factory, and Gasan Factory. Certain environmental and social performance data include results from major affiliates, including KD Everon, KD Polyum, KD TS, and Navien, Inc. Where the reporting scope differs, detailed information is provided separately in the main text or footnotes.

## Third-Party Assurance

To enhance transparency regarding its sustainability management activities, this report has undergone third-party assurance by the Korea Management Registrar (KMR). The assurance was conducted in accordance with AA1000AS at the Moderate Level and as Type 2 assurance. Further details are provided in the Independent Assurance Statement on page 135 of this report.


## Cover Story

Linear graphics based on KD NAVIEN's brand colors were used to reinforce its visual identity. The imagery of connection and expansion expresses the Company's vision as a sustainable energy solutions provider.

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# COMPANY OVERVIEW

# A Message from the ESG Steering Committee Chair

**To Our Stakeholders, Partners in KD Navien's Journey of Sustainable Growth,**

Across industry, 2025 marked a year of deepening and far-reaching change. Shifting trade dynamics, geopolitical uncertainty, and the ongoing digital transformation were compounded by an accelerating energy transition, together redrawing the competitive landscape. Climate crises and supply chain disruptions unfolding across the globe heightened the pressures on business—yet in doing so, they reframed carbon neutrality and energy efficiency as defining sources of competitive strength. Against this backdrop, KD Navien has stayed its course: sharpening our global edge through technological innovation and advancing steadily toward a sustainable future.

Our purpose is anchored in technology that serves both people and the planet. We continue to broaden a portfolio of products and services built to raise energy efficiency while reducing carbon emissions, and we are deepening the capabilities of our smart home platform to deliver integrated living environment solutions that go beyond air quality—temperature, humidity, and cleanliness—to encompass safety. In doing so, KD Navien is emerging as a trusted partner in comfortable living and a driving force for a sustainable future.

In 2025, we applied Life Cycle Assessment (LCA) across our core product lines, analyzing environmental impact in granular detail at every stage of a product's life. The findings pointed clearly to the use phase as central to emissions reduction. Guided by this insight, we are deepening innovation centered on energy efficiency—led by high-efficiency condensing technology and heat pumps—and strengthening our management of Scope 1 and 2 emissions and, beyond them, the Scope 3 emissions that extend through product use and the wider value chain.

In 2026, to enhance the execution of our sustainability commitments, we established the ESG Committee, further strengthening our ESG governance. Serving as the focal point of our sustainability agenda, the Committee brings structure and discipline to our key ESG priorities—climate action, supply chain stewardship, eco-friendly products, and human rights and ethics—while building a decision-making framework aligned with our mid- to long-term sustainability strategy.

Looking ahead, KD Navien will advance its ESG efforts along three clear directions.

**First, we will strengthen enterprise-wide execution, with the ESG Committee leading the way.**
Guided by our founding philosophy of "Contribute to Society through Business" and the accountability we uphold as "Uncompromising Expert," we are weaving ESG into the fabric of the organization. We remain committed to scaling high-efficiency energy appliances and eco-friendly innovation while solidifying the credibility and discipline of our ESG execution. In tandem, we will elevate sustainability across the value chain through shared growth with our suppliers.

**Second, we will advance socially responsible management to grow in step with our stakeholders.**
As a partner in mutual prosperity, we cultivate a culture that honors human rights and diversity and are committed to a workplace free from discrimination. We will put our community engagement on a more systematic footing to build a lasting foundation for shared prosperity, and we will listen closely to the voices of our diverse stakeholders to create sustainable value together.

**Third, we will lead the charge on carbon reduction and the energy transition through innovation.**
KD Navien is a "Smart Pioneer"—the company that developed Asia's first condensing boiler in 1988 and has championed energy efficiency and emissions reduction ever since. Building on the use-phase emissions profile identified through LCA, we will keep bolstering the competitive position of our eco-friendly offerings, from high-efficiency condensing and heat pump technologies to air quality solutions. Recognizing that accelerating the energy transition and improving product efficiency of our products is the most direct path for carbon reduction, we will sustain the innovation that drives energy savings and brings carbon neutrality within reach.

Grounded in our philosophy of contribution to society through business success, KD Navien will continue to unite people and the environment through innovative technology—delivering the ultimate comfortable living environment while shaping a sustainable tomorrow.We look forward to your continued interest and support on this shared journey ahead.

Thank you.

**Kim Jong-uk**
Chair of the KD Navien
ESG Steering Committee

# Our Business

## Company Profile

From boilers and water heaters to heating and cooling systems and ventilation solutions, KD Navien fosters a comfortable living environment through products and services that span temperature, humidity, and air quality. Since its founding in 1978, KD Navien has grown into Korea's leading boiler specialist. In 1988, we introduced Asia's first high-efficiency condensing technology, and since our first export in 1991, we have gone on to ship our products to 47 countries worldwide and to rank first in exports for 35 consecutive years—leading the nation's boiler industry. Guided by a firm belief in the environment, society, and technology, we have remained committed to advancing condensing technology that recycles heat while broadening our business into sleep mattresses, ventilation and air purifiers, and kitchen appliances, evolving into an integrated living environment solutions provider. Today, KD Navien brings greater comfort and well-being to our customers' daily lives, realizing our vision as a comfortable living environment partner. Building on technology that is both intuitive and dependable, we keep delivering living environment solutions that elevate everyday living, while contributing to better living, urban, and global environments and shaping a sustainable future for all.

### Company Overview

| | |
|---|---|
| Name of company | KyungDong Navien NAVIEN: Navigator + Energy Environment |
| CEO | Sohn Yeon-ho, Sohn Heung-rak, Jang Hi-cheol |
| Date of establishment | March 16, 1978 |
| Head Office | 95 Suworam-gil, Seotan-myeon, Pyeongtaek-si, Gyeonggi-do, Korea |
| Business areas | Boilers, water heaters, ventilation air purifiers, sleep mattress pads, smart home systems, etc. |
| Website | https://www.kdnavien.co.kr |

| Total assets | Sales | Employees |
|---|---|---|
| 1.5222 trillion KRW | 1.5022 trillion KRW | 1,783 persons |

### Global Network


#### Overseas Subsidiaries

| Country | Subsidiary |
|---|---|
| US | Navien, Inc. |
| Canada | Navien Canada, Inc. |
| Mexico | Navien Mexico, S.A. de C.V |
| Russia | Navien RUS LLC |
| Uzbekistan | Navien UBK LLC |
| China | Beijing KyungDong Navien Heat Energy Equipment Co., Ltd. |
| | Hebei KyungDong Navien Heat Energy Equipment Co., Ltd. |
| UK | Navien UK Ltd |

#### Domestic Sites

| Subsidiary | Site |
|---|---|
| All | Seoul Office |
| KD Navien | Seotan Factory (ECO Hub) |
| | Research Institute |
| | Pyeongtaek Factory |
| | Songtan Factory |
| | Gasan Factory |
| KD Everon | Chungju Factory |
| KD Polyum | Asan Factory (ECO Campus) |
| KD TS | Human Resources Development Center |
| COMMAX | Seongnam Office |

# Our Business

## Business Portfolio

KD Navien is evolving beyond its traditional focus on boilers and water heaters into integrated living environment solutions spanning air quality management, sleep care, and kitchen systems that shape every facet of customers' daily lives. In step with this shift, we are broadening our technology and product portfolio across the diverse areas closely tied to everyday life, and we continue to pursue technological innovation that delivers a more comfortable and convenient experience at home. Building on innovative technologies and solutions, KD Navien will continue to enrich everyday living with greater customer-centered value.






**Connectivity Optimization**
System IoT/App/AI

**Environment Optimization**
Solutions that optimize the environment for consumers

NAVIEN

**Living Optimization**
Solutions that optimize essential daily activities (sleep, cooking, etc.)

**Convenience Optimization**
Care/Rental/On-line

| Temperature (Heating & Cooling) | Air Quality | Water Quality | Sleep | Kitchen Cooking | Home Enhancement (Smart Home) |
|---|---|---|---|---|---|
| Water heater<br>Boiler<br>Hydro Furnace<br>Heat pump<br>Condensing air conditioner | Dehumidifying ventilation air purifier<br>Ventilation system<br>Bathroom ventilation | Water treatment system<br>Water filtration system | Sleep mattress pad<br>All-season mattress pad | Kitchen appliances<br>Gas/electric range<br>Hybrid<br>Electric oven<br>Hood<br>Microwave | Wall pad<br>Smart home<br>Door lock<br>Gate system |

# Our Business

## KyungDong Living Environment Solutions Group

### KyungDong, a creator of value in energy and the environment

The six living environment solutions companies of KyungDong Group are pooling their strengths to emerge as global leaders, each within its own field of expertise, through relentless technological innovation and creative thinking. In parallel, they move forward together toward a shared vision—enriching customers' daily lives with greater comfort—generating synergy along the way.


**ONE** 1
A holding company of the Group and an innovative leader in developing eco-friendly building and commercial materials, as well as advanced home network systems

**EVERON** 2
A company specialized in developing and producing core components that increase the longevity of products

**POLYUM** 2
A company specialized in developing and producing water piping modules and core components that determine the performance of boilers, water heaters, and sleep mattress pads

**TS** 3
A service company that protects customer rights by providing services for all KD products and fostering excellent engineers

**C&S** 4
A company that ensures customers enjoy their products in optimal condition through professional and systematic care services

**COMMAX** 5
A specialist in home safety and security, providing solutions for safer and more convenient living environments

# Our Business

## How We Create Value

### Input

| Financial capital | |
|---|---|
| Equity capital | 770.5 billion KRW |
| Assets | 1.5222 trillion KRW |
| Liabilities | 751.7 billion KRW |

| Manufacturing and production | |
|---|---|
| Tangible assets | 582.2 billion KRW |
| Production facility investments (machinery/equipment and molds) *As of the delivery date | 35.3 billion KRW |

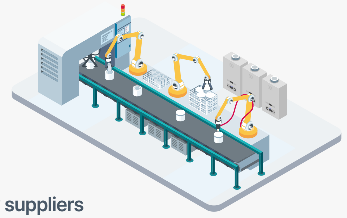
| R&D | |
|---|---|
| R&D personnel | 398 persons |
| R&D expenses (including government subsidies) | 42.4 billion KRW |

| Environmental capital | |
|---|---|
| Energy consumption | 287.47TJ |
| Total water consumption | 359,310m³ |
| Total waste generation | 1,140ton |

| Human capital | |
|---|---|
| Number of employees | 1,783 persons |
| Training expenses | 1 billion KRW |

| Social capital | |
|---|---|
| EHS investments | 3.2 billion KRW |
| Social contribution expenses | 1.7 billion KRW |
| ISO 14001 | Certified |
| ISO 45001 | Certified |
| ISO 9001 | Certified |

### Business Activities



**Key suppliers**
- External: Supply raw materials, parts, equipment, etc.
- Internal: Offer assembly and logistics services

**KD Navien**
- R&D and product development: Continuous R&D to enhance customer convenience and the environmental performance of our products
- Smart manufacturing and production: Securing flawless quality and manufacturing competitiveness through smart manufacturing
- Logistics and distribution: Reducing energy use through eco-friendly packaging redesign and improved logistics efficiency

**Key customers**
- B2C: On/offline channel (experiential stores, Navien House, Sweet Dream Store, etc.) users
- B2B: Dealers, construction companies, professional distributors
- Boilers, water heaters, furnaces, ventilation cleaners, sleep mattress pads, rental services, etc.

**Disposal and close-loop recycling**
- Ongoing management of waste generated in production and processes, including the reuse of raw material and the repurposing of used packaging materials

### Output

| Financial capital | |
|---|---|
| Sales | 1.5022 trillion KRW |
| Operating income | 143.4 billion KRW |
| Net income | 89.7 billion KRW |

| Manufacturing and production | |
|---|---|
| Production | 1.5 million units |
| Operating rate | 94% |

| R&D | |
|---|---|
| Patent/utility model registrations in Korea (cumulative) | 1,124 |
| Patent/utility model registrations overseas (cumulative) | 775 |

| Environmental capital | |
|---|---|
| GHG emissions | 34,876t$CO_2$eq |
| Water reuse rate | 31% |
| Waste recycling rate | 98% |

| Human capital | |
|---|---|
| Female employee ratio | 10.7% |
| Average training hours | 18.7 hours |

| Social capital | |
|---|---|
| Serious accidents | 0 |
| Environmental law violations | 0 |

Key social contribution initiatives
- Sponsoring energy/environmental technology research and Hangeul preservation
- Improving living conditions for vulnerable groups and supporting the culture and arts of local communities

# ESG MANAGEMENT

OPTIMIZE LIVING AND ENVIRONMENT

- Company Overview
- ESG Management
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  - Double Materiality Assessment
  - Stakeholder Communication
- Focus Area
- ESG Performance
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# Our Approach to ESG

## ESG Strategy

KD Navien has long strived to improve quality of life based on its sincere commitment, pursuing harmony among energy, the environment, and daily living while achieving continuous growth. To advance as a "Partner for Comfortable Living Environments" and respond to rapidly changing internal and external business conditions, KD Navien has established an ESG strategic framework that reflects both its direction for sustainable value creation and its core corporate identity. Under the ESG slogan "Think Living and Environment for a Better Tomorrow," KD Navien systematically implements its ESG strategy based on three pillars—Environment, People, and Governance—and 11 key management areas. Through this framework, the Company embeds ESG considerations throughout its business activities, progressively implements initiatives across key areas, and continues to advance its sustainability management system.

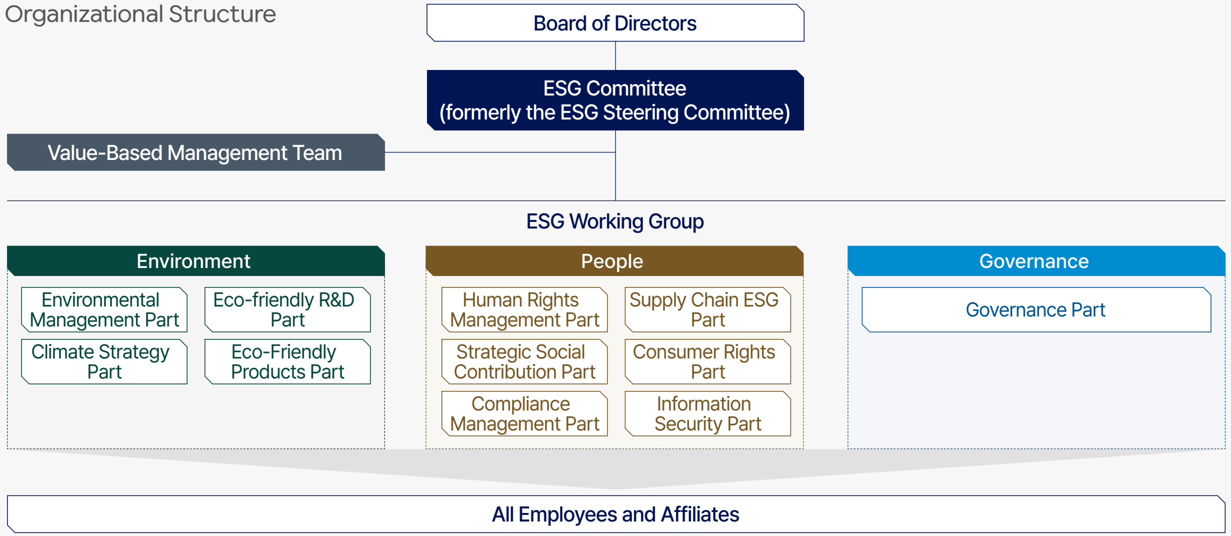
| | | | |
|---|---|---|---|
| Vision | Optimize Living and Environment | | |
| Company Name | KD Navien: Energy and Environment Navigator | | |
| ESG Slogan | Think Living and Environment for a Better Tomorrow | | |
| ESG Pillar | **Think Environment**  | **Think People**  | **Think Trust**  |
| ESG Key Management Areas | • Develop and improve environmental management system<br>• Strengthen eco-friendly product and technology development<br>• Create eco-friendly workplace<br>• Achieve carbon neutrality and energy transition | • Advance health and safety<br>• Build a culture that respects human rights<br>• Promote shared growth<br>• Strengthen human resource management | • Strengthen responsible ESG management<br>• Practice active ethical management<br>• Reinforce stakeholder communication |

# Our Approach to ESG

## ESG Governance

In 2026, KD Navien established the ESG Committee under the Board of Directors to strengthen its highest-level decision-making framework for ESG management. The ESG Committee reviews and resolves major ESG issues and strategic directions, while the ESG Working Group, which includes members of management, is responsible for implementing action plans and managing performance. Through this structure, KD Navien has established a company-wide ESG management system that connects the Board of Directors with working-level organizations. Based on this framework, the Company aims to integrate response strategies for each material issue into its overall management practices and pursue sustainable growth.

### Organizational Structure




### ESG Governance Bodies and Roles

| | |
|---|---|
| ESG Committee | As a committee under the Board of Directors, the ESG Committee serves as the highest decision-making body for overall ESG management. It receives reports from the ESG Working Group on major activities and risk status and reviews and resolves ESG strategies and key policies to ensure that they are reflected in management decision-making. The Committee also oversees and supervises their implementation. |
| ESG Working Group | The ESG Working Group comprises working-level personnel from 11 ESG parts, including environmental management, climate strategy, human rights management, supply chain ESG, and governance. Each part regularly identifies and implements improvement tasks in its respective area, shares the results, and reviews key performance and risk status. Matters requiring deliberation or reporting by the highest decision-making body are submitted to the ESG Committee for review and coordination. |
| Value-Based Management Team | Under the Management Planning Division, the Value-Based Management Team is responsible for establishing and operating the ESG governance system. It also performs company-wide ESG planning and management duties, including responding to ESG assessments and managing external disclosures. |

### Board-Centered ESG Governance

In March 2026, KD Navien established the ESG Committee under the Board of Directors, strengthening the Company's highest-level decision-making and oversight framework for ESG management. The ESG Committee reviews and resolves major issues across environmental, social, and governance areas, as well as mid- to long-term ESG strategies, policies, and implementation directions, to ensure that ESG considerations are systematically integrated into company-wide business activities. It also reviews the Company's sustainability management direction through discussions on key ESG issues, including climate action, the expansion of eco-friendly businesses, and the protection of consumer rights. The ESG Committee consists of three directors, including two Independent directors. In particular, the appointment of an Independent director as Committee Chair has strengthened the independence and transparency of ESG-related decision-making. The Committee has also expanded the Board's management and oversight role regarding key ESG risks and opportunities. In addition, KD Navien operates an ESG Working Group, establishing an integrated operating system that encompasses ESG strategy formulation, initiative implementation, and performance management. Through this framework, the Company has established a company-wide ESG management system that extends from the Board of Directors to working-level organizations and ensures that major ESG initiatives are substantively reflected in management decision-making. Going forward, KD Navien will continue to systematically manage ESG-related risks and opportunities based on its Board-centered ESG governance structure and pursue responsible management to achieve sustainable growth and enhance corporate value.

# Double Materiality Assessment

## Double Materiality Assessment Process

KD Navien conducts a double materiality assessment annually to comprehensively analyze both the impacts of its business activities on external stakeholders, including the environment and society (impact materiality), and the effects of external factors—such as climate change, increasingly stringent regulations, and market demands—on the Company's financial performance (financial materiality). Based on the European Sustainability Reporting Standards (ESRS), KD Navien also comprehensively reviews global ESG disclosure standards and stakeholder interests to identify material sustainability issues.

### Step 1. Selection of Sustainability-Related Topics

KD Navien analyzed 93 ESRS sub-sub-topics to select sustainability-related topics associated with its business activities. The review covered KD Navien's internal documents, ESG assessments and initiatives, and material sustainability issues identified by peer companies. Through this process, a total of 16 sustainability-related topics were identified.

ESG Issue Pool Long-list
ESRS Sub-sub Topic (93)

↓

Key Considerations for Selecting Material Topics
- KD Navien's 2024 material issues
- ESG assessment and disclosure standards, including MSCI and SASB
- Analysis of material issues identified by nine peer companies
- Key value chain issues

ESG Issue Pool Shortlist
(Environment: 7, Social: 8, Governance: 1)

### Step 2. Identification of Impacts, Risks, and Opportunities (IROs)

Based on the 16 sustainability-related topics identified, KD Navien conducted an analysis to identify impacts, risks, and opportunities (IROs). The analysis included a comprehensive review of the previous year's material issues, ESG assessments and initiatives, and material sustainability issues identified by peer companies. Through this process, a total of 64 potential impacts, risks, and opportunities were identified.

Identification of IROs for Each Issue Pool Topic
① Internal sources: Sustainability reports, business reports, corporate governance reports, etc.
② External sources: Laws and regulations, industry trends, securities firm reports, and media coverage

↓

| Impact Types | |
|---|---|
| Environmental and Social Impacts | Financial Impacts |
| Positive / Negative | Risks / Opportunities |

- **Environmental and social impacts:** Impacts of business activities on the environment and society, classified as positive or negative
- **Financial impacts:** Impacts on financial performance, cash flows, capital, and other financial factors, classified as risks or opportunities

### Step 3. Assessment of Material IROs

In January 2026, KD Navien assessed its IROs in accordance with EU ESRS requirements. The assessment components included internal and external stakeholder surveys, expert assessments, legal and regulatory analysis, benchmarking, and media research. The assessment was conducted using a five-point scale, and the magnitude of each IRO was determined by applying weights to the respective assessment components.

Direct Assessment / Indirect Assessment
① Direct assessment: Surveys conducted with relevant departments and key stakeholders for each sustainability issue and IRO item, including both multiple-choice and open-ended questions
② Indirect assessment: Use of secondary data, including disclosure standards, regulations, media coverage, and ESG trends

Internal and External Stakeholder Survey
- Selection of assessment participants and stakeholder-specific assessment items for internal and external stakeholders
- Conducting an online survey and providing reference materials for the assessment

Impact Assessment
(Environmental and Social / Financial)
- Assessment of the magnitude, scope, and likelihood of impacts
- Collection of subjective opinions on key issues

### Step 4. Selection of Material Issues

Based on the assessment results, KD Navien identified key environmental, social, and financial impact issues that require priority attention. Material issues were selected based on the assessment scores for each topic and finalized following a report to and approval by the Board of Directors. KD Navien also held a roundtable attended by the heads of the 11 ESG Working Group parts and external experts to share the results of the material issue selection process and discuss specific implementation measures. The selected material issues are incorporated into the development of the Company's enterprise risk management strategies and translated into practical management activities aimed at mitigating negative impacts and enhancing positive impacts.

KD Navien's 2025 Material Issues

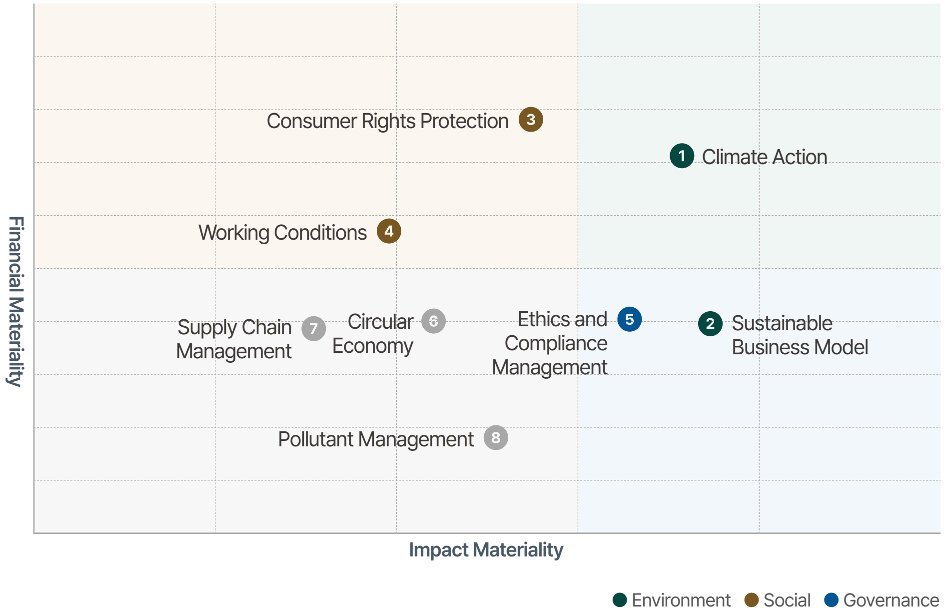
| Material Issues | |
|---|---|
| 1 | Climate Action |
| 2 | Sustainable Business Model |
| 3 | Working Conditions |
| 4 | Consumer Rights Protection |
| 5 | Ethics and Compliance Management |

# Double Materiality Assessment

## Double Materiality Assessment Results

KD Navien comprehensively analyzed both the impacts of its business activities on the environment and society (Inside-Out) and the impacts of external environmental and social factors on the Company's financial performance (Outside-In). Based on this analysis, five issues that exceeded the threshold for either impact materiality or financial materiality were selected as material issues.

### KD Navien Double Materiality Matrix




| Issue | Material Issue 2024 | Material Issue 2025 | Environmental and Social Impact | Financial Impact | Page |
|---|---|---|---|---|---|
| 1 Climate Action | ● | ● | Positive | Opportunity | 19-30 |
| 2 Sustainable Business Model | ● | ● | Positive | Opportunity | 31-40 |
| 3 Consumer Rights protection | ● | ● | Positive | Opportunity | 83-92 |
| 4 Working Conditions | ● | ● | Positive | Risk | 58-75 |
| 5 Ethics and Compliance Management | | ● | Negative | Risk | 105-109 |

### Stakeholder Roundtable

In February 2026, KD Navien held a roundtable with the heads of the ESG Working Group parts and external experts to share the results of the material issue selection process with those responsible for implementation and discuss specific action plans. The roundtable was attended by the heads of the respective parts responsible for climate strategy, green R&D, eco-friendly products, consumer rights, human rights management, supply chain ESG, quality management, strategic social contribution, information security, and governance. Participants reviewed the implementation status of each issue and identified areas requiring cross-functional coordination and improvement. KD Navien plans to report the outcomes to the ESG Committee and reflect them in concrete management actions.

**2 Sustainable Business Model**

- While various eco-friendly initiatives, including Environmental Product Declarations (EPDs) and life cycle assessments (LCAs), are being actively pursued, measures should be explored to enhance employees' understanding of how these initiatives are connected to the Company's business strategy and corporate philosophy.
- It is necessary to move beyond task-oriented implementation and strengthen awareness and capacity-building through ESG education to embed the purpose and outcomes of ESG initiatives across the organization.

**3 Consumer Rights Protection**

- Customer VOC analysis and on-site management activities are being conducted, but stronger collaboration with other functions, including sales and marketing, is needed.
- A strategy is required to map the entire customer journey—including sales, installation, and service—and expand the management framework from a service function-centered approach to an integrated company-wide structure.

**4 Working Conditions**

- A management system based on the Serious Accidents Punishment Act is operating stably, and KD Navien plans to further advance its management standards through voluntary improvement.
- Preparatory work is required to expand the scope of quantitative occupational safety and human rights data to overseas subsidiaries and on-site partner companies and establish unified company-wide standards.
- A phased strategy is required to establish standardized quantitative indicators through centralized decision-making and gradually expand the scope of management.
- Measures should also be explored to build internal capabilities that enable a transition from a compliance-focused approach to voluntary improvement.

**5 Ethics and Compliance Management**

- KD Navien is proactively preparing its internal control system in response to the possibility of strengthened business group regulations.
- As ethics and compliance management serves as the foundational infrastructure for ESG, continued advancement is required, together with close monitoring within the ESG strategic framework and the establishment of a mid- to long-term communication strategy.

# Double Materiality Assessment

## Double Materiality Assessment Results

### Details of the Double Materiality Assessment Results

As a result of the 2025 double materiality assessment, five issues—Climate Action, Sustainable Business Model, Working Conditions, Consumer Rights Protection, and Ethics and Compliance Management—were identified as material issues. Among them, Climate Action and Sustainable Business Model were assessed as the highest-priority management issues with the most significant impacts. This reflects their direct relevance to KD Navien's core businesses and the growing importance of eco-friendly businesses as a key growth driver amid the global transition toward carbon neutrality. Working Conditions and Consumer Rights Protection were selected as material issues for the second consecutive year, reflecting the continued rise in social expectations regarding employee safety and human rights, as well as product and service safety. Ethics and Compliance Management was newly identified as a material issue this year, reflecting growing social interest in corporate ethics and compliance systems in response to changes in the global regulatory environment, including the expansion of ESG disclosure requirements.

| Area | Issue | Environmental and Social Impact | | Financial Impact | | Impact Magnitude |
|---|---|---|---|---|---|---|
| Environmental | Climate Action | Positive / Actual | · Contributing to the decarbonization of the building sector by expanding the supply of high-efficiency condensing boilers, heat pumps, and other low-carbon heating solutions | Opportunity | · Driving sales growth for air-source heat pumps and strengthening the business portfolio in line with the expansion of policies promoting heat pump deployment | ●●●● |
| | | Positive / Actual | · Improving energy efficiency and reducing greenhouse gas emissions through the introduction of waste heat recovery equipment and the operation of energy management systems | Opportunity | · Expanding demand for integrated heating and cooling solutions and creating new product sales opportunities as extreme weather events become more frequent | |
| | Sustainable Business Model | Positive / Actual | · Alleviating energy poverty and creating comfortable residential environments through high-efficiency, low-carbon heating solutions and AI-based smart control technologies | Opportunity | · Driving sales growth in the U.S. market, particularly for high-efficiency heating and cooling products, following the implementation of the U.S. Inflation Reduction Act, while securing mid- to long-term growth drivers | ●●●● |
| | | Negative / Potential | · Increasing employment instability due to limited reskilling opportunities for existing installation and maintenance personnel amid the transition to new technologies | Opportunity | · Expanding access to green financing and creating additional financing opportunities based on an eco-friendly technology portfolio, in line with the expansion of the EU and Korean taxonomies | |
| Social | Working Conditions | Positive / Actual | · Enhancing workers' access to grievance and remedy mechanisms and improving job sustainability through the operation of grievance-handling channels and human rights training | Risk | · Increased cost burden due to legal sanctions and disruptions to site operations resulting from strengthened requirements under the Serious Accidents Punishment Act | ●●●○ |
| | | Positive / Actual | · Creating a fair work environment and strengthening organizational trust through anti-discrimination training and the operation of a phased grievance-handling system | Risk | · Increasing investment requirements for employee reskilling to build internal capabilities and establish a foundation for mid- to long-term growth in response to the accelerating technological transition | |
| | Consumer Rights Protection | Positive / Actual | · Improving access to product information and strengthening consumer safety and consumers' right to know through online channels and customer consultation services | Opportunity | · Strengthening consumer trust and encouraging repeat purchases by providing preventive accident guidance and prompt safety information in response to increasingly stringent consumer safety standards | ●●●○ |
| | | Positive / Actual | · Ensuring consumer and worker safety and preventing accidents through the detailed disclosure of product installation and usage information | Risk | · Increasing financial burdens, including recall and corrective action costs and penalties, due to strengthened product liability standards | |
| Governance | Ethics and Compliance Management | Negative / Potential | · Undermining fair market competition through unfair trade practices, including improper support for affiliates and abuse of bargaining position | Risk | · Increasing penalties, legal dispute costs, and operational constraints due to strengthened fair trade oversight and expanded transparency requirements for internal transactions | ●●○○ |
| | | Positive / Actual | · Promoting fair market competition and enhancing fairness across the industry through fair trade risk assessments and compliance training | Opportunity | · Enhancing corporate reputation and securing stability in long-term business relationships by strengthening fair trade and ethical management standards | |

# Double Materiality Assessment

## Double Materiality Assessment Results

### Material Issue Management

KD Navien developed systematic management strategies and implementation plans for the five key issues identified through the double materiality assessment and formally reported them to the Board of Directors in February 2026. Based on the activities carried out throughout 2025 in accordance with the management approach established for each material issue, the Company continues to make improvements. Going forward, KD Navien will further advance its ESG management standards by reviewing performance and strengthening its implementation capabilities.

| Material Issue | Key Impacts and Reasons for Selection | Management Approach | 2025 Achievement |
|---|---|---|---|
| Climate Action | • Increased frequency of natural disasters due to accelerating climate change and growing demand for greenhouse gas emissions reductions<br>• Acceleration of the transition toward carbon reduction technologies in the heating industry in response to increasingly stringent carbon emissions regulations<br>• Creation of new markets and expansion of business opportunities driven by the growing energy transition trend | • Implementation of the Climate Action and carbon neutrality roadmap<br>• Implementation of greenhouse gas emissions reduction activities | • Conducted Scope-specific greenhouse gas reduction activities, including vehicle electrification and process improvements<br>• Obtained and maintained eco-friendly certifications, including certifications related to energy efficiency improvements and carbon footprints |
| Sustainable Business Model | • Market restructuring centered on high-efficiency, low-carbon products in response to the expansion of global environmental regulations and policies<br>• Increased market demand for eco-friendly products and services driven by the spread of sustainable consumption trends<br>• Growing financial importance of the eco-friendly technology portfolio due to increased ESG investment | • Conducted product life cycle assessments (LCAs) and obtained and maintained Environmental Product Declarations (EPDs)<br>• Implemented four eco-friendly product strategies based on LCA results<br>• Implemented the green R&D roadmap<br>• Planned and carried out eco-friendly campaigns | • Completed LCAs for major water heater products and obtained EPD certification<br>• Established the KD Navien Energy Transition Roadmap<br>• Advanced the development of hydrogen boiler technology |
| Working Conditions | • Growing social interest in workplace human rights and safety, along with increasingly stringent related legal obligations<br>• Rising employee and societal expectations for a fair and safe work environment<br>• Changes in workforce capabilities and employment structures due to the accelerating industrial and technological transition | • Operated grievance-handling channels and conducted human rights training<br>• Operated employee capability development programs and embedded related practices across the organization<br>• Strengthened the management of safety-related incidents and accidents | • Piloted a human rights impact assessment<br>• Conducted quarterly theme-based reviews<br>• Established a smart work environment using M365 and AI tools |
| Consumer Rights Protection | • Growing social demand to ensure the safety and convenience of major products and services<br>• Expansion of legal responsibilities related to consumer protection and growing importance of proactive risk management<br>• Growing need to improve product accessibility and safety for diverse consumers, including vulnerable groups | • Strengthened the disclosure of product installation and usage safety information<br>• Raised awareness of product accessibility<br>• Obtained and renewed product safety certifications | • Operated a pre-inspection service in preparation for the peak season<br>• Operated a direct communication system for elderly customers<br>• Provided safety stickers and product usage information |
| Ethics and Compliance Management | • Rising social and institutional expectations regarding corporate governance transparency and ethical management<br>• Increased reputational risks and potential financial losses arising from fair trade violations<br>• Growing importance of securing stakeholder trust through ethical management standards | • Operated an internal monitoring system for fair trade<br>• Conducted fair trade risk assessments and compliance training | • Monitored major amendments to fair trade laws and regulations<br>• Provided legal reviews on matters related to fair trade regulations<br>• Issued a weekly compliance report |

# Stakeholder Communication

Under its vision of becoming a "Partner for Comfortable Living Environments," KD Navien recognizes trust-based communication with stakeholders as a core element of sustainability management. The Company closely examines the characteristics and interests of each stakeholder group, establishes tailored communication channels and engagement programs, and continuously strengthens its communication efforts so that internal and external stakeholders—including customers, employees, suppliers, and local communities—can better understand and support KD Navien's ESG strategies and management direction.

## Stakeholder Communication Channels

| Category | Key Areas of Interest | Communication Activities |
|---|---|---|
| Customers | • Product and service quality and safety<br>• Innovation in eco-friendly and high-efficiency technologies<br>• Diverse solutions for comfortable living environments<br>• Brand trust and access to information | • Participation in global exhibitions, including AHR EXPO and Installer Show<br>• Operation of experiential offline stores<br>• Operation of customer complaint handling processes<br>• Acquisition and renewal of CCM and product quality certifications |
| Shareholders and Investors | • Stable financial performance and profitability<br>• ESG performance and risk management<br>• Transparency in corporate governance and shareholder structure | • Regular IR meetings and ad hoc conference calls<br>• Provision of ESG information and responses to investor inquiries<br>• Sharing of key management issues and mid- to long-term information |
| Employees | • A safe and healthy work environment<br>• Opportunities for capability development and growth<br>• Fair treatment and respect for diversity<br>• Sound labor-management relations | • Pilot implementation of human rights impact assessments<br>• Establishment of a smart work environment<br>• Operation of health management and employee welfare programs<br>• Operation of family-friendly programs and labor-management cooperation programs |
| Suppliers | • Shared growth and fair trade<br>• Capability enhancement and technical support<br>• Supply chain ESG management<br>• Access to effective communication channels | • Operation of supplier competitiveness enhancement programs<br>• Expansion of supply chain ESG assessments and support<br>• Operation of supplier VOC channels<br>• Establishment of supply chain ESG management policies |
| Local Communities | • Revitalization of the local economy and support for cultural activities<br>• Improvement of living conditions for vulnerable groups<br>• Protection of the local environment | • Participation in improvement and inspection projects for vulnerable gas facilities in Pyeongtaek<br>• Support for the Pyeongtaek Cultural Foundation<br>• Establishment and sponsorship of the Condensing Environmental Fund |
| Government | • Compliance with laws and regulations<br>• Management of air pollutant emissions<br>• Response to anti-corruption and ethical management requirements<br>• Timely and accurate tax payments | • Regulatory monitoring and compliance with internal policies<br>• Compliance training<br>• Publication of sustainability reports<br>• Activities in response to Ministry of Environment regulations |
| Academia | • Collaboration in eco-friendly technology research and development<br>• Contribution to academic advancement | • Industry-academia technology collaboration, including hydrogen boiler development with KAIST and Inha University<br>• Sponsorship of academic societies through the Condensing Environmental Fund |
| Common Channels | • Website • Sustainability Report • Business Report | |

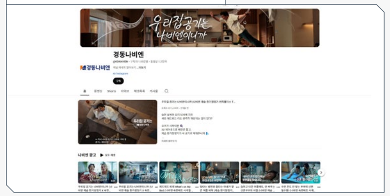
### Brand & Communication

Through various channels, including the website, advertisements, and social media, KD Navien communicates its brand values and product information to customers and key stakeholders.

**Brand Advertising**


Enhancing brand awareness and promoting products through online and offline advertising

**KD Navien YouTube**

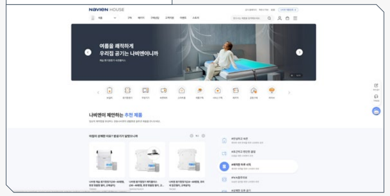


Communicating brand content through video and image content across social media channels

### Customer Experience & Engagement

Through online and offline channels, including Navien House, Sweet Dream Store, and the Customer Service Center, KD Navien provides optimal customer experiences across all touchpoints, from product purchase to after-sales service.

**Navien House**



KD Navien's flagship customer communication platform connecting online and offline channels

**Customer Service Center**

Promptly responding to customer requests, including product inquiries and after-sales service, through 24/7, year-round operations

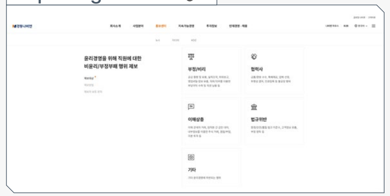
### Corporate Relations & Transparency

Through employee communication channels, investor relations activities, and the ethics management reporting channel, KD Navien communicates transparently with key internal and external stakeholders and builds trust-based relationships.

**KD Navien Employee Communication Channel**


Supporting employee communication and capability development through internal communication channels and training programs

**Ethics Management Reporting Channel**



An anonymous channel for reporting corruption and misconduct

# FOCUS AREA

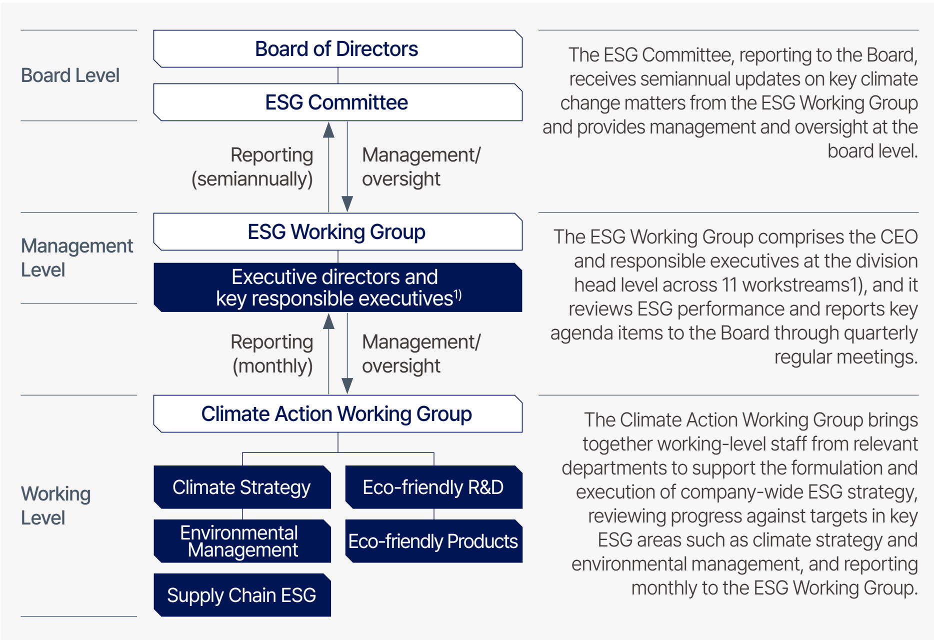
# Climate Action

Climate-related risks and opportunities are intensifying across industry, and the capacity to respond ahead of them has emerged as a core source of sustainable competitiveness. KD Navien recognizes climate change not merely as an external risk, but as a material business issue tightly bound to its strategy. Guided by the TCFD recommendations, we have built a structured climate governance and risk management process that strengthens our climate resilience.

## Governance

### Implementation system

**Governance Structure**




1) Division heads and department heads overseeing 11 ESG-related workstreams, who oversee the execution of ESG strategy in their respective fields and report the results to the ESG Committee

### Board of Directors

**Roles and Responsibilities**

In March 2026, KD Navien established the ESG Committee under the Board of Directors, strengthening its framework for advancing sustainability across environmental, social, and governance dimensions. The Committee reviews our sustainability strategy and material ESG issues and makes decisions that drive long-term corporate value. We have transferred the mandate previously held by the ESG Steering Committee—setting the annual direction for climate action, tracking progress against targets, and reviewing risk management—to the ESG Committee, consolidating oversight of these matters at the Board level. The ESG Working Group continues to manage implementation on the ground.

#### Key Board Activities on Climate Change

| Date | Agenda |
|---|---|
| Feb. 25, 2025 | **Report on the results of the sustainability materiality assessment**<br>• Analysis of climate-related risks, opportunities, and impacts<br>• Overview of material issues identified by key stakeholders |
| Aug. 12, 2025 | **Report on ESG performance for H1 2025 and the identification of strategic tasks**<br>• Plans and implementation results for strategic tasks across the Environmental Management, Climate Strategy, Eco-friendly Products, and Eco-friendly R&D workstreams |

# Climate Action

## Governance

### Management

#### Roles and Responsibilities

Effective climate action depends on the commitment and execution of management. As core members of the ESG Working Group, our executive directors and the responsible executive for the Climate Strategy workstream take a leading role in our climate response—directly reviewing climate-related assessments, risk management, and specific response measures and participating in the decisions that follow.

**ESG Working Group**

Drawing together executive directors and key responsible executives, the ESG Working Group sets our annual ESG priorities and charts the course for delivering them. It convenes quarterly, and more often when circumstances warrant, to exercise disciplined oversight of ESG performance—tracking climate-related activities, measuring progress against targets, and testing the strength of our risk management. Matters of consequence are escalated to the ESG Committee, where they shape decision-making at the highest level of the Board.

### Climate-related Incentives

KD Navien recognizes that company-wide engagement in environmental stewardship is indispensable to delivering its climate action and transition plan. Grounded in this conviction, we have embedded specific climate metrics into the KPIs of division heads reporting to the CSO and of staff across the departments that constitute the environmental workstream of the ESG Working Group. Our incentive scheme differentiates base pay and performance-based compensation, with both tied to climate performance and the achievement of management targets.

Climate Performance Management Framework

| Scope | 2025 Targets and KPIs |
| --- | --- |
| Executive reporting directly to the CEO (Head of Management Planning Division) | • Advance the Carbon Neutrality Roadmap<br>• Establish a GHG inventory on a consolidated basis<br>• Conduct product LCAs<br>• Respond to UL EPD verification and certification<br>• Develop a Scope 3 reduction roadmap for products |
| Department head reporting directly to the CSO (NA Head of Safety Division) | • Tasks under the ESG environmental management workstream<br>• Reduce GHG emissions<br>• Reduce hazardous chemical substances, among others |

### Working-Level Organization

#### Roles and Responsibilities

The Climate Action Working Group drives the execution of our climate strategy in practice. It converts the direction set by the ESG Working Group into concrete implementation plans while monitoring progress across each workstream. The Group further identifies the initiatives required to meet our climate targets and orchestrates cross-functional collaboration, strengthening our capacity to act on climate change across the board.

**Climate Action Working Group**

The Climate Action Working Group translates our company-wide ESG strategy, including climate change, into concrete implementation plans and holds progress under review. The Group is organized into five workstreams—Climate Strategy, Environmental Management, Eco-friendly Products, Eco-friendly R&D, and Supply Chain ESG—each drawing on working-level staff from relevant departments. The Group tracks progress toward our climate targets on an ongoing basis and reports monthly to the ESG Working Group, underpinning our ability to deliver on ESG commitments.

#### Climate Capacity Building Training

We invest in deepening management's understanding of sustainability and climate issues. In February 2026, in conjunction with our double materiality assessment roundtable for corporate sustainability, we commissioned an external expert institution to deliver training for the Chair of the ESG Steering Committee—now an executive director on the ESG Committee—together with the key leaders of working groups. The curriculum spanned ESG management strategy, the financial implications of climate risk, global disclosure standards, and the oversight responsibilities of the Board and its committees. Delivered ahead of the ESG Committee's establishment, the training equipped participants with the necessary capabilities and laid the foundation for the climate risk and opportunity reviews that follow.

Training Overview

| Date | Participants | Topic |
| --- | --- | --- |
| Feb. 11, 2026 | Chair of the ESG Steering Committee<br>ESG Working Group: Responsible executives, team leaders, and staff | Training aligned with the ESG materiality assessment roundtable<br>• ESG management strategy and the role of leadership<br>• Financial implications of climate risk<br>• Global ESG disclosure standards and the oversight role of the Board and its committees |

# Climate Action

## Strategy

### Risk/Opportunity Identification and Assessment

Guided by the TCFD recommendations, KD Navien identified 22 climate-related risks and opportunities through an analysis of industry peers and leading companies, weighed against its own operating context. We assessed the financial impact of physical risks using specialized climate modelling tools and evaluated transition risks and opportunities through an internal stakeholder survey, establishing priorities on that basis. These findings now inform how we refine our strategy for building climate resilience.

#### Climate-related Risk and Opportunity Identification Process

**STEP 1**

**Identifying the climate risk and opportunity pool**

Develop the risk and opportunity pool (long list)

- Analyze general climate risks and opportunities under the TCFD recommendations
- Review TCFD-aligned disclosure practices among leading and peer companies
- Specify the risk and opportunity pool, informed by business strategy and internal issues

Risks

| | | | |
|---|---|---|---|
| Physical | • Flooding | • Wildfires | • Water stress |
| | • Coastal Flooding | • Extreme temperatures | |
| | • Typhoons | • Drought | |
| Transition | • Policy and legal | • Market | |
| | • Technology | • Reputation | |

Opportunities

| | | |
|---|---|---|
| Opportunity | • Resource efficiency | • Products and services |
| | • Energy sources | • Resilience |

**STEP 2**

**Assessing climate-related risks and opportunities**

Physical risk:
Analyze risks using S&PGlobalClimanomics®

- Scenarios applied: SSP scenarios (SSP1-2.6,SSP5-8.5)
- Assessment criteria: Asset value loss rate, expected loss amount

Transition risk/opportunity:
Materiality survey

- Respondents: ESG Working Group
- Method: 5-point scale survey
- Assessment criteria: Likelihood of occurrence, business impact[1)]

1) Business impact: Assessed comprehensively in terms of linkage to management strategy as well as financial materiality

**STEP 3**

**Determining material topics**

Identify material physical risks from quantitative results

- Identify material physical risks based on asset value loss rate and expected loss amount

Select material risks and opportunities by combining quantitative results with external expert analysis

- Prioritize risks and opportunities according to likelihood of occurrence and business impact

# Climate Action

## Strategy

### Physical Risk

As extreme weather events grow more frequent due to climate change, the physical risks that can impair corporate asset value are rising in step. The TCFD recommendations accordingly call on organizations to analyze the financial impact of these risks and assess their resilience across a range of climate scenarios, including one consistent with a 2°C or lower pathway. Following this guidance, KD Navien applied S&P Global Climanomics® hazard modeling across 11 major sites, quantifying asset value loss rates in ten-year intervals from 2020 through 2059 for seven climate hazards—flooding, drought, heat waves, cold waves, sea level rise, wildfire, and hurricanes—and reviewing the resulting financial exposure in full.

#### Overview of Physical Risk Analysis

Sites Assessed (11 major sites across KD Navien and its affiliates)

| | | |
|---|---|---|
| Korea | Seoul | Seoul Office, Research Institute |
| | Pyeongtaek | Seotan Factory (ECO Hub), Pyeongtaek Factory, Songtan Factory |
| | Asan | Gasan Factory, Asan Factory (ECO Campus) |
| | Chungju | Chungju Factory (KD Everon) |
| US | Irvine | US sales corporation |
| | Toano | US sales corporation warehouse |
| China | Beijing | Beijing production corporation |

Analysis Process

| | |
|---|---|
| ❶ Site selection | • Identify major sites across the value chain |
| ❷ Site profiling | • Site type: Ownership structure, business purpose, asset type<br>• Site value: Book value<br>• Geographic characteristics: Country, latitude and longitude |
| ❸ Scope definition | • Time horizon: Ten-year intervals from 2020 through 2059<br>• Hazards analyzed: Seven climate hazards (flooding, coastal flooding, typhoons, wildfire, extreme temperatures, drought, water stress) |
| ❹ Results analysis | • Quantify asset value loss and loss rates by site across the seven hazards |

SSP scenarios from the IPCC Sixth Assessment Report (SSP1-2.6 and SSP5-8.5 applied)

| Scenario | Description | Adaptation Context | Global Temperature Rise by 2100 |
|---|---|---|---|
| SSP1-2.6 | Strong emissions reduction | Green, sustainable economic growth enabled by advances in renewable energy technology | +1.8°C |
| SSP2-4.5 | Moderate emissions reduction | Intermediate progress in both climate mitigation and socioeconomic development | +2.7°C |
| SSP3-7.0 | Emissions double current levels by end of century | Limited mitigation policy and slow technological development, leaving society vulnerable to climate change | +3.6°C |
| SSP5-8.5 | Emissions double current levels by 2050 | Rapid industrial and technological development driving high fossil fuel use and unchecked expansion | +4.4°C |

# Climate Action

## Strategy

### Climate Resilience

Based on the results of the SSP1-2.6 and SSP5-8.5 scenario analyses, asset value loss rates attributable to climate-related factors were found to remain below 3% at all business sites in the 2050s, except for Gasan Factory. Production facilities, such as Seotan Factory (ECO Hub) and Gasan Factory, showed relatively higher asset value loss rates than non-production facilities, such as the Research Institute and logistics warehouses. However, no business sites were identified as being exposed to a high overall level of risk. Among the seven climate factors analyzed, extreme temperatures and flooding were identified as the primary climate hazards. Asset value loss rates attributable to the remaining five factors—coastal flooding, typhoons, wildfires, drought, and water stress—were all found to remain below 1%. However, asset value loss rates associated with extreme temperatures are projected to continue increasing reaching a maximum of 20.93%. Accordingly, KD Navien plans to incorporate the analysis results into its business site facility management plans and review proactive response measures. In addition, based on the 2050 KD Carbon Neutrality Roadmap and eco-friendly product R&D, KD Navien will expand its analysis of transition risks and opportunities and incorporate the financial impacts of climate change into its long-term management plans and strategy formulation processes.

Asset Value Loss Rate Legend: < 0.1% | 0.1 - 1% | 1 - 2% | > 2%

| Business Site | Asset Value Loss Rates by Business Site and Climate Factor in the 2050s under the SSP1-2.6 Scenario | | | | | | | Asset Value Loss Rates by Business Site and Climate Factor in the 2050s under the SSP5-8.5 Scenario | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Flooding | Coastal Flooding | Typhoon | Wildfire | Extreme temperatures | Drought | Water Stress | Flooding | Coastal Flooding | Typhoon | Wildfire | Extreme temperatures | Drought | Water Stress |
| Seoul Office | 0.1 - 1% | < 0.1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% |
| Research Institute | 0.1 - 1% | < 0.1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% |
| Seotan Factory (ECO Hub) | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% |
| Pyeongtaek Factory | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% |
| Songtan Factory | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% |
| Gasan Factory | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% | 1 - 2% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% |
| Asan Factory (ECO Campus) | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% |
| Chungju Factory | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 1 - 2% | < 0.1% | < 0.1% |
| U.S. Sales Subsidiary | < 0.1% | < 0.1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% |
| U.S. Logistics Warehouse | 0.1 - 1% | < 0.1% | < 0.1% | < 0.1% | 1 - 2% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | < 0.1% | 1 - 2% | < 0.1% | < 0.1% |
| China Production Subsidiary | 0.1 - 1% | < 0.1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | < 0.1% | < 0.1% | 0.1 - 1% | 0.1 - 1% | < 0.1% | < 0.1% |

# Climate Action

## Strategy

### Detailed Analysis by Major Hazard

The analysis identified extreme temperatures and flooding as the hazards most likely to generate physical risk at KD Navien's major sites, with extreme temperatures accounting for the largest share of projected losses. Under the SSP5-8.5 scenario, extreme temperatures are projected to represent approximately 68% of total losses by the 2050s.

#### Extreme Temperatures

| Time horizon | Medium-term | Likelihood | High |
|---|---|---|---|
| Magnitude of Impact | High | Scope of Impact | Global/business model |
| Industry Context | As climate change intensifies, extreme temperature events are increasing in both frequency and severity. Across manufacturing, heat-driven productivity losses and rising cooling energy costs have emerged as operational risks, and thermal environment management has become a central concern at sites with concentrated production facilities. | | |
| Financial Impact | We calculated the financial impact of extreme temperatures by accounting for reduced work efficiency from heat-related illness among employees and higher energy costs from cooling system operation. Under the SSP5-8.5 scenario, asset value losses attributable to extreme temperatures are projected to rise steadily, from KRW 5.6 billion in the 2030s to KRW 8.4 billion in the 2050s. Loss rates remain below 2% at every site through the 2050s, though our Pyeongtaek, Asan, Chungju, and Beijing production sites show comparatively higher rates than other facilities. | | |
| Response Strategy | Building on these findings, KD Navien has established company-wide guidelines for preventing heat-related illness and conducts annual training on stage-by-stage heat wave response protocols. To address extreme temperature risk, our EHS Planning Team maintains heat illness prevention guidelines, tiered heat wave response procedures, and an emergency response system, while EHS teams at each site implement measures tailored to site conditions—monitoring workplace temperatures, operating cooling systems, distributing cooling gear, and delivering heat wave response training.<br>We also monitor temperature and humidity continuously by process and work zone, and improve working conditions in vulnerable processes where perceived temperatures run high—venting outdoor unit heat from portable air conditioners and installing partition walls between the exterior of the coating and drying process and adjacent work areas—to minimize the influence of heat sources. Alongside these measures, we provide electrolyte glucose supplements and distribute emergency kits containing cool packs, sports drinks, and cooling gels, supporting employees in preventing heat-related illness and protecting their health. We are further strengthening tailored response systems at the Pyeongtaek, Asan, Chungju, and Beijing production sites, where loss rates run comparatively higher. | | |

#### Flooding

| Time horizon | Medium-term | Likelihood | High |
|---|---|---|---|
| Magnitude of Impact | High | Scope of Impact | Global/business model |
| Industry Context | Climate change is driving more frequent torrential rainfall, and flooding is increasingly occurring where existing drainage infrastructure cannot handle sudden downpours. Across manufacturing, site inundation has emerged as a major physical risk—halting production and damaging equipment—and companies with production sites near rivers face growing pressure to establish preemptive response systems. | | |
| Financial Impact | We estimated flood-related financial losses based on business interruption from inundation and the cost of equipment restoration. Under the SSP5-8.5 scenario, flood-related loss rates remain low, below 1% at every site except the Gasan Factory which sits near the Gokgyo Stream. Asset value losses from flooding are nevertheless projected to progressively climb from KRW 1.7 billion in the 2030s to KRW 3.1 billion in the 2050s, underscoring the need for preemptive measures against inundation damage. | | |
| Response Strategy | KD Navien monitors flood risk at major sites on an ongoing basis and continues to refine its crisis management manual, taking a structured approach to preventing inundation damage. We have defined specific crisis types associated with flooding—soil erosion and collapse, damage to surrounding structures from ground weakening, and inundation of manholes and low-lying areas—and built a tiered response system spanning routine management, weather alerts, and disaster recovery. At the routine management and weather alert stages, we focus on areas vulnerable to heavy rainfall, inspecting underground drainage pumps, drainage channels, and stormwater facilities and cutting power to idle equipment to minimize flooding and equipment damage. At the recovery stage, we move quickly to assess casualties and damage to key structures and production equipment, and to restore affected facilities, drawing on emergency contact networks and response protocols to sharpen the speed and effectiveness of on-site action. We are strengthening tailored preventive measures at the Seotan Factory (ECO Hub) and the Gasan Factory, where loss rates run comparatively higher—reinforcing drainage and flood barrier systems and inspecting perimeter structures and stored materials—steadily building the resilience and emergency response capability of our sites. | | |

Flood Risk Map by Region of Major Sites[1]

Below 0.5m | 0.5 ~ 1.0m | 1.0 ~ 2.0m | 2.0 ~ 5.0m | 5.0m and above

**Seoul**


- Location: Flood-damaged area, adjacent to flood-damaged area
- Nearby rivers: Han River, Anyangcheon Stream, Dorimcheon Stream

**Pyeongtaek**


- Location: Flood-damaged area
- Nearby rivers: Anseongcheon Stream and Jinwicheon Stream (periodic flood warnings issued)

**Chungju**


- Location: Flood-damaged area
- Caution required for flooding and landslides

**Asan**


- Location: Flood-damaged area, adjacent to flood-damaged area
- Nearby rivers: Sapgyo Stream and Gokgyo Stream (flood warnings issued annually)

1) Ministry of Environment Flood Risk Map Information System (2026)

# Climate Action

## Strategy

### Transition Risks

**Climate-Related Transition Risks and Opportunities**

| Category | Type | No. | Risks and Opportunities | Key Content |
|---|---|---|---|---|
| Transition Risk | Policy and Legal | T1 | Carbon Pricing System | Increased raw material procurement and production and operating costs due to the introduction of an internal carbon pricing system, including an internal carbon tax and potential carbon costs |
| | Policy and Legal | T2 | Enhanced Requirements for GHG Emissions Disclosure | Increased investment and capital expenditures due to strengthened GHG emissions reporting requirements and the implementation of carbon neutrality initiatives |
| | Policy and Legal | T3 | Introduction of Mandates and Regulations for Existing Products and Services | Restrictions on boiler sales and a decline in revenue due to increasingly stringent global regulations, including restrictions on the installation of gas boilers |
| | Policy and Legal | T4 | Exposure to Litigation Risks | Litigation and compensation costs arising from exposure to legal risks, as well as a decline in sales resulting from customer boycotts |
| | Technology | T5 | Emergence of Low-Carbon Alternatives to Existing Products and Services | Contraction of existing markets due to the emergence of low-carbon alternatives, such as hydrogen boilers, and impacts on sales due to intensified competition in eco-friendly boilers and water heaters |
| | Technology | T6 | Failure of New Technology Investments | A weakened market position due to failed investments in new technologies, along with a decline in sales and increased capital expenditures caused by reduced competitiveness |
| | Technology | T7 | Transition Costs Associated with Low-Carbon Technologies | Increased costs for eco-friendly product R&D and process improvements associated with the transition to a low-carbon society |
| | Market | T8 | Changes in Customer Behavior | A decline in sales and deterioration in operations and cash flows due to reduced demand for gas boilers and water heaters |
| | Reputation | T9 | Changes in Consumer Preferences | Failure to respond to changes in consumer preferences may lead to a decline in sales caused by reduced corporate competitiveness and product demand, as well as difficulties in raising capital due to declines in corporate valuation, brand value, and stock price |
| | Reputation | T10 | Preconceived Notions About the Business Sector | Contraction of related markets and a decline in product sales due to negative social perceptions of fossil fuel-related businesses, such as gas boilers |
| | Reputation | T11 | Increased Stakeholder Concerns or Negative Perceptions | Loss of stakeholder trust and a decline in sales due to growing concerns or negative perceptions, including those related to ESG commitments, reputational damage resulting from failure to achieve carbon neutrality, and a weakened market position |
| Opportunity | Resource Efficiency | O1 | Utilization of High-Efficiency Production and Logistics Systems | Reduction in operating costs through the establishment of high-efficiency production and logistics systems, including smart factories |
| | Resource Efficiency | O2 | Transition to High-Efficiency and Eco-Friendly Buildings | Increased sales of condensing boilers, water heaters, and ventilation air purifier systems during the transition to high-efficiency and eco-friendly buildings, including regulatory mandates[1] |
| | Resource Efficiency | O3 | Reduction in Water Resource Use and Consumption | Reduction in operating costs through lower water consumption and the expanded use of recycled water |
| | Energy Source | O4 | Recycling and Reuse | Reduction in operating costs through the establishment of waste management systems and expanded recycling |
| | Products and Services | O5 | Utilization of Low-Carbon Energy Sources | Expansion of the eco-friendly product market and increased sales of products such as heat pumps due to bans on new fossil fuel boiler installations and the establishment of renewable energy-based heating systems in major European countries, including Germany |
| | Products and Services | O6 | Development of Low-Carbon Products and Services | Strengthened market competitiveness and increased sales through the sale of eco-friendly products, including high-efficiency ventilation air purifier systems, HVAC systems, and condensing boilers |
| | Products and Services | O7 | Development of Climate Change Adaptation Measures | Increased sales through the development of climate change adaptation measures and enhanced resilience |
| | Resilience | O8 | Development of Innovative New Products and Services | Financial benefits and increased sales through the development and commercialization of new products, such as hydrogen boilers and heat pumps |
| | Resilience | O9 | Changes in Consumer Preferences | Increased demand and sales for new products and services, including HVAC systems and ventilation air purifier systems, in response to changes in consumer preferences |
| | Resilience | O10 | Securing and Diversifying Alternative Resources | An increase in fixed asset value through relocation from low-lying coastal areas to more suitable locations in order to secure and diversify alternative resources |

1) Mandatory installation of eco-friendly boilers, mandatory zero-energy buildings, etc.

# Climate Action

## Strategy

### Impact and Response Strategies by Key Factor

A comprehensive assessment of climate-related transition risks and opportunities identified the introduction of obligations and regulations for existing products and services and changes in customer behavior as major risk factors. Conversely, the use of low-carbon energy sources and the development of low-carbon products and services were identified as the most promising business opportunities. KD Navien has established a management system to respond to changes in the policy environment and is proactively addressing various regulations and growing demand for eco-friendly products by enhancing the environmental performance of its products. In addition, the Company is expanding its investment in eco-friendly R&D to strengthen corporate competitiveness, secure market leadership, and systematically respond to changes in the business environment resulting from climate change.

[Time Horizon] Short-Term: 2025 / Mid-Term: 2030 / Long-Term: 2050

| Category | Type | Issue | Factors | Financial Impact | Time Horizon | Importance | | Response Strategy | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Likelihood | Impact | | |
| Risk | Policy and Legal | Carbon Pricing System | • Application of the greenhouse gas emissions trading scheme<br>• Introduction of an internal carbon pricing system<br>• Strengthening of the Carbon Border Adjustment Mechanism (CBAM) | • Reduced profits due to increased production costs<br>• Increased investment costs for greenhouse gas emissions reduction facilities | Mid-Term | ●●● | ●●● | Establishment of a Management System | • Establish a monitoring and management system for external trends, including environmental policies<br>• Review and advance the carbon neutrality roadmap<br>• Transparently and proactively disclose climate-related information through CDP responses and the publication of sustainability reports<br>• Install on-site solar power generation facilities at the U.S. subsidiary and Seotan Factory (ECO Hub) |
| Risk | Policy and Legal | Enhanced Requirements for GHG Emissions Disclosure | • Expansion of business sites subject to greenhouse gas emissions reporting<br>• Increased need to report emissions in compliance with the Carbon Border Adjustment Mechanism | • Costs incurred in establishing greenhouse gas emissions management processes<br>• Increased costs associated with greenhouse gas verification | Short-Term | ●●● | ●●○ | | |
| Opportunity | Resource Efficiency | Transition to High-Efficiency and Eco-Friendly Buildings | • Reduced sensitivity to changes in carbon costs through the transition to eco-friendly business sites | • Reduced operating costs through lower energy procurement costs<br>• Reduced exposure to future increases in fossil fuel prices | Short-Term | ●●○ | ●●○ | | |
| Risk | Policy and Legal | Introduction of Obligations and Regulations for Existing Products and Services | • Restrictions on the sale of fossil fuel-based products due to increasingly stringent global boiler-related regulations[1] | • Decline in revenue due to reduced demand for existing products<br>• Decline in the value of existing assets due to policy changes | Short-Term | ●●● | ●●● | Enhancement of Product Environmental Performance | • Review life cycle assessments for major products<br>• Enhance the environmental performance and energy efficiency of major condensing models<br>• Diversify the eco-friendly product portfolio and expand production capacity |
| Risk | Market | Changes in Customer Behavior | • Increased customer demand for enhanced product environmental performance<br>• Declining market competitiveness of existing gas-based products | • Decline in revenue due to reduced demand for existing products | Long-Term | ●●● | ●●● | | |
| Opportunity | Energy Source | Use of Low-Carbon Energy Sources | • Increased demand for eco-friendly products due to increasingly stringent global decarbonization policies[2] | • Increased profits through higher sales of eco-friendly products | Short-Term | ●●● | ●●● | | |
| Opportunity | Products and Services | Development of Climate Change Adaptation Measures | • Increased demand for products and services that support climate change adaptation, including ventilation air purifiers | • Increased sales through the launch of products and services aligned with customer interests and market trends | Short-Term | ●●○ | ●●○ | | |
| Risk | Technology | Emergence of Low-Carbon Alternatives to Existing Products and Services | • Intensified competition in eco-friendly boilers and water heaters and contraction of existing product markets | • Decline in sales due to reduced demand for existing products<br>• Increased R&D costs related to new technologies | Mid-Term | ●●● | ●●● | Eco-Friendly R&D | • Establish a mid- to long-term roadmap and development process for eco-friendly products<br>• Expand investment in the energy transition<br>• Develop heating systems powered by decarbonized energy sources, including hydrogen boilers and electric heat pumps<br>• Promote the adoption of eco-friendly refrigerants |
| Opportunity | Products and Services | Development of Innovative New Products and Services | • Development and commercialization of clean energy products, including hydrogen boilers and electric heat pumps | • Increased revenue through the launch of eco-friendly products<br>• Strengthened corporate competitiveness through reductions in Scope 3 emissions | Mid-Term | ●●● | ●●● | | |
| Opportunity | Products and Services | Development of Low-Carbon Products and Services | • Strengthened market competitiveness through the sale of low-carbon products, including hydro furnaces, condensing boilers, and water heaters | • Increased sales due to growing demand for low-carbon products<br>• Strengthened market competitiveness through improved product environmental performance | Short-Term | ●●● | ●●● | | |

1) Restrictions on the installation of gas-fired products and stricter NOx emission standards for boilers, among others
2) Requirements for the installation of eco-friendly boilers and zero-energy buildings, as well as mandatory condensing technology for residential water heaters under the U.S. Department of Energy's minimum efficiency standards, among others

# Climate Action

## Strategy

### Transition Risk and Opportunity

**2050 KD Green Roadmap**

KD Navien's sites fall outside Korea's emissions trading system and other mandatory GHG reduction and verification regimes. We nonetheless chose in 2023 to widen our emissions accounting boundary to encompass consolidated affiliates in Korea, acting on our own initiative as a company that leads in environmental stewardship. We commissioned third-party verification of our Scope 1 and 2 emissions and completed internal calculations for selected Scope 3 categories, building a comprehensive GHG inventory. In parallel, we are pursuing a range of reduction initiatives, among them LCA of our key products. To anchor our emissions management and reduction over the long term, we have set out the 2050 KD Green Roadmap—our blueprint for carbon neutrality—and will progress toward this goal in phases.

**2050 KD Green Roadmap**

| | | | | |
|---|---|---|---|---|
| Vision | Achieving carbon neutrality for KD Group across the supply chain by 2050 | | | |
| Strategy | Achieve 100% renewable energy in Scope 2 | Establish a supply chain GHG management system | | Scale to KD Group affiliates |
| 4Key Action Plans | KD GHG management system enhancement | Renewable Energy 100 | Green Technology | Due diligence on supply chain emissions |
| Task | • Setting four-step targets to achieve net zero<br>• Building a GHG inventory covering domestic sites and domestic consolidated affiliates, with voluntary verification<br>• Reducing GHG emissions through lower energy consumption and zero waste to landfill | • Reduce carbon emissions through 100% transition to renewable energy<br>• Operating solar power facilities at our U.S. corporation<br>• Installing solar power facilities at the Seotan Factory<br>• Introducing on-site generation, PPAs, and RECs | • Developing products that use clean fuels<br>• Obtaining H2-ready hydrogen certification and participating in hydrogen village projects[1]<br>• Adopting eco-friendly technologies in production processes and reducing carbon emissions generated during production | • Measuring supply chain GHG emissions and developing reduction measures<br>• Strengthening collaboration with suppliers to select eco-friendly products and services and to improve production and distribution processes |

1) A pilot project operating hydrogen boilers powered entirely by hydrogen gas

### Response Strategies for Key Transition Risks and Opportunities

**01. Utilization of high-efficiency production and logistics systems**

| | | | |
|---|---|---|---|
| Time Horizon | Medium-term | Likelihood | High |
| Magnitude of Impact | High | Scope of Impact | Global/business model |
| Industry Context | As the shift to a low-carbon economy accelerates, manufacturers face mounting pressure to decarbonize their production processes. Demand for R&D investment in green equipment conversion and process improvement continues to rise, and the competitive gap is widening between companies that move ahead of this shift and those that do not. | | |
| Financial Impact | We expect the cost of adopting eco-friendly equipment and improving processes to rise steadily as low-carbon technologies take hold. In the near term, this entails capital expenditure on equipment replacement and system deployment. Over the medium to long term, however, we anticipate lower energy costs, savings on emissions allowances through reduced GHG emissions, and improved profitability from greater operational efficiency. | | |

**1 Energy savings through logistics automation**

KD Navien is building an automated logistics system to meet rising demand for inter-building cart transport at its new factory and to support production growth over the mid- to long-term. Moving away from forklift-centered transport, we are introducing AGVs[1] and conveyor systems to improve transport efficiency between processes while reducing the energy use and environmental impact of our logistics operations. Automating repetitive transport processes also eases the physical burden on workers, removes inefficiencies from transport, and establishes a more stable foundation for production. In 2025, we replaced approximately ten forklifts at the new factory, saving roughly 15,963 kWh of electricity and delivering an expected reduction of about 7.3 $tCO_2eq$ in annual GHG emissions. Reducing forklift traffic also allowed us to optimize movement routes within our processes, improving both safety and operational efficiency in logistics transport. In 2026, we plan to deploy 14 additional AGVs to automate cart transport between the gas building and the components building at the Seotan Factory (ECO Hub), and to install two conveyors that will extend exterior cart transport between the gas building and the coating line. These measures will boost our energy savings and emissions reductions further, while strengthening a smart logistics system capable of adapting flexibly to rising production volumes.

**2 Upgrading to high-efficiency lighting**

KD Navien continues to pursue energy savings through lighting upgrades. In 2024, we replaced 71 fluorescent lights with LEDs at our Pyeongtaek and Asan Factories, and in 2025 we converted 424 fluorescent lights to LED at our Human Resources Development Center, delivering approximately 10 $tCO_2eq$ in avoided GHG emissions. These conversions contribute to lower energy consumption and reduced emissions, and in 2026 we plan to continue with our equipment upgrade efforts across all sites to improve electricity efficiency within our factories.

1) AGV: Automatic Guided Vehicle

# Climate Action

## Strategy

### Response Strategies for Key Transition Risks and Opportunities

**3 Improving Oxynon Furnace energy efficiency**

KD Navien is driving energy efficiency across its Oxynon furnace operations. In 2025, we optimized the heating zone temperature of Oxynon Furnace No. 3, used in the brazing of metal components. By determining the optimal temperature range for maintaining corrosion resistance at joints, we reduced unnecessary heat loss and heating load, cutting electricity consumption by approximately 15% against previous levels and delivering an expected reduction of about 6.6 $tCO_2eq$ in annual GHG emissions. In 2026, we plan to reduce electricity consumption further by shutting down drying furnaces during weekend hours when the Oxynon furnaces are idle. With its effectiveness validated through a pilot, this measure is projected to deliver annual electricity savings of approximately 320,662 kWh and emissions reductions of 147 $tCO_2eq$ per unit.

**4 Replacing electric forklift batteries**

We replaced the lead-acid batteries in three electric forklifts at our factories with lithium iron phosphate batteries. The change cut electricity consumption for forklift charging by approximately 13,288 kWh and reduced GHG emissions by about 6.1 $tCO_2eq$ annually.

**5 Installing inverter compressors at the new factory**

We plan to install inverter compressors—which automatically adjust operating speed to match actual air demand—in Components Building 2 and the Injection Molding Building at our new factory, raising energy efficiency in the process. We aim to complete installation and commissioning in the first half of 2026, minimizing fluctuations in air supply and unloaded compressor operation, and targeting a reduction of approximately 10% in electricity consumption.

#### 05. Utilization of low-carbon energy sources

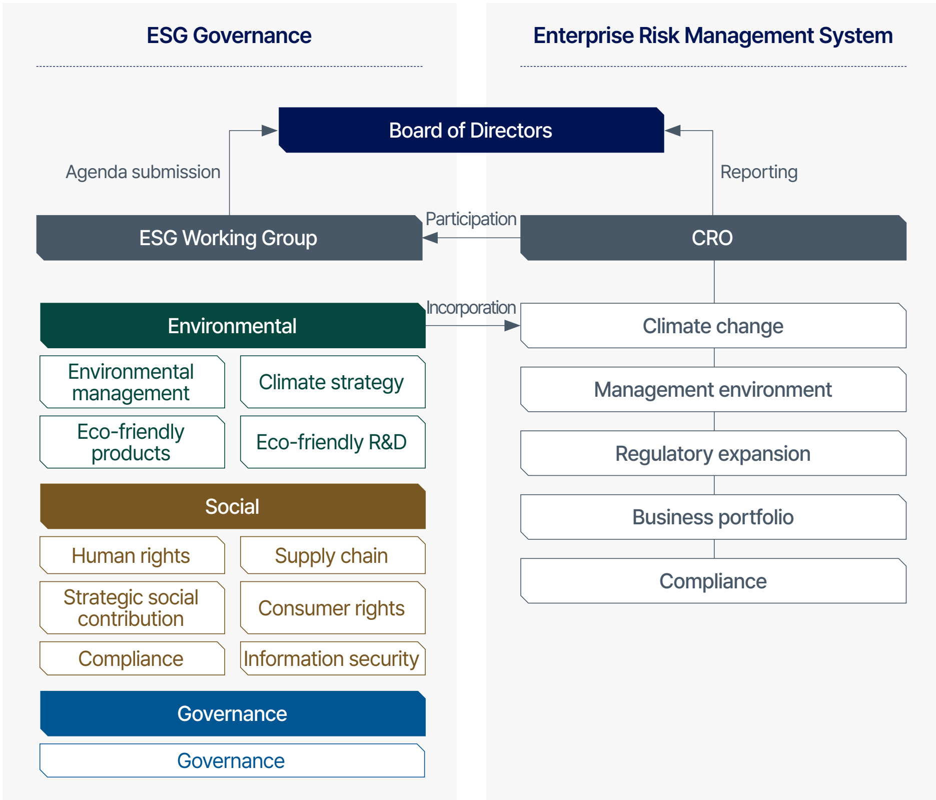
| | | | |
|---|---|---|---|
| Time Horizon | Short term | Likelihood | High |
| Magnitude of Impact | High | Scope of Impact | Global/sites |
| Industry Context | As carbon neutrality policies tighten worldwide and emissions trading schemes widen in scope, manufacturers face rising carbon costs. The introduction of the Carbon Border Adjustment Mechanism (CBAM) and the broader adoption of internal carbon pricing are adding pressure on production and operating expenses, and the competitive gap is opening up between companies that move early on emissions reduction and those that do not. | | |
| Financial Impact | With emissions trading schemes expanding and carbon prices trending upward, carbon costs are likely to grow. Sourcing our own power through solar installations reduces indirect emissions ahead of that shift, lowering our exposure to cost risk associated with tightening regulations. Our U.S. corporation sourced 0.91 TJ of renewable energy in 2025, improving energy efficiency at the site and reducing GHG emissions. At the Seotan Factory, we have completed a 4,200 kW solar installation that will enter full operation in the second half of 2026, expanding renewable energy adoption across our domestic sites and lowering energy procurement costs. | | |
| Response Strategy | To manage carbon pricing risk and reduce GHG emissions, we are scaling our solar generation capacity in phases across our sites in Korea and abroad. At the Seotan Factory in Korea, we have built a 4,200 kW solar installation on a site of approximately 30,000 square meters, strengthening a renewable-based energy operation. Our U.S. corporation has installed solar generation on roughly 1,985 square meters of building rooftop and unused parking areas, in full operation since March 2024. We will continue to expand renewable energy facilities at sites in Korea and overseas, advancing our energy independence and our progress toward global net zero goals.   | | |

# Climate Action

## Risk Management

### Integration with the Enterprise Risk Management Process

As part of building a company-wide response to climate change, KD Navien has integrated climate-related risks into its enterprise risk management framework. We identify, assess, and manage climate-related risks on an annual cycle, and the identified risks remain under the continuous monitoring of our Chief Risk Officer (CRO). Climate issues of high materiality are reported directly to the Board of Directors and the ESG Committee, where they inform management decisions.




### Climate-related Risk Management Process

KD Navien operates a structured process for managing climate-related risks. The ESG Working Group identifies and assesses these risks on a regular basis, and we address them under our enterprise risk management framework.

**Risk identification**

ESG Working Group

The ESG Working Group identifies and assesses climate-related risks annually through a structured review. Drawing on trends across the global boiler and water heater manufacturing industry alongside KD Navien's own operating issues, we compile a pool of material risks most relevant to our business. We then classify and manage these risks as physical or transition risks in line with the TCFD framework.

**Risk assessment**

ESG Committee | ESG Working Group | Climate Action Working Group

Led by the Climate Action Working Group, we evaluate the risks identified as material to KD Navien using climate analysis tools and input gathered from internal stakeholders, assessing financial impact, likelihood, and business impact to determine their materiality. Risks of high significance are reported to the ESG Committee, where they inform strategic decision-making and receive effective and structured oversight.

**Risk response**

ESG Working Group | Climate Action Working Group | CRO

The ESG Working Group develops specific response measures for the material climate-related risks surfaced through materiality assessment, and collaborates with relevant departments to advance a phased set of actions. We monitor this work continuously through our regular reporting cycle, with progress and results reported monthly to the Chair of the ESG Working Group and the Chief Risk Officer, informing management decisions.

**Risk monitoring**

CRO

KD Navien manages climate-related risks under its enterprise risk management framework. The Value-Based Management Team within the Management Planning Division assumes dedicated responsibility for this work, and issues of high materiality are escalated to senior management through the Chief Risk Officer to ensure efficient reporting. Risk

# Climate Action

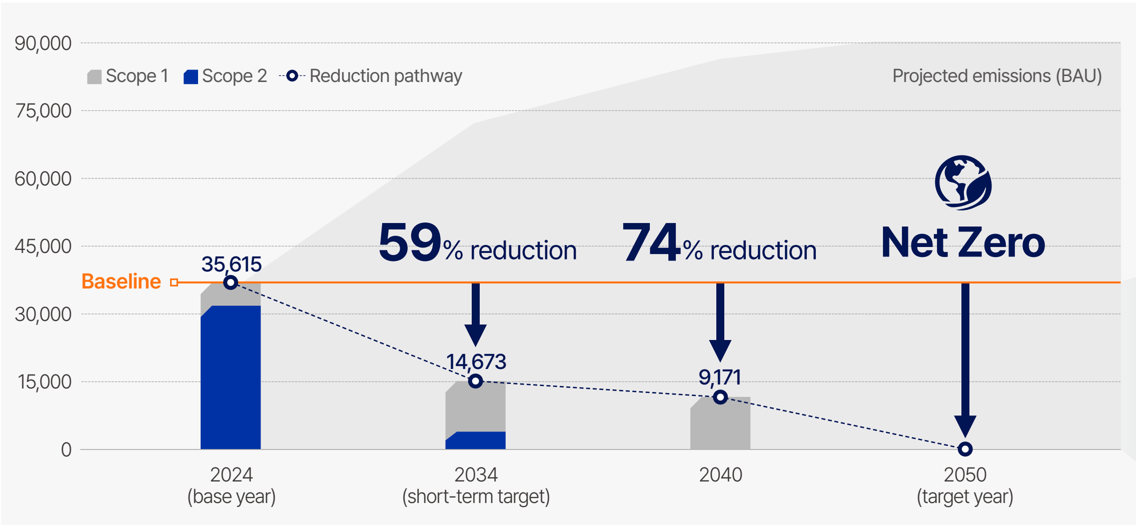
## Metrics & Targets

### Scope 1 and 2 Emissions Management

To advance our climate action, we have established a reduction roadmap for achieving carbon neutrality by 2050. We analyzed GHG emissions and energy consumption across our domestic and overseas sites and set near-term and mid- to long-term reduction targets informed by SBTi reduction scenarios. Taking 2024 as our baseline year, we calculated the reductions required against projected emissions, and we continue to identify and evaluate both direct and indirect abatement levers on the path to carbon neutrality. Given the electricity-intensive nature of our operations, we have prioritized expanding renewable energy use, while exploring process efficiency improvements and the electrification of vehicles and equipment over the medium to long term. Guided by this reduction strategy, we will continue to prepare for a phased transition to carbon neutrality.

2050 GHG Emissions Reduction Roadmap[1]

(unit: $tCO_2eq$)




1) Recalculation of 2024 consolidated emissions and reassessment of greenhouse gas reduction volumes

GHG Reduction Targets

| Category | Unit | Performance against 2025 Target | |
|---|---|---|---|
| | | Target | Performance |
| Scope 1 | $tCO_2eq$ | 5,214 | 4,876 |
| Scope 2 | $tCO_2eq$ | 30,430 | 30,103 |
| Total | $tCO_2eq$ | 35,644 | 34,947[1] |

1) The sum of Scope 1 and Scope 2 emissions may differ from the stated total due to truncation of decimal places.

2050 Carbon Neutrality Strategy

- **Renewable energy use 75%** Review PPAs weighing long-term supply security and cost-effectiveness
- **Green Premium and REC purchases 10%** Purchase renewable energy certificates (REC)
- **EV transition 2%** Phase out internal combustion engine vehicles in favor of EVs
- **On-site solar generation 3%** Operate and scale solar power facilities across sites
- **Ongoing energy efficiency improvement 10%** Improve equipment and processes across all sites, with residual emissions addressed through external reduction projects and offsets

### Scope 3 Emissions Management

Since 2022, KD Navien has calculated and managed Scope 3 emissions—the indirect emissions that arise across its value chain from sources outside the company's ownership and control but connected to its business activities. In 2025, we broadened this boundary beyond the previous year's coverage, calculating emissions for eight of the fifteen Scope 3 categories, including purchased goods and services, use of sold products, and end-of-life treatment of sold products. Total Scope 3 emissions amounted to 39,259,530 $tCO_2eq$. Going forward, we will extend our disclosure to include material emission sources in phases and strengthen how we manage each category. We will focus in particular on reducing use-phase emissions through the development of clean-fuel products and eco-friendly technologies.

# Sustainable Business Model

KD Navien's products operate in homes on a daily basis, and the energy they draw and the emissions they generate in use represent the single largest environmental impact across their life cycle. We take the view that our responsibility does not end at the factory gate but extends across a product's entire life. With this awareness in mind, we have made the reduction of use-phase emissions—achieved through high-efficiency, low-carbon product development—a core priority, and we continue to build a disciplined framework for managing our eco-friendly portfolio.

## Governance

KD Navien has built an integrated management system that engages the entire organization in developing eco-friendly products and managing Scope 3 emissions. The core functions spanning a product's life cycle—product planning, R&D, design, procurement, production, and quality—work in close concert to execute our eco-friendly product strategy. We operate this framework through the Climate Action Working Group, organized into four core workstreams: Climate Strategy, Eco-friendly Products, Eco-friendly R&D, and Supply Chain ESG. Each workstream pursues product-centered emissions reduction and develops mid- to long-term roadmaps covering the energy transition and the shift toward an eco-friendly product portfolio. Each year, we identify strategic priorities for expanding our eco-friendly offerings and reducing Scope 3 emissions, while reviewing implementation results on a regular basis. These outcomes are reported to the ESG Committee, which continuously examines and refines our strategic direction and execution company-wide. Through this approach, we embed environmental considerations across the full spectrum of a product's life—from planning and development through production, use, and after-sales management—and manage Scope 3 emissions systematically.

### Organizational Chart

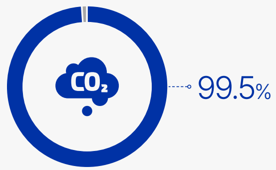
**Climate Action Working Group**

- **Climate Strategy**
  - Value-Based Management Team
  - Strategic Planning Team
  - Policy Planning Team
- **Eco-friendly Products**
  - Product Planning Team 1
  - Product Planning Team 2
  - Standards Group
- **Eco-friendly R&D**
  - R&D Planning Team
- **Supply Chain ESG**
  - Procurement Planning Team

## Strategy

Global climate policy initiatives are phasing out fossil fuel-based energy while accelerating the shift toward low-carbon alternatives centered on electricity and hydrogen. Leading regulatory frameworks—the IEA Net Zero Scenario, U.S. Department of Energy's policies, and the EU's Environmental Product Declaration requirements—place emissions reduction in buildings and heating at the heart of their agendas. In Korea, the Ministry of Environment is advancing policy reviews to expand eco-friendly heating equipment and curb environmental impact across the product life cycle, while the Act on Promoting the Transition to a Circular Economy Society has raised expectations around recycled content in electrical and electronic products, closed-loop recycling, and environmental consideration at the design stage. Our analysis attributes more than 99% of total GHG emissions to the product-use phase (Scope 3, Category 11). These findings base our product-based approach to reducing carbon emissions through four core strategic pillars: energy source transition, energy efficiency, eco-friendly refrigerants, and LCA-based ecodesign.

### GHG Inventory Breakdown[1)]




**Category11: Use of sold products(99.5%)**

Combustion-related greenhouse gas emissions from the use phase of boilers and water heaters sold. We are advancing carbon reduction across the full product life cycle through energy source transition, improvements in product energy efficiency, the adoption of eco-friendly refrigerants, and LCA-based lightweighting.

1) KD Navien standalone basis. Scope 1 and 2 emissions represent approximately 0.04% of total emissions.

### Four Core Strategic Pillars for Eco-friendly Products

| Energy source transition | Energy efficiency | Eco-friendly refrigerants | LCA-based ecodesign |
|---|---|---|---|
| Phased roadmap for transitioning from gas to electricity and hydrogen | Maximizing efficiency through condensing technology | Shifting from high-GWP to low-GWP refrigerants | Designing to minimize environmental impact across the full lifecycle |

# Sustainable Business Model

## Eco-friendly Management Framework Across the Product Life Cycle

KD Navien minimizes the environmental footprint of its products through an eco-friendly management framework built on a full life cycle perspective. We examine potential impacts at every stage—design, raw material sourcing, production, logistics, use, disposal, and after-sales service—and channel Life Cycle Assessment findings directly into product development and operations. This discipline enhances resource efficiency, lowers greenhouse gas emissions, and extends environmental value throughout the time our customers spend with our products.

**Design**

**LCA-based ecodesign**

Systematically reviewing and embedding eco-friendly requirements from the concept stage through to design completion, guided by our eco-friendly product development process

**Procurement**

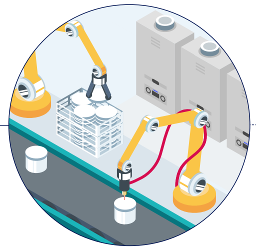
**Eco-friendly raw material sourcing**

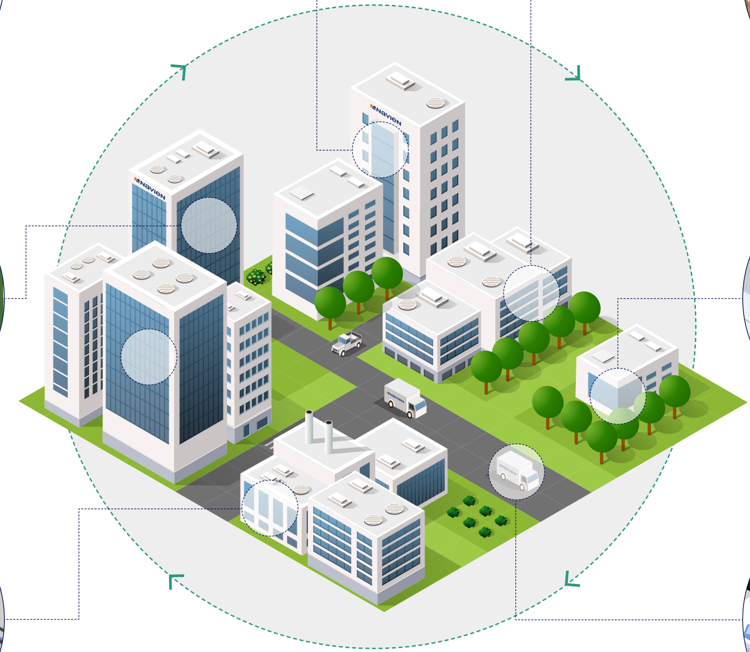
Expanding the use of recycled fiber materials and low-carbon components in line with our green procurement policy

**Manufacturing**

**Smart manufacturing and resource efficiency**

Reducing energy consumption through AGVs as well as equipment automation and upgrades, while advancing zero waste to landfill





**Disposal**

**Waste recycling and resource circularity**

Reducing end-of-life emissions by increasing recycled content and extending component lifespans

**Use** **After-sales service**

**Eco-friendly products and extended product life**

Cutting use-phase emissions through energy source transition, efficiency gains, and eco-friendly refrigerants, while extending product lifespans with IoT-based failure prediction

**Distribution**

**Eco-friendly logistics**

Reducing logistics emissions by optimizing packaging dimensions and revising corrugation to lower packaging weight

# Sustainable Business Model

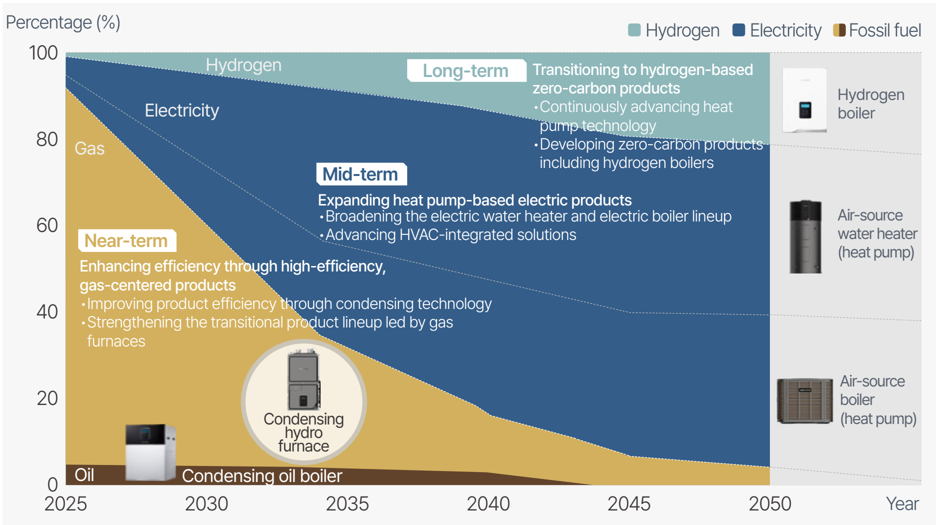
## Strategy

### Energy Source Transition

T5. Emergence of low-carbon alternatives to existing products and services

| Time Horizon | Medium term | Likelihood | High |
|---|---|---|---|
| Magnitude of Impact | High | Scope of Impact | Global/business model |
| Industry Context | The boiler industry has evolved alongside changes in heating fuels, and it now faces a new inflection point in the shift to low-carbon energy sources. In Korea, mandatory installation of eco-friendly condensing boilers and related measures are reshaping the market around high-efficiency, eco-friendly products. Globally, the expansion of low-carbon alternatives such as hydrogen boilers and electric heat pumps is expected to redefine the established market for gas boilers and water heaters. KD Navien recognizes this as a potential risk to its existing product portfolio and is advancing eco-friendly technologies while developing new decarbonized products in parallel. | | |
| Financial Impact | As the transition to low-carbon energy sources accelerates, demand for R&D investment in electricity- and hydrogen-based products is likely to grow. Our R&D expenditure stood at approximately 42.4 billion KRW in 2025, and we anticipate further investment as we develop new technologies including heat pumps and hydrogen boilers. Until these technologies reach commercialization, rising investment costs may coincide with declining revenue from existing products, which could weigh on profitability in the near term. | | |

KD Navien's Product Energy Source Transition Roadmap




#### Response Strategy

To meet the shift toward low-carbon alternatives, KD Navien has established a phased transition roadmap moving from fossil fuel-based products to electric heat pumps and hydrogen-based products, restructuring its product portfolio accordingly. We are developing a Dual Fuel Hybrid system at our Heating Research Institute, while also formulating market-specific launch plans for heat pump products across our operating regions. In tandem, we are developing hydrogen boiler ($H_2$) technology and assessing its path to commercialization, reshaping our portfolio around low-carbon and zero-carbon offerings.

**Expanding the Electric Product Portfolio**

In response to the low-carbon energy transition, KD Navien is expanding its electric product portfolio in phases. Recognizing the practical constraints of the early years of the transition—performance limits in low-temperature conditions, installation restrictions, and the burden of electricity costs—we are pursuing a hybrid system strategy that pairs gas with electricity, helping customers move to electric systems at a measured pace. To broaden our heat pump-centered electric heating and hot water solutions, we are advancing not only product development but also installation, maintenance, and data-driven operating systems. In May 2026, we opened a Heating Electrification Center on Jeju Island, bringing product display, customer consultation, installation support, maintenance services, and operating data analysis together in a single hub. Drawing on operating data accumulated through our Jeju demonstration project, we are refining our products and services while strengthening installation infrastructure and technical training—laying a stable foundation for the adoption of electric heating and hot water solutions as the energy transition unfolds.

**Developing Hydrogen Boiler Technology**

To secure low-carbon heat source technology, KD Navien is advancing boiler technology that runs on hydrogen. Aiming to create a viable replacement for conventional gas boilers, we are verifying performance and safety ahead of commercialization. Our second round of R&D on the pure hydrogen boiler improved efficiency by more than 3.0% over the first, and we have secured burner technology that reduces the risk of flashback. In parallel, we are developing a hydrogen blend boiler, raising the hydrogen blending ratio in stages from 5% to 20% while verifying performance and safety at each level. Through this work, we are preparing to commercialize hydrogen-based heat source technology capable of replacing conventional gas boilers.

# Sustainable Business Model

## Strategy

### Energy Efficiency

**T3.** Introduction of Mandates and Regulations for Existing Products and Services

| | | | |
|---|---|---|---|
| Time Horizon | Short term | Likelihood | High |
| Magnitude of Impact | High | Scope of Impact | Global/business model |
| Industry Context | The building sector accounts for a substantial share of global energy consumption and stands as a major source of GHG emissions. Governments worldwide continue to tighten building energy efficiency regulations as a central lever for meeting carbon neutrality targets. Efficiency standards for heating and hot water equipment are rising accordingly, and demand is growing for high-efficiency products that meet them. In Korea, the gas boiler market is closely tied to new construction volumes, and the recent contraction in new construction has shifted the market toward replacement demand. Against this backdrop, compliance with energy efficiency regulations has become a decisive factor in how consumers choose replacement products, and KD Navien recognizes preemptive response to regulatory change as a top priority. | | |
| Financial Impact | Tighter energy efficiency regulation can bear directly on our key product markets. In Korea, the mandate for Zero Energy Building (ZEB) Grade 5 design has extended from public buildings to private construction, elevating the ECO2 energy performance assessment; whether a product meets these criteria can determine its applicability in the new-build market. Globally, the U.S. Department of Energy (DOE) continues to raise energy efficiency standards for residential boilers and water heaters, and we anticipate restrictions on North American sales of non-compliant products as well as higher costs for product improvement and certification associated with regulatory compliance. With residential boilers and water heaters representing approximately 83% of our total revenue, tightening energy efficiency regulations at home and abroad could weigh on KD Navien financially on both the revenue and cost sides. | | |

#### Response Strategy

KD Navien continuously monitors energy efficiency regulations in Korea and abroad and builds market-specific standards into its products from the development stage to stay ahead of the shifting regulatory landscape. We also pursue emissions reduction through efficiency gains within the same energy source: our condensing boilers reach efficiency levels of approximately 96%, cutting both energy use and emissions relative to conventional products. We hold 20 High-Efficiency Energy Equipment certifications in Korea, covering 23 models, and 7 ENERGY STAR certifications in the US, covering 18 models, meeting the efficiency standards of our key markets. Expanding the reach of our condensing products also contributes to near-term emissions reduction.

#### Delivering High-Efficiency Products

We continuously advance the core technologies, components, and control methods behind each product line, tailored to its characteristics, to raise energy efficiency and curb energy loss. By applying heat recovery, precision control, and electrification technologies across our boilers, water heaters, HVAC systems, and air purification products, we reduce energy consumption in the use phase and improve operating efficiency.

Product Energy Efficiency Strategy by Product Line

| Boiler | Water Heater | HVAC | Ventilation Air Purifier |
|---|---|---|---|
| **Improving combustion and thermal efficiency** | **Improve hot water supply efficiency** | **Transition to high-efficiency electric HVAC** | **Optimize operation while reducing energy loss** |
| **Condensing technology** Recover residual heat from exhaust gas to improve thermal efficiency | **Condensing tankless water heater** Minimize standby heat loss while ensuring high efficiency in hot water supply | **Heat pump technology** Deliver high heat generation relative to electricity consumed | **Heat recovery ventilation (HRV)** Minimize heating and cooling energy during ventilation |
| **Wet-type heat exchanger** Maximize condensation heat recovery | **TDR precision control** Precisely modulate combustion output to match demand | **Inverter-driven compressor** Optimize energy use by automatically adjusting capacity to load | **Smart control algorithm** Optimize operation by coordinating air quality, humidity, and airflow |
| **Freeze protection operation control** Minimize energy loss | **Heat pump water heater** Maximize energy efficiency through high-efficiency heat pump-based heating (tank type,UEF3.8) | **Gold fin coil coating** Improve deforst efficiency and operating performance | **Dehumidification function** Reduce heating and cooling energy through optimal indoor humidity |

# Sustainable Business Model

## Strategy

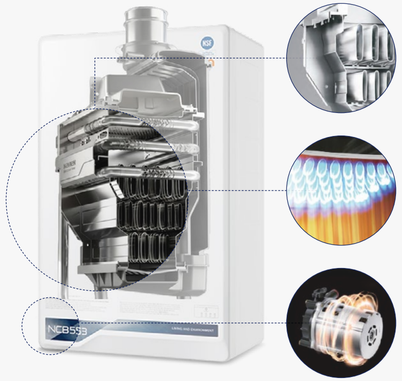
### Energy Efficiency

**Energy Efficiency Improvement Cases**

KD Navien continuously drives design improvements to raise energy efficiency across its entire product range. Through structural optimization, higher-performing core components, and more sophisticated operating algorithms, we reduce energy consumption in the use phase while enhancing both convenience and reliability in real-world conditions.

#### Gas Boiler NCB500

KD Navien improved the structure and operating performance of the NCB500 gas boiler to raise its energy efficiency. We replaced the previous separated heat exchanger with an integrated design, slimming the product and reducing component count while achieving ErP[1] Class A energy performance, enabling high-efficiency operation in the process. This product was equipped with a freeze protection system, minimizing unnecessary energy loss and ensuring the boiler runs reliably even in severe cold.



**Heat exchanger structural optimization**
- Slimmer product design and improved resource efficiency
- Transition from a separated to an integrated heat exchanger, reducing component count and simplifying the structure

**1 Primary freeze protection**
- Automatic circulation pump activation
- Automatic activation of the circulation pump when water temperature in the boiler piping falls to 10°C or below

**Secondary freeze protection**
- Automatic minimum-rate combustion
- Activation of minimum-rate combustion when piping water temperature falls to 6°C or below, or when incoming water temperature reaches 0°C

#### Dehumidifying Air Purifier THE650 (fixed-speed)

KD Navien advanced both the performance and energy efficiency of its THE650 fixed-speed dehumidifying air purifier. We improved heat recovery efficiency to cut energy loss and raise operating efficiency, and refined the control algorithm to enable stable dehumidification even in low-temperature conditions. We also increased dehumidification capacity and ventilation airflow, strengthening air conditioning performance and delivering more efficient indoor environment management.

**Improved dehumidification capacity**
- Greater efficiency in indoor humidity management
23.2L → 28.8L +20%

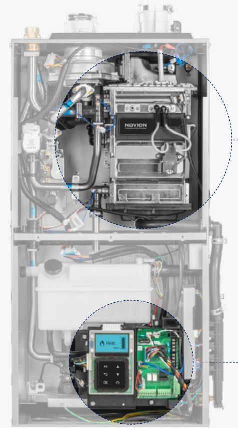
**Higher heat recovery efficiency**
- Reduced energy loss during ventilation
Heating 15.08L → 17.88 +18%
Cooling 10.54L → 13.23 +25%

**Enhanced ventilation airflow**
- Improved indoor air circulation efficiency
150CMH → 200CMH +33%

**Advanced control algorithm**
- Expanded dehumidification operating range / Outdoor temperature
18°C → 5°C Enlargement

#### Hydro Furnace NPF700

The KD Navien Condensing Hydro Furnace is a high-efficiency heating system that pairs condensing heat recovery with hydronic heating. Conventional furnaces vent the heat in post-combustion exhaust gas straight to the outside; our condensing heat exchanger instead captures the residual heat in that exhaust and feeds it back to the heating cycle, lowering fuel consumption and raising thermal efficiency. The hydronic approach, which uses water as the medium for heat transfer, further reduces heat loss and improves energy transfer efficiency compared with directly heating air. Together, these two technologies deliver an Annual Fuel Utilization Efficiency (AFUE) of approximately 97%. The product also modulates its firing rate automatically across a 15% to 100% range in response to real-time heating load, cutting the unnecessary energy consumption that comes with over-firing.



**Condensing heat recovery and hydronic heating**
- Deliver high-efficiency heating with an Annual Fuel Utilization Efficiency (AFUE) of approximately 97%
- Combine condensing heat recovery with hydronic heating to minimize energy loss while maximizing heating efficiency

**Modulating operation control**
- Minimize energy waste through automatic firing rate adjustment in response to heating load
- Reduce unnecessary energy consumption through modulating operation across a 15%-100% range

1) ErP (Energy-related Products): Energy efficiency ratings established under the EU's Energy-related Products Directive; Grade A indicates high energy efficiency

# Sustainable Business Model

## Strategy

### Eco-friendly Refrigerants

**05.** Utilization of low-carbon energy sources

| Time Horizon | Short term | Likelihood | High |
|---|---|---|---|
| Magnitude of Impact | High | Scope of Impact | Global/business model |
| Industry Context | Since the Kigali Amendment to the Montreal Protocol entered into force, major economies have progressively tightened HFC refrigerant regulations, raising the bar for full life cycle management covering the purchase, use, leak prevention, and disposal of refrigerants. Refrigerant leaks are of particular concern: beyond their direct GHG emissions, their flammability and explosiveness can lead to safety incidents. Major jurisdictions are accordingly expanding regulation across both safety and environmental management, from mandatory leak inspections and stricter certification for refrigerant handlers to compulsory recovery and reclamation of used refrigerants. As KD Navien expands its HVAC portfolio, establishing full life cycle refrigerant management has emerged as a priority directly tied to product competitiveness. | | |
| Financial Impact | The Kigali Amendment, adopted in 2016, made the phase-down of HFC refrigerants an international obligation, tightening refrigerant regulation and driving demand for HVAC products that use eco-friendly refrigerants with lower global warming potential (GWP). This prompted KD Navien to develop the technology to apply R290[2] refrigerant—which has lower GWP than conventional R32—to key HVAC products, including ATW heat pumps and HPWHs. As our lineup of low-GWP refrigerant products grows, it can improve market access by ensuring compliance with global regulations, and can also directly affect sales of eco-friendly products, which accounted for approximately 73% of our total revenue in 2025. | | |

1) GWP (Global Warming Potential): An index of a given greenhouse gas's relative contribution to global warming, measured against carbon dioxide ($CO_2$) as a baseline of 1

2) R290: A propane-based natural refrigerant with a low GWP of around 3, offering reduced greenhouse gas impact compared with conventional refrigerants

#### Response Strategy

KD Navien has charted a roadmap for the transition to low-GWP refrigerants and ensures rigorous management over the full cycle—procurement, storage, use, and disposal. By pairing inventory and consumption controls with leak prevention and scheduled inspections, we mitigate the environmental and safety risks inherent in refrigerant use. On the product front, we are developing the technology to apply R290 across key HVAC products, including ATW heat pumps and HPWHs, positioning ourselves ahead of tightening global refrigerant regulation. We are targeting completion of the detailed engineering by 2027 and are concurrently establishing the design standards and operating protocols needed to secure safety.

#### Refrigerant Application by Product

| Category | Cooling Only/ Heat Pump | | Heat Pump Water Heater | Outdoor Unit | Indoor Unit |
|---|---|---|---|---|---|
| Product line |  NAZ Series | |  HPWH |  Condensing air conditioner |  1WAY cassette |
| Refrigerant applied | R454B | R32 | R134A | R32 | R32 |
| GWP[1] | 466 | 675 | 1,300 | 675 | 675 |

#### Full Life Cycle Refrigerant Management

KD Navien is advancing full life cycle management for refrigerants, spanning purchase, use, inspection, and disposal. We have set management standards for each stage and apply them systematically across all our sites.

#### Refrigerant Full Life Cycle Management

**Purchase and Storage** >
- Identify and manage suppliers and storage locations

**Refrigerant Use** >
- Identify and manage refrigerant use processes and applications by site and team, including product development and reliability testing

**Inventory and Consumption Management** >
- Document refrigerant types, quantities held, and number of charges

**Leak Prevention and Inspection** >
- Conduct regular inspections of piping, valves, compressors and other components
- Install preventive devices including leak detectors

**Training and Incident Response** >
- Provide handling and first-response training for personnel
- Maintain response manuals for incidents

**Disposal**
- Recover and return used refrigerant containers through suppliers
- Verify and track refrigerant transport history based on purchase records

# Sustainable Business Model

## Strategy

### LCA-based Ecodesign

#### 06. Development of Low-Carbon Products and Services

| Time Horizon | Short term | Likelihood | High |
|---|---|---|---|
| Magnitude of Impact | High | Scope of Impact | Global/business model |
| Industry Context | As global ecodesign regulations tighten, systematically managing environmental impact across a product's full life—from material selection at the early design stage through production, use, and disposal—has emerged as a key challenge. The EU's ESPR, in particular, sets life-cycle-wide environmental performance requirements around product longevity, greater use of recycled materials, and supply chain transparency. This raises the imperative to expand eco-friendly and recycled materials, to refine design for longer product life, and to build a full life cycle management system that accounts for end-of-life recovery and recycling. In response, KD Navien sees a clear need to embed LCA-based ecodesign throughout product development and to manage environmental impact systematically from raw materials to disposal. | | |
| Financial impact | Product environmental regulations are tightening across major markets—as the EU's ESPR takes effect and the U.S. Department of Energy (DOE) raises its energy efficiency standards. Companies that meet these requirements early can enhance their market access, while government subsidies and tax incentives for high-efficiency, eco-friendly products are driving demand in this category. With overseas sales accounting for approximately 70% of KD Navien's total revenue, embedding LCA-based ecodesign throughout product development can directly affect both regulatory compliance and revenue growth in the North American and European markets. | | |

#### Response Strategy

KD Navien embeds LCA-based ecodesign throughout product development, reducing environmental footprint through lightweighting, eco-friendly materials, and extended product life. We are cutting material consumption by optimizing packaging dimensions, eliminating unnecessary auxiliary materials, and lightweighting product components, while broadening the use of eco-friendly raw and subsidiary materials—including a shift to recycled fiber—to reduce impact across the supply chain. We are also developing IoT sensor-based failure prediction technology for our boilers, extending product life and preventing premature disposal, as part of our broader efforts to improve our environmental performance across the full life cycle.

**Extending Product Life**

KD Navien is advancing boiler failure prediction technology to prolong product life and forestall premature replacement, thereby curbing resource consumption and environmental impact. Drawing on IoT sensor data from our boilers, we examined the correlation between declining thermal efficiency and the onset of failure, and engineered a solution that identifies early warning indicators before a fault occurs—securing a patent filing in 2025. The result is a service platform that alerts customers to irregularities at the outset and directs them to timely inspection. With commercial launch planned for 2026, this capability will extend product longevity and improve environmental performance across the full life cycle.

#### Key Achievements in Product and Packaging Lightweighting in 2025[1)]

| Packaging size optimization (base, box) | Elimination of anchor bolt components | Reduction of outer casing raw materials | Elimination of exhaust flange kit packaging boxes | Elimination of cork packing double-sided tape | Change in packaging box corrugation |
|---|---|---|---|---|---|
| **60 tons** of EPS material saved annually | **50 tons** annual reduction in product weight | **10%** lighter per unit | **230 tons** of packaging material saved annually | **4 tons** of chemical auxiliary materials saved annually | **20%** reduction in packaging weight, with expanded use of recycled fiber |

1) Estimated from production and sales volumes and loading standards for each product

# Sustainable Business Model

## Risk Management

### Eco-friendly Product Development Process

In 2025, KD Navien established a new eco-friendly product development process, embedding environmental review at every stage from initial planning through to design sign-off. At the concept stage, we define environmental requirements shaped by market trends, our climate strategy, and customer needs, then carry them consistently into design through cross-functional review. We track progress and implementation at each gate on a regular basis, refining how we operate this process over time. This framework underpins sustainable product development that advances energy efficiency and curtails pollutant emissions.

| | | |
|---|---|---|
| **Step 1. Concept development** Setting environmental considerations as the starting point for product planning | Development direction | Combining market trend and customer needs analysis with our climate strategy and environmental metrics to define the development direction and shape new product concepts |
| | Technology roadmap alignment | Updating our technology development roadmap against eco-friendly product requirements, and reflecting the target completion dates for market-demanded environmental technologies in product planning |
| | Requirements definition | Drafting the list of specifications a product must meet, incorporating our environmental metrics alongside basic parameters such as weight and dimensions |
| **Step 2. Product development** Turning environmental goals into specifics with cross-functional alignment | Cross-functional review | Assessing the feasibility of applying each eco-friendly requirement, and documenting the rationale where requirements are not applied along with prospects for future improvement |
| | Target finalization | Consolidating input from relevant departments to confirm the final eco-friendly requirements and incorporate them into the product planning document |
| | Roadmap integration | Reflecting eco-friendly technology development tasks in the technology roadmap and monitoring progress at regular intervals |
| **Step 3. Product design** Embedding environmental criteria into the product | Eco-friendly design review | Reviewing designs against environmental development criteria, including product weight, NOx emissions, power consumption, and the use of eco-friendly materials and packaging |
| | Review findings integration | Documenting review results, incorporating them into the design, and retaining them as reference for future product development |

### Regulatory Response and Policy Engagement

KD Navien keeps close watch on regulatory changes affecting the environmental performance of its products—from packaging and hazardous substances to refrigerants and air quality—and builds these requirements into product development and design well before they take effect. In North America, we meet U.S. and Canadian environmental requirements in full. In Korea, we sit alongside government agencies and academic societies in refining assessment criteria and setting standards, advancing the regulatory framework beyond mere compliance.

Regulatory Response in North America

| Category | Regulation | Jurisdiction | Our Response |
|---|---|---|---|
| Greenhouse gas | Electrification policy | US | • Engagement with California environmental regulators (CARB, AQMD) and proposal of technology alternatives |
| Packaging and plastics | Extended Producer Responsibility (EPR) | Multiple US states | • Analysis and reporting of packaging materials<br>• Transition to recyclable design |
| | Federal Plastics Registry (FPR) | Canada | • Analysis and reporting of plastic types<br>• Transition to reduced-material design |
| Hazardous substances | PFAS[1] regulations | US, Canada | • Analysis and reporting of PFAS compounds<br>• Preparation for transition to reduced-content design |
| Refrigerants | HFC refrigerant rules | US | • Transition to refrigerants with GWP of 700 or below<br>• Annual compliance reporting to the EPA |
| Air quality | Air quality standards | California | • Expanded supply of Ultra Low-NOx products |

1) PFAS (Per- and Polyfluoroalkyl Substances): A class of fluorinated chemicals that do not break down naturally and may affect the environment and human health

Policy Engagement and Standard Setting in Korea

| Category | Description |
|---|---|
| Improving the ECO2 building energy demand assessment criteria | Raised with the relevant authorities the issue of primary energy demand being overstated for integrated piping systems under the expanding Zero Energy Building (ZEB) mandate, and proposed revisions to the assessment criteria |
| Establishing a water supply standard for condensing air conditioners | Participated in standard-setting activities through the Korean Institute of Architectural Sustainable Environment and Building Systems to develop criteria for calculating water supply volumes in apartment buildings equipped with condensing air conditioners |

# Sustainable Business Model

## Risk Management

### Product LCA

#### Background and Purpose

As pressure for climate action mounts and customers and investors look more closely at the environmental credentials of products, KD Navien has turned to Life Cycle Assessment (LCA) to map the environmental impact of its products across their full life cycle and to embed those findings into design and development. The results guide our efforts to reduce impact in the use phase, and we intend to widen LCA coverage across further product lines in phases, advancing our framework for managing product-level environmental impact.

#### LCA Methodology

In preparing our life cycle assessments and UL EPD certification, we reviewed the applicable Product Category Rules (PCR). Drawing on the PCR for residential boilers,[1] we defined the functional unit, system boundary, and other parameters to set our LCA criteria. We then assessed our key water heater products across seven environmental impact categories, carbon footprint among them.

1) KEITI (Korea Environmental Industry and Technology Institute), Residential Boiler PCR 007

#### LCA Environmental Impact Categories


#### LCA Results

Across our key water heater products, the use phase proved the dominant contributor in six of the seven categories assessed, water footprint alone excepted. The driver is fuel combustion during operation, which establishes use-phase energy consumption as the decisive factor in our products' environmental profile. These findings have led us to designate the use phase as a priority for management: we are lowering carbon emissions by raising thermal efficiency and thereby reducing fuel consumption, while advancing low-NOx technology to curb air pollutant emissions. Looking ahead, we will continue to manage environmental impact across the full product life cycle and to minimize it through eco-friendly product development.

#### Expanding EPD Certification in Korea and Abroad

To manage product environmental impact on a quantitative basis and strengthen external credibility, KD Navien is bringing more of its products under LCA-based certification in Korea and globally. In North America, we completed LCA of key water heater products for the market and secured UL-verified Environmental Product Declarations (EPD). In Korea, we have obtained EPD certification for our gas boiler and gas water heater lines. This work strengthens how we manage environmental impact across the full product life cycle, and we will continue to widen LCA coverage across further product lines.

#### Products Certified with EPD Based on LCA

| Item |  NPE-240A-NG |  NHW700-160SU |  NHW700-180SU |
|---|---|---|---|
| Type | Condensing | Non-condensing | Non-condensing |
| NOx | Low-NOx | Low-NOx | Low-NOx |

#### Carbon Footprint Distribution by Life Cycle Stage

| Product/Stage | Unit | Pre-Manufacturing | Manufacturing | Use | Disposal |
|---|---|---|---|---|---|
| NPE240A-NG | % | 0.47 | 0.05 | 99.46 | 0.02 |
| NHW700-160SU | % | 0.44 | 0.05 | 99.49 | 0.02 |
| NHW700-180SU | % | 0.50 | 0.04 | 99.44 | 0.02 |

#### Products Certified under Korea's Environmental Product Declaration (Carbon)

| Item |  |  |  |
|---|---|---|---|
| Product line | Gas boiler | Gas boiler | Gas boiler |
| Model | NCB300 | NCB700 | NCB790 |

# Sustainable Business Model

## Risk Management

### Green Procurement

To minimize environmental burden and use resources efficiently, KD Navien has established a green procurement policy and applies the principle of giving preference to green products where quality and terms are comparable. Our sourcing decisions weigh green certification status, recyclability, and environmental impact together, and we are expanding purchases of eco-friendly office supplies and products of improved environmental performance. In collaboration with suppliers, we continue to identify eco-friendly materials and products, and factor green procurement criteria into purchasing decisions, embedding green procurement into everyday purchasing practice.

**KD Navien Green Procurement Policy**

1. Fulfill corporate social responsibility and comply with laws to conserve the environment through green procurement activities.
2. Continuously secure a pool of suppliers and strive to build organic relationships with them to ensure stable green procurement activities.
3. Except in unavoidable circumstances, prioritize purchasing green products when quality and conditions are equivalent to establish a green procurement culture.
4. Continue efforts to discover eco-friendly products to expand green procurement.

#### Green Procurement Process

Purchase request reception > Review eligibility / Review availability > Purchase > Performance aggregation and disclosure

#### 2025 Overview of Green Procurement

| Category | Unit | 2025 Performance |
|---|---|---|
| Green product purchases[1] | KRW million | 85.7 |
| Total purchases | KRW million | 863,743 |
| Green procurement ratio | % | 0.01 |

## Targets and Metrics

### Eco-friendly Product Revenue and KPIs

KD Navien maintains internal criteria for classifying eco-friendly products—including condensing boilers and condensing water heaters—benchmarked to third-party certification standards.[2] This approach bases our strategy to expand the range of eco-friendly products, delivering business and environmental results in tandem. Eco-friendly products accounted for approximately 73% of our revenue in 2025, holding above 60% for the third consecutive year. Going forward, we will draw on LCA-based data to quantify our Scope 3 emissions reduction performance and continue to refine our KPI framework.

#### Eco-friendly Product Revenue

| Category | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Eco-friendly product revenue | KRW million | 794,908 | 996,961 | 1,090,071 |
| Share of total revenue | % | 66 | 74 | 73 |

### Eco-friendly Certification

Sustained technological innovation enables KD Navien to raise the energy efficiency of its products and widen the use of environmentally sound materials. We hold a substantial number of stringent eco-label and high-efficiency certifications across the markets we serve, each offering independent validation of our products' excellence. By securing and rigorously maintaining these credentials at home and abroad, we sharpen our competitive position in global markets and reinforce our standing as an environmentally responsible manufacturer.

#### Eco-friendly Certifications Obtained in 2025[3]

| Certification | Korea Eco-Label | Environmental Product Declaration | Green Technology Certification | High-Efficiency Energy Equipment | ENERGY STAR |
|---|---|---|---|---|---|
| Country | Korea | Korea | Korea | Korea | US, Canada |
| Certifications (models registered) | 12 (40 models) | 6 (20 models) | 1 (4 models) | 20 (23 models) | 7 (18 models) |
| Product line | Gas boiler | Gas boiler | Ventilation air purifier | Gas vacuum hot water boiler, commercial boiler | Gas boiler, gas water heater |

1) Based on the combined production and purchase costs of printed materials using FSC-certified paper and soy-based ink
2) Class 1 certification under Korea's Air Management Area Act for the domestic market; ENERGY STAR certification for North America (United States and Canada), among others
3) In 2026, obtained three eco-friendly certifications in the United Kingdom (MSC, KeyMark, ErP efficiency rating)

# ESG PERFORMANCE

# ENVIRONMENTAL

# Environmental Management

## Implementation System

Under the overall supervision of the ESG Working Group, KD Navien subdivides the environmental domain into four core parts—Environmental Management, Climate Strategy, Eco-friendly Products, and Green R&D—and systematically establishes and implements ESG action plans. Key tasks for each part are thoroughly managed through monthly written reports and semiannual reviews and performance reports. Centered on the EHS Planning Team and EHS Team, the Environmental Management Part conducts comprehensive analyses of environmental management impact indicators, establishes customized tasks for each department, and regularly monitors progress toward targets. In particular, through monthly regular reporting meetings to the CSO, KD Navien closely reviews key performance at each business site, including improvements in the efficiency of environmental facilities and the identification of and response to potential environmental risks.

### Organizational Structure

ESG Working Group

Environmental Subcommittee

- Environmental Management
- Climate Strategy
- Eco-friendly Products
- Eco-friendly R&D

CSO

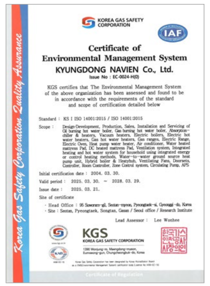
Chair of the ESG Working Group

EHS Planning Team | EHS Team

- Analysis of direct and indirect indicators affecting environmental management
- Establishment and implementation of environmental action plans
- Setting deadlines for achieving task-specific targets

### Environmental Management System

KD Navien has obtained ISO 14001 Environmental Management System certification to systematically manage the environmental impacts of its products and services. Certified business sites undergo annual internal audits and external audits by certification bodies, while renewal audits are conducted every three years to verify the effectiveness of the system. KD Navien has also expanded the scope of certification to its affiliates, thereby strengthening environmental management at the group level.




## Implementation Direction

KD Navien promotes environmental management centered on resource efficiency, pollutant management, and biodiversity conservation to minimize environmental impacts arising across its business activities. The Company establishes management tasks that reflect the characteristics of each environmental area and continuously improves its environmental performance through systematic implementation.

### Key Environmental Management Directions

**Waste**
- Pursue zero waste to landfill
- Expand recycling and reduce packaging materials

**Water Resources**
- Establish a recycled water circulation system
- Strengthen monitoring of water use and reduce wastewater generation

**Pollutants**
- Conduct reduction activities by area covering air pollutants, water pollutants, and hazardous chemicals
- Operate the Chemical Substance Management System (CMS) and comply with global environmental regulations

# Environmental Management

## Risk Management

### Guidelines and Policies

**Environmental Management Policy**

Under its vision of becoming a "Partner for Comfortable Living Environments," KD Navien aims to create healthy and comfortable residential environments for customers and a sustainable global environment for future generations. To this end, the Company recognizes the environment as a core element of its management activities and has established an environmental management policy based on eight key principles to practice ESG management throughout the entire product lifecycle. Through its environmental management policy, KD Navien has also specified environmental impact management standards for all business sites, departments, products, and services, and systematically improves environmental performance across the entire process, from raw material production to product use and disposal. KD Navien promotes company-wide environmental management by designating the establishment of a global environmental management system, climate change response, operation of voluntary management systems exceeding legal standards, development of eco-friendly products, sustainable operation of business sites, support for suppliers' environmental management, biodiversity conservation, and transparent disclosure of environmental information as its key initiatives.

Environmental Management Policy  Environmental Management Guidelines

### Environmental Compliance

Under its goal of "Zero Environmental Law Violations," KD Navien continuously monitors the enactment and amendment of environmental laws and regulations related to air quality, water quality, waste, and chemical substances to proactively respond to environmental risks. Compliance with environmental laws and regulations at all business sites is regularly reviewed through EHS audits conducted twice a year. KD Navien has also established crisis management systems for air quality, Wastewater, and chemical substances, along with scenario-specific response manuals, to strengthen its environmental management capabilities.

2025 Environmental Compliance Status

| EHS Audits Conducted in 2025 | Environmental Law Violations in 2025 |
|---|---|
| Twice a year | 0 cases |

## Implementation Activities

### Environmental Training

KD Navien provides various environmental training programs to ensure that employees clearly recognize the importance of environmental protection and effectively integrate environmental values into their daily work. In 2025, customized advanced environmental training was provided primarily to members of the Environmental Management Part. Through the systematic completion of statutory mandatory training, the Company improved the efficiency and performance of environmental management at its business sites. In addition, executive ESG strategy and leadership training was conducted for executives and team leaders to spread the practical value and importance of sustainability management throughout the organization.

2025 Environmental Management Training Implementation Status

| Category | Target | Training Method | Key Content | Number of Participants |
|---|---|---|---|---|
| Environmental Practical Competency Enhancement Training | Members of departments affiliated with the Environmental Management Part | One-day lecture by invited experts | Training on resource circulation and biodiversity | 23 |
| Statutory Mandatory Training for Environmental Technicians | Personnel responsible for environmental affairs | Online and offline learning hosted by the Korea Environmental Preservation Association | Statutory training on water quality, air quality, waste, noise and vibration, etc. | 4 |

### Participation in Global Initiatives

KD Navien is expanding its participation in global initiatives to fulfill its international environmental and social responsibilities. Since 2023, the Company has transparently disclosed its climate change strategies and greenhouse gas emissions through the CDP and enhanced the transparency of climate-related disclosures in accordance with the TCFD recommendations. In 2025, KD Navien expanded its scope of participation to biodiversity by joining the TNFD Forum and participating in the Business N Biodiversity Platform (BNBP), thereby contributing to global discussions on biodiversity conservation. Going forward, KD Navien plans to strengthen its response capabilities regarding major environmental issues, including climate change, the circular economy, and biodiversity, and to continuously expand the application of global guidelines.

# Environmental Management

## Water Resources

### Implementation Direction

KD Navien recognizes the efficient use and stable management of water resources as a key priority, as water is used in production processes and product trial operations. To improve water-use efficiency, the Company regularly reviews the use of recycled water and systematically monitors municipal water consumption by major application area. Taking into comprehensive consideration the water-use characteristics of each process, the limitations of existing water reuse facilities, and the potential for technical improvements, KD Navien is upgrading facilities and optimizing operations to expand the use of recycled water.

#### Key Implementation Directions

| Strategic Direction | Detailed Strategic Tasks |
| --- | --- |
| Improvement of Recycled Water Cooling System Efficiency | • Introduce a recirculating cooling system for recycled water and improve the temperature of supplied water |
| Pollution Level Management | • Maintain all 28 parameters below municipal water quality standards<br>• Improve the filtration efficiency of recycled water treatment |
| Ensuring the Reliability of Supplied Water | • Conduct regular analyses of 28 parameters, including Pb (lead) |

#### Water Resource Management Targets and Performance

| Category | Management Indicator | 2025 Performance Against Target | | Management Targets | |
| --- | --- | --- | --- | --- | --- |
| | | Target | Performance | 2026 | 2028 |
| Water Reuse | Water Reuse Rate | At least 35% | 31% | At least 36% | At least 38% |

### Risk Management

#### Guidelines

**Water Resource Management Policy**

KD Navien aims to minimize its dependence on external water sources in managing the water resources required for business site operations and to establish a water-neutral system through rainwater utilization and its own wastewater treatment system. The Company compiles and analyzes municipal water, groundwater, and recycled water consumption each month and has established specific targets for the recycled water usage rate. Monthly performance is also regularly reported to management and reflected in Company policies to enable continuous improvement.

#### Management Process

KD Navien has established and operates a water resource management process covering the entire cycle, from water use at its business sites to recycling and wastewater treatment. In 2025, the Company selected water quality testing parameters to manage potential risks associated with water quality and conducts monthly comparative analyses of municipal water, groundwater, and recycled water. Water samples collected at the same time are analyzed internally by the WTS Team, and the results are shared with the EHS Team, Quality Management Team, Production Team, and Reliability Research Team to enable integrated monitoring of key water quality indicators. The test results are also compared and reviewed against drinking water quality standards and municipal water quality standards to prevent water quality issues in advance and serve as baseline data for expanding the use of recycled water.

**Daily Water Usage Monitoring by Stage**

Water Inflow > Use > Water Treatment > Reuse > Discharge

**Daily Wastewater Monitoring by Stage**

Wastewater Monitoring > Discharge Trend Analysis > Wastewater Treatment > Discharge

# Environmental Management

## Water Resources

### Implementation Activities

#### Expansion of Water Reuse

KD Navien's Seotan Factory (ECO Hub) is reducing water consumption and establishing a resource-circulating production environment by converting supplied water to reused water. The Company replaced the supplied water used by wet cleaning vehicles with reused water and converted chemical-mixing water and filter backwash water used in the wastewater treatment process to reused water, thereby transforming the water treatment center into the first Water Re-use facility at the Seotan Factory (ECO Hub). Furthermore, by utilizing treated sewage effluent in cleaning facilities within the treatment process, KD Navien is advancing the establishment of a "water-neutral" business site.

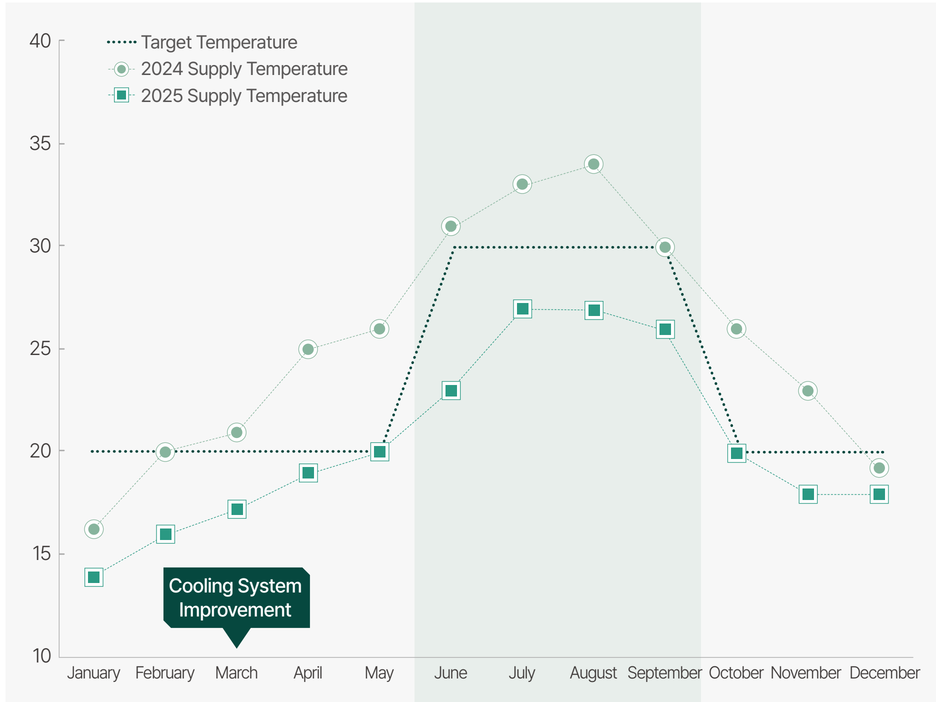
**Water Quality Management**

The ECO Hub has strengthened its water quality management standards to ensure the reliability of reused water used in product durability testing. Based on product risk analysis, the Company selected 27 testing parameters that may cause corrosion or odor and conducts monthly water quality analyses together with municipal water and groundwater. Through these measures, KD Navien has secured the reliability of test water quality under conditions equivalent to those at product installation sites. Furthermore, to expand the use of process water based on the reliability of reused water quality, the Company is reviewing the application of reused water to pretreatment water for the painting process and product cleaning water, which will be newly introduced in 2026.

**Supply Water Temperature Management**

As the supply temperature of reused water used in product durability testing directly affects test conditions, KD Navien established supply water temperature standards and improved its cooling system. Through improvements to the reused water cooling system at the ECO Hub, the Company lowered the average water temperature by 5°C compared with 2024 and achieved an annual average temperature of 21°C in 2025, with an average of 26°C during the summer season from June to September. These improvements minimized the amount of municipal water mixed in to regulate the temperature of test water, enhancing both water resource management and productivity.

Monthly Supply Temperature of Reused Water (2024–2025)



# Environmental Management

## Water Resources

### Implementation Activities

**Reduction of Wastewater Discharge**

KD Navien continuously implements improvement activities at each business site to reduce wastewater generation and ensure stable water quality management. In 2025, the introduction of a new HPWH process at the Seotan Factory (ECO Hub) added an additional wastewater-generating process, resulting in an approximately 1% year-on-year increase in total wastewater discharge. However, the Pyeongtaek and Songtan business sites reduced their combined wastewater discharge by approximately 12% compared with the previous year through voluntary environmental improvement activities, including optimizing water use in the painting and degreasing processes. In addition, KD Navien is establishing an eco-friendly smart production base by monitoring all major wastewater discharge facilities in real time. The Company also minimizes wastewater generation by optimizing water input volumes by production process and continuously carries out activities to reduce water pollutants.

#### 2025 Wastewater Discharge Reduction Performance (Pyeongtaek and Songtan)

| Pyeongtaek Business Site | Songtan Business Site | Total (Pyeongtaek and Songtan) |
|---|---|---|
| 9% reduction | 38% reduction | 12% reduction |

**Wastewater Treatment Management**

KD Navien applies treatment methods appropriate to the characteristics of the wastewater generated and manages it through either in-house treatment or outsourced treatment, thereby minimizing the environmental impact of wastewater discharge. In 2025, the Company focused on minimizing chemical input volumes to improve wastewater treatment efficiency. As a result, chemical usage decreased by approximately 12%, with a 25% reduction in intensity—while the amount of wastewater treatment sludge generated declined by 20.5%. These improvements generated approximately KRW 10 million in savings from reduced chemical expenses and waste treatment costs. Going forward, KD Navien plans to continuously enhance its management standards by improving treatment process efficiency and optimizing facility operations.

#### Wastewater Treatment Efficiency Improvement Performance

| Item | 2024 | 2025 | Change |
|---|---|---|---|
| Chemical Usage (ton/year) | 63.12 | 55.60 | 12% decrease |
| Wastewater Treatment Sludge Consigned for Disposal (ton/year) | 67.47 | 53.67 | 20% decrease |

# Environmental Management

## Waste

### Implementation System

In accordance with its Environmental Management Policy, KD Navien systematically manages waste generated across all business activities and strives to minimize environmental impacts by expanding resource circulation. To this end, the Company has established company-wide waste management guidelines that define management standards for the entire process, from waste generation to storage and treatment, and continues to pursue improvement activities in compliance with applicable laws and regulations. Waste management at each business site is operated primarily by the EHS Team, with designated personnel at each site to ensure clear on-site accountability. Under the company-wide environmental management framework, waste-related performance is monitored regularly, and prompt corrective and preventive measures are implemented where improvements are required.

#### Waste Management System

| Category | Details |
|---|---|
| Management Standards | · Establishment of waste management guidelines |
| Management Scope | · All KD Navien business sites |
| Waste Scope | · General waste<br>· Designated waste, including waste oil, waste cutting oil, and waste organic solvents |
| Treatment Method | · Outsourced treatment by specialized service providers, including recycling, landfill, and incineration<br>· Registration of the "Waste Management Ledger" and "Waste Treatment Request" in the EHS System |

### Implementation Direction

With the goal of achieving zero waste to landfill, KD Navien has been promoting the establishment of zero-landfill business sites since 2022, centered on the Seotan Factory (ECO Hub), its main production base. Going forward, the Company plans to expand these activities to all domestic business sites, improve its recycling rate, and obtain Zero Waste to Landfill (ZWTL) certification.

#### Implementation Strategy

Zero Waste to Landfill

- Establish zero-landfill business sites
- Obtain ZWTL[1] certification
- Expand recycling treatment
- Achieve a 100% recycling rate

1) ZWTL: Zero Waste to Landfill

#### Waste Management Targets and Performance

| Category | 2025 Performance Against Target | | Management Targets | | |
|---|---|---|---|---|---|
| | Target | Performance | 2026 | 2027 | 2028 |
| Recycled Waste Ratio | At least 96% | 95% | At least 98% | At least 98% | At least 98% |
| Waste Generation Intensity | 0.098 or less | 0.09 | 0.09 or less | 0.09 or less | 0.09 or less |

# Environmental Management

## Waste

### Risk Management

#### Guidelines

**Waste Management Policy**

KD Navien complies with relevant systems, including the Extended Producer Responsibility (EPR) system, the Waste Charge System, and the Environmental Guarantee System. Through these systems, the Company improves resource efficiency throughout the entire process—from production, sales, and consumption to disposal and recycling—and faithfully fulfills its recycling obligations and responsibilities. KD Navien also continues to advance its waste management system with the ultimate goal of recycling all waste, while reducing waste generation and improving the recycling rate.

#### Management Process

KD Navien identifies the causes of waste generated through its business site operations and manages the entire process—from generation to final treatment—through the following four-stage process.

**Detailed Activities by Waste Treatment Stage**

| | |
| --- | --- |
| Generation and Identification[1] | • Estimate waste characteristics and expected generation volumes by raw material and consumable item through preliminary safety assessments<br>• Install on-site waste sorting bins and develop outsourced treatment plans, including contractor selection, contract execution, and confirmation of unit treatment costs |
| Separation and Storage | • Store waste in designated storage areas in accordance with standards designed to prevent leachate and secondary contamination<br>• Comply with storage periods by waste type and regularly manage storage conditions |
| Collection and Transportation | • Assign vehicles operated by licensed waste collection and transportation contractors to measure waste weight and transport it to treatment service providers<br>• Fulfill electronic manifest registration requirements through the Allbaro System in accordance with the Waste Control Act |
| Treatment and Recycling | • Prioritize recycling and conduct final treatment through appropriate methods, including recycling, incineration, and landfill<br>• Promote the conversion of recyclable waste into recycled resources |

1) Event-related waste, including items used for pilot tests, is separately submitted and processed through the "Waste Treatment Request" function in the EHS System.

# Environmental Management

## Waste

### Implementation Activities

KD Navien has identified reducing waste generation and expanding recycling as key priorities and continues to implement waste reduction activities, including packaging material reduction and quality improvement, as well as initiatives to convert waste into recyclable resources. As a result, total waste generation in 2025 decreased by approximately 4% compared to 2024, while the waste recycling rate was 95%.

Waste Generation and Recycling Over the Past Five Years (2021–2025)


| Category | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total waste generation (tons) | 950.18 | 897 | 973 | 1,191 | 1,140 |
| Waste recycled (tons) | 835.09 | 844 | 937 | 1,164 | 1,115 |
| Waste recycling rate (%) | 82% | 94% | 96% | 98% | 95% |

### Waste Reduction

**Reduction of Stretch Film Packaging**

KD Navien is improving its product packaging processes to conserve resources and reduce waste generation. In particular, the packaging specifications for processed and coated products were redesigned to reduce the thickness of stretch film by approximately 15%, from 20 μm to 17 μm, and the number of wrapping cycles was reduced from ten to nine, thereby lowering resource consumption. Through these activities, KD Navien achieved 148% of its annual target based on cumulative performance in 2025.

Achievement Against Annual Target **148%**

**Packaging Simplification**

KD Navien is simplifying packaging and reducing the labor required to remove packaging by eliminating vinyl packaging for materials and increasing the loading quantity per package. The number of applications is managed monthly and gradually expanded, and KD Navien achieved 100% of its annual application target in 2025.

Achievement of Packaging Simplification Target **100%**

### Expanding Recycling

**Recycling Waste Pallets**

KD Navien recovers and recycles waste pallets generated during production and transportation to reduce waste generation and increase reuse rates. In particular, beginning in 2025, all pallets generated when domestic raw materials are received have been collected and recycled. For imported products, KD Navien plans to expand its recycling coverage from 2026 by engaging an external pallet collection company. Through these efforts, pallets previously treated as waste synthetic resin are being incorporated into a resource circulation system, contributing to reduced waste treatment costs and improved resource utilization efficiency.

**Recycling Castable Production Waste**

At the Seotan Factory (ECO Hub) and Pyeongtaek Factory, castable waste that was previously packaged in small sacks and sent to landfills is now stored in ton bags, enabling it to be handled by recycling companies. Through this initiative, approximately 13 tons of waste per year is being diverted from landfill to recycling.

**Improving the Treatment Method for Waste Expanded Polystyrene (EPS)**

KD Navien has transitioned the treatment method for waste expanded polystyrene (EPS) from conventional crushing and pulverization to recycling it as a raw material for manufacturing. This change is expected to enable the recycling of approximately 24.3 tons of EPS annually and supports the transition from a waste treatment-oriented approach to a resource circulation-oriented approach. KD Navien also operates a dedicated waste storage area to ensure the stable management of outsourced waste treatment volumes.

# Environmental Management

## Pollutants

### Implementation System

KD Navien has established its own environmental management standards and complies with applicable domestic regulations to systematically manage environmental impacts. In particular, the Company applies internal management standards for air and water pollutants that are more stringent than legally permitted emission limits. To manage hazardous chemicals, KD Navien operates a pre-approval process through its Chemical Management System (CMS) to restrict the introduction of products containing hazardous chemicals while actively promoting the adoption of safer alternatives and initiatives to reduce hazardous substances. In addition, the Company systematically manages environmental performance indicators, including water consumption and waste, through its company-wide EHS System. By managing key environmental data, such as regulatory compliance status and environmental inspection results, on a system-based platform, KD Navien continuously monitors the environmental management status of each business site.

#### Environmental Management System

**Air Pollutants**
- NOx: 80%
- THC: 40%
- SOx: 10%
- Dust: 10%

**Water Pollutants**
- TOC: 25%
- SS: 10%
- BOD: 15%
- Others: 5%

**Hazardous Chemicals**
- CMS Implementation
- Introduction of Alternatives
- Pre-approval Review
- Reduction of Hazardous Substances

**Integrated Management through the EHS System**

### Chemical Management System

KD Navien has established and operates a Chemical Management System (CMS) to comply with legal requirements and prevent chemical-related risks across its business sites. All chemicals handled at each business site are registered and managed through the CMS. Newly introduced chemicals are subject to a pre-review and approval process before use. To minimize discrepancies between chemicals actually used and the registered management list, the Company conducts periodic cross-checks. Verified improvement items are immediately reflected in the system, enabling continuous enhancement of its chemical management practices.

### Implementation Direction

KD Navien has established management indicators for air pollutants, water pollutants, and hazardous chemicals to minimize the environmental and community impacts of pollutants generated at its business sites, and is implementing systematic reduction activities. Beyond compliance with legal requirements, the Company has established its own internal management targets and continues to pursue various reduction measures, including improving pollution control facility efficiency, optimizing manufacturing processes, and replacing hazardous substances with safer alternatives. As a result, in 2025, KD Navien achieved reductions across all targeted air and water pollutant categories, including NOx, dust, TOC, and SS.

#### Pollutant Management Targets and Performance

| Category | Management Indicator | 2025 Target | 2025 Performance |
|---|---|---|---|
| Air Pollutants | NOx | 3.05ton | 40% reduction |
| | Dust | 0.12ton | 36% reduction |
| Water Pollutants | TOC | 0.91ton | 46% reduction |
| | SS | 0.129ton | 44% reduction |
| Hazardous Chemicals | Number of hazardous substance mitigation measures | 3 or more | 3 (including MDI[3] and MEK[4]) |

1) Chemical Management System
2) Total Phosphorus (T-P) / Total Nitrogen (T-N) / N-H (Mineral oil) / N-H (Animal & vegetable oils and Fats)
3) Methylene diphenyl diisocyanate (MDI)
4) Methyl Ethyl Ketone (MEK)

# Environmental Management

## Pollutants

### Risk Management

#### Product Hazardous Substance Management

KD Navien complies with global environmental regulations from the product development stage to minimize the potential impacts of hazardous substances contained in products on customer health and the environment. Through the Green Product System (GPS), the Company receives relevant documentation from suppliers to verify whether supplied components contain hazardous substances and approves them only after confirming compliance with applicable standards. If substances exceeding the prescribed limits are identified during the review process, alternative substances are identified and applied to enable the continued production of environmentally friendly products. In addition, KD Navien continuously monitors changes in environmental regulations in each country. During mass production, samples of components and finished products are tested to verify compliance with applicable standards. Through these efforts, the Company responds to country-specific regulatory requirements while maintaining the environmental friendliness of its products.

#### Supplier Hazardous Substance Management

KD Navien periodically tests and verifies whether components supplied by its business partners comply with applicable environmental regulations during both the development and mass production stages. When improvements are required, the Company carries out supplier engagement activities to support business partners in maintaining the environmental friendliness of supplied components.

Environmental Regulatory Management

| RoHS | TSCA |
|---|---|
| · Cd: 80 mg/kg<br>· Pb, Hg, ChromeVI: 800 mg/kg<br>· PBBs, PBDEs: 800 mg/kg<br>· DEHP/BBP/DBP/DIBP: 800 mg/kg | · PIP (3:1)<br>· PCTP (Pentachlorothiophenol)<br>· 2,4,6 TTBP (Tri-Tert-Butylphenol)<br>· HCBD (Hexachlorobutadiene)<br>· decaBDE &TCE (Trichloroethylene) |
| **REACH** | **Proposition 65** |
| · Management of SVHC (Substances of Very High Concern)<br>· Management of SVHC Candidate List Substances | · Proposition 65 Substance list |

### Implementation Activities

#### Air Pollutants

KD Navien continuously carries out management activities to ensure the efficient operation of air pollution control facilities. In 2025, the Company replaced the filter media of the AC Tower (activated carbon adsorption facility) as part of its regular maintenance program to maintain system performance. In addition, steam cleaning was conducted to prevent increases in differential pressure inside the equipment. These activities removed internal scale generated during operation, minimizing reductions in equipment efficiency caused by lower exhaust flow rates and increased differential pressure.

#### Water Pollutants

To manage wastewater generated from production activities, KD Navien applies internal standards that are more stringent than the legal effluent limits prescribed under the Water Environment Conservation Act. The Company continuously manages wastewater treatment facilities to ensure stable operation and maintains a response system capable of promptly addressing abnormal situations. In 2025, the inspection checklist for wastewater treatment facilities was revised to improve inspection effectiveness and prevent accidents. Quarterly operational inspections are conducted for pumps that are essential to wastewater treatment, while spare parts are kept in stock to enable immediate replacement when necessary. In addition, measuring instruments that have reached or exceeded their service life are reviewed for replacement. Replacement is being carried out sequentially beginning in 2025, with completion planned by 2026.

#### Hazardous Chemicals

KD Navien conducts pre-use safety assessments for all chemicals and comprehensively reviews their hazardous characteristics and applicable regulatory requirements before use. Material Safety Data Sheets (MSDSs) and warning labels for chemicals registered in the Chemical Management System (CMS) can be immediately printed and reviewed on-site, allowing employees to promptly identify hazard information during handling. The Company also conducts periodic Theme inspections of chemical management to review on-site handling practices. When unregistered chemicals are identified, they are immediately reviewed and appropriate management measures are established. Following the revision of the Chemicals Control Act in 2025, KD Navien reviewed all regulated substances currently in use, verified regulated substances and their concentrations, and updated the CMS accordingly. For products containing hazardous substances, the Company conducted comprehensive inspections and established reduction plans, which will be implemented in phases.

Hazardous Substance Reduction Activities

| Chemical | Improvement Measure | Implementation | Completion |
|---|---|---|---|
| Methanol | Introduced alternative substance | 2022.12 | 2024.10 |
| Zinc Oxide | | | 2024.06 |
| Aluminum Chloride | Discontinued use | 2024.01 | 2024.10 |
| Refractory Ceramic Fiber | Introduced alternative substance | 2024.01 | 2024.12 |
| MDI[1] | Introduction under review | 2025.01 | 2025.03 |
| MEK[2] | Introduced alternative substance | 2025.03 | 2025.04 |
| Dicyclohexylamine | Introduced alternative substance | 2025.07 | 2025.08 |

1) Methylene diphenyl diisocyanate
2) Methyl Ethyl Ketone

# Biodiversity

## Implementation System

KD Navien recognizes its dependencies on and impacts on natural capital throughout its business activities and is establishing a foundation to identify and manage related risks. As domestic and global interest in natural capital and biodiversity continues to grow, the Company is reviewing potential impacts across its operations and exploring approaches for systematically managing them. Accordingly, KD Navien is conducting a baseline assessment to identify and evaluate biodiversity-related risks with reference to the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). The Company also participates in global biodiversity initiatives through the Business N Biodiversity Platform (BNBP). Going forward, KD Navien will gradually establish its biodiversity management framework and expand related disclosures while continuously reviewing management approaches that reflect the characteristics of its business operations.

## Risk Management

KD Navien has applied the TNFD LEAP approach to systematically identify its dependencies on and impacts on natural capital and biodiversity and, based on this assessment, has identified and analyzed biodiversity-related risks at its major business sites. The results of this assessment are reflected in environmental impact reduction activities across the Company's operations, and KD Navien will continue to strengthen its management practices for the conservation of natural capital.

| Locate | Evaluate | Assess | Prepare |
|---|---|---|---|
| **Identify Nature Interfaces** | **Assess Dependencies and Impacts** | **Assess Risks and Opportunities** | **Response and Disclosure** |
| Identify interfaces with nature and environmentally sensitive areas for each business site. | Assess dependencies on ecosystem services by business function. Evaluate impacts on nature. | Identify and prioritize risks and opportunities arising from dependencies and impacts. | Establish risk response strategies. Promote disclosures in line with the TNFD recommendations. |

### Locate

KD Navien assessed all domestic and overseas business sites, including offices, R&D, manufacturing, production, and logistics facilities, by reviewing nearby protected areas (e.g., national parks and ecological and landscape conservation areas), Key Biodiversity Areas (KBAs), habitats of endangered species, water-related risks, and ecosystem integrity. Based on the assessment results, six business sites identified as having high levels of interaction with nature and ecological sensitivity were selected for detailed analysis.

Business Sites Selected for Analysis

| Company | Business Site | Site Type |
|---|---|---|
| KD Navien | Seoul Office | Office |
| | Seotan Factory (ECO Hub) | Manufacturing/ Production Facility |
| | Gasan Factory | Manufacturing/ Production Facility |
| Navien, Inc | U.S. Subsidiary | Office |
| Navien Mexico, S.A. de C.V | Mexico Subsidiary | Office |
| Navien UK Ltd | UK Subsidiary | Office |

# Biodiversity

## Risk Management

### Evaluate

To understand the interactions between its business activities and natural capital, KD Navien used the ENCORE tool to assess the levels of dependencies and impacts associated with each operational activity. Dependencies refer to the extent to which a company relies on natural capital and ecosystem services to conduct its operations, while impacts refer to the positive and negative changes that a company's business activities have on natural capital. Based on the International Standard Industrial Classification (ISIC), the Company categorized its operations into Office Administration and Support, Fabricated Metal Products and Parts Manufacturing, and Other Machinery and Equipment Manufacturing, and assessed the extent to which each activity depends on ecosystem services and affects nature. The assessment found that no business activities exhibited Very High or High levels of dependencies or impacts. The highest level identified across all activities was Medium.

Assessment Results

| Category | | Activity | | |
|---|---|---|---|---|
| | | Office Administration and Support | Fabricated Metal Products and Parts Manufacturing | Other Machinery and Equipment Manufacturing |
| Dependencies | Water supply | Very Low | Medium | Medium |
| | Global climate regulation | Very Low | Very Low | Very Low |
| | Rainfall pattern regulation | Very Low | - | Very Low |
| | Local (micro and meso) climate regulation | Low | Low | Low |
| | Air filtration | - | Very Low | Very Low |
| | Soil and sediment retention | Very Low | Low | Low |
| | Solid Waste Remediation | - | Low | Low |
| | Water Purification | - | Medium | Medium |
| | Water Flow Regulation | Very Low | Medium | Medium |
| | Flood Mitigation | Very Low | Medium | Medium |
| | Storm Mitigation | Very Low | Medium | Medium |
| | Noise Attenuation | - | Very Low | Very Low |
| | Other Regulating and Maintenance Service – Dilution by Atmosphere and Ecosystems | - | - | Low |
| | Other Regulating and Maintenance Service – Mediation of Sensory Impacts (Other than Noise) | - | Very Low | Very Low |
| Impacts | Disturbances (e.g. noise, light) | Very Low | Medium | Medium |
| | Emissions of GHG | Very Low | Low | Low |
| | Emissions of non-GHG air pollutants | Very Low | Low | Medium |
| | Generation and release of solid waste | Very Low | Low | Low |
| | Area of land use | Medium | Low | Low |
| | Emissions of toxic pollutants to water and soil | Very Low | Medium | Medium |
| | Volume of water use | Low | Medium | Medium |

#### Office Administration and Support

Because office administration and support activities do not involve direct manufacturing operations, most dependency and impact indicators were assessed as Very Low, indicating that their overall impact on natural capital is limited. However, Area of Land Use was assessed as Medium, indicating that continuous monitoring is required to ensure that the operation of office buildings and supporting facilities does not lead to habitat loss or reduced ecosystem integrity.

#### Fabricated Metal Products and Parts Manufacturing

Due to the nature of metal processing operations, such as cutting, welding, and coating, the Fabricated Metal Products and Parts Manufacturing segment showed relatively higher levels of dependencies on and impacts to water resources and ecosystem services because of process water use and pollutant emissions. From a dependency perspective, Water Supply, Water Purification, Water Flow Regulation, Flood Mitigation, and Storm Mitigation were assessed as Medium, indicating reliance on water-related ecosystem services throughout production processes. From an impact perspective, Emissions of Toxic Pollutants to Water and Soil, Volume of Water Use, and Disturbances (e.g. noise, light) were also assessed as Medium, reflecting the environmental impacts associated with wastewater discharge and water use during manufacturing activities.

#### Other Machinery and Equipment Manufacturing

The Other Machinery and Equipment Manufacturing segment, which includes boiler and water heater assembly and Navien Mate manufacturing processes, demonstrated dependency and impact levels similar to those of the fabricated metal products segment. From a dependency perspective, Water Supply, Freshwater Supply, Maintenance of Water Cycle, Flood Protection, and Storm Protection were assessed as Medium, indicating reliance on water-related ecosystem services. From an impact perspective, Discharge of Toxic Pollutants to Water and Soil, Water Consumption, and Ecosystem Disturbance were identified as Medium. In addition, Non-Greenhouse Gas Emissions were assessed as Medium due to process characteristics such as combustion testing, indicating that additional management of air emissions is required.

OPTIMIZE
LIVING AND
ENVIRONMENT

- Company Overview
- ESG Management
- Focus Area
- ESG Performance
  - Environmental
    - Environmental Management
    - Biodiversity
  - Social
    - Safety and Health Management
    - Talent Management
    - Human Rights Management
    - Supply Chain Management
    - Customer-Centric Management
    - Community Engagement
    - Information Security
  - Governance
    - Board of Directors
    - Protection of Shareholder Rights
    - Ethics and Compliance Management
    - Integrated Risk Management
- Appendix

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# Biodiversity

## Risk Management

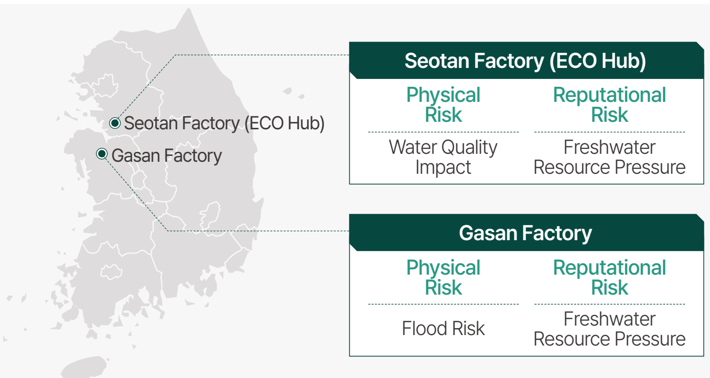
### Assess

Based on the key dependencies and impacts identified during the Evaluate phase, KD Navien used the WWF Biodiversity Risk Filter (BRF) to assess physical risks and reputational/transition risks at each business site. In particular, as water-related dependencies were identified as key issues, the Company additionally utilized the WWF Water Risk Filter (WRF) to evaluate water-related risk levels for each business site.

WWF Biodiversity Risk Filter Assessment Results

| Category | | | Business Site | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Seoul Office | Seotan Factory (ECO Hub) | Gasan Factory | U.S. Subsidiary | Mexico Subsidiary | UK Subsidiary |
| Physical Risks | Enabling Services | • Water Availability | Low | Medium | Medium | Medium | Medium | Low |
| | Regulating & Supporting Services - Enabling | • Water Condition, Air Condition | High | High | High | High | High | Medium |
| | Regulating Services - Mitigating | • Landslides,Wildfire Hazard, Disease<br>• Extreme Heat, Tropical Cyclones, Flooding | High | High | High | Medium | High | Medium |
| Reputational Risks | Pressures on Biodiversity | • Land, Freshwater and Sea Use Change<br>• Forest Canopy Loss, Pollution | Medium | High | Medium | Medium | Low | Low |
| | Environmental Factors | • Key Conservation and Managed Areas (Protected Areas, KBAs, Wetlands, etc.)<br>• Ecosystem Condition (intact), Range Rarity | Low | Low | Low | Low | Low | Low |
| | Socioeconomic Factors | • Resource Scarcity, Labor/Human Rights, Financial Inequality | Low | Low | Low | Low | Medium | Low |

Manufacturing and Production Facility Water Risk Assessment Results




KD Navien assessed location-specific biodiversity risks at its priority business sites using the WWF Biodiversity Risk Filter (BRF). The assessment confirmed that no business site was exposed to Very High levels of risk. However, Enabling Services, such as ecosystem maintenance functions, and Mitigating Services, including natural hazard mitigation, showed relatively higher risk levels than other categories under the physical risk assessment. To further evaluate key dependency and impact items, the Company also conducted an additional assessment of water-related risks. The results showed that Seotan Factory (ECO Hub) demonstrated relatively higher risk levels than other business sites in terms of water quality pressure and water consumption. It was also the only site assessed as High for biodiversity pressure, indicating that greater attention is required in managing water resources and pollutant emissions during manufacturing operations. Based on these assessment results, KD Navien will continue to monitor its management practices with a focus on improving water-use efficiency and reducing pollutant emissions. The Company also plans to gradually review and implement improvement measures to minimize the negative impacts of its operations on ecosystems.

# Biodiversity

## Risk Management

### Prepare

Based on the results of its biodiversity risk assessment, KD Navien is reviewing its approach to managing natural capital and biodiversity risks with reference to the AR3T framework—Avoid, Reduce, Restore & Regenerate, and Transform—proposed by the Science Based Targets Network (SBTN). In particular, the Company is developing specific management measures focused on Avoiding potential adverse impacts and Reducing unavoidable impacts to minimize its negative impacts on biodiversity. Going forward, KD Navien plans to gradually expand its management approach to include Restore & Regenerate and Transform.

#### Biodiversity Management Approach Based on AR3T

**Transform**

**Advance and Embed the Environmental Management Framework**
- Strengthen the management foundation by advancing TNFD-based biodiversity disclosure and participating in the BNBP
- Enhance the environmental management framework by reflecting the results of TCFD and TNFD analyses
- Expand eco-friendly products (73% of sales) and develop low-carbon technologies, including hydrogen boilers and heat pumps

**Restore & Regenerate**

**Promote Water Resource Circulation and Mitigate Environmental Impacts**
- Contribute to resource circulation by improving water treatment facilities and expanding infrastructure for reusing reclaimed water
- Maintain zero designated waste to landfill for three consecutive years to prevent pathways for soil contamination
- Review restoration activities and potential external partnerships to mitigate ecosystem impacts

**Reduce**

**Improve Water Quality and Reduce Resource Consumption**
- Reduce water quality impacts by improving water treatment plant operations and high-concentration wastewater treatment processes
- Use 111,071 $m^3$ of reused water and maintain a water reuse rate of at least 35%
- Reduce new water withdrawal by achieving a water reuse rate of 38% by 2027
- Reduce toxic substance emissions by substituting for and discontinuing the use of hazardous chemicals, including methanol and zinc oxide

**Avoid**

**Proactively Manage Pollutants and Environmental Impacts**
- Prevent the use and release of hazardous chemicals through the Chemical Management System (CMS) pre-approval process
- Apply internal emission management standards that are more stringent than legal requirements
- Proactively identify ecologically sensitive areas and key risks through the TNFD LEAP assessment

#### Strengthening Biodiversity Training and Response Capabilities

KD Navien provided biodiversity training to members of the ESG Environmental Management Part and environmental personnel at each business site to enhance their understanding of biodiversity and strengthen their response capabilities. Through workshops, participants also identified potential biodiversity issues that may arise during business site operations and discussed response measures for key business areas, including facility operations, environmental impact mitigation, and supplier management. Through these activities, KD Navien raised internal awareness of biodiversity risks and established a shared understanding of how to respond to such risks at the operational level, while building internal consensus on advancing its environmental risk management framework and adopting site-specific response measures.

#### Biodiversity Training Attendance

| Training Program | Training Hours | Target Participants | Attendees | Attendance Rate (%) |
|---|---|---|---|---|
| Biodiversity Training | 2 hours | 26 | 23 | 88 |

Biodiversity Training Workshop

# SOCIAL

# Safety and Health Management

## Implementation System

To ensure the systematic operation of its safety and health management system, KD Navien has established a dedicated EHS Planning Team reporting directly to the Chief Safety Officer (CSO). Under the leadership of the CSO, the Company is strengthening its safety and health management system and continuously advancing related policies.

### Organization

CSO (Chief Safety Officer)

EHS Planning Team (Dedicated Organization Reporting Directly to the CSO)

Control Tower

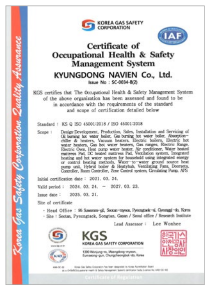
- Reports directly to the CSO
- Supports the fulfillment of the CSO's responsibilities for establishing and maintaining the safety and health management system, including compliance with the Serious Accidents Punishment Act

### Safety and Health Management System

To establish a world-class safety management system, KD Navien has implemented an ISO 45001-certified Occupational Health and Safety Management System. Through annual internal audits and external certification audits conducted by accredited certification bodies, the Company continuously monitors and improves its occupational health and safety performance.

ISO 45001-Certified Business Sites[1]

**100%**


Certificate of Occupational Health & Safety Management System
KYUNGDONG NAVIEN Co., Ltd.

## Implementation Direction

KD Navien has established the achievement of Zero Accidents as its highest safety priority and is strengthening voluntary risk prevention activities, enhancing the safety capabilities of business partners, and identifying and improving workplace hazards. To achieve the target injury rate[2] of 0.6% and a proactive prevention activity rate[3] of 100%, KD Navien has established phased initiatives and detailed action plans based on quantitative and qualitative indicators, and plans to systematically analyze and manage performance on an annual basis. In addition, when performance falls short of targets, KD Navien will analyze root causes and establish and implement corrective actions to continuously improve the effectiveness of its safety management system.

### Mid- to Long-term Roadmap for Safety and Health Management

**2026 — Short-term**

Target Injury Rate: 0.22%
Proactive Prevention Activity Rate: 100%

- Operate quarterly theme inspections
  - Identify more than 500 hazards
- Conduct hazard identification and improvement activities
  - Musculoskeletal Hazard Assessment, etc.
- Establish the safety and health management system for the new plant
  - Complete four occupational health and safety permits and approvals for the new plant

**2027 — Mid-term**

Target Injury Rate: 0.22%
Proactive Prevention Activity Rate: 100%

- Operate quarterly theme inspections
  - Identify more than 500 hazards
- Conduct emergency response drills
  - Industrial accidents, confined spaces, fire and evacuation, etc.
- Ensure compliance with EHS-related regulations through periodic inspections (first and second half of the year)
  - Establish a monthly EHS compliance monitoring system
- Inspect hazardous and dangerous machinery and equipment
  - Establish a management process for hazardous machinery and equipment

**2029 and Beyond — Long-term**

Target Injury Rate: 0.2%
Proactive Prevention Activity Rate: 100%

- Operate quarterly theme inspections
  - Identify more than 500 hazards
- Manage hazardous chemicals
  - Implement two hazardous substance reduction initiatives
- Establish a systematic inspection program for hazardous machinery and equipment
  - Establish a company-wide inspection system for hazardous machinery and equipment

1) Based on domestic production sites, offices, and research centers.
2) (Number of recordable injuries ÷ average monthly number of employees) × 100
3) (Number of corrective actions completed ÷ number of identified hazards) × 100

# Safety and Health Management

## Risk Management

### Policy

Based on its Safety and Health Management Policy, KD Navien systematically identifies key risks across its business sites and establishes and implements response activities according to the level of risk. The Company sets priorities for risk management in alignment with its mid- and long-term objectives and continuously monitors the effectiveness of improvement activities.

Safety and Health Management Policy

KD Navien strives to minimize safety and health hazards and risks arising from all activities and products associated with its business operations and declares the following principles to ensure that safety and health remain the highest priority at all business sites.

| | |
|---|---|
| 1. Safety as the Highest Priority | Regard safety and health management as a non-negotiable top priority in all business activities. |
| 2. Compliance with Safety and Health Requirements | Comply with all applicable safety and health laws, regulations, and management system requirements. |
| 3. Continuous Improvement | Provide proactive support in terms of personnel, budgets, and investment to improve and innovate safety and health. |
| 4. Social Responsibility | As a global company committed to ESG management, fulfill its social responsibilities. |
| 5. Win-win Cooperation | Strengthen the safety and health management framework by maintaining collaborative partnerships with business partners. |

**Key Risks**
- Caught-in Hazards Involving Machinery and Equipment
- Occupational Illnesses
- Job Stress
- Fires, Explosions, and Other Emergencies

**Key Activities**
- Inspection of Machinery Safeguards
- Work Environment Improvements
- Health Promotion Programs
- Emergency Response Training

### Accident Prevention

KD Navien has established a multi-layered accident prevention system covering hazard identification, workplace safety management, periodic inspections, and facility and environmental management. Through this system, the Company proactively identifies and manages potential hazards at its business sites before accidents occur.

#### Periodic Inspections

**Quarterly Theme Inspections**

KD Navien operates quarterly theme inspections to proactively manage major workplace hazards and prevent recurring and cumulative risks. Each quarter, high-risk areas with greater accident potential are selected as inspection themes for focused inspections and improvement activities, contributing to the prevention of serious accidents and the enhancement of workplace safety. For each inspection, the scope and target areas are clearly defined. Potential hazards identified during on-site inspections are immediately addressed through corrective actions, thereby strengthening the effectiveness of risk management.

2025 Quarterly Theme Inspection Status

| | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| Theme | Machinery and Equipment | Risk Assessment | Chemical Handling Management | Fire Safety |
| Target | Inspection Target: 680 units of machinery and equipment | Unit Operations: 432 / Worker Feedback: 363 cases | Inspection Target: 682 chemicals | Fire-prone Areas, Portable Heaters |
| Inspection items | • Status of machine guarding<br>• Adequacy of safety devices such as emergency stop switches and light curtains | • Status of task-specific hazard management<br>• Implementation of corrective actions | • Container management<br>• Attachment of warning labels<br>• Availability of safety information | • Management of electrical and heat sources<br>• Fire prevention measures for combustible materials in evacuation routes |
| Findings | 29 | 89 | 17 | 34 |
| Corrective Actions | 29 | 89 | 17 | 34 |
| Completion Rate (%) | 100 | 100 | 100 | 100 |

OPTIMIZE LIVING AND ENVIRONMENT

- Company Overview
- ESG Management
- Focus Area
- ESG Performance
  - Environmental
    - Environmental Management
    - Biodiversity
  - Social
    - Safety and Health Management
    - Talent Management
    - Human Rights Management
    - Supply Chain Management
    - Customer-Centric Management
    - Community Engagement
    - Information Security
  - Governance
    - Board of Directors
    - Protection of Shareholder Rights
    - Ethics and Compliance Management
    - Integrated Risk Management
- Appendix

NAVIEN SUSTAINABILITY REPORT 2025



# Safety and Health Management

## Risk Management

### Summer Theme Inspections

KD Navien conducts summer theme inspections to proactively address weather-related disasters, such as heavy rainfall and typhoons, as well as heat-related illnesses and hygiene vulnerabilities caused by high-temperature conditions. The Company designates storm and flood preparedness, heat-related illness prevention, and hygiene management as key inspection areas and inspects major vulnerable areas at its business sites. Identified issues are immediately addressed through corrective actions and shared across sites to prevent the recurrence of similar hazards. In particular, KD Navien comprehensively inspects flood risks caused by heavy rainfall, work safety in high-temperature environments, and hygiene management levels to strengthen its response to seasonal risks. Through these activities, KD Navien maintains the stable operation of its business sites even under summer weather conditions. Going forward, the Company plans to further advance its proactive safety management system by reflecting climate change and seasonal characteristics.

#### Key Inspection Items in 2025

| Category | Item | Inspection Details |
|---|---|---|
| Weather-related Disasters | Heavy Rainfall | Building rooftop drainage channels, building drainage systems, and whether trench drains are blocked |
| | Typhoons | Whether outdoor facilities and stored materials are properly secured |
| | Lightning | Whether surge protective devices (SPDs) are functioning properly[1)] |
| Heat-related Illnesses | Temperature and Humidity | Measurement of indoor temperature and humidity for each work process, including the operating status of cooling equipment |
| Hygiene Management | Food Poisoning | Management of cafeteria cooking equipment and frozen food expiration dates, and disinfection management of water purifiers and cold and hot water dispensers |

1) SPD (Surge Protective Device): A device that protects electronic equipment from surges in electrical energy caused by lightning.

Secure Outdoor Structures

Inspect the Operating Status of SPDs

### Hazard Identification and Assessment

#### Regular Risk Assessments

KD Navien systematically conducts regular risk assessments to proactively identify potential hazards at its business sites and prevent occupational accidents. The Company analyzes harmful and hazardous factors associated with work processes and individual tasks and links improvement activities to the assessed risk levels, thereby continuously enhancing workplace safety. Regular risk assessments were conducted for major processes, including pellet and gas-related operations. To improve assessment effectiveness, the Company subdivided the relevant departments, processes, and individual tasks. During the assessment process, employees directly participated by proposing hazards identified in the course of their work and reviewing the risk levels together with supervisors. This approach enabled the Company to identify practical, site-specific hazards. The assessment identified a total of 580 hazards, of which 89 were classified as high-risk factors with a risk score of 100 or higher. Corrective actions were completed for all identified high-risk factors. In addition, 636 employee proposals related to risks in departments, processes, and individual tasks were fully reflected in the risk assessments, ensuring that actual working conditions and workplace hazards were accurately incorporated into the assessment results. Risk assessment results and the status of corrective actions are systematically managed through the internal EHS System. KD Navien continuously reviews whether corrective actions have been implemented to prevent the recurrence of identical or similar hazards. Through these efforts, the Company is advancing risk assessment practices across its business sites and strengthening its prevention-oriented safety management framework.

#### Key Results of Regular Risk Assessments in 2025

| Hazards Identified | High-risk Factors Corrected | Employee Proposals Reflected |
|---|---|---|
| 580 cases | 100% | 636 cases (100%) |

#### Pre-Safety Assessment

KD Navien operates a pre-safety assessment system to eliminate harmful and hazardous factors that may arise during the introduction of new facilities and production lines or during process changes. Starting from the design and introduction stages, the Company conducts advance reviews of risks associated with electrical systems, machinery, fire prevention, and other relevant areas. Facilities may be placed into operation and work may commence only after the required safety measures have been implemented. The requesting department and the EHS Team jointly participate in the assessment process to review identified hazards, conduct on-site verification, establish improvement plans, and systematically manage implementation results. Through this system, KD Navien identifies potential hazards at an early stage and minimizes legal and regulatory risks.

# Safety and Health Management

## Risk Management

### Work Safety Management

**Listening to Safety and Health Feedback**

KD Navien systematically collects feedback from the field through regular surveys to identify workplace hazards at an early stage and implement effective improvement activities through active communication with employees. In addition, KD Navien operates Tool Box Meetings for all workers, including those from partner companies, to continuously gather safety and health-related feedback. For matters classified as high risk, the Company immediately establishes and implements measures to improve the work environment.

**Feedback Collection and Handling Process**

**Identification**

Conduct Regular Surveys
Collect hazards identified in processes and work activities

Tool Box Meeting
Collect and discuss safety and health-related feedback from all employees

**Analysis**

Investigate business sites, workplaces, and working conditions based on the feedback received

**Plan Development**

- Discuss improvement measures and agree on implementation schedules
- Monitor improvements
- Verify effectiveness

**Hazardous and High-risk Work Permit System**

KD Navien operates its own Hazardous and High-risk Work Permit System to prevent serious accidents and enhance the safety of high-risk work. Under this system, hazards are identified and assessed before work begins, and work is authorized only after confirming that the required safety measures have been implemented. Through this approach, the Company strengthens prevention-oriented on-site safety management. KD Navien has standardized eight types of work, including work at heights, confined space work, and hot work, which involve a high level of accident risk, and has established permit criteria for each type of work. For work at heights, prior authorization is mandatory for work conducted above a specified height. Confined space work and hot work are authorized only after essential safety measures have been confirmed, including conducting a pre-work risk assessment, wearing personal protective equipment, and assigning a safety observer. During the work permit process, workers and supervisors jointly review the work details, hazards, and safety measures. Permit requirements are documented and managed to minimize risks that may arise during work.

| | |
|---|---|
| Number of Accidents Related to Hazardous and High-risk Work[1] | 0 cases |

1) Number of industrial accidents among 1,049 hazardous and high-risk work permits issued in 2025.

# Safety and Health Management

## Risk Management

### Safety Management for Equipment Relocation Projects

KD Navien operated a site-specific safety management system to prevent accidents that could occur during the large-scale equipment relocation project. Considering the high-risk nature of the equipment relocation work at the Seotan Factory (ECO Hub), the Company adopted a prevention-oriented management approach by identifying potential hazards before work commenced and establishing detailed safety management plans for each task. The Company analyzed hazards by process and clearly established management standards and control measures for high-risk work. Prior to the start of construction, all participating workers received safety education covering job-specific safety procedures and emergency response procedures. During the construction period, Tool Box Meetings (TBMs) were conducted every day before work to review daily work activities and associated hazards, continuously reinforcing workers' safety awareness. In addition, EHS personnel remained on-site and checked the implementation of safety management measures throughout the entire process before, during, and after work. When hazardous situations arose, work was immediately stopped and corrective actions were taken. As a result, despite the large-scale project involving approximately 5,100 personnel and 34 partner companies during the relocation period, the equipment relocation project was completed successfully without any occupational accidents.

Equipment Relocation Project Site Safety Management

### Forklift Safety Inspections

KD Navien conducts regular inspections of forklifts to prevent collisions, overturning, fires, and other accidents that may occur during logistics and loading operations at its business sites. The Company checks forklifts in advance for structural defects and the condition of key safety devices and proactively manages risks associated with overheating and fire during the summer season. Inspections cover forklifts in operation across all business sites and focus on structural integrity, the condition of safety devices, and operating and working environments. The Company comprehensively inspects frame and major component damage, the operating status of warning devices, battery and hydraulic systems, and cooling systems. In 2025, 51 deficiencies were identified and all corrective actions were completed. Through these activities, KD Navien has prevented forklift-related accidents and fires while enhancing the overall safety of logistics and material handling operations.

#### Key Results of Forklift Safety Inspections in 2025

| | |
|---|---|
| Deficiencies Identified and Corrected | 51 cases (100%) |
| Forklift-related Occupational Accidents | 0 cases |

### Gas Leak Prevention Management

KD Navien has established and operates a gas leak prevention management system to prevent gas leak accidents that may occur during the operation of LNG and LPG facilities and to ensure a rapid response in emergency situations. The Company's facilities are configured so that gas sensors are linked with shut-off valves, enabling the automatic isolation of gas supplies whenever a leak is detected. In addition, sectional shut-off valves and a main shut-off system have been installed to minimize the potential spread of accidents. The Company has also strengthened its emergency response system by installing additional LPG dual isolation valves and electrical shut-off systems, allowing both gas supply and electrical equipment to be simultaneously isolated in the event of a gas leak.


Gas Detection System Status Board

# Safety and Health Management

## Risk Management

### Fire Prevention and Management

**Fire Prevention Guide Compliance Inspections**

To prevent fire risks associated with increased electricity consumption and the expanded use of portable heating and cooling equipment during the summer season, KD Navien conducts Fire Prevention Guide compliance inspections. The inspections focus on areas with high electricity usage and verify compliance with electrical installation standards, compliance with allowable current ratings, and the suitability of electrical equipment. In addition, the Company comprehensively inspects the condition of aged or improperly used outlets and multi-tap power strips, the accumulation of combustible materials around portable heating and cooling equipment, and the condition of electrical wiring. For any nonconformities identified during the inspections, corrective actions such as isolation, replacement, and disposal are immediately taken. As a result, 4,521 nonconformities were identified and all corrective actions were completed. No fire incidents related to electrical or electric heating equipment occurred during the inspection period.

**Laboratory Fire Prevention Standard Compliance Inspections**

KD Navien conducts Laboratory Fire Prevention Standard compliance inspections to proactively eliminate fire hazards associated with electrical and heating equipment, as well as combustible materials, in laboratories where research and testing activities are carried out. The inspections comprehensively assess electrical wiring conditions, the accessibility and placement of fire suppression equipment, and the storage and organization of combustible materials from three perspectives: fire occurrence factors, initial fire suppression, and fire spread factors. As a result, 56 nonconformities were identified and all corrective actions were completed. Laboratories were operated safely throughout the inspection period without any fire incidents.


Lithium Battery Fire Extinguisher and Fire Blanket

**Outdoor Unit Fire Prevention Inspections**

To prevent overheating and fire hazards associated with increased cooling demand caused by abnormal heat waves, KD Navien conducts outdoor unit fire prevention inspections. The Company proactively identifies and eliminates potential fire hazards before the peak summer season to ensure the stable operation of cooling equipment. Inspections focus on outdoor units of cooling systems installed at business sites and cover installation conditions, surrounding environmental management, power supply and load conditions, and heat generation status. The operating condition of motors and control units, signs of abnormal heat generation, and external abnormalities are checked. Thermal imaging equipment is also used to detect abnormal temperatures. In addition, combustible materials around outdoor units, separation distances, and filter contamination are comprehensively inspected to reduce the risk of fire and overheating. As a result, 32 nonconformities related to outdoor units were identified, and all corrective actions—including the removal of combustible materials, filter cleaning, and improvements to heat dissipation—were completed.


Outdoor Unit Fire Prevention Inspection

# Safety and Health Management

## Risk Management

### Accident Response

KD Navien systematically manages the entire accident response process—from accident reporting to root cause analysis, implementation of corrective actions, and prevention of recurrence—through its company-wide EHS System. The Company strives to protect lives promptly and prevent the recurrence of similar accidents by strengthening employees' initial response capabilities.

#### Incident Management

KD Navien operates an incident management system based on its company-wide EHS System to ensure a prompt and systematic response when an incident occurs and to prevent the spread and recurrence of damage. The Company has standardized the entire process—from incident occurrence and root cause analysis to implementation of corrective actions and results management—and tracks and manages each case on an end-to-end basis. Incident management records can be reviewed and analyzed at any time and are continuously utilized in preventive activities to avoid similar incidents.

Incident Management Process

| Stage | | Key Activities |
|---|---|---|
| 1 | Incident Reporting | The EHS Team receives the incident report and conducts an on-site investigation. |
| 2 | Root Cause Analysis | Comprehensive review of the work environment, work methods, and facility conditions, and identification of the root causes of the incident. |
| 3 | Corrective Action Planning | Establishment of corrective measures and management of implementation by department. |
| 4 | Results Management | Registration of corrective action results in the EHS System, reporting of results, and final verification. |
| 5 | Recurrence Prevention | Continuous review and analysis of incident history and application of findings to prevent similar incidents. |

#### BLS Provider Training

KD Navien provides BLS Provider training as a key initiative to strengthen employees' initial response capabilities in emergencies, protect lives, and prevent serious occupational accidents. The program combines theoretical instruction on cardiopulmonary resuscitation (CPR) and the use of automated external defibrillators (AEDs) with repetitive hands-on practice covering the full emergency response process, including requesting assistance, chest compressions, opening the airway, providing rescue breaths, and using an AED. Through this training, employees, including supervisors, completed specialized first-aid training, establishing a response framework to secure the golden time and minimize casualties in the event of an emergency at a business site.

BLS Provider Training

#### Emergency Evacuation Drills with Employee Participation

KD Navien conducted emergency evacuation drills involving all employees to ensure rapid and orderly evacuation in the event of an emergency, including chemical leaks, at its business sites. The drills were based on realistic accident scenarios, including ignition incidents, fires and smoke spread, and gas leaks. They were designed as hands-on programs in which employees directly performed the entire evacuation process, including recognizing emergency alarms, securing evacuation routes, wearing protective equipment, and moving to designated assembly points. The drills reflected the characteristics and risk factors of each site, enabling employees to familiarize themselves with the appropriate actions to take in an emergency. Improvements identified during the drills will be reflected in future emergency response manuals and the safety management system. Through these drills, KD Navien enhanced employees' awareness of emergency response and on-site response capabilities while establishing a response framework that enables prompt protection of lives and minimizes initial confusion in the event of an actual accident.

#### Establishing a Heat-related Illness Prevention and Response System

KD Navien has established and operates an integrated heat-related illness response system that links improvements to the work environment, protective measures for employees, and on-site response processes to protect employees' health from the risk of heat-related illnesses caused by summer heat waves. The Company continuously monitors temperature and humidity based on the characteristics of working environments and heat wave response criteria at each business site. In high-temperature work areas, mobile air conditioners, ventilation equipment, and large cooling fans are installed to reduce perceived temperatures. In addition, protective measures for employees include the continuous provision of cold beverages and ice water, personal cooling items, and improvements to rest areas. KD Navien also continuously shares heat-related illness symptoms and preventive guidelines through Tool Box Meetings (TBMs) to enable immediate on-site response when abnormal symptoms are identified.

# Safety and Health Management

## Implementation Activities

### Employee Safety and Health Management

#### Employee Health Promotion Program

KD Navien operates customized health promotion programs tailored to employees' work environments and job characteristics to enhance their physical and mental well-being. To enable employees to proactively manage their own health, the Company provides customized education and programs, including occupational disease prevention, health management capability enhancement, first aid training, and healthy lifestyle improvement initiatives. In addition, KD Navien encourages voluntary employee participation through participatory programs and supports the integration of health management activities into its everyday safety culture.

Employee Health Promotion Program

#### Musculoskeletal Hazard Assessment and Improvement Activities

KD Navien conducts musculoskeletal hazard assessments to prevent musculoskeletal disorders and create a healthier working environment. Based on the assessment results, the Company classifies musculoskeletal workload by risk level and implements improvement activities focusing on high-risk operations. Engineering improvements—including improvements to work methods, adjustment of workbench heights, and the introduction of assistive equipment—are applied according to priority, thereby enhancing the practicality and effectiveness of workplace improvements.

#### Hazardous Chemical Risk Reduction Activities

KD Navien systematically carries out hazardous chemical risk reduction activities to prevent accidents caused by leaks and dispersion of hazardous chemicals and to minimize impacts on worker health and the environment. In 2025, the Company conducted preliminary risk assessments for newly introduced chemicals and strengthened management standards by reassessing the hazard levels of chemicals already in use. In addition, the Company supplemented enclosure and local exhaust ventilation systems in processes handling hazardous chemicals and clarified handling procedures and storage standards to minimize potential worker exposure.

### Supplier Safety and Health Management

Based on its Safety and Health Management Policy, KD Navien provides institutional and technical support to strengthen the safety and health management capabilities of its suppliers. The Company helps suppliers establish autonomous safety and health management systems through a collaborative safety and health framework, thereby improving safety performance throughout the supply chain and promoting mutual growth.

Supplier Safety and Health Management Activities

| Activity | Details |
|---|---|
| Supplier Qualification Assessment | · Evaluates suppliers' safety and health management capabilities through initial assessments at the supplier selection stage and annual reassessments after the initial contract. |
| Hazardous Work Permit and Workplace Safety Inspections | · Conducts daily safety and health patrol inspections of hazardous and high-risk work involving on-site partner companies or construction contractors to identify and improve hazards on an ongoing basis. |
| Operation of Safety Committee Meetings | · Holds monthly communication meetings with all on-site contractors to collect and discuss safety and health-related feedback. |
| Quarterly Joint Safety Inspections and Assessments | · Forms joint inspection teams with contractors to conduct quarterly safety inspections aimed at standardizing safety and health management systems. |
| Support for Establishing Safety and Health Management Systems | · Supports suppliers in establishing safety and health management systems to strengthen their capabilities for proactive hazard identification and management. |
| Multilingual Fire Safety Education and Awareness Activities | · Provides multilingual fire extinguisher and fire hydrant usage guides for foreign workers and continuously displays multilingual fire safety guidance materials on workplace TV monitors while distributing them to contractors. |


Multilingual Fire Safety Guidance Materials

# Talent Management

## Implementation Direction

### Human Resource Management

KD Navien operates its human resource management system based on trust to support the growth of its employees and create sustainable business performance. By balancing accountability and autonomy, the Company links its performance-oriented HR system with talent development, creating a virtuous cycle in which individual growth contributes to the Company's success. KD Navien also strives to strengthen organizational competitiveness by fostering an environment where employees can maximize their capabilities and realize their full potential.

**Great Company – High-performing Organization**

| Strong Performance Orientation | Providing Sufficient Growth Opportunities | Granting Organizational Operating Authority Based on Accountability and Autonomy |
|---|---|---|
| • Provide compensation linked to business performance<br>• Reinforce team-based performance creation and team-based rewards | • Focus on internal talent development<br>- Make Strategy<br>- Systematic talent development system | • Delegate operational authority<br>• Encourage ownership of results and autonomy in work processes |

### Talent Philosophy

| Valuable Companion | Smart Pioneer | Uncompromising Expert |
|---|---|---|
| Partner in Mutual Growth | An Innovative Trailblazer | An Expert with Integrity |
| A person who moves forward together with diverse stakeholders based on trust and collaboration. | A person who pioneers new markets or fields through creative and innovative ideas. | A person who possesses professional expertise and consistently adheres to principles and ethical standards. |

### Goals

**Strengthen In-house Training to Enhance Job Competencies**
- Expand mandatory in-house training programs related to job functions
- Establish a learning system that provides employees with timely access to external job training, e-learning, telephone-based foreign language courses, and other necessary training
- Provide coaching programs to enhance strength-based leadership skills

**Expand Workforce Diversity**
- Expand employment opportunities for persons with disabilities (KD Navien and affiliates) and enhance workforce diversity
- Promote cultural diversity by recruiting and developing local talent at overseas subsidiaries in the United States, Russia, China, and the United Kingdom

**Education and Campaigns to Enhance ESG Awareness**
- Foster a healthy organizational culture through mandatory compliance training, including workplace harassment prevention, sexual harassment prevention, disability awareness, personal information protection, and occupational safety and health training
- Strengthen safety awareness through safety and health education, including legal compliance and company-specific training
- Enhance transparency among employees through ethics and anti-corruption training

# Talent Management

## Risk Management

### Employee Communication

#### Labor-Management Council

**Composition and Operation**

In accordance with the Act on the Promotion of Employee Participation and Cooperation, KD Navien has established and operates a Labor-Management Council. To ensure balanced decision-making between labor and management, the council consists of ten members, with five representatives from labor and five from management. The council meets regularly once every quarter to exchange views on key HR and labor issues and serves as an official communication channel for reaching reasonable agreements.

Key Agenda Items and Outcomes

| Category | Key Discussion |
|---|---|
| Wages | Gathering views from labor and management on wage and compensation systems |
| Employee Welfare | Discussion on the advancement of employee welfare programs and support systems |
| Health Promotion | Support measures for promoting employee health |
| Working Environment | Gathering and exchanging feedback on the working environment and employee amenities |

**Transparent Information Sharing and Trust-based Labor-Management Relations**

Key matters discussed and resolved through the Labor-Management Council are transparently shared with all employees through internal groupware and company-wide communication channels. Through these efforts, KD Navien enhances transparency in the decision-making process and helps employees fully understand changes to company systems and policies. Going forward, the Company will continue to strengthen trust-based labor-management relations through open communication and pursue sustainable management practices.

**Grievance Reporting and Handling**

KD Navien operates a system that enables employees to report and address grievances at any time through on-site visits and an internal online grievance handling system. To ensure that employees can freely express their views regardless of department or position, grievances and feedback are collected directly through regular on-site rounds by Labor-Management Council members as well as through online channels. Grievances received are handled in consultation with the relevant departments according to the nature of the issue, including labor relations, safety, and operations. The results are continuously managed and reviewed to ensure that they lead to effective improvements. Reported grievances and feedback cover a wide range of issues, including working conditions and labor relations, occupational safety and working environments, workplace operations and employee amenities, and facility space and welfare programs. Each case is used as a reference for improving the working environment and operating company systems. Through the regular operation of the Labor-Management Council and its on-site grievance handling system, KD Navien strengthens trust between labor and management, proactively prevents potential conflicts, and contributes to stable labor-management relations based on mutual respect and a sustainable business environment.

| Category | Number of Meetings | Cases Handled |
|---|---|---|
| Labor-Management Council / Labor-Management Meetings | 6 | 3 (Wage increase, school admission support for employees' children, and incentive payments) |
| On-site Grievance Handling | 8 | 41 |
| **Total** | **14** | **44** |

#### Labor-Management Harmony Activities

KD Navien conducts regular consultations through the Labor-Management Council and promotes various labor-management harmony activities to strengthen trust among employees and foster a collaborative labor-management culture.

| Activity | Key Details |
|---|---|
| Seotan Factory (ECO Hub) Basic Principles Campaign | • Promote a culture of compliance with basic standards across production and office areas<br>• Encourage voluntary practices such as energy conservation, 5S, and maintaining clean desks |
| In-house Sports Events | • Jointly organized by labor and management twice a year for all employees and employees of partner companies (2025 events: Cheoksa competition and dart-throwing competition) |
| Company Anniversary Event | • Held an event celebrating the Company's 47th anniversary (Approximately 1,100 participants, with awards presented to outstanding employees and a company sports event) |
| Labor-Management Harmony Workshop | • Discuss HR, labor relations, and employee welfare issues and share updates on the business environment<br>• Build mutual understanding between labor and management |

47th Anniversary Celebration

Labor-Management Harmony Workshop

# Talent Management

## Implementation Activities

### Talent Recruitment

KD Navien operates regular open recruitment and rolling recruitment programs to secure outstanding talent aligned with its talent philosophy. Throughout the recruitment process, the Company does not discriminate against applicants on the basis of gender, age, religion, social status, place of origin, educational background, disability, marital status, pregnancy, or any other grounds, and ensures equal opportunities for all applicants. The recruitment process consists of document screening, a first-round interview focused on job competencies, and a second-round interview focused on personal qualities. Applicants who have difficulty attending in-person interviews are provided with video interview opportunities to enhance accessibility and convenience. In addition, KD Navien continues to diversify its recruitment channels to secure professionals from a wide range of fields.

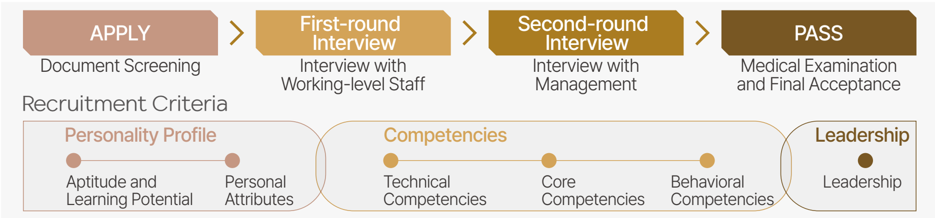
#### Open and Rolling Recruitment

KD Navien conducts regular open recruitment every year while flexibly filling workforce needs in each department through rolling recruitment.

#### Ongoing Recruitment

To secure outstanding talent at an early stage, the Company operates an ongoing candidate database and gives priority consideration to registered applicants when recruitment needs arise.

Recruitment Process




#### Expanding Employment Opportunities for Persons with Disabilities

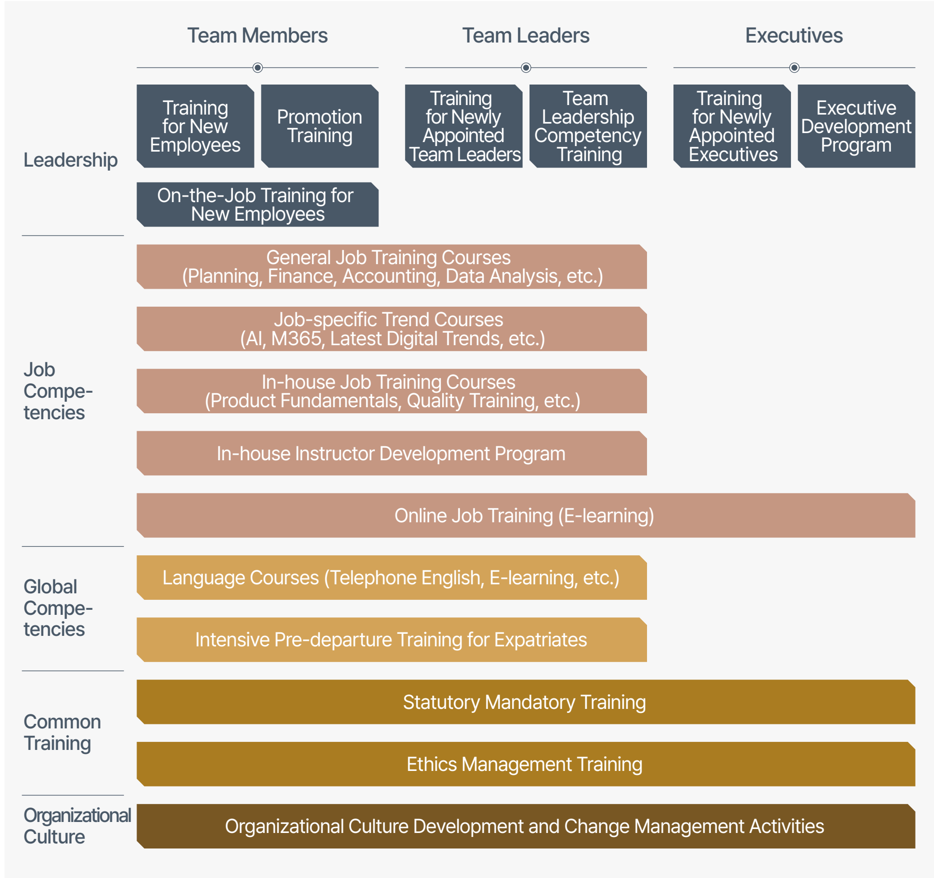
KD Navien continues to expand employment opportunities for persons with disabilities with the goal of creating an inclusive workplace where employees with and without disabilities can grow together. The Company is strengthening the employment foundation for persons with disabilities through various initiatives, including establishing collaborative relationships with the Korea Employment Agency for Persons with Disabilities and the Pyeongtaek City Sports Association for the Disabled and operating the KD Disabled Sports Team. KD Navien also plans to gradually expand these efforts across its affiliates, beyond KD Navien itself, to provide more persons with disabilities with opportunities to demonstrate their capabilities.

### Talent Development

#### Training System

KD Navien fosters talent capable of leading change and innovation through practice-oriented training programs based on a self-directed learning environment.

Training Framework



# Talent Management

## Implementation Activities

### Core Value Internalization Activities

KD Navien provides customized core value internalization training by employee level to ensure that the core values and ways of working newly established in 2024 lead to tangible behavioral changes across the organization. To enhance the effectiveness of core value internalization, the Company has structured the training into programs for team leaders, team members, and team-based practice activities, and developed differentiated curricula based on the roles and required competencies of each group. The training for team leaders aims to strengthen their leadership capabilities to lead behavioral change among employees by taking the initiative in practicing the core values. The training for team members focuses on helping them internalize the value system and strengthen their capabilities to put these values into practice proactively in their daily work. Following the training, team-based practice activities are conducted using the Value System Internalization Toolkit, enabling the training to lead to tangible changes in the workplace.

2025 Core Value Internalization Training Programs

| Category | Participants | Key Content |
|---|---|---|
| Team Leader Training | Team Leaders | • Understanding KD's value system<br>• Developing approaches to building team culture<br>• Guidelines for communicating and practicing the value system |
| Team Member Training | All Team Members | • Understanding KD's value system<br>• KD Value Cube exercises<br>• Exploring approaches to practicing the value system |
| Value System Internalization Activities (Team Practice Activities) | All Team Members | • Establishing team-level action plans for change<br>• Developing ground rules for meetings, collaboration, and reporting |


Team Practice Activities

### Employee Training Satisfaction Survey

KD Navien provides core training programs by employee level for employees across the Company and measures and manages the satisfaction and achievement levels of training participants across the overall training experience, including the course, instructors, and program operation. The evaluation results are directly reflected in qualitative improvements to the training programs, enabling KD Navien to continuously create an optimal learning environment for strengthening employee capabilities.

2025 Employee Training Satisfaction Survey Results

| Evaluation Item | Course | Instructor | Operation |
|---|---|---|---|
| Evaluation Result | 4.6 out of 5 | 4.6 out of 5 | 4.6 out of 5 |

# Talent Management

## Implementation Activities

### Healthy Organizational Culture

#### Junior Board Activities

Since 2024, KD Navien has operated a Junior Board composed primarily of newly hired employees to promote internal communication and foster a flexible corporate culture. The Junior Board consists of representatives selected from each department and holds regular monthly meetings to plan and operate various programs aimed at creating tangible changes in workplace culture. In 2025, the second-term Junior Board planned and operated programs to reinforce KD's core values and ways of working through organizational culture activities and help embed them naturally in employees' daily lives.

**Reverse Mentoring**

The Reverse Mentoring program was introduced to enhance intergenerational understanding and promote a culture of communication and collaboration across the organization. Unlike traditional mentoring programs, junior employees serve as mentors to senior employees, sharing insights on the latest technologies, trends, and cultural developments. Through these interactions, the program helps bridge generational gaps and provides opportunities for mutual learning.


Reverse Mentoring Poster and Activity Photos

**KD Core Values Photo Contest**

The KD Core Values Photo Contest was held for all employees under the theme of KD's core values. By encouraging employees to participate directly, the contest enhanced their understanding of and engagement with KD Navien's core values while providing an opportunity to naturally embed the value system across the organization.

KD Core Values Photo Contest

**Work Style Assessment**

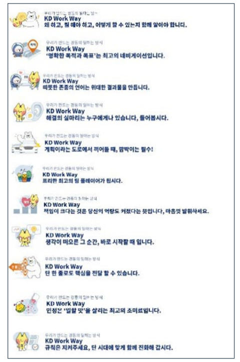
The Work Style Assessment is a participatory campaign that enables employees to identify the KD Work Way that best reflects their own work style through a simple assessment. The campaign was designed to enhance employees' understanding of KD Navien's core values while encouraging mutual respect and collaboration by helping employees better understand the work preferences and characteristics of their colleagues.


Work Style Assessment

**Core Values Email Signature Campaign**

The Core Values Email Signature Campaign encouraged employees to select the value they most identify with or aspire to uphold from KD Navien's 11 ways of working and incorporate it into their email signatures. By naturally sharing the core values through everyday workplace communication, employees were able to revisit KD Navien's value system and build broader organizational understanding and engagement.


Core Values Email Signature Campaign Poster



# Talent Management

## Implementation Activities

**Employee-participatory Social Contribution Activity: "Sharing Love Flea Market"**

Since 2024, the Junior Board has operated the "Sharing Love Flea Market" to promote communication among employees and foster a culture of sharing. In 2025, the event was held at the Guro R&D Center, with approximately 380 donated items collected. All proceeds from the event and remaining items were donated to Beautiful Store, contributing to resource circulation and community sharing. Going forward, KD Navien plans to expand the flea market to additional business sites and continuously increase opportunities for more employees to participate in social contribution activities.


Sharing Love Flea Market

**Year-end Coal Briquette Volunteer Activity**

In 2025, the Junior Board carried out a Year-end Coal Briquette Volunteer Activity as part of its social contribution initiatives. As a company specializing in heating solutions, KD Navien launched the program to provide practical support to vulnerable households that rely on coal briquettes for heating and to contribute to improving community welfare. Through the Seoul Briquette Bank, the Company donated a total of 1,600 coal briquettes. The initiative provided an opportunity to put corporate social responsibility into practice and strengthen the value of mutual growth with local communities.


Photos from the Year-end Coal Briquette Volunteer Activity

### Establishing a Smart Work Environment

**Company-wide M365 Training**

Following the introduction of Microsoft 365, KD Navien developed and operated a company-wide training program to strengthen employees' digital work capabilities and enable the efficient use of collaboration tools. The training was designed to help employees effectively utilize newly adopted tools and perform their work in a collaborative environment. The curriculum focused on building a common understanding of key Microsoft 365 functions and establishing the basic capabilities needed to work within the M365 environment. Following the introductory training, the Company also provided advanced training for all users and training for executives, thereby enhancing practical application capabilities and strengthening the digital capabilities of leaders responsible for organizational decision-making and communication. Through these initiatives, KD Navien is fostering a culture of smart work and laying the foundation for accelerating its transition to an AI-enabled workplace by improving organizational productivity based on Microsoft 365.

**Second AI Champion Program**

KD Navien operated the second AI Champion Program, centered on employees from departments with high utilization of Microsoft 365, to promote the practical adoption of AI and enhance digital work efficiency. Through offline workshops and a company-wide survey on M365 utilization, the Company identified employees' practical application needs. Based on the findings, the Company produced and shared M365 Tips & Tricks video content, consisting of three Outlook episodes and six Teams episodes. The content is centrally managed together with manuals and FAQs through a dedicated SharePoint bulletin board, creating a digital workplace information hub that employees can access at any time.


M365 Tips & Tricks Video Content Poster

# Talent Management

## Implementation Activities

### Employee Welfare

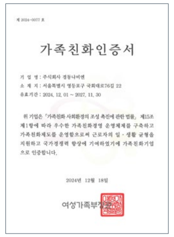
KD Navien operates a wide range of employee welfare programs to enhance employees' quality of life, improve job satisfaction, and increase work engagement. To foster a flexible working environment, the Company has introduced a quarter-day leave system, allowing employees to use leave on an hourly basis, helping employees manage their work schedules more autonomously. In addition, KD Navien operates family-friendly welfare programs that promote work-life balance and has expanded the scope of benefits to employees' family members, thereby fostering a family-oriented organizational culture.

| Family-friendly | Daily Life | Leisure |
|---|---|---|
| • Maternity and parental leave<br>• Family care leave and leave of absence<br>• Financial support for family events (leave and condolence/congratulatory allowances) | • Holiday and birthday gift points | • Paid summer vacation (five days every summer) |
| • Employee health examinations | • In-house welfare facilities (Health management center, fitness center, women's lounge, physical therapy room)[1] | • Condominium membership benefits |
| • Tuition assistance and childcare support<br>• Infant and Toddler Childcare Support | • On-site cafés at business sites | • Support for employee clubs |
| • In-house employee loan program | • Employee discounts on Company products | • Commuter shuttle bus service[1] |

1) Available only at selected business sites.

### Family-friendly Certification

KD Navien operates comprehensive work-family balance support programs that enable employees to successfully balance their careers and family responsibilities throughout the stages of marriage, childbirth, and child-rearing. The Company has received the Family-friendly Certification administered by the Ministry of Gender Equality and Family in recognition of its comprehensive support systems, including support for childbirth, childcare, and children's education, support for employees and their dependents, and the promotion of a family-friendly workplace culture. Based on this achievement, KD Navien continues to enhance its maternity protection policies and foster an organizational culture in which all employees can successfully balance work and family life.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### Employee Performance Management

KD Navien creates an environment where employees can proactively generate performance through a clear goal-setting framework that links corporate objectives with individual goals. Regardless of gender or individual characteristics, the Company consistently applies performance-based evaluation and reward systems and provides customized feedback through a fair evaluation process to help employees identify their strengths and improve their performance. Employees who contribute to competency development and business performance are provided with differentiated reward opportunities, promoting the shared growth of both individuals and the organization.

#### Performance Evaluation Principles

KD Navien operates a fair and transparent performance evaluation system to support employees in achieving performance goals and strengthening their capabilities. By aligning corporate objectives with individual goals, the Company helps employees clearly understand their roles and expected performance levels while continuously advancing its performance-oriented evaluation system.

#### 360-degree Feedback

KD Navien operates a 360-degree Feedback program that enables employees to objectively recognize their competencies through evaluations from multiple perspectives while also supporting evaluators in strengthening their assessment capabilities. Through mutual feedback between evaluators and employees who work closely together, the program contributes to building a constructive feedback culture and fostering collaboration across the organization.

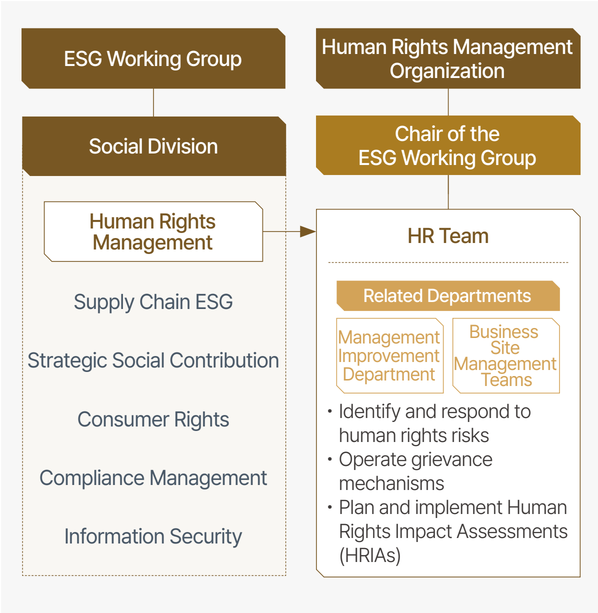
Performance Management Process

# Human Rights Management

## Implementation System

KD Navien operates a Human Rights Management Working Group under the supervision of the ESG Working Group to establish and implement human rights management initiatives. The implementation status of key initiatives established each year is reviewed through biannual meetings and performance reports, and the results are reported to management. The Human Rights Management Working Group is led by the HR Team and operates through a collaborative structure involving the Management Improvement Department and representatives from each business site. The Working Group oversees all human rights management activities, including identifying and responding to human rights risks, operating grievance mechanisms, and planning and implementing Human Rights Impact Assessments (HRIAs).

### Organization




## Implementation Direction

KD Navien has established a mid- to long-term roadmap for systematic human rights risk management and the implementation of human rights management practices, carrying out initiatives in accordance with phased objectives.

**2025 – Pilot Human Rights Impact Assessment**
- Design assessment questions
- Conduct assessments at selected business sites

**2026 – Full-scale Human Rights Impact Assessment**
- Conduct Human Rights Impact Assessments across all business sites
- Identify improvement initiatives

**2027 – Implementation of Corrective Actions**
- Implement improvements and monitor progress
- Report results

**From 2028 Onward – Establish a Monitoring System**
- Build a regular and ad hoc human rights risk monitoring system

## Risk Management

### Policy

#### Human Rights Policy

Based on its management philosophy of "Contribute to Society through Business," KD Navien has established and operates a Human Rights Policy to respect stakeholders' human rights and prevent and manage human rights violations throughout its business activities. The Policy supports internationally recognized human rights standards, including the UN Guiding Principles on Business and Human Rights (UNGPs), the Universal Declaration of Human Rights, ILO Conventions, and the OECD Guidelines for Multinational Enterprises, and applies to all employees of KD Navien, its affiliates, and overseas subsidiaries. Affiliates and overseas subsidiaries establish and operate detailed policies reflecting applicable local laws and business characteristics based on this Policy. In 2026, KD Navien revised its Human Rights Policy to clarify its scope of application and human rights risk management governance, and formally documented grievance handling and human rights due diligence processes in the Policy.

Human Rights Policy

#### Human Rights Risk Management Process

KD Navien operates a human rights risk management process to minimize potential human rights risks that may arise throughout its business operations.

**Define Human Rights Risk Factors**
- Define potential human rights impact factors
- Define stakeholders for each human rights impact factor
- Engage with stakeholders
- Conduct human rights training

**Identify and Assess Risks**
- Conduct Human Rights Impact Assessments (HRIAs)
- Identify key human rights risks

**Develop and Implement Mitigation Measures**
- mitigation and remediation measure
- Implement mitigation and corrective actions

**Monitoring and Follow-up Management**
- Conduct regular and ad hoc monitoring

**Reporting**
- Report results

# Human Rights Management

## Risk Management

### Human Rights Impact Assessment

In accordance with its mid- to long-term human rights management plan, KD Navien conducted a pilot Human Rights Impact Assessment in the second half of 2025. The Company designed the assessment questions based on its Human Rights Policy and the Human Rights Management Guidelines and Checklist issued by the National Human Rights Commission of Korea. A self-assessment and employee survey were conducted among selected employees to establish an operational foundation for expanding the assessment across the Company. Through the assessment, KD Navien reviewed the overall status of its human rights management system and identified key human rights risks and areas requiring improvement.

Human Rights Impact Assessment Overview

| Category | Details |
| --- | --- |
| Format | • Self-assessment and employee survey |
| Scope | • Employees at KD Navien's Seoul Office<br>(Electronic survey conducted among employees with access to groupware)<br>• Departments related to the assessment areas |
| Assessment Areas | • Human rights management system, Prevention of workplace harassment, Non-discrimination, Responsible supply chain management, Humane treatment, Prohibition of forced labor, Child labor and young workers, Occupational safety assurance, Protection of the human rights of local communities and consumers |

### Risk Identification Results

The assessment identified relatively higher risk levels in the areas of establishing a human rights management system and responsible supply chain management. KD Navien plans to prioritize improvement initiatives in these areas and further strengthen its human rights management framework.

Key Human Rights Issues Identified

- Establishment of a Human Rights Management System
- Prohibition of Forced Labor
- Responsible Supply Chain Management

### Future Plans for the Human Rights Impact Assessment

Through the pilot Human Rights Impact Assessment conducted in the second half of 2025, KD Navien identified areas requiring improvement across the assessment process, including the appropriateness of the assessment categories, respondents' understanding of the response methods, and the interpretation criteria for individual questions. The Company also identified key tasks and implications for conducting a full-scale assessment, including the need to derive human rights issues that reflect the characteristics of each business site. In the second half of 2026, KD Navien plans to expand the Human Rights Impact Assessment to employees at all business sites, enabling the Company to identify key human rights risks across the organization more systematically. Going forward, the Company will gradually expand the scope of the assessment to include a broader range of stakeholders, including suppliers, to establish a more comprehensive and effective human rights management system. For identified human rights risks, KD Navien will develop improvement initiatives based on their level of priority and continuously monitor implementation progress, thereby further advancing its human rights management framework.

# Human Rights Management

## Risk Management

### Grievance Handling

#### Grievance Handling Channels

KD Navien collects feedback related to the protection of human rights, working conditions, and the working environment from stakeholders, including employees and suppliers, through various channels such as the internet, intranet, and Labor-Management Council grievance-handling bodies. Employees and stakeholders who experience human rights violations or identify risks to the human rights of others may submit reports through designated channels. Upon receiving a report, the relevant department immediately reviews specific remedial measures. When necessary, the Company develops appropriate remedies through consultations involving relevant departments, including Legal Affairs, and key decision-makers. The identity of the whistleblower and the details of each report are kept strictly confidential. KD Navien also implements follow-up measures to protect whistleblowers from retaliation or other disadvantages arising from their reports.

| Channel | Business Site | Responsible Department |
|---|---|---|
| Cyber Reporting Center | Company-wide | Management Improvement Department |
| Workplace Harassment Reporting | Seoul / Branch Offices | HR Team |
| | Research Institute | R&D Management Team |
| | Seotan Factory (ECO Hub) / Pyeongtaek Factory / Songtan Factory / Gasan Factory | Operations Support Team |
| Workplace Sexual Harassment Reporting | Seoul / Branch Offices | Designated personnel at each business site and the HR Team |
| | Research Institute | |
| | Seotan Factory (ECO Hub) / Pyeongtaek Factory / Songtan Factory / Gasan Factory | |
| Labor-Management Council (Grievance Handling Committee) | Seotan Factory (ECO Hub) / Pyeongtaek Factory / Songtan Factory / Gasan Factory | Operations Support Team |

#### Grievances Received and Handled[1]

KD Navien receives and handles grievances through official channels such as the Cyber Reporting Center, as well as informal channels including direct contact with designated personnel. In 2025, a total of 11 grievances were received, transferred to the relevant departments, and fully resolved.

| Category | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Number of Grievances Received | Cases | 13 | 14 | 11 |
| Number of Grievances Handled | Cases | 13 | 14 | 11 |
| Resolution Rate | % | 100 | 100 | 100 |

1) Includes performance data from affiliates.

### Human Rights Training

KD Navien regularly provides human rights management training to all employees to internalize a culture of respect for human rights and raise awareness of human rights issues. The Company operates key training programs, including sexual harassment prevention, disability awareness improvement, workplace harassment prevention, information security, and ethics management. In 2025, 100% of employees completed human rights management training.

#### Human Rights Management Training in 2025

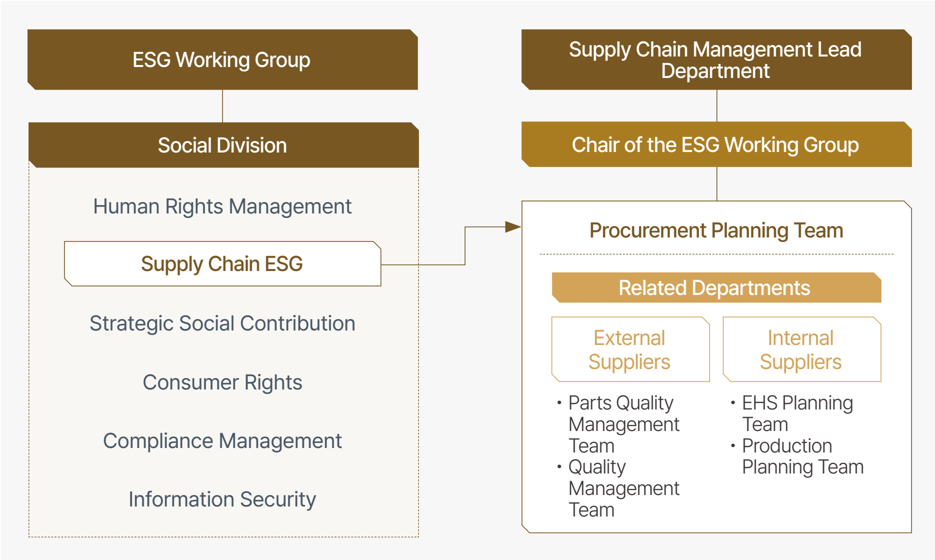
| Category | Training Content | Participants |
|---|---|---|
| Sexual Harassment Prevention Training | Guidelines on the prohibition of sexual harassment | All Employees |
| Disability Awareness Training | Prohibition of discrimination against persons with disabilities and improvement of awareness | |
| Workplace Harassment Prevention Training | Prevention of and response to workplace harassment | |
| Information Security Training | Personal information protection guidelines | |
| Ethics Management Training | Ethics reporting and grievance handling | |

# Supply Chain Management

## Implementation System

KD Navien has designated the Procurement Planning Team as the department responsible for supply chain management to systematically manage supply chain ESG risks and strengthen suppliers' sustainability capabilities. The Supply Chain ESG Part under the ESG Working Group operates a supplier ESG capability assessment system led by the Procurement Planning Team, regularly monitors the sustainability performance of internal and external suppliers, and establishes and implements improvement action roadmaps.

### Organization




**Establishing the Supply Chain Management System**

- Oversee all supply chain management activities, including purchasing, procurement, manufacturing, transportation, and inventory management
- Establish and revise supply chain-related policies
- Oversee supplier and partner company assessments across the supply chain, monitor performance, and plan incentive programs
- Review participation in external certifications and the Shared Growth Index related to supply chain management

## Implementation Direction

To further strengthen its supply chain ESG risk management system and build a sustainable partnership with suppliers, KD Navien has established future strategic directions focused on enhancing its evaluation framework and improving supplier capabilities.

### Direction for Advancing the Supply Chain ESG Management System

| Strategic tasks | 2025 Key Activities | Detailed Action Plans |
|---|---|---|
| Advancement of the Supply Chain Management System | • Establish a Supply Chain ESG Management Policy<br>- Build a Supply Chain ESG Risk Management Framework<br>• Enhance procurement evaluation criteria<br>- Strengthen the objectivity and consistency of supplier capability assessments | • Reinforce provisions on the prohibition of child labor in the Code of Conduct<br>- Strengthen the human rights risk prevention framework based on international standards<br>• Establish a Green Procurement Policy<br>- Build a sustainable procurement system by expanding environmentally friendly sourcing |
| Supply Chain Risk Assessment | • Conduct Supply Chain ESG assessments for the top 75% of suppliers based on the previous year's purchasing performance<br>- Assign ESG ratings based on document reviews and on-site assessments<br>• Introduce incentive programs for outstanding suppliers<br>- Provide additional points in comprehensive supplier evaluations to suppliers that achieve ESG Grade A | • Establish a supplier rating system (Excellent / Maintain / Improve / Suspend)<br>- Strengthen the systematic and strategic management of suppliers<br>• Link incentive programs to supplier ratings<br>- Enhance the effectiveness and execution of supplier management through evaluation-based management |
| Supporting Supplier Capability Enhancement | • Provide ESG action kits to lower-rated suppliers, share best practices, and provide specialized training<br>- Support improvements in suppliers' ESG capabilities and their progress toward higher evaluation ratings | • Provide phased ESG consulting and professional training tailored to each supplier's level of maturity<br>- Strengthen customized supplier capabilities and advance suppliers' ESG management standards |

# Supply Chain Management

## Risk Management

### Policy

KD Navien has established and operates the Supply Chain ESG Management Policy and the Supplier Code of Conduct to enhance sustainability across its entire supply chain, including suppliers. While strengthening socially responsible management with eco-friendly industrial innovation and the advancement of human rights management as its two key pillars, the Company proactively identifies and manages ESG risks across the supply chain, thereby building a sustainable supply chain ecosystem that grows together with its suppliers.

#### Supply Chain ESG Management Policy

To systematically manage ESG risks throughout its supply chain, KD Navien established the Supply Chain ESG Management Policy in 2025 with the approval of top management. The Policy was developed in accordance with internationally recognized standards, including the UN Guiding Principles on Business and Human Rights (UNGPs), the ILO Core Conventions, and the OECD Guidelines for Multinational Enterprises, and covers a management framework for identifying, preventing, and correcting potential risks across the environmental (E), social (S), and governance (G) dimensions. The due diligence framework consists of a step-by-step process that includes document reviews, on-site assessments, and verification of corrective actions based on the Supplier Code of Conduct, ensuring that risks are effectively identified and translated into meaningful improvements. For high-risk suppliers, KD Navien also provides education and practical guidance to strengthen ESG capabilities and promote sustainable partnerships. Going forward, the Company will continue to advance its Supply Chain ESG management framework to further enhance sustainability and accountability throughout the supply chain.

Supply Chain ESG Management Policy

#### Supplier Code of Conduct

To build a resilient supply chain ecosystem and proactively manage ESG risks, KD Navien has established and operates the Supplier Code of Conduct with the approval of top management. The Code clearly sets out the standards that suppliers are expected to comply with in areas including environmental protection, human rights and labor, occupational safety and health, business ethics and compliance, and information security, supporting the sustainable development of the supply chain. By having its business partners sign a pledge, KD Navien clarifies mutual partnership for building a responsible supply chain. The Code applies without exception to all supply chain stakeholders that have direct or indirect business relationships with KD Navien. The Company continuously monitors changes in domestic laws, international standards, stakeholder expectations, and the business environment, and regularly reviews and updates the Code of Conduct. In 2026, KD Navien plans to strengthen its responsible supply chain management framework by revising the Code to align its prohibition of child labor with international standards, thereby further preventing human rights risks.

Supplier Code of Conduct

### Supplier Communication Channels and Activities

KD Navien continuously strengthens communication with suppliers through various communication channels. Supplier feedback and grievances are handled through a systematic process in which the relevant department reviews each issue, establishes an improvement plan, and provides feedback on the results, ensuring that supplier concerns are effectively resolved.

| Responsible Department | Communication Channel | Activities | Key Results |
|---|---|---|---|
| Management Improvement Department | Cyber Reporting Center | Receive reports of subcontracting violations and unfair trade practices | 0 cases received |
| EHS Planning Team | Safety and Health Committee | Receive VOC related to workplace safety and health improvements and grievances from employees and supplier workers | 100% resolved (6 cases) |
| Procurement Planning Team | SRM System | Receive supplier VOC related to procurement systems and other procurement-related matters | 0 cases received |
| Sales Management Team | Partner Portal VOC | Resolve grievances related to agency operations and sales activities through collaboration with the relevant departments, including root cause analysis and corrective actions | 98% resolution rate (59 cases) |

# Supply Chain Management

## Risk Management

### Supplier Selection

KD Navien systematically manages the status of its domestic and overseas suppliers and continuously expands its pool of qualified suppliers with strong procurement and quality capabilities through regular recruitment announcements and an open transaction proposal system based on Supplier Relationship Management (SRM). In 2024, the Company further strengthened its foundation for identifying new domestic and overseas suppliers by introducing a global supplier sourcing system. Through these initiatives, KD Navien enhances procurement stability while providing suppliers with opportunities to establish new business relationships and expand their sales channels.

KD Navien's Supply Chain in 2025

| 350 companies | 61 companies | 374 companies |
|---|---|---|
| Domestic Suppliers<br>Products, components, A/S parts, packaging materials, etc. | Overseas Suppliers<br>Electronic components, EMS, etc. | Total Trading Suppliers |

Supplier Registration through Recruitment Announcements

| Category | Registered Suppliers | Details | |
|---|---|---|---|
| 2023 | 7 companies | Trading suppliers registered: 1 | Potential suppliers registered: 6 |
| 2024 | 3 companies | Trading suppliers registered: 0 | Potential suppliers registered: 3 |
| 2025 | 4 companies | Trading suppliers registered: 0 | Potential suppliers registered: 4 |

New Supplier Selection Process

| 1. Application for SRM Registration | Pass[1] | 2. Document Review | | 3. Basic / On-site Assessment | Pass[1] | 4. Basic ESG Review | | 5. Execution of Electronic Contract |
|---|---|---|---|---|---|---|---|---|
| Submit a supplier application and basic information | | Review industry suitability and financial stability | | Assess management capabilities in quality, procurement, purchasing, and business management | | Review the status of labor, human rights, environmental management, and ethics management | | Register as a trading supplier |

1) Suppliers that fail the assessment are excluded from registration.

### New Trading Supplier Assessment

KD Navien selects new trading suppliers through transparent and fair procedures. The process begins with an application for registration through the SRM System. Only suppliers that pass both the document review and on-site assessment are registered as new suppliers, after which official business transactions commence through the execution of electronic contracts. The document review examines basic requirements, including industry suitability and financial stability. The on-site assessment comprehensively evaluates suppliers' capabilities in quality management, procurement, purchasing, and business management.

### ESG Assessment

KD Navien annually conducts ESG assessments of suppliers with the highest purchasing volumes to identify and manage supply chain ESG risks at an early stage and build a sustainable supply chain ecosystem. Through document reviews and on-site due diligence, the Company comprehensively evaluates suppliers' ESG management systems and implementation status and manages the results through a rating system. Suppliers receiving outstanding ratings are awarded additional points in regular assessments. Suppliers with insufficient ratings are provided with follow-up support, including training based on leading companies' best practices, to enhance ESG capabilities throughout the supply chain.

### Regular Assessment of Trading Suppliers

KD Navien regularly assesses its trading suppliers to review their practical operational capabilities and continuously enhance transaction stability and quality competitiveness. The assessment consists primarily of operational status assessments, performance assessments, and qualitative assessments. Additional points awarded to suppliers with outstanding ESG ratings are reflected in the procurement assessment results, which are then combined with quality assessment scores to determine the final supplier rating. Beginning in 2026, KD Navien plans to classify suppliers as Key Suppliers, General Suppliers, or Suppliers Subject to Rationalization based on their final assessment ratings. Through differentiated management strategies tailored to each supplier rating, the Company plans to systematically advance supplier relationships. For outstanding suppliers, the Company will expand collaboration and establish a stable basis for transactions, while suppliers subject to improvement will be supported through continuous management programs, thereby strengthening competitiveness and sustainability throughout the supply chain.

# Supply Chain Management

## Risk Management

### Supplier ESG Assessment

KD Navien conducts annual ESG assessments of suppliers to effectively manage ESG risks across the supply chain and enhance suppliers' sustainability management capabilities. To ensure the objectivity and effectiveness of the assessments, the Company operates a systematic assessment system in cooperation with an external professional assessment agency. Through this system, KD Navien also responds directly and indirectly to global supply chain regulations, including Canada's human rights legislation and the EU Corporate Sustainability Due Diligence Directive (CSDDD).

#### Assessment System

KD Navien has established and operates a comprehensive assessment system consisting of the three areas of Environment (E), Social (S), and Governance (G) to systematically assess suppliers' ESG capabilities. Customized assessment indicators reflecting each supplier's industry characteristics and company size are applied to enhance the objectivity and effectiveness of the assessment. Final results are classified and managed according to seven ratings ranging from A+ to D. Differentiated follow-up measures are implemented according to each rating. For suppliers rated C or below, on-site assessments are conducted to provide guidance on improving weaknesses identified during the document evaluation and to collect feedback on challenges encountered in the field. In addition, KD Navien provides lower-rated suppliers with best practices from leading companies and ESG action kits to help ensure that improvement activities are linked to actual business and operational activities. Beginning in 2026, the Company plans to introduce an incentive system under which suppliers participating in ESG assessments and those receiving outstanding ratings will be awarded additional points in regular supplier assessments. KD Navien will also gradually expand customized capability-building support in connection with external professional consulting programs, enabling suppliers to grow into key partners in a sustainable supply chain.

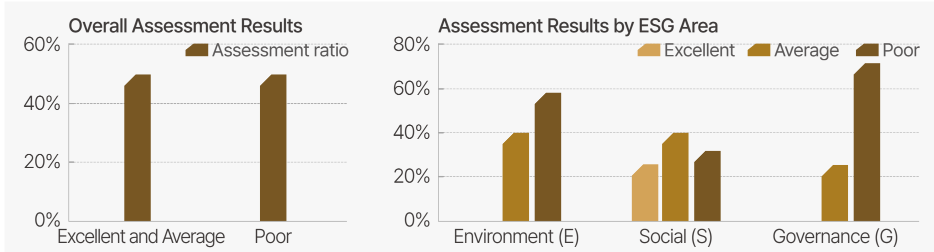
ESG Assessment Indicators

| E-Environment | S-Social | G-Governance |
|---|---|---|
| • Environmental Management System<br>• Energy and Greenhouse Gases<br>• Resource Circulation and Hazardous Substances<br>• Water Resources and Pollutants | • Labor and Human Rights<br>• Occupational Health and Safety System<br>• Occupational Health and Safety Management<br>• External Stakeholders | • Ethics and Transparent Management |

#### Assessment Results

In 2025, KD Navien conducted standardized Supply Chain ESG assessments of 43 suppliers with the highest purchasing volumes. Additional on-site assessments were conducted for ten suppliers classified as high risk. Suppliers selected for on-site assessments received on-site evaluations, ESG action kits, and training on the implementation of corrective actions. As a result, nine of the ten suppliers showed improvements in their ESG scores, while five suppliers achieved higher overall ESG ratings. An analysis of the final ESG rating distribution, incorporating both the standardized assessments and on-site assessments, showed that suppliers rated Average and Poor each accounted for 49%. This indicated the need to systematically enhance ESG management standards across the supply chain. By ESG area, the Social (S) area showed a relatively balanced distribution of ratings, whereas Governance (G) was identified as the weakest area. Accordingly, KD Navien plans to prioritize structural improvements based on policies and management systems.

2025 Supplier ESG Assessment Results




Supply Chain ESG Assessment Process

1. **Selection of Suppliers for Assessment** – Suppliers with the highest purchasing volumes in the previous year; Suppliers of key materials
2. **Finalization of Assessment Indicators** – Conducted jointly with an external assessment agency
3. **ESG Training for Suppliers** – Provide training on ESG fundamentals and the assessment process
4. **Document Evaluation** – Conduct ESG assessments and derive ratings based on documents submitted by suppliers
5. **Selection of Suppliers for On-site Assessment** – Suppliers with insufficient document evaluation ratings; Suppliers consenting to on-site assessments
6. **On-site Assessment** – Conduct site visits and on-site evaluations
7. **Final Results** – Confirm final ratings; Provide consulting support to lower-rated suppliers

# Supply Chain Management

## Risk Management

### ESG Assessment Results by Area

KD Navien closely reviewed the key areas for improvement identified among suppliers through on-site assessments and provided multifaceted support to enable suppliers to implement practical corrective actions. Specifically, the Company provided assessment reports containing peer-group average scores and improvement recommendations by indicator, enabling suppliers to objectively understand their ESG performance. KD Navien also shared leading companies' best practices and provided immediately actionable ESG action kits to support the effective implementation of improvement activities at supplier sites. The key areas for improvement identified through the on-site assessments are as follows.

Key Improvement Tasks Based on Assessment Results

| ESG | Subcategory | Areas Requiring Improvement | Improvement Tasks |
|---|---|---|---|
| E | Environmental Management System | A company-wide environmental management framework and clear definitions of responsibilities and roles were insufficient, and many suppliers showed a low level of documentation for related policies and manuals. | • Establish an environmental management policy and targets<br>• Define environmental management responsibilities and roles (R&R)<br>• Develop and operate an environmental management manual |
| | Energy and Greenhouse Gases | Some suppliers had insufficient systems for periodically measuring and monitoring energy consumption and greenhouse gas emissions. | • Establish management standards for energy consumption and greenhouse gas emissions<br>• Establish regular monitoring and management procedures for relevant data |
| | Resource Circulation and Hazardous Substances | Certain standards for hazardous substance management, waste treatment, and resource circulation had been established, but evidence management and operational consistency were insufficient. | • Establish procedures for hazardous substance and waste management<br>• Strengthen compliance checks and evidence management for applicable regulations |
| | Water Resources and Pollutants | Certain standards related to water use and pollutant discharge were recognized, but record management systems and systematic operation were insufficient. | • Establish water resource and pollutant management standards<br>• Establish inspection and record management processes |
| S | Labor and Human Rights | Certain policies for protecting employees and socially vulnerable groups had been established, but formal policies and systematic training frameworks were insufficient. | • Establish human rights protection policies and guidelines<br>• Define standards for preventing discrimination and workplace harassment<br>• Conduct human rights-related training and awareness-raising activities |
| | Occupational Health and Safety System | Suppliers recognized the importance of occupational health and safety management, but many lacked standardized manuals and systematic management criteria. | • Develop an occupational health and safety management manual<br>• Establish accountability and a management framework for occupational health and safety |
| | Occupational Health and Safety Management | Industrial accident prevention activities and accident history management were in some cases carried out only as a formality, or regular inspection systems were insufficient. | • Establish a system for managing and analyzing industrial accident records<br>• Strengthen accident prevention activities and regular inspections |
| | External Stakeholders | Standards related to fair trade and engagement with external stakeholders were in place, but internal management systems and training levels were generally insufficient. | • Clarify fair trade and supplier transaction standards<br>• Establish stakeholder response procedures and conduct related training |
| G | Ethics and Transparent Management | Awareness of ethics and anti-corruption management was present, but institutional foundations such as formal codes of ethics, internal control systems, and reporting channels were insufficient. | • Establish and declare a corporate ethics charter and code of ethics<br>• Develop ethics and anti-corruption policies<br>• Conduct ethics training for employees and stakeholders |

### Support for Strengthening Supply Chain ESG Capabilities

Based on the 2025 ESG assessment results, KD Navien actively supported suppliers whose ratings declined due to deficiencies in policy- and system-based areas, such as environmental management policies, codes of ethics, and human rights policies. The Company provided customized training through on-site assessments, identified improvement tasks, and supplied immediately actionable ESG action kits to strengthen suppliers' ESG response capabilities. Approximately 70% of suppliers that participated in ESG assessments for two consecutive years showed an improvement in their ratings, confirming that continuous training and repeated participation in assessments lead to tangible improvements in ESG performance. Based on these results, beginning in 2026, KD Navien plans to introduce an incentive system that awards additional points in regular supplier assessments to suppliers participating in ESG assessments and those receiving outstanding ratings. Through this initiative, the Company aims to encourage voluntary participation and improve overall ESG ratings across its supplier base. Furthermore, as rating improvements were confirmed among more than half of the suppliers subject to on-site assessments, KD Navien plans to gradually expand the number of suppliers covered by on-site assessments. The Company will also expand the scale of its ESG consulting partner network to strengthen in-depth reviews of suppliers' environmental and occupational health and safety management systems.

# Supply Chain Management

## Implementation Activities

### Shared Growth Initiatives

#### Supplier Support

KD Navien recognizes that mutual growth with suppliers is essential to securing sustainable competitiveness. To create an environment where suppliers can grow together with the Company, KD Navien operates various support programs, including financial assistance, capability-building initiatives, and training.

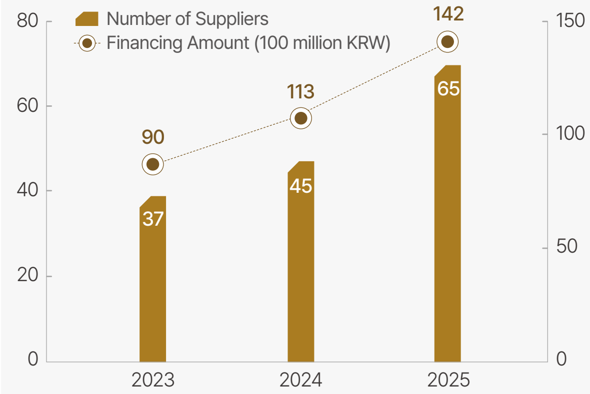
Supplier Support Activities in 2025

| Category | | Activity | Details |
|---|---|---|---|
| Financial Support | Accounts Receivable Financing Program | • Reduced suppliers' financing costs by providing accounts receivable financing | • Provided credit totaling 14.2 billion KRW to 65 suppliers |
| | Improved Payment Terms | • Cash payment of trade receivables upon supplier request | • Paid a total of 93.7 billion KRW in cash to suppliers |
| | Paid Material Supply Program | • Operated an advance payment program for raw materials with significant price fluctuations to stabilize raw material procurement | • Provided paid material supply support to 39 suppliers |
| Competiti-veness Enhancement | Supplier ESG Assessment and Assessment Report Support | • ESG fundamentals training and document-based assessments for major suppliers (including KD Navien affiliates)<br>• On-site assessments and support for issuing assessment reports | • Supported ESG assessments for a total of 43 suppliers, including on-site assessments for 10 suppliers |
| | Quality Improvement Support Program | • Technical support for quality improvement, supplier quality guidance, and system enhancement | • Supported supplier quality improvement activities, including the selection of 145 improvement tasks across 20 suppliers and collaborative improvement efforts<br>• Supported supplier process monitoring activities |
| | Inspection Infrastructure Support | • Support for inspection equipment and production infrastructure | • Provided inspection equipment to prevent accidents involving PL safety parts (a total of five units for four suppliers) |
| Training Support | Basic Training on Environmental Regulations | • Training for new suppliers on environmental regulations and the GPS (hazardous substance management) system | • Provided training to 33 suppliers |
| | Preventive Quality Support | • Quality assurance through integration with inspection equipment (EES) and SPC systems | • Supported enhanced SPC management through ESG data integration |
| | Supplier Quality Training | • Training on return defect management and quality incident case studies | • Conducted five supplier briefing sessions on key components for new products |
| Training & Supplier Council | Industrial Accident Prevention and Capability Building | • Monthly supplier council meetings | • Held council meetings for on-site partner companies<br>1. Shared information on 2025 regulatory revisions and relevant policies of the Ministry of Employment and Labor<br>2. Conducted joint inspections with partner companies<br>3. Collected VOC from partner companies |
| Other Support | Holiday Gift Program | • Holiday gifts provided to suppliers during Lunar New Year and Chuseok | • Provided holiday gifts to 20 suppliers |

### Financial Support to Enhance Suppliers' Financial Stability

KD Navien continues to expand its accounts receivable financing program to reduce suppliers' financial burdens and support stable business operations. The number of suppliers receiving financing increased from 37 in 2023 to 65 in 2025, while the total financing amount increased from 9.0 billion KRW to 14.2 billion KRW over the same period. Going forward, KD Navien will continue to enhance its financial support system to strengthen suppliers' financial stability and build a foundation for sustainable growth across the supply chain.

### Three-Year Trend of Accounts Receivable Financing Support



# Supply Chain Management

## Implementation Activities

### Dealer Support and Activities

KD Navien operates a multi-layered support system encompassing sales growth, training, welfare benefits, and legal protection to help dealers—the direct point of contact for delivering products and services to customers—maintain stable business operations and competitiveness.

Dealer Support Activities in 2025

| Category | | Activity | Details |
|---|---|---|---|
| Sales Growth Support | Promotion and Sales Support | · Support for offline promotional and sales activities | · Support worth 820 million KRW for apartment complex advertising and the production of promotional materials and catalogs |
| | | · Support for promotional activities, including online live broadcasts and display advertising | · Support worth 360 million KRW for advertising expenses and the operation of live broadcasts |
| | Online-Offline Win-Win Model | · Promote mutual growth between dealers and headquarters through the Online Partner Program | · Selected as a Dealer Companion Company by the Korea Fair Trade Commission in 2025 |
| | Outstanding Dealer Awards | · Provide awards to top-performing dealers and dealers with outstanding participation in Company policies | · Approximately 100 million KRW provided in prize money and awards |
| | New Dealer Support | · Operate a support program to help newly established dealers achieve early business stability | · Provide quarterly business stabilization support funds to 28 newly established dealers from 2024 to 2025<br>· Provide store display stands and display products |
| | Interior Support | · Support interior costs for new store openings, dealer relocations, and store renovations | · Provide support worth 110 million KRW, including signboard production and interior renovations |
| | Logistics Support | · Provide free delivery for ordered products and merchandise when applicable requirements are met | · Provide free logistics support worth 3.16 billion KRW |
| Training Support | Policy Guidance | · Provide guidance on headquarters policies and business directions, as well as new product training | · Conduct regional hub-based training sessions |
| | Product and Technical Training | · Provide practical training, sales training, policy training, and other programs | · Provide year-round support, including installation training for new products such as kitchen appliances, training on new subscription policies, and training for next-generation dealer owners |
| | Provision of Materials and Resources | · Provide materials required for dealer operations | · Provide customer service guides, customer management tools, and learning handbooks |
| Welfare Benefits | Holiday Gift Support | · Provide gift sets to dealer employees during the Lunar New Year and Chuseok holidays | · Provide gift sets worth 68 million KRW |
| | Operational Supplies Support | · Support the production of work uniforms, diaries, and calendars | · Provide support worth 130 million KRW |
| | Congratulations and Condolences Support | · Provide support for dealers' family events | · Provide 24 million KRW in congratulatory and condolence allowances, wreaths, and funeral supplies*<br>*The funeral supplies support program was newly introduced in 2025 |
| Dealer Protection | | · Use the standard dealer agreement prescribed by the Korea Fair Trade Commission | · Selected as a Dealer Companion Company by the Korea Fair Trade Commission in 2025 |
| | | · Guarantee dealers' right to request contract renewal | · Guarantee the right to request contract renewal for three years following the initial store opening |

#### Selected as a Dealer Companion Company for Two Consecutive Years

KD Navien was selected as a Dealer Companion Company by the Korea Fair Trade Commission for the second consecutive year, expanding its trust-based mutual growth framework with dealers across the supply chain. Through the Online Partner Program, customer inquiries received through online channels are connected with dealers responsible for the relevant regions, thereby expanding dealers' practical business opportunities throughout the consultation, sales, and installation processes. Currently, approximately 280 dealers participate in the program and have completed more than 10,000 product installations on a cumulative basis. In addition, KD Navien supports dealers' sustainable growth through regular feedback based on customer satisfaction, training designed to strengthen online competitiveness, and the Next Leader Management Practices Training program for next-generation dealer owners. KD Navien will continue to strengthen its mutual growth framework so that dealers can grow alongside the Company as key partners in the supply chain ecosystem, beyond their role as sales channels.

# Customer-Centric Management

## Service

### Implementation System

KD Navien places customers at the center of its management and practices the protection of consumer rights as a core value. To this end, the Company has established a dedicated organizational structure centered on the Consumer Centered Management (CCM) Division and the Customer Service Management (CSM) Division, both of which report directly to the CEO. Through a systematic structure encompassing policy development, implementation at operational sites, and reporting, KD Navien continues to strengthen customer trust.

**BOARD LEVEL**

**CEO**

**Key Roles** | Approve policies and strategies related to consumer rights protection as a core management value and oversee their implementation
**Reporting System** | Submit matters requiring decision-making among issues discussed through the WBR and MBR to the monthly strategic meeting for final decision
**Reporting Channel** | Monthly strategic meeting attended by relevant executives, division heads, departments, and audit functions

**MANAGEMENT LEVEL**

**CCM Division**

**Key Roles** | Establish and operate company-wide policies and guidelines related to the Consumer-Centered Management system, Manage implementation status across the Company
**Reporting System** | Regularly report service operation status, key indicators, and issues through the WBR and MBR
**Reporting Channels** | WBR (Weekly): Review key service operation indicators and share major on-site issues
MBR (Monthly): Report monthly service operation status, major indicators, and key issues

**WORKING LEVEL**

**CSM Division**

**Key Roles** | Directly implement consumer rights protection activities, Systematically manage VOC and consumer complaints
**Reporting System** | Share on-site improvement items and issues with relevant departments, Promote improvements to systems and processes, Submit weekly regular reports

CS Planning Team | CS Quality Improvement Team | CX Branding Team | CS Capability Development Team | Customer Support Team

### Implementation Direction

Under its brand philosophy of "Partner for Comfortable Living Environments," KD Navien continues to evolve through digital customer service innovation so that customers can experience more convenient and optimized services. The Company has established the realization of a hyper-personalized customer experience as its future vision and will continue to strengthen its customer-centered service infrastructure.

#### Management Goals

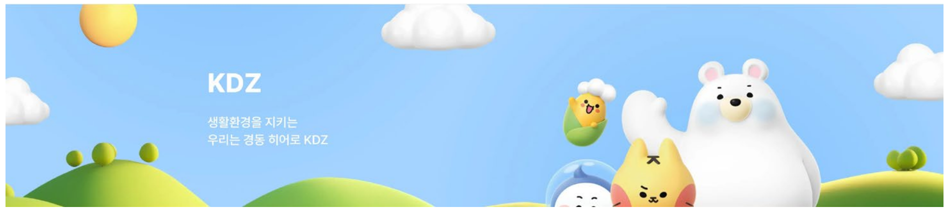
**Customer Value-Centered Management that Satisfies Hyper-personalized Customer Needs through Digital CS Innovation**

| 2025~2026 | 2027~2028 | 2029~2030 |
|---|---|---|
| Establish a flexible service infrastructure capable of responding to changes in the business environment | Optimize the customer experience by advancing customer journey analysis | Expand the scope of customer self-service by stabilizing and advancing AI Contact Center (AICC) services[1] |

1) AI Contact Center

### Content-based Customer Communication

KD Navien communicates with customers in a more approachable manner by utilizing its brand characters, KDZ (KyungDong Destroys Z-Villain), which embody the mission of serving as a Navigator for Energy and the Environment. The four characters—NAVI, WOONGDI, EBOT, and DANCINGCON—are heroes who eliminate various everyday harmful substances known as Z-Villains and provide pleasant living environments. Through these characters, KD Navien communicates its core value of integrated air quality management in an entertaining and approachable manner. By using a variety of content formats, including character comics, digital goods, and KakaoTalk emoticons, the Company is expanding engagement with a broad range of customers, including Millennials and Generation Z, while conveying its brand image as a Partner for Comfortable Living Environments in a friendly and accessible way.



# Customer-Centric Management

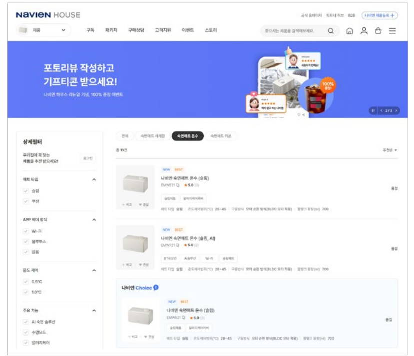
## Service

### Operating Integrated Customer Touchpoints Centered on the Customer Experience

KD Navien has established an integrated online and offline service system to provide customers with a consistent and optimized experience throughout their daily lives, beginning from the moment they first encounter the brand and continuing through product use. KD Navien's flagship platform, Navien House, is an integrated living environment solutions platform that seamlessly connects online and offline channels. Online, the platform provides a one-stop service encompassing personalized product recommendations based on customer spatial information, purchase and installation consultations, subscription applications, and A/S requests. At experience stores located at major locations nationwide, customers can explore products in spaces designed to replicate real-life residential environments and receive professional consultations. Following the launch of a subscription service for ventilation air purifiers in 2023, KD Navien expanded its in-house subscription offerings to boilers, sleep mattress pads, and kitchen appliances in 2025. During the subscription period, customers are supported in maintaining products in optimal condition through complimentary A/S and regular on-site care services provided by Navien Partners. In addition, the Company operates its AI chatbot, Ebot, around the clock to respond to customer needs at the right moment, from information searches and self-diagnosis to connection with consultation services. Through these efforts, KD Navien is creating a virtuous cycle in which a satisfactory customer experience builds trust and that trust leads to new customer choices.

**Operation of the Official Navien House**

Navien House is an online living environment solutions platform designed to enable customers to conveniently experience KD Navien's various products and services in one place. Through a full platform renewal in 2026, KD Navien introduced personalized product recommendations based on customer spatial information and package recommendations linked to different living environment categories. The Company also established a one-stop service framework covering subscription applications, A/S requests, and self-diagnosis. Through the platform, customers can more intuitively select products and services optimized for their living environments and complete the entire post-purchase management process within a single platform.



Navien House Online Platform Screen

### Customer Touchpoints by Customer Journey Stage

**Pleasant Daily Life: From Purchase to Installation**

**Information Search**
- **Navien House** – Expand consumer touchpoints through events, promotions, and Navien LIVE
- **Experience Stores** – Operate offline spaces where customers can directly experience products
- **Sweet Dream Store** – Provide customized solutions, including consultations with online platform specialists for sleep mattress pads and complimentary product trials
- **Curation Service** – Recommend customized products suited to customers' living environments and lifestyles

**Purchase**
- **Official Mall and Subscription Services** – Enable direct online purchases through the official Navien House mall and subscription services
- **Open Market and E-commerce** – Provide convenient purchasing channels through various online platforms
- **Dealers** – Provide offline purchasing and consultation services through a nationwide dealer network

**Consultation and Installation**
- **365-Day, 24-Hour Customer Consultation Center** – Operate diverse consultation channels, including visual ARS and real-time one-on-one chat
- **Navien Partners** – Provide professional installation and construction services through official service centers
- **Commissioning Center** – Secure installation and construction quality and prevent potential issues through professional pre-installation assessments

**Reliable Care: From Product Use to Post-purchase Management**

**Regular Maintenance**
- **Cascade Care Service** – Optimize product performance through regular inspections conducted directly by Navien Partners
- **Complimentary A/S for Three Years** – As an industry first, extend the A/S period for residential gas boilers to three years
- **Pre-inspection Service** – Prevent safety incidents by conducting advance inspections of commercial facilities before the winter season

**Replacement and Repair**
- **Air Change Service** – Minimize lead times by providing replacement products immediately upon receiving A/S requests for sleep mattress pads
- **Directly Operated Service Centers: 22 Locations** – Provide prompt and consistent repair services through 22 directly operated service centers nationwide
- **Mobile Centers** – Overcome regional and physical accessibility limitations through on-site repair services
- **Approximately 340 Service Centers** – Provide prompt services through approximately 340 service centers nationwide

**Complaints and Improvements**
- **Customer Consultation Center** – Collect and analyze VOC on a monthly basis and reflect findings in product and service improvements
- **NEWENAI Quettai** – Monitor real-time VOC through online channels, including social media and community forums, using an AI-powered monitoring platform

**AI Chatbot EBOT** – Provide integrated 24-hour support across all stages, from information searches to post-purchase management · Provide self-diagnosis services and product manual guidance

# Customer-Centric Management

## Service

### Risk Management

#### Policy

**Customer Satisfaction Management Policy**

KD Navien practices customer-centered management based on its Customer Satisfaction Management Policy, approved by top management, and its Customer Charter. All employees actively participate in practicing customer-centered management and achieving related objectives. The Company provides customers with products of the highest quality and advances technologies and innovation as a "Optimize Living and Environment," while practicing customer satisfaction management so that all customers can enjoy a "happy living temperature."

Customer-Centric Management Policy

#### External Certifications

KD Navien prioritizes the protection and promotion of consumer rights and became the first company in its industry to obtain Consumer Centered Management (CCM) certification in 2011. Based on its CCM operating system, the Company operates detailed manuals across the organization and continuously strengthens its consumer rights protection activities by collecting and analyzing VOC through various channels and actively incorporating consumer requests for improvement. As a result of these efforts, KD Navien achieved CCM certification for the seventh consecutive time in 2023 and was inducted into the CCM Hall of Fame. In 2025, the Company obtained its eighth certification, continuing to maintain an industry-leading consumer-centered management system. KD Navien also holds Service Quality Excellence (SQ) Certification, receiving external recognition for its continuous efforts to protect consumer rights and improve service quality.


CCM Excellence Award and Certificate Presentation Ceremony

Certificate No. 2025-2001

Certificate of
Consumer-Centered Management

Company : KYUNG DONG NAVIEN
Business Registration No. : 125-81-01234
Validity of Certificate : 2026. 1. 1. ~ 2028. 12. 31.

This is to certify that above company has contributed to spreading consumer-centered management climate and promoting consumer welfare by its consumer-centered management system establishment and operation.

Biung Ghi Ju
Chairman

KOREA FAIR TRADE COMMISSION

CCM Certificate

#### Customer Satisfaction Surveys

KD Navien systematically conducts customer satisfaction surveys in Korea and overseas to improve the quality of its customer service. In Korea, the Company is advancing the quality of its AI-powered consultation services based on survey results by implementing a more natural conversational flow, minimizing repeated questions, and improving AI prompts. At overseas subsidiaries, KD Navien also seeks to effectively collect customer feedback using methods tailored to the characteristics of each region. In particular, the Company plans to improve customer accessibility and response rates by transitioning to web-link surveys provided through dedicated channels.

**Customer Satisfaction Survey and Service Improvement Process in Korea and Overseas**

| Customer Satisfaction Survey | Results Analysis | Service Quality Improvement Activities |
|---|---|---|
| Conduct a customer satisfaction survey following consultation | Identify improvement tasks based on assessment results | • Implement a natural conversational flow<br>• Minimize repeated questions<br>• Advance AI prompts |

**Three-Year Customer Satisfaction Survey Scores (Customer Service Representatives)**

| Year | 2023 | 2024 | 2025 |
|---|---|---|---|
| Score | 88 | 87 | 84 |

#### NEWENAI Quettai Platform

KD Navien operates an online VOC monitoring system by introducing the digital-based NEWENAI Quettai Platform to respond swiftly to diverse customer feedback. Using web crawling technology, Quettai systematically collects and analyzes online customer opinions that are not submitted directly to the Customer Service Center. The platform monitors a broad range of customer responses in real time across news sites, online cafés, blogs, communities, social media, and websites operated by institutions, organizations, and government agencies. The collected data is used to quickly identify customer expectations and complaints. In particular, the platform serves a watchdog role by detecting and responding to negative issues in real time, thereby minimizing customer inconvenience.

# Customer-Centric Management

## Service

### Strengthening Customer Communication

KD Navien recognizes Voice of Customer (VOC) as critical information for advancing product and service quality. Customer feedback received through various channels—including Happy Call, the Customer Service Center, and the Company website—is systematically managed through an eight-step VOC handling process. The results of customer feedback analysis are reported to all executives on a monthly basis, while online customer opinions are also collected and analyzed in real time through the NEWENAI Quettai Platform. Based on these insights, KD Navien has introduced a preventive inspection service to distribute peak-season service demand and reduce customer waiting times.

#### Integrated VOC Management Process

| | |
|---|---|
| Customer VOC Receipt and Registration | Receive VOC through various channels, including Happy Call, the Customer Service Center, and the Company website, and register it in the system |
| VOC Classification and Rating | Assign a rating based on the VOC content and identify the submission type and any policy violations |
| Notification to the Relevant Service Center and Request for Explanation | Notify the responsible service center of the VOC case and request an explanation |
| Fact Verification and Final Rating Confirmation | Verify the facts, record investigation results, and determine the final rating |
| Recurrence Prevention Training | Conduct recurrence prevention training following rating confirmation and send a training attendance notice when three or more recommendations have been issued (issue warning notices when necessary) |
| Performance Feedback and Evaluation | Share monthly and quarterly performance results, reflect outcomes in dealer evaluations, and manage service center performance |
| Implementation of Improvement Actions and Recording of Results | Carry out improvement activities for VOC related to unsatisfactory service and record the results |
| VOC Review Committee | Convene the committee when necessary (e.g., service center contract termination), review rating adjustments and accumulated warnings, and deliberate cases for service center contract termination |

#### Key VOC Management Indicators

| Category | Key Management Indicators |
|---|---|
| Directly Operated Service Centers | SLA (processing within one day, appointment confirmation rate, appointment compliance rate, repeat failure rate), number of A/S cases processed, service productivity, VOC status |
| Call Center | Inbound calls, answered calls, consultation rate/productivity (CPH compared with the previous year), outsourcing fees, and changes in inbound call volume |
| Technical Consultation Center | Call operation status, improvement-related VOC cases, external complaint status |

### Service Quality Improvement Based on the Voice of the Customer

#### Preventive Inspection Service for the Peak Season

KD Navien has continuously improved customer waiting times and service quality issues arising from concentrated service demand during the winter peak season. To address these challenges, the Company introduced a proactive preventive inspection service during the off-season. By visiting major public facilities and commercial sites before the peak season to identify and eliminate potential failure factors in advance, KD Navien simultaneously enhances consumer safety, improves installation quality, and reduces customer maintenance costs.

Key Results of Preventive Inspections in 2025 | Customer satisfaction 95% or higher

| 11,815 cases | 3,135 cases | 72% of completed cases | 679 cases |
|---|---|---|---|
| Total inspection targets | Completed cases (27%) | Cases determined to be compliant | Parts replacement actions |

| Strengthening Consumer Safety | Responsible Service | Data-driven Quality Improvement |
|---|---|---|
| Proactively identify and correct improper installations and aging components to eliminate potential accident risks | Strengthen post-sales lifecycle management by applying complimentary parts replacement standards to reduce customer costs | Improve installation standards and evaluation criteria through quantitative analysis of improper installation types |

#### VOC Receipt and Resolution Status[1]

| Category | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| VOC Received | Cases | 2,068 | 2,112 | 2,358 |
| VOC Resolved | Cases | 2,068 | 2,112 | 2,358 |
| Resolution Rate | % | 100 | 100 | 100 |

1) Aggregate data based on complaint-related VOC among VOC management categories (complaints, suggestions, and compliments).

# Customer-Centric Management

## Service

### Customer Damage Response Procedure

To ensure prompt and fair responses to customer damages, KD Navien has established emergency response regulations in advance and operates a systematic customer damage response procedure. When an emergency occurs, the Customer Support Team immediately receives the case and convenes the CS Committee, chaired by the Chief Customer Officer (CCO), to establish response measures and enable prompt decision-making through reporting to the Chief Executive Officer. Following resolution, the Company analyzes the root cause, develops recurrence prevention measures, collaborates with relevant departments to implement corrective actions, and verifies their effectiveness to prevent similar incidents from recurring.

Customer Damage Response Process

| | |
|---|---|
| Occurrence & Receipt | Receive reports of customer emergencies |
| Information Sharing & Reporting | Promptly share information with relevant departments and management |
| Response Decision | Develop response measures through the CS Committee |
| Corrective Action & Resolution | Immediately implement corrective actions by the responsible business unit and related departments |
| Post-management | Analyze root causes and establish recurrence prevention measures |

### Supporting Consumer Accessibility

#### Operating an AICC-based Customer Consultation Service

To enhance consultation quality and improve customer accessibility, KD Navien became the first company in the industry to introduce the generative AI-based chat consultation service "EBOT" in November 2024 and established an AI Contact Center (AICC) system. By expanding its AI consultation system from chatbots to callbots, KD Navien continues to broaden customer self-service functions continuously broadens customer self-service functions, including error code guidance and self-diagnosis. It also serves as a business support tool for customer service representatives and field engineers, improving both response speed and on-site service quality.


KD Navien AI Chatbot "EBOT" Image

#### Customized Accessibility Support for Older Adults and Persons with Disabilities

KD Navien operates customized accessibility support programs for customers—including older adults and persons with disabilities—who may experience difficulties using its services. To improve convenience for senior customers, the Company provides a dedicated consultation channel that connects them directly with customer service representatives. In addition, customers who have difficulty using the call center can receive priority service request support through KD Navien dealers.

# Customer-Centric Management

## Products

### Implementation System

KD Navien operates an integrated quality management system encompassing design, mass production, and field operations under the leadership of the Quality Management Headquarters. The Quality Planning Team oversees company-wide quality management strategies, while the QM Department manages the mass-production quality of major product groups and components. The QA Department is responsible for verifying the performance and safety of products and electronic components and improving field quality issues. Through this framework, KD Navien proactively prevents quality risks throughout all stages, from product development to customer delivery, and establishes a virtuous cycle in which identified issues are incorporated into design improvements.

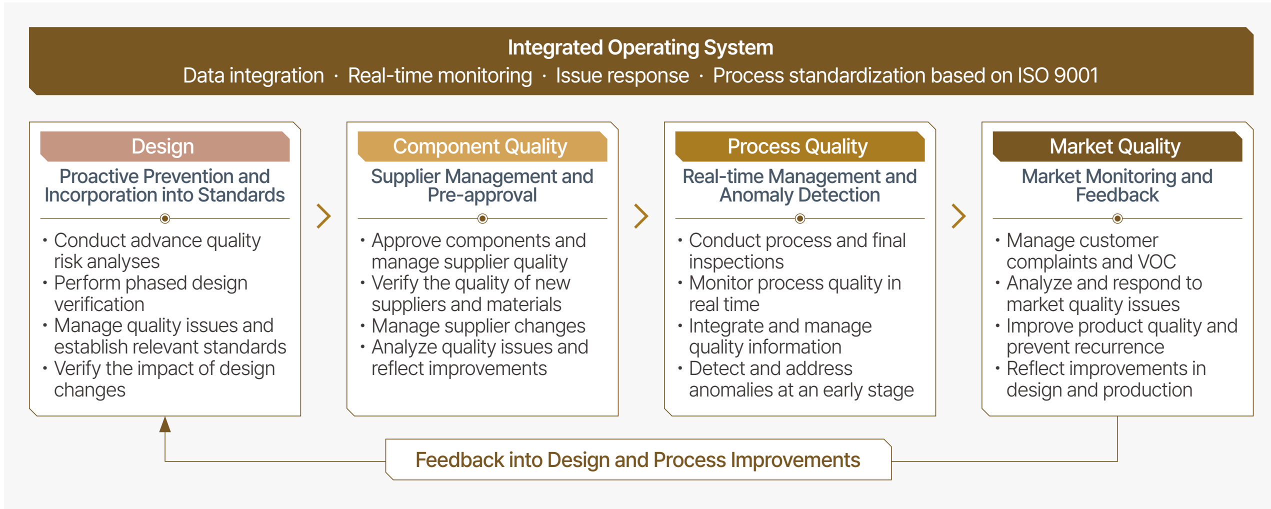
#### Organizational Structure


| Organization | Key Roles |
|---|---|
| Quality Management Headquarters | Oversee company-wide quality management and operate the quality management system |
| Quality Planning Team | Establish company-wide quality management strategies and manage quality-related costs |
| HVAC Quality Team | Verify the performance and safety of HVAC product groups |
| QM Department | Manage the mass-production quality of major product groups and components |
| QA Department | Verify the performance and safety of products and electronic components and improve field quality issues |

### Quality Management System

KD Navien systematically manages quality based on a quality management system that encompasses the entire product lifecycle, from product planning and design to components, production processes, and the field. The system organically links design quality assurance, supplier and component quality management, process quality stabilization, and field quality feedback to maintain consistent quality levels even in mass-production environments and enable continuous improvement. During the product development stage, KD Navien proactively identifies potential quality issues through design verification and Failure Mode and Effects Analysis (FMEA)[1]. The results are reflected in component selection and process design, thereby minimizing the possibility of quality issues occurring. During the production stage, process management standards and quality data are integrated and managed through the Global Quality Management System (G-QMS)[2], enabling prompt monitoring and response when abnormalities occur. Quality information collected from the field is analyzed to identify root causes and reflected in design and process improvements. This integrated quality management framework operates based on ISO 9001 certification and enables the standardized management of quality data, real-time monitoring, systematic issue response, and management of improvement history.

#### Quality Management Process




1) Failure Mode and Effects Analysis
2) Global Quality Management System

# Customer-Centric Management

## Products

### Implementation Direction

KD Navien pursues customer satisfaction through the delivery of best-in-class products and services as the core objective of its quality management. Under the four guiding principles of integrity, continuous improvement, customer-first, and systematic management, all employees are committed to implementing quality management across the organization. Since declaring the slogan "Together with QMS, the Beginning of Quality Innovation" in 2019, KD Navien has continuously enhanced its company-wide Quality Management System (QMS) by conducting site-level QMS implementation audits and maintaining process management across its business operations.

| | | | | |
|---|---|---|---|---|
| Quality Policy | **Achieving Customer Satisfaction through Best-in-Class Products and Services**<br>Guided by the belief that "Quality is trust and our pride," all employees are committed to achieving customer satisfaction through the delivery of best-in-class products and services across every aspect of the business, from product design and manufacturing to after-sales service. | | | |
| Employee Commitments | **Integrity**<br>Comply with quality regulations and customer requirements | **Continuous Improvement**<br>Secure sustainable growth through continuous improvement | **Customer First**<br>Deliver customer delight through customer satisfaction | **Systematic Management**<br>Establish standardized work procedures based on processes |
| Management Objectives | **Achieving Absolute Quality through Smart Working[1)]** | | | |
| | **Quality Innovation Leading Smart Factory Implementation**<br>• Strengthen process quality management centered on key causes (X-factors)<br>• Establish a data-driven management system for suppliers and core in-house processes | **Securing Quality Synergy through Integrated Manufacturing Sites**<br>• Build an integrated quality assurance system based on quality data across all logistics processes<br>• Operate an integrated quality monitoring system | **Ensuring Absolute Quality for New Businesses and New Products**<br>• Strengthen compliance with development processes<br>• Enhance verification of product and component changes<br>• Reinforce Early Sensing-based pre- and post-improvement monitoring<br>• Secure quality in global markets | |

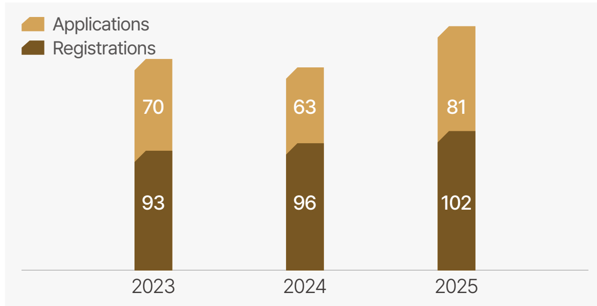
1) Smart Working: Improving the Way We Work

### Risk Management

#### Intellectual Property Rights

KD Navien continuously files and registers intellectual property rights in Korea and overseas as part of its quality-centered management. The Company has more than 1,900 cumulative patent and utility model registrations in Korea and overseas and recorded more than 180 domestic patent applications and registrations in 2025. In 2026, KD Navien plans to continue driving technological innovation while maintaining a patent filing target comparable to the previous year's level.

Patent Applications and Registrations




**Burner and Combustion Control Technologies**

KD Navien has secured proprietary patented technologies in burner and combustion control to ensure customer safety and product reliability. Products incorporating these technologies improve ignition stability and reduce abnormal combustion. The related technologies have been successfully registered as patents in major domestic and international markets.

# Customer-Centric Management

## Products

### Quality Management

**Q-BANK**

KD Navien has established and operates the Q-BANK system to proactively address the root causes of quality issues. Based on defect-rate monitoring, the Company selects improvement projects focusing on the worst-performing processes and key issues, and assigns responsible departments according to the type of root cause for systematic management. New projects are identified through quarterly Q-BANK launch meetings and reported to the CEO. Major projects are managed through weekly Q-BANK meetings attended by company-wide executives. Improvement projects are closed upon final approval by the CEO after confirming a decline in defect rates for at least one month. The results of improvement activities are reflected in the company-wide quality management system and decision-making processes.

#### Q-BANK Process

| | |
|---|---|
| 1. Issue Identification | • Monitor defect rates<br>• Identify the worst-performing processes and issues |
| 2. Project Selection | • Register and manage Q-BANK projects in an integrated manner<br>• Designate responsible departments by root-cause type |
| 3. Root Cause Analysis and Improvement | • Analyze root causes by project and establish implementation plans<br>• Implement improvements and verify their effectiveness[2] |
| 4. Effectiveness Verification and Management | • Confirm a declining defect-rate trend for at least one month following improvement<br>• Transfer closed projects to internal departmental monitoring |

2025 Q-BANK Project Completion Rate[1] **82%**

**Daily Quality Review**

KD Navien conducts daily quality reviews to quickly identify and address quality issues arising in components, production processes, and the market. Defects identified during manufacturing are aggregated on a daily basis, and relevant departments across the Company—including production, quality, manufacturing engineering, and the Research Institute—participate in daily review meetings to discuss root causes and improvement measures. Major issues are managed at the department-head level or above, while weekly progress reviews are conducted under the supervision of the Head of the Quality Management Headquarters. Through a tail-tag management approach, the Company clearly identifies the causes of each issue and links them to continuous improvement activities. Core issues are connected to Q-BANK for focused improvement, thereby promoting the fundamental resolution of quality issues.

#### Daily Quality Review Process

| Stage | Process |
|---|---|
| 1 | On-site Quality Review (Production Staff) |
| 2 | Process-specific[3] / Daily Quality Review[4] (Management Staff) |
| 3 | Issue Rating Assignment |
| 4 | Tail-tag Registration (Project Management Number) |
| 5 | Implementation of Improvement Activities |
| 6 | Effectiveness Review and Closure of Tail Tags |

#### Daily Quality Review Performance[1]

| Category | Responsible Entity | Completion Rate(%) |
|---|---|---|
| Process Improvement | KD Navien | 91.4 |
| External Component Management | - | 92.6 |
| Market Improvement | - | 80.5 |
| Affiliate Component Management | KyungDong Polyum | 95.4 |
| | KyungDong Everon | 91.8 |

**Site-focused Quality Improvement Activities**

KD Navien carries out site-focused quality improvement activities to promptly resolve quality issues identified in the field and prevent their recurrence.

| | |
|---|---|
| Quality Review Meeting | • Conduct pre-work training based on defect cases from the previous day<br>• Provide recurrence prevention training through quality awareness training for suppliers, in-house contractors, and production personnel |
| On-site Suggestions and Improvement Activities | • Propose and evaluate ideas for improving on-site quality<br>• Systematically manage records by preparing meeting minutes on improvement results |

### Quality Contribution-based Reward System

KD Navien operates a quality contribution-based reward system to encourage employees' voluntary participation in quality improvement activities. Awards are presented in four areas:

• Outstanding Quality Improvement Award • Defect Detection Award
• Three-Major Innovation Award • Quality Review Meeting Award

Participation in the early identification of field issues and improvement activities is encouraged throughout the Company, including the Quality Management Headquarters, the Research Institute, manufacturing engineering, production, and on-site partner companies.

2025 Quality Management Headquarters Awards **323 awards**

※Company-wide awards covering the Quality Management Headquarters, Research Institute, manufacturing engineering, production, and on-site partner companies

1) As of December 31, 2025
2) Review of the target defect rate
3) Process-specific quality review attended by all relevant technical departments, including quality and manufacturing engineering
4) Daily review of issue status by quality department personnel

# Customer-Centric Management

## Products

### Product Safety

KD Navien has expanded its quality management system from a quality-centered approach to the Product Safety Quality Management System (PS QMS) centered on consumer safety, with the goal of developing safe products and minimizing safety risks throughout product operation. During new product development, potential accident hazards are identified and reviewed through risk assessments, while strengthened verification procedures help ensure customer safety.

#### Safety and Health Impact Assessment

KD Navien analyzes past quality issues and accident cases and incorporates the findings into the product development process to proactively identify and mitigate potential safety and health risks. The Company also applies systematic risk assessment methodologies, including Failure Mode and Effects Analysis (FMEA), to analyze potential hazards at both the component and product levels and establish preventive measures accordingly. At each development stage, improvement results for key risks and the implementation of design changes are reviewed. In addition, major issues identified during the initial mass production stage are verified before production conditions are finalized, ensuring a comprehensive management system for product safety.

#### Safety and Health Impact Assessment Process

| | |
|---|---|
| 1. Design and Development | • Identify potential hazards by reviewing historical quality issues and accident cases<br>• Conduct component risk assessments and establish mitigation measures |
| 2. Product / Component / Production Line Review | • Design and develop manufacturing processes based on safety and productivity<br>• Verify the effectiveness of development processes<br>• Confirm the application of management measures before mass production |
| 3. Reliability Verification and Design Feedback | • Verify product quality and safety through harsh-condition testing<br>• Reflect design improvements based on quality issues<br>• Secure final product quality before market launch |
| 4. Mass Production | • Proceed with full-scale production after completing verification |
| 5. Service / Field | • Continuously monitor issues occurring after mass production in the field<br>• Analyze root causes and implement improvement activities |
| 6. VOC and Issue Analysis | • Collect and systematically analyze customer complaints and claim data<br>• Establish corrective actions based on analysis results and deploy them to similar products |

#### Chemical Substances

KD Navien uses only chemical agents that have passed safety evaluations for ventilation air purifier dust filter cleaning services. Detailed information on the chemicals used is disclosed through the product information pages on the Company's website.

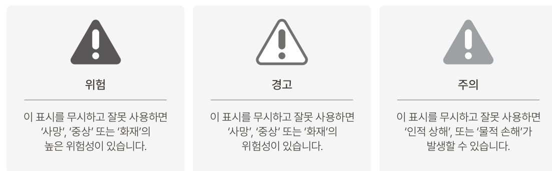
#### Product Labeling

KD Navien requires product labeling throughout the product development process to transparently disclose information necessary for the safe use of its products, including the country of origin, operating conditions, safety certification numbers, power consumption, and capacity, thereby ensuring customers' right to know. To prevent safety accidents during the installation and servicing of medium- and large-sized boilers, the Company also provides four types of safety stickers covering precautions such as flue pipe disconnection and gas leak warnings. Furthermore, through product certification, KD Navien systematically manages and discloses information on substances with environmental impacts generated during the manufacturing process, providing customers with the information they need to use products safely throughout installation and operation.

Safety Stickers

#### Installation and Usage Information

To prevent serious accidents such as fire, electric shock, gas leakage, and water leakage that may occur during product installation and operation, KD Navien provides detailed safety information by classifying precautions and required actions according to their level of risk. The Company is also improving installation manuals to enhance readability and practical usability so that customers can install and use products more safely and conveniently. Improvements include a modular structure centered on drawings, the application of illustrations and pictograms to major procedures, and concise text centered on numerical information so that anyone can easily understand the instructions.



Hazard Classification of Safety Precautions

# Customer-Centric Management

## Products

### Smart Manufacturing

KD Navien is establishing a smart manufacturing system centered on the Seotan Factory (ECO Hub). The Company enhances production efficiency and quality reliability through AGV (Automated Guided Vehicle)-based automation of material transport and the operation of independently developed automated inspection equipment. It has also established a flexible production system capable of switching product mixes in response to production plans. In addition, KD Navien monitors and analyzes manufacturing data collected from each process in real time to eliminate waste factors and ensure uniform and consistent product quality based on equipment data. Going forward, the Company plans to advance the facility into a smart factory incorporating IoT, big data, and AI technologies and develop it into a global manufacturing hub with an annual production capacity of 4.39 million units.

Overview of the Production Line at Seotan Factory (ECO Hub)

### Data-driven Quality Management

KD Navien is advancing its process quality management system based on digital technologies. The Company collects and manages key process data affecting quality in real time through PLCs (Programmable Logic Controllers) and continuously monitors deviations between actual results and process-specific set values to detect signs of abnormalities at an early stage. Through quality status dashboards and the SPC (Statistical Process Control) system, KD Navien visualizes process quality data and comprehensively analyzes process conditions by linking equipment operation data with quality data. The Company also determines in real time whether key quality variables deviate from standard values, enabling immediate on-site action. When abnormalities occur, an alert system enables prompt on-site response. Based on the results of data analysis, KD Navien continuously manages factors causing quality variation and optimizes its processes. In connection with the construction of the new factory, the Company plans to create an integrated monitoring environment that enables key quality and equipment data for each process to be viewed intuitively both on-site and in the office. It will also develop an integrated quality management system that links alerts with corresponding action processes when abnormalities occur. Furthermore, KD Navien plans to gradually expand the application of automated measurement and inspection technologies to proactively detect quality abnormalities and further advance its data-driven quality management system.

**1. Data Collection**

PLC-based Real-time Data Collection

- Collect and manage major process operation data in real time
- Collect data focused on key factors affecting quality
- Link and manage equipment operation data and quality data

**2. Analysis and Monitoring**

Comprehensive Analysis of Process Conditions

- Continuously monitor deviations between set values and actual results
- Detect deviations in key quality variables from standard values in real time
- Visualize data and analyze factors causing variation

**3. Response to Abnormalities**

Alerts and Immediate On-site Action

- Enable immediate on-site response through alerts when abnormalities occur
- Manage action histories and prevent recurrence
- Optimize processes based on data analysis

### Implementation Activities

#### Ranked No. 1 in Six Categories in the 2025 Korean Standard Quality Excellence Index (KS-QEI)

In 2025, KD Navien ranked No. 1 in six categories of the Korean Standard Quality Excellence Index (KS-QEI), jointly developed by the Korean Standards Association and the Korean Society for Quality Management, receiving recognition for outstanding quality from consumers and experts. Following its No. 1 rankings in the condensing gas boiler, hot water mat, carbon mat, ventilation air purifier, and gas range categories, KD Navien was newly ranked No. 1 in the electric oven category this year. In particular, its condensing gas boiler ranked No. 1 for the 16th consecutive year, demonstrating the Company's unrivaled quality competitiveness.


Navien Condensing ON AI

#### Training

KD Navien provides quality training for company-wide management employees to raise awareness of the importance of quality and improve their understanding of the Quality Management System. In 2025, the Company conducted process training across all areas forming the foundation of manufacturing, including development, production, production engineering, and procurement.

2025 Quality Training Performance

| Employees Completing Training | Training Course | Number of Sessions |
|---|---|---|
| 147 | Basic Quality Training | 4 |

# Community Engagement

## Implementation System

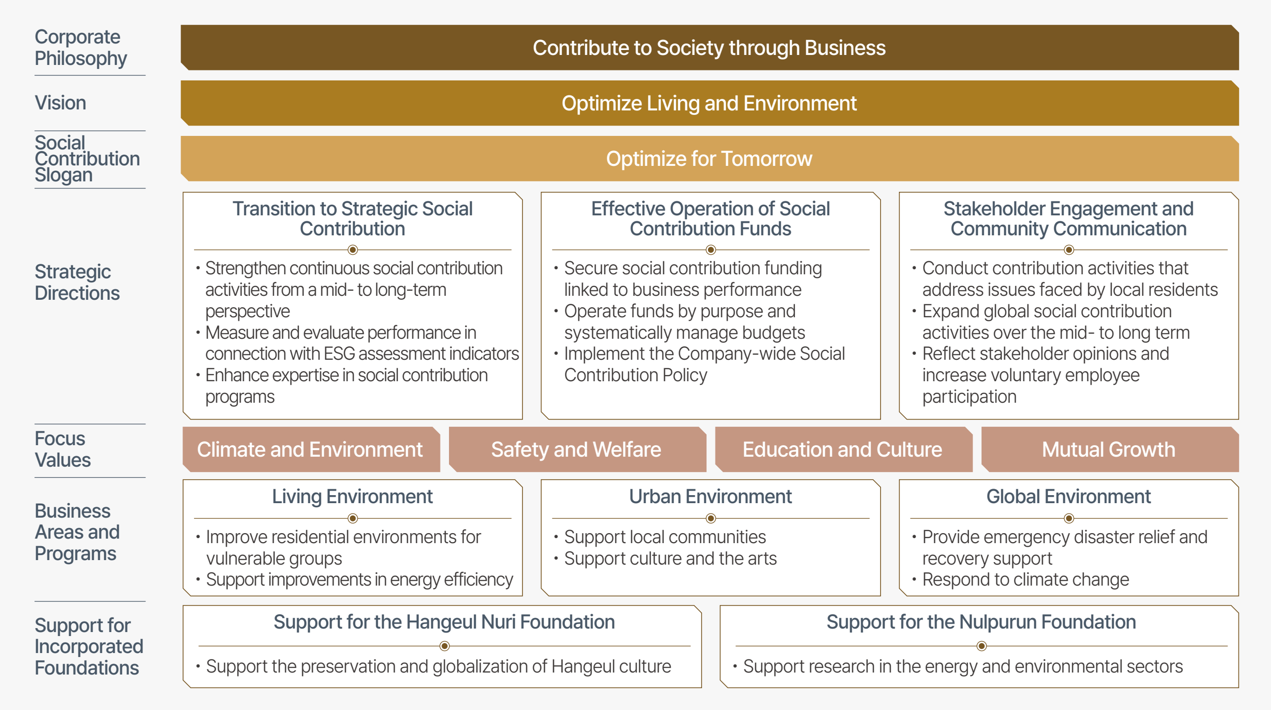
KD Navien operates a dedicated social contribution organization to systematically oversee the Company's community engagement policy and create meaningful change in local communities. The dedicated organization establishes mid- to long-term goals and directions, develops annual implementation plans based on them, and regularly reports to the ESG Committee. The PR Team reviews community contribution initiatives and detailed directions aligned with the Company-wide ESG strategy. It also works closely with implementing departments across the Company that plan and operate social contribution programs, thereby carrying out strategic social contribution activities that continuously create social value.

Organizational Structure


## Implementation Direction

Based on its corporate philosophy of "Contribute to Society through Business," KD Navien has newly established a company-wide social contribution framework and is actively transitioning toward strategic social contribution to faithfully fulfill its social responsibilities. In the second half of 2025, the Company established a social contribution strategy framework and specified mid- to long-term management goals and implementation tasks for community engagement. In 2026, it enacted and implemented its Social Contribution Guidelines and Policy to ensure consistency in donation execution and establish an internal operating foundation for systematic activity management. Based on this framework, KD Navien reorganized its existing activities into three focus areas—Living Environment, Urban Environment, and Global Environment—in line with the direction of its social contribution slogan, "Optimize for Tomorrow." Going forward, the Company will continue to strengthen its social contribution activities by leveraging its proprietary technologies, services, and resources to bring meaningful change to beneficiaries' lives and maximize the creation of social value.

KD Navien Social Contribution Strategy



# Community Engagement

## Implementation Direction

### Goals

KD Navien has newly established annual goals and corresponding action plans to achieve its social contribution vision. The Company continuously reflects the issues and social challenges facing local communities in its social contribution strategy, while monitoring the implementation status and performance of its social contribution activities each year and carrying out related action plans.

| | 2026<br>Systematize Social Contribution Activities | 2027<br>Expand Strategic Social Contribution and Systematize Performance Management | 2028 and Beyond<br>Operate Flagship Social Contribution Programs and Create Social Value |
|---|---|---|---|
| Social Contribution Management System | • Establish and implement operating regulations and the implementation framework | • Operate funds by purpose<br>• Gradually expand the social contribution budget<br>• Establish a social contribution performance measurement framework based on KPIs | • Operate funds through collaboration with related companies |
| Social Contribution Programs | • Gradually improve the structure centered on simple donations<br>• Pilot strategic social contribution programs | • Build a collaboration model with external expert organizations | • Operate mid- to long-term flagship social contribution programs<br>• Conduct social impact measurement for flagship programs<br>• Advance the evaluation framework |
| Participants and Beneficiaries | • Identify needs in focus regions and plan related programs<br>• Operate employee volunteer programs | • Promote global social contribution initiatives<br>• Expand employee and stakeholder participation programs | • Expand global social contribution initiatives<br>• Internalize the value of social contribution within the organization<br>• Establish regular employee and stakeholder participation |
| Management Indicators | Total Employee Participation Hours 1,000 hours<br>Participating Employees 250 employees | Total Employee Participation Hours 1,200 hours<br>Participating Employees 300 employees | Total Employee Participation Hours 1,600 hours<br>Participating Employees 400 employees |

## Risk Management

### Guidelines

**Social Contribution Guidelines**

Based on its corporate philosophy of "Contribute to Society through Business," KD Navien has established Social Contribution Guidelines and fulfills its responsibilities as a corporate citizen. The Guidelines are based on the principle of contributing to better living environments for local communities and stakeholders by leveraging the Company's technologies, services, and resources. Under the slogan "Optimize for Tomorrow," KD Navien continuously carries out social contribution activities across the Living Environment, Urban Environment, and Global Environment areas.

Social Contribution Guidelines

## Implementation Activities

### Living Environment

**Improving Residential Environments for Vulnerable Groups**

KD Navien recognizes that residential environments are directly connected to personal safety, health, and quality of life and continuously carries out activities to improve the living conditions of socially vulnerable groups. In 2025, the Company supported Habitat for Humanity Korea's housing improvement projects, provided heating cost support to child welfare facilities, and supported the replacement of aging boilers, thereby improving living environments in local communities. KD Navien is also expanding its beneficiaries through partnerships with Habitat for Humanity organizations in Korea and overseas and with local communities, contributing to the creation of safer and warmer living environments. Through its support for Habitat for Humanity Korea's housing improvement projects, the Company contributed to improving heating conditions for vulnerable groups and generating approximately 8 million KRW in benefits for beneficiaries.

#### Donation Performance

| Category | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Donations | KRW million | 1,449 | 1,342 | 1,740 |

#### Key Social Contribution Activities in 2025[1)]

| Category | Key Activities | Details |
|---|---|---|
| Domestic | Support for Vulnerable Households | • Supported boilers for Habitat for Humanity Korea's housing improvement projects<br>• Collaborated with Kyungdong City Gas on the "Creating a Warm World for Children" initiative, providing heating environment improvements for vulnerable groups and welfare facilities in the Ulsan region |
| | Support for Improvements to Community and Energy-related Heating Environments | • Supported the cost of replacing aging boilers for low-income households<br>• Signed an eco-friendly boiler donation agreement for energy-vulnerable households in Seoul and provided boilers<br>• Supported boilers for gas improvement and inspection projects serving vulnerable groups in Pyeongtaek |
| Overseas (United States) | Support for Socially Vulnerable Groups (Children, Vulnerable Families, and Older Adults) | • Supported children with cancer, provided supplies to family counseling centers, and supported older adult communities in the Los Angeles area |
| | Support for Vulnerable Households | • Supported Habitat for Humanity activities in eastern Canada and California |

1) The activities listed are based on the Company's key social contribution activities in 2025. The aggregation criteria and scope may differ from the donation amounts disclosed in the Business Report.

# Community Engagement

## Implementation Activities

### Urban Environment

#### Support for Culture and the Arts

KD Navien recognizes that culture and people form the foundation of a sustainable urban environment and contributes to the sustainable growth of local communities by supporting culture and the arts, as well as research and education for future generations. Through these activities, the Company aims to improve the quality of life of urban residents and help create a healthy, people-centered urban living environment.

**Support for the Pyeongtaek City Cultural Foundation**

Since 2022, KD Navien has supported the Pyeongtaek City Cultural Foundation to contribute to the cultural development of Pyeongtaek, where the Seotan Factory (ECO Hub) is located. In 2025, the Company sponsored the 2025 Pyeongtaek Chamber Music Festival to support cultural and artistic activities for Pyeongtaek residents. KD Navien will continue supporting the cultural development of Pyeongtaek.

**Support for the K-Music Philharmonic Orchestra**

KD Navien continues to support regular performances by the K-Music Philharmonic Orchestra, which raises funds for underserved groups with limited access to culture and the arts, including persons with disabilities, youth heads of household, and older adults without family support, and delivers hope and inspiration. This non-profit organization, composed of instrumental music majors, performs Korean classical music, compositions by Korean composers, and the Korean national anthem, thereby putting the value of sharing into practice through culture and the arts.

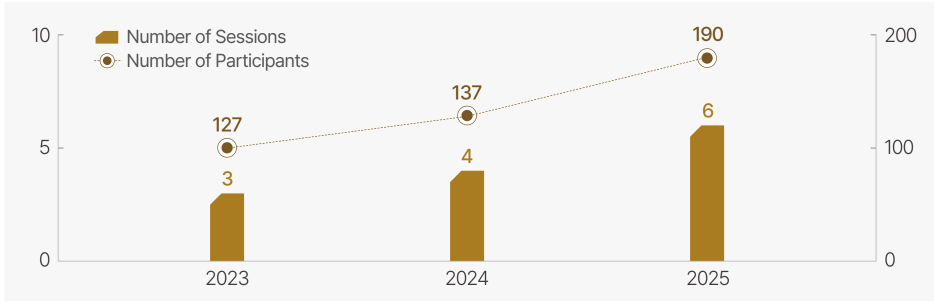
2025 Pyeongtaek Chamber Music Festival

#### Support for Local Communities

**Korean Red Cross MOU Blood Donation Campaign**

KD Navien signed a "Life Sharing" agreement with the Korean Red Cross and practices respect for life through blood donation participation. In 2025, 190 employees participated in blood donation activities over six sessions, sharing the spirit of giving. In 2026, the Company plans to expand blood donation activities to all business sites so that more employees can contribute to solidarity with local communities.

Participation in the Korean Red Cross MOU Blood Donation Campaign (2023–2025)




**Key Social Contribution Activities in 2025**

| Category | Key Activities | Details |
|---|---|---|
| Overseas (United States) | Support for Educational Institutions to Foster Next-generation Technical Talent | Donated boilers and HVAC equipment to local universities and vocational training institutions, Supported local communities |
| Overseas (Uzbekistan) | Support for K-Culture Exchange Activities | Sponsored the Ambassador's Cup Junior Taekwondo Competition |
| | | Sponsored local community cultural events, including the Goryeo Cultural Association's Chuseok event |

# Community Engagement

## Implementation Activities

### Global Environment

#### Emergency Disaster Relief

KD Navien carries out emergency relief activities in response to disasters caused by climate change and other factors, supporting the recovery of affected areas and helping residents return to their daily lives. In 2025, the Company focused its domestic relief efforts on areas affected by the wildfires in Uiseong, Gyeongsangbuk-do, approximately 250 million KRW in benefits for affected residents and contributing to the stabilization of their livelihoods and the recovery of local communities. In the United States, KD Navien provided prompt recovery support to areas affected by large-scale natural disasters. Going forward, KD Navien will continue contributing to a sustainable future through activities addressing climate change and global environmental challenges.

Key Social Contribution Activities in 2025

| Category | Key Activities | Details |
|---|---|---|
| Domestic | Support for Residents Affected by the Uiseong Wildfires in Gyeongsangbuk-do | Provided relief supplies to temporary shelters in Andong, Yeongyang, Sancheong, and Uiseong, and supported on-site recovery activities |
| Overseas (United States) | Disaster Relief Donations | Donated to the Texas flood recovery fund |
| | | Donated to the North Carolina hurricane recovery fund |

#### Support for Incorporated Foundations

**Support for the Nulpurun Foundation**

Through the incorporated Nulpurun Foundation, KD Navien promotes social interest and participation in the energy sector and supports various practical initiatives aimed at resolving environmental issues. The Nulpurun Foundation is a non-profit corporation under the Ministry of Environment established in April 2000 through a contribution by KD Navien CEO Sohn Yeon-ho. Guided by the ethical principle of "sustainability," the Foundation promotes technological innovation for harmonious coexistence between people and nature. In particular, by supporting the activities of academic societies and related organizations in the energy and environmental fields, the Foundation contributes to building a foundation for the transition to a sustainable society.

**Support for the Hangeul Nuri Foundation**

Through the incorporated Hangeul Nuri Foundation, KD Navien promotes the value and excellence of Hangeul both in Korea and abroad and contributes to the development and wider dissemination of Hangeul culture. Established through a personal asset contribution by CEO Sohn Yeon-ho, the Hangeul Nuri Foundation conducts independent research centered on the Hangeul Nuri Research Institute and actively supports scholars and Hangeul research organizations. Through these activities, the Foundation continues to work toward establishing Hangeul as a universally shared writing system around the world.

**Hosting Hangeul Festa 2025 – Hangeul Festa 2025 Poster**

Through the incorporated Hangeul Nuri Foundation, KD Navien hosts Hangeul Festa, an event that explores ways to represent the languages of the world in Hangeul and promotes the broad application and value of the Korean writing system. In 2025, the Foundation applied the "Nuri Hangeul" notation system, developed by its research institute based on Hunminjeongeum's principles of letter formation, to enable the sounds of various languages around the world to be represented as they are spoken. Hangeul Festa 2025 received 252 entries in 44 languages from 43 countries and drew an enthusiastic response from participants around the world.

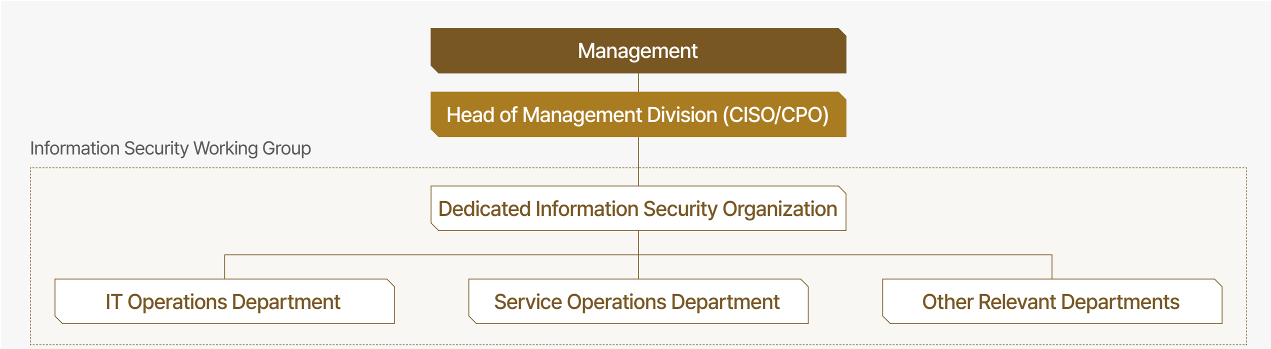

Hosting Hangeul Festa 2025 Poster

# Information Security

## Implementation System

In accordance with relevant laws and regulations, including the Act on Promotion of Information and Communications Network Utilization and Information Protection and the Personal Information Protection Act, KD Navien has appointed the Head of the Management Division as the Chief Information Security Officer (CISO) and Chief Privacy Officer (CPO) and operates an information security and personal information protection management system. Information security policies are established with the approval of top management, while operating status and key issues are reported to management on a regular and ad hoc basis. The Chief Information Security Officer (CISO) oversees major information security matters and systematically manages the operation of detailed guidelines and the results of inspections and implementation through a CISO-centered reporting framework. The dedicated information security organization under the CISO performs key duties, including establishing and implementing information security policies, conducting vulnerability assessments, reviewing the security of new systems and services, performing penetration tests, and carrying out security monitoring. KD Navien also operates an Information Security Working Group consisting of the dedicated organization and relevant departments, including IT operations and service operations. Through this working group, the Company shares information security issues and incorporates security requirements throughout its systems and business processes.

### Organizational Structure




| Category | Key Roles |
|---|---|
| Management | Final approval of information security policies and review of information security implementation status |
| Head of Management Division (CISO/CPO) | Overall supervision of information security and execution of key decisions |
| Dedicated Information Security Organization | Dedicated execution of information security duties, including vulnerability assessments, security reviews, and security monitorin |
| Information Security Working Group | Share information security policies and coordinate issues, Incorporate security requirements into systems and business processes |

## Risk Management

### Policy

KD Navien establishes information security and personal information protection policies with the approval of top management and systematically protects key assets, including business strategies, core technologies, research information, and personal information. These policies are operated together with detailed rules and manuals, centered on overarching regulations such as the Information Security Management Regulations and the Internal Personal Information Management Plan. To maintain the currency and effectiveness of the policies, KD Navien conducts regular annual revisions reflecting amendments to laws and regulations, changes in the internal and external environment, and evolving security threat levels, while also conducting ad hoc reviews when necessary. The Company shares its policies with all employees and provides regular training to continuously strengthen information security awareness and culture.

### Policy Structure

| Category | Regulation | Rules |
|---|---|---|
| Information Security | Information Security Management Regulations | · Personnel Security Rules<br>· Physical Security Rules<br>· Risk Management Rules<br>· Information System Security Rules<br>· Information Security Incident Response Rules<br>· User Account and Password Rules<br>· Document and Media Security Rules<br>· PC Security Rules<br>· Development Security Rules<br>· IT Disaster Recovery Rules<br>· Encryption Rules<br>· Cloud Service Security Rules |
| Personal Information Protection | Internal Personal Information Management Plan | · Personal Information Processing Policy Management Rules<br>· Personal Information Breach Response Rules<br>· Personal Information Processing Outsourcing and Provision Management Rules<br>· Video Information Processing Device Operation and Management Rules |

# Information Security

## Risk Management

### Certification

To respond to increasing cybersecurity threats and personal information protection requirements, KD Navien obtained ISO 27001 Information Security Management System certification and ISO 27701 Privacy Information Management System certification in 2024. Based on these certifications, the Company operates an integrated information security and personal information protection management system. Through annual certification renewal audits, the personal information protection measures applied across KD Navien's customer-facing services—including its official online shopping mall 'Navien House' and the 'Navien Smart' application—are objectively verified to remain compliant with international standards.

Information Security Certificates


ISO 27001
International Information Security Certification


ISO 27701
International Privacy Information Protection Certification

### Information Security Risk Identification and Management

To systematically manage information security risks, KD Navien identifies and evaluates managerial and technical risk factors in stages based on the current status and identification of its information assets. Risk assessments are conducted annually based on the control requirements of ISO/IEC 27001 and ISO/IEC 27701. The Company analyzes risk levels by comprehensively considering the importance and vulnerability of information assets, as well as the level of existing security controls. Prior to certification audits, KD Navien also conducts self-assessments and internal preliminary inspections and, where necessary, incorporates the results of external inspections to identify potential risk factors in advance. Based on the results of risk assessments, the Company establishes treatment measures for each risk level. For items requiring improvement, KD Navien collaborates with relevant departments to develop protective measures and implements them in phases according to action plans. The results of these actions are incorporated into the management system through verification and monitoring. KD Navien also establishes follow-up improvement plans for recommendations and nonconformities identified during certification audits and continuously reviews implementation status.

Risk Assessment Process

**STEP 1 – Assessment of Current Status and Asset Identification**
- Identify assets and assess their importance
- Conduct ISO 27001/27701 gap analyses
- Conduct compliance analyses
- Diagnose infrastructure vulnerabilities
- Conduct penetration testing

**STEP 2 – Vulnerability and Risk Analysis**
- Assess existing security controls
- Establish vulnerability assessment criteria
- Conduct vulnerability assessments
- Identify threats
- Evaluate threats

**STEP 3 – Establishment of Risk Management Measures**
- Establish risk assessment criteria
- Calculate risk levels
- Develop risk management measures

**STEP 4 – Establishment of Risk Mitigation Action Plans**
- Establish action plans
- Determine priorities and implementation timelines
- Apply improvement measures
- Verify and monitor implementation

### Personal Information Protection

KD Navien recognizes the protection of customer information as a core component of information security risk management and continuously strengthens safeguards for personal information and other key data. The Company applies encryption measures to major personal information collected through the operation of its official online shopping mall and call center, including customer telephone numbers and payment information, thereby minimizing the risk of data leakage. KD Navien is also implementing database encryption in stages for major systems and data storage areas. Through these measures, the Company prevents information leakage and misuse throughout the entire personal information processing lifecycle and continues to enhance the level of data protection.

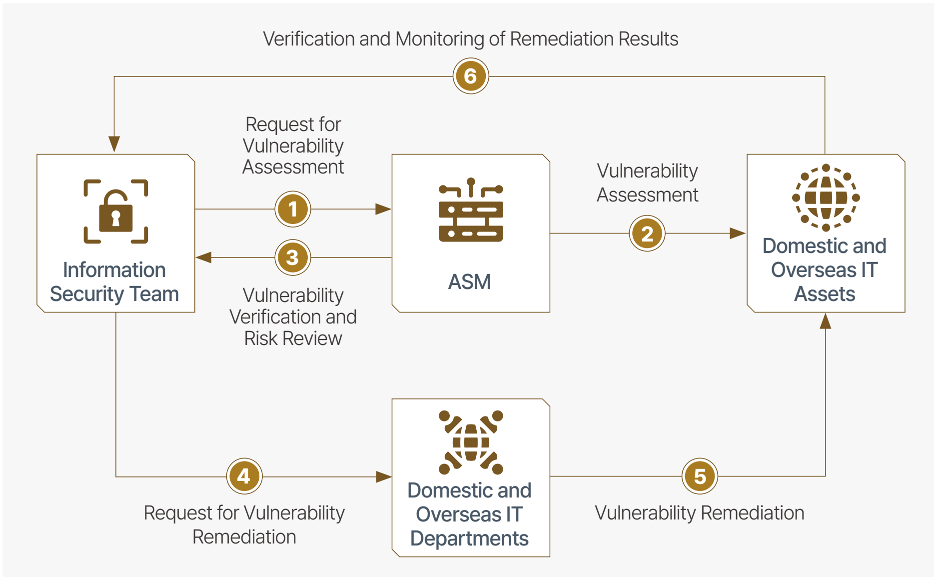
# Information Security

## Implementation Activities

### ASM Solution

Since 2024, KD Navien has operated an Attack Surface Management (ASM) solution to strengthen proactive security management of externally exposed information assets. The ASM solution is used to identify internet-facing assets—such as servers, services, and applications—that may be exposed to external attacks from an attacker's perspective and to continuously monitor potential security vulnerabilities. Through the ASM solution, KD Navien continuously monitors domestic and overseas IT assets to identify security vulnerabilities. Detected vulnerabilities are internally reviewed, classified by risk level, and managed according to priority. For high-risk vulnerabilities, the Company collaborates with relevant departments to inspect and remediate factors that could be exploited in external attacks and continuously manages the results through the ASM solution. Through this systematic management process, KD Navien has established a continuous security management system for externally exposed assets and is strengthening its overall information security capabilities by linking ASM operations with penetration testing and regular security inspections.

ASM Solution Operating Process




### Security Operations

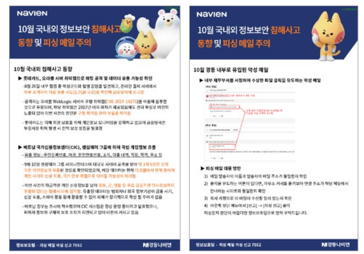
Taking into account the characteristics of its R&D environment, where core technologies and research information are concentrated, KD Navien operates security controls and a management system to prevent the leakage of technical information. To strengthen R&D security, the Company has introduced a Virtual Desktop Infrastructure (VDI) solution and operates product design networks as closed networks separated from business networks, minimizing the possibility of external access to R&D systems. KD Navien has also applied a Mobile Device Management (MDM) solution to employee mobile devices to protect research information and operates a system to prevent the unauthorized copying and leakage of drawings and research materials. In addition, physical security measures, including the use of camera-blocking stickers for external visitors, are implemented to prevent the external exposure of research information. These security controls are operated in accordance with management standards and procedures reflecting the operational characteristics of the R&D organization and are continuously enhanced to protect core technologies.

### Generative AI Security

To prevent information security and personal information breaches arising from the growing use of AI within the Company, KD Navien has separately established and operates Generative AI Security Guidelines. The Guidelines clearly specify requirements employees must follow when using generative AI. As a general principle, employees are required to use generative AI services approved by the Company. When the use of an external generative AI service is necessary, it is managed through an exception approval process. KD Navien also prevents information leakage during the use of generative AI and strengthens the protection of information assets by monitoring usage status and managing file upload and usage histories.

### Security Awareness Enhancement

KD Navien regularly shares practical security information—including trends in major domestic and international security incidents and guidance on phishing emails—through company-wide bulletin boards to enhance employees' security awareness. In addition, the Company annually reviews approximately 300 service outlets entrusted with customer information to assess the implementation status of personal information protection measures and whether related training has been conducted. For identified deficiencies, KD Navien conducts follow-up management and provides guidance. The Company also provides information security training to resident contractors at the Customer Service Center, thereby strengthening both personal information protection during customer interactions and on-site security management.



Guidance on Domestic and International Information Security Incidents and Phishing Email Precautions

# GOVERNANCE

# Board of Directors

## Board Composition

KD Navien's Board of Directors is the Company's highest decision-making body. It provides management with strategic direction and oversees business execution to protect the rights and interests of shareholders and stakeholders and support the Company's sustainable growth. To enhance the transparency of its governance operations, KD Navien discloses governance-related internal regulations—including the Board of Directors Operating Regulations and the regulations governing committees under the Board—as well as related activities on its website. As of March 2026, the Board consists of nine directors: six executive directors and three independent directors. Drawing on expertise across diverse fields, including management, production, and marketing, the Board makes balanced decisions and practices Board-centered management.

### Board Expertise

KD Navien's Board consists of directors with experience across diverse professional fields, enabling the Board to respond effectively to key management issues and make balanced decisions. Drawing on expertise in areas such as management, accounting, and corporate finance, the Board makes strategic decisions and oversees key matters across the Company, including business strategy, financial performance, and ESG risks. KD Navien also maintains a Board Skills Matrix (BSM) and transparently discloses each director's areas of expertise and capabilities to shareholders and stakeholders.

KD Navien Board Composition

(As of March 31, 2026)

| Position | Name | Gender | Date of Appointment | Key Career | Business Relevance | Board Skills Matrix | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Leader-ship | CEO Experience | Manage-ment | ESG | Accounting/ Corporate Finance | Digital/IT | Industry | R&D | Supply Chain/ Procurement | Global Business |
| Representative Director (Chairperson) | Sohn Yeon-ho | Male | Reappointed in March 2026 | Current · Chairperson and CEO, KD Navien | Overall Management | ● | ● | ● | ● | | | ● | ● | ● | ● |
| Representative Director | Sohn Heung-rak | Male | Reappointed in March 2026 | Current · Vice Chairperson and CEO, KD Navien<br>Former · President, KD Navien<br>· Vice President, KD Navien<br>· Executive Director, KD Navien | Sales and Marketing, Production and Quality | ● | ● | ● | | | | ● | | ● | ● |
| | Jang Hi-cheol | Male | Newly Appointed in March 2025 | Current · Vice President and CEO, KD Navien<br>Former · Vice President, KD Navien<br>· Executive Director, KD Navien<br>· Head of Nanjing Production Subsidiary in China, LG Electronics | CSO, Production and Quality | ● | ● | ● | | | ● | ● | | ● | ● |
| Executive Director | Kim Jong-uk | Male | Reappointed in March 2026 | Current · Vice President, KD Navien<br>Former · Vice President and CEO, KD Navien<br>· Vice President, KD Navien | NE Business | ● | ● | ● | ● | | ● | ● | ● | ● | ● |
| | Kim Yong-bum | Male | Reappointed in March 2026 | Current · Vice President, KD Navien<br>Former · Senior Managing Director, KD Navien | Sales and Marketing | ● | ● | ● | | | | ● | ● | | ● |
| | Park Seong-keun | Male | Reappointed in March 2026 | Current · Vice President, KD Navien<br>Former · Executive Director, KD Navien | Management | ● | ● | ● | ● | ● | | ● | | | |
| Independent Director | Oh Sun-young | Male | Reappointed in March 2026 | Current · Independent Director, KD Navien<br>· Full-Time Auditor, COSMAX BTI<br>Former · Visiting Professor, Seoul National University Business School<br>· Executive Director, Samil PwC | Overall Management | ● | | ● | | ● | | | | | |
| | Lee Myung-hak | Male | Newly Appointed in March 2026 | Current · Independent Director, KD Navien<br>· Professor Emeritus, Sungkyunkwan University<br>Former · Director, Institute for the Translation of Korean Classics<br>· Dean, College of Education and Graduate School of Education, Sungkyunkwan University | Overall Management | ● | | ● | ● | | | | | | |
| | Hong Kwang-soo | Male | Newly Appointed in March 2026 | Current · Independent Director, KD Navien<br>· Expert Advisor, AI and SCM New Business Team, DS-eTrade<br>Former · President and Head of the Camera and Battery Business Division, PowerLogics<br>· Executive Director for Supplier Management Support, Samsung Electronics Win-Win Cooperation Center | Overall Management | ● | ● | ● | ● | | ● | ● | | ● | ● |

# Board of Directors

## Board Composition

### Appointment of Directors

KD Navien strives to ensure the expertise and independence of director candidates and to sufficiently reflect the views of shareholders and stakeholders in the director appointment process. The Board of Directors fairly recommends candidates after thoroughly reviewing their career histories, areas of expertise, and business-related knowledge, and directors are ultimately appointed at the General Meeting of Shareholders. As part of this process, the Company reviews transactions between each candidate and KD Navien over the past three years. For independent director candidates, KD Navien additionally verifies their independence by reviewing qualification confirmation documents and rigorously assesses whether they meet the eligibility requirements prescribed by the Commercial Act and other applicable laws and regulations. The names, recommending parties, relationships with the largest shareholder, and key career histories of appointed directors are transparently disclosed to external stakeholders.

#### Director Appointment Process

**Board of Directors**
Review and Recommendation of Candidates
- Conduct preliminary interviews and reference checks
- Assess independence, expertise, and diligence

›

**General Meeting of Shareholders**
Appointment of Directors
- Adopt the final resolution on director appointments

›

**Disclosure**
Disclosure of Appointment Details and Career Histories
- Public disclosure and registration

### Board Independence

KD Navien maintains a balanced Board that is not disproportionately influenced by any specific stakeholder or occupational group, enabling it to independently and faithfully perform its oversight function. The Company has established internal regulations, including its Articles of Incorporation and Board of Directors Operating Regulations, to promote checks and balances among the Board, management, and independent directors. The basis for appointing a lead independent director is clearly stipulated in the Board of Directors Operating Regulations to ensure that the Board can independently oversee management. Directors with a special interest in a Board resolution are restricted from exercising their voting rights. Matters involving conflicts of interest that fall under Article 397-2 of the Commercial Act, concerning the prohibition on the appropriation of corporate opportunities and assets, or Article 398, concerning transactions between directors and the Company, must be approved by at least two-thirds of all directors in accordance with the Articles of Incorporation. Through these measures, KD Navien strictly manages conflicts of interest. In addition, pursuant to Article 34, Paragraph 5, Subparagraph 3 of the Enforcement Decree of the Commercial Act, KD Navien ensures that independent directors do not concurrently serve as directors, executive officers, or auditors at two or more companies other than KD Navien, thereby preventing excessive concurrent appointments from interfering with the performance of their duties. Going forward, KD Navien will continue to recognize Board independence as a key foundation for sustainable growth and further strengthen transparent and accountable governance.

### Board Training

KD Navien provides training programs to strengthen the expertise of independent directors and enhance their understanding of the Company, thereby supporting them in faithfully fulfilling their duties as Board members.

#### Independent Director Training

| Training Date | Key Training Content |
|---|---|
| 2025.11.05 | 2026 Global Economic Outlook |

### Committees Under the Board of Directors

KD Navien has established and operates the Management Committee as a committee under the Board of Directors to enhance the efficiency and timeliness of decision-making on major management matters. The Management Committee consists of five executive directors with professional management expertise and industry experience. It thoroughly reviews and resolves major management matters delegated by the Board, including financial matters and other significant issues. Matters resolved by the Management Committee are reported to each director in accordance with Article 14 of the Management Committee Operating Regulations and Article 393-2, Paragraph 4 of the Commercial Act. Any director who receives such a report may request that a Board meeting be convened when necessary. The Board may reconsider matters resolved by the Management Committee, thereby ensuring checks and balances. In addition, to strengthen Board-level oversight of ESG management, KD Navien established the ESG Committee in March 2026. Going forward, the Company plans to continuously advance its Board-level ESG governance by setting ESG strategic directions, reviewing major risks, and monitoring sustainability management performance.

#### Management Committee Composition

(As of December 31, 2025)

| Chairperson | Members | Number of Meetings Held | Attendance Rate | Key Resolutions |
|---|---|---|---|---|
| Sohn Yeon-ho, Representative Director | Sohn Heung-rak, Representative Director<br>Jang Hi-cheol, Representative Director<br>Kim Yong-bum, Executive Director<br>Park Seong-keun, Executive Director | 19 | 100% | • Appointment, position assignments, and remuneration of executives<br>• Determination of executive retirement benefits and incentive payments<br>• Matters related to finance and capital raising<br>• Financial transactions and payment guarantees involving overseas subsidiaries<br>• Acquisition of major assets, etc. |

# Board of Directors

## Board Operations

### Board Activities

KD Navien holds regular Board meetings on a quarterly basis and convenes extraordinary Board meetings as necessary to support efficient decision-making and stable Board operations. Meeting schedules and key agenda items are provided to directors and the auditor at least seven days prior to each meeting, allowing sufficient time for review.[1] As a general rule, directors attend Board meetings in person. In unavoidable circumstances, all directors may participate in resolutions remotely through real-time audio communication.[2] In accordance with Article 15 of the Board of Directors Operating Regulations, minutes are prepared to record the meeting agenda, proceedings, resolutions, dissenting opinions, and the reasons for such dissent. The minutes are systematically retained after being signed or sealed by the attending directors and auditor. Key information is disclosed on the Company's website on a quarterly basis. In 2025, KD Navien held seven Board meetings, during which 14 reporting agenda items—including the results of the sustainability management materiality assessment—and 19 major resolution items—including Board and director self-assessments and the establishment of new corporations—were reviewed and resolved.

Board of Directors Operating Regulations

Board Operations

| Year | Meetings Held (NO.) | Items Deliberated / Reported (NO.) | Average Attendance Rate (%) |
|---|---|---|---|
| 2023 | 6 | 15/13 | 100 |
| 2024 | 6 | 19/13 | 93 |
| 2025 | 7 | 19/14 | 100 |

### Board Performance Evaluation

KD Navien conducts annual self-assessments of the Board and individual directors to evaluate the appropriateness of Board operations and the extent to which the Board fulfills its roles and responsibilities. The evaluation comprehensively covers overall Board activities—including the Board's roles and responsibilities, structure, operations, and engagement—as well as individual directors' fulfillment of their responsibilities, expertise, and contributions. Through this process, KD Navien evaluates the Board's performance from multiple perspectives. The evaluation results are reported to the Board and used as reference materials when reviewing future operating directions and areas for improvement.

2025 Board Evaluation Results (On a 5-Point Scale)

| Category | Evaluation Component | Score |
|---|---|---|
| Board Assessment | Roles and Responsibilities of the Board | 4.9 |
| | Board Structure | 4.3 |
| | Board Operation | 4.3 |
| | Reflection of Evaluation Results | 4.5 |
| Director Self-Assessment | Engagement | 4.8 |
| | Experience and Knowledge | 4.4 |
| | Contribution to Board Operations | 4.1 |
| | Strengthening Board Accountability | 4.8 |

### Director Remuneration

KD Navien determines director remuneration by comprehensively considering the responsibilities and roles of directors in performing their duties, as well as the Company's management performance. Total remuneration is managed within the limit approved at the General Meeting of Shareholders. Annual salaries for executive directors are determined based on their contributions to the Company. Performance bonuses are paid based on a comprehensive assessment of company-wide performance and organizational and individual performance evaluation results. Independent directors receive fixed remuneration in accordance with internal standards that take into account the independence of their duties and level of responsibility.

Director Remuneration

| Year | Category | Number of Directors | Total Remuneration (KRW million) | Average Remuneration per Director (KRW million) |
|---|---|---|---|---|
| 2023 | Executive Directors | 4 | 1,109 | 277 |
| | Independent Directors | 3 | 126 | 42 |
| 2024[3] | Executive Directors | 5 | 1,469 | 294 |
| | Independent Directors | 4 | 126 | 32 |
| 2025 | Executive Directors | 6 | 2,197 | 366 |
| | Independent Directors | 3 | 126 | 42 |

1) Convening procedures may be omitted with the consent of all directors and the auditor.
2) The relevant director is deemed to have attended the Board meeting in person
3) Includes one independent director who retired in 2024.

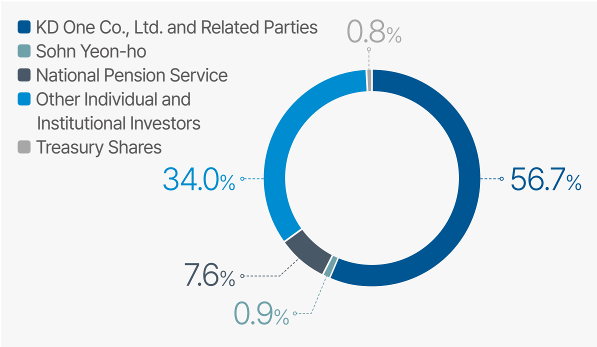
# Protection of Shareholder Rights

## Composition of Shares and Shareholders

In accordance with its Articles of Incorporation, KD Navien is authorized to issue a total of 30,000,000 shares, with a par value of 1,000 KRW per share. As of December 31, 2025, the total number of issued shares was 14,568,592. Excluding 115,660 treasury shares, the number of outstanding common shares was 14,452,932. As of the same date, the shareholders holding 5% or more of the Company's shares were KD One Co., Ltd. and the National Pension Service.

### Shareholder Composition

(As of December 31, 2025)




| Category | Number of Shares Owned (shares) | Shareholding Ratio (%) |
|---|---|---|
| KD One Co., Ltd. | 8,263,287 | 56.7 |
| Sohn Yeon-ho | 129,262 | 0.9 |
| National Pension Service (NPS) | 1,100,545 | 7.6 |
| Other Individual and Institutional Investors | 4,959,838 | 34.0 |
| Treasury Shares | 115,660 | 0.8 |
| Total Issued Shares | **14,568,592** | **100** |

## Protection of Shareholders' Rights

KD Navien maintains a dividend policy that balances investment for future growth with shareholder returns, with "stability" and "predictability" established as its key dividend principles. The Company has avoided sharp fluctuations in dividends per share in response to changes in earnings and has consistently maintained dividends at the previous year's level or gradually increased them. KD Navien has continuously increased dividends per share over the past ten years and has paid year-end dividends for 32 consecutive years. From the 44th through the 48th fiscal years and from the 50th through the 51st fiscal years, the Company increased dividends per share by 50 KRW compared with the preceding fiscal year. In the 49th, 52nd, and 53rd fiscal years, dividends per share increased dividends per share by 100 KRW compared with the preceding fiscal year. Going forward, KD Navien will continue to implement its dividend policy by comprehensively considering its financial position, cash flows, investment plans, and business environment, with the aim of achieving sustainable corporate growth and enhancing shareholder value.

### Dividend Details

| Category | Type of Shares | 2023 51st Fiscal Year | 2024 52nd Fiscal Year | 2025 53rd Fiscal Year |
|---|---|---|---|---|
| Cash Dividend per Share (Won) | Common Shares | 550 | 650 | 750 |
| | Preferred Shares | 0 | 0 | 0 |
| Dividend Yield (%) | Common Shares | 1.19 | 0.75 | 1.34 |
| | Preferred Shares | 0 | 0 | 0 |

### Key Investor Communication Channels in 2025

**Investor Inquiries**
- Responses provided by telephone and in person
- Operated year-round

**Regular Stakeholder Meetings**
Held four times a year with key internal and external stakeholders

**Shareholders' Meeting Resolution Plan**
To enhance tangible shareholder value by strengthening shareholders' rights, KD Navien has operated an electronic voting system and solicited proxies for ten consecutive years through the 2026 General Meeting of Shareholders. Information on proxy solicitation and electronic voting is transparently disclosed to shareholders through notices of General Meetings of Shareholders and proxy solicitation reference materials filed through the Financial Supervisory Service's electronic disclosure system.

## General Meeting of Shareholders

KD Navien holds an Annual General Meeting of Shareholders to transparently provide shareholders with key management information and support informed decision-making. To enable shareholders to exercise their voting rights based on sufficient information, the Company provides advance notice of key matters—including the date, venue, and agenda—through its website and the electronic disclosure system four weeks before each Annual General Meeting of Shareholders. KD Navien also enhances the convenience of shareholder participation by operating an electronic voting system and soliciting proxies. Key management information is provided in a timely manner through the Company's website and electronic disclosure system, thereby improving shareholders' access to information.

### Notice and Meeting Dates for the Annual General Meetings of Shareholders over the Past Three Years

| Year | Notice Date | Meeting Date |
|---|---|---|
| 2024 | February 28, 2024 | March 20, 2024 |
| 2025 | February 25, 2025 | March 26, 2025 |
| 2026 | February 25, 2026 | March 26, 2026 |

## Shareholder Communication

KD Navien continuously communicates with major investors to understand and respond to their needs. Investor inquiries are addressed year-round by telephone and through in-person meetings, while regular communication sessions are held quarterly with key internal and external stakeholders.

# Ethics and Compliance Management

## Ethical Management System

### Dedicated Organization

KD Navien operates the Management Improvement Department as an independent dedicated organization to enhance management transparency and responsible management. Through this organization, the Company continuously reviews the adequacy of its internal control and audit systems, as well as the legality and reasonableness of its business operations. As an independent organization under the Auditor, the Management Improvement Department conducts internal audits, risk management activities, and reviews of ethical management practices across the Company's major management activities. Through these activities, it identifies management risks in advance and, when violations are identified, develops improvement measures and requests the relevant departments to implement corrective actions and measures to prevent recurrence. The Company also conducts regular and ad hoc audits to review major business processes and compliance with internal regulations. Audit results are reported to the Auditor and management and used to improve management practices. Led by the Management Improvement Department, KD Navien promotes fair business practices, prevents misconduct, and fosters a culture of ethical management. Going forward, the Company will further strengthen the expertise and independence of its audit function and reinforce the foundation for sustainable management.

Organizational Structure

**Audit**
Independent Audit and Oversight
- Attend Board meetings and present opinions
- Examine agenda items and documents submitted to the General Meeting of Shareholders and report the findings
- Submit audit reports
- Audit accounting and overall business operations
- Oversee the performance of duties by directors

**Management Improvement Department**
Support for Audit Activities
- Establish and operate the ethical management system
- Develop and implement audit plans, report audit results, and conduct follow-up management
- Establish and revise the Code of Ethics and Practice Guidelines
- Provide ethics training and raise employee awareness
- Operate reporting channels and receive and investigate internal reports

### Ethical Regulations

KD Navien has established a Code of Ethics as a standard for ethical and responsible management, clearly setting out the principles of conduct that all employees must follow. The Code of Ethics was established in 2004 with the approval of top management. The Company also operates the Code of Ethics Practice Guidelines to support employees in making sound decisions. The Guidelines provide specific standards of conduct that employees must follow in performing their duties, thereby promoting the day-to-day practice of ethical management, enhancing employees' ethical awareness, and strengthening customer trust.

#### Code of Ethics

KD Navien established its Code of Ethics as a standard for upholding corporate ethics and fulfilling its social responsibilities in all relationships with stakeholders. The Code sets out standards for value judgments and principles of conduct that must be observed in relationships with customers, society, suppliers, employees, shareholders, and other stakeholders. All employees are required to comply with the Code, while stakeholders, including suppliers, are also encouraged to observe it, thereby contributing to the creation of an ethical business environment.

KD Code of Ethics

#### Code of Ethics Practice Guidelines

The Code of Ethics Practice Guidelines provide standards for judgment and principles of conduct regarding various ethical situations that employees may encounter while performing their duties, thereby helping to enhance ethical awareness. The Guidelines include specific standards designed to prevent unethical conduct, including fraud and corruption, bribery, conflicts of interest, unfair trade practices such as antitrust violations and collusion, and money laundering.

Practice Guidelines

#### Anti-Corruption Policy

KD Navien implements an Anti-Corruption Policy to proactively prevent corruption- and bribery-related risks and strengthen the foundation for ethical management. The Policy applies to employees and suppliers and sets out the standards and principles required to comply with relevant laws and regulations. All employees must comply with applicable laws and regulations in the course of performing their duties. Overseas subsidiaries comply with the anti-corruption laws of their respective countries to maintain fairness and transparency in business operations.

# Ethics and Compliance Management

## Ethical Management Risk Management

### Ethical Management Risk Monitoring

In accordance with its annual audit plan, KD Navien's Management Improvement Department conducts regular and ad hoc audits of key business areas to review internal controls and ethical management risks across the Company's business activities. Based on audit findings, the Department identifies areas for improvement in audit reports and continuously monitors the implementation of follow-up actions. When employees violate ethical regulations, KD Navien investigates the facts and takes action in accordance with relevant procedures. The Company also identifies and prevents potential risks that may arise from changes in the business environment. Through these activities, KD Navien systematically manages ethical management risks and strengthens management transparency and accountability.

### Operation of Reporting Channels

KD Navien operates the Cyber Reporting Center on its website, along with various reporting channels, including online, telephone, and mail channels, enabling employees, suppliers, and other internal and external stakeholders to freely report matters related to ethical management. Reports received are primarily reviewed for violations of ethical regulations, including employee misconduct and corruption, unfair practices involving suppliers, conflicts of interest, violations of laws and regulations, and conduct that undermines organizational culture. Taking into account the significance and characteristics of each report, KD Navien follows the necessary procedures, including referral to relevant departments or the conduct of an audit, and manages each case to ensure that appropriate action is taken.

Reporting Process

| STEP 1 | STEP 2 | STEP 3 | STEP 4 |
|---|---|---|---|
| Receipt of Report | Review and Classification | Investigation | Follow-up Action |
| Receive Cyber Reporting Center reports submitted online, by telephone, or by mail | Conduct an initial review of the report<br>Refer the case to the relevant department or conduct an audit | Verify the facts and conduct an investigation when an audit is deemed necessary | Take action based on the investigation results |

### Management Status

In 2025, KD Navien conducted five investigations, comprising three regular and ad hoc audits and two investigations into reported ethics violations. The Company strengthened its ethical management system by improving relevant business processes and taking action in accordance with internal regulations. A total of 24 reports were received through the reporting channels. Customer complaints and after-sales service requests were referred to the responsible departments for prompt resolution and improvements in customer service quality, while the Management Improvement Department monitored the handling results and conducted follow-up management. In 2026, KD Navien plans to establish an annual audit plan and continue conducting special, regular, and ad hoc audits. The Company will also securely operate its reporting channels and systematically manage reported cases. Through these efforts, KD Navien will identify potential risks related to ethical management and internal controls at an early stage and proactively implement improvements.

### Whistleblower Protection Principles

In accordance with its Whistleblower Protection Principles, KD Navien thoroughly protects the identities of whistleblowers and the contents of their reports in accordance with relevant procedures. The Company strictly prohibits retaliation, discrimination, adverse personnel actions, and any other unfavorable treatment resulting from whistleblowing. When a whistleblower suffers a disadvantage as a result of making a report, the Company accepts requests for corrective action, verifies the facts, and reviews the measures required under relevant procedures. KD Navien also takes appropriate action in accordance with internal regulations against any conduct that violates its Whistleblower Protection Principles.

Whistleblower Protection Principles

Reporting Channels

| | |
|---|---|
| Matters Subject to Reporting | • Employee misconduct and corruption<br>• Unfair practices involving suppliers<br>• Conflicts of interest, including transactions with stakeholders and lending or borrowing money between employees<br>• Other conduct that violates ethical management principle |
| Reporting Methods | • Online: Cyber Reporting Center<br>• Mail: Management Improvement Department, 9F, C.C.M.M Building, 101 Yeoui Gongwon-ro, Yeongdeungpo-gu, Seoul<br>• Telephone: +82-2-3489-2444, +82-2-6444-7186 |

# Ethics and Compliance Management

## Ethical Management Activities

### Ethics Training

KD Navien provides regular ethics training to promote organizational integrity and enhance employees' ethical awareness. Ethics training is included in the orientation program for new employees so that they can internalize the Company's ethical standards from the beginning of their employment. The Company also provides online ethics training to all employees to continuously enhance their understanding of ethical regulations and their ability to apply them in practice.

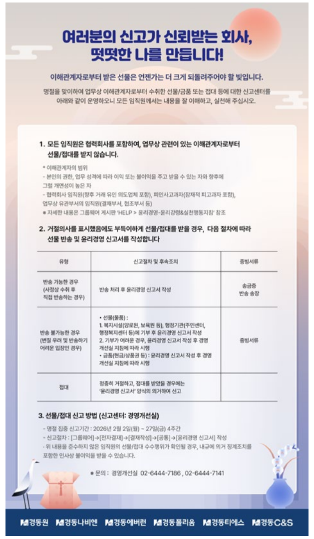
2025 Ethics Training

| Category | Enrolled (employees) | Completed (employees) | Completion Rate (%) |
|---|---|---|---|
| New Employee Orientation Training | 75 | 75 | 100 |
| Mandatory Training for All Employees[1] | 1,718 | 1,718 | 100 |

1) The number of employees subject to mandatory training represents the number of full-time employees as of June 2025, when the training was conducted, excluding independent directors.

### Ethical Management Campaigns and Content

KD Navien conducts ethical management campaigns and provides related content to strengthen employees' ethical awareness and embed a culture of ethical management throughout the organization. Once a month, the Company shares major cases involving violations of ethical regulations through its internal portal. Campaign content is presented in a webtoon format so that employees can easily access and understand ethical management topics. Before and after major holidays, KD Navien also conducts ethical management campaigns that provide guidance on ethical standards prohibiting the acceptance of gifts, money, and entertainment. In addition, the Company provides various reference materials through a dedicated bulletin board for sharing ethical management information. Internal indicators, including the number of bulletin board views, are used to monitor employee participation and responses and serve as baseline data for campaign operations.




February Holiday Ethical Management Campaign


March Ethical Management Campaign: "Practicing ESG Management in the Field"

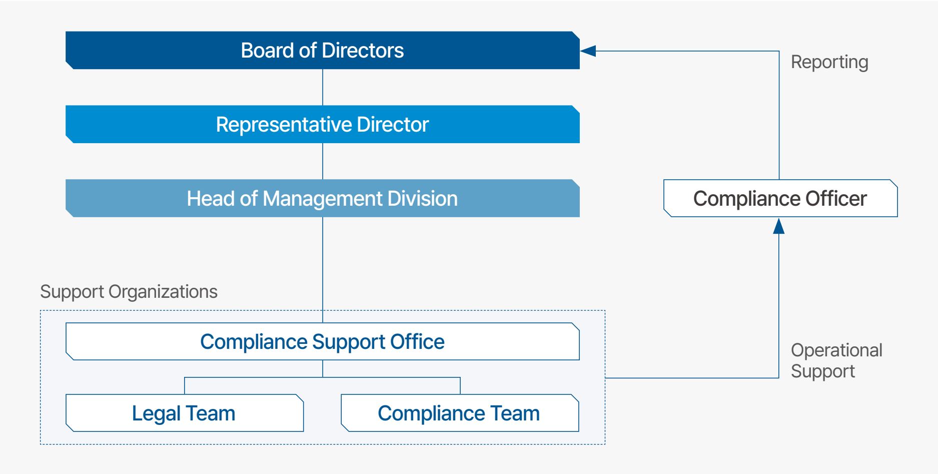
# Ethics and Compliance Management

## Compliance Management System

### Dedicated Organization

KD Navien operates a compliance officer system in accordance with Article 542-13 of the Commercial Act, which stipulates matters concerning compliance control standards and compliance officers. The Compliance Officer oversees overall compliance activities, including the prevention and mitigation of legal risks, the provision of compliance education and training, and the review and evaluation of compliance activities. Through these efforts, the Company monitors compliance across its business operations and assesses whether employees are fulfilling their compliance obligations. When conduct involving legal risks is identified, KD Navien takes immediate corrective action and reports the results directly to the Board of Directors, enabling management to recognize and respond to relevant matters in a timely manner. The Compliance Support Office, Legal Team, and Compliance Team support the activities of the Compliance Officer. Through this structure, KD Navien promotes a company-wide culture of compliance and focuses on proactively preventing legal risks.

Organizational Structure




### Compliance Regulations

#### Fair Trade Principles

KD Navien places the highest priority on compliance with fair trade laws and regulations and strives to establish fair and transparent business practices across all business activities. To this end, the Company has established and operates its Compliance Control Standards and systematically manages fair trade risks.

#### Internal Control Policy

KD Navien has established and operates an internal accounting control system to ensure the reliability of financial information and prevent misconduct. Following the 2021 amendment to the Act on External Audit of Stock Companies, etc., the Company adopted the new model standards and established a dedicated organization to ensure operational independence. Based on this framework, KD Navien objectively evaluates the effectiveness of the system's design and operation. The Company has also established performance assessment criteria for the internal accounting control system and links them to employees' work objectives, thereby creating a sustainable virtuous cycle for internal control. For each fiscal year, the Representative Director and the Internal Accounting Control Manager review the design and operating status of the system and report the results to the Auditor, the Board of Directors, and the General Meeting of Shareholders. In addition, the Company verifies the operational appropriateness of the internal accounting control system through an independent external auditor and maintains a transparent accounting management framework based on the results.

# Ethics and Compliance Management

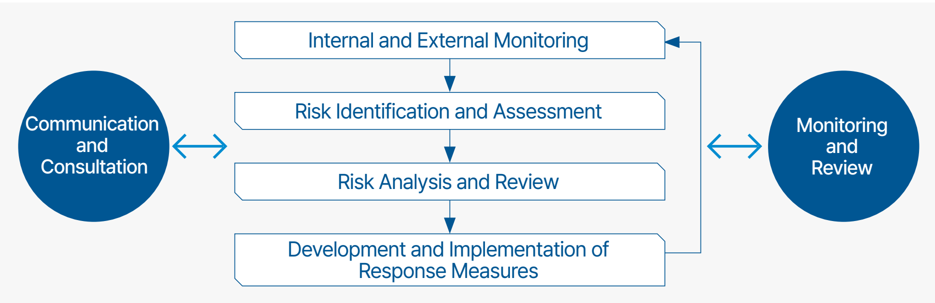
## Fair Trade

### Fair Trade Risk Management

KD Navien identifies compliance issues by transaction area and continuously reviews the response status of the relevant departments. The Company also monitors government policies and regulatory developments to identify major compliance issues, assess its current operations, and identify necessary areas for improvement. In particular, to enhance transparency in transactions among affiliates, KD Navien has operated the Internal Transaction Review Committee since 2023 and strengthened its operating framework in 2025. The Committee comprises external experts, including a tax accountant and an attorney, as well as representatives from relevant internal departments, including Management Planning, Finance, and Legal Affairs. It meets regularly twice a year to review major changes in transactions. When significant transactions arise, the Committee also conducts ad hoc reviews and, where necessary, performs additional assessments, such as interviews with the relevant departments, to verify the appropriateness of the transactions. The review results are reported to the Board of Directors and used to support informed decision-making on related transactions. Going forward, KD Navien will continue to identify and analyze key risk factors arising from changes in the internal and external business environment and respond proactively to minimize their impact on overall business operations.

#### Risk Assessment Process

KD Navien operates a systematic risk assessment process by continuously monitoring major internal and external developments, identifying and assessing relevant risk factors, analyzing and reviewing them, and developing appropriate response measures. Throughout this process, the Company enhances the effectiveness of its risk responses through communication and consultation with relevant departments and stakeholders.




### Fair Trade Management Activities

KD Navien regularly reviews the enactment and amendment of major fair trade laws and regulations relevant to its business and continuously monitors changes in government policies. In 2025, the Company analyzed and reported on the key provisions and potential impacts of amendments to the Commercial Act and the Trade Union and Labor Relations Adjustment Act. It also provided review opinions on various fair trade-related matters involving the Monopoly Regulation and Fair Trade Act, the Subcontracting Act, the Fair Agency Transactions Act, and the Act on Fair Labeling and Advertising. In addition, KD Navien shared company-wide review opinions on matters related to the Personal Information Protection Act, the Civil Act, the Debtor Rehabilitation and Bankruptcy Act, the Copyright Act, and the Act on Fair Labeling and Advertising. The Company also regularly publishes the Compliance Weekly Report, which summarizes key fair trade issues and overseas trends, to enhance employees' awareness of fair trade and strengthen their practical response capabilities. It also published a separate overseas compliance report on matters related to exports to the United States and China. In 2026, based on its analysis of the domestic and international compliance environment, KD Navien plans to strengthen company-wide guidance and monitoring of key issues and continue identifying and managing areas for improvement related to fair trade laws.

### Compliance Training

KD Navien establishes and implements differentiated compliance training programs tailored to employees' job functions to prevent legal risks and strengthen their practical capabilities. In 2025, in addition to statutory training, the Company conducted two in-house compliance training sessions, thereby enhancing employees' awareness of compliance requirements.

2025 Compliance Training

| Training Date | Content | Target Participants | Number of Participants |
|---|---|---|---|
| 2025.12 | Practical Guidance on Corporate Rehabilitation Proceedings | Departments involved in special site management | 19 |
| 2025.12 | Internal Response Process for Civil Mediation Procedures | | 19 |

# Integrated Risk Management

## Risk Management System

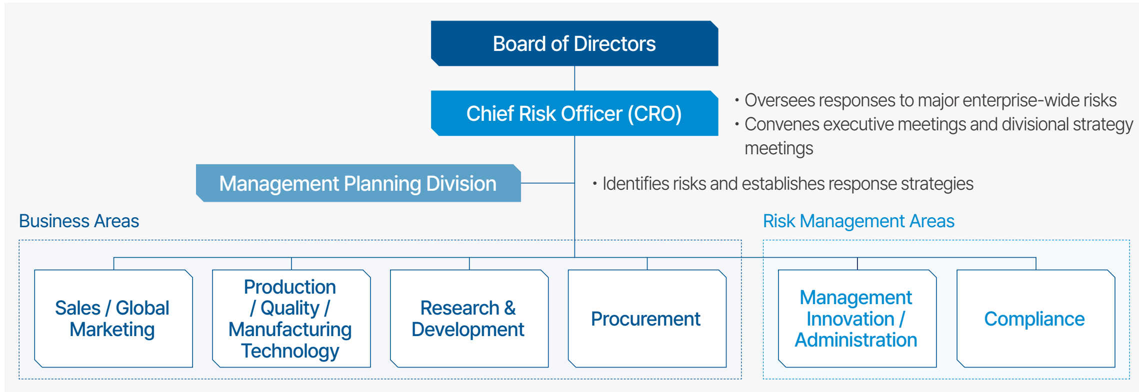
### Dedicated Organization

KD Navien strengthens its Enterprise Risk Management (ERM) Framework by continuously monitoring rapidly changing internal and external business environments and establishing strategies aligned with its business direction. The Company systematically identifies and analyzes key risks, including global low-growth trends, increased volatility in foreign exchange markets, supply chain risks, AI-related risks, energy security risks, global tariff conflicts, and heightened geopolitical risks, enabling it to proactively respond to an increasingly uncertain business environment. The Head of Management Planning serves as the Chief Risk Officer (CRO) and oversees the Company's enterprise-wide risk management system. Functional Planning Teams within each division conduct risk monitoring activities tailored to their respective business characteristics, while division heads and department heads manage risks within their areas of responsibility. The CRO oversees company-wide risk response activities. To strengthen its responsiveness to changes in the internal and external business environment, the Company holds Executive Strategy Meetings twice a month. In addition, it operates various consultative bodies, including divisional strategy meetings, Executive Committee meetings, and weekly executive meetings, to proactively review environmental and climate-related regulations, as well as financial and non-financial risks. Issues requiring cross-functional responses are addressed collaboratively through coordination among the relevant departments.

Key Roles and Responsibilities

| Category | Roles and Responsibilities |
|---|---|
| Board of Directors | • Reviews major risks, oversees risk management and establishes related policies |
| Chief Risk Officer (CRO) | • Oversees enterprise-wide risk management activities<br>• Supports the Board of Directors and reports key risk management matters |
| Major Committees and Functional Planning Teams | • Identify, assess, prevent, monitor, and respond to risks<br>• Manage the effective implementation of risk management plans |

Risk Management Governance




### Risk Management Process

KD Navien systematically analyzes identified risks based on its enterprise-wide risk management framework, prioritizes them according to their significance, and establishes appropriate response strategies. Through close collaboration among relevant departments, the Company strengthens its execution capabilities while continuously implementing company-wide risk mitigation and improvement activities. In 2025, the Company focused on enhancing its management system to respond effectively to rapidly changing business environments. Major risks and response strategies are shared company-wide through management briefings, thereby strengthening organizational awareness and enterprise-wide risk response capabilities.

# Integrated Risk Management

## Risk Management Activities

### Key Risks

KD Navien identifies and manages eight key risks across financial and non-financial areas to ensure stable business operations. For each risk, the Company establishes specific response measures and continuously monitors their implementation to strengthen enterprise-wide risk response capabilities.

| Category | Risk | Response Measures |
| --- | --- | --- |
| Integrated | Strategy & Operations | • Operate executive consultative bodies on a weekly and monthly basis to facilitate enterprise-wide responses to changes in the economic, social, and environmental landscape, as well as to financial and non-financial risks.<br>• Continuously monitor major global issues, establish company-wide response strategies, and share them across the organization to strengthen execution capabilities and organizational alignment. |
| Financial | Foreign Exchange | • Establish a foreign exchange risk management system by aligning foreign currency funding schedules.<br>• Continuously monitor exchange rate forecasts for major trading currencies, including the USD, EUR, and CNY. |
| | Interest Rates & Liquidity | • Closely monitor interest rate outlooks.<br>• Adjust the balance between fixed- and floating-rate borrowings in response to interest rate fluctuations.<br>• Establish mid- to long-term financing plans and monitor cash inflows and outflows. |
| | Taxation & Tariffs | • Maintain a tax risk management system by complying with tax regulations and faithfully fulfilling tax filing and payment obligations.<br>• Expand the scope of reviews by external experts on transfer pricing policies and advance pricing agreements (APAs) in response to changes in global tax regulations.<br>• Build a systematic tariff management system through continuous monitoring of global trade policies and support from external consultants. |
| Non-financial | Environment & Climate Change | • Apply and manage stringent internal standards to comply with environmental regulations related to air and water pollutants.<br>• Establish a voluntary greenhouse gas management system and review the use of renewable energy, including solar power generation. |
| | Occupational Health & Safety | • Establish the Company's highest decision-making body for occupational safety and health (CSO) and strengthen the safety management system.<br>• Prioritize facilities with high fire risks and establish cooperative response systems with local fire departments. |
| | Quality | • Strengthen product defect prevention across the Company through the operation of the Product Safety & Quality Management System.<br>• Provide user manuals to customers to minimize product-related issues during use. |
| | Regulatory Compliance & Information Security | • Publish the Compliance Weekly Report and establish a continuous monitoring system for regulatory developments.<br>• Strengthen information security by operating security management systems and conducting cybersecurity training and awareness programs. |

### Emerging Risks

#### Supply Chain Risk Management

As geopolitical uncertainties continue to intensify due to escalating U.S.–China trade tensions and prolonged regional conflicts, global supply chain risks are having an increasing impact on overall business operations. Instability in raw material procurement and increased energy price volatility directly affect manufacturing costs, while stricter trade regulations in major economies pose substantial risks to the Company's export-oriented business structure. In addition, heightened foreign exchange volatility has increased uncertainty in the Company's earnings structure due to its significant exposure to overseas sales. To proactively respond to these challenges, KD Navien is diversifying procurement channels for key raw materials and components while strengthening its foreign exchange risk management system. Furthermore, in response to evolving global supply chain regulations, including the EU Corporate Sustainability Due Diligence requirements, the Company is strengthening its supplier codes of conduct and ESG evaluation systems to enhance sustainability across the supply chain.

#### Demand and Market Risk

The prolonged slowdown in Korea's construction market and the decline in housing transactions resulting from higher interest rates have continued to reduce demand for new boilers. As the market rapidly shifts from new installations to replacement demand, intensified competition and weakened consumer sentiment have further increased uncertainty in the domestic business environment. To strengthen its competitiveness in the replacement market, KD Navien is expanding its premium product lineup featuring advanced AI-based control functions and enhanced ease of use. In addition, the Company is moving beyond a product sales-oriented business model by introducing subscription-based services to establish a stable recurring revenue structure and expand customer touchpoints, enabling it to respond more flexibly to market changes.

#### AI, Technology and Cybersecurity Risk

The rapid expansion of AI technologies and the acceleration of digital transformation have made technology-related risks a key management challenge across the Company's operations. As global competitors continue to advance AI-enabled products and services, maintaining technological competitiveness has become increasingly critical. At the same time, the expansion of IoT-enabled smart products and subscription service platforms has increased the volume of customer data, thereby heightening cybersecurity and personal data protection risks. To address these challenges, KD Navien continues to strengthen its technological competitiveness by enhancing AI-based control functions and expanding its home network capabilities through the acquisition of COMMAX. In addition, the Company reinforces its data security framework by maintaining ISO 27001 and ISO 27701 certifications and operating a dedicated information security organization.

# APPENDIX

# ESG Data

## Financial Performance

### Financial Highlights

| Particulars | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Total assets | Million KRW | 1,060,558 | 1,358,870 | 1,522,167 |
| Total liabilities | Million KRW | 475,963 | 663,453 | 751,672 |
| Total equity | Million KRW | 584,595 | 695,417 | 770,495 |
| Sales revenue | Million KRW | 1,204,313 | 1,353,879 | 1,502,240 |
| Cost of sales | Million KRW | 690,334 | 743,320 | 863,743 |
| Gross profit | Million KRW | 513,979 | 610,559 | 638,497 |
| Selling, general, and administrative expenses | Million KRW | 408,068 | 477,983 | 495,120 |
| Operating profit | Million KRW | 105,911 | 132,576 | 143,377 |
| Net income | Million KRW | 83,149 | 124,341 | 89,699 |
| Earnings per Share | KRW | 5,753 | 8,603 | 6,206 |

### Economic Value Distributed

| Particulars | | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| Employee | Salary | Subtotal | | Million KRW | 94,771 | 106,760 | 115,086 |
| | | Male | Total salary | Million KRW | 85,183 | 95,145 | 102,255 |
| | | | Ratio to legal minimum wage | % | 154 | 153 | 153 |
| | | Female | Total salary | Million KRW | 9,589 | 11,615 | 12,832 |
| | | | Ratio to legal minimum wage | % | 154 | 153 | 153 |
| | Employee Benefits | | | Million KRW | 26,736 | 31,853 | 34,564 |
| | Education and Training Expenses | | | Million KRW | 1,248 | 1,224 | 1,098 |
| Shareholders | Dividends | | | Million KRW | 7,226 | 7,949 | 9,394 |
| Government | Income tax | | | Million KRW | 30,141 | 33,436 | 60,070 |
| Local communities | Donations | | | Million KRW | 1,449 | 1,343 | 1,740 |

# ESG Data

## Environmental Performance

### Greenhouse Gas

| Particulars | | | Unit | 2023 | 2024 | 2025 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | KD Navien | KD Everon | KD Polyum | KD TS | Other[2] | Total |
| Emissions | Scope 1+2 Emissions[1] | | $tCO_2eq$ | 37,629 | 35,615 | 14,023 | 13,777 | 3,163 | 1,518 | 2,466 | 34,947 |
| | Scope 1 | Subtotal | $tCO_2eq$ | 5,329 | 5,214 | 2,939 | 282 | 5 | 1,068 | 580 | 4,876 |
| | Scope 2 | Subtotal | $tCO_2eq$ | 32,300 | 30,430 | 11,092 | 13,497 | 3,159 | 461 | 1,891 | 30,103 |
| Intensity | Subtotal | | $tCO_2eq$/100 million KRW | 3.125 | 2.631 | 1.110 | 6.223 | 3.256 | 5.705 | - | 2.326 |
| | Scope 1 | | $tCO_2eq$/100 million KRW | 0.443 | 0.385 | 0.233 | 0.127 | 0.006 | 4.016 | - | 0.325 |
| | Scope 2 | | $tCO_2eq$/100 million KRW | 2.682 | 2.248 | 0.878 | 6.096 | 3.253 | 1.736 | - | 2.004 |

1) Scope 1+2 emissions may differ from the sum of individual emission types due to truncation of decimal places when totaled
2)Combined emissions from KD C&S, Time Engineering Asia, and overseas subsidiaries

### Scope 3 Emissions[1]

| Particulars | | | Unit | 2023 | 2024[2] | 2025 |
|---|---|---|---|---|---|---|
| Scope 3 | Subtotal | | $tCO_2eq$ | 36,756,005 | 44,676,050 | **39,259,530** |
| | By category | 1. Purchased goods and services | $tCO_2eq$ | 235,616 | 383,539 | **127,395** |
| | | 2. Capital goods | $tCO_2eq$ | 13,796 | 17,663 | **19,217** |
| | | 4. Upstream transportation and distribution[4] | $tCO_2eq$ | 21,414 | 18,672 | **8,832** |
| | | 5. business sites generated waste | $tCO_2eq$ | 80 | 98 | **65** |
| | | 6. Business Travel[3] | $tCO_2eq$ | - | - | **209** |
| | | 7. Employee Commuting[3] | $tCO_2eq$ | - | - | **728** |
| | | 9. Downstream transportation and distribution[4] | $tCO_2eq$ | 2,929 | 2,338 | - |
| | | 11. Use of sold products | $tCO_2eq$ | 36,482,169 | 42,247,391 | **39,087,728** |
| | | 12. End-of-life treatment of sold products | $tCO_2eq$ | N/A | 2,006,350 | **15,356** |

1) KD Navien separate basis
2) Increased capital investment and material purchases due to the expansion of the new plant in 2024
3) Emissions for the category were calculated for the first time in 2025
4) Not calculated separately from 2025, as upstream and downstream logistics emissions are combined to reflect the nature of the business

# ESG Data

## Environmental Performance

### Eco-friendly Business

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Eco-friendly products and services | Sales from eco-friendly products and services | Million KRW | 794,908 | 996,961 | 1,090,071 |
| | Sales ratio | % | 66 | 74 | 73 |

### Energy[1)]

| Particulars | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Consumption | Total energy consumption[1)] | | TJ | 263.59 | 285.62 | 287.47 |
| | Direct | Gasoline | TJ | 2.87 | 2.67 | 2.76 |
| | | Diesel | TJ | 1.61 | 2.09 | 1.73 |
| | | Kerosene | TJ | 1.37 | 1.67 | 0.70 |
| | | LNG | TJ | 56.83 | 59.71 | 48.85 |
| | | LPG | TJ | 1.55 | 2.86 | 1.64 |
| | Indirect | Purchased electricity | TJ | 199.37 | 216.62 | 231.79 |
| Intensity[2)] | | | TJ/100 million KRW | 0.026[3)] | 0.023 | 0.023 |
| Reduction | | | TJ | 2.42 | (22.54) | (2.15) |

1) On a separate basis for KD Navien
2) Total energy consumption on a consolidated basis in 2025: 707.120 TJ
3) Figures have been restated due to a reporting error

### Renewable energy

| Particulars | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Renewable energy consumption[1)] | TJ | - | 0.50 | 0.91 |

1) Aggregation and disclosure of renewable energy use from 2024 onward due to solar power installations by the U.S. subsidiary in 2023

### Air Pollutants

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Nitrogen Oxides (NOx) | Emissions | Ton | 2.65 | 3.05 | 1.82 |
| | Concentration | ppm | 9.8 | 8.9 | 14.5 |
| Sulfur Oxides (SOx) | Emissions | Ton | 0.45 | 0 | 0 |
| | Concentration | ppm | 4.2 | 0 | 0 |
| Particulate Matter (PM) | Emissions | Ton | 0.48 | 0.12 | 0.08 |
| | Concentration | ppm | 1.6 | 0.5 | 0.4 |

### Water Pollutants

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total Organic Carbon (TOC) | Emissions | Ton | 0.53 | 0.91 | 0.49 |
| | Concentration | mg/L | 5.19 | 119.65 | 3.39 |
| Biochemical Oxygen Demand (BOD) | Emissions | Ton | 0.32 | 0.92 | 0.32 |
| | Concentration | mg/L | 5.08 | 186.87 | 2.98 |
| Suspended Solids (SS) | Emissions | Ton | 0.13 | 0.13 | 0.07 |
| | Concentration | mg/L | 3.25 | 6.58 | 1.31 |

### Chemicals

| Particulars | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Hazardous chemicals consumption | Ton | 0.02 | 4.74 | 32 |
| Chemical discharge | Ton | 0.002 | 8.5 | 5.4 |

# ESG Data

## Environmental Performance

### Water Usage

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total | Total water use | m³ | 540,001 | 532,495 | 359,310 |
| | Total water withdrawal | m³ | 308,891 | 345,229 | 248,239 |
| | Groundwater | m³ | 100,331 | 98,734 | 85,607 |
| | External organization | m³ | 208,560 | 246,495 | 162,632 |
| | Reuse | m³ | 231,110 | 187,266 | 111,071 |
| | Reuse rate | % | 43 | 35 | 31 |
| | Total discharge[1] | m³ | 109,601 | 89,910 | 90,611 |
| | Total consumption | m³ | 199,290 | 255,319 | 157,629 |
| | Water consumption intensity[2] | m³/100 million KRW | 54 | 43 | 28.44 |
| Seotan Factory (ECO Hub) | Total water withdrawal | m³ | 176,875 | 188,250 | 149,724 |
| | Groundwater | m³ | 77,208 | 73,270 | 60,532 |
| | External organization | m³ | 99,667 | 114,980 | 89,192 |
| | Reuse | m³ | 231,110 | 187,266 | 111,071 |
| | Total discharge | m³ | 98,366 | 79,053 | 81,247 |
| | Total consumption | m³ | 78,509 | 109,197 | 68,477 |
| Pyeongtaek Factory | Total water withdrawal | m³ | 18,576 | 18,288 | 20,748 |
| | Groundwater | m³ | 18,576 | 18,288 | 20,748 |
| | External organization | m³ | 0 | 0 | 0 |
| | Total discharge | m³ | 9,365 | 8,981 | 8,636 |
| | Total consumption | m³ | 9,211 | 9,307 | 12,834 |

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Songtan Factory | Total water withdrawal | m³ | 6,415 | 9,907 | 7,084 |
| | Groundwater | m³ | 4,061 | 7,176 | 4,327 |
| | External organization | m³ | 2,354 | 2,731 | 2,757 |
| | Total discharge | m³ | 1,870 | 1,876 | 728 |
| | Total consumption | m³ | 4,545 | 8,031 | 6,356 |
| Gasan Factory | Total water withdrawal | m³ | 6,153 | 11,681 | 7,875 |
| | Groundwater | m³ | 486 | 0 | 0 |
| | External organization | m³ | 5,667 | 11,681 | 7,875 |
| | Total discharge | m³ | 0 | 0 | 0 |
| | Total consumption | m³ | 6,153 | 11,681 | 7,875 |
| Research Institute | Total water withdrawal | m³ | 100,872 | 117,103 | 62,808 |
| | Groundwater | m³ | 0 | 0 | 0 |
| | External organization | m³ | 100,872 | 117,103 | 62,808 |
| | Total discharge | m³ | 0 | 0 | 0 |
| | Total consumption | m³ | 100,872 | 117,103 | 62,808 |

1) Based on freshwater (same for all facilities)
2) Based on separate sales

# ESG Data

## Environmental Performance

### Waste

| Particulars | | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| Generated | Subtotal | | | Ton | 973 | 1,191 | 1,140 |
| | Designated waste | | | Ton | 31 | 32 | 66 |
| | General waste | | | Ton | 942 | 1,159 | 1,074 |
| Disposed | Subtotal | | | Ton | 973 | 1,191 | 1,140 |
| | Designated waste | Internal | | Ton | 0 | 0 | 0 |
| | | External | Landfill | Ton | 0 | 0 | 0 |
| | | | Incineration | Ton | 26 | 27 | 25 |
| | | | Processed for reuse | Ton | 0 | 0 | 0 |
| | | | Recycled | Ton | 4 | 5 | 10 |
| | | | Etc. | Ton | - | - | 31 |
| | General waste | Internal | | Ton | 0[1] | 0 | 0 |
| | | External | Landfill | Ton | 10 | 0 | 0 |
| | | | Incineration | Ton | 0 | 0 | 0 |
| | | | Processed for reuse | Ton | 159 | 277 | 302 |
| | | | Recycled | Ton | 774 | 882 | 773 |
| Waste Recycled | | | | Ton | 937 | 1,164 | 1,085 |
| Recycling Rate | | | | % | 96 | 98 | 95 |
| Intensity | Waste generation intensity | | | % | 0.098 | 0.096 | 0.090 |

1) Figures have been restated due to a reporting error

### Biodiversity

| Major Business Sites | Number of Species by IUCN Red List Category[1] | | | | | |
|---|---|---|---|---|---|---|
| | CR | EN | VU | NT | LC | Total |
| Seoul Office | 8 | 35 | 56 | 48 | 822 | 969 |
| Seotan Factory (ECO Hub) | 7 | 34 | 54 | 47 | 784 | 926 |
| Gasan factory | 7 | 35 | 51 | 49 | 765 | 907 |
| Navien, Inc. | 15 | 26 | 52 | 48 | 1134 | 1,275 |
| Navien Mexico, S.A. de C.V | 6 | 27 | 29 | 34 | 1,072 | 1,168 |
| Navien UK Ltd | 7 | 12 | 78 | 66 | 929 | 1,092 |

1) IUCN Red List categories: CR (Critically Endangered), EN (Endangered), VU (Vulnerable), NT (Near Threatened), and LC (Least Concern)

# ESG Data

## Social Performance

### Employee Status[1]

| Particulars | | | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|
| Total number of employees | | | | | Persons | 1,646 | 1,787 | 1,783 |
| Registered Executives[2] | Subtotal | | | | Persons | 8 | 9 | 10 |
| | By gender | | | Male | Persons | 8 | 9 | 10 |
| | | | | Female | Persons | 0 | 0 | 0 |
| | By age | | | Under 30 years old | Persons | 0 | 0 | 0 |
| | | | | 30 to under 50 years old | Persons | 1 | 1 | 1 |
| | | | | 50 Years old and above | Persons | 7 | 8 | 9 |
| Employees | Subtotal | | | | Persons | 1,638 | 1,778 | 1,773 |
| | By employment type | Full-time | By gender | Male | Persons | 1,247 | 1,304 | 1,320 |
| | | | | Female | Persons | 173 | 184 | 190 |
| | | | By country | Republic of Korea | Persons | 1,419 | 1,488 | 1,510 |
| | | | | China | Persons | 1 | 0 | 0 |
| | | | By age | Under 30 years old | Persons | 271 | 257 | 222 |
| | | | | 30 to under 50 years old | Persons | 979 | 1,041 | 1,093 |
| | | | | 50 Years old and above | Persons | 170 | 190 | 195 |
| | | Part-time (fixed-term) | By gender | Male | Persons | 196 | 254 | 235 |
| | | | | Female | Persons | 22 | 36 | 28 |
| | | | By country | Republic of Korea | Persons | 218 | 290 | 263 |
| | By Position | Team Leader level and above[3] | By gender | Male | Persons | 145 | 152 | 159 |
| | | | | Female | Persons | 6 | 7 | 8 |
| | | | By age | Under 30 years old | Persons | 0 | 0 | 0 |
| | | | | 30 to under 50 years old | Persons | 79 | 86 | 94 |
| | | | | 50 Years old and above | Persons | 72 | 73 | 73 |
| | | Staff[4] | By gender | Male | Persons | 1,298 | 1,406 | 1,396 |
| | | | | Female | Persons | 189 | 213 | 210 |
| | | | By age | Under 30 years old | Persons | 369 | 376 | 324 |
| | | | | 30 to under 50 years old | Persons | 997 | 1,092 | 1,128 |
| | | | | 50 Years old and above | Persons | 121 | 151 | 154 |

| Particulars | | | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|
| Employees | By job[5] | Planning & Support | By gender | Male | Persons | 169 | 135 | 152 |
| | | | | Female | Persons | 45 | 44 | 50 |
| | | | By age | Under 30 years old | Persons | 51 | 36 | 31 |
| | | | | 30 to under 50 years old | Persons | 132 | 123 | 140 |
| | | | | 50 Years old and above | Persons | 31 | 20 | 31 |
| | | Sales, Marketing, and Service | By gender | Male | Persons | 225 | 281 | 255 |
| | | | | Female | Persons | 59 | 69 | 73 |
| | | | By age | Under 30 years old | Persons | 44 | 48 | 39 |
| | | | | 30 to under 50 years old | Persons | 210 | 256 | 256 |
| | | | | 50 Years old and above | Persons | 30 | 46 | 33 |
| | | Production and Quality | By gender | Male | Persons | 710 | 780 | 775 |
| | | | | Female | Persons | 55 | 64 | 48 |
| | | | By age | Under 30 years old | Persons | 199 | 224 | 198 |
| | | | | 30 to under 50 years old | Persons | 466 | 512 | 514 |
| | | | | 50 Years old and above | Persons | 100 | 108 | 111 |
| | | R&D | By gender | Male | Persons | 339 | 345 | 357 |
| | | | | Female | Persons | 36 | 38 | 41 |
| | | | By age | Under 30 years old | Persons | 75 | 64 | 54 |
| | | | | 30 to under 50 years old | Persons | 268 | 285 | 309 |
| | | | | 50 Years old and above | Persons | 32 | 34 | 35 |

1) Number of employees as of the end of the current year
2) Includes one full-time auditor
3) Team leader level and above, excluding registered executives
4) Excludes team leader level and above
5) Excluding the KD Disabled Sports Team

# ESG Data

## Social Performance

### Diversity

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Persons with Disabilities[1] | Number of employees with disabilities | Persons | 30 | 47 | 46 |
| | Employment rate of persons with disabilities | % | 1.88 | 2.64 | 2.59 |
| National Veterans | Number of national veteran employees | Persons | 10 | 10 | 10 |
| | Employment rate of national veterans | % | 0.61 | 0.56 | 0.56 |
| Female | Number of female employees[2] | Persons | 173 | 184 | 190 |
| | Percentage of female employees[2] | % | 10.6 | 10.3 | 10.7 |
| | Number of female managers | Persons | 6 | 7 | 8 |
| | Number of female executives[3] | Persons | 2 | 2 | 2 |
| | Female non-registered executives ratio | % | 8 | 6 | 6 |

1) Based on the 'Korea Employment Agency for Persons with Disabilities (KEAD)' performance report
2) Based on employees with indefinite-term contracts
3) Includes female registered and non-registered executives

### Recruitment

| Particulars | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| New hires[1] | Total number of new hires | | Persons | 192 | 175 | 105 |
| | New hire rate | | % | 14 | 2 | 7 |
| | By gender | Male | Persons | 152 | 146 | 89 |
| | | Female | Persons | 40 | 29 | 16 |
| | By age | Under 30 years old | Persons | 91 | 81 | 32 |
| | | 30 to under 50 years old | Persons | 97 | 80 | 66 |
| | | 50 Years old and above | Persons | 4 | 14 | 7 |
| | By country | Republic of Korea | Persons | 191 | 175 | 105 |
| | | China | Persons | 1 | 0 | 0 |

1) Based on employees with no fixed term of employment

### Retention[1]

| Particulars | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Average years of service | Subtotal | | Years | 6.9 | 6.9 | 7.3 |
| | By gender | Male | Years | 7.1 | 7.1 | 7.5 |
| | | Female | Years | 5.4 | 5.3 | 5.9 |

1) Based on employees with no fixed term of employment

### Turnover

| Particulars | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Number of turnovers | Total number of turnovers | | Persons | 141 | 132 | 125 |
| | By gender | Male | Persons | 119 | 118 | 113 |
| | | Female | Persons | 22 | 14 | 12 |
| | By age | Under 30 years old | Persons | 34 | 37 | 23 |
| | | 30 to under 50 years old | Persons | 97 | 85 | 74 |
| | | 50 Years old and above | Persons | 10 | 10 | 28 |
| | By country | Republic of Korea | Persons | 141 | 132 | 125 |
| Turnover rate | Total turnover rate | | % | 8.61 | 7.42 | 7.05 |
| | Voluntary turnover rate | | % | 8.12 | 6.92 | 5.81 |

# ESG Data

## Social Performance

### Parental Leave

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Employees taking parental leave[1] | Subtotal | Persons | 22 | 24 | 52 |
| | Male | Persons | 19 | 19 | 39 |
| | Female | Persons | 3 | 5 | 13 |
| Employees who returned from parental leave | Subtotal | Persons | 23 | 18 | 27 |
| | Male | Persons | 18 | 14 | 18 |
| | Female | Persons | 5 | 4 | 9 |
| Employees with over one year of service since returning from parental leave | Subtotal | Persons | 8 | 11 | 14 |
| | Male | Persons | 3 | 6 | 10 |
| | Female | Persons | 5 | 5 | 4 |
| Return rate from parental leave | Subtotal | % | 85 | 95 | 75 |
| | Male | % | 90 | 93 | 69 |
| | Female | % | 71 | 100 | 90 |
| Percentage of employees with over one year of service since returning from parental leave | Subtotal | % | 57 | 48 | 52 |
| | Male | % | 33 | 33 | 56 |
| | Female | % | 100 | 100 | 44 |

1) Based on start time of use of parental leave

### Equal Opportunity

| Particulars | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Female salary ratio | Compared to male[1] | G1 | % | 100 | 100 | 100 |
| | | G2 | % | 98 | 99 | 99 |
| | | G3 | % | 98 | 97 | 98 |
| | | G4 | % | 112 | 110 | 107 |
| Average salary per person | By gender | Male | Million KRW | 60 | 62 | 67 |
| | | Female | Million KRW | 50 | 53 | 59 |

1) Ratio based on full-time G job group; positions are structured in order from G1 to G4

### Non-discrimination

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Discrimination Cases[1] | Number of discrimination cases | Cases | 0 | 0 | 0 |
| Discrimination case management status | Under investigation | Cases | 0 | 0 | 0 |
| | Action plan established | Cases | 0 | 0 | 0 |
| | Action completed | Cases | 0 | 0 | 0 |

1) Number of reports related to human rights issues

### Labor-Management Relations

| Particulars | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Labor-management council meetings held | Times | 9 | 5 | 6 |

### Health and Safety Management System[1]

| Particulars | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Percentage of business sites with health and safety certification | % | 100 | 100 | 100 |
| Percentage of workers covered by health and safety certification | % | 100 | 100 | 100 |

1) Based on all employees and non-affiliated workers

# ESG Data

## Social Performance

### Occupational Accidents

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Employees | Number of occupational accidents | Cases | 1 | 1 | 4 |
| | Occupational accident rate[1] | % | 0.06 | 0.06 | 0.66 |
| | Lost time injury (LTI) | Cases | 1 | 1 | 4 |
| | Lost time incident rate (LTIR)[2] | - | 0.06 | 0.06 | 0.22 |
| | Recordable incidents (RI) | Cases | 1 | 1 | 4 |
| | Total recordable incident rate (TRIR)[3] | - | 0.06 | 0.06 | 0.22 |
| | Fatality (FAT) | Cases | 0 | 0 | 0 |
| | Fatality rate[4] | - | 0 | 0 | 0 |
| | Total working hours | Hours | 3,298,398 | 3,615,928 | 3,676,946 |
| Non-Affiliated workers | Recordable incidents (RI) | Cases | 0 | 1 | 0 |
| | Total recordable incident rate (TRIR)[3] | - | 0 | 0.23 | 0 |
| | Work-related severe injury | Cases | 0 | 0 | 2 |
| | Work-related severe injury rate | - | 0 | 0 | 0.297 |
| | Fatality (FAT) | Cases | 0 | 0 | 0 |
| | Fatality rate[4] | - | 0 | 0 | 0 |
| | Total working hours | Hours | 1,421,653 | 868,504 | 1,346,755 |

1) Occupational Accident Rate = (Number of occupational Accidents / Total Number of employees) x 100
2) LTIR = (Number of Lost Time Injuries / Total Working Hours) X 200,000
3) TRIR = (Number of Recordable Incidents / Total Working Hours) x 200,000
4) Fatality Rate = (Total number of work-related fatalities/ Total Working Hours) x 200,000

### Occupational Diseases

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Employees | Number of deaths caused by occupational disease | Cases | 0 | 0 | 0 |
| | Number of occupational diseases | Cases | 1 | 0 | 0 |
| Non-Affiliated workers | Number of deaths caused by occupational disease | Cases | 0 | 0 | 0 |
| | Number of occupational diseases | Cases | 0 | 0 | 0 |

# ESG Data

## Social Performance

### Employee Training and Performance Evaluation

| Particulars | | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| Training status[1] | Total number of employees completed training | | | Persons | 1,532 | 1,732 | **1,638** |
| | Training completion rate | | | % | 94.0 | 97.0 | **91.9** |
| | Total training hours | | | Hours | 31,340 | 31,645 | **30,632** |
| | Average training hours per employee | | | Hours/Person | 19.13 | 17.80 | **18.70** |
| | Average training hours per person | By gender | Male | Hours/Person | 18.17 | 17.04 | **17.78** |
| | | | Female | Hours/Person | 26.23 | 23.14 | **24.95** |
| | | By position level | Manager | Hours/Person | 14.53 | 19.34 | **18.39** |
| | | | Staff | Hours/Person | 19.60 | 17.65 | **21.75** |
| Training Investment[1] | Total training costs | | | Million KRW | 1,248 | 1,224 | **1,098** |
| | Average training costs per employee | | | Million KRW/ Person | 0.76 | 0.69 | **0.62** |
| Regular performance evaluation[2] | Percentage of Employees Receiving Regular Performance Evaluations | Subtotal | | % | 90 | 92 | **94** |
| | | By gender | Male | % | 91 | 93 | **94** |
| | | | Female | % | 81 | 89 | **92** |
| | | By position level | Manager | % | 79 | 78 | **75** |
| | | | Staff | % | 91 | 94 | **96** |

1) Training performance for all employees (including non-registered executives), aggregated based on total in-house and external company-wide training hours
2) Based on full-time personnel

### Marketing and Labeling

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Violations of labeling and advertising related laws/regulations | Penalties | Cases | 0 | 0 | **0** |
| | Warnings | Cases | 0 | 0 | **0** |
| | Violation of internal regulations | Cases | 0 | 0 | **0** |

### Product Health and Safety Impact

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Health and safety impact assessment for major products | Percentage of major product groups subject to health and safety impact assessments | % | 100 | 100 | **100** |
| Violations of health and safety laws/ regulations | Penalties | Cases | 0 | 0 | **0** |
| | Warnings | Cases | 0 | 0 | **0** |
| | Violation of internal regulations | Cases | 0 | 0 | **0** |
| Recalls[1] | Total number of recalls | Cases | 0 | 0 | **0** |

1) Domestic standard (excluding voluntary recovery actions)

# ESG Data

## Governance Performance

### Board of Directors and Board Committees

| Particulars | | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| Board of directors | Meetings held | | | Times | 6 | 6 | 7 |
| | Composition | Subtotal | | Persons | 7 | 8 | 9 |
| | | Executive director | Number of executive directors | Persons | 4 | 5 | 6 |
| | | Independent director | Number of independent directors | Persons | 3 | 3 | 3 |
| | | | Independent director ratio | % | 42.9 | 37.5 | 33.3 |
| | | Female director | Number of female directors | Persons | 0 | 0 | 0 |
| | | | Female director ratio | % | 0 | 0 | 0 |
| | Attendance rate | Subtotal | | % | 100 | 93 | 100 |
| | | Executive director | | % | 100 | 96 | 100 |
| | | Independent director | | % | 100 | 89 | 100 |
| | Agenda[1] | Number of agenda items | | Cases | 15 | 19 | 19 |
| | | Ratio of agenda items with amendments/supplements/opposition opinions | | % | 0 | 0 | 0 |
| Board committee | Management committee | Subtotal | | Persons | 4 | 5 | 5 |
| | | Number of executive directors | | Persons | 4 | 5 | 5 |
| | | Number of independent directors | | Persons | 0 | 0 | 0 |
| | | Meetings held | | Times | 11 | 18 | 19 |
| | | Number of agenda items | | Cases | 14 | 21 | 23 |

1) Based on agenda items excluding reports

### Auditor

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Audit | Subtotal | Persons | 1 | 1 | 1 |
| | Full-Time Auditor | Persons | 1 | 1 | 1 |
| | Non-Full-Time Auditor | Persons | 0 | 0 | 0 |
| | Long-term service | Persons | 0 | 0 | 0 |
| | Audit Training Completion Rate | % | 100 | 100 | 100 |

### Independent Director Expertise

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Industry expertise | Number of independent directors with industry expertise | Persons | 2 | 2 | 2 |
| | Percentage of independent directors with industry expertise | % | 67 | 67 | 67 |

### Compliance

| Particulars | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Violations of laws/regulations[1] | Monetary sanctions | Cases | 0 | 0 | 0 |
| | Non-monetary sanctions[2] | Cases | 0 | 0 | 0 |
| Total payment | Amount incurred during current period[3] | Million KRW | 0 | 0 | 0 |
| | Amount incurred during previous period[4] | Million KRW | 0 | 0 | 0 |

1) Based on violations of laws under the jurisdiction of the Fair Trade Commission
2) Number of non-monetary sanctions such as warnings or higher imposed during the reporting period related to anti-competitive acts (excluding cases combined with monetary sanctions)
3) Payment amounts related to anti-competitive conduct cases that occurred and were resolved during the current reporting period
4) Payment amounts related to anti-competitive conduct cases that occurred during a previous reporting period and were resolved during the current reporting period

# ESG Data

## Governance Performance

### Ethics and Fair Trade

| Particulars | | | | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| Ethics | Ethics training | Number of executives who completed ethics education | | Persons | 5 | 6[5] | 7 |
| | | Percentage of executives who completed ethics education | | % | 62.5 | 66.7 | 70.0 |
| | | Number of employees who completed ethics education | | Persons | 1,451 | 1,704 | 1,711 |
| | | Percentage of employees who completed ethics training[1] | | % | 100 | 100 | 100 |
| | Violation of code of ethics | Violation of code of ethics | | Cases | 4 | 4 | 5 |
| | | Number of employees who violated the code of ethics | | Persons | 5 | 8 | 7 |
| Anti-corruption | Anti-corruption training | Number of executives who completed anti-corruption training | | Persons | 5 | 5 | 7 |
| | | Percentage of executives who completed anti-corruption training | | % | 62.5 | 55.6 | 70.0 |
| | | Number of employees who completed anti-corruption training | | Persons | 1,451 | 1,704 | 1,711 |
| | | Percentage of employees who completed anti-corruption training[1] | | % | 100 | 100 | 100 |
| | Integrity agreement/ Supplier code of conduct pledge | Number of signed suppliers[2] | | Companies | 306 | 321 | 348 |
| | | Percentage of signed suppliers | | % | 98 | 96 | 98 |
| | Corruption cases | Corruption cases | | Cases | 2 | 2 | 3 |
| | | Disciplinary actions taken | Discipline | Cases | 2 | 7 | 0 |
| | | | Dismissals | Cases | 1 | 1 | 5 |
| | | Partner contract terminations due to corruption cases | | Cases | 0 | 0 | 0 |
| | | Corruption-related legal measures | | Cases | 0 | 1 | 1 |
| Anti-competitive behavio[3][4] | Concluded legal cases | | | Cases | 1 | 0 | 0 |

1) Figures have been restated due to a change in the internal calculation methodology for the completion rate
2) Based on domestic suppliers who have submitted the Integrity Cooperation Agreement and the Code of Conduct pledge
3) Based on completion of administrative sanctions and appeal procedures (administrative litigation) by administrative agencies due to major legal violations under the jurisdiction of the Fair Trade Commission (Monopoly Regulation and Fair Trade Act, Fair Transactions in Subcontracting Act, Fair Agency Transactions Act, Act on Fair Labeling and Advertising, etc.)
4) Legal cases arising from non-compliance by other companies are excluded

### Government Subsidies

| Particulars | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| R&D grants | Million KRW | 334 | 79 | 159 |

### Retirement Pension[1]

| Particulars | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Present value of defined benefit obligation | Million KRW | 52,224 | 59,705 | 70,111 |
| Fair value of plan assets | Million KRW | 60,104 | 64,721 | 75,912 |

1) On a separate basis

### Procurement Practices

| Particulars | Unit | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Proportion of spending on local suppliers | % | 63 | 62 | 70 |

# GRI Index

| Category | Contents |
|---|---|
| Usage Statement | KD Navien has reported its non-financial performance for the period from January 1, 2025 to December 31, 2025 in accordance with the GRI Standards. |
| Use of GRI 1 | GRI 1: Foundation 2021 |
| GRI Sector Standards | N/A |

| GRI Standards | Indicator | Contents | Page | Remarks |
|---|---|---|---|---|
| General Disclosures | | | | |
| GRI 2: General Disclosures 2021 | 2-1 | Organization details | 6 | |
| | 2-2 | Entities included in the organization's sustainability management report | 2 | |
| | 2-3 | Reporting period, frequency, and contact information | 2 | |
| | 2-4 | Restatement of information | 113-124 | |
| | 2-5 | External assurance | 134-137 | |
| | 2-6 | Activities, supply chain, and other business relationships | 6, 8 | |
| | 2-7 | Employees | 118 | |
| | 2-8 | Employees who are not employees | - | Refer to page 267 of the Annual Report |
| | 2-9 | Governance structure and composition | 101-102, 123 | |
| | 2-10 | Nomination and selection of the highest governance body | 102 | |
| | 2-11 | Chair of the highest governance body | 101 | |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | 12 | |
| | 2-13 | Delegation of responsibility for managing impacts | 12 | |
| | 2-14 | Role of the highest governance body in sustainability reporting | 12, 103 | |
| | 2-15 | Conflicts of interest | 102 | |
| | 2-16 | Communication of critical concerns | 103 | |
| | 2-17 | Collective knowledge of the highest governance body | 101, 103 | |
| | 2-18 | Evaluation of the performance of the highest governance body | 103 | |
| | 2-19 | Remuneration policies | 103 | |
| | 2-20 | Process to determine remuneration | 103 | |
| | 2-21 | Annual total compensation ratio | - | Information withheld due to confidentiality constraints |
| | 2-22 | Statement on sustainable development strategy | 5 | |
| | 2-23 | Policy commitments | 44, 59, 73, 77, 85, 94, 105, 108 | |
| | 2-24 | Embedding policy commitments | 44, 59, 73, 77, 85, 94, 105, 108 | |
| | 2-25 | Processes to remediate negative impacts | 75, 84, 90 | |
| | 2-26 | Mechanisms for seeking advice and raising concerns | 17, 77, 106 | |
| | 2-27 | Compliance with laws and regulations | 123 | |
| | 2-28 | Membership associations | 133 | |
| | 2-29 | Approach to stakeholder engagement | 17 | |
| | 2-30 | Collective bargaining agreements | 67 | |

# GRI Index

| GRI Standards | Indicator | Contents | Page | Remarks |
|---|---|---|---|---|
| **Material topics** | | | | |
| GRI 3: Material Topics 2021 | 3-1 | Process to determine material topics | 12 | |
| | 3-2 | List of material topics | 13 | |
| **Climate Change** | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | 15, 19-30 | |
| GRI 201: Economic Performance 2016 | 201-2 | Financial implications and other risks and opportunities due to climate change | 21-29 | |
| GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | 30, 111, 131 | |
| | 305-2 | Indirect (Scope 2) GHG emissions | 30, 111, 131 | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | 30, 111, 131 | |
| | 305-4 | GHG emissions intensity | 111, 131 | |
| | 305-5 | Reduction of GHG emissions | 27-28, 30, 111, 131 | |
| | 305-6 | Emissions of ozone-depleting substances (ODS) | - | No emissions; Not applicable |
| | 305-7 | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | 112 | |
| **Sustainable Business Model** | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | 15, 31-37 | |

| GRI Standards | Indicator | Contents | Page | Remarks |
|---|---|---|---|---|
| **Material topics** | | | | |
| **Work Environment** | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | 15, 54-72 | |
| GRI 401: Employment 2016 | 401-1 | New employee hires and employee turnover | 116 | |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 69 | |
| | 401-3 | Parental leave | 117 | |
| GRI 402: Labor/ Management Relations 2016 | 402-1 | Minimum notice periods regarding operational changes | - | Not Applicable |
| GRI 403: Occupational Health and Safety 2018 | 403-1 | Occupational health and safety management system | 55 | |
| | 403-2 | Hazard identification, risk assessment, incident investigation | 56-59 | |
| | 403-3 | Occupational health services | 56-61 | |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | 16-17, 58 | |
| | 403-5 | Worker training on occupational health and safety | 60 | |
| | 403-6 | Promotion of worker health | 61 | |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 56-61 | |
| | 403-8 | Workers covered by an occupational health and safety management system | 100, 117 | |
| | 403-9 | Work-related injuries | 118 | |
| | 403-10 | Work-related ill health | 118 | |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee | 119 | |
| | 404-2 | Programs for upgrading employee skills and transition assistance | 64-66 | |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | 119 | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | 98, 115 | |
| | 405-2 | Ratio of basic salary and remuneration of women to men | 117 | |
| GRI 406: Nondiscrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | 117 | |

# GRI Index

| GRI Standards | Indicator | Contents | Page | Remarks |
|---|---|---|---|---|
| Material topics | | | | |
| Consumer Rights Protection | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | 15, 80-89 | |
| GRI 416: Customer Health and Safety 2016 | 416-1 | Assessment of the health and safety impacts of product and service categories | 88, 119 | |
| | 416-2 | Incidents of non-compliance concerning the health and safety impacts on products and services | 119 | |
| GRI 417: Marketing and Labeling 2016 | 417-1 | Requirements for product and service information and labeling | 88 | |
| | 417-2 | Incidents of non-compliance concerning product and service information and labeling | 119 | |
| | 417-3 | Incidents of non-compliance concerning marketing communications | 82 | |
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | - | Not Applicable |
| Business Ethics and Compliance | | | | |
| GRI 3: Material Topics 2021 | 3-3 | Management of material topics | 15, 102-106 | |
| GRI 205: Anti-corruption 2016 | 205-1 | Operations assessed for risks related to corruption | 103, 106 | |
| | 205-2 | Communication and training about anti-corruption policies and procedures | 102-104, 121 | |
| | 205-3 | Confirmed incidents of corruption and actions taken | 121 | |
| GRI 206: Anticompetitive Behavior 2016 | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 121 | |
| Non-material topics | | | | |
| GRI 101: Biodiversity 2024 | 101-1 | Policies to halt and reverse biodiversity loss | 50-53 | |
| | 101-2 | Management of biodiversity impacts | 50-53 | |
| | 101-4 | Identification of biodiversity impacts | 50-53 | |
| | 101-5 | Locations with biodiversity impacts | 50-53 | |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | 110 | |
| | 201-3 | Defined benefit plan obligations and other retirement plans | 121 | |
| | 201-4 | Financial assistance received from government | 121 | |

| GRI Standards | Indicator | Contents | Page | Remarks |
|---|---|---|---|---|
| Non-material topics | | | | |
| GRI 202: Market Presence 2016 | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 110 | |
| | 202-2 | Proportion of senior management hired from the local community | - | Not Applicable |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 | Infrastructure investments and services supported | 90-93 | |
| | 203-2 | Significant indirect economic impacts | 8, 69, 90-93 | |
| GRI 204: Procurement Practices 2016 | 204-1 | Proportion of spending on local suppliers | 121 | |
| GRI 207: Tax 2019 | 207-1 | Approach to tax | 107-108 | |
| | 207-2 | Tax governance, control, and risk management | 108 | |
| | 207-3 | Stakeholder engagement and management of concerns related to tax | 16 | |
| | 207-4 | Country-by-country reporting | 110 | |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organization | 112 | |
| | 302-2 | Energy consumption outside of the organization | - | Information currently unavailable or incomplete |
| | 302-3 | Energy intensity | 112 | |
| | 302-4 | Reduction of energy consumption | 112 | |
| GRI 303: Water and Effluents 2018 | 303-1 | Interactions with water as a shared resource | 42-44, 91 | |
| | 303-2 | Management of water discharge-related impacts | 42-44 | |
| | 303-3 | Water withdrawal | 113 | |
| | 303-4 | Water discharge | 113 | |
| | 303-5 | Water consumption | 113 | |
| GRI 306: Waste 2020 | 306-1 | Waste generation and significant waste-related impacts | 45-46 | |
| | 306-2 | Management of significant waste-related impacts | 45-46 | |
| | 306-3 | Waste generated | 113 | |
| | 306-4 | Waste diverted from disposal | 45,113 | |
| | 306-5 | Waste directed to disposal | 113 | |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria | - | Not Applicable |
| | 308-2 | Negative environmental impacts in the supply chain and actions taken | 49 | |
| GRI 414: Supplier Social Assessment 2016 | 414-1 | New suppliers that were screened using social criteria | 75-77 | |
| | 414-2 | Significant negative social impacts in the supply chain and actions taken | - | Not Applicable |

# SASB Index

## Resource Transformation (Electrical & Electronic Equipment)

### Sustainability Disclosure Topics & Accounting Metrics

| TOPIC | Code | METRIC | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|---|
| Energy Management | RT-EE-130a.1 | Total energy consumed | TJ | 263.59 | 286.13 | 287.47 | |
| | | Percentage grid electricity | % | 100 | 100 | 100 | |
| | | Percentage renewable | % | 0 | 0.2 | 0.3 | Solar panel facility installation in 2023 |
| Hazardous Waste Management | RT-EE-150a.1 | Amount of hazardous waste generated | Metric tons (t) | 30.71 | 31.51 | 66.12 | |
| | | Percentage recycled | % | 14 | 14 | 62 | |
| | RT-EE-150a.2 | Number of reportable spills | Cases | 0 | 0 | 0 | No reported spills |
| | | Total amount of hazardous spills | kg | 0 | 0 | 0 | |
| | | Recovered amount of hazardous spills | kg | 0 | 0 | 0 | |
| Product Safety | RT-EE-250a.1 | Number of recalls issued | Cases | 0 | 0 | 0 | Domestic standard (excluding voluntary recalls) |
| | | Total units recalled | Units | 0 | 0 | 0 | Domestic standard (excluding voluntary recalls) |
| | RT-EE-250a.2 | Total amount of monetary losses as a result of legal proceedings associated with product safety | Million KRW | 0 | 0 | 0 | Based on Annual Report |
| Product Lifecycle Management | RT-EE-410a.1 | Percentage of products by revenue that contain IEC 62474 declarable substances | % | - | - | - | Not applicable |
| | RT-EE-410a.2 | Percentage of eligible products, by revenue, certified to an energy efficiency certification | Million KRW | 611,972 | 818,975 | 882,446 | Internally defined eco-friendly sales criteria applied to the U.S. and Canada |
| | RT-EE-410a.3 | Revenue from renewable energy-related and energy efficiency-related products | Million KRW | - | - | - | |
| Materials Sourcing | RT-EE-440a.1 | Description of the management of risks associated with the use of critical materials | N/A | - | - | - | Not applicable |
| Business Ethics | RT-EE-510a.1 | (1) Description of policies and practices to prevent corruption and bribery | N/A | - | - | - | |
| | | (2) Description of policies and practices to prevent anti-competitive behavior | N/A | - | - | - | |
| | RT-EE-510a.2 | Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption | Million KRW | 0 | 0 | 0 | Based on Annual Report |
| | RT-EE-510a.3 | Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour regulations | Million KRW | 0 | 0 | 0 | Excludes internal costs incurred before incidents/ litigation, fees paid to appraisers/agents, and costs for implementation after resolutions/judgments |

### Activity Metrics

| Category | Disclosure Item | Unit | 2023 | 2024 | 2025 | Remarks |
|---|---|---|---|---|---|---|
| RT-EE-000.A | Number of units produced by product category | Units | 1,338,814 | 1,538,905 | 1,533,031 | |
| RT-EE-000.B | Number of employees | Persons | 1,646 | 1,787 | 1,783 | Including Registered Executives |

# TCFD Index

| Category | Recommended disclosures | Page |
|---|---|---|
| Governance | Describe the board's oversight of climate-related risks and opportunities. | 19 |
| | Describe management's role in assessing and managing climate-related risks and opportunities. | 20 |
| Strategy | Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. | 21-26 |
| | Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. | 21-26 |
| | Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | 22-25 |
| Risk Management | Describe the organization's processes for identifying and assessing climate-related risks. | 29 |
| | Describe the organization's processes for managing climate-related risks. | 29 |
| | Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | 29 |
| Metrics and Targets | Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. | 30 |
| | Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. | 30 |
| | Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. | 30 |

# KSSB Index

## (KSSB 1) General Requirements

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|---|---|---|
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| | Management's Role in the Governance Processes, Controls and Procedures | 12 |
| Strategy | Sustainability-related Risks and Opportunities | 13 |
| | Current and Anticipated Effects on the Entity's Prospects | 15 |
| | Strategy and Decision-making | 16 |
| | Current and Anticipated Financial Effects on Financial Position, Financial Performance and Cash Flows | 9, 24, 27, 28, 33, 34, 36, 37 |
| | Resilience of the Entity's Strategy and Business Model | 13-16, 23 |
| Risk Management | Processes and Related Policies for Identifying, Assessing, Prioritising and Monitoring Sustainability-related Risks | 13,111 |
| | Processes for Identifying, Assessing, Prioritising and Monitoring Sustainability-related Opportunities | 13, 21 |
| | Integration into the Entity's Overall Risk Profile and Risk Management Process | 29, 111 |
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## (KSSB 2) Climate-related Disclosures

| Category | | Report Page(s) |
|---|---|---|
| Governance | Governance Body Responsible for Oversight of Climate-Related Risks and Opportunities | 19 |
| | Role of Management in Climate-Related Governance and Supervision | 20 |
| Strategy | Climate-related Risks and Opportunities That Could Reasonably Be Expected to Affect the Entity's Prospects | 21 |
| | Effects of Climate-related Risks and Opportunities on the Entity's Business Model and Value Chain | 22 |
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| | Current and Anticipated Financial Effects of Climate-related Risks and Opportunities | 22–26 |
| | Climate Resilience Assessment | 23–24 |
| Risk Management | Processes and Related Policies for Identifying, Assessing, Prioritising and Monitoring Climate-related Risks | 29 |
| | Processes for Identifying, Assessing, Prioritising and Monitoring Climate-related Opportunities | 21, 29 |
| | Integration into the Entity's Overall Risk Management Process | 29 |
| Metrics and Targets | Climate-Related Industry-based Metrics | |
| | • Greenhouse Gas Emissions | 30, 114 |
| | • Amount and Percentage of Assets or Business Activities Vulnerable to Climate-related Transition Risks | 25–28 |
| | • Amount and Percentage of Assets or Business Activities Vulnerable to Climate-related Physical Risks | 22–24 |
| | • Amount and Percentage of Assets or Business Activities Aligned with Climate-related Opportunities | 25–28 |
| | • Internal Carbon Prices | - |
| | • Remuneration Linked to Climate-related Considerations | 20 |
| | • Climate-related Targets | 30 |

# UN SDGs

| Goal | | KD Navien 2025 Key Activities | Report Page(s) |
|---|---|---|---|
| 1 | No Poverty | • Provision of Eco-friendly Condensing Boilers to Vulnerable Households (Improvement of Heating Conditions) | 94 |
| 4 | Quality Education | • Tiered core training for all employees and effectiveness evaluation (course satisfaction: 4.6/5.0)<br>• Digital trend training, including AI and Microsoft 365, and establishment of a smart work environment | 68-69 |
| 6 | Clean Water and Sanitation | • Water reuse through the Seotan Factory (ECO Hub)'s water management process (111,071 $m^3$ reused)<br>• Year-on-year reduction in water pollutant discharge concentrations (TOC, BOD, and SS) | 45-47 |
| 7 | Affordable and Clean Energy | • Installation of a 4,200 kW solar power generation system at the Seotan Factory (ECO Hub)<br>• Use of 0.91 TJ of renewable energy generated by solar power facilities at the U.S. subsidiary<br>• Development of hydrogen boiler technology and expansion of the electric heat pump product lineup | 28, 33 |
| 8 | Decent Work and Economic Growth | • Expansion of employment opportunities for persons with disabilities through cooperation with the Korea Employment Agency for Persons with Disabilities and the Pyeongtaek City Sports Association for the Disabled, and operation of the KD Disabled Sports Team<br>• Receipt and resolution of grievances raised by employees and supplier personnel through grievance-handling channels<br>• Expansion of accounts receivable financing support for 65 suppliers to 14.2 billion KRW | 68, 75, 81 |
| 11 | Sustainable Cities and Communities | • Expansion of an environmentally friendly product lineup that supports the transition away from fossil fuels through the development of hydrogen boiler and electric heat pump technologies<br>• Financial support for the replacement and installation of eco-friendly condensing boilers for vulnerable households<br>• Establishment and implementation of three priority areas for social contribution: living environments, urban environments, and the global environment | 33, 94-96 |
| 12 | Responsible Consumption and Production | • Continued implementation of initiatives to reduce the hazards associated with hazardous chemicals, including methanol, zinc oxide, and aluminum chloride<br>• Maintenance of a 95% waste recycling rate and improvement of waste treatment methods<br>• Establishment of a supply chain ESG management policy and ongoing development of a green purchasing policy | 48-52 |
| 13 | Climate Action | • Management of Scope 1, 2, and 3 greenhouse gas emissions and implementation of emission reduction initiatives<br>• Completion of life cycle assessments (LCAs) and acquisition of Environmental Product Declarations (EPDs) for key products<br>• Establishment of a product energy transition roadmap and disclosure in accordance with the TCFD recommendations | 19-40 |
| 16 | Peace, Justice and Strong Institutions | • Operation of ethics reporting channels and provision of ethics management and human rights training for new hires and all employees (100% completion rate) | 105-107 |

# Certifications

As of June 30, 2026

| Europe-wide |
|---|
| CE, CE(ErP) |
| KEYMARK |
| Opentherm |

| Russia and the CIS |
|---|
| TRCU |
| FC |

| China |
|---|
| CCC |
| SRRC |

| International |
|---|
| ISO 9001 |
| ISO 14001 |
| ISO 45001 |
| ISTA |
| CB |

| Ukraine |
|---|
| UkrSEPRO |

| Republic of Korea |
|---|
| KS |
| KC |
| Q-Mark |
| EMF |
| High-efficiency appliance certification |
| Standby power reduction |
| Energy efficiency labeling & standard |
| Korea Eco-Label |
| Environmental Product Declaration (EPD) |
| Green Technology Certification |
| AI+ Certification |
| IoT Security Certification (KISA) |
| Collective Standard Certification |

| North America (United States and Canada) |
|---|
| UL |
| CSA |
| ETL |
| NEMKO |
| NSF |
| IAPMO |
| UPC |
| UL EPD |
| ENERGY STAR |
| AHRI |
| AQMD |
| FCC |
| ASME |

| United Kingdom |
|---|
| UKCA |
| WRAS |
| MCS |

| Israel |
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| Taiwan |
|---|
| BSMI |

| Australia |
|---|
| RCM |

| Mexico |
|---|
| NOM |

| Chile |
|---|
| SEC |

# Association Memberships

| Association Name | Membership Purpose |
|---|---|
| Telecommunications Technology Association | Participation in standardization committee activities, access to committee materials, and monitoring of technology standard trends |
| ASHRAE | Acquisition of journals to monitor the latest technological trends in heating, refrigeration, and air-conditioning |
| Connectivity Standards Alliance | Incorporation of the Zigbee global standard (Matter) and maintenance of CSA membership eligibility |
| Korea Consumer-centered Enterprise Association | Fostering constructive relationships between consumers and businesses |
| The Korean Society of Mechanical Engineers | Monitoring technology trends in mechanical engineering and maintaining collaboration with external technical institutions |
| The Society of Air-Conditioning and Refrigerating Engineers of Korea | Sharing information on participation in seminars and the organization of academic conferences, lectures, and training sessions |
| Korean Association of Occupational Health Nurses | Developing occupational health manager competencies and identifying areas for improvement |
| Fair Competition Federation | Collecting updates and information from the Fair Trade Commission and submitting opinions on proposed amendments to laws and administrative regulations |
| Korea Advertisers Association | Strengthening advertising and public relations capabilities through industry research and trend information, and facilitating information exchange among advertisers through networking |
| Korea Association of Machinery Industry | Supporting member companies' R&D activities and fostering the machinery industry service sector |
| Korea Management Association | Monitoring HRD-related trends |
| Korea Industrial Technology Association | Maintaining certification of the Research Institute (HEATING, TAC, and SH) |
| Korea Listed Companies Association | Obtaining information on relevant laws and regulatory amendments and responding effectively to policy changes |
| Korea Listed Companies Auditors Association | Enhancing professional expertise in audit functions and facilitating information exchange among members |
| Korea Mechanical Engineering Association | Monitoring technology trends, promoting the company's technological capabilities through lectures, and supporting research projects |
| Korea Association of AI Smart Home | Promoting and advancing the home network business and pursuing smart home-related projects |
| Korea Energy Appliances Industry Association | Promoting the common interests and development of energy equipment manufacturers |
| Korean Society for Indoor Environment | Gathering information related to indoor air quality and other relevant matters |
| Korea Information & Communication Contractors Association | Maintaining eligibility to participate in public-sector project bidding and providing technical support for information and communications construction projects |
| Korea Intellectual Property Association | Strengthening IP competitiveness and sharing information and expertise on IP management and responses to patent disputes |
| Korean Standards Association | Obtaining information on KS and international standards, including ISO standards, and managing the completion of mandatory KS training |
| Korea Association of Ventilation Industry Companies | Collecting information on the prevention of indoor air pollution through ventilation and on air purification |
| Korea Products Safety Association | Obtaining product safety technology information and addressing challenges related to product safety certification |
| Korean Institute of Architectural Sustainable Environment and Building Systems | Contributing to the advancement of the architectural environment and building systems sectors and establishing relevant collective standards for building systems |
| Korea Heat Pump Alliance | Participating in initiatives aimed at promoting the domestic heat pump industry and supporting cooperation with government policies |
| Korea Refrigeration and Air-conditioning Industry Association | Joining as a member company to collect and exchange information related to the HVAC business |

# GHG Verification Statement

## Kyungdong Navien Co., Ltd.

95, Suworam-gil, Seotan-myeon, Pyeongtaek-si, Gyeonggi-do

### 1. Verification Goal

The goals of greenhouse gas (GHG) emission verification (hereinafter referred to as 'verification') conducted by the Korean Standards Association are as follows.

- Confirming the conformity with standards and procedures of GHG emission and GHG emissions calculated within the scope of verification
- Checking the validity of declarations related to the organization's GHG emissions or removals
- Confirming the effective implementation of the organization's management of GHG emissions or removals
- Confirming the conformity of processes for implementing, managing and improving the organization's GHG emissions or removals estimates

### 2. Verification Scope

Korean Standards Association conducted limited assurance verification of Kyungdong Navien Co., Ltd. and its group companies's Scope1 and Scope2 GHG statement.

- Reporting Target : Domestic and Overseas sites under Financial Control
  - Domestic : Kyungdong Navien, Kyungdong Everon, Kyungdong Polyum, Kyungdong TS, Time Kiyeon Asia Kyungdong C&S
  - Overseas : Navien, Inc., Navien Canada, Inc., Navien Mexico S.A. DE C.V., Navien Russia LLC, Beijing Kyungdong Navien Heat Energy Equipment Co., Ltd., Navien UK Ltd
- Boundary : Scope1(Direct emissions), Scope2(Indirect emissions)
  - Scope1 : Stationary combustion, Mobile combustion
  - Scope2 : Externally purchased power
- Year : January 1, 2025 to December 31, 2025

### 3. Verification Criteria and Guidelines

Korean Standards Association conducted verification according to the procedures stipulated in ISO 14064-3 : 2019.

- Calculation criteria
  - KS I ISO 14064-1 : 2018
  - Verification Guidelines for the Operation of the Greenhouse Gas Emissions Trading System (Ministry of Environment Notice No. 2025-64)
  - 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines
  - WRI (World Resources Institute) Greenhouse Gas Protocol

### 4. Level of assurance verification and Responsibility

Korea Standards Association provides verification at limited level of assurance to strengthen GHG management for your company's GHG emissions.

- On-site inspection : Visits to each site of Kyungdong Navien Co., Ltd. and its affiliates
- Method of confirmation
  - Interview with greenhouse gas emissions manager and field staff
  - Review of the management system and data used to calculate greenhouse gas emissions during the reporting period
  - Tracking review of internal documents and basic data

Kyungdong Navien Co., Ltd. and its group companies should provide fair data on information and evidence related to GHG emissions, and the KSA is limited to guaranteeing GHG emissions.

### 5. Verification Limit

GHG emissions can be affected by factors such as data limits and uncertainties in the scope of verification, and inherent limitations may exist accordingly.

### 6. Verification Conclusion

Korean Standards Association confirmed that the GHG emissions calculated by Kyungdong Navien Co., Ltd. and its group companies meet the level of assurance and the materiality threshold (less than 10%) in accordance with the verification criteria. No evidence was found to suggest that the GHG data and information were unfairly presented. Kyungdong Navien Co., Ltd. and its group companies has taken appropriately corrective actions on the major findings identified by the verification team. Based on the verification results, including the absence of material errors of omissions, the data and processes are considered to meet the verification and guidelines. Therefore, a 'Unmodified opinion' is issued.

# GHG Verification Statement

## Appendix. GHG Emissions and Energy Consumption in 2025

| Division | Location-Based($tCO_2$-eq) | | | Market-Based($tCO_2$-eq) | | | Energy Consumption (GJ) |
|---|---|---|---|---|---|---|---|
| | Scope1 | Scope2 | Subtotal | Scope1 | Scope2 | Subtotal | |
| Kyungdong Navien | 2,939.237 | 11,092.432 | 14,023 | 2,939.237 | 11,092.432 | 14,023 | 287,469 |
| Kyungdong Everon | 282.526 | 13,497.431 | 13,777 | 282.526 | 13,497.431 | 13,777 | 303,585 |
| Kyungdong Polyum | 5.779 | 3,159.850 | 3,163 | 5.779 | 3,159.850 | 3,163 | 66,117 |
| Kyungdong TS | 1,068.490 | 461.865 | 1,518 | 1,068.490 | 461.865 | 1,518 | 26,047 |
| Time Kiyeon Asia | 0 | 112.756 | 112 | 0 | 112.756 | 112 | 2,356 |
| Kyungdong C&S | 24.074 | 0.103 | 22 | 24.074 | 0.103 | 22 | 346 |
| Navien, Inc. | 212.063 | 858.279 | 1,070 | 212.063 | 858.279 | 1,070 | 11,490 |
| NAVIEN CANADA, INC. | 22.275 | 7.370 | 29 | 22.275 | 7.370 | 29 | 507 |
| NAVIEN MEXICO S.A. DE C.V. | 17.709 | 5.322 | 23 | 17.709 | 5.322 | 23 | 297 |
| NAVIEN RUS LLC | 14.802 | 68.746 | 83 | 14.802 | 68.746 | 83 | 998 |
| Beijing Kyungdong Navien Heat Energy Equipment Co., Ltd. | 109.980 | 800.731 | 910 | 109.980 | 800.731 | 910 | 5,049 |
| NAVIEN UBK LLC | 45.728 | 19.603 | 65 | 45.728 | 19.603 | 65 | 788 |
| NAVIEN UK LTD | 133.781 | 18.970 | 152 | 133.781 | 18.970 | 152 | 2,071 |
| Total | 4,876.444 | 30,103.458 | 34,947 | 4,876.444 | 30,103.458 | 34,947 | 707,120 |

※ Note 1 : The overseas Corporation Hebei Kyungdong Navien Heat Energy Equipment Co., Ltd. (Hebei, China) was excluded from the calculation.
※ Note 2 : The final GHG emissions was cut below the decimal point and expressed in integer units.

EVC-26-026-9-1

**GHG Emission Verification Opinion**

**Kyungdong Navien Co., Ltd.**
95, Suworam-gil, Seotan-myeon, Pyeongtaek-si, Gyeonggi-do

**1. Verification Goal**

The goals of greenhouse gas (GHG) emission verification (hereinafter referred to as 'verification') conducted by the Korean Standards Association are as follows.
- Confirming the conformity with standards and procedures of GHG emission and GHG emissions calculated within the scope of verification
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- Confirming the effective implementation of the organization's management of GHG emissions or removals
- Confirming the conformity of processes for implementing, managing and improving the organization's GHG emissions or removals estimates

**2. Verification Scope**

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  - Domestic : Kyungdong Navien, Kyungdong Everon, Kyungdong Polyum, Kyungdong TS, Time Kiyeon Asia Kyungdong C&S
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- Boundary : Scope1(Direct emissions), Scope2(Indirect emissions)
  - Scope1 : Stationary combustion, Mobile combustion
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- Year : January 1, 2025 to December 31, 2025

**3. Verification Criteria and Guidelines**

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- **Calculation criteria**
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  - 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines
  - WRI (World Resources Institute) Greenhouse Gas Protocol

**4. Level of assurance verification and Responsibility**

Korea Standards Association provides verification at limited level of assurance to strengthen GHG management for your company's GHG emissions.
- On-site inspection : Visits to each site of Kyungdong Navien Co., Ltd. and its affiliates
- Method of confirmation
  - Interview with greenhouse gas emissions manager and field staff
  - Review of the management system and data used to calculate greenhouse gas emissions during the reporting period
  - Tracking review of internal documents and basic data

Kyungdong Navien Co., Ltd. and its group companies should provide fair data on information and evidence related to GHG emissions, and the KSA is limited to guaranteeing GHG emissions.

**5. Verification Limit**

GHG emissions can be affected by factors such as data limits and uncertainties in the scope of verification, and inherent limitations may exist accordingly.

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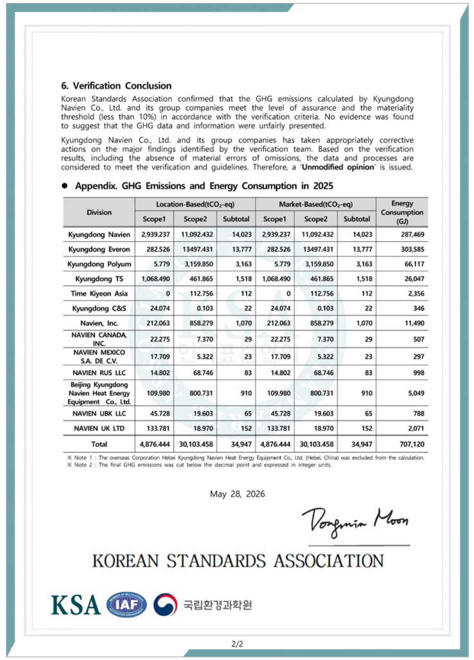

**6. Verification Conclusion**

Korean Standards Association confirmed that the GHG emissions calculated by Kyungdong Navien Co., Ltd. and its group companies meet the level of assurance and the materiality threshold (less than 10%) in accordance with the verification criteria. No evidence was found to suggest that the GHG data and information were unfairly presented.

Kyungdong Navien Co., Ltd. and its group companies has taken appropriately corrective actions on the major findings identified by the verification team. Based on the verification results, including the absence of material errors of omissions, the data and processes are considered to meet the verification and guidelines. Therefore, a '**Unmodified opinion**' is issued.

- **Appendix. GHG Emissions and Energy Consumption in 2025**

| Division | Location-Based($tCO_2$-eq) | | | Market-Based($tCO_2$-eq) | | | Energy Consumption (GJ) |
|---|---|---|---|---|---|---|---|
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| Kyungdong Navien | 2,939.237 | 11,092.432 | 14,023 | 2,939.237 | 11,092.432 | 14,023 | 287,469 |
| Kyungdong Everon | 282.526 | 13497.431 | 13,777 | 282.526 | 13497.431 | 13,777 | 303,585 |
| Kyungdong Polyum | 5.779 | 3,159.850 | 3,163 | 5.779 | 3,159.850 | 3,163 | 66,117 |
| Kyungdong TS | 1,068.490 | 461.865 | 1,518 | 1,068.490 | 461.865 | 1,518 | 26,047 |
| Time Kiyeon Asia | 0 | 112.756 | 112 | 0 | 112.756 | 112 | 2,356 |
| Kyungdong C&S | 24.074 | 0.103 | 22 | 24.074 | 0.103 | 22 | 346 |
| Navien, Inc. | 212.063 | 858.279 | 1,070 | 212.063 | 858.279 | 1,070 | 11,490 |
| NAVIEN CANADA, INC. | 22.275 | 7.370 | 29 | 22.275 | 7.370 | 29 | 507 |
| NAVIEN MEXICO S.A. DE C.V. | 17.709 | 5.322 | 23 | 17.709 | 5.322 | 23 | 297 |
| NAVIEN RUS LLC | 14.802 | 68.746 | 83 | 14.802 | 68.746 | 83 | 998 |
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| NAVIEN UBK LLC | 45.728 | 19.603 | 65 | 45.728 | 19.603 | 65 | 788 |
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| Total | 4,876.444 | 30,103.458 | 34,947 | 4,876.444 | 30,103.458 | 34,947 | 707,120 |

※ Note 1 : The overseas Corporation Hebei Kyungdong Navien Heat Energy Equipment Co., Ltd. (Hebei, China) was excluded from the calculation.
※ Note 2 : The final GHG emissions was cut below the decimal point and expressed in integer units.

May 28, 2026

KOREAN STANDARDS ASSOCIATION

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# GHG Verification Statement

## Kyungdong Navien Co., Ltd.

95, Suworam-gil, Seotan-myeon, Pyeongtaek-si, Gyeonggi-do

### 1. Verification Goal

The goals of greenhouse gas (GHG) emission verification (hereinafter referred to as 'verification') conducted by the Korean Standards Association are as follows.

- Confirming the conformity with standards and procedures of GHG emission and GHG emissions calculated within the scope of verification
- Checking the validity of declarations related to the organization's GHG emissions or removals
- Confirming the effective implementation of the organization's management of GHG emissions or removals
- Confirming the conformity of processes for implementing, managing and improving the organization's GHG emissions or removals estimates

### 2. Verification Scope

Korea Standards Association conducted a limited assurance verification of Kyungdong Navien Co., Ltd.'s Scope3 GHG statement.

- Reporting Target : Domestic Sites under Financial Control(All domestic sites excluding headquarters)
- Boundary : Scope3(Other Indirect emissions)
  - Category 1. Purchased goods and services
  - Category 2. Capital goods
  - Category 4. Upstream transportation and distribution
  - Category 5. Waste generated in operations
  - Category 6. Business travel
  - Category 7. Employee commuting
  - Category 11. Use of sold products
  - Category 12. End-of-life treatment of sold product
- Year : January 1, 2025 to December 31, 2025

### 3. Verification Criteria and Guidelines

Korean Standards Association conducted verification according to the procedures stipulated in ISO 14064-3 : 2019.

- Calculation criteria
  - KS I ISO 14064-1:2018
  - WRI (World Resources Institute) Greenhouse Gas Protocol
  - Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WRI)

### 4. Level of assurance verification and Responsibility

Korea Standards Association provides verification at limited level of assurance to strengthen GHG management for your company's GHG emissions.

- On-site inspection : Visit to Kyungdong Navien Co., Ltd. Yeouido (Machinery Building)
- Method of confirmation
  - Interview with greenhouse gas emissions manager and field staff
  - Review of the management system and data used to calculate greenhouse gas emissions during the reporting period
  - Tracking review of internal documents and basic data

Kyungdong Navien Co., Ltd. should provide fair data on information and evidence related to GHG emissions, and the KSA is limited to guaranteeing GHG emissions.

### 5. Verification Limit

GHG emissions can be affected by factors such as data limits and uncertainties in the scope of verification, and inherent limitations may exist accordingly.

# GHG Verification Statement

## 6. Verification Conclusion

Korean Standards Association confirmed that the GHG emissions calculated by Kyungdong Navien Co., Ltd. meet the level of assurance and the materiality threshold (less than 10%) in accordance with the verification criteria. No evidence was found to suggest that the GHG data and information were unfairly presented. Kyungdong Navien Co., Ltd. has taken appropriately corrective actions on the major findings identified by the verification team. Based on the verification results, including the absence of material errors of omissions, the data and processes are considered to meet the verification and guidelines. Therefore, a 'Unmodified opinion' is issued.

## Appendix. GHG emissions (Scope3)

(Unit : $tCO_2eq$)

| Category | | GHG Emissions |
|---|---|---|
| Category 1 | Purchased goods and services | 127,395 |
| Category 2 | Capital goods | 19,217 |
| Category 4 | Upstream transportation and distribution | 8,832 |
| Category 5 | Waste generated in operations | 65 |
| Category 6 | Business travel | 209 |
| Category 7 | Employee commuting | 728 |
| Category 11 | Use of sold products | 39,087,728 |
| Category 12 | End-of-life treatment of sold product | 15,356 |
| Total | | 39,259,530 |

EVC-26-026-2

GHG Emission Verification Opinion

Kyungdong Navien Co., Ltd.
95, Suworam-gil, Seotan-myeon, Pyeongtaek-si, Gyeonggi-do

1. Verification Goal

The goals of greenhouse gas (GHG) emission verification (hereinafter referred to as 'verification') conducted by the Korean Standards Association are as follows.
- Confirming the conformity with standards and procedures of GHG emission and GHG emissions calculated within the scope of verification
- Checking the validity of declarations related to the organization's GHG emissions or removals
- Confirming the effective implementation of the organization's management of GHG emissions or removals
- Confirming the conformity of processes for implementing, managing and improving the organization's GHG emissions or removals estimates

2. Verification Scope

Korea Standards Association conducted a limited assurance verification of Kyungdong Navien Co., Ltd.'s Scope3 GHG statement.
- Reporting Target : Domestic Sites under Financial Control(All domestic sites excluding headquarters)
- Boundary : Scope3(Other Indirect emissions)
  - Category 1. Purchased goods and services
  - Category 2. Capital goods
  - Category 4. Upstream transportation and distribution
  - Category 5. Waste generated in operations
  - Category 6. Business travel
  - Category 7. Employee commuting
  - Category 11. Use of sold products
  - Category 12. End-of-life treatment of sold product
- Year : January 1, 2025 to December 31, 2025

3. Verification Criteria and Guidelines

Korean Standards Association conducted verification according to the procedures stipulated in ISO 14064-3 : 2019.
- Calculation criteria
  - KS I ISO 14064-1 : 2018
  - WRI (World Resources Institute) Greenhouse Gas Protocol
  - Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WRI)

4. Level of assurance verification and Responsibility

Korea Standards Association provides verification at limited level of assurance to strengthen GHG management for your company's GHG emissions.
- On-site inspection : Visit to Kyungdong Navien Co., Ltd. Yeouido (Machinery Building)
- Method of confirmation
  - Interview with greenhouse gas emissions manager and field staff
  - Review of the management system and data used to calculate greenhouse gas emissions during the reporting period
  - Tracking review of internal documents and basic data

Kyungdong Navien Co., Ltd. should provide fair data on information and evidence related to GHG emissions, and the KSA is limited to guaranteeing GHG emissions.

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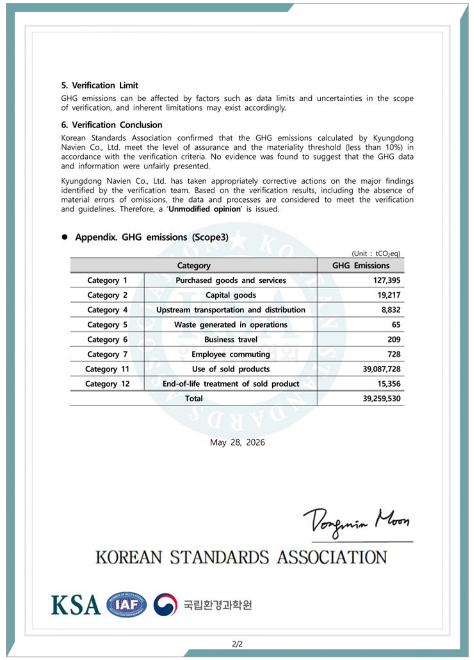

5. Verification Limit

GHG emissions can be affected by factors such as data limits and uncertainties in the scope of verification, and inherent limitations may exist accordingly.

6. Verification Conclusion

Korean Standards Association confirmed that the GHG emissions calculated by Kyungdong Navien Co., Ltd. meet the level of assurance and the materiality threshold (less than 10%) in accordance with the verification criteria. No evidence was found to suggest that the GHG data and information were unfairly presented.

Kyungdong Navien Co., Ltd. has taken appropriately corrective actions on the major findings identified by the verification team. Based on the verification results, including the absence of material errors of omissions, the data and processes are considered to meet the verification and guidelines. Therefore, a '**Unmodified opinion**' is issued.

- Appendix. GHG emissions (Scope3)

(Unit : $tCO_2eq$)

| Category | | GHG Emissions |
|---|---|---|
| Category 1 | Purchased goods and services | 127,395 |
| Category 2 | Capital goods | 19,217 |
| Category 4 | Upstream transportation and distribution | 8,832 |
| Category 5 | Waste generated in operations | 65 |
| Category 6 | Business travel | 209 |
| Category 7 | Employee commuting | 728 |
| Category 11 | Use of sold products | 39,087,728 |
| Category 12 | End-of-life treatment of sold product | 15,356 |
| Total | | 39,259,530 |

May 28, 2026

Dongmin Moon

KOREAN STANDARDS ASSOCIATION

KSA IAF 국립환경과학원

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# Independent Assurance Statement

**To readers of KD NAVIEN Sustainability Report 2025**

## Introduction

Korea Management Registrar (KMR) was engaged to conduct an independent assurance of KD NAVIEN Sustainability Report 2025 for the year ending December 31, 2025. The preparation, information and internal control of the report are the sole responsibility of Kyungdong Navien's management. KMR's responsibility is to comply with the agreed engagement and express an opinion to Kyungdong Navien's management.

## Subject Matter

The reporting boundaries included the performance and activities of sustainability-related organizations as described in Kyungdong Navien's report:

- KD NAVIEN Sustainability Report 2025

## Reference Standard

- GRI Standards 2021

## Assurance criteria

KMR applied the quality management system in accordance with ISO 17029 and KMR EDV 01, and carried out the verification in accordance with the assurance criteria of AA1000AS v3 and KMR's proprietary SRV1000. Under AA1000AS v3, we assessed the adherence to the four principles presented in AA1000AP:2018—Inclusivity, Materiality, Responsiveness, and Impact—and evaluated the reliability and quality of the data and information using these criteria. Under SRV1000, we conducted a multidimensional review aimed at zero data errors, applying expert judgment to determine the materiality criteria.

- ISO 17029 : 2019, ISO 14065 : 2020, AA1000AS v3 : 2020 (AccountAbility), AA1000AP : 2018 (AccountAbility), SRV 1000 : 2022 (KMR), KMR EDV 01 : 2024 (KMR)
- Levels of assurance/materiality: AA1000AS v3 – Type 2/moderate, limited/ not set

## Scope of assurance

The information subject to verification in the sustainability report is as follows.

- GRI Standards 2021 reporting principles
- Universal Standards
  - GRI 2 General Disclosures 2021
  - GRI 3 Material Topics 2021
- Topic Specific Standards
  - GRI 101: Biodiversity(101-1, 101-2, 101-4, 101-5),
  - GRI 201: Economic Performance, GRI 202: Market Presence, GRI 203: Indirect Economic Impacts, GRI 204: Procurement Practices, GRI 205: Anti-corruption, GRI 206: Anti-competitive Behavior, GRI 207: Tax,
  - GRI 302: Energy(302-1, 302-2, 302-3, 302-4), GRI 303: Water and Effluents, GRI 305: Emissions, GRI 306: Waste, GRI 308: Supplier Environmental Assessment,
  - GRI 401: Employment, GRI 402: Labor/Management Relations, GRI 403: Occupational Health and Safety, GRI 404: Training and Education, GRI 405: Diversity and Equal Opportunity, GRI 406: Non-discrimination, GRI 414: Supplier Social Assessment, GRI 416: Customer Health and Safety, GRI 417: Marketing and Labeling, GRI 418: Customer Privacy

As for the reporting boundary, information external to the organization was excluded from the scope of assurance.

## KMR's Approach

Our Assurance Team undertook the following activities for the agreed scope of assurance using the standard outlined above:

- Evaluating the appropriateness of the reference standard used as a basis for preparing sustainability information and the reliability of the materiality assessment process and its findings;
- Conducting inquiries to understand the data management and control environment, processes, and information systems (the effectiveness of controls was not tested);
- Evaluating the appropriateness and consistency of the methodology for estimation (note that the underlying data was not tested and KMR has not made any estimates);
- Visiting the headquarters, determining visit sites based on the site's contribution to sustainability and the possibility of unexpected changes since the previous period and sampling data, and carrying out due diligence on a limited number of source records at the sites visited;
- Interviewing people in charge of preparing the report;
- Considering whether the presentation and disclosures of sustainability information are accurate and clearly defined;
- Identifying errors through comparison and check against underlying information, recalculation, analyses, and backtracking; and
- Evaluating the reliability and balance of information based on independent external sources, public databases, and press releases.

# Independent Assurance Statement

## Limitations and Recommendations

The absence of generally accepted reporting frameworks or well-established practices on which to draw to evaluate and measure non-financial information allows for different measures and measuring techniques, which can affect comparability between entities. Therefore, our assurance team relied on professional judgment. In a limited assurance engagement, the scope of the risk assessment procedures and the subsequent procedures performed in response to the assessed risks are limited than in a reasonable assurance engagement. Our assurance team conducted our work to a limited extent through inquiries, analysis, and limited sampling based on the assumption that the data and information provided by Kyungdong Navien are complete and sufficient. To overcome these limitations, we confirmed the quality and reliability of the information by referring to independent external sources and public databases, such as DART and the National GHGs Management System (NGMS).

## Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with Kyungdong Navien on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. We found that the report was prepared in accordance with the criteria presented by Kyungdong Navien, and nothing comes to our attention to suggest that the evidence obtained regarding its content is insufficient to provide a basis for our opinion. Our opinion on the principles is as follows:

### Inclusivity

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

### Materiality

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

### Responsiveness

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

### Impact

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

## Reliability of Specific Sustainability Performance Information

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

## KMR's Competence, Independence, and Quality Control

Korea Management Registrar (KMR) is a verification body for the Republic of Korea Emissions Trading Scheme (K-ETS), accredited to ISO/IEC 17029:2019 (Conformity Assessment - General principles and requirements for validation and verification bodies), ISO 14067, the additional accreditation criteria ISO 14065, and ISO/IEC 17021:2015 (Requirements for bodies providing audit and certification of management systems). Additionally, KMR maintains a comprehensive quality control system that includes documented policies and procedures of the KMR EDV 01:2024 (ESG Disclosure Assurance System) based on ISO/IEC 17029 requirements and compliant with IAASB ISQM1:2022 (International Standard on Quality Management 1 by the International Auditing and Assurance Standards Board). Furthermore, KMR adheres to the ethical requirements of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior in accordance with the IESBA Code:2023 (International Code of Ethics for Professional Accountants). Our assurance team consists of sustainability experts. Other than providing an independent assurance, KMR has no other contract with Kyungdong Navien and did not provide any services to Kyungdong Navien that could compromise the independence of our work.

## Limitations of Use

This assurance statement is made solely for the management of Kyungdong Navien for the purpose of enhancing an understanding of the organization's sustainability performance and activities. We assume no liability or responsibility for its use by third parties other than the management of Kyungdong Navien. As this assurance statement may be subject to revision after the assurance date below, we recommend verifying whether this is the latest version.

June 22, 2026

AA1000 Licensed Report 000-129/V3-8CRI5

CEO E. J Hwang

KMR SRV1000 Sustainability Committee Assurance TNFD Forum Member

KD Navien