



2023

SUSTAINABILITY

REPORT

Message from our CEO & President



I am pleased to present CPI Aerostructures, Inc.'s ("CPI Aero") first Sustainability Report. There have been significant strides towards sustainability made by our customers and the aerospace industry as a whole. CPI Aero is committed to doing its part. Aligned with the goals that have been set within our industry, we are examining our manufacturing practices with an eye towards lean production techniques, waste reduction and energy-efficient facilities. These sustainability efforts not only support global environmental goals but also drive innovation and efficiency within our organization.

At CPI Aero, we firmly believe that our actions today shape the world we inhabit tomorrow. In this first report, we aim to provide an overview of our commitment to sustainability, corporate responsibility and ethical governance. We are actively measuring our greenhouse gas ("GHG") emissions footprint and continue to identify ways to increase our efforts across our ESG program. In the coming months, we will assess and benchmark our GHG footprint and continue to determine emission reduction opportunities across our operations. The following mission statement will guide our business strategy in this area.

OUR MISSION

CPI Aero is committed to fostering a sustainable future by integrating Environmental, Social and Governance principals into our business strategy. We are dedicated to reducing our environmental impact by adopting practices that minimize waste and promote resource efficiency throughout our operations.

Our commitment to social responsibility is demonstrated by creating a diverse and inclusive workplace that cultivates respect, prioritizes the safety of our employees and maintains the highest product quality standards.

Our corporate values are based on transparent governance practices, accountability at all levels of our organization and ethical decision-making. By prioritizing these principles, we aim to create a lasting positive impact on our customers, the environment and our community while ensuring sustainable growth and long-term success for our company, our employees and our shareholders.

In the pages that follow, you will gain a deeper understanding of our efforts and achievements across the three pillars of ESG: Environmental, Social and Governance. As we look to the future, we recognize that there is still much work to be done. We will continue to evaluate our progress and adapt our strategies to create a sustainable and responsible future.

I want to express my sincere gratitude to our employees, customers, shareholders, and all other stakeholders for your ongoing support and partnership on this journey.

Dorith Hakim
President & CEO

Safety

Ensuring safety at CPI Aero is a cornerstone of our commitment to ESG principles. At our organization, safety transcends mere compliance; it is embedded in our corporate culture. We prioritize the well-being of our employees, stakeholders and the communities in which we operate. Through risk assessments, comprehensive training programs, and continuous improvement initiatives, we mitigate operational hazards, protect the environment and uphold the highest standards of product safety. Our dedication to safety not only safeguards lives but also strengthens our reputation as a responsible and sustainable corporate citizen, aligning seamlessly with our broader ESG objectives.

Management Responsibilities:

Setting the Safety Culture:

Our leaders establish a strong safety culture within the organization. They set the tone by demonstrating their commitment to safety through their actions and decisions.

Communication:

Open and transparent communication about safety is essential. Leaders encourage employees to report safety concerns without fear of reprisal and should communicate safety updates and incidents effectively.

Continuous Improvement:

Safety is an ongoing process. Leaders promote a culture of continuous improvement by reviewing and updating safety policies and practices based on lessons learned from incidents and near misses.



Employee Responsibilities:

Compliance:

Employees are required to adhere to all safety policies, procedures, and guidelines established by the company. This includes following safety protocols, using personal protective equipment when required and complying with relevant regulations.

Training and Education:

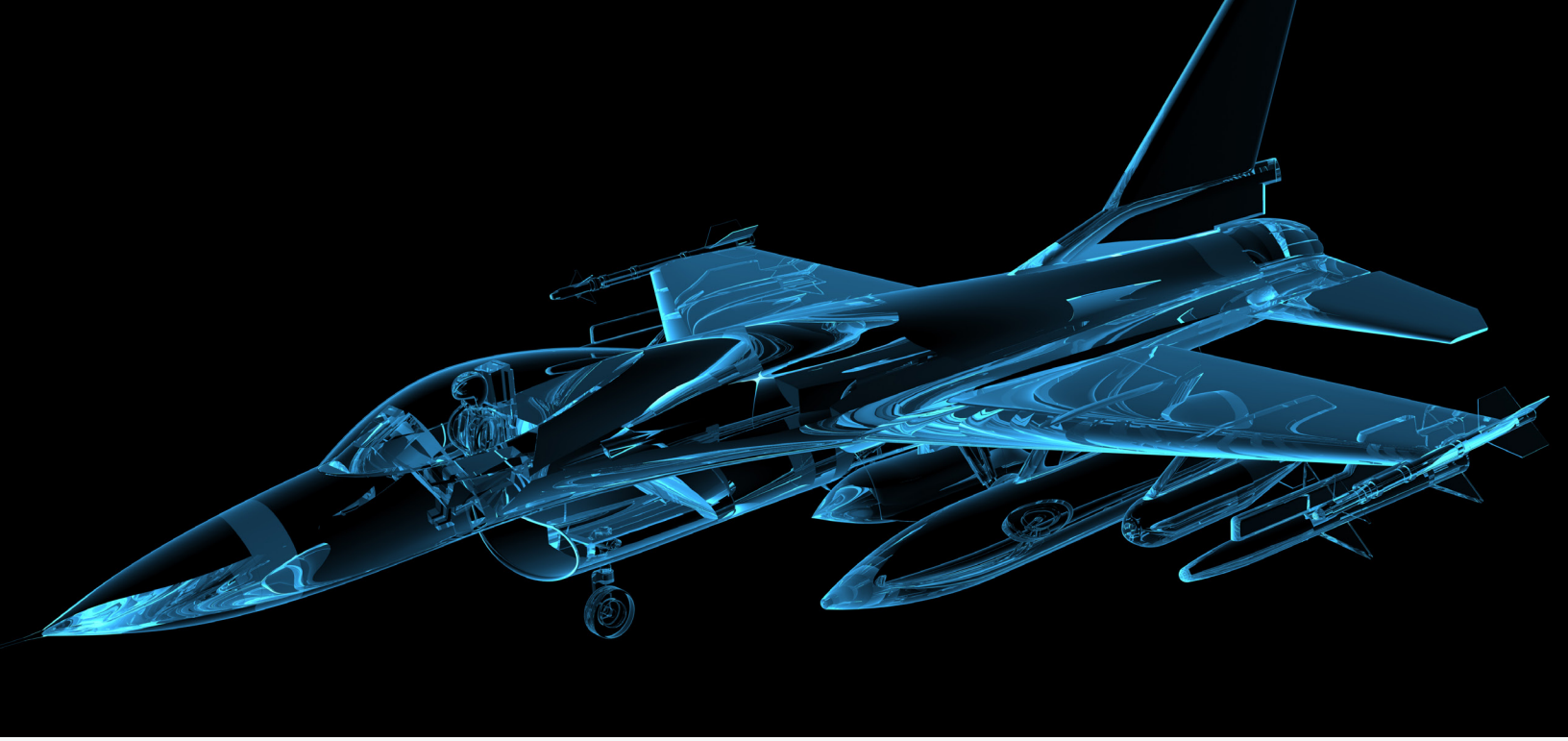
Attending and actively participating in company-led safety training and educational programs is part of our corporate culture. This training equips employees with the knowledge and skills needed to identify and mitigate workplace hazards.

Reporting:

Timely reporting is essential for addressing issues before they lead to accidents or injuries. Employees report any safety concerns, hazards, incidents or near misses to their supervisors or the appropriate channels.

Emergency Response:

Employees are trained to be familiar with emergency evacuation procedures, fire drills and other emergency response protocols.



Safety Committee

The Safety Committee at CPI Aero consists of employees and management representing diverse roles within the organization. The committee convenes regularly to implement continuous improvement strategies, develop methods to increase ownership of safety throughout the organization, establish new safety initiatives and evaluate safety performance.



Safety Metrics

We assess the performance of our safety program by conducting year-over-year comparisons of recordable incidents and their severity. We utilize two key metrics to gauge safety incidents: the Total Recordable Incident Rate (“TRIR”), which quantifies the number of incidents, and the Days Away, Restricted, and Transferred (“DART”) metric, which measures the severity of incidents. To the right you will find a table presenting our findings for the two most recent calendar years:

Safety Metrics	2022	2021
TRIR	2.6	2.0
DART	1.3	2.0

TRIR = total number of recordable cases x 200,000 / total hours worked

DART = number of cases with days away from work x 200,000 total hours worked by all employees

Board Oversight

We believe that it is necessary for each of our directors to possess qualities, attributes, and skills that contribute to a variety of views and perspectives and enhance the overall effectiveness of our board of directors. Our board of directors as a whole has responsibility for risk oversight and reviews management's risk assessment and risk management policies and procedures.

Corporate Governance Highlights

Independent Chairman of the Board

All but one director is independent

Robust risk oversight process by board and committees

Annual advisory vote on Named Executive Officer compensation

Regular executive sessions of independent directors

Stock ownership requirements for independent directors

Annual board and committee evaluations

Our board of directors held eight meetings in 2022. We have five standing committees: the Compensation and Human Resources Committee, Audit and Finance Committee, Nominating and Corporate Governance Committee, Strategic Planning Committee, and Oversight Committee.



Compensation and Human Resources Committee:

Oversee the Company's compensation plans and practices and review the Company's major human capital risk exposures.



Audit and Finance Committee:

Review and evaluate the Company's annual budget, financial performance and risk exposures and manage the outside auditor relationship and reporting.



Nominating and Corporate Governance Committee:

Responsible for overseeing the selection of persons to be nominated to serve on our board of directors and for developing and recommending corporate governance guidelines.



Strategic Planning Committee:

Examine corporate objectives and evaluate and analyze the Company's strategic direction.



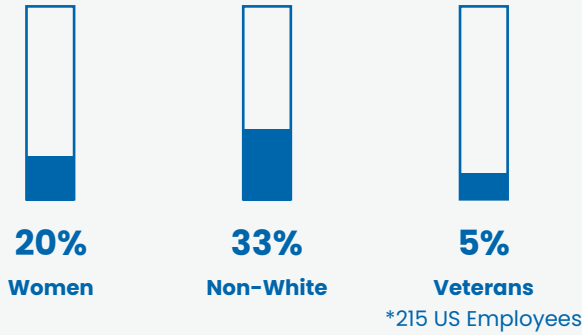
Oversight Committee:

Advises the Company regarding cash generation, reduction of costs and overall day-to-day operations.

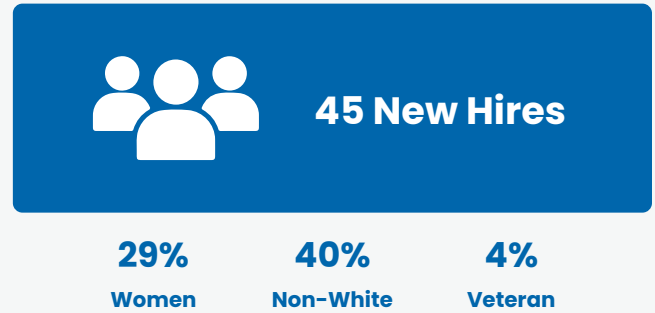
Diversity, Equity & Inclusion

CPI Aero values and cultivates diversity and inclusion in our workforce as we understand that diversity of background, thought and experience leads to greater innovation and improved business results. We are committed to increasing and promoting diversity in all areas of our workforce and we focus on equal employment opportunities and fair treatment throughout our recruitment, hiring and onboarding processes.

Population



2022 Hires



Waste Management

Effective waste management aids in conserving global resources, decreasing landfill and reducing GHG emissions. CPI Aero’s waste management practices prioritize reduction, reuse, and recycling to minimize waste generation. We demonstrate our dedication to sustainable operations and our responsibility to future generations by investing in sustainable disposal methods and continuously seek innovative solutions to reduce waste sent to landfills.

Proper disposal of hazardous waste is a critical component of protecting our environment. CPI Aero is a small quantity generator of hazardous waste by New York Department of Environmental Conservation standards. Compliance is an important part of our waste management program. We follow all local, state and federal regulations that relate to the collection, storage, transportation, disposal and reporting of hazardous waste. CPI Aero actively monitors our hazardous waste generation and seeks opportunities to reduce our environmental footprint by utilizing non-hazardous products when possible.

Recycling & Waste Disposal

Manufacturing Waste

- Scrap metals
- Chemicals, paints, solvents, sealants and adhesives

Facility Items Recycling

- Incandescent and fluorescent light bulbs
- Batteries

E-Waste Recycling

- Computers and hard drives
- Printers, toners and inkjet cartridges

Supply Chain

CPI Aero is dedicated to aligning our supply chain management with ESG principles, ensuring that responsible and sustainable practices are integrated into every aspect of our operations. We believe that a responsible supply chain is not only a moral imperative but also a strategic advantage that enhances our reputation, reduces costs and contributes to a more sustainable future.

Environmental Impact

We are committed to reducing the environmental footprint of our supply chain operations:

Sustainable Sourcing:

We prioritize suppliers who share our commitment to sustainable sourcing practices, reducing the environmental impact associated with material extraction and production.

Waste Reduction:

We actively work on minimizing waste across our supply chain, including improved inventory management.

Social Responsibility

We uphold the highest standards of social responsibility throughout our supply chain:

Conflict Minerals:

We expect that suppliers acquire tin, tantalum, tungsten and gold only from responsible sources that do not directly or indirectly finance or benefit armed groups in the Democratic Republic of Congo and its neighboring countries

Supplier Diversity:

We actively engage with minority-owned, women-owned, and small businesses, promoting diversity within our supplier base.

Governance

We maintain strong governance practices within our supply chain:

Transparency:

We provide transparency into our supply chain practices.

Compliance:

We adhere to all relevant laws and regulations governing supply chain operations, including those related to environmental protection, labor rights, and anti-corruption measures.

Risk Management:

We employ risk assessment and mitigation strategies to address potential disruptions or issues within the supply chain.

Performance Metrics and Reporting

We track key performance indicators related to our supply chain management:

Data Tracking:

We collect data on quality, on-time delivery and other relevant metrics.

Reporting:

We transparently report on our supply chain ESG performance to our stakeholders, including investors, customers, and the public.