



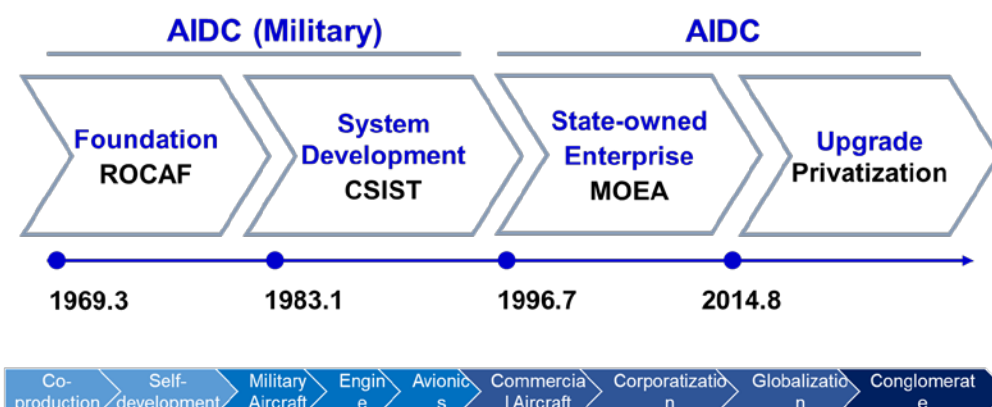
Company Background

The Aerospace Industrial Development Corporation (AIDC), previously known as the Aero Industry Development Center, was founded in March 1969 under the authority of the Republic of China Air Force, and was later transferred to the National Chung-Shan Institute of Science and Technology (NCSIST) of the Ministry of National Defense in January 1983. For over 30 years, we have worked with foreign companies in joint production of the UH-1 helicopter, F-5E/F fighter/bomber, T-53 engine, and Garrett TFE731 engine, independently developed trainers such as the Pazmany PL-1, AIDC T-CH-1 Chung Hsing, and AT-3, and developed new fighters.

In July 1996, AIDC was reformed from a military establishment into "Aerospace Industrial Development Corporation", a government-owned company under the authority of the Ministry of Economic Affairs in its transition towards commercialization, privatization and globalization. Pursuant to the new company objectives, AIDC's business strategy turned from products and services previously provided solely for military applications into a diversified mix of both military and commercial of products and services. It is positioned as a "national defense technology company for the development of the aviation industry". To avoid risks in over-concentration of markets and to make full use of its technological capacity and overall capabilities, its main businesses include military business, commercial aviation, and industrial technology services.

The aerospace industry is highly technology-intensive and AIDC was required to counter the competition from the international aerospace market. It was reorganized into a private company on August 21, 2014 and became a listed company on August 25. To create a comprehensive aerospace industry supply chain, AIDC hosted a rally for the creation of the Taiwan A-Team 4.0 Alliance in June 2016, which marked the official start of the Taiwan A-Team's road to the critical supply chain of the global aerospace industry. In compliance with the government's policy of "domestic production of jet trainer", the National Chung Shan Institute of Science and Technology (NCSIST) signed a commission agreement with AIDC in April 2017 for the production of 66 Advanced Jet Trainers. The Advanced Jet Trainer was rolled out and had its naming ceremony in September 2019. In June 2020, the aircraft successfully made its first demonstration flight. In 2021, two aircrafts were delivered and the delivery of 66 aircrafts was scheduled to be completed by 2026. To attain national self-reliant defense, AIDC signed a strategic alliance MOU with Lockheed Martin in December 2019; established the F-16 Maintenance & Support Center in August 2020; and obtained a major order from the Air Force for the "Open-Ended Contract for the F-16 Maintenance and Repairs Center" in January 2021. The Company will be responsible for the maintenance and repairs of the F-16 fleet till the end of 2025. Our target is to achieve "indigenous production and local maintenance and repairs".

AIDC is one of the few suppliers in the aviation industry in Asia Pacific with the expertise and capability in R&D, system integration, testing, and manufacturing. We have won the recognition and praise in the international aerospace industry and made major contributions to the national aerospace industry.





Basic information

Company name: Aerospace Industrial Development Corporation (AIDC)

Date of incorporation: July 1, 1996

Date of listing: Monday, August 25, 2014

Number of employees: 6,772

Capital: NT\$9.419 billion

Chairman: Hu, Kai-Hung

President: Ma, Wan-June

Company address: No. 1, Hanxiang Road, Xitun District, Taichung City 40760, Taiwan (R.O.C.)

Largest shareholder: Ministry of Economic Affairs (35.18%)

Factories:

Total Area: 312.3 Acres / 1,264,000m²

Sha Lu / CCK

(193 Acres / 781,000 m²)

- Avionics & Flight Control Engineering
- Harness Fabrication & Installation
- Flight Test / Maintenance
- Aircraft Assy. & Testing



TACC#19
Composite
Plant



F-16 A/B
Upgrade &
Maintenance Building



Taichung

Kaohsiung

Taichung Complex

(71.9 Acres / 291,000 m²)

- AIDC Headquarters
- Engineering
- Aircraft Parts Fabrication
- Avionics Assembly & Testing



Kang-Shan Complex

(47.4 Acres / 192,000 m²)

- Engine Parts Fabrication
- Engine Assembly & Testing



ECMC

TCF



ECMC: Engine Case Manufacturing Center
TCF: Turbine Center Frame



◆ Main contents and proportion of business activities:

Product category	Product usage	Proportion (%)
Airplane and aircraft maintenance and repairs (Note 1)	Defense, combat training, civil aircrafts, civil helicopters, aircraft flight control/guidance/monitoring, maintenance of aircraft/engine/avionics equipment to ensure normal operations/functions during the life of the aircraft	62.61
Engines (Note 2)	Aircraft engines, industrial engines	35.02
Industrial technology services	Large-scale engineering systems for national infrastructure, aerospace technology for the development of high value-added industrial and civilian products/technical services for raising the standards of domestic industries	2.37
Total		100.00

Note 1: Airplane and aircraft maintenance and repairs include the maintenance and repairs of military and civil airplanes and aircrafts.

Note 2: Engines include services for military and civilian engines.

◆ Sales volume and value in the last two years:

Unit: NT\$ thousand

Sales volume and value Main products	Year		2020				2021			
			Domestic sales		Export sales		Domestic sales		Export sales	
			Volume	Value	Volume	Value	Volume	Value	Volume	Value
Airplane and aircraft maintenance and repairs			—	8,812,853	—	5,213,817	—	9,647,666	—	5,211,766
Engines			—	2,085,944	—	4,335,834	—	2,380,749	—	5,931,031
Industrial technology services			—	545,325	—	49,164	—	527,783	—	35,571
Total			—	11,444,122	—	9,598,815	—	12,556,198	—	11,178,368

Note 1: The products shipped included self-made parts, spare parts, support equipment, documents, software, and technical services. Due to the nature of business operations, they are produced for specific purchase orders and are not standardized products. Therefore, the production capacity and production volume cannot be calculated.

Note 2: Products delivered for engines include spare parts, labor services, and foreign commercial engine OEM production purchase orders.

Note 3: The aforementioned financial data of 2020 and 2021 have been reviewed and certified by the CPA in accordance with IFRSs.



◆ Mission, vision, and philosophy:

Mission



Consolidate national self-reliant defense.
Lead industrial upgrade.



Enhance aerospace industry development.
Promote economic prosperity.





Organization Chart



Defense Business System

Responsible for the operations of military aircrafts, avionics, aviation, and national private-run businesses.

Production System

Responsible for the production, assembly, test, and after-sales services of aircraft components.

Engineering System

Responsible for engineering design, system integration, quality enhancement, quality assurance policies, information technology and services, procurement, supplier integration, outsourced operations, and material storage.

Civilian Business System

Responsible for the market analysis, business strategy, business development, project execution, technology services, and industrial safety and environmental protection related to civil aircrafts.

Administration System

Responsible for the planning and implementation of the finance, accounting, human resources, general affairs, and investee businesses.

Engine Business System

Responsible for the production, assembly, test, and after-sales services of engine components and operations of the engine business.



Sustainability Policy

AIDC supports the government's sustainability policy, which includes corporate governance, sustainable environment, public welfare, information disclosure. The targets of corporate governance and information disclosure are the government, shareholders, employees, customers, suppliers, etc.; the targets of sustainable environmental responsibility are the natural ecology, environmental resources, green products, and achieving environmental protection goals by promoting carbon neutrality in the Company; the targets of social welfare responsibility are employees, communities, disadvantaged groups, and public affairs for the society. We uphold the corporate social responsibility of giving back to society and integrate resources of the Company to fulfill the Company's sustainable development strategy.

AIDC Sustainability Policy




1. Abide by corporate sustainable development regulations and fulfill duties as a corporate citizen.
2. Implement corporate governance, ensure transparency in the disclosure of business information, and protect the rights and interests of stakeholders.
3. Focus on environmental protection, energy conservation, and carbon reduction to protect the Earth's environment.
4. Provide a safe and healthy work environment and protect employees' physical and mental health.
5. Support disadvantaged groups and actively participate in social and charitable events.





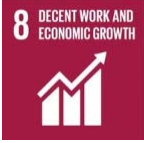

Sustainable Development Goals (SDGs)

As a leader in Taiwan's aerospace industry, AIDC is responsible for implementing national self-reliant defense and developing the aerospace industry. In response to the international carbon reduction trends and Taiwan's net zero emissions targets for 2050, we reviewed the Company's Sustainability Strategy based on SDG Compass: The Guide for Business Action on the SDGs. We also used the 5P principle to reduce the 11 linked SDGs adopted in the past to 8 SDGs, which shall serve as guidelines for the Company's future sustainable development. We concentrated resources on actions for the SDGs to ensure sustainable development and value creation.


Note: The 5Ps of the SDGs refer to the "planet" in environmental value, "people" and "peace" in social value, "prosperity" in economic value, and "partnership" on the execution level.

5P value principle	SDGs	Targets	Tangible actions	Chapters
Planet		Respond to climate change and the targets it affects: 13.3	<ul style="list-style-type: none"> The Company changed the name of the "CSR Advisory Committee" to "ESG Committee" and adopted it as the highest organization for climate change management. The Chairman serves as the chair of the Committee to review the Company's carbon neutrality strategy and targets, manage actions taken for climate change risks and opportunities, review the implementation status, discuss future plans, and report to the Board of Directors. 	Climate Change Risk Management
People	 	Ensure health, promote welfare, and control hazardous substance and pollution Target : 3.9 Increase competency and industrial collaboration Target : 4.5	<ul style="list-style-type: none"> The Company organizes regular employee health examinations each year and 4,746 participants completed health examinations in 2021. The Company added hepatitis B and C screening to ensure early discovery and early treatment. The Company administered flu vaccine for 747 people and conducted women's cancer screening for 273 participants. 152 COVID-19 disease prevention publications. Sales of finished products and components to the EU met EU REACH regulations. Intensified industry-academic cooperation and increased the number of academic institutions with strategic alliance to 25 in 	Safe and Healthy Work Environment Hazardous Substance Management Talent Cultivation and Development



5P value principle	SDGs	Targets	Tangible actions	Chapters
			2021. <ul style="list-style-type: none"> The Company organized 4,478 sessions of employee training with 120,694 attendances in 2021, totaling 257,268 training hours. 	
Peace		Reduce corruption and bribery in all their forms Target : 16.6	<ul style="list-style-type: none"> 100% of employee signed the "Employee Code of Ethical Conduct" in 2021. Conducted supplier surveys and provided a channel for the Company's suppliers to disclose conflicts of interest and violations of integrity principles. There were 15 complaints and reports of violations of company regulations, all of which were investigated and appropriately handled. 12 of the reports were filed by whistleblowers by name, indicating that the whistleblowers have placed trust in the Company's whistleblowing channels. We completed 46 sessions of new employee ethics and security training for 573 participants. Employees registered 76 instances of gifts received in accordance with the Employee Code of Ethical Conduct. 	Ethical Corporate Management
Prosperity	  	Develop renewable energy and increase energy usage efficiency Target : 7.2 Sustainable economic growth, equal pay for equal work, ban on the use of child labor, occupational safety Target : 8.2 、 8.4 、 8.8 R&D and innovation Target : 9.4	<ul style="list-style-type: none"> Installed solar panels at Kang-Shan Complex in 2021 Installed a 5MW energy storage system and joined Taipower's Automatic Frequency Control (AFC) ancillary services in 2021. Attained preset goals for 2021 revenue. Promote company credit ratings and issue corporate bonds to raise long-term sources of capital and adjust the financial liability structure. Ensure equal base salary for male and female employees of the same position and rank. Protect the equal opportunities to employment of disadvantaged groups and implement the regulations in the "People with Disabilities Rights Protection Act" and "Indigenous Peoples Employment Rights Protection Act". The Company does not hire child labor below the statutory age. The Company passed the Taiwan Occupational Safety and Health Management Systems and ISO 45001 Occupational Health and 	Energy Management Green Product Development Financial Performance Employee Hiring Safe and Healthy Work Environment Smart Manufacturing



5P value principle	SDGs	Targets	Tangible actions	Chapters
			<p>Safety System certification.</p> <ul style="list-style-type: none"> The Company set up the iAIDC Industry 4.0 system and adopted the three main strategies of smart machinery, smart manufacturing, and smart management to focus on the smart production and management of machinery and equipment, production procedures, and manufacturing process. 	
Partnership		<p>Partnership Target : 17.16</p>	<ul style="list-style-type: none"> Participation in activities of international organizations and domestic industry associations and organizations. Organized the Taiwan Aerospace Industry and Policy Forum in multiple consecutive years (suspended in 2021 due to the pandemic). AIDC launched the "Taiwan A-Team 4.0 Alliance" based on the motto of "lean manufacturing and enhanced competition" to integrate and strengthen domestic aerospace operators and facilitate their entry into the international aerospace supply chain. 	<p>Participation in Local and Foreign Organizations Organize the Taiwan Aerospace Industry and Policy Forum Integrate the supply chain</p>



Environmental



Social



Governance

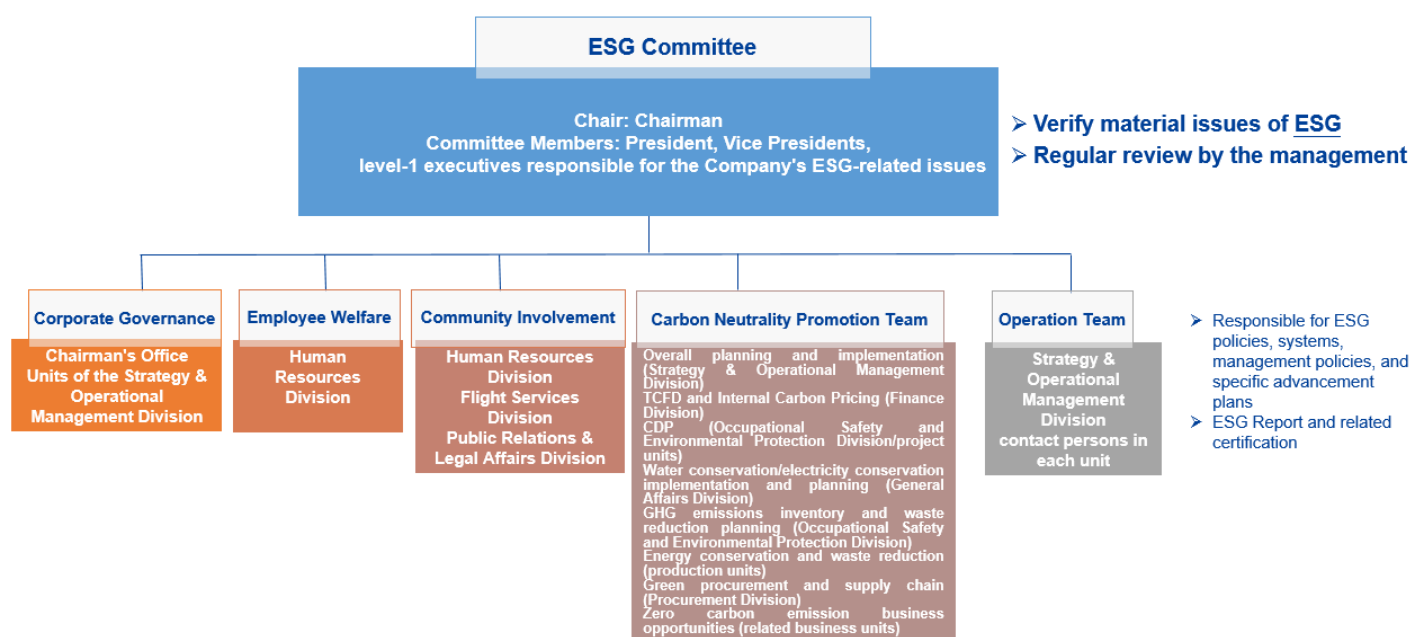




Organization and Operations of the ESG Committee

AIDC has always been committed to promoting corporate governance, developing a sustainable environment, and safeguarding social welfare. To make the implementation of sustainability efforts more effective, AIDC established the "Corporate Social Responsibility Advisory Committee" in 2018. In response to international trends and the expansion of corporate social responsibility to sustainability, it was renamed the "ESG Committee" in December 2021. The Chairman of the Board of Directors serves as the chair of the committee, and the President, Vice Presidents and level-1 executives responsible for the Company's ESG-related issues serve as members. It assesses and advises on the significant economic, environmental, and social impact of AIDC's sustainability issues. The "ESG Work Group" is responsible for the development and execution of the sustainability policies, systems, management approaches, and specific implementation plans. It reports results to the Board of Directors each quarter.

In response to global carbon reduction trends, AIDC adjusted the organization of the Committee at the end of 2021 by consolidating the "Energy Conservation and Carbon Reduction" and "Green Products/Procurement" Work Groups and expanding it as the "Carbon Neutrality Work Group". The Company activated internal carbon management mechanisms and assigned the President to convene high-level meetings on the work items for "carbon neutrality", including the installation of solar PV panels, energy conservation and carbon reduction projects, waste reduction, and internal carbon pricing. The Chairman supervises the implementation progress each quarter to demonstrate the Company's commitment to carbon neutrality.

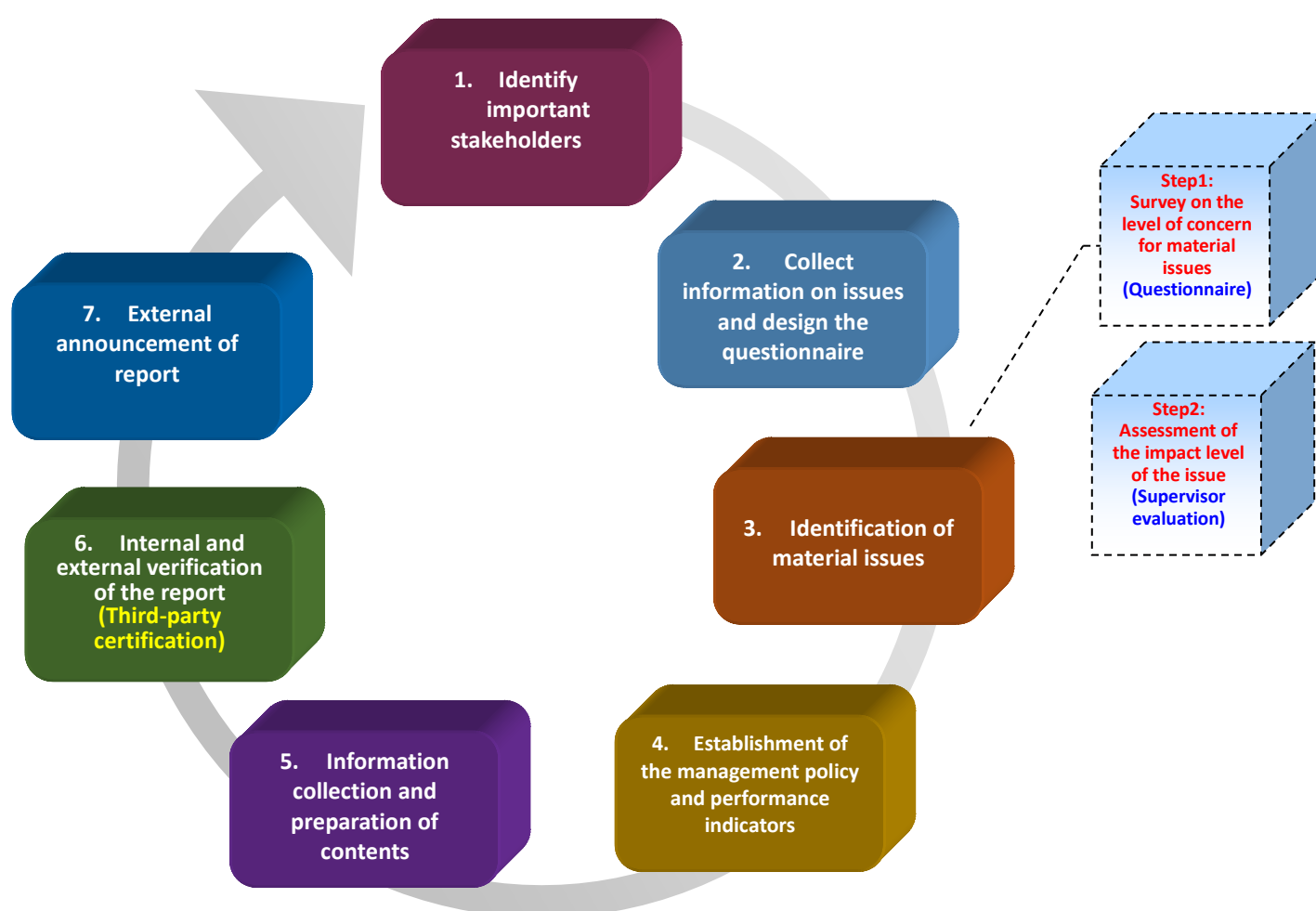




Stakeholder Communication

To ensure corporate sustainability, AIDC included the issues of concern to stakeholders as important factors to be considered for the Company's operations. We also manage and respond to material issues to meet stakeholders' expectations.

AIDC identified the key stakeholders related to operations with a systematic approach in 2020. We also distributed questionnaires to learn about the issues of concern to key stakeholders (220 questionnaires were returned, of which 189 were valid and 31 were invalid). We identified the most important issues in terms of the significance of their economic, environmental and social impact. The information is disclosed in this report to respond to the stakeholders who are concerned with the issues. We also continue to strengthen the management of related issues and take real actions to fulfill our commitment to corporate sustainability.





◆ Stakeholder identification

Members of the AIDC "ESG Work Group" use the six elements (i.e., responsibility, influence, closeness, dependency, representativeness, and policy and strategy intentions) of the stakeholder positioning test and considered their relevance in the Company's operation and identified the following stakeholder categories of AIDC based on the six elements:

Responsibility	Influence	Closeness	Dependency	Representativeness	Policy and strategy intentions
<ul style="list-style-type: none"> ● Employees ● Shareholders ● Government agencies ● Local communities ● Customers ● Suppliers/contractors 	<ul style="list-style-type: none"> ● Employees ● Shareholders ● Government agencies ● Customers ● Media ● Associations/organizations ● Suppliers 	<ul style="list-style-type: none"> ● Employees ● Shareholders ● Government agencies ● Local communities ● Customers ● Suppliers/contractors 	<ul style="list-style-type: none"> ● Employees ● Shareholders ● Government agencies ● Local communities ● Customers ● Suppliers/contractors 	<ul style="list-style-type: none"> ● Shareholders ● Labor representatives ● Public representatives 	<ul style="list-style-type: none"> ● Customers ● Suppliers/contractors ● Government agencies

Note: (1) The Ministry of Economic Affairs is classified as a "shareholder"; (2) the Ministry of National Defense is classified as a "customer", and (3) the Presidential Office, Executive Yuan, Industrial Development Bureau, and Taichung City Government are classified as "government agencies".

Based on statistics compiled by the "ESG Work Group", the Company continued the analysis framework adopted in previous years and focused on the materiality in the statistics. In 2020, we identified the most important stakeholders for AIDC in 2020 as employees, shareholders, government agencies, local communities, customers, and suppliers/contractors.





◆ The issues of concern to stakeholders, communication methods adopted, and track records

Stakeholder	Issues of concern	Communication method	Communication frequency	Communication track records
Government agencies	<ul style="list-style-type: none"> Corporate Governance Risk Management Operation and financial performance Indigenous production of aircraft Information security 	<ul style="list-style-type: none"> Official documents Government shareholder management and supervision team Policy and regulation communication meetings Annual report and financial report 	<ul style="list-style-type: none"> Irregular basis Irregular basis Irregular basis Once every year 	<ul style="list-style-type: none"> Delivery of two first advanced jet trainers (Brave Eagles) Completion of the F-16A/B performance improvement project
Shareholders	<ul style="list-style-type: none"> Corporate Governance Risk Management Operation and financial performance Sustainable Development Strategy Code of Ethical Conduct Indigenous production of aircraft 	<ul style="list-style-type: none"> TWSE "Market Observation Post System" "Investor Relations" section on the AIDC website. Investor conference and shareholders' meeting Annual report and financial report Conference calls and e-mail 	<ul style="list-style-type: none"> When necessary When necessary At least once every year Once every year When necessary 	<ul style="list-style-type: none"> The Company convened 2 investor conferences and the shareholders' meeting in 2021 and effectively disclosed the Company's financial conditions and future prospects. The Company published the Annual Report in Chinese and English and the ESG Report and regularly updated information on the Company's website.
Customers	<ul style="list-style-type: none"> Product quality/technology R&D Customer service management Customer satisfaction survey Information security Customer privacy Green product/services design and development Energy Management Environmental policy/management system Indigenous production of aircraft 	<ul style="list-style-type: none"> Customer visits Customer questionnaire or onsite audits Project review meetings Customer satisfaction survey Prompt communication with customers' representatives at the Company 24-hour customer requirement and question reporting system 	<ul style="list-style-type: none"> When necessary When necessary When necessary Once every year When necessary When necessary 	<ul style="list-style-type: none"> Effectively control failure cost and attain the Company's 2021 annual quality targets while significantly increasing overall customer satisfaction rate Completed business continuity operations (critical information system recovery plans and exercises) Passed ISO 27001 regular review and special audit certification for expanded scope
Employees	<ul style="list-style-type: none"> Corporate Governance Operation and financial performance Career development and training Labor relations Employee Rights and Benefits Labor practices Talent recruitment and retention Occupational safety and health Indigenous production of aircraft 	<ul style="list-style-type: none"> Internal information network Employee care system Assembly of labor representatives Senior executives attended as observers Employee Welfare Committee Labor-management meeting Labor safety and health meeting 	<ul style="list-style-type: none"> When necessary When necessary Once every year Once every month Once every quarter Once every quarter Once every quarter 	<ul style="list-style-type: none"> The Company convened 11 labor-management meetings in 2021 (4 meetings each in Shui-Nan and Sha-Lu; 3 meetings in Kang-Shan as both labor and management representatives agreed to cancel 1 meeting due to the pandemic). The Company also organized 5 seminars with the labor union to ensure harmonious communication between labor and management. The Company signed a collective bargaining agreement with the corporate union.



Stakeholder	Issues of concern	Communication method	Communication frequency	Communication track records
Suppliers/ contractors	<ul style="list-style-type: none"> ● Supplier Management ● Energy Management ● Environmental policy/management system ● Occupational safety and health ● Indigenous production of aircraft ● Information security ● Smart Manufacturing 	● Supplier audit and onsite presence	● When necessary	<ul style="list-style-type: none"> ● The Company organized the "supplier questionnaire" in 2021 and the interviewed suppliers expressed high levels of approval for the Company's administrative efficiency, service attitude, and overall integrity.
		● Supplier conference	● Once every year	
		● Contractor communication meetings	● When necessary	
		● Investment seminar	● When necessary	
		● A-Team 4.0 Alliance meeting	● At least once every year	
Local communities	<ul style="list-style-type: none"> ● Community engagement and social welfare ● Air pollution management ● Hazardous Substance Management ● Waste management and recycling ● Water Resource Management ● Greenhouse gas emissions ● Environmental policy/management system 	● Participation in giving back to the community and charity events in schools	● Irregular basis	<ul style="list-style-type: none"> ● Maintain good relations with local communities and participate in charity events. ● Provide the Company's premises as vaccination sites to serve the community. ● Taichung Complex completed the first third-party certification of its greenhouse gas inventory in 2021.
		● "CSR" section on the AIDC website	● When necessary	
		● Volunteer activities	● Irregular basis	

Analysis and Decisions of Material Issues

AIDC referenced international trends, characteristics of the industry, and topics in GRI Standards for the design of a questionnaire on sustainability issues related to the Company with 28 items in three major categories. The Company invited stakeholders to fill out answers to learn about the AIDC issues of concern to them and the degree of concern. Senior executives then evaluate the significance of the impact of the sustainability issues on the economy, environment, and society.

Item No.	Sustainability issue	Item No.	Sustainability issue	Item No.	Sustainability issue
1	Corporate Governance	11	Indigenous production of aircraft	21	Climate Change Risk Management
2	Risk Management	12	Smart Manufacturing	22	Career development and training
3	Operation and financial performance	13	Green product/services design and development	23	Labor relations
4	Sustainable Development Strategy	14	Energy Management	24	Employee Rights and Benefits
5	Code of Ethical Conduct	15	Environmental policy/management system	25	Community engagement and social welfare
6	Product quality/technology R&D	16	Air pollution management	26	Labor practices
7	Customer service management	17	Waste management and recycling	27	Talent recruitment and retention
8	Customer privacy	18	Water Resource Management	28	Occupational safety and health
9	Information security	19	Greenhouse gas emissions		
10	Supplier Management	20	Hazardous Substance Management		



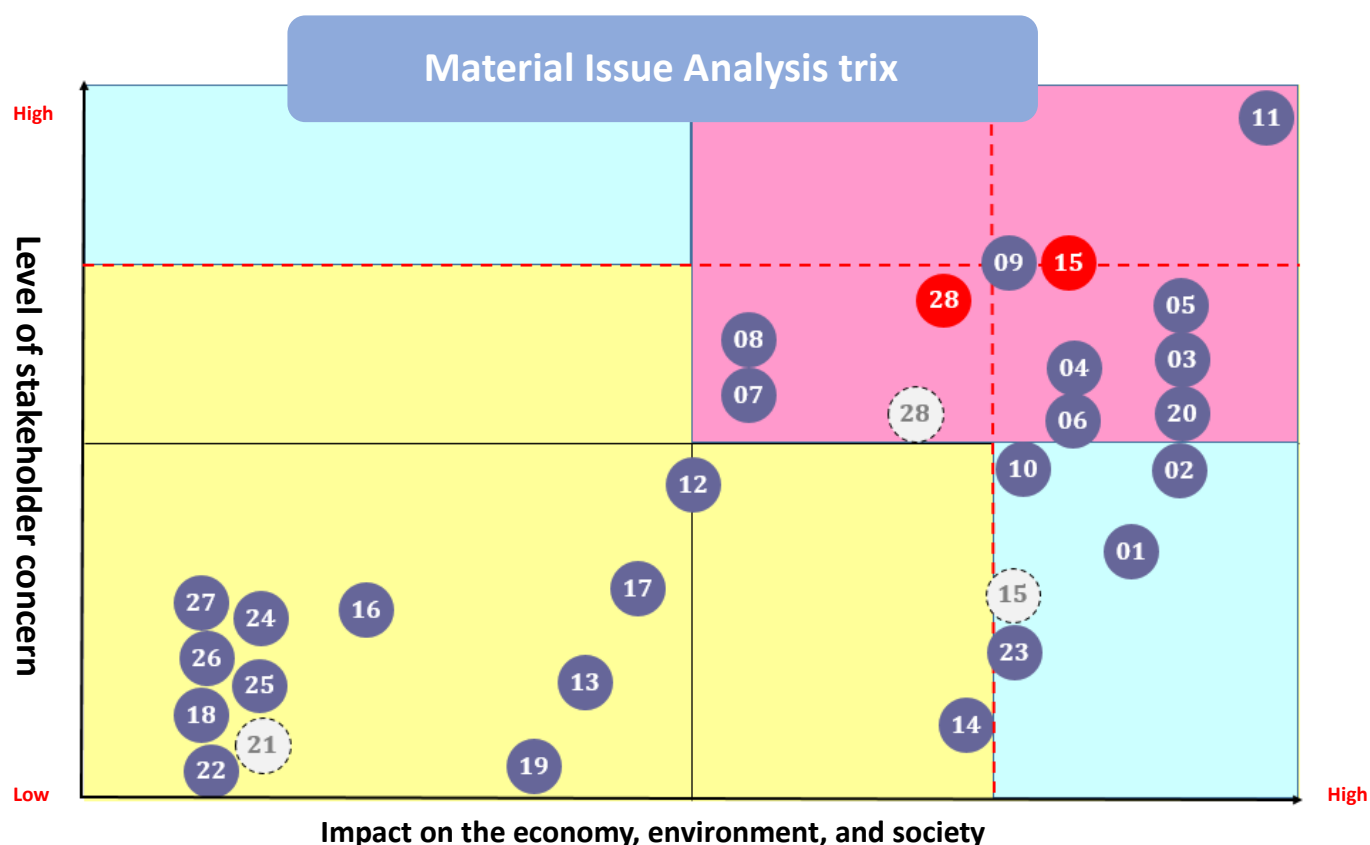
◆ Material Issue Analysis Matrix

We produced the Material Issue Analysis Matrix based on the level of stakeholders' concern on the vertical axis and the significant economic, environmental, and social impact on the horizontal axis and identified 15 material issues in 2020. Those with high level of stakeholders' concern and significant economic, environmental, and social impact are shown in the pink area in the figure below: operation and financial performance, Sustainable Development Strategy, Code of Ethical Conduct, product quality/technology R&D, customer service management, customer privacy, information security, indigenous production of aircraft, hazardous substance management, and occupational safety and health. We also included issues with high level of stakeholders' concern and significant economic, environmental, and social impact as material issues shown in the light blue area in the figure below: corporate governance, risk management, supplier management, environmental policy/management system, and labor relations.

As there were no major changes in the Company's operations in 2021, the ESG Committee made the following adjustments based on the results of the major issues identified in the previous year, and a review of the international carbon reduction trends and related changes in domestic legislation:

- (1) **Item 15 "climate change"**: The material issue "climate change risk management" (previously Item 21) was merged with "environmental policy/management system" (previously Item 15) in 2021 and the material issue title was renamed "climate change" (Item 15). The Company also increased the level of concern and impact to reflect stakeholders' concern for climate change and the impact of changes in the domestic and foreign climate policies and regulations on the Company's operations.
- (2) **Item 28 "occupational safety and health"**: In response to the stakeholders' concern for the Company's work safety incident in 2021, we increased the level of concern and impact and increased the Company's internal risk management for occupational safety and health.

After the adjustments, there were still 15 material issues. AIDC used the matrix as the basis for the contents of this Report to portray the management results and related track records for 2021. They are also used as the strategy for sustainability plans and implementation in 2022 and helps the Company improve sustainability.



Note: The numbers in gray background and dotted line (15, 21, and 28) are rankings provided in the previous year (2020). The numbers in red background are rankings after the adjustment in 2021.

Material issues: High level of concern and high impact

Material issues: High level of concern or high impact

3. Operation and financial performance	9. Information security	1. Corporate Governance
4. Sustainable Development Strategy	11. Indigenous production of aircraft	2. Risk Management
5. Code of Ethical Conduct	15. Climate change ▲	10. Supplier Management
6. Product quality/technology R&D	20. Hazardous Substance Management	23. Labor relations
7. Customer service management	28. Occupational safety and health ▲	
8. Customer privacy		

▲ : Increase in the level of concern and impact compared to the previous year.



◆ Explanation of material issues

The Company confirms that the material issues correspond to topics in GRI Standards, explains the importance of material issues to AIDC, and evaluates the boundaries of impact.

Material issue	GRI Standard	Importance to AIDC	Boundaries of impact							Related chapters
			Internal	Stakeholder						
			AIDC	Shareholders	Government	Customers	Suppliers	Employees	Communities	
Corporate Governance	General Disclosures Governance structure	Corporate governance is the mechanism for corporate management. As a listed company, AIDC is required to comply with corporate governance regulations and procedures to fulfill the duties of a corporate manager and protect the rights and interests of shareholders and stakeholders.	●	●	●			●		Governance Organization
Risk Management	General Disclosures Precautionary principle or approach of the organization	The Company's business operations are affected by the COVID-19 pandemic and the recovery of international passenger flights has been slow. In response to global carbon reduction trends, the Company must effectively identify and manage risk factors and incorporate them into existing risk management mechanisms to ensure the attainment of the Company's business goals and sustainability.	●	●				●		Risk Management
Operation and financial performance	201 Economic Performance	AIDC is committed to the stable growth of the Company and maintenance of sound economic performance and profitability to maintain the confidence of shareholders and employees in the Company's operations and create value in sustainable development.	●	●				●		Financial Performance
Indigenous production of aircraft	Other Topics	The development of the advanced jet trainer helps enhance the capacity for independent development and production of the next-generation fighters. The project for the indigenous production of aircraft was also used to pass on knowledge to the next-generation aerospace professionals and facilitate connections in the industry, transformation and upgrade, and economic development. AIDC works with the Executive Yuan in promoting the 5+2 innovative industries as the core power for driving growth for Taiwan's next-generation industries and attaining national self-reliant defense and economic prosperity.	●	●	●	●	●	●		Indigenous production of aircraft
Sustainable Development Strategy	General Disclosures Statement from Senior Decision-maker	AIDC is responsible for the development of the aerospace industry, powering the enhancement of technologies in the domestic aerospace industry, and strengthening its economic health. In response to carbon reduction trends in climate change, the Company adjusted its sustainable development paths and launched diverse preparation of green products (e.g., energy storage system and biogas power generation) to fulfill sustainable development.	●	●	●	●	●	●	●	Message from the Chairman



Material issue	GRI Standard	Importance to AIDC	Boundaries of impact							Related chapters
			Internal	Stakeholder						
			AIDC	Shareholders	Government	Customers	Suppliers	Employees	Communities	
Code of Ethical Conduct	205 Anti-corruption	AIDC adopts high moral standards in business activities to prevent illegal and unethical conduct. The Company established ethical regulations in internal regulations as the basis for employees' ethical compliance requirements and states the Company's integrity regulations and requirements to customers and suppliers.	●			●	●	●		Ethical Corporate Management
Customer privacy	418 Customer privacy	AIDC understands the importance of privacy and is committed to respecting and protecting customers' privacy and confidential information.	●			●				Trade Secret Protection
Information security	Other Topics	AIDC's customers include major international aerospace companies such as Airbus and Boeing and AIDC is also responsible for the indigenous production of aircraft. In addition to diversified business development to provide better services to customers, AIDC must also actively strengthen information security management to ensure the confidentiality, integrity, and availability of the Company's information assets, protect customer privacy, and reduce security risks.	●		●	●	●			Trade Secret Protection
Product quality/ technology R&D	Other Topics	AIDC provides customers with high-quality products. In addition to obtaining the international aerospace standard certification, we have also implemented the "Pilot Project" for smart production lines, and used smart manufacturing to improve quality and efficiency, and reduce costs.	●			●				Quality Management
Customer service management	Other Topics	AIDC pays close attention to quality, delivery schedule, and services for customer, implements corrections and continuous monitoring for customer complaints and requests for improvements, and evaluates customer satisfaction.	●			●				Customer Services
Supplier Management	General Disclosures Supplier Management 204 Procurement practices Supplier environment assessment Supplier social assessment	Suppliers are important partners of AIDC. The Company continues to provide assistance in process and quality certification of domestic suppliers and works with suppliers to launch the green value industry chain, cultivate its growth, and make contributions to the aerospace industry.	●				●			Supplier Management
Climate change	201-2 Financial implications and other risks and opportunities due to climate change 302 Energy 305 Emissions 306 Waste	In response to the international initiatives for attaining net zero emissions by 2050 and the amendment of domestic regulations, the Company has adjusted its internal environmental management system and the energy policy, and strengthened climate change risk management. AIDC has created a roadmap to carbon neutrality to reduce the environmental impact and burden and enhance the Company's "green competitiveness".	●				●	●	●	Environmental and Energy Policy/ Environmental Management System Climate change
Hazardous Substance Management	307 Compliance with environmental protection laws and regulations	The maintenance of a clean environment free of pollution is the cornerstone for the Company's sustainability and its corporate responsibility.	●					●	●	Hazardous Substance Management
Labor relations	401 Employment	Labor relations consist of the rights and obligations between employees and the Company. Good labor relations are crucial for promoting harmony in the Company, increasing competitiveness, enhancing cooperation, and improving work efficiency.	●					●		Labor-Management Relations

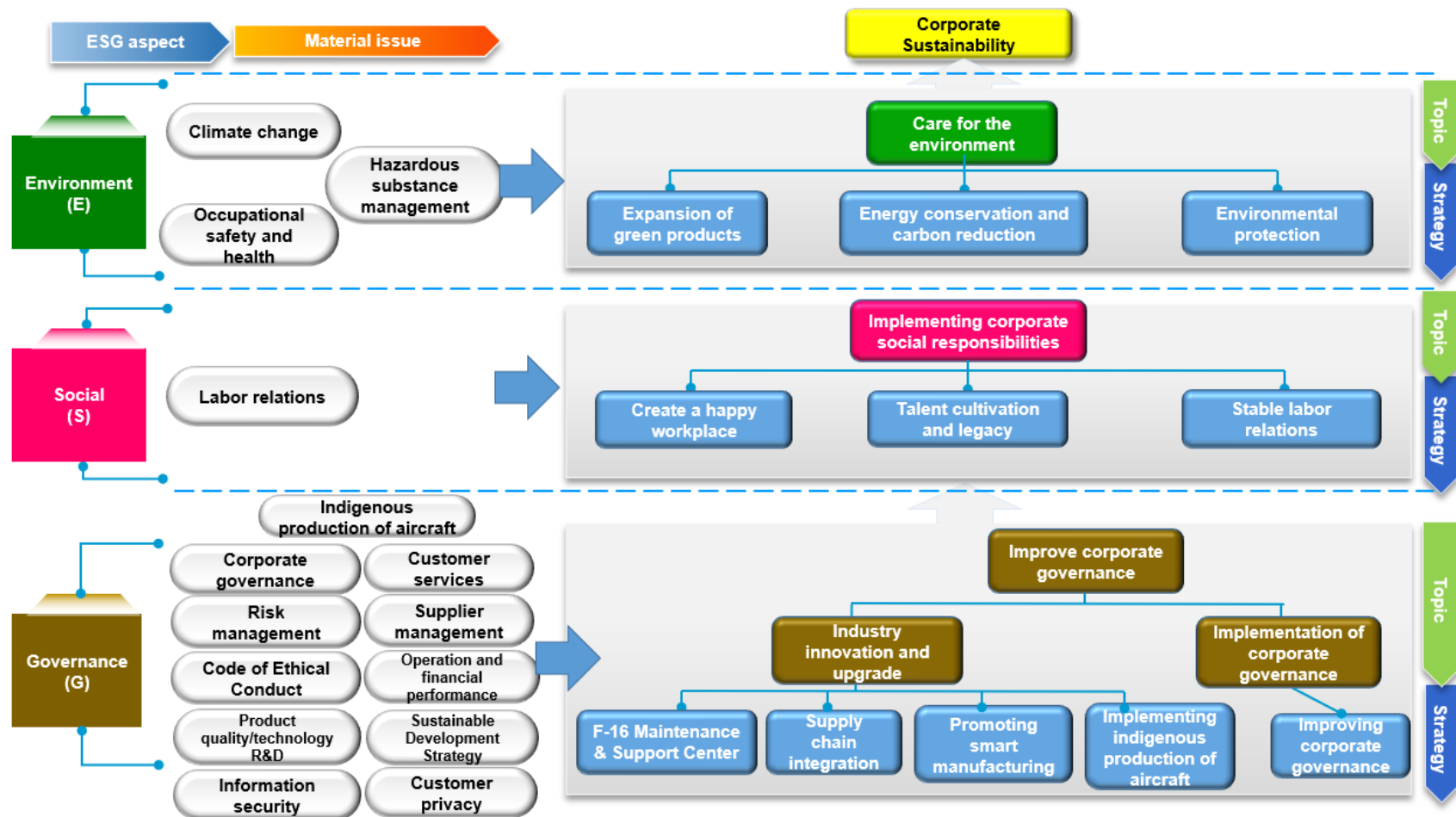


Material issue	GRI Standard	Importance to AIDC	Boundaries of impact							Related chapters
			Internal	Stakeholder						
			AIDC	Shareholders	Government	Customers	Suppliers	Employees	Communities	
Occupational safety and health	403 Occupational safety and health	Employees are the most important assets of the Company. AIDC cares about employee health and creates a healthy, safe, sanitary, and comfortable work environment.	●					●	●	Safe and Healthy Work Environment



◆ Management approach of material issues and its components

After completing the identification of "material issues", the Company formulated short, medium, and long-term ESG strategies and targets based on ESG requirements and the Company's important policies for business operations to clarify the Company's ESG strategies and positioning. They are used as the basis for the preparation of management approaches for material issues.





Material issues	Management strategy methodology	Medium to long-term development	2021 implementation results	Key plans for 2022
Corporate Governance	<ul style="list-style-type: none"> ● Improve corporate governance evaluation performance and regulatory compliance ● Regularly review internal regulations to verify their regulatory compliance ● Establish internal management policies and scope of powers and accountability 	In response to domestic and foreign corporate governance trends, the Company supports the "Corporate Governance 3.0 -Sustainable Development Roadmap (2021-2023)" and related government regulations to improve the governance of AIDC and make it a benchmark company in Taiwan's aerospace industry.	<ul style="list-style-type: none"> ● The corporate governance information disclosure has been completed on the company website. The Company's ranked among the top 5% in the Corporate Governance Evaluation ● The independent communication between Independent Directors and the Chief Auditor and CPA has been disclosed on the company website. ● Completed the amendment of the "AIDC Corporate Governance Operational Guidelines" 	<ul style="list-style-type: none"> ● Implement greenhouse gas inventory certification for Taichung, Sha-Lu, and Kang-Shan Complexes. ● Promote the use of SASB Standards and TCFD framework in disclosure of related ESG information in the ESG Report.
Risk Management	Establish the Company's risk management system, its regular implementation, and review of results, and report to the Board of Directors.	Closely monitor changes in the global industry and adjust the short, medium, and long-term targets and business strategies for all products whenever necessary to reduce all potential risks.	The Company continued to expand business opportunities for non-aerospace products and services in this year in response to climate change (e.g., energy, communication, and electric buses).	<ul style="list-style-type: none"> ● The civil aircraft and engine businesses have been severely affected by the COVID-19 pandemic. As the global vaccination rate increases, the international passenger transportation volume is expected to recover. The Company shall continue to obtain purchase orders for civil aircraft and engine businesses and accelerate the expansion into other non-aerospace businesses (e.g., new energy, communication, and electric buses) and form cross-sector alliances to expand business opportunities. ● The Company cooperates with the government's "national self-reliant defense" policy and works with the National Chung-Shan Institute of Science and Technology in independent development and production. The Company shall effectively use the Industrial Cooperation Program for industrial development and technology upgrade. ● The Company responds to changes in technologies and industries and the focus for research and development includes the development of new products as well as the key technologies, maintenance and repairs, production process, and management of next-generation military aircrafts to improve the Company's competitiveness across the board. ● In response to the impact of asset impairment and interrupted supply chain that may be caused by climate changes, the Company shall consolidate the standards of the Task Force on Climate-related Financial Disclosures (TCFD), GRI Standards, and SASB Standards to identify



Material issues	Management strategy methodology	Medium to long-term development	2021 implementation results	Key plans for 2022
				climate risks and opportunities. It shall formulate governance mechanisms and establish short, medium, and long-term goals to strengthen the response to climate risks and opportunities. The results will be disclosed in the ESG Report for the following year.
Operation and financial performance	<ul style="list-style-type: none"> Continuous growth in revenue and net profit Optimization of the Company's financial structure 	Create higher economic value to give back to shareholders, investors, and other stakeholders.	<ul style="list-style-type: none"> Attained preset goals for revenue and net profit. Launched company credit rating and obtained long-term rating of twAA-/Outlook Remains Developing, and successfully completed the issuance of corporate bonds. 	Enhance the connection between key performance indicators (KPIs) and the Company's revenue and profit targets for each department. Regularly review the implementation results of short-term goals, provide strategic feedback information, and continuously implement rolling review and reassessment to activate response management measures.
Indigenous production of aircraft	<ul style="list-style-type: none"> Set important milestones for each phase based on the contracts. The Company convenes internal management meetings (weekly meetings, biweekly meetings, and monthly meetings), and external project management meetings and construction progress review meetings with customers to facilitate prompt reviews, solutions, and implementation. 	<ul style="list-style-type: none"> Control key technologies and consolidate national self-reliant defense Upgrade industry technologies Strengthen talent development Strengthen market expansion Strengthen production value enhancement Strengthen the defense economy 	<ul style="list-style-type: none"> Mass production and delivery of the first and second aircrafts to Taitung Air Base on schedule. <p>Completed the work items for the production of structural components, manufacturing of tools, and tests for the advanced jet trainer. Assisted 217 domestic suppliers in passing the evaluation, and signed 136 contracts with the suppliers.</p> <ul style="list-style-type: none"> Effectively helped the technological transformation and upgrade of the domestic aerospace industry and created more than NT\$10 billion in overall benefits in domestic commercialization projects. 	Delivery of 8 aircrafts on schedule.
Sustainable development strategy	Periodically convene management meetings to discuss the sustainable development performance of all units and discuss long and short-term development plans.	AIDC continues to focus on three major tasks including "indigenous production of aircraft", "establishment of a logistics maintenance and repairs center (F-16 Logistics Maintenance and Repairs Center), and "integration of the industry supply chain" to improve the health of the industry and promote economic prosperity. The Company also promotes carbon neutrality, reduces the environmental impact and burden, and become a domestic promoter of environmental protection, green products, and social care. We are committed to moving toward the Sustainable Development Goals (SDGs) set by the United Nations General Assembly.	<ul style="list-style-type: none"> The Company received the Corporate Sustainability Report Award, Top 50 Corporate Sustainability Award, and Best Performance of Specific Categories (Information Security Leadership Award, Growth through Innovation, Talent Development Leadership Award) in the "2021 TCSA Taiwan Corporate Sustainability Awards". The Company received the "Business Excellence Award for Greenhouse Gas Emission Reduction" from the Environmental Protection Bureau of Kaohsiung City Government. The Company received "Role Model Award" in the first Digital Transformation Award presented by Harvard 	<ul style="list-style-type: none"> Ensure rigorous corporate governance Maintain sound financial structure Develop green products and promote carbon neutrality Protect human rights and labor conditions Investment in social care and engagement Fulfill corporate citizen responsibilities



Material issues	Management strategy methodology	Medium to long-term development	2021 implementation results	Key plans for 2022
			Business Review.	
Code of Ethical Conduct	<ul style="list-style-type: none"> ● Communication of the ethics policy. ● Request suppliers to comply with the Company's ethics policy and ethical standards before they may submit bids. Implement supplier questionnaire surveys each year to evaluate related corruption risks. ● The Company also set up the "anti-corruption whistleblowing mailbox" (clean@ms.aidc.com.tw) for employees and external individuals to file anonymous reports and publish results on the Company's internal and external websites. 	Strengthen the ethical and anti-corruption awareness of employees, customers, and suppliers, implement the execution of the Company's Anti-corruption Policy, completely eliminate the occurrence of illegal business conduct, and make AIDC a company that fulfills social responsibilities and upholds ethical values.	<ul style="list-style-type: none"> ● 100% of employee signed the Employee Code of Ethical Conduct" ● Conducted supplier surveys and provided a channel for the Company's suppliers to disclose conflicts of interest and violations of integrity principles. ● There were 15 complaints and reports of violations of company regulations, all of which were investigated and appropriately handled. ● We completed 46 sessions of new employee ethics and security training for 573 participants. ● Employees registered 76 instances of gifts received in accordance with the Employee Code of Ethical Conduct. 	<ul style="list-style-type: none"> ● Suppliers and customers: Communicate the ethical policy in the supplier conference and continue to organize supplier questionnaire surveys. ● Employees: All employees must sign and commit to compliance with the AIDC Employee Code of Ethical Conduct each year. The Company shall also organize ethical and safety training for new employees.
Product quality/technology R&D	Uphold AIDC's quality policy of "quality assurance by all personnel for customer satisfaction", and ensure that the business development, design, R&D, manufacturing, assembly, maintenance and repairs, and services of aerospace products meet the customers' quality requirements, AS9100 quality management system standards, and civil aviation regulations. Continue innovation and development of smart manufacturing to attain the ultimate goals for customer satisfaction and expectations.	Use automation, Aerospace Industry 4.0, and big data to create a smart manufacturing platform and create a high-quality company quality culture. Continue to effectively maintain the aerospace supply chain to create benefits for customers, AIDC, and suppliers.	<ul style="list-style-type: none"> ● The Company received "Role Model Award" in the first Digital Transformation Award presented by Harvard Business Review. ● The Company received first prize for team innovation and leadership in the "National Industrial Innovation Award" of the Ministry of Economic Affairs. ● The Company received the Diamond Supplier Award from Bombardier Inc. ● The Company reached a new milestone in its partnership with Rolls-Royce. AIDC was responsible for producing core components for the Pearl 700 Advance 2 engines, which were installed on the next-generation Gulfstream business jet G700 and successfully completed test flights, receiving the approval of Rolls-Royce. 	<ul style="list-style-type: none"> ● Maintain the AS9100 Quality Management System and customer and NADCAP process certification, improve quality inspection capacity and technologies, and improve the professional skills of inspection personnel. ● Continue to promote Advanced Product Quality Planning (APQP) to eliminate quality risks. ● Continue to implement supplier quality monitoring and control and technical guidance to effectively improve the quality of suppliers. ● Set quality targets for the Company and continue to promote the Quality Improvement Plan (QIP) and increase customer satisfaction and the Company's competitiveness.
Customer service management				
Supplier Management	<ul style="list-style-type: none"> ● Assist contractors in obtaining AS9100 certification ● Assist in process certification ● Use green participation in the supplier conference to gradually create a sustainable supply chain 	Maximize the impact of the supply chain and work with suppliers to jointly promote the green value industry chain and establish a sustainable supply chain for Taiwan's aerospace industry.	<ul style="list-style-type: none"> ● In 2021, the Company assisted 74 suppliers in obtaining certification for the AS9100 international quality system. ● The Company evaluated 54 suppliers in 2021 and provided contract performance supervision and technical assistance in 75 cases for 414 participants. The Company also audited 37 suppliers in 2021. ● Suppliers' positive ESG actions (e.g., obtaining ESG 	<ul style="list-style-type: none"> ● Help suppliers who have already obtained industry-grade (ISO 9001) certification complete additional improvements and work hard toward obtaining a higher level of aviation quality certification (AS9100). ● Execute supplier environmental and safety and health management questionnaires for 60 suppliers. ● Execute onsite ESG audits for 20 suppliers. ● Promote sustainable procurement and review suppliers



Material issues	Management strategy methodology	Medium to long-term development	2021 implementation results	Key plans for 2022
			management systems and certification) have been included in the suppliers' ESG evaluation and mechanisms for additional points.	based on ethics and sustainability issues.
Customer privacy	Continue to improve information security and customer privacy protection. All related operations must meet international requirements and standards. The Company shall also review whether they comply with regulatory compliance trends.	Plan and ensure the passage of the relevant domestic and foreign information security certifications to meet the requirements of domestic and foreign customers for information security and personal data protection and ensure the stability and advantages of our future business development.	<ul style="list-style-type: none"> ● Attained annual quantified targets for information security management. ● Completed exercises to counter continuous advanced attacks for emails. ● Completed information security training for all personnel. ● Completed business continuity operations (critical information system recovery plans and exercises). ● Received the Best Performance of Specific Categories for "Information Security Leadership" in the Taiwan Corporate Sustainability Awards (TCSA). ● Passed ISO 27001 regular review and special audit certification for expanded scope 	<ul style="list-style-type: none"> ● Passed the review and evaluation as Grade A supplier (information system security) for the commercialization of military products. ● Operations of the "Information & Communication Security Committee" at the level of the Board of Directors.
Information security				
Climate change	Convene high-level meetings of the ESG Committee to establish and review the Company's climate change policies.	<ul style="list-style-type: none"> ● Reduce greenhouse emissions by 25% in 2025 compared to 2019. ● Installation of renewable energy power generation facilities of 10% of the contracted capacity for self-use 	<ul style="list-style-type: none"> ● Implemented organizational adjustments and changed the name of the Committee to the ESG Committee. The Chairman serves as the chair of the Committee to assign carbon reduction tasks. The Company also established the Carbon Neutrality Work Group to implement related matters. ● Completed the first third-party certification of the greenhouse gas inventory of Taichung Complex in 2021. 	<ul style="list-style-type: none"> ● Complete the third-party certification of the 2021 greenhouse gas inventory for Taichung, Sha-Lu, and Kang-Shan Complexes. ● Reduce electricity consumption intensity by 5% compared to the baseline year (3-year average from 2019 to 2021) ● Increase waste reuse rate to at least 35% at Taichung Complex and at least 45% at Kang-Shan Complex. ● Promote CPD projects.
Hazardous Substance Management	Set up pollution prevention measures to adequately process hazardous substances created in operations.	Optimize reuse of resources in plants and reduce the impact on the environment.	<ul style="list-style-type: none"> ● Passed by the "Environmental Impact Assessment Review Committee" after all members reviewed the contents. ● The Company continued to improve and refine operations in accordance with statutory procedures for all manufacturing processes. 	<ul style="list-style-type: none"> ● Continue monitoring after changes in the environmental impact assessment. ● Improvement and refinement of stationary sources of pollution.



Material issues	Management strategy methodology	Medium to long-term development	2021 implementation results	Key plans for 2022
Labor relations	Use the 3 labor-management meetings convened at regular intervals each quarter (1 meeting each in Shui-Nan, Sha-Lu, and Kang-Shan) and quarterly seminars with the President to provide comprehensive communication channels.	Create a friendly workplace environment and work with the labor union in rational communication to jointly protect the rights and benefits of employees, create benefits for both labor and management, and promote the sustainable development of the Company.	<ul style="list-style-type: none"> ● The Company convened 11 labor-management meetings in 2021 (4 meetings each in Shui-Nan and Sha-Lu; 3 meetings in Kang-Shan as both labor and management representatives agreed to cancel 1 meeting due to the pandemic) to ensure harmonious communication between labor and management. In addition, 5 seminars were held with the labor union in 2021. ● As of the end of 2021, 78.13% of all employees have joined the union. Therefore, the Company has signed a collective bargaining agreement with the corporate union in accordance with laws. 	<ul style="list-style-type: none"> ● Periodically convene meetings with the union to coordinate on related labor-management issues. ● Follow up and manage the implementation of collective bargaining agreements.
Occupational safety and health	Comply with government regulations and meet international standards to continue to improve health and safety performance. Set up a health management system to provide early warning information and launch health promotion activities to enhance employees' work and life balance.	Comply with requirements in the international environmental safety and health management system to build a healthy and safe environment and reduce occupational hazards.	<ul style="list-style-type: none"> ● Expanded the application of automatic and digital inspections (machinery, equipment, etc.) in conjunction with production units. Completed inspection of 17 production machines and equipment with digital and automatic inspections. ● Continuous epidemic prevention for COVID-19: Continuously monitored the inventory of epidemic prevention materials and provide timely replenishment. ● Emergency response drills for solar power generation: Completed emergency response drills for solar power generation equipment after a fire. ● National defense vaccination program: The vaccination rate of the first dose of the COVID-19 vaccine was 98.06% and the vaccination rate of the second dose was 95.46%. 	<ul style="list-style-type: none"> ● Optimization of the safety and health management information system ● Continuous epidemic prevention for COVID-19 ● Emergency response drills for energy storage systems ● Enhanced audits for contractor management ● Special audit of the dust collection equipment