

2023 AIDC SUSTAINABILITY REPORT



SUSTAINABILITY REPORT

Published in Aug. 2024



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Overview

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Editor's Note

Report Scope

Aerospace Industrial Development Corporation (AIDC) follows the relevant international standards (as per the 2021 GRI Standard Guidelines) and uses the sustainability metrics from the Sustainability Accounting Standards Board (SASB) to present the "2023 AIDC Sustainability Report" to all stakeholders. This report details AIDC's sustainable management and performance in operational and corporate governance, environmental protection, and social responsibility. The entities disclosed in the report include AIDC's headquarters (Taichung Complex), Sha-Lu Complex, and Kang-Shan Complex. The subsidiaries (AIDC USA LLC and Xiangyuan Tourism Co.) are only disclosing background information due to their business development and service-oriented operational models.

The information and statistical data revealed in this report are compiled by AIDC, with some derived from annual reports. The 2022 greenhouse gas inventory data have been verified by a third party, and the financial data are based on publicly disclosed information verified by accountants.

Report Assurance

This report was verified by an independent third party, SGS Taiwan Ltd., in accordance with the spirit of the moderate assurance level of Type I application under the AA1000ASv3 (AccountAbility 1000 Assurance Standard). It focuses on verifying the GRI framework to ensure the report meets the quality principles of accuracy, balance, clarity, comparability, reliability, and timeliness. The "Independent Assurance Statement" is included in the appendix of this report.

Disclosure Period

January 1, 2023, to December 31, 2023

Issuance Period

The sustainability report is issued annually.

Current edition: August 2024

Previous edition: June 2023

Next edition: August 2025 (planned)

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 AccountAbility

AA1000
ASSURANCE
STANDARD v3



STANDARDS

SGS

Message from the Chairman

Charting the Path to Carbon Neutrality

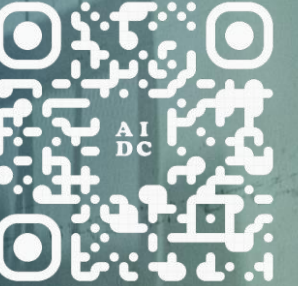
In response to the myriad challenges brought about by climate change in recent years, international communities, various industries, and local organizations have prioritized this issue, jointly promoting a shift toward net-zero transformation. Taiwan has also spared no effort in participating, announcing in 2021 its goal to achieve net-zero emissions by 2050 and successfully passing the "Climate Change Response Act" in 2023. As part of the local aerospace industry, AIDC feels a profound responsibility and has therefore established a path and interim goals to reach carbon neutrality by 2050. Under the "ESG Promotion Committee," a special "Carbon Neutrality Promotion Team" was formed to comprehensively push forward initiatives such as energy saving, solar power generation, and waste reduction, actively addressing the challenges of achieving net-zero carbon emissions.

Expanding into the Energy Market

To respond to the global goal of net-zero carbon emissions by 2050, the Taiwanese government is vigorously promoting the energy transition of domestic industries. Within this context, renewable energies such as solar and wind power are limited by natural conditions, but have also spurred rapid growth in the demand for energy storage technologies and quick-start power generation equipment. AIDC, in line with national policies and leveraging its technological advantages, extends high-end aerospace technologies to biogas power generation, energy storage systems, and gas turbines. In 2021, AIDC established a 5MW energy storage system, successfully joining Taiwan Power Company's electricity trading platform to provide ancillary services. By the end of 2023, AIDC's three self-built energy storage sites continued to contribute stable revenue. Additionally, the company has also undertaken turnkey projects for Taiwan Power Company (Tongxiao), CPC Corporation (Yongan and Wuci), gaining reputation and visibility. Furthermore, AIDC has collaborated with General Electric, committed to building gas turbine generators, hoping to support the transformation of more domestic enterprises in the future, further enhancing the stability and resilience of the national power grid, and contributing to the energy transition.

Creating Sustainable Value

As countries gradually coexist with the pandemic and ease border controls, the global aviation industry is also slowly recovering. During this period, AIDC not only implemented "increasing revenue, cutting costs, and hunkering down" as its three response strategies but also adhered to the principles of "no layoffs, no salary cuts, and no unpaid leave," maintaining optimal staffing and equipment conditions, and seizing post-pandemic industry recovery opportunities. AIDC is keenly aware of its impact on all stakeholders and, guided by the three core ESG values of "corporate governance," "social responsibility," and "environmental friendliness," is committed to sustainable management. In 2023, our efforts continued to be widely recognized, including receiving the "National Corporate Environmental Award Silver," "2023 TCSC Taiwan Corporate Sustainability Award," and the "TTQS Gold Medal Certificate" from the Ministry of Labor's Development Agency, among other ESG honors. Additionally, we are making continued progress towards our goals in ESG information disclosure, completing the CDP climate change questionnaire for the second time in 2023. Looking forward, AIDC will not only focus on the development of its aviation manufacturing business but will also continue to explore markets related to achieving net-zero carbon emissions, creating more sustainable value, and taking up the responsibility of practicing ESG, striving for social integration, environmental sustainability, and the resilient development of the enterprise.



Message from Chairman

Chairman Moudu Hu



Business Philosophy & Sustainability Policy

Aligning with Government Policies on Sustainable Development

Aerospace Industrial Development Corporation (AIDC) aligns with government sustainable development policies, covering aspects such as corporate governance, sustainable environment, social welfare, and information disclosure. Responsibilities for corporate governance and information disclosure extend to the government, shareholders, employees, customers, and suppliers; environmental sustainability responsibilities include natural ecology, environmental resources, and green products, promoting the company's path to carbon neutrality to achieve an eco-friendly environment and the national 2050 net-zero goal; social welfare responsibilities are directed towards the company's employees, the community, disadvantaged groups, and public affairs related to society.

AIDC implements its internal and external ESG policies through operational processes, including human resources crafting and managing the "AIDC Human Rights Policy" to protect internal employee rights, and materials management creating and overseeing "Vendor Declaration" and "Supplier Code of Conduct" which require domestic and

international suppliers to comply with laws, human rights, and environmental standards. For detailed implementation, please refer to the "Supplier Management" section.

AIDC Sustainable Development Policy:

1. Comply with laws related to sustainable corporate development and fulfill corporate social responsibilities.
2. Emphasize corporate governance, transparency in management information, and protect stakeholders' rights.
3. Focus on environmental protection and energy-saving carbon reduction, committed to protecting the Earth.
4. Provide a safe and healthy working environment to maintain the physical and mental health of employees.
5. Care for disadvantaged groups and actively participate in social welfare activities.

AIDC Mission, Vision, and Business Philosophy

Mission: Defend our nation while leading the way for the domestic aerospace industrial upgrade.

Vision: Establish a complete domestic aerospace Industry chain to consolidate a self-reliant national defense. Become a high level provider both in the aerospace industry and in the derivative business of energy creation, energy storage, and energy control that helps industries meeting the ESG challenges.

Business Philosophy:

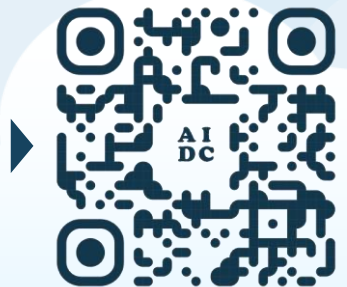
Accountability: Active involvement and responsiveness toward duties and responsibilities.

Innovation: Continuous improvement and innovation.

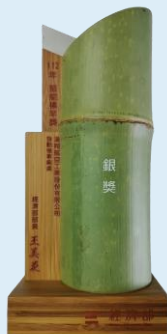
Dedication: Full-hearted devotion with proficiency and abilities. Do not compromise corporate benefit for personal gain.

Customer Orientation: Maintain customer satisfaction and create corporate revenue by team work and positive competition.

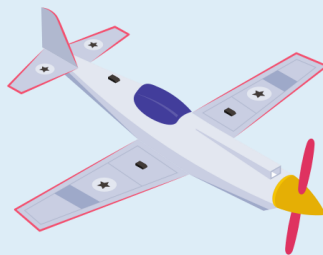
ESG Development



Taichung City Gov. Labor
Volunteer Service Performance
Evaluation Award



Priority Purchase of Festival
Products from Disability
Organizations



EPA National Corp. Environmental
Award, Silver Level



Solar Energy Sunshine A+
Competition Medal



MOEA Energy Bureau Energy
Efficiency Benchmark Award,
Silver



AIDC ESG
PERFORMANCE
IN 2023



Excellence in Occupational Safety
and Health Award Trophy



Sports Enterprise Certification
Trophy



Business Weekly 2023 Top 100
Carbon Competitiveness Award



Taiwan Top 100 Sustainable
Model Enterprises Award



Contents



Veterans Affairs Council
Appreciation Trophy



Ministry of Labor Dev. Agency
Taiwan Talent Quality
Management System (TTQS)
Gold Medal Certificate



2023 Taiwan Corporate
Sustainability Awards





Identification of Material Topics

Identification Process

Following the GRI Standards (2021) Significant Topic Guidelines, the company collects sustainability issues during its operations and interactions with various stakeholders. Unlike previous methods which used stakeholder questionnaires to gauge "level of concern" and assessments by senior management on the "degree of impact" as the vertical and horizontal axes of the materiality analysis matrix, in 2022 the evaluation was based on the "degree of impact" and "likelihood" of sustainability issues. Stakeholder questionnaire feedback was used to confirm significant topics, which were then approved by the chair of the ESG Promotion Committee. In 2023,

based on the company's "Sustainability Reporting Preparation and Verification Procedures," the identification process adheres to a biennial principle, utilizing the 2022 identification results. In 2024, the issues' impacts will be re-evaluated to allow management to adjust short, medium, and long-term sustainability strategies according to resource allocation.

Identification of Sustainability Issues

The 2023 sustainability theme questionnaire, designed in 2022, includes a total of 22 items covering economic, environmental, and social dimensions, as well as sustainability topics closely related to the company.

- External issues: International sustainability standards GRI criteria, Sustainability Accounting Standards Board SASB (Aerospace and Defense), CDP projects, customer evaluation questionnaires, United Nations Sustainable Development Goals (SDGs), and aerospace manufacturing disclosure situations.
- Internal issues: AIDC's annual operational plans, AIDC mission and vision, sustainability policies, etc.

Identifying Sustainability Issues

- External: International sustainability standards (GRI, TCFD), aerospace industry issues, CDP, customer evaluation questionnaires, etc.
- Internal: Company mission and vision, annual operational plans, sustainability development policies, etc.

Identifying Stakeholders

01

Impact Assessment

- Evaluate the "degree of positive and negative impact" and "frequency of occurrence."
- Refer to the results of the stakeholder questionnaires.

Survey conducted (84 valid responses)

02

Approval of Significant Issues

Approved by the ESG Promotion Committee.



03



Identification of Material Topics

Stakeholder Identification and Evaluation

The AIDC "ESG Working Group" members referred to the AA1000 "Six Element Stakeholder Positioning Test" (namely "Responsibility," "Influence," "Closeness," "Dependency," "Representativeness," and "Policy and Strategic Intent") and considered the company's operational relevance to identify the six major categories of AIDC stakeholders:

- **Responsibility:** Refers to the legal, economic, or operational responsibilities that the company currently or potentially holds towards these stakeholders.
- **Influence:** Refers to stakeholders who can exert influence or have decision-making power.
- **Closeness:** Refers to stakeholders who interact most frequently or maintain long-term relationships.
- **Dependency:** Refers to stakeholders who directly or indirectly rely on the company's activities and operations.
- **Representativeness:** Refers to individuals or groups who can legitimately claim to represent certain people according to regulations, customs, or culture.
- **Policy and Strategic Intent:** Refers to stakeholders who are directly or indirectly related to the company's policies and strategies and can warn of emerging issues or business risks.

After discussions by the members of the "ESG Working Group," and continuing the analytical framework of previous years, the key stakeholders for AIDC in 2022 were identified as "employees, shareholders, government agencies, community neighbors, customers, and suppliers/contractors." These identification results will continue to be used into 2023.

AIDC Stakeholder Section

<https://www.aidc.com.tw/tw/cse/stakeholder>



	Customers	Suppliers/ contractors	Government agencies	Local communities	Shareholders	Employees	Labor unions	Associations/ organizations	Media	Academic institutions
Responsibility	✓	✓	✓	✓	✓	✓				
Influence	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Closeness	✓	✓	✓	✓	✓	✓				
Dependency	✓	✓	✓	✓	✓	✓				
Representative- ness	✓						✓			
Policy and strategy intentions	✓	✓	✓							✓



Important Stakeholders of AIDC in 2023



Identification of Material Topics

Oversee the Issues of Concern to Stakeholders, Communication Methods Adopted, and Track Records

Surveys were designed and conducted specifically targeting key stakeholders, resulting in the collection of 84 valid responses. Analysis of the survey responses revealed that stakeholders are most concerned with economic issues, while their interest in environmental and social issues is comparably significant. Additionally, diverse channels are used for regular and irregular exchanges to understand stakeholders' expectations, serving as sources for the assessment of sustainability issues. (continued)

Issues of Concern of Stakeholders	Corporate governance and risk management	Business performance	Ethical corporate management and compliance	Quality Management/technology R&D	Customer service management	Cybersecurity and customer privacy	Supplier management	Indigenous production of aircraft	Smart manufacturing	Green product/services design and development	Energy and GHG management	Environmental policy/management system	Waste management	Water resource management	Hazardous substance management	Climate change response	Career development and training	Labor relations	Human rights, diversity, and equity	Community engagement and social welfare	Talent recruitment and retention	Occupational safety and health
Government agencies		✓		✓		✓		✓						✓	✓							
Shareholders	✓	✓	✓	✓		✓		✓														
Customers				✓	✓	✓	✓								✓							✓
Employees		✓	✓		✓			✓										✓	✓			
Suppliers/contractors			✓		✓	✓	✓	✓									✓					
Local communities						✓				✓		✓		✓	✓					✓		



Identification of Material Topics

Oversee the Issues of Concern to Stakeholders, Communication Methods Adopted, and Track Records

	Government agencies	Shareholders	Customers	Employees	Suppliers/ contractors	Local communities
Communication frequency	- Irregular basis: Official documents, Government shareholder management and supervision team, Policy and regulation communication meetings - Once every year: Annual report and financial report	- When necessary: TWSE "Market Observation Post System", "Investor Relations" section on the AIDC website, Conference calls and e-mail - Once every year: Annual report and financial report, Investor conference and shareholders' meeting (at least once every year)	When necessary: Customer visits, customer questionnaire or onsite audits, project review meetings, prompt communication with customers' representatives at the Company, 24-hour customer requirement and question reporting system	- When necessary: Internal information network, employee care system - Once every month: Sit in on senior executives meetings - Once every quarter: Employee Welfare Committee, labor-management meeting, labor safety and health meeting - Once every year: Assembly of labor representatives	- When necessary: Supplier audit and onsite presence - When necessary: Contractor communication meetings, investment briefings - Once every year: Supplier conference, A-Team 4.0 Alliance meeting (at least once every year)	- Irregular basis: Participation in giving back to the community and charity events in schools, volunteer activities - When necessary: "Sustainable development" section on the AIDC website
Communication track records	- Delivery of 13 advanced jet trainers (Brave Eagles) in 2023. - Complete the upgradation of 139 F-16V fighters in 2023.	- The Company convened 4 investor conferences and the shareholders' meeting in 2023 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.	- Effectively control failure costs and attain the Company's 2023 annual quality targets with rapid and effective management of customer complaints and improvements to increase the overall customer satisfaction rate. - The Company passed the periodic certification of ISO 27001 and maintains the validity of the certificate. - Rated as Grade A in the Airbus IPCA+ (Industrial Process Control Assessment Plus) evaluation in 2023.	- The Company convened 12 labor-management meetings in 2022 (4 meetings each in Taichung, Sha-Lu and Kang-Shan complex). The Company also organized 1 seminars with the labor union to ensure harmonious communication between labor and management. - The Company signed a collective bargaining agreement with the corporate union.	- The Company organized the "supplier questionnaire" in 2023 and the interviewed suppliers expressed high levels of approval for the Company's administrative efficiency, service attitude, and overall integrity. - Convened 1 A-Team 4.0 Alliance meeting.	- Maintain good relations with local communities and participate in charity events. - In 2023, the Company provided support for 51 charitable activities, which involved 3,201 volunteers and 450,850 recipients, and provided services for 75 charity organizations.



Identification of Material Topics

Analysis and Determination of Material Topics

The AIDC ESG Working Group evaluated the substantive and potential positive and negative impacts of 22 sustainability topics on economic, environmental, and social (human rights) aspects, calculating the "likelihood" and "degree of impact" of each issue. The criteria for defining material topics were set as: (1) both likelihood and impact score of at least 2.5; (2) disclosure items mandated by SASB, TCFD, or Taiwan stock exchange regulations. Taking into account the issues of high concern from stakeholder questionnaires, 12 significant topics were identified in 2022 (as shown in the yellow area/red text in the diagram below). Based on

"likelihood" as the vertical axis and "impact on economy, environment, and society" as the horizontal axis, a material topic matrix was drawn and submitted to the ESG Promotion Committee for confirmation of the issue assessment results and the material topics matrix; the results identified in 2022 were used again in 2023.

Differences in Material Topics from the Previous Year

Following the GRI Standards (2021) guidelines for significant topics and using the 2022 identification results, the 2023 "material topic matrix" was drawn after assessing impacts, using "occurrence frequency" as the vertical axis and "impact on the economy, environment, and society (including

people and human rights)" as the horizontal axis.

New Material Topics Added:

No new material topics were added in 2023.

Material Topics from the Previous Year Not Included This Time

Although the 2022 identification results were directly used in 2023 to enhance the relevance and completeness of information, the original 11th topic "Energy and Greenhouse Gas Management" was merged under the 16th topic "Climate Change Response," thus consolidating the originally 12 significant topics into 11. This was approved by the ESG Promotion Committee on November 27, 2023.



Solar Panel @ Taichung



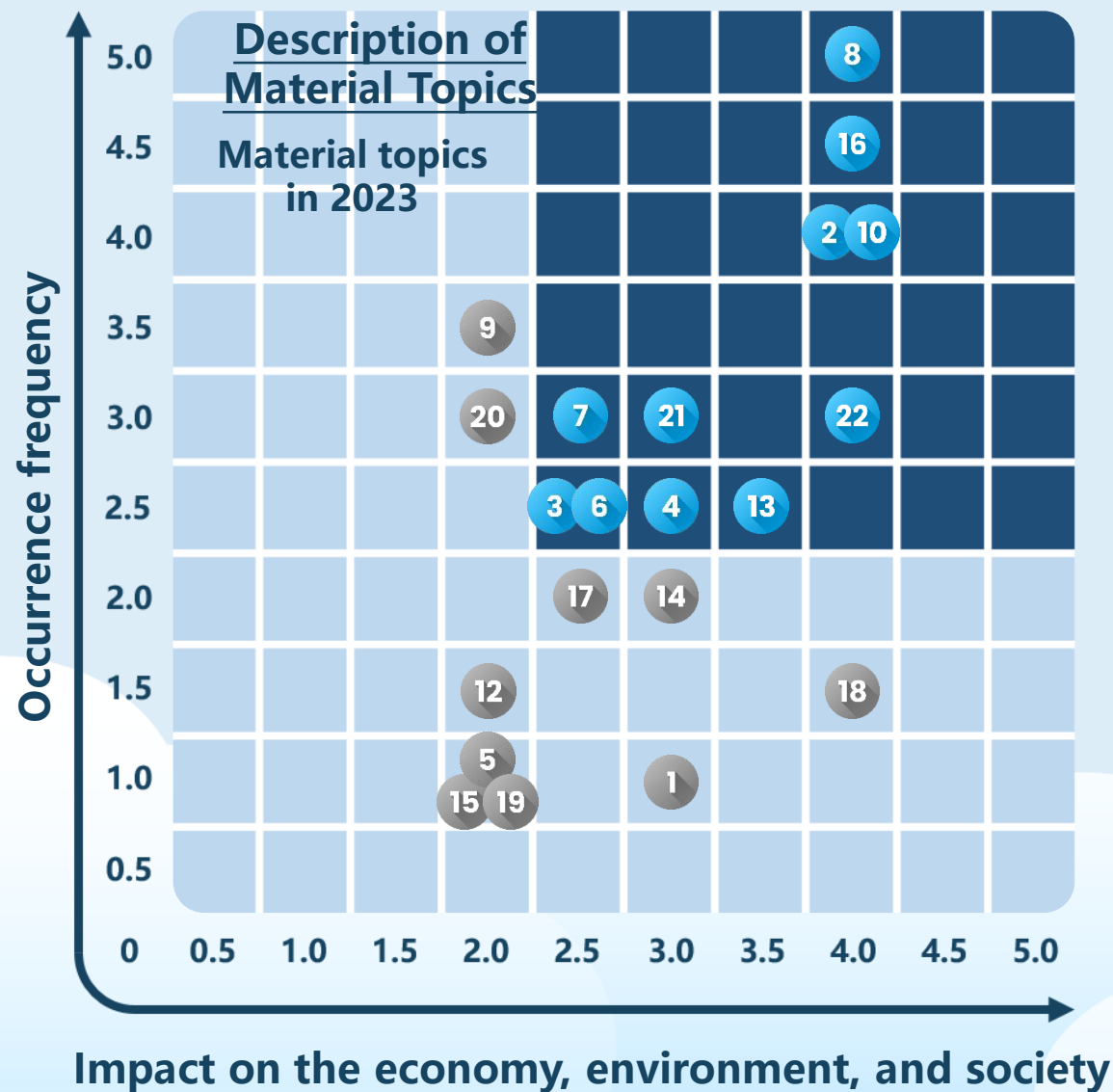
Solar Panel @ Sha-Lu



Solar Panel @ Kang-Shan



Identification of Material Topics



Governance

1. Corporate Governance and Risk Management
2. Business Performance
3. Ethical Corporate Management And Compliance
4. Product Quality/Technology R&D
5. Customer Service Management
6. Information Security and Customer Privacy
7. Supplier Management
8. Indigenous Production of Aircraft
9. Smart Manufacturing

Environmental

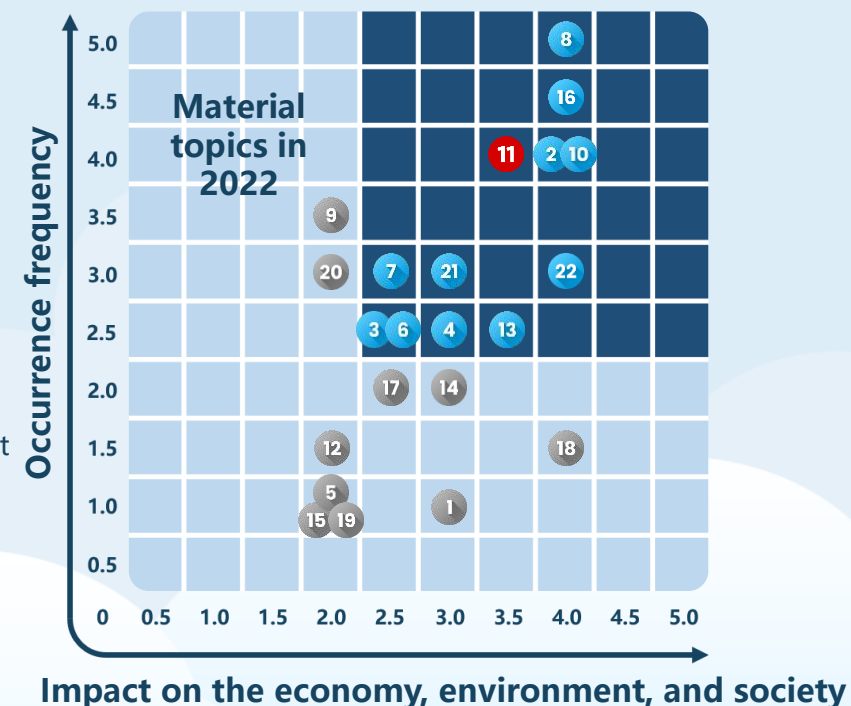
10. Green Product/Services Design and Development
11. Energy And GHG Management (Integrated To Item 16)
12. Environmental Policy/Management System
13. Waste Management
14. Water Resource Management
15. Hazardous Substance Management

16. Climate Change Response Note

- Material topics (navy blue areas): 2.5 points or higher in both the likelihood and impact scores
- the top 5 issues of concern are numbered as following (in level-of-concern order): 6 3 8 2 5 13

Social

17. Career Development and Training
18. Labor Relations
19. Human Rights, Diversity, and Equity
20. Community Engagement and Social Welfare
21. Talent Recruitment and Retention
22. Occupational Safety and Health





Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Based on the "material topics" identified in the 2023 ESG three-dimensional perspective of the Company, we have developed the Company's sustainability themes and linked them to eight United Nations Sustainable Development Goals (SDGs). These are integrated with the Company's significant operational policies to formulate short, medium, and long-term ESG strategic themes and objectives, based on which the management policies for each material topic are devised.





Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Operation and Financial Performance



201 Economic Performance

8 DECENT WORK AND ECONOMIC GROWTH



Related Chapters

Financial Performance

Importance to AIDC

AIDC is committed to stable growth and maintaining strong economic performance and profitability to uphold shareholders' and employees' confidence in company operations, thereby creating sustainable value.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Shareholders, Employees

Management Strategies

- Continuous growth in revenue and net profit
- Ongoing optimization of the company's financial structure

Performance in 2023

- In 2023, both of the revenue and net profit reached new heights since the Company's listing.
- Proactive follow-up on accounts receivable and monthly reviews were conducted; improvements were actively made in the payment conditions of procurement contracts, resulting in an inflow of 2.9 billion in free cash flow. The debt ratio was reduced from 63% to 61%, effectively optimizing the company's financial structure.

Short-term Development Direction

Strengthen the link between departmental key performance indicators (KPIs) and company revenue and profit targets, regularly evaluate the performance of short-term goals, provide strategic feedback, and continuously review and reassess, initiating management measures. Additionally,

continue to enhance inventory and accounts receivable management to increase asset utilization efficiency and improve financial health.

Mid-term Development Direction

Create higher economic value to benefit shareholders, investors, and other stakeholders.

Long-term Development Direction

Create higher economic value to benefit shareholders, investors, and other stakeholders.

Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Ethical Corporate Management and Compliance



General Disclosures – Compliance
With laws and Regulations
205 Anti-corruption

16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



Related Chapters
Ethical Corporate
Management

Importance to AIDC

AIDC conducts business with high ethical standards to eliminate illegal and unethical behaviors. The Company has established integrity-related regulations in its internal rules as a basis for employee ethical compliance and declares its ethical standards and requirements to customers and suppliers.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Customers, Suppliers, Employees

Management Strategies

- Promotion of integrity policies
- Relevant operational regulations include: "AIDC Integrity Management Code," "AIDC Management Personnel Ethics Code," "AIDC Significant Information Handling and Insider Trading Prevention Guidelines," "AIDC Employee Behavior Ethics Code," "AIDC Employee Ethics Code," and "AIDC Supplier Conduct Code."
- The Company has established an "Anti-Corruption Reporting Mailbox" (clean@ms.aidc.com.tw), allowing employees and external parties to report anonymously, with announcements made on both internal and external company websites.

Performance in 2023

- Conducted a company-wide signing of the "Employee Ethics Code," with 7,226 signatures, reaching a 99.94% signing rate.
- Conducted supplier surveys to provide channels for suppliers to disclose conflicts of interest or breaches of integrity principles.
- There were 17 complaints and reports of violations of company norms, all investigated and appropriately addressed, with 10 being formal reports.
- New employee integrity and safety training completed in 77 sessions, totaling 562 participants.
- Managed the registration of received gifts according to the Employee Behavior Ethics Code, totaling 46 items.

Short-term Development Direction

For suppliers and customers: Conduct integrity policy promotions during supplier conferences and continue to carry out supplier surveys.

For employees: All employees must sign a commitment to adhere to the AIDC Employee Ethics Code annually, and new employees undergo integrity and safety training.

Mid-term Development Direction

Strengthen anti-corruption case promotions, continue the signing of the "Employee Ethics Code" across the company, and increase the rate of anti-corruption education and training for employees.

Long-term Development Direction

Enhance the integrity and anti-corruption awareness of employees, customers, and suppliers, ensure the implementation of the company's anti-corruption policy, completely eliminate illegal business practices, and make AIDC a company that fulfills its social responsibilities and maintains integrity.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Product
Quality/Technology
R&D



Other Topics

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



Related Chapters

Quality
Management/Smart
Manufacturing

Importance to AIDC

Facing the impacts of global aerospace industry changes and intensifying product competition, there is a heightened demand for domestically and globally developed aerospace products, whether independently or collaboratively. Customers' demands for quality, cost, and delivery timelines are becoming increasingly stringent. Consequently, it is essential to continuously deepen strategic partnerships with major international firms and actively utilize technologies such as AI, 5G, and smart systems to improve product quality to meet customer needs, thereby enhancing customer satisfaction and strengthening the company's overall competitiveness.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Customers, Suppliers

Management Strategies

Adhering to AIDC's quality policy of "Total Quality Assurance, Customer Satisfaction," from the business development, design, R&D, manufacturing, assembly, maintenance, and service of aerospace products, in addition to meeting customer quality requirements and AS9100 quality management system standards and civil aviation regulations, continuous innovation and development of smart manufacturing and inspection are pursued to achieve the ultimate goal of customer satisfaction and expectations.

Performance in 2023

- Quality enhancement and customer satisfaction metrics for military/civil aviation projects met target requirements, with customer complaint metrics decreasing by 46.88%, surpassing the target.
- 47 customer quality system/process/product verification audits; all successfully passed verification audits, achieving a 100% completion rate. Project quality documentation maintenance achieved a 100% rate.
- Quality control and technical guidance for supplied goods, with domestic supplier delivery quality rate exceeding the target. This year, three domestic suppliers rated as Category C, meeting the target.
- Continued enhancement of inspection capabilities and technology, completion of Non-Destructive Inspection (NDI) technology enhancement and multi-skill inspector training, achieving a 100% rate.
- Monthly quality improvement plans (QIP) required for departments with deficiencies based on cost of failure statistical analysis, presented and improved during quality management review and senior management meetings. Effective enhancements reduced cost of failures, meeting second half-year targets.
- Smart Management: Developed the iAIDC executive information system for quality escapes, missed delivery controls, and critical high-cost equipment; developed a smart management situation room system that launched a plant-level/manager-level smart production situation system, enhancing attendance/capacity/bottleneck/quality proactive warning smart assistant systems; developed smart warehouse management and capacity load simulation, integrating production/smart interaction access to composite material line-side storage applications, and developed production scheduling dispatch and capacity load systems and batch production algorithms.
- Smart Manufacturing: Developed smart manufacturing human-machine collaboration systems, developed robotic arm applications for critical technologies in machine casing assembly and inspection automation systems establishing machine casing thread liner assembly, key strike technologies, and robotic assisted inspection automation equipment.
- Smart Machines: Developed machine casing factory three machine health monitoring and warm-up systems (5G enhanced smart manufacturing), completed three XiaoDong machine casing processing machine health monitoring applications and machine casing processing machine warm-up monitoring application systems; developed smart manufacturing process optimization applications, developed intelligent equipment monitoring and energy management systems platform for hot press furnaces, etc. (continued)



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Product
Quality/Technology
R&D



Other Topics

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



Related Chapters

Quality
Management/Smart
Manufacturing

Short-term Development Direction

- **Quality Management System Enhancement:** Maintain and enhance the AS9100 quality management system, customer quality management requirements, and NADCAP process certifications. Improve quality inspection capabilities and techniques, and advance the professional skills of inspection personnel.
- **Cultural and Process Initiatives:** Continuously promote a Zero Defects Culture and Advanced Product Quality Planning (APQP), along with smart automation of inspection processes to achieve the goal of "Do it right the first time," proactively mitigating quality risks and effectively reducing carbon emissions.
- **Supplier Quality Control:** Continue to monitor supplier quality and provide technical guidance, identify potential risks, use analytical methods to identify problems, and pair them with solutions to optimize efficiency, effectively enhancing supplier quality and reducing carbon emissions.
- **Quality Objectives:** Set multi-faceted quality objectives for the company, and employ a team approach to continuously promote and advance Quality Improvement Plans (QIP), achieving total quality assurance, increasing customer satisfaction, and enhancing company competitiveness.
- **Quality Escape Management:** Continue to promote quality escape management plans, implement rolling

improvements, and prevent quality non-conformances to achieve zero failures and effective carbon reduction.

- **AI Platform Improvement:** Enhance the AI platform environment and accelerate the application of technology on the ground.
- **AI Talent Development:** Continuously promote the company's digital transformation AI applications, select training, retention, and incentive systems for talent, and establish a smart AIDC digital transformation talent pool.

Mid-term Development Direction

- **Technological and Product Quality Advancements:** Actively enhance military aircraft design, aerospace critical component technology development, new processes, and new product quality, not only to increase revenue and global competitiveness but also to reduce non-conforming material scrap, repairs, and additional carbon emissions and cost losses from product rework.
- **Quality System and Certification Initiatives:** Continue to promote quality management systems and special process certifications, implement Zero Defects Culture, APQP control operations, enhance supplier quality management and monitoring, deepen Quality Improvement Plan (QIP) processes, and quality escape management to reduce carbon emissions, enhance quality management efficiency, quality standards, and customer satisfaction.

- **Digitalization + Smart Technologies + 5G:** Utilize external project resources for cost reduction/source expansion, selectively cooperate to introduce application technologies (saving development time/cost), and accelerate the development of generative AI, smart manufacturing, smart maintenance, and 5G technologies to help enhance performance, quality, safety, and reduce costs.

Long-term Development Direction

- **Quality Management Foundation Expansion:** Based on mid-term quality management foundations, continue to enhance military aircraft design, aerospace critical component technology development, new processes, and new product quality, and further improve the quality of existing products and services to achieve higher quality standards, ensuring products and services meet customer requirements and standards, achieving safe, low carbon emissions, and zero-defect products and services.
- **Smart + AI Integration:** On the basis of the company's civilian digitalization and smart manufacturing, comprehensively and deeply expand the introduction of Industrial Artificial Intelligence (IAI), mature generative AI for smart manufacturing, smart maintenance, and smart management technologies, attaining comprehensive benefits, and optimized competitive advantages for the company.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Cybersecurity and Customer Privacy



418 Customer Privacy

16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



Related Chapters

Cyber Security
Management/Trade
Secret Protection

Importance to AIDC

AIDC, a leader in the high-tech aerospace industry domestically, serves major global aerospace clients including Airbus, Boeing, and Lockheed Martin, and is tasked with national aircraft production. The business is focused on diversifying development to provide more comprehensive services to customers and actively strengthens information security management to ensure the confidentiality, integrity, and availability of the company's information assets. This addresses the increasingly severe challenges of information security, thereby reducing cyber risks and protecting the information security of both the company and its customers.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Government, Customers, Suppliers, Employees

Management Strategies

- AIDC is committed to establishing an Information Security Management System (ISMS) that meets international information security standards, covering information security policies, procedures, and operational norms to comprehensively enhance systemic, managerial, and technical aspects of cyber and information security. Since 2008, AIDC has successfully obtained ISO/IEC 27001 international information security management certification and has passed annual reviews and triennial

recertification audits conducted by IAF/TAF accredited bodies, maintaining continuous validity of the certificate. The Company also adopts the NIST CSF cybersecurity framework, strengthening its cybersecurity foundation across the five core functions: Identify, Protect, Detect, Respond, and Recover, and continuously improves through the PDCA (Plan-Do-Check-Act) cycle. Furthermore, AIDC enhances its cybersecurity maturity through red team exercises, penetration testing, cybersecurity health checks, and third-party risk assessments, aiming to reach Level 2 (Advanced) of the Cybersecurity Maturity Model Certification (CMMC 2.0).

- Legal Compliance and Security Audits: In compliance with the "Personal Information Protection Act," personal data is processed and used properly, and each project undergoes regular security audits by customers, in cooperation with the Ministry of National Defense, Air Force Command, and National Chung-Shan Institute of Science and Technology, performing security checks on confidential project personnel, equipment, and information security.

Performance in 2023

- Achieved annual quantitative goals for information security management.
- Completed social engineering email and advanced persistent threat drills.
- Completed cybersecurity training for all employees.

- Completed operational continuity and emergency recovery drills, critical system emergency response drills, and comprehensive emergency incident notification, response, and recovery tabletop exercises, strengthening cybersecurity resilience.
- Joined the national cybersecurity defense organization.
- Received the TCSA Taiwan Corporate Sustainability "Information Security Leadership Award" for three consecutive years.
- Successfully passed the triennial ISO/IEC 27001 recertification audit, maintaining certificate validity.
- Met cybersecurity evaluation and audit requirements of domestic (Ministry of National Defense, Air Force Command, National Chung-Shan Institute of Science and Technology) and international (Lockheed Martin, Airbus) clients.
- Participated in the Ministry of Digital Development's industrial cybersecurity rating program, in 2023 promoted 12 member companies of the Taiwan Aerospace Industry Association to assess their cybersecurity maturity, security gaps, cyber risks, and the cybersecurity measures that need priority enhancement through a self-assessment, and facilitated 16 companies to successfully apply for (free) "Cybersecurity Scanning and Testing Services." (continued)



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Cybersecurity and Customer Privacy



418 Customer Privacy

16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



Related Chapters

Cyber Security
Management/Trade
Secret Protection

- Supporting Taiwan's Industry Initiatives: In coordination with the Ministry of Digital Development's Digital Industries Department, AIDC supports the promotion of CMMC in Taiwan. On September 18-22, 2023, the Defense Contract Management Agency (DCMA) of the United States Department of Defense conducted a Confidence High Level evaluation for the Feng Zhan project at AIDC according to DFARS 252.204-7012 (Safeguarding Covered Defense Information and Cyber Incident Reporting). The results were registered on the Supplier Performance Risk System (SPRS) website.
- AIDC participated in the Industrial Development Bureau's "Cybersecurity Cultivation and Sha-Lun Experiment Plan," handling compliance coaching for the defense supply chain system and collaborating with the Institute for Information Industry to assist six F16 maintenance center subcontractors with CMMC L1 self-assessment coaching, compliance tool implementation, and Security Safeguards Plan (SSP) drafting. This initiative aims to establish supply chain system security management, thereby increasing international competitiveness and securing defense opportunities.
- In collaboration with the Ministry of National Defense's Security Office, Air Force Command, and National Chung-Shan Institute of Science and Technology, AIDC jointly conducts classified and sensitive operations area information and communication security maintenance

checks. In 2023, 28 checks were completed with no significant deficiencies.

Short-term Development Direction

- Achieve the transition to ISO/IEC 27001:2022 and pass verification by a third-party (IAF/TAF) certifying body.
- Meet domestic and international customer cybersecurity audit and evaluation requirements.
- Promote cybersecurity grading for outsourced suppliers.
- Achieve compliance with Level 2 (Advanced) of the Cybersecurity Maturity Model Certification (CMMC 2.0).
- Continue regular and ad-hoc audits with the Ministry of National Defense, Air Force Command, and National Chung-Shan Institute of Science and Technology to ensure all security requirements are met.

Mid-term Development Direction

- Establish a comprehensive cybersecurity governance system and continuously improve cybersecurity protections to maintain the validity of the ISO/IEC 27001:2022 certificate.
- Meet domestic and international customer cybersecurity audit and evaluation requirements.
- Promote and strengthen outsourced supplier cybersecurity.

- Maintain compliance with Level 2 (Advanced) of the Cybersecurity Maturity Model Certification (CMMC 2.0).
- Continue regular and ad-hoc audits with the Ministry of National Defense, Air Force Command, and National Chung-Shan Institute of Science and Technology to ensure all security requirements are met.

Long-term Development Direction

- Cybersecurity governance: Continuously enhance cybersecurity maturity and resilience to ensure the stability and advantage of the company's future business development.
- Meet cybersecurity evaluation and audit requirements of domestic and international customers.
- Continue regular and ad-hoc audits with the Ministry of National Defense, Air Force Command, and National Chung-Shan Institute of Science and Technology to ensure all security requirements are met.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Supplier Management



204 Procurement Practices
308 Supplier Environment Assessment

17 PARTNERSHIPS FOR THE GOALS



Related Chapters

Supplier Management

Importance to AIDC

Promoting a sustainable supply chain and strengthening supplier management enables the company to maintain a robust network of suppliers, not only enhancing the quality of materials and reducing the risks associated with their procurement but also ensuring products are delivered on time and to specification, thereby increasing customer satisfaction.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Suppliers

Management Strategies

- Coaching outsourced manufacturers to obtain AS9100 certification
- Providing training courses, process, and quality certification guidance
- Building a sustainable supply chain through supplier engagement in green initiatives during supplier conferences.

Performance in 2023

- By 2023, a total of 464 vendors engaged in contractual transactions have passed international quality certifications AS9100/AS9110/AS9120.
- In 2023, supplier evaluations were conducted for 169 suppliers, with performance supervision and technical coaching involving 45 suppliers and 577 participants; annual supplier audits involved 48 suppliers.
- In 2023, 6 manufacturers underwent supplier cybersecurity level assessments, completing enterprise cybersecurity rating reports.

Short-term Development Direction

- Conduct environmental and occupational health and safety management surveys for 12 manufacturers.
- Conduct ESG on-site audits for 12 manufacturers.
- Promote sustainable procurement, assessing suppliers on ethical and sustainability issues.

Mid-term Development Direction

In line with government policies, by the end of 2027, complete carbon footprint surveys for over 10 listed suppliers and encourage suppliers to establish management systems for labor, safety, environment, and energy. Regarding the specification of green products, future phases will require all suppliers to comply with standards including energy savings, recyclability, low toxicity, battery usage, material labeling, and packaging materials, incorporating these into the Supplier Code of Conduct and contract specifications.

Long-term Development Direction

Collaborate with professional units to audit and guide suppliers in adopting a "big leads small" model to respond to carbon reduction. Promote sustainable supply chain management and sustainable procurement, and in the future, build cooperative models with suppliers for green products, energy saving, carbon reduction, and pollution prevention, collectively moving towards a sustainable supply chain.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Indigenous Production of Aircraft



Other Topics

**8 DECENT WORK AND
ECONOMIC GROWTH**



Related Chapters

Indigenous
Production of
Aircraft

Importance to AIDC

The advanced jet trainer project represents the beginning of the "national aircraft production" initiative, which is a key indicator of revitalizing the national defense industry and achieving defense autonomy in our country. Through the development of the entire advanced jet trainer system, it helps to strengthen the capability for self-research and manufacturing of the next generation of fighter jets. This initiative also supports the transfer of aerospace expertise within the country, the integration of military and civilian developments, and stimulates the industrial chain, transformation, upgrading, and economic development. Together with the Executive Yuan, it propels the 5+2 innovative industries initiative, serving as the core driver for the growth of Taiwan's next-generation industries, achieving the goals of defense autonomy and economic prosperity.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Shareholders, Government, Customers, Suppliers, Employees

Management Strategies

- Establish important milestones for each phase according to the contract.
- The company regularly holds internal management meetings at various levels (weekly meetings, risk management meetings), external project management meetings with clients, and engineering progress review meetings to timely review, resolve, and promote actions.

Performance in 2023

- Completed delivery of 17 aircraft on schedule to the Taitung base.
- Assisted 217 domestic suppliers in passing evaluations for the production and tooling of aircraft structures and components, and testing tasks, completing contracts with 417 instances.
- Effectively drove the technological transformation and upgrade of the domestic aerospace industry, creating a total economic benefit of nearly ten billion.

Short-term Development Direction

Deliver 18 aircraft with assured quality.

Mid-term Development Direction

Complete the delivery of 66 trainer aircraft by 2026.

Long-term Development Direction

- Promote the development of the next generation of military aircraft.
- Secure critical technologies to achieve defense autonomy.
- Upgrade industrial technology.
- Amplify the value-added benefits of the industry.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Green Product/Services Design and Development



Other Topics

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



13 CLIMATE
ACTION



Related Chapters

Green Products

Importance to AIDC

AIDC is charged with the mission of developing the aerospace industry, not only driving the enhancement of domestic aerospace technology and strengthening economic resilience but also adjusting its path to sustainable development in response to the carbon reduction trends associated with climate change. The Company is promoting a diversified layout of green products (such as energy storage systems and biogas power generation) to realize its vision for sustainability.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Government, Customers

Management Strategies

- Establish important milestones for each phase according to the contract.
- Regularly convene project progress review meetings (weekly, bi-weekly, monthly); external and customer project management reviews (PMR), engineering progress reviews, and on-site progress verification; participate in

customer PMR to timely review, refine, solve problems, and continue promotion, ensuring contract terms are met and performance goals achieved.

Performance in 2023

- Completed the renovation project for Taipower's Miaoli Power Plant.
- Completed the installation of a biogas power generation system (130KW) for Uni-President Enterprises Corporation.
- Signed a contract for the installation of a biogas power generation system at Innolux Plant 8 (195KW).

Short-term Development Direction

- Completion and commissioning of the second and third 5MW energy storage sites at AIDC's Sha-Lu plant area by the third quarter of 2023.
- Completion and activation of six GE LM2500XPRESS units at Taipower's Miaoli Power Plant renovation project.
- Completion and activation of one 30MW+ self-use power generation unit at each of the CPC Corporation's Yongan and Taichung natural gas receiving stations.

Mid-term Development Direction

- Expand the capacity in energy engineering consulting.
- Participate in domestic energy transition projects.
- Develop the hydrogen energy application industry.
- Secure critical technologies for localized maintenance.

Long-term Development Direction

- Upgrade technology in the energy industry.
- Establish a strong foundation for comprehensive energy project personnel.
- Expand the energy market reach.
- Enhance the economic efficiency of the energy sector.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Waste Management



306 Waste

13 CLIMATE ACTION



Related Chapters

Waste Management

Importance to AIDC

Focusing on environmental protection, after the upgrade of the Environmental Protection Administration to the Ministry of Environment, the regulatory authority has been actively amending and enacting laws to promote industrial waste reduction and resource recycling, implementing energy saving, waste reduction, and resource reuse.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Employees, Community

Management Strategies

- To align with government environmental policies, AIDC promotes industrial waste reduction and resource recycling, executes energy and waste reduction, and pollution prevention. To effectively manage the company-generated industrial waste, internal procedural documents (Industrial Waste Management Procedures, SP-NR-019) applicable across the Company have been established to

ensure compliance with waste management laws and related regulations.

- To increase the value of waste and non-usable materials, the company has implemented procedures (AIDC Waste (Scrap) Material Auction Procedures, SP-LR-040) to auction off replaced or reduced efficacy equipment or parts, enhancing the value of waste and extending the life of the equipment.

Performance in 2023

- Taichung and Sha-Lu plant areas achieved a waste reuse rate target of 35%.
- Kang-Shan plant area achieved a waste reuse rate target of 45%.

Short-term Development Direction

- Taichung and Sha-Lu plant areas aim to achieve a waste reuse rate of 35%.
- Kang-Shan plant area aims to achieve a waste reuse rate of 45%.

Mid-term Development Direction

Collaborate with waste treatment facilities to proactively study the feasibility of reuse to increase the waste reuse rate.

Long-term Development Direction

- Develop waste reduction plans, prioritizing in-house reuse and reducing the use of raw materials to achieve waste reduction goals.
- Strive towards the goal of becoming an environmentally friendly factory.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Climate Change Response



302 Energy
305 Emissions

307 Environmental Law Compliance (abbr)
201-2 Climate Financial Risks (abbr)

7 AFFORDABLE AND
CLEAN ENERGY



13 CLIMATE
ACTION



Related Chapters

Green Products

Importance to AIDC

In response to the international 2050 net-zero emissions target and domestic regulatory adjustments, the Company is timely adjusting its environmental management and energy policies, planning a carbon-neutral pathway to strengthen climate change risk management, reduce environmental impact, and promote sustainable transformation.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Suppliers, Employees, Community

Management Strategies

- To align with government environmental policies, AIDC promotes industrial waste reduction and resource recycling, implements energy saving, waste reduction, and pollution control, and effectively manages company-generated industrial waste by establishing internal procedural documents (Industrial Waste Management Procedures, SP-NR-019) applicable across the company to ensure compliance with waste disposal laws and relevant regulations.
- To increase the value of waste and non-usable materials and implement waste monetization, internal procedural documents have been established (AIDC Waste (Scrap) Sale Procedures, SP-LR-040) to auction off replaced or reduced efficacy equipment or parts, enhancing the value

of waste and extending the lifespan of the equipment.

- ESG Committee Initiatives: The ESG Promotion Committee convenes high-level meetings to set and review the company's climate change policies.
- Implement annual climate-related risk and opportunity (TCFD) operations.

Performance in 2023

- Completed energy-saving projects including chiller, lighting, and air handling unit replacements.
- Estimated average annual electricity savings of 1.31% at the Taichung plant and 3.39% at the Sha-Lu plant in 2023.
- Taichung and Sha-Lu plant areas achieved a waste reuse rate target of 35%.
- Kang-Shan plant area achieved a waste reuse rate target of 45%.
- Regular reports on carbon neutrality operations in high-level meetings.
- Completed AIDC's climate-related risk and opportunity assessment and TCFD risk mapping, reporting to the board.
- Completed the 2023 CDP questionnaire.

Short-term Development Direction

- Achieve a waste reuse rate of 35% in Taichung and Sha-Lu plant areas and 45% in Kang-Shan plant area.

- Reduce greenhouse gas emissions by 15% from the baseline year (2019) by 2025.
- Conduct a greenhouse gas inventory and inspection across the entire group.
- Implement the installation of solar photovoltaic panels.

Mid-term Development Direction

- Collaborate with waste treatment facilities to proactively study the feasibility of reuse to increase the waste reuse rate.
- Reduce greenhouse gas emissions by 15% from the baseline year (2019) by 2025.
- Continue the installation of solar photovoltaic panels.

Long-term Development Direction

- Develop waste reduction plans, prioritize in-house reuse, and reduce raw material usage to achieve waste reduction goals.
- Progress towards the goal of becoming an environmentally friendly factory.
- Reduce greenhouse gas emissions by 24% from the baseline year by 2030.
- Achieve carbon neutrality by 2050.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Talent Recruitment and Retention



401 Employment

4 QUALITY EDUCATION



Related Chapters

Employee Recruitment and Hiring

Importance to AIDC

In response to the intense competition for talent in the market and the factors of declining birthrates, attracting outstanding personnel and maintaining a stable workforce are crucial for sustaining the company's competitive advantage and achieving strategic and business development goals.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Employees

Management Strategies

- Strengthen human resource talent management measures.
- Enhance incentive compensation, performance assessment, and promotion retention measures.

Performance in 2023

- Reduced the discrepancy in labor ratios, with an increase in the proportion of contract workers becoming permanent employees.
- Timely processed various projects (such as the Feng Zhan project, Tongxiao/CPC projects) and special skill bonuses (aluminum welding, robotic arms, artificial intelligence) to boost morale.

- Recruited specialized talents lacking in the current workforce through targeted hiring strategies.
- Implemented transparency in evaluations, requiring managers to coach underperforming staff through performance interviews and maintain records.
- Employees with outstanding performance, seniority, training contributions, and those holding 24 specific essential licenses are eligible for promotion.
- From October 2023, implemented a certification allowance system, with routine reviews initiated every April to June and October to December, and established a system for employees to provide feedback on certification adjustments.
- Initiated experience transfer two years before employee retirement, completing technical knowledge transfer six months before retirement. In 2023, promoted an "Experience Transfer Plan" and "Successor Management" for retiring employees with core/critical roles.

Short-term Development Direction

- Refine strategies for recruiting specialized talent.
- Design new position salary structures.

Mid-term Development Direction

- Continue to implement specialized talent recruitment strategies.
- Fully transfer core and critical technologies to ensure the company's competitive edge in talent.
- Continuously improve compensation incentives, career development, and other retention measures.
- Integrate creative concepts into operational and strategic human resource management.

Long-term Development Direction

- Continue to implement specialized talent recruitment strategies.
- Fully transfer core and critical technologies to ensure the company's competitive edge in talent.
- Continuously improve compensation incentives, career development, and other retention measures.
- Integrate creative concepts into operational and strategic human resource management.



Identification of Material Topics

Management Policies, Elements, and Sustainability Development Goals for Material Topics

Occupational Safety and Health



403 Occupational Safety and Health

3 GOOD HEALTH AND WELL-BEING



Related Chapters
Occupational Safety and Health

Importance to AIDC

In compliance with occupational safety regulations and aligning with international customer standards, AIDC also supports energy projects by reserving workplace safety professionals. The company continuously strengthens various safety engineering improvements to enhance health and safety management performance.

Impact Boundary

- Within the organization: AIDC
- Stakeholders: Employees, Community

Management Strategies

Establish a safety culture based on "accountable management." In addition to complying with basic occupational safety regulations, the focus is on enhancing the working environment for safety and providing quality health promotion services to prevent and mitigate any negative impacts on the company's operations related to occupational health and safety.

Performance in 2023

- COVID-19 Prevention Measures: No production stoppages due to confirmed cases among employees; vaccination rates significantly higher than the national average; from May 1, 2023, aligned with government policies to return

to normalcy.

- Safety Improvements: Following expert health and safety inspections, compiled, promoted, and controlled the company-wide improvement needs, completing 46 management improvement projects and 138 engineering improvement projects throughout the year.
- Completed 48 safety audits with all required improvements.
- Enhanced 32 occupational safety procedural documents for bilingualism and international alignment.
- Successfully supervised health and safety operations for the small turbine generator projects at Taipower's Tongxiao Power Plant and CPC's Wuqi Plant without major safety incidents.

Short-term Development Direction

- Zero major safety incidents.
- Maintain a disability injury frequency rate (per million man-hours) below 1.65.
- Promote a safety performance reward system.
- Strengthen internal occupational health and safety audits and promote a cross-audit mechanism.
- Successfully renew the Occupational Health and Safety Management System certification.

- Invite experts and scholars for themed coaching sessions to deepen safety awareness.
- Optimize the contractor information management system to strengthen control operations.

Mid-term Development Direction

- Zero major safety incidents.
- Reduce the disability injury frequency rate (per million man-hours) to below 1.63.
- Implement an automatic inspection control system to optimize operational processes and increase audit efficiency.

Long-term Development Direction

- Zero major safety incidents.
- Reduce the disability injury frequency rate (per million man-hours) to below 1.59.
- Establish a corporate safety culture based on "accountable management."
- Integrate and optimize various occupational health and safety management systems to enhance operational efficiency.

Governance

Improve Corporate Governance

- Management of Material Topics
- Scope of Material Topics
- Policies and Commitments
- Impact and Influence
- Actions Taken
- Stakeholder Engagement

Corporate Governance

- Basic Information
- Company Background
- Organization Structure
- Affiliates
- Governance Organization
- Organization and Operations of the ESG Committee

Risk Management

- Risk Management Policy
- Organization of the Risk Management Committee
- Risk Response Strategies and Objectives

Ethical Corporate Management and Compliance

Cybersecurity Management and Customer Privacy

Business Performance

- Financial Performance
- Industry Overview
- Product Categories and Markets
- Competitive Advantages
- Investment Businesses
- Participation in Domestic and International Organizations
- Indigenous Production of Aircraft
- Operations of the F-16 Maintenance & Support Center

Supplier Management, Quality Management, and Technology R&D

- Supplier Management
- Customer Service
- Quality Management
- Customer Satisfaction
- Continuous Risk Management and Quality Improvement
- Research and Development
- Smart Manufacturing for Aerospace



Improve Corporate Governance

Material Topic Management

Corporate governance is a mechanism of enterprise management. As a leader in the domestic aerospace manufacturing industry, AIDC values and adheres to relevant corporate governance regulations and procedures, implements corporate social responsibility, and protects the rights and interests of all stakeholders (including employees, shareholders, customers, suppliers, the environment, and society).

Scope of Material Topics

- Operation and financial performance
- Ethical corporate management and compliance
- Product quality/technology R&D
- Cybersecurity and customer privacy
- Supplier management
- Indigenous production of aircraft

Policies and Commitments

To continuously strengthen corporate governance and sustainable management, AIDC has referenced the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and the "Best Practice Principles for Sustainable Development of TWSE/GTSM Listed Companies." The company has established the "AIDC Corporate Governance Guidelines" and the "AIDC Sustainable Development (ESG) Practice Principles," adhering to government regulations. During tendering and contracting with suppliers, AIDC consistently requires both domestic and international suppliers to sign a "Vendor Declaration" and a "Supplier Code of Conduct" to ensure the integrity of the cooperation and the implementation of relevant policies.

Impact and Influence

AIDC's operations include the manufacturing of military and commercial aircraft components and the execution of sensitive projects like advanced jet trainer projects, emphasizing information security and the protection of

trade secrets. Through the Information and Communication Security Committee and the Internal Risk Management Committee set up by the Board of Directors, the Company mitigates potential risks to fulfill the mission of "implementing defense autonomy, leading industrial upgrades, developing the aerospace industry, and promoting economic prosperity," while supporting national defense autonomy and security.

Actions Taken

Implement corporate governance by closely monitoring global industry trends, timely adjusting short, medium, and long-term business development goals and management strategies to reduce potential risks.

Stakeholder Engagement

Through employee mailboxes, investor hotlines, corporate presentations, CSR mailboxes, anti-corruption reporting mailboxes, and a 24-hour customer response information system, AIDC maintains immediate communication with stakeholders.



Corporate Governance

Basic Information

Address	
No. 1, Hanxiang Rd., Xitun Dist., TC City, TW	
Date of Incorporation	Number of Employees
1996 Jul 1 ST	6,758
Date of Listing	Capital
2014 Aug 25 TH	9.419 bn
Largest Shareholder	Factories
MoEA (35.18%)	See right



Taichung Complex

- AIDC Headquarter
- Engineering
- Aircraft Parts Fabrication
- Avionic Assembly & Testing



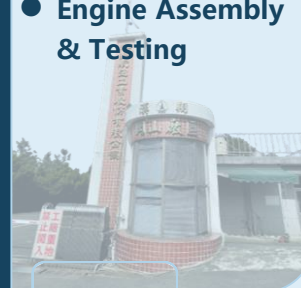
Sha-Lu Complex

- Avionics & Flight Control Engineering
- Harness Fabrication & Installation
- Flight Test/Maintenance
- Aircraft Assembly and Testing
- Composite Parts Design, Development and Production



Kang-Shan Complex

- Engine Parts Fabrication
- Engine Assembly & Testing



Company Background

AIDC was originally established in March 1969 as the Aerospace Industrial Development Corporation under the command of the Air Force Headquarters and was later transferred in January 1983 to the National Chung-Shan Institute of Science and Technology under the Ministry of National Defense. Over the years, AIDC has collaborated with foreign manufacturers to produce UH-1 helicopters, F-5E/F fighter jets, T-53 engines, TFE731 engines, and has independently developed various trainer aircraft such as the Chieh Shou, Chung Hsing, and Tzu Chung models, as well as new fighter jets.

In July 1996, AIDC was restructured into a company under the Ministry of Economic Affairs, named "Aerospace Industrial Development Corporation," moving towards corporatization, privatization, and internationalization. The business strategy shifted from purely military aviation to a blend of military and civilian uses, positioning itself as a "defense technology company

developing the aerospace industry." To mitigate market concentration risks and fully utilize and synergize technical capabilities, its main business includes "military operations," "civil aviation," and "industrial technology services."

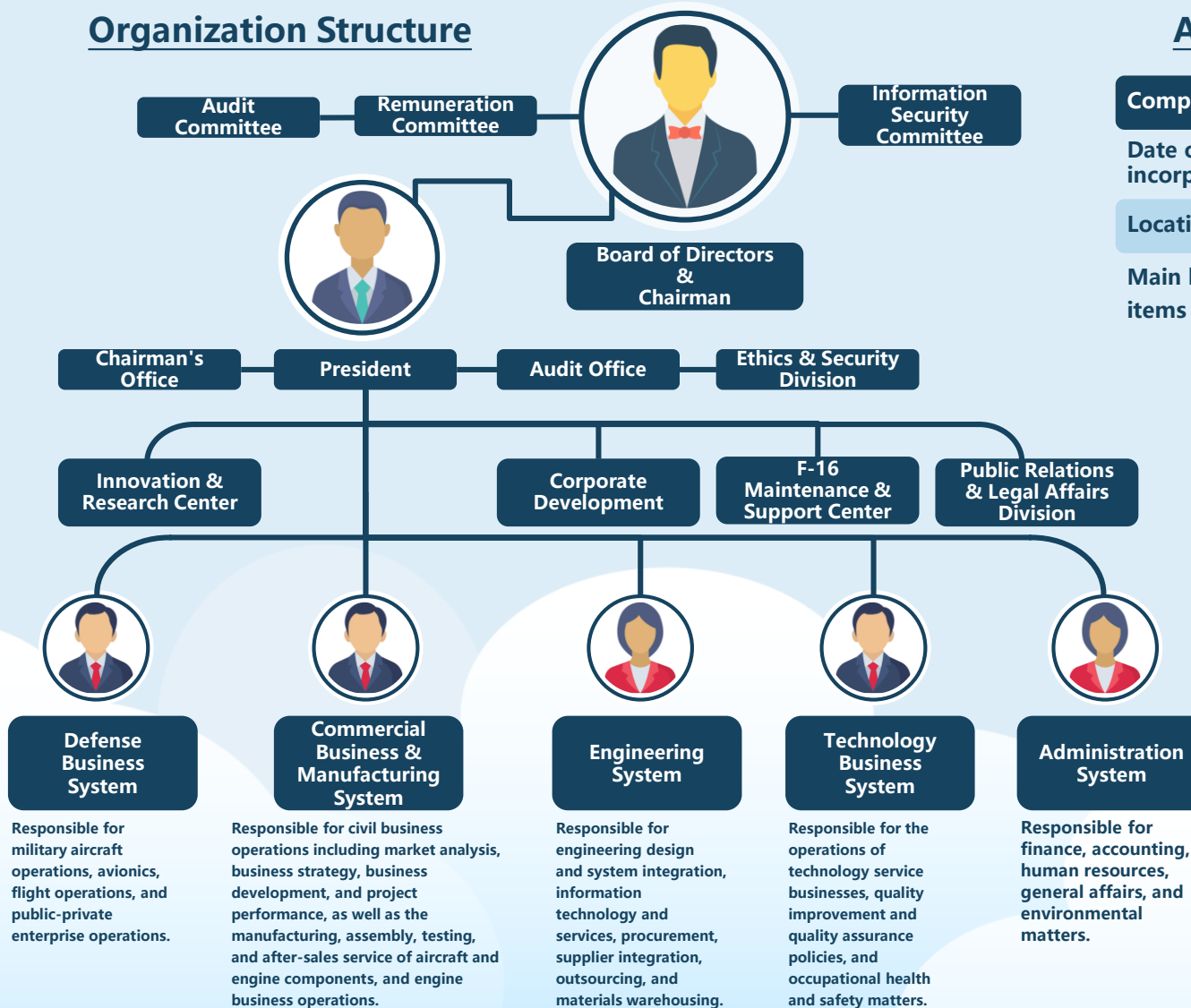
Given the high-tech intensive nature of the aerospace industry, AIDC faced fierce competition in the international aerospace market. On August 21, 2014, it was transformed into a privately-owned company and officially listed on the stock market on August 25. To build a complete aerospace industry supply chain, the "Taiwan Aerospace Industry A-Team 4.0 Alliance" was established in June 2016, marking the start of Taiwan's aerospace A-Team becoming a significant part of the global aerospace supply chain. Following the government's national aircraft production policy, in April 2017, AIDC signed a contract with the National Chung-Shan Institute of Science and Technology for 66 new advanced jet trainer. The rollout and naming ceremony for the new trainer aircraft took place in September 2019, and its first flight was showcased in June 2020. By the end of 2022, 10 aircraft had been delivered, with all 66 expected to be completed by

2026. Additionally, to implement defense autonomy, in December 2019, AIDC signed a strategic alliance agreement with Lockheed Martin; in August 2020, it established an F-16 maintenance center and in January 2021, received a significant contract from the Air Force for the maintenance of the F-16 fleet until the end of 2025. In 2022, AIDC signed a memorandum of understanding (MOU) with General Electric (GE) for the "localization of maintenance" and "hydrogen power applications" of modified gas turbine generators, extending its core aerospace technologies into the energy sector. In August 2023, the upgrade and delivery of 139 F-16V fighter jets were completed, and by the end of the year, the annual target of delivering 17 new trainer aircraft was achieved.

AIDC is one of the few suppliers in the Asia-Pacific region that possesses comprehensive capabilities in R&D, system integration, testing, and manufacturing in the aviation industry. It is highly regarded internationally within the aerospace industry and significantly contributes to the national aerospace industry.

Corporate Governance

Organization Structure



Affiliates

Company name	Hsiang Yuan Co., Ltd.	AIDC USA LLC
Date of incorporation	Dec. 21, 2022	Mar. 2, 2016
Location	Taiwan	USA
Main business items	Training event services, venue and building lease, retail of cultural creative products and assistive medical devices, and catering	Supply of project management services, trading of components and raw materials for aircrafts, engines, related sub-power systems, logistics, and other labor services

Governance Organization

AIDC places a high priority on corporate governance. Based on the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies," AIDC established the "AIDC Corporate Governance Guidelines". In August 2021, these governance guidelines were revised, approved by the Board of Directors, and reported on the TWSE Market Observation Post System. Additionally, following the "Corporate Governance 3.0 -- Sustainable Development Blueprint," AIDC continuously promotes improvements to ensure the protection of shareholder rights and the effective functioning of the Board of Directors. The company's vision, mission, and strategy are supervised and approved by the Board of Directors. The management team is tasked with implementing these strategies and regularly reports on business progress to the Board. If any situation negatively affecting stakeholders occurs, the responsible unit reports the matter and the handling methods to the Board. Furthermore, the management team also regularly reports on stakeholder engagement to the Board.

Governance Principles: fair treatment of shareholders, implementation of the Board's responsibilities, protection of shareholder rights and enhancement of their critical role, ensuring an efficient corporate governance structure, commitment to transparency and information disclosure, and emphasis on the rights and interests of stakeholders.

Corporate Governance

	Position/name	Core diversity elements	Chairman	Executive Director	Director	Director	Director	Director	Director	Director	Executive and Independent Director	Independent Director	Independent Director	Basic composition			Industry experience			Professional competence		
														50~59	60~69	Has employee status	Business management	Aerospace industry	Government and regulatory authorities	Finance and accounting	Law	Risk management
		Hu, Kai-Hung (M)																				
		Ma, Wan-June (M)																				
		Liou, Ming-Jong (M)																				
		Chang, Ming-Pin (M)																				
		Shieu, Fuh-Sheng (M)																				
		Hsiao, Mu-Lai (M)																				
		Lee, Ming-Li (M)																				
		Cheng, Jung-Feng (M)																				
		Chan, Chia-Chang (M)																				
		Chen, Yin-Chin (F)																				
		Lien, Li-Jen (M)																				

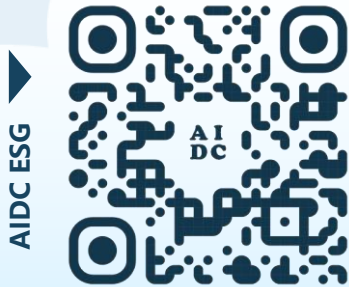
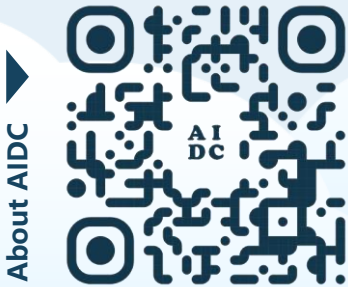
Note: Director Shieu resigned from the position of director on August 18, 2023 due to changes in his duties.

Note: No Independent Director has served more than three consecutive terms. No more than one third of the number of directors of the company shall be concurrently held by the company's managers.

Board Members

The AIDC Board of Directors consists of 11 members (including 3 independent directors), appointed through a comprehensive nomination system as outlined in the company's bylaws. Shareholders select directors based on the Board's appointment process, considering the overall composition of the Board, and the knowledge, skills, and qualifications necessary for executing their duties. For more information and terms of office, please refer to the "Director Appointment Information" on the company's official website.

In response to AIDC's operational style and developmental needs, the Board has established a diversity policy and specific management objectives. The capabilities of Board members include operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market insights, leadership, and decision-making skills. Their industry experience and professional qualifications cover business management, aerospace industry, government and regulatory affairs, financial accounting, law, and risk management. Board members currently or have previously held significant positions in industry, government, academia, research, and law, possessing a diversity and complementarity of comprehensive professional qualifications. With their diverse professional abilities and practical experience, they collectively bear the responsibility for the company's strategy, operations, and oversight, driving AIDC towards its goal of sustainable development. Board members adhere to a high standard of self-discipline to avoid conflicts of interest, clearly defined in the "AIDC Management Personnel Code of Conduct." For details on the educational and professional backgrounds of Board members, their positions in other companies, and courses attended, please refer to the Corporate Governance Report in the 2023 Annual Report or the TWSE Market Observation Post System.





Corporate Governance

Board Performance Evaluation

To implement corporate governance and enhance the functionality of the board, AIDC, on August 12, 2019, established the "Board Performance Evaluation Measures" approved by the board. Annual performance evaluations are conducted for the entire board, individual board members, and respective functional committees. The results are reported to the board and the Compensation Committee. The performance evaluation metrics are as follows:

Entire Board: Involvement in company operations, decision-making quality, board composition and structure, director selection and ongoing education, internal controls.

Individual Board Members: Grasp of company goals and tasks, awareness of director responsibilities, involvement in company operations, management of internal relationships and communication, professional development and ongoing education of the directors, internal controls.

Functional Committees: Involvement in company operations, awareness of the responsibilities of the functional committees, decision-making quality, composition and member selection of the committees, internal controls.

AIDC's 2023 board performance evaluation, including the entire board, individual board members, and functional committees (Audit/Compensation/IT Security), resulted in an average score of 4.95 (between "strongly agree" and "agree"). The execution, results, and improvement methods of the evaluation are disclosed in the annual report P.59~P.62:

<https://www.aidc.com.tw/doc/ir/annrep2023en.pdf>

Link between Board Compensation and Sustainable Performance

The Compensation Committee evaluates the performance targets of AIDC directors (including the Chairman's bonus), considering the link between compensation bonuses and sustainable performance, which covers the Company's economic, social, environmental aspects, and involvement in operations. Annual performance targets for the chairman, general manager, and related managers are set, and their achievement is reviewed for compensation recommendations, which are then discussed by the board. The 2023 management performance targets include 15 indicators across six dimensions: financial, customer, processes, learning and growth, and sustainable development, with sustainability carrying a weight of 10%. According to AIDC's bylaws, if there are profits for the year, up to 0.58% of the pre-tax profits can be allocated for director compensation, with the actual distribution ratio and amount assessed by the Compensation Committee and reported at the shareholders' meeting. Details about the compensation policy and the operation of the Compensation Committee are published in the annual report p.73~p.75:

<https://www.aidc.com.tw/doc/ir/annrep2023en.pdf>

Governance Officer's Role in Promoting Governance and Sustainable Performance

On August 12, 2019, the AIDC board appointed the head of the Chairman's Office, Chen Zonghong, as the governance officer (dedicated role starting in 2020). He supervises the Chairman's Office staff in handling board and shareholder meeting matters, producing minutes, providing directors with necessary business execution information, assisting with director appointments, compliance with laws, ongoing education, board performance evaluation, and reporting to the board on the qualification compliance of independent directors during nomination, appointment, or tenure. He handles director changes and company registration changes, is solely responsible for AIDC governance matters, and urges the management departments to continuously review and revise internal control regulations to align with legal requirements according to corporate governance goals, thereby ensuring the protection of shareholder rights and the effectiveness of board functions.

For details about the governance officer's role and execution, please refer to the annual report p.63~p.69:

<https://www.aidc.com.tw/doc/ir/annrep2023en.pdf>

Corporate Governance

Compensation Committee

In accordance with the organizational regulations of the AIDC Compensation Committee and approved by the Board of Directors, the ninth Board Compensation Committee is composed of three independent directors: Zhan Jiachang, Chen Yingqin, and Lian Lijian, with Zhan Jiachang unanimously elected as the chair of the Compensation Committee. In 2023, two regular meetings were held with full attendance by all members, achieving a 100% attendance rate. The establishment of the Compensation Committee aims to assist the Board in implementing and evaluating the company's overall compensation and benefits policies, as well as the remuneration matters of directors and managers.

Audit Committee

To embody the spirit of corporate governance, the AIDC Audit Committee was established in June 2015 and is composed entirely of independent directors. It assists the Board in overseeing the fair presentation of financial statements, the independence and performance of the auditors, the effective implementation of internal controls, compliance with relevant laws and regulations, and risk management. In 2023, the Audit Committee meetings were held as per regulations, with a 100% attendance rate from the members.

IT Security Committee

Given the sensitivity of projects such as the advanced jet trainer, AIDC places a high priority on IT security. On December 18, 2020, the Board-level "IT Security Committee" was established, chaired by an independent director who also serves as the convener. In 2023, two IT Security Committee meetings were held, passing three resolutions: (1) the 2022 IT Security Management Report; (2) the 2022 IT Security Management Disclosure (Annual Report); (3) the 2024 IT Security Promotion Plan.

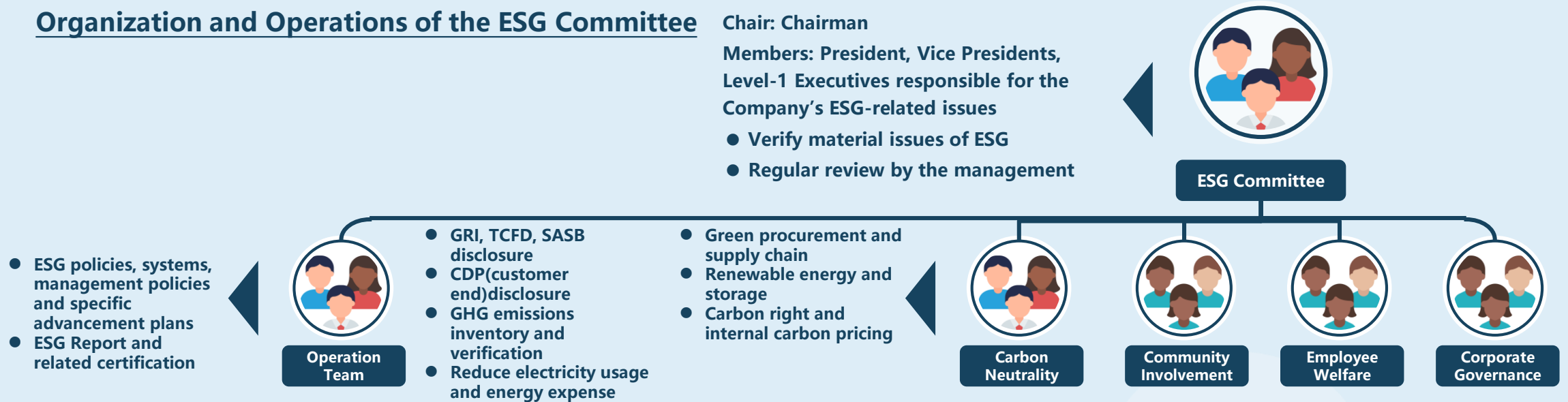
Corporate Governance

Organization and Operations of the ESG Committee

Chair: Chairman

Members: President, Vice Presidents, Level-1 Executives responsible for the Company's ESG-related issues

- Verify material issues of ESG
- Regular review by the management



AIDC has long been proactive in promoting corporate governance, developing a sustainable environment, and supporting social welfare initiatives. To enhance the efficiency of sustainability efforts, the "Corporate Social Responsibility Advisory Committee" was established in 2018. In response to international development trends and an increased focus on corporate social responsibility towards sustainability, it was renamed the "ESG Promotion Committee" in December 2021. Chaired by the Chairman of the Board and comprising the General Manager, various Vice Presidents, and senior executives responsible for ESG-related affairs, the committee advises on significant impacts related to economic, environmental, and social issues concerning AIDC's sustainability agenda.

In response to the global trend towards carbon reduction, at the end of 2021, AIDC restructured the committee, merging the "Energy Saving and

Carbon Reduction" and "Green Products/Procurement" groups into the "Carbon Neutrality Promotion Team." This team initiates internal carbon management mechanisms with the General Manager regularly reviewing carbon neutrality projects at executive meetings, including solar photovoltaic installations, energy-saving and carbon reduction projects, and electricity intensity control. The Chairman supervises the execution progress quarterly, underscoring the company's strong commitment to achieving carbon neutrality.

The "ESG Task Force" is responsible for proposing and implementing policies, systems, management guidelines, and specific action plans for sustainable development. Quarterly, it reports the outcomes to the Board, including (1) the status of sustainability initiatives; (2) revisions to sustainability-related regulations; (3) identification of climate change risks

and opportunities (TCFD) and the corresponding strategies for significant topics; and (4) communication and management with stakeholders. After the "ESG Promotion Committee" approves the identification results of significant topics (a total of 11 significant topics), these results are included in the operational reports submitted to the Board in the first quarter of 2024. Should any situation negatively affecting stakeholders arise, the responsible unit reports the matter and the handling methods to the Board.

Risk Management

Risk Management Committee

To effectively identify and control risks that could impact the company's operational policies, goals, and sustainable operations, AIDC established the "Risk Management Committee" in 2010. The committee regularly reviews risk levels and assigns responsible persons to plan and implement risk management strategies. This includes formulating risk management policies, identifying and managing risk items, and reporting the execution effectiveness, risk management policies, and risk profiles to the Board of Directors. Since 2023, the committee has also included the identification of climate-related risks and opportunities and significant topic response strategies.

Presidents serving as ex officio members. The Chairperson may select up to six appropriate professionals to serve as members, and the head of the business management unit serves as the Executive Secretary. Depending on operational needs, the business management unit may select appropriate professionals to form a risk management task force to assist in managing the Company's annual risk management tasks. Scope of risk management includes:

- Business Risk
- Political Risk
- Technological Risk
- Operational Risk
- Procedural Risk
- Economic Risk
- Other Risks

Risk Response Strategies and

Objectives

The focus of risk control includes strategic risk control, operational risk control, financial risk control, hazard risk control, compliance with international legal agreements, and others. Risk items are categorized and managed by the responsible departments.

Strategic Risk Control

- As global air passenger traffic gradually recovers, demand for civilian aircraft and commercial engines is also rising. The Company is actively pursuing the orders for civilian aircraft and engines. However, with the global aviation supply chain still rapidly reorganizing post-pandemic, the Company has cautiously assessed potential impacts. During the pandemic, the Company maintained internal capabilities such as talent, equipment, and quality, and strategically positioned itself for strong rebound post-pandemic easing. The Company is committed to seizing any opportunities that benefit its revenue and expects steady growth in military, civilian, and science service orders next year, aiming to higher revenue.

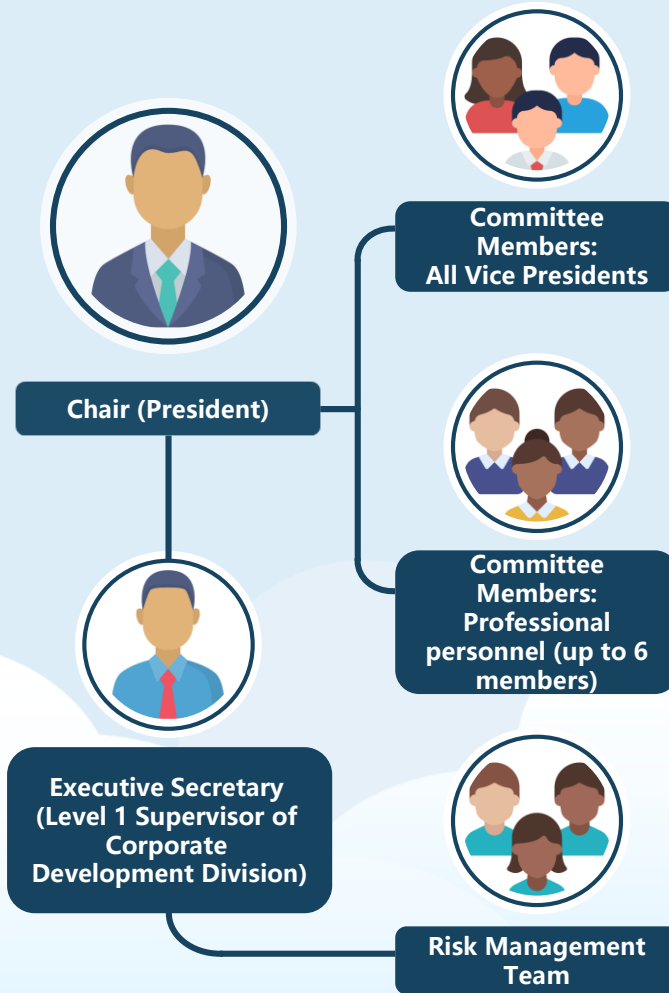
Risk Management Policy

In alignment with the promotion of corporate governance systems, to robustly manage significant risk issues, and to cultivate a culture of risk management within the company, the risk management policy is as follows:

- Prioritize environmental, social, and corporate governance issues related to company operations in risk assessments to pursue sustainable development.
- Continuously improve risk management practices and systems to reduce operational risks.
- Cultivate risk awareness among employees to shape the company's risk management culture.

Organization of the Risk Management Committee

The Risk Management Committee is chaired by the President, with all Vice





Risk Management

- In alignment with the government's "National Defense Autonomy" policy and in collaboration with the National Chung-Shan Institute of Science and Technology's self-research and manufacturing programs, AIDC is expanding its cooperative development and mass production opportunities. This includes effectively utilizing work-integration programs to actualize industrial development and technological advancements. The establishment of the F-16 Maintenance Center integrates industry capabilities, fortifies core technologies in critical components, enhances the national aircraft manufacturing strength, and targets the Air Force's domestic market needs.
- For 2024, the Company plans to invest approximately NT\$900-1000 million in research and development initiatives. These funds will focus on new product development, next-generation military aircraft development and maintenance, and advancements in processes and management techniques.

Operational Risk Management

- The control of operational risks involves managing civilian aircraft and engine orders and adapting to supply chain capacity fluctuations. This includes continuous negotiations and adjustments to procurement contracts according to production scheduling, flexible responses to minimize cash outlays and inventory backlogs, and preventing supply chain disruptions.
- Military project contract management is rigorously enforced to ensure timely and quality deliveries.
- Enhanced security measures for networks, computer hardware and software, and sensitive data are implemented to block cyber attacks and establish backup systems, meeting the top-tier security requirements of the national defense industry regulations, ensuring ongoing operational viability.

Financial Risk Management

- **Exchange Rate Risks:** The ongoing conflicts in Ukraine and between Israel and Hamas, combined with the global economic downturn and the U.S. Federal Reserve maintaining high interest rates to curb inflation, continue to create unstable currency fluctuations. AIDC will keep a close watch on international situations and currency trends, adjusting our exposure to foreign exchange demands, such as those for advanced training aircraft and the USD value, to mitigate impacts caused by exchange rate fluctuations and preserve our company's long-term financial health.
- **Interest Rate Risks:** In the long term, AIDC has issued unsecured corporate bonds to hedge against interest rate volatility. In the short term, the Company has established unsecured commercial promissory note underwriting limits with multiple ticket companies, seeking lower financing rates through competitive market mechanisms. By managing credit limits and negotiating short-term financing on a case-by-case basis, the Company uses market competition to reduce the risks associated with interest rate fluctuations.
- **Foreign Exchange Operations:** AIDC's foreign exchange operations are not aimed at profit-making but are intended for hedging purposes. Each quarter, a performance review report on foreign exchange operations is prepared for the president's approval. Based on domestic and international political and economic changes, we continuously plan the operational ranges and methods for the upcoming quarter. Meetings are convened as needed to address severe fluctuations in exchange rates.

Hazard Risk Management:

- AIDC will continue to promote major initiatives to prevent aviation accidents and enhance flight safety, including strengthening flight safety advocacy and establishing a consensus on flight safety among all staff, in accordance with audit plans. The Company will comply with civil aviation regulations by drafting security plans and establishing a joint aircraft control center with a clearly defined scene command management system; the Company will also draft and implement annual emergency response plans through drills.
- To prevent subsequent hazards, the Company will supervise the planning of occupational safety improvements and preventive actions:
 1. An annual internal audit plan is established, with audits scheduled monthly at facilities such as the Taichung plant, Sha-Lu plant, Kang-Shan plant and other units. A total of 36 audits have been planned for 2024.
 2. Hazard identification checks: Discuss reoccurrence prevention strategies for occupational injury cases with on-site units, compile and analyze accident data quarterly, and disseminate this information as part of occupational injury prevention training to reduce the frequency of workplace injuries.
 3. Based on the "Final Report on Hazard Identification, Assessment, and Control Improvement Suggestions for High-Risk Operations at AIDC" submitted by experts, comprehensive management and equipment improvements will be implemented.
- AIDC will continue to conduct internal and external quality audits to ensure the quality management system is strictly adhered to. The Company will advance Quality Improvement Plan to enhance quality awareness and reduce quality defects.

Ethical Corporate Management & Compliance

Integrity Management

Integrity is the most fundamental social responsibility of a corporation. To establish a corporate culture of integrity and ensure sound development, AIDC has clearly outlined the "Code of Ethical Business Conduct," "Code of Ethical Conduct for Management Personnel," "Guidelines for Handling Material Information and Preventing Insider Trading," and "Employee Code of Conduct" as standards for management and employees to follow.

The Company's chairman has explicitly declared the integrity policy on the Company's global information website:

- Commitment to maintaining excellent work ethics and traditional business integrity, fulfilling corporate social responsibility, and ensuring that board members and managers at all levels will not engage in or accept bribery.
- Adherence to company ethics rules in business operations, including integrity, transparency, and avoidance of conflicts of interest.
- The Company will rigorously deal with anyone involved in bribery according to the law.

AIDC has established a diverse complaint mechanism (including a whistleblower system) for various stakeholders, including an employee mailbox, investor hotline, financial conference, CSR mailbox, anti-corruption whistleblower mailbox, and a "Stakeholder Section" on the official website. Through these channels, stakeholders both inside and outside the company, as well as the general public (non-stakeholders), can raise concerns or provide suggestions about AIDC's business practices. This includes internal and external personnel reporting illegal or unethical behavior (such as corruption). Each complaint case follows a formal internal process from its filing, with relevant departments notified via signature or coordination methods, and communication and dialogue conducted with the complainant. Only when both parties reach a consensus can the case be officially closed. For detailed operating procedures, please refer to the company's "Guidelines for Handling Grievance and Whistleblower Cases."

The following table presents an analysis and statistics of anti-corruption complaints handled through the whistleblower mailbox over the past three years, all of which have been investigated and found to have no substantial evidence proving the reported matters.

Statistics on the response to reports sent to the anti-corruption whistleblowing mailbox															
	2021					2022					2023				
	Reported	Under investigation	Reported		Case closed	Reported	Under investigation	Reported		Case closed	Reported	Under investigation	Reported		Case closed
			True	False				True	False				True	False	
Internal report	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Eternal report	0	0	0	0	0	1	0	0	1	0	2	0	0	2	2
Percentage of case processed	0	0	0	0	0	100%	0	0	100%	0	100%	0	0	100%	100%

Note: Internal report refers to reports filed by employees or individuals who claim to be employees

Ethical Corporate Management & Compliance

Supplier Survey

AIDC employs a "clean governance survey" approach to query suppliers and subcontractors, with the survey focusing on "administrative services," "overall integrity," and "anti-corruption regulations." Analyzing the collected responses helps the Company understand the suppliers' perceptions and assessments of AIDC, aiming to effectively carry out anti-corruption measures. The survey analysis indicates that over 90% of the surveyed suppliers have a high regard for the company's administrative efficiency, service attitude, and overall integrity.

Statistics on overall impression in the supplier questionnaire survey in 2023 Unit: Percentage of total (178 questionnaires)

Overall Impression	incorruptness	Professional-ism	Procedures	Quality Requirement	Schedule Requirement
Above average	99.0%	97.5%	95.0%	99.5%	96.5%
Below average	1.0%	2.5%	5.0%	0.5%	3.5%
Not answered	0.0%	0.0%	0.0%	0.0%	0.0%

Integrity Education and Training

To ensure that every employee understands and implements the Company's integrity regulations, in 2023, all 11 AIDC directors and independent directors received training related to integrity and anti-corruption, making up 100% of the board. Collectively, they attended 51 hours of training, accounting for 50.5% of the total 101 training hours. New employees are also required to undergo a 0.5-hour training on integrity ethics and safety (anti-corruption), with 519 employees trained, accounting for approximately 7.1% of the total workforce.

AIDC Whistleblower Hotline: 04-22842373

Email: clean@ms.aidc.com.tw

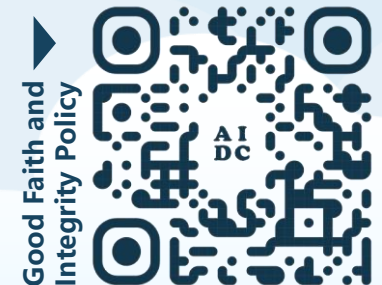
Promotion of Code of Conduct

Since 2015, AIDC has required all employees to sign the Employee Code of Conduct at the beginning of each year, pledging to understand its contents and comply with company regulations. During the annual supplier conference (the A-Team 4.0 Alliance Annual Members' Meeting), the Company also promotes its integrity policy to suppliers. Moreover, the "Supplier Code of Conduct," published on the Company's global information network, is included in the domestic vendor application documents and requires all AIDC suppliers to commit to compliance.



AIDC Employee Code of Ethical Conduct

1. Perform work with integrity.
2. Aviation safety and quality first. Report when any problems are discovered and no concealment is allowed.
3. Avoid conflicts of interest. Avoid using one's position to benefit oneself or specific persons.
4. Do not pry or leak state secrets, trade secrets, or business-related sensitive information.
5. Protect company assets from theft, damage, or waste.
6. Implement 5S methodology and avoid foreign objects in aircrafts and products.
7. Be familiar with contracts and specifications, perform work in accordance with operating procedures, meet customer requirements, and safeguard the company's rights and interests.
8. Be loyal and diligent in one's duties and comply with laws and company regulations.
9. Do not engage in insider trading.
10. Do not request or accept gifts, bribes, or other improper benefits.
11. Report any breach of ethical requirements to the Team Leader of the Prevention Team of the Ethical & Security Division (extension: 2373).

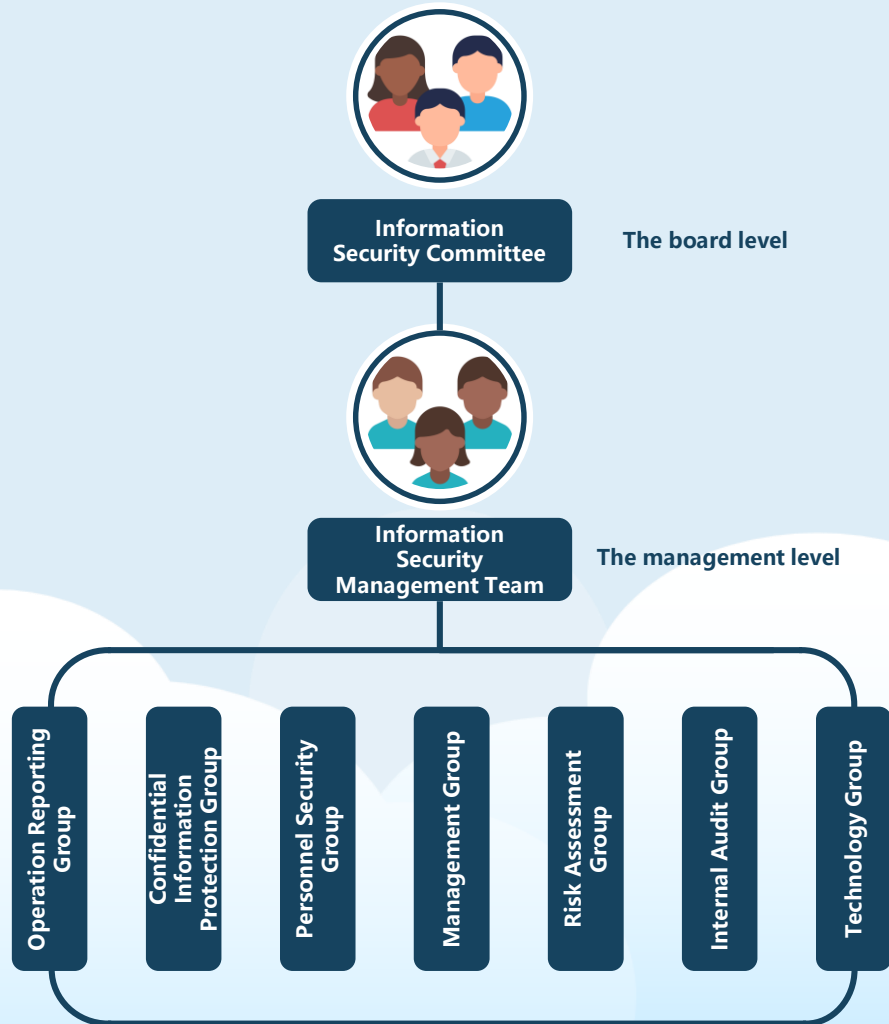


Good Faith and Integrity Policy



Cybersecurity Management & Customer Privacy

Cybersecurity



Information Security Governance

AIDC has established a "Information Security Committee" at the board level, chaired by an independent director. This committee has a total of five members, two of whom have specialized expertise in information security. The committee meets at least twice a year and may convene additional meetings based on the current state of risk management.

At the management level, AIDC has set up an "Information Security Management Task Force," led by the Deputy General Manager for IT supervision. Its members include information security officers (who serve concurrently as deputy supervisors) and information security defenders from each primary department. This task force meets semi-annually (or more often if necessary) to review information security management matters.

Information Security Strategy

AIDC adheres to international information security standards and has built an Information Security Management System (ISMS). It has established information security policies, procedures, and operational guidelines. From the perspectives of "institutional," "management," and "technical," AIDC continuously improves the information security management system and strengthens defenses to ensure the confidentiality, integrity, and availability of information systems and data, achieving annual information security management goals.

In 2008, AIDC obtained its first ISO/IEC 27001 international information security certification, which has been consistently maintained through regular annual reviews and triennial recertification by the IAF/TAF verification agency.

AIDC has adopted the NIST CSF Cybersecurity Framework, building its cybersecurity defense on five core functions: Identify, Protect, Detect, Respond, and Recover. This is supplemented by the Plan-Do-Check-Act (PDCA) cycle for continuous improvement. In addition, through red team

exercises, penetration testing, information security health checks, and third-party risk assessment tools, the company strives to increase information security maturity, aiming to reach Level 2 (Advanced) of the Cybersecurity Maturity Model Certification (CMMC 2.0).

Information Security System Architecture and Defense Structure

AIDC has built a comprehensive information security foundation and defense system that covers gateway control, endpoint protection, internal network monitoring and protection, joint defense, and control over isolated zones for national defense operations.

For gateway control, AIDC uses a global threat intelligence analysis and defense system, next-generation firewalls, web application firewalls, email Advanced Persistent Threat (APT) protection, spam prevention, intrusion detection and protection systems, internet access control, and network content and threat analysis to block hackers and viruses at the company's perimeter.

In endpoint protection, antivirus software, Microsoft System Update, asset management/USB control systems, OS and application vulnerability scanning systems, and file encryption are used to protect endpoint computers from hacking and prevent leaks of sensitive data. (To be continued)



Cybersecurity Management & Customer Privacy

For internal network monitoring, AIDC has implemented various security protection systems, including a network packet intrusion detection system, cloud sandbox analysis platform, local network usage control system, privileged access management system, and a log collection and analysis system. These systems help detect hacker intrusion early and prevent lateral spread of hacking incidents.

In addition to AIDC's in-house Security Operations Center (SOC) that monitors and handles security incidents, the Company also outsources to a

professional cybersecurity company for 24/7 incident monitoring. If the SOC detects signs of hacking, it immediately contacts the company's dedicated security staff for defensive action.

National defense-sensitive business operations use physical isolation zones and associated preventive measures to ensure physical security.

In addition to having a comprehensive security protection system in place, AIDC has built an off-site backup mechanism for its critical systems, conducting annual emergency drills for each system to ensure that they can

be quickly restored during security incidents.

Business Continuity and Incident Handling Drills

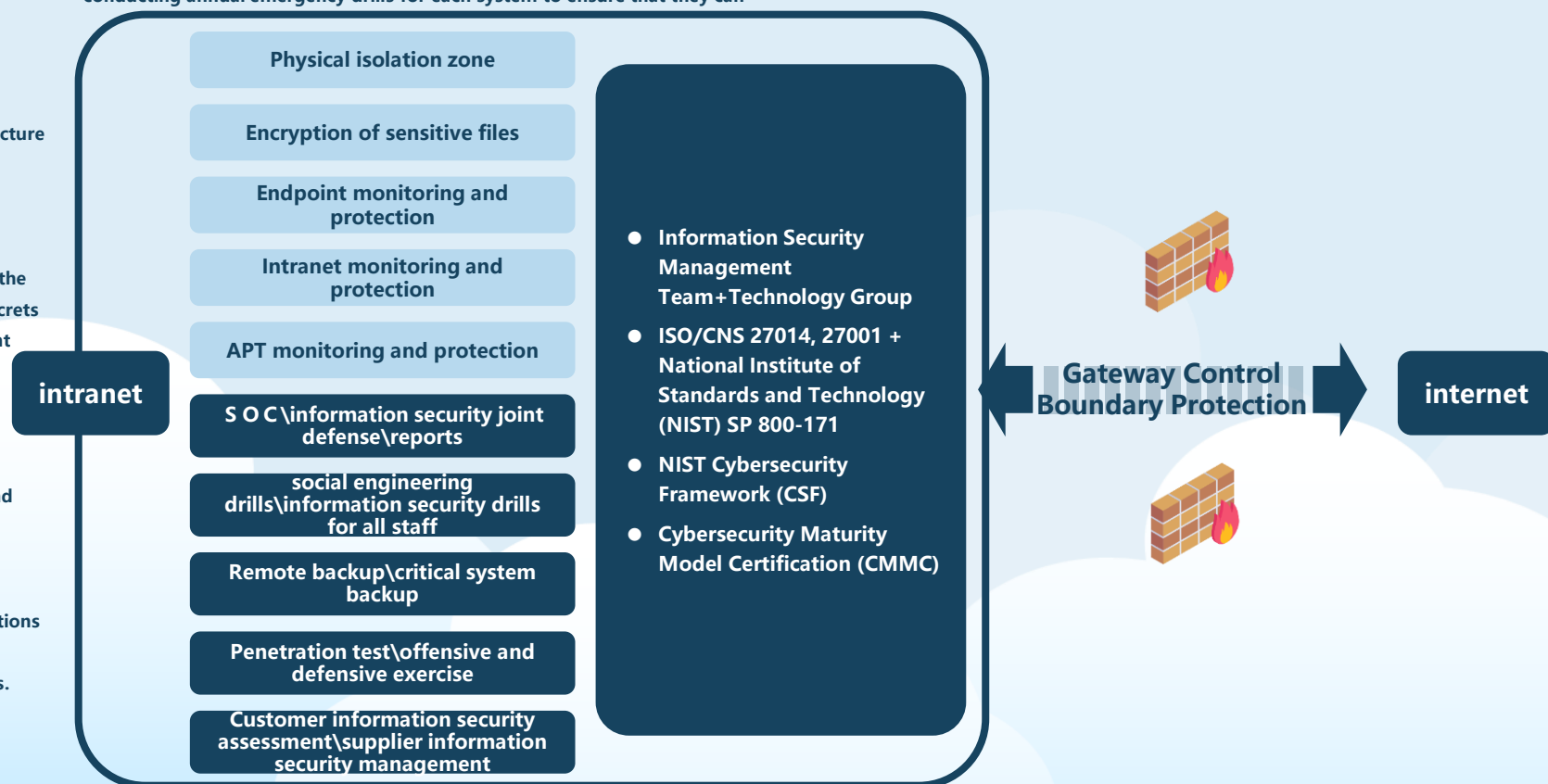
The Company uses multi-layered drills to ensure business continuity, including business continuity and emergency recovery drills, emergency response drills for critical systems, and comprehensive emergency incident reporting, response, and recovery tabletop exercises.

Specific Information Security Management Plans

Management and Operation of Security Infrastructure: Security architecture is outlined as shown on the right.

Trade Secret Protection

To fulfill AIDC's confidentiality obligations to customers and partners, the Company adheres to confidentiality clauses in contracts, the "Trade Secrets Management Guidelines," the "Confidentiality Guidelines," and relevant technical support contract laws. Personal data is managed and used in accordance with the "Personal Data Protection Act," and each project undergoes regular customer security audits. Departments involved in sensitive matters conduct their own security inspections while also coordinating with the Ministry of National Defense, Air Force Command Headquarters, and National Chung-Shan Institute of Science and Technology for regular and ad-hoc audits, ensuring that all security requirements are met. In 2023, AIDC passed the Ministry of National Defense's AH-1W military supplier certification and annual re-certifications for the AT-3, IDF, and Brave Eagle aircraft, with staff, facilities, and information systems successfully passing the ministry's security checks.





Business Performance

Financial Performance

Revenue and Profit and Loss Over the Years

Despite global supply chain challenges in the aerospace industry, such as material and labor shortages, AIDC demonstrated remarkable execution and management efficiency in 2023. The advanced jet trainer (Brave Eagle) was delivered on schedule, civilian business rebounded sharply with rapid revenue growth, defense business revenue grew by 27% compared to the previous year, and civilian business revenue increased by 21% over the prior year. Benefiting from power generation and energy storage businesses, annual revenue, operating profit, and earnings per share all saw significant growth compared to the previous year, with revenue and profit reaching new company records.

AIDC's consolidated operating revenue in 2023 reached NT\$39.1 billion, a 29.3% increase over the previous year's NT\$30.24 billion. Gross operating profit reached NT\$4.358 billion, a 49.7% increase from the previous year's NT\$2.911 billion. Operating net profit was NT\$2.791 billion, an 85.2% increase from the previous year's NT\$1.507 billion. Net profit after tax was NT\$2.225 billion, a 36.8% increase over the previous year's NT\$1.627 billion. Earnings per share stood at NT\$2.36.

Financial Assistance Received from Government

Item	2019	2020	2021	2022	2023
Subsidies	180	627,546	470,484	25,446	1,293
R&D and investment subsidies	40,875	52,106	52,587	45,561	87,440
Incentives	-	-	1,722	1,379	104

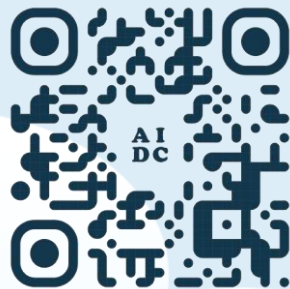
Economic Value Distributed to Stakeholders

Unit: NT\$ thousand

Item	2019	2020	2021	2022	2023
Operating costs	24,729,566	19,640,836	21,963,093	27,331,310	34,742,053
Employee salary and benefits	6,483,241	5,752,627	5,820,145	6,773,125	7,246,860
Payment made to investors (interest expenses and cash dividends)	1,479,882	1,300,847	321,616	493,149	1,277,080
Payment of government fees (income tax)	468,146	137,310	102,288	119,804	418,056
Community investment	1,426	1,189	1,005	1,223	2,996

Note: Information for 2019 to 20223 is from the consolidated financial report.

Financial Information



Unit: NT\$ thousand

Revenue and Profitability in Past Years

Unit: NT\$ million

Year	2019	2020	2021	2022	2023
Operating revenue	28,540	21,043	23,735	30,242	39,100
Gross profit	3,811	1,402	1,771	2,911	4,358
Operating profit	2,445	180	491	1,507	2,791
Net profit before tax	2,372	480	675	2,035	2,842
Net profit for the year	1,874	396	558	1,627	2,226
Earnings per share (NT\$)	1.99	0.42	0.59	1.73	2.36

Note: Information for 2019 to 2023 is from the consolidated financial report.

Business Performance

Industry Overview

Defense Industry

AIDC's defense business primarily serves the Air Force and relies on the government's defense budget planning. Given the difficulties in procuring external defense weapon systems, Taiwan seeks to build defense self-reliance capabilities. The military adopts a strategy of creating relative advantages and allocates a stable budget according to its force build-up plan.

In recent years, in response to regional tensions and to strengthen Taiwan's defense capabilities, the government has promoted self-development of

weaponry and actively allocated special budgets. In 2019, a "Special Budget for New Fighter Procurement" was approved, setting aside nearly NT\$250 billion to purchase 66 F-16V fighter jets. On November 23, 2021, the Legislative Yuan passed the "Special Act for Procurement of Naval and Air Combat Power Enhancement Projects," providing a special budget of NT\$240 billion to gradually acquire precision missiles, air defense systems, unmanned attack vehicles, high-performance naval vessels, and wartime weapon systems for coast guard ships. This aims to improve overall naval and air defense capabilities, presenting significant business opportunities.

Civil Aviation Business

According to market data from the International Air Transport Association,

the global aviation market has recovered to 97.3% of its pre-pandemic level from September 2019. International passenger traffic has reached 93.1% of 2019 levels, and market demand continues to grow.

To reduce the impact of oil prices on airline operating costs and achieve the industry's goal of reaching net-zero carbon emissions by 2050, major aerospace companies are actively developing more fuel-efficient, lower-emission aircraft and engines. They are also using advanced manufacturing technologies that are more environmentally friendly, which could drive the industry toward another wave of transformation and upgrading.

Product Categories and Markets

Product category	Domestic	Overseas	Category	Customer
Military businesses	✓			Ministry of National Defense, National Chung-Shan Institute of Science and Technology, Lockheed Martin, etc.
Civil aviation businesses		✓	Aircraft fuselage manufacturing	Major aviation manufacturers in Europe, the United States, and Japan such as Bombardier Inc., Airbus, Leonardo, PFW Aerospace GmbH, The Boeing Company, Honeywell Aerospace, ShinMaywa Industries Ltd., Kawasaki Heavy Industries (KHI), and Spirit AeroSystems.
Civil aviation businesses		✓	Engines	Major engine manufacturers in Europe, the United States, and Japan such as GE Aviation, Rolls-Royce, Honeywell Aerospace, P&W, and IHI Corporation.
Industrial technology services	✓			General Electric International, Inc. Taiwan Branch (U.S.A.), CPC Corporation, Taiwan Power Company, Taiwan Space Agency, Evergreen Aviation Technologies Corporation, Dah Lih Puh Co., Taiwan Mobile Co., Ltd., Innolux Co., Ltd., Taiwan Railway Administration, Great Wing Airlines, National Taiwan University, etc.
Industrial technology services		✓		MTR Corporation Limited, etc.



Business Performance

Competitive Advantages

Defense Business

Having previously developed the IDF Indigenous Defense Fighter and the AT-3 advanced trainer aircraft, AIDC holds a competitive edge in subsequent performance upgrades and maintenance services. Additionally, the Company has demonstrated its competency in managing commercial and military aircraft repairs and operating military factories outsourced to private enterprises. It is currently executing the advanced jet trainer (Brave Eagle) project, has successfully completed the F-16A/B upgrade program, and has been selected as the main contractor for the F-16 maintenance center. This will help the Air Force address the challenges of high-priced, high-failure-rate, and long-lead-time components, leading domestic enterprises to seize business opportunities in the production and maintenance of military aircraft.

Civil Aviation Business

Major European and American aircraft and engine manufacturers have established a global supply chain system through international collaboration. Emerging nations, supported by their governments, are now entering the niche of single-component processing at low production costs, posing a low-price competition threat. Additionally, major international aviation manufacturers demand suppliers meet stringent quality and delivery requirements while negotiating new business deals tied to continuous price reductions, challenging global suppliers to enhance cost efficiency.

In recent years, AIDC formed the Taiwan Aerospace Industry A-Team 4.0 Alliance with the principles of "cross-industry cooperation, intra-industry division of labor, lean competitiveness, and enhanced competition." The alliance integrates the aerospace supply chain across raw materials, machinery, production, and logistics, uniting like-minded companies to cooperate in their respective strengths. By leveraging military aircraft development capabilities, the alliance intends to strengthen its member companies and lead the transformation and upgrade of Taiwan's aerospace supply chain. It seeks to enter new markets like the manufacturing of civil aircraft systems and repair services to expand its global market share.

Industrial Technology Services

Business

AIDC applies existing aerospace technologies in this sector to align with government policies, significant industry trends, and large private system engineering needs. This allows the company to develop relevant products and services, establishing a competitive advantage.

Investment Businesses

AIDC's investment businesses include AIDC USA, Jung Sheng Precision Ind. Co., Ltd, AeroVision Avionics Inc., Metro Consulting Service Ltd., Evermore Advanced Materials, UHT Unitech Co., Ltd., and Hsiang Yuan Co., Ltd. The primary operations, products, investment purposes, and shareholding ratios are shown in the image on the right.

Name of investee	Shareholding ratio	Main businesses and products	Main purpose of investment
US subsidiary of AIDC (AIDC USA LLC)	100.00%	Supply of project management services, trading of components and raw materials for aircrafts, engines, related sub-power systems, logistics, and other labor services	The Company's long-term business development and niches for expanding overseas operations.
Jung Sheng Precision Ind. Co., Ltd.	23.81%	Precision component processing and production services such as molds and OEM stamping	Expansion of production capacity to relieve the Company's bottlenecks in low-end production capacity and establish a new supply chain system.
AeroVision Avionics Inc.	13.09%	Production of commercial products for the cabin information system	Participate in the project to integrate with Taiwan's strong information industry, and use the vertical division of labor system to enhance the capabilities of domestic civil aviation electrical products and enter the market.
Metro Consulting Service Ltd.	6.00%	Planning of track-based mass transportation projects, consulting for operations, maintenance, and repairs, and business management	Accelerate improvements in the Company's technical capacity and expand related businesses for rail engineering.
UHT Unitech Co., Ltd.	1.30%	Medium and high-grade carbon fiber and high-intensity carbon fiber	Enhance the actual connections with members of the A-Team Alliance and increase the overall production value of Taiwan's aerospace industry.
Hsiang Yuan Co., Ltd.(Founded on 2022/12/21)	100.00%	Aerospace industry training services, venue and building lease, catering services, and retail of assistive medical devices and cultural creative products	Employ a professional team to provide services, revitalize Hsiang Yuan assets, and promote the knowledge of the aviation industry.



Business Performance

Organization	Member	Director /Supervisor
Taiwan Chapter of the Society for the Advancement of Material and Process Engineering (SAMPE)	✓	✓
Aeronautical and Astronautical Society of the Republic of China	✓	✓
Taiwan Employee Assistance Professionals Association (TEAPA)	✓	✓
Taiwan Guidance and Counseling Association	✓	
The Institute of Internal Auditors-Chinese Taiwan	✓	
Chinese Society for Quality	✓	
Taiwan Accreditation Foundation (TAF)	✓	
Flight Safety Foundation-Taiwan (FSFT)	✓	
Taiwan Foundry Society	✓	
National Toxic and Concerned Chemical Substances' Mutual Aid Group(Gang Shan/ Taichung Complex)	✓	
NCHU Light Metal Process Industry-Academic Technology Alliance	✓	
Taiwan Aerospace Industry Association	✓	✓
Taiwan Association of Machinery Industry	✓	
Taiwan Defense Industry Development Association	✓	✓
Taichung City Industrial Association	✓	
Academia-Industry Consortium for Science Parks in Central Taiwan	✓	✓

Participation in Domestic and International Organizations

Besides engaging in its core business operations, AIDC actively collaborates within the industry and promotes sustainable development by participating in relevant public and industry associations. The following table illustrates this involvement:



Organization	Member	Director /Supervisor
Academia-Industry Consortium for Southern Taiwan Science Park	✓	✓
Taiwan Corporate Governance Association	✓	
Taiwan Composite Materials Industry Association	✓	✓
Taiwan Stock Affairs Association	✓	
Taiwan Aerospace Additive Manufacturing Industry Association	✓	
Taiwan Electrical and Electronic Manufacturers' Association	✓	
Chung-Hwa Railway Industry Development Association	✓	✓
Taiwan Biomass Energy Industry Association	✓	✓
Taiwan Space Industry Development Association	✓	
Taichung Computer Association	✓	
Oracle Taiwan LLC, Taiwan Branch (U.S.A.) membership	✓	
Institute of Printed Circuits (IPC) (Asia Pacific Member)	✓	
SEMI Taiwan	✓	
Taiwan E-intelligent Vehicle & Green Energy Tech Association	✓	
Taichung City Panshi Association	✓	
Taiwan Industry-Academia Technology Alliance for Energy Digital Transformation	✓	

Business Performance

Indigenous Production of Aircraft

The new advanced jet trainer is the inaugural project for Taiwan's "Domestic Aircraft Development," serving as an important benchmark for reviving the nation's defense industry. Since its inception in February 2017, AIDC's project team has worked diligently towards the three goals laid out by President Tsai Ing-wen at the Ministry of Defense and the Advanced Jet Trainer Commissioning Contract Ceremony: "Self-manufacture of the trainer, nurturing domestic aerospace talent, and strengthening the industrial chain." The team completed the maiden flight of the first prototype in June 2020, achieving this milestone in just about three years, which is nearly impossible given typical timelines for developing military aircraft globally. AIDC took on this mission, fully preparing to meet schedule demands and functional specifications while also focusing on cultivating domestic talent and leveraging the defense industry to stimulate the national economy.

To meet Air Force requirements, production of the mass production models had to begin during the mid-to-late stages of testing the prototype. During the early production phase, AIDC planned a "small-batch production" of 12 units to accommodate prototype testing, allowing incremental adjustments in blueprint design and software development until a stable aircraft configuration was achieved.

After delivering the first two Brave Eagle trainers (1101, 1102) in 2021, AIDC continued to meet its goal by delivering eight additional aircraft (1103-1110) in 2022, signaling the end of "small-batch production" and the commencement of "full-scale production." In 2023, it fulfilled its annual goal of delivering 17 aircraft, and in 2024, the project will reach its peak production phase. Assembly and testing are currently underway, and AIDC aims to complete the delivery of all 66 aircraft by 2026.

Aside from delivering the new advanced jet trainers on time and within specifications, AIDC aims to establish a solid foundation for sustainable aerospace industry growth through the following goals:

Industrial Technology Upgrades

AIDC continues to promote the government's "Domestic Aircraft Development" policy, helping domestic aerospace supply chains and A-Team 4.0 Alliance members enhance their aerospace system integration capabilities. From raw materials to equipment and manufacturing, the supply chain has been fully connected, building strength to drive the entire domestic aerospace industry's development.

As the new advanced jet trainer reaches its production peak, AIDC has helped 217 domestic suppliers pass evaluations in the production of aircraft structural components and tools/testing, leading to 417 contracts signed to date. This has effectively driven technological upgrades, creating significant benefits of nearly NT\$10 billion for domestic aerospace enterprises.

Benefits of Talent Development

Cultivating Talent and Creating Job Opportunities: AIDC and partner firms have hired over 1,000 engineers for this project, aiming to pass down expertise and reinforce the talent pipeline for subsequent domestic aircraft programs. This initiative is expected to generate 2,000 jobs in the domestic aerospace industry.

Mastering Key Technologies to Ensure Defense Self-Reliance

AIDC and the National Chung-Shan Institute of Science and Technology (NCSIST) are collaborating with domestic industries on the design and manufacturing of next-generation aircraft. By locally developing and producing previously imported system components for the advanced jet trainer, they aim to achieve a 95% domestic production rate in future fighters.

Market Expansion Benefits

The focus will be on independently developing critical system components and proprietary aircraft technologies. This will help upgrade the industry and generate more economic benefits, bridging military and civilian aviation. With strong domestic supplier partnerships, AIDC will enhance its capabilities and enter the international aerospace supply chain, expanding Taiwan's aerospace industry and gaining a share of the global civil and military aviation market.

Multiplied Value-Added Effect

The research, mass production, lifecycle maintenance, and performance upgrades generated by domestic aircraft production are expected to have a 2.5x value-added effect over the initial investment.

Operations of the F-16 Maintenance & Support Center

Since its establishment in 2020, the F-16 Maintenance Center has addressed the Air Force's needs regarding high failure rates, long lead times, and high-cost components. It has invited domestic firms to participate in repairs and manufacturing. AIDC has led the industry in securing technology transfer and certification from international OEMs. The Air Force's airworthiness certification mechanism now certifies eligible firms (over 300 components have been set up), and 12 domestic firms have been awarded maintenance contracts. The F-16 Maintenance Center will continue reviewing the Air Force's evolving requirements to ensure fleet readiness. Additionally, it will pursue further technology transfer and certification from international OEMs to gain valuable repair and manufacturing experience. Ultimately, the goal is to convert this expertise into local design capabilities and fulfill defense self-reliance.



Supplier Management, Quality Management, and Tech R&D

Supplier Management

AIDC recognizes that the industrial clustering effect is a key advantage of Taiwan's aerospace supply chain. To maintain long-term and stable cooperation with its supply chain partners and enhance the competitiveness of Taiwan's aerospace industry, the Company provides a range of support measures. These include quality system implementation assistance, special process certification guidance, machining technology transfer, aerospace tool design and manufacturing capacity building, and improvement of inspection capabilities.

Supplier Selection and Evaluation

AIDC primarily evaluates suppliers based on quality and delivery timelines. To uphold corporate social responsibility, suppliers with ISO 14001 (Environmental Management System), ISO 50001 (Energy Management System), ISO 45001 (Occupational Health and Safety Management System), TOSHMS (Taiwan Occupational Safety and Health Management System), or other certifications that positively contribute to society and the environment are given priority in procurement opportunities.

Qualified Suppliers:

Suppliers must meet basic eligibility criteria related to tendering targets and contract performance capability, along with the following qualifications:

01 Quality:

Quality management, assurance, improvement awareness, participation level, resource management, inspection, and testing equipment.

02 Delivery:

Delivery management, management system, speed and reliability of delivery, product defect rate, equipment uptime, return-to-supplier (RDR) handling, logistics.

03 Cost:

Cost structure, rationalization, competitive edge, pricing competitiveness, procurement capability, geographic location, green procurement, energy conservation, and carbon reduction.

04 Philosophy:

Management philosophy, sustainability, mid- and long-term planning, morale, management, systems, creditworthiness, reliability, health and safety, corporate responsibility, and environmental stewardship.

05 Willingness:

Willingness to collaborate (like-minded suppliers), service attitude, communication, and coordination.

06 Management:

Management methods, performance, business administration, vendor/customer relations, financial health (financial and budget analysis), strategic quality, production and coordination, logistics support, added-value services, and adaptability.

07 Scale:

Production capacity, equipment, trading ability, and market competitiveness.

08 Technology:

Manufacturing technical skills, design innovation, and research and development capabilities.

Supplier Management, Quality Management, and Tech R&D

Supplier Management

Global Procurement Distribution

In 2023, AIDC maintained stable collaboration with approximately 1,071 domestic and international suppliers and subcontractors. Of the total procurement and subcontracting expenses, 86.43% was sourced internationally, while 13.57% came from domestic suppliers and subcontractors.

Over the past three years, the number of domestic suppliers has seen a slight decline, with only 500 remaining in 2023, as shown in the graph on the left below. Regarding procurement spending by region over the past three years, suppliers in the Americas accounted for the highest expenditure at NT\$16.848 billion in 2023. The domestic procurement amount slightly increased from last year, reaching NT\$3.202 billion in 2023, as shown in the graph on the right below.

184 Qualified External Suppliers
(as of Dec. 31, 2023)

57 in Northern Taiwan

58 in Central Taiwan

48 in Southern Taiwan

27 in foreign countries

Location of 969 Suppliers (as of Dec. 31, 2023)

Europe:

Ratio of suppliers: 8.68%

Procurement value ratio: 6.72%

Asia:

Ratio of suppliers: 6.91%

Procurement value ratio: 8.32%

Americas:

Ratio of suppliers:37.72%

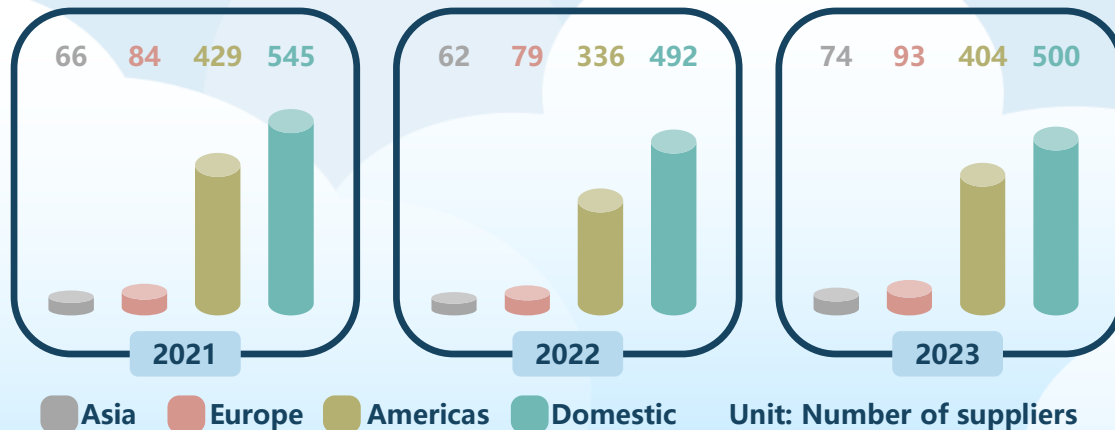
Procurement value ratio:71.39%

Domestic:

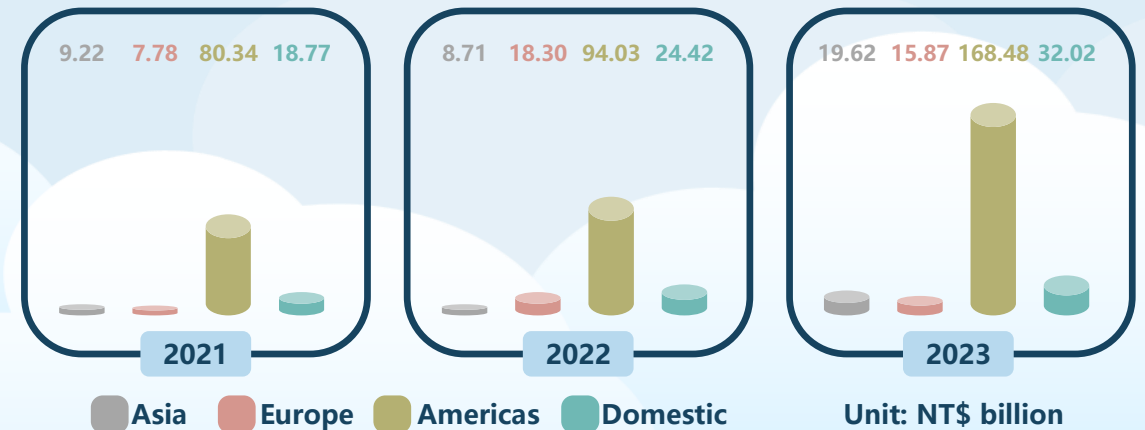
Ratio of suppliers: 46.69%

Procurement value ratio: 13.57%

Number of Suppliers by Region in the Last Three Years



Procurement Amount of Suppliers by Region in the Last Three Years





Supplier Management, Quality Management, and Tech R&D

Supply Chain Management Goals and Strategies

Supply Chain Management Goals:

- Achieve 0% defect rate in quality
- Ensure 100% on-time delivery
- Enhance customer satisfaction to boost competitiveness
- Create reasonable profit within the partnership system

Supply Chain Management Strategies:

- Share risks and benefits
- Integrate and enhance partner capabilities for collective growth
- Leverage the strengths of each company for specialized roles
- Use collaborative pricing to increase order acquisition rates
- Build long-term, stable partnerships
- Develop and enhance the competitiveness of the regional aerospace industry

Improve Quality Together with the Supply Chain

Develop a customer-satisfactory quality system:

1. Understand and relay customer quality requirements and technical documents
2. Adhere to AS9100 quality system procedures
3. Address quality issues transparently without concealing them
 - Enhance yield rates effectively
 - Enhance Supply Chain Management
 - Set and implement key quality indicators
 - Improve the completeness and effectiveness of corrective actions
 - Increase audit frequency and comprehensiveness

Supplier Support

Through continuous education, training, process improvements, and refinements, AIDC assists suppliers in enhancing their quality, engineering techniques, and management capabilities, ultimately reducing costs to improve order competitiveness. To help improve the supply chain, AIDC also promotes lean initiatives and holds achievement-sharing sessions. By

enlisting Japanese lean consultants to lead supplier improvement initiatives, the achievement-sharing events allow partner companies to learn from these lean paradigms and gain experience in promoting lean activities across industries.

Support Domestic Companies to Join the Sustainable Supply Chain

AIDC's future sustainable supply chain management strategy will align with government policy by requiring energy-efficient, low-pollution, and highly recyclable designs. It will encourage suppliers to establish labor, safety, environmental, and energy management systems. As for green product standards, requirements will be phased in to ensure compliance. These standards will include energy conservation, recyclability, low toxicity, battery usage, material labeling, and packaging materials. All these requirements will be incorporated into the Supplier Code of Conduct and contractual obligations.

AIDC aims to fully develop a comprehensive and sustainable aerospace supply chain domestically, enhancing competitiveness to become a key player in the global aerospace industry. AIDC will lead Taiwan's sustainable aerospace supply chain to thrive internationally!

Big data analysis

Select strategic partners

Supply chain process improvement

Technical support for production

Lean manufacturing initiatives

The Company fully supports suppliers to enhance the global market competitiveness of the overall supply chain and create a value chain.

Competitive prices

FMEA risk management

Suitable batch quantity for material supply

Support for pilot plants

Competitive technologies



Supplier Management, Quality Management, and Tech R&D

Negative Environmental Impacts on the Supply Chain and Countermeasures

1. Environmental changes driven by climate change, such as extreme rainfall, drought, rising average temperatures, super typhoons/hurricanes, and rising sea levels, may significantly impact production activities, such as procurement and business operations, affecting the company's finances and the health and safety of employees.
2. Using RCP8.5 (4°C) scenario analysis and identification, AIDC uses the website <https://coastal.climatecentral.org/> to evaluate suppliers, selecting the top 10 outsourcing suppliers, the top 10 domestic suppliers, and the top 10 foreign suppliers, totaling 30 suppliers.
3. The number of suppliers identified to have significant actual or potential negative environmental impacts totals six, as described below:
 - 1) Top 10 Outsourcing Suppliers: Currently, one supplier, located in Yongkang District, Tainan City, may face production or business interruptions due to rising average temperatures. To mitigate this

risk, AIDC will establish dual sourcing and has asked the supplier to implement climate change risk checks. The supplier stated they relocated from Guiren to Yongkang four years ago and have taken measures against rising temperatures and flooding. In the past four years, no flooding has occurred.

- 2) Top 10 Domestic Suppliers: Four suppliers, located in Lugang Township, Changhua County, and Zhongshan District, Taipei City, may face production or business interruptions due to rising sea levels. To avoid this risk, AIDC will establish multiple sourcing and has asked suppliers to conduct climate change risk checks. Two of these are transportation companies, which are not expected to be affected.
- 3) Top 10 Foreign Suppliers: One supplier may face production or business interruptions due to rising temperatures and rising sea levels. This is a sole supplier. AIDC will consider using backup parts to reduce the risk and have asked the supplier to conduct climate change risk checks.
4. If a supply chain disruption lasts for a month, safety stock/buffer

inventories of general materials will prevent risk. However, if the disruption lasts over three months, a shortage crisis could affect revenue. Financial impact is estimated to be low to medium.

5. To avoid supply chain interruptions due to changing weather patterns, we will review the purchasing plans of existing suppliers and procure from suppliers in different regions to spread risk. AIDC will promote local manufacturing, local procurement, and local services—shortening the supply chain—to reduce transportation and lower carbon emissions. The Company will also promote digital transformation and artificial intelligence to improve processes and increase efficiency. Finally, a trustworthy relationship with supply chain partners, based on mutual integrity and support, will help achieve sustainable supply chain development. The Company will actively collaborate with supply chain partners to ensure that suppliers comply with social and ethical standards, understand and follow laws, and proactively address environmental and social issues. This measure is expected to have a low financial impact.



Supplier Management, Quality Management, and Tech R&D

Sustainable Supply Chain Management

AIDC is committed to promoting sustainable supply chain management and sustainable procurement. During bidding and contract signing with suppliers, domestic and international suppliers are required to sign a "Vendor Declaration" and adhere to the "Supplier Code of Conduct." Suppliers are progressively audited based on ethical and sustainability issues to help the company make better procurement decisions and manage risks, improving the impact on economic, environmental, and social factors. In the future, the Company will work with suppliers to establish a

collaborative model for green products, energy saving, carbon reduction, and pollution prevention, advancing toward a sustainable supply chain together.

- Design a Questionnaire: Suppliers are asked to conduct a self-evaluation.
- Incorporate Sustainability Practices: Include sustainable practices as a scoring bonus item in supplier evaluations.
- Supplier Code of Conduct: Incorporate the Supplier Code of Conduct into contractual provisions.

2023 implementation results:

AIDC temporarily suspended onsite CSR audits due to the pandemic. The Company also required suppliers to provide carbon footprint information to meet international requirements. AIDC shall work with suppliers in the joint development of green products, energy conservation and carbon reduction, and pollution prevention to create a sustainable supply chain together. AIDC also incorporated climate change, human rights, and gender equality into the questionnaire to implement management.

2023 implementation results: Suppliers with environmental, health, and safety systems or those that have implemented continuous improvements were included in the prioritized list of suppliers and be invited to participate in the Company's procurement.

2023 implementation results:

The Company included the Supplier Code of Conduct into the contract terms of AIDC in the Bidder's Statement.

Customer Service

Meeting customer needs for quality, on-time delivery, and service is one of AIDC's core business areas. AIDC continually strengthens customer relationships and fosters long-term mutual trust while improving product delivery and after-sales service quality. Customer complaints or requests for improvement are monitored, and customer satisfaction is assessed through various metrics like quality ratings, delivery scoring, customer complaints, and corrective action requirements. The scores are aggregated, and discrepancies are immediately addressed with an improvement plan, which is followed up and assessed for effectiveness.

and military aviation manufacturing supply chain and possessing the experience and capability to meet customer needs.

Special Process Certification

AIDC holds NADCAP (National Aerospace and Defense Contractor Accreditation) certifications for special processes including non-destructive testing, coatings, surface enhancement (shot peening), composites, heat treatment, non-traditional machining (laser & EDM), conventional machining (special processes), chemical processes, welding, materials testing laboratory, and measurement & inspection. The Company continually maintains these certifications.

Testing Capability

AIDC is equipped with ample testing capabilities to meet various testing requirements. Major testing equipment includes large coordinate measuring machines (CMMs), arm-type CMMs, laser tracking devices, hardness and conductivity testers, and non-destructive testing (including ultrasonic testing, X-ray inspection, magnetic particle inspection, eddy current testing, and fluorescent inspection).

Quality Management

Quality Management System Certification

Apart from acquiring ISO 9001:2015 & AS9100:D quality management system certifications, commercial aircraft programs have also achieved certifications like Boeing D6-82479, Airbus AP2190, GEAE S-1000, United Technologies ASQR-01 (including Pratt & Whitney engines), Sikorsky SSQR-01, Honeywell SPOC, MITAC MRJ-SQC-01, KHI KQMS-7100, Leonardo IAYC 05C, Bell SQRM-001, and Bombardier QD 4.6-40. Military aircraft programs have obtained certifications from the U.S. Government Defense Contract Management Agency INST 8210.1B, Lockheed Martin Appendix QX and SQRM-001, successfully entering the global commercial





Supplier Management, Quality Management, and Tech R&D

Customer Satisfaction

Satisfaction Evaluation

To meet customer demands, AIDC not only strengthens its internal management measures for quality and delivery but also regularly conducts satisfaction surveys based on key requirements of domestic and international customers. A 24-hour response information system is also in place to promptly address customer concerns and foster stronger customer relations.

Domestic customer satisfaction surveys, typically conducted via questionnaires, focus on military clients and primarily evaluate quality, technical capability, delivery timelines, service attitude, and adaptability. Statistical analysis of these results provides service benchmarks and future improvement directions.

For international customers, satisfaction surveys include "product conformity," "delivery accuracy," "customer complaints," and "corrective action requirements" as the main evaluation criteria. The assessments are based on objective data provided by international customers.

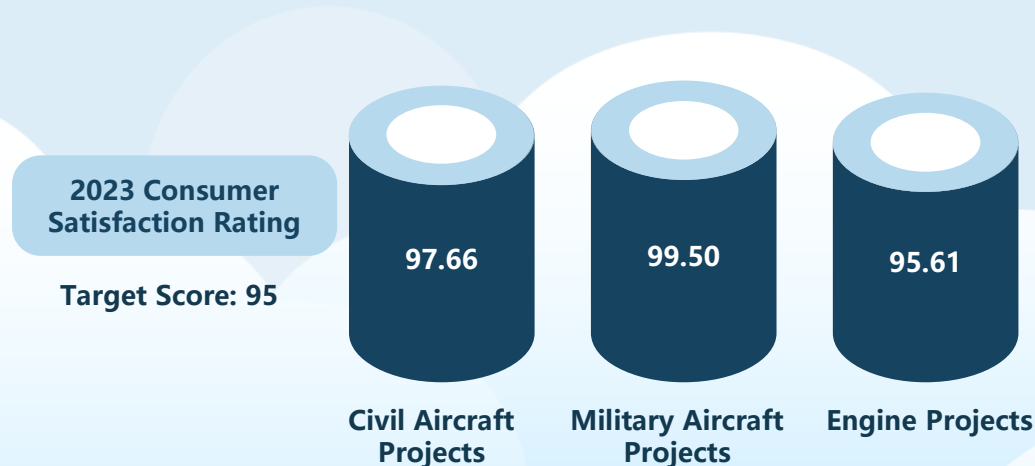
Continuous Risk Management and Quality Improvement

Risk Management

To fulfill the mission of "Defending Our Nation and Leading Aerospace-Related Industry Technology Upgrades," AIDC recognizes that enhancing advanced technologies such as full aircraft design for military aircraft, key aerospace component development, and advanced mass production manufacturing will inevitably involve significant risks and opportunities. Opportunities represent potential future gains, while risks signify potential future losses. Therefore, the focus must remain on delivering value to customers by employing scientific methodologies like the Roadmap for advanced technology, Failure Modes and Effects Analysis (FMEA), and Balanced Scorecard (BSC). These methods evaluate internal and external environments and various risk sources to balance cost, benefit, and opportunity, achieving operational objectives and ensuring sustainable operations.

Quality Improvement

Reducing carbon emissions, minimizing failure costs, improving quality management efficiency and standards, and enhancing customer satisfaction all contribute to consistent improvements in military and civilian product and service quality. This, in turn, drives business growth and creates economic value. AIDC continually promotes quality management systems and special process certifications, implements a Zero Defects Culture, and adheres to Advanced Product Quality Planning (APQP). The company enhances supplier quality management and monitoring while refining Quality Improvement Plan (QIP) processes and managing quality escapes. AIDC remains committed to improving military aircraft design, aerospace component manufacturing, new processes, and product quality, further elevating the standards of existing products and services. This ensures that products and services meet customer requirements and standards, achieving the goals of safety, low carbon emissions, and zero-defect products and services.



Supplier Management, Quality Management, and Tech R&D

Research and Development

The research and development expenses invested over the past two years are shown in the attached table. In the future, AIDC will continue to invest in enhancing its core competitiveness.

Item	Unit: NT\$ thousand	
	2022	2023
Research and development expenditures	591,208	655,683
Net operating revenue	30,242,307	39,100,002
Percentage of revenue	1.95%	1.68%

Research and Development Projects in 2023	
Research on angle aluminum roll forming technology	Development of advanced additive manufacturing technology applications for aerospace
Research and development of new windshield and cockpit gelatin forming technology	Application development for lean manufacturing (IV)
Development of controlled semiautomatic welding Technology	New basic jet trainer development project
Phosphorus and sulfuric acid anodization energy establishment and process parameter development	Improvement of fuel check valve
Integration technology for smart robotic arm Polishing application system	New electrical system development project
Turbine star box casting predevelopment and new technology development project for mass production parts	Establishment of new flight control system test platform
Flight control actuator development and test bench development	Development of key technologies for new generation avionics systems
Development of key technologies for F16 avionics maintenance	Simulator system development
Development of DMS for military electronic components	Development of aircraft health management systems and related components
Development of IDF electronic warfare central receiver components	

Supplier Management, Quality Management, and Tech R&D

Smart Manufacturing for Aerospace

Phase Goals

First [Smart Manufacturing] + 5G Enhances AI Transformation [Smart AIDC] + Additive Manufacturing

iAIDC independently develops a smart manufacturing cloud platform

Smart Management: Develop the iAIDC management information system for quality control, delivery management, and high-value critical machinery.

Create a Smart Management Command Center system for production-level and manager-level smart production systems to improve attendance, capacity, bottlenecks, and quality through an intelligent assistant warning system. Develop a smart warehouse management and capacity simulation, integrate production and smart interactive composite edge storage applications, and establish production scheduling, workforce, and capacity systems with batch production algorithms.

Smart Manufacturing: Develop a human-machine collaboration system, and establish automated inspection systems and robotic applications for casing assembly key technologies, enabling efficient assembly and testing.

Smart Machinery: Implement a machine casing health monitoring and warm-up system (5G-boosted smart

manufacturing) at the third factory, and complete the development of three application systems for casing machine processing health monitoring and warm-up. Develop a smart manufacturing process optimization application and a hot press furnace smart equipment monitoring and energy management system platform.

Digital AI Value Addition

- Engineering + AI: Focus on complete aircraft design/technology services for AI-enhanced engineering data simulation and analysis.
- Manufacturing + AI: Focus on key components/advanced mass production to help stabilize quality and reduce production costs.
- Maintenance/Management + AI: Focus on commercial maintenance/supply chain to assist with decision-making, forecasting, and early warning.
- AI Talent Training: Self-train for digital transformation and cultivate adaptive digital talent.
- Friendly AI Platform + RPA Process Automation: Respond to demographic challenges by optimizing human resources through AI and RPA automation.

Take advantage of AI smart tools to expand application value/improve work efficiency

Digital technology

Algorithm technology

Application business model

Information security regulations

Domain knowledge

Definition of problems

Field

Data



1. Improve the Company's strategy, application development, infrastructure and technology for digital transformation
2. Develop the technology the Company needs to attain business goals

Develop AI application models/application case studies required for departments

1. AI application thinking and AI tool learning (Various themed application courses on generative)
2. Managers' thinking and utilization of AI to improve efficiency/application in the work field (Integrate the development of AI applications in terms of unit cost, efficiency and quality)

Offer guidance/teaching for individuals to use smart application tools to improve work efficiency

1. Use AI tools on meeting minutes, speech-to-text, translation, knowledge collection, etc.
2. Use generative AI on document organization, information summarization, or as learning tutors, and assistants.
3. Use dedicated AI tools to perform numerical analysis, repetitive analysis prediction, optimization, etc.



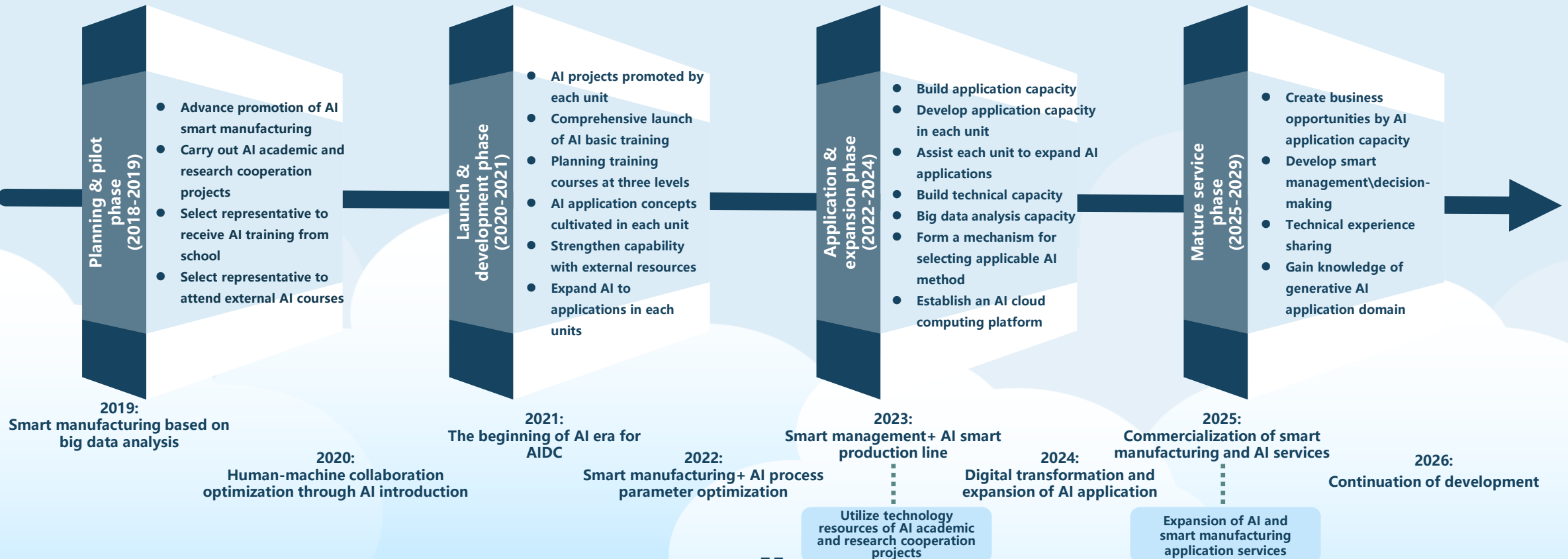


Supplier Management, Quality Management, and Tech R&D

Additive Manufacturing (AM) Applications

- Engineering + AM: Primarily focused on design assistance and rapid validation. Additive manufacturing enables efficient physical verification, improving communication and development efficiency.
- Manufacturing + AM: Focused on rapid production without molds to save tool manufacturing costs and ease the burden of tool production.
- Maintenance + AM: Concentrated on the development and repair of discontinued components, using laser cladding technology developed in collaboration with the Industrial Technology Research Institute.
- Testing and Validation + AM: Print equipment/process validation, combined with external resources to establish aerospace additive manufacturing validation capabilities, expanding applications and business opportunities.

smart manufacturing + AI application development (iAIDC) Roadmap





Supplier Management, Quality Management, and Tech R&D

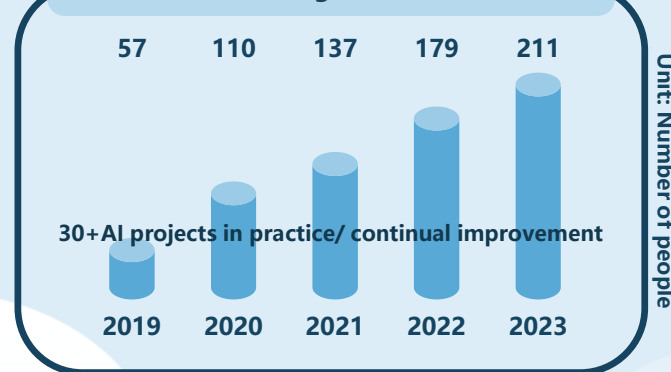
External Resources/Project Subsidies

1. Subsidy from 5G + Smart Manufacturing Project by the Ministry of Digital Affairs: Integrated three smart improvement needs, receiving a subsidy of NT\$20 million.
2. Subsidy from Smart Manufacturing Project by the Industrial Development Bureau of the Ministry of Economic Affairs: Integrated four smart requirements with four supply chain manufacturers (Minjun, Xudong, Changming, and Yisheng) in the 1+4 Enterprise Smartization Project led by AIDC, obtaining a subsidy of NT\$19 million.
3. Subsidy from the Digital Industry Agency of the Ministry of Digital Affairs: Organized an AIDC Aerospace AI Talent Training Program, which included practical training for nine projects by nine teams, receiving a subsidy of NT\$310,000.
4. Commission Fees from Research Institutes: Provided aerospace

requirements, application scenarios, and functional verification:

- Implementation of the project commissioned by the National Chung-Shan Institute of Science & Technology: Aerospace Certification Standard Research, receiving a commission fee of NT\$1.1 million.
- Collaboration with the Industrial Technology Research Institute: Developed aluminum alloy 7-series parts, receiving a commission fee of NT\$1.5 million in 2024.

Seed Talent for Digital Transformation



1. Talent cultivation and training: Cultivate AI capabilities; participate in training with topics selected/group tutoring
2. System establishment: Develop competency models; establish a new job position of intelligent application engineers; introduce related certificates
3. Application incentives: Incentivize talents of AI application; reward/incentivize talents who achieve great performance through AI and smart applications

Cultivation of talents for AI application and digital transformation

1. General thinking on AI application: 600+ participants
2. Practical training with topics: 9 topics
 - 31 persons from 7 units were trained for AI application (including Manufacturing, Aero Engine, Aircraft Maintenance & Avionics, Engineering, and so on.)

Self-adaptive talent training for digital transformation

5. Assisting Academia in Securing Grants (university teams receiving funds for fulfilling AIDC's application needs)
 - Professor Zhou's Team at Tunghai University received funds from the National Science and Technology Council and completed four smart manufacturing + AI projects for AIDC's production department.
 - Professor Yang's Team at Tunghai University received funds from the Industrial Development Bureau and completed two smart manufacturing + AI projects for AIDC's production department.
 - NTU Flagship Project under the Department of Industrial Technology of Ministry of Economic Affairs enhanced aerospace engine processing efficiency.

1. The cost of training for digital AI talents was reduced because of subsidies from the Ministry of Digital Affairs (MODA) and resources of Tunghai University. (AIDC received a subsidy amount of NT\$310,000 from the MODA)
2. AIDC joined seed coach courses for AI promotion and related documentary shooting free of charge organized by the MODA.
3. AIDC was qualified for the AIGO project launched by the MODA and saved about NT\$300,000 in application development.
4. AIDC received a subsidy of approximately NT\$1.5 million for AI application research and development project from the National Science and Technology Council.

Sound AI foundation and Optimization of human resources utilization

Environment

Care for the Environment

- Management of Material Topics
- Scope of Material Topics
- Policies and Commitments
- Impact and Influence
- Actions Taken
- Stakeholder Engagement

Climate Change Response

- TCFD Key Elements - Governance
- TCFD Key Elements - Strategy
- TCFD Key Elements - Risk Management
- TCFD Key Elements - Metrics and Targets
- Environmental Management System
- Greenhouse Gas Inventory
- Energy Management

Pollution Control and Waste Management

- Water Pollution Prevention
- Air Pollution Management
- Management of Toxic and Concern Chemicals
- SVHC of REACH
- Waste Management

Green Products and Procurement

- Green Products
- Green Procurement



Care for the Environment

Management of Material Topics

AIDC actively addresses the global trend towards net-zero carbon emissions, mapping out the company's path to "carbon neutrality" by 2050 with phased goals. The Company accelerates its low-carbon transformation, enhancing operational resilience and advancing towards sustainable development and environmental sustainability goals.

Scope of Material Topics

- Green Product/Service Design and Development
- Energy and Greenhouse Gas Management
- Waste Management
- Climate Change Response

Policies and Commitments

- AIDC Environmental Policy
- AIDC Energy Policy

Impact and Influence

AIDC's main operational activities are production and manufacturing, which may have potential negative impacts on the environment and stakeholders (e.g., local residents). In addition to complying with relevant environmental regulations, the Company plans and implements energy-saving and carbon-reduction projects to mitigate the environmental impacts caused by its operations.

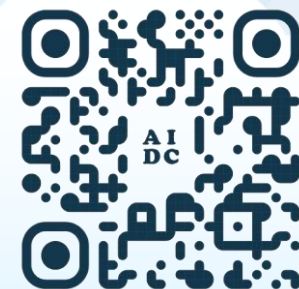
Actions Taken

In accordance with the Company's annual "carbon neutrality" work items, AIDC executes energy-saving projects, installs solar photovoltaic panels, improves waste utilization rates, and refines processes. Regular reports on the control of carbon neutrality work items are presented at high-level meetings. The Company also implements TCFD disclosure, conducts greenhouse gas inventories and verifications, and completes related international ESG questionnaires to enhance the disclosure of sustainability information.

Stakeholder Engagement

AIDC communicates and consults with stakeholders through the CSR mailbox, third-party verifications, the Environmental Protection Bureau, visits to regulatory authorities, and community communication channels.

AIDC ESG





Climate Change Response

In April 2021, Taiwan committed to achieving net-zero emissions by 2050. In January 2022, the Legislative Yuan passed the "Climate Change Response Act," which mandates that Taiwan must achieve net-zero greenhouse gas emissions by 2050. This act serves as the primary legal basis for future climate governance and aligns with international carbon management trends.

Faced with climate change, international regulations, domestic regulatory revisions, and industry trend changes, low-carbon transformation has become key to sustainable business operations. Our company has renamed the "CSR Advisory Committee" to the "ESG Promotion Committee," which is the highest organization for climate change management. Chaired by the Chairman of the Board, the committee reviews the company's carbon neutrality strategies and goals, manages climate change risks and opportunities, examines implementation status, and discusses future plans, which are then reviewed by the Board of Directors.

AIDC follows the framework of the TCFD recommendations published by the Financial Stability Board to assess transition and physical risks and identify climate-related opportunities, aiming to reduce operational impacts and pursue sustainable growth.

Carbon Reduction Goals, Measures, and Achievements

In response to the national net-zero emissions policy, AIDC has set a carbon neutrality target for 2050 (Scope 1 and 2 emissions) and regularly monitors progress through internal high-level meetings.

(1)Baseline Year and Emissions for GHG Reduction: In 2019, the total greenhouse gas emissions for Scope 1 and 2 were 76,666 tons of CO₂e.

(2)Reduction Target: By 2025, the goal is to reduce Scope 1 and 2 emissions by 15% compared to the 2019 baseline year.

(3)Reduction Strategy: The main source of AIDC's carbon emissions is electricity usage. The reduction strategy focuses on energy-saving measures and renewable energy. AIDC plans to install solar photovoltaic panels annually, starting in 2022. In 2023, solar power plants for self-use were activated in Taichung and Kang-Shan. The third solar installation is expected to be completed in 2024. Additionally, the Company implements annual energy-saving and carbon reduction projects, replacing energy-consuming equipment to lower greenhouse gas emissions. (Refer to

page 65 for results of 2023)

(4)Reduction Achievements: In 2022, Scope 1 and 2 greenhouse gas emissions were 70,493 tons of CO₂e, a reduction of approximately 8% compared to 2019, maintaining a downward trend.

TCFD Key Elements - Governance

Board Oversight of Climate-Related Risks and Opportunities

The Board of Directors plays a supervisory and guiding role in the Company's sustainability (ESG) management strategy. Each year, management includes climate change issues in the risk assessment of the operational plan, reporting to the Board. In the first quarter, the previous year's implementation results are reviewed and reported to the Board. Additionally, ESG-related issues (including climate change) are reported to the Board in the quarterly operational reports.

Management's Role in Assessing and Managing Climate-Related Risks and Opportunities

The Company's Operations Management Department oversees the planning and achievement of climate change goals. In 2022, the "Climate-Related Risk and Opportunity Assessment Procedure" was established. Under this procedure, responsible units are convened to assess risks and opportunities, which are then reviewed by the Risk Management Committee chaired by the General Manager. The TCFD risk and opportunity mapping is incorporated into the risk assessment of the operational plan, approved by the Board, and reviewed and tracked at the monthly "carbon neutrality" meetings supervised by the General Manager. The 2023 "carbon neutrality" work items include the installation of solar photovoltaic panels, energy-saving and carbon reduction projects, waste reduction, and internal carbon pricing.



Climate Change Response

Transformation risks

Climate scenarios: RCP1.9 (1.5°C temperature rise)

- 1a. Carbon fees/taxes being levied in Taiwan
- 1b. Carbon taxes being levied overseas
- 1c. Regulations require users using electricity above a certain contracted capacity to install 10% renewable energy equipment
- 1d. Rising electricity rates
2. Low-carbon production processes
- 3a. Changes in customer behavior
- 3b. Rising raw material costs
4. Impact on the Company's reputation due to failure at meeting stakeholder expectations

Physical risks

Climate scenarios: RCP8.5 (4°C temperature rise)

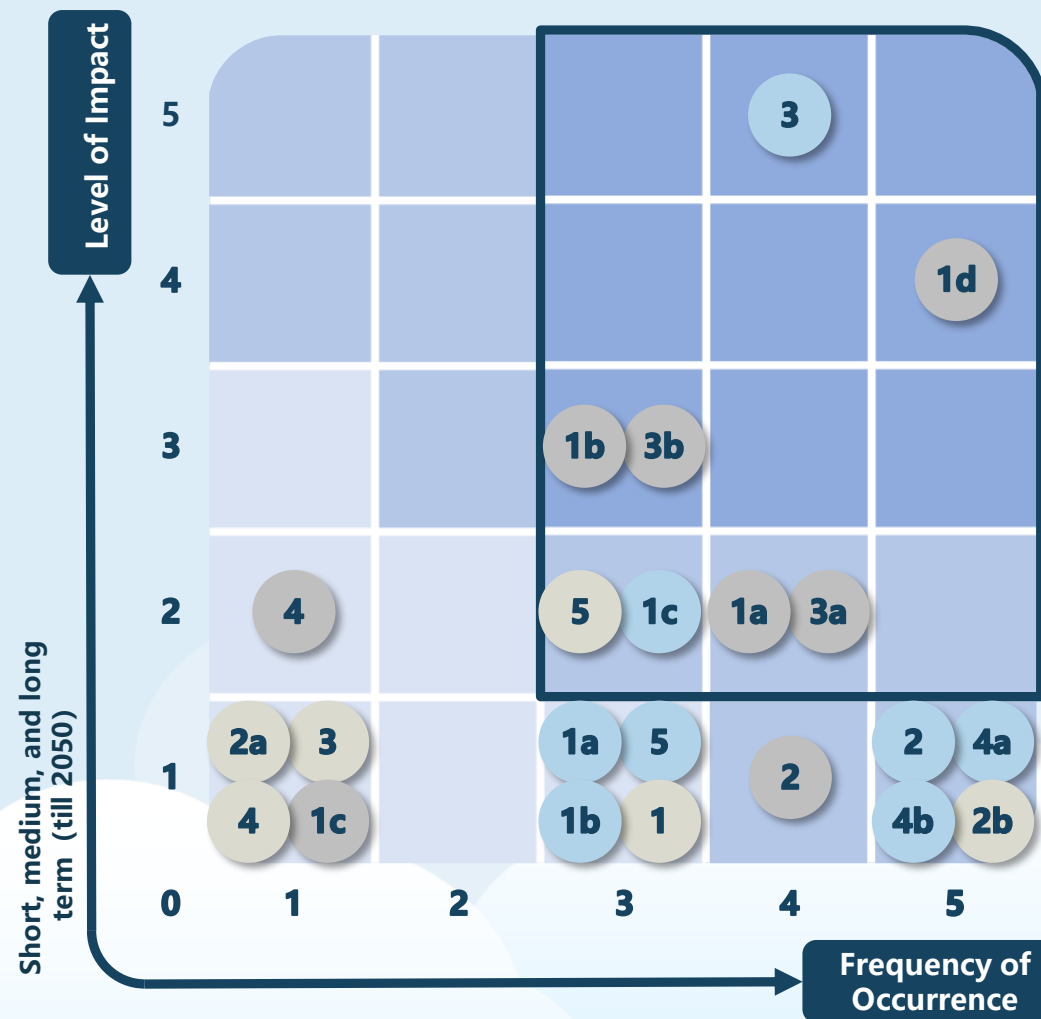
1. Increased severity of typhoons and other extreme weather events affects the Company's production or interrupts operations
2. Extreme changes in rain patterns and climate models affects the Company's production or interrupts operations (2a. Floods, 2b. Droughts)
3. Rise in average temperature affects the Company's production or interrupts operations
4. Sea level rise affects the Company's production or interrupts operations
5. Domestic and overseas supply chain disruption due to natural disasters and other extreme weather events causes potential losses from operation interruption

Opportunities

Climate scenarios: RCP1.9 (1.5°C temperature rise)

- 1a. Increase the efficiency in the use of water resources and use recycled water
- 1b. Promote low-carbon processes and use more efficient production processes
- 1c. Increase the efficiency of energy utilization
2. Increase the usage rate of low-carbon energy
3. Develop or expand low-carbon products and services
- 4a. Make full use of incentives of public sectors to respond to regulatory development ahead of schedule
- 4b. Enter new markets
5. Improve the Company's resilience to natural disasters through sustainable supply chain management so as to reduce potential losses from operation interruption

Climate Risks and Opportunities in 2023



Climate Change Response

TCFD Key Elements - Strategy

Description of Identified Short-, Medium-, and Long-Term Climate-Related Risks and Opportunities

AIDC evaluates climate risks and opportunities based on the factors recommended by TCFD, considering the frequency of occurrence and impact level to assess risk and opportunity values. The Company identifies priority physical and transition risks and recognizes major short-term (2023-2025), medium-term (2026-2030), and long-term (2031-2050) climate risks and opportunities based on its internal "carbon neutrality" target timeline.

- Transition Scenario: The Company's internal 2050 "carbon neutrality" target, i.e., RCP1.9 (1.5°C warming).
- Physical Scenario: RCP8.5 (4°C warming).

Description of the Impact of Climate-Related Risks and Opportunities on Business, Strategy, and Financial Planning

- Short-Term Risks: Domestic carbon fees/carbon taxes, rising electricity costs, increasing raw material costs.
- Short-Term Opportunities: Improving energy use efficiency, developing or expanding low-carbon products and services.
- Medium-Term Risks: Foreign carbon taxes, potential losses due to supply chain disruptions from domestic and international extreme weather events.
- Long-Term Risks: Changes in customer behavior.
- Financial Impact: After conducting financial impact assessments of various risks and opportunities, potential financial risks identified include increased operating costs and impacts on revenue. On the opportunity side, new business expansion could increase company revenue. An example of short-term risks is shown in the table below.

- Strategy and Business Direction: Starting in 2022, AIDC has been installing solar photovoltaic panels to increase the proportion of green electricity used internally, implementing energy-saving and carbon reduction projects to reduce greenhouse gas emissions, and controlling company carbon neutrality targets through internal high-level meetings. The Company is also striving to capture market share for domestic gas turbine generator sets, expanding into the energy storage market, and further seeking business opportunities through alliances with high-quality domestic manufacturers.

Description of the Organization's Strategic Resilience Considering Different Climate-Related Scenarios (Including a 2°C or More Severe Scenario)

Following the "Task Force on Climate-related Financial Disclosures (TCFD)" guidelines, AIDC uses climate scenario analysis to assess climate-related risks and opportunities. The company sets the most severe scenarios faced by transition and physical risk types: the transition scenario is RCP1.9 (1.5°C warming), and the physical scenario is RCP8.5 (4°C warming).

Risk item	Carbon fees/taxes being levied in Taiwan	Rising electricity prices	Carbon taxes being levied overseas has resulted in an increase in the cost of raw materials
Risk type	Transformation risks - policy and regulations	Transformation risks - policy and regulations	Transformation risks - market
Potential financial impact/amount	According to the Climate Change Response Act, if the government levies carbon taxes for Scope 1 and Scope 2 greenhouse gas and the carbon management fee is calculated as NT\$300 per ton, it would directly increase operating costs by approximately NT\$20 million.	The government increases the unit price of electricity to stabilize the electricity supply quality and limit the demand with higher price to achieve the effect of electricity conservation. The government's increase of electricity tariffs is estimated to increase the cost of electricity consumption of AIDC by approximately NT\$60 million.	The Company mainly produces aerospace components with materials such as nickel alloy, titanium alloy, aluminum alloy, stainless steel/alloy steel, etc. If the cost of raw materials increases by 1.1% due to the carbon tax, the costs will increase by NT\$50 million.
Risk response measures	1. Installation of photovoltaic (PV) systems for self-generation for self-use. 2. Execute energy conservation projects, improve processes, and reduce Scope 2 GHG emissions.	Execute energy conservation projects and apply for new electricity consumption scheduling to reduce electricity consumption during peak hours, and carry out renewable energy and energy conservation projects to reduce electricity consumption by 1%.	Implement low-carbon programs for material procurement and production processes in the supply chain to continuously support sustainable procurement and a sustainable supply chain.

Climate Change Response

TCFD Key Elements - Risk Management

Description of the Process for Identifying and Assessing Climate-Related Risks

The operation management unit initiates the annual process in mid-year, where the cross-departmental "Carbon Neutrality Promotion Task Force" identifies and assesses climate-related risks. The "Climate-Related Risks and Opportunities (TCFD) Framework" is drafted for the following year, with responsible units proposing strategies to address significant risks and opportunities. The TCFD framework and response strategies are incorporated into the risk management section, reviewed by the "Risk Management Committee," and included in the Company's "Operational Plan" (risk section) for the following year, which is submitted to the Board of Directors for approval by the end of the year.

Description of the Process for Managing Climate-Related Risks

The approved climate-related risk and opportunity framework, along with other operational risk items, are managed under the Company's risk management system. The Risk Management Committee convenes at least once a year to establish risk management policies, review implementation results, approve the annual work plan, and report to the committee. Additionally, carbon neutrality-related tasks are tracked and managed at monthly high-level meetings.

Description of How the Process for Identifying, Assessing, and Managing Climate-Related Risks is Integrated into the Organization's Overall Risk Management

The "ESG Promotion Committee" is the highest management unit for

climate change at AIDC, chaired by the Chairman of the Board. It is responsible for reviewing sustainability and climate-related strategies and supervising their implementation. Under this committee, the "Carbon Neutrality Promotion Task Force" is the specific execution unit for climate change issues, presenting the annually completed "Climate-Related Risks and Opportunities Matrix" to the "Risk Management Committee" for review.

The "Risk Management Committee" is the highest risk management unit in the company, chaired by the President. It periodically reviews risk levels (including climate change risks and opportunities), finalizing the company's risk items for the following year by the end of each year. These are then incorporated into the operational plan and submitted to the Board of Directors for approval. Additionally, the previous year's implementation results are reviewed and reported to the Board in the first quarter.

01

Identify risks and opportunities

02

Level of impact and financial impact of identified risks and opportunities

03

Completion of the TCFD risk and opportunity matrix

04

Propose response measures for material risks and opportunities

05

Continuous supervision and improvement

AIDC Climate Change Risk Management Procedures



Climate Change Response

TCFD Key Elements - Metrics and Targets

Disclosure of Metrics Used to Assess Climate-Related Risks and Opportunities in line with the Organization's Strategy and Risk Management Process

AIDC uses the following metrics to assess climate-related risks:

1. Absolute Targets: Reducing carbon emissions.
2. Relative Targets: Electricity intensity (electricity usage per million NTD of sales), waste reutilization rate (reused waste/total waste).

Disclosure of Scope 1, Scope 2, and Scope 3 (if applicable) Greenhouse Gas Emissions and Related Risks:

In 2023, AIDC completed the greenhouse gas inventory and third-party verification for the entire group (including the Taichung, Sha-Lu, and Kang-Shan plants, and the U.S. subsidiary) in accordance with ISO14064-1:2018. Details can be found in the greenhouse gas inventory section.

Description of the Targets Used by the Organization to Manage Climate-Related Risks and Opportunities, and Performance Against These Targets:

1. Absolute Targets: The Company regularly reviews and adjusts its targets, setting the first phase target to reduce greenhouse gas emissions by 15% by 2025 compared to the baseline year.
2. Relative Targets: Based on hotspot analysis, the Company sets the electricity intensity (electricity usage per million NTD of sales) to decrease by 5% compared to the previous year, and the waste reutilization rate (reused waste/total waste) with targets ranging from 35% to 45% depending on the plant.

The targets set by the Company will continue to be disclosed in the sustainability report. Additionally, AIDC will adjust its carbon reduction strategies in a rolling manner based on domestic and international trends and regulations to continually enhance resilience.



Climate Change Response

Environmental Management System

Since 1999, AIDC has continuously maintained the effectiveness of its ISO-14001 Environmental Management System. This system serves as the foundation for standardized management, implementing a continuous improvement cycle to reduce environmental impacts and fulfill corporate environmental responsibilities.

In 2023, AIDC passed the ISO 14001 Environmental Management System certification, ensuring that all activities, products, and services cause no significant environmental impact.

AIDC is committed to the protection of environmental resources under its jurisdiction, sustainable operations, and fulfilling corporate social responsibility. The company actively promotes the following three points:

- Complying with environmental protection laws and regulations, and implementing various environmental protection measures.
- Striving for clean production and resource recycling to ensure environmental sustainability.
- Promoting energy conservation, carbon reduction, and environmental education to fulfill corporate social responsibility.

Greenhouse Gas Inventory

Since 2012, AIDC has been using the ISO14064-1 and the Greenhouse Gas Protocol (GHG Protocol) guidelines to establish environmental accounting, facilitating the execution of greenhouse gas inventories. The organizational boundaries are set according to the operational control method, calculating

Scope 1 and Scope 2 greenhouse gas emissions. The main greenhouse gases include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). Additionally, AIDC established a carbon neutrality target at the end of 2021. In 2023 (with activity data from 2022), AIDC initiated the greenhouse gas inventory and verification process. The verification scope includes the Taichung complex, Sha-Lu complex, Kang-Shan complex, and the U.S. subsidiary. The 2022 greenhouse gas emissions were verified by a third party in accordance with ISO14064-1:2018, showing a total carbon emission of 97,850.6539 metric tons of CO₂ equivalent. The relevant data will be updated on the company's official website:

<https://www.aidc.com.tw/tw/cse/environment>

Greenhouse gas emissions in 2022 (tons CO ₂ e)	Taichung Complex	Sha-Lu Complex	Kang-Shan Complex
Direct greenhouse gas emissions (Category 1)	1,441.9174	1,718.0633	2,560.7662
Energy indirect (Category 2)	24,220.9504	17,721.2980	22,830.6731
Other indirect (Categories 3-6)	13,590.0124	5,284.7513	8,466.1626
Total	39,252.8802	24,724.1126	33,857.6019

Note: The IPCC AR6 was referenced for the GWP value. (2021)

Greenhouse gas emissions in 2023 (tons CO ₂ e)	Taichung Complex	Sha-Lu Complex	Kang-Shan Complex
Direct greenhouse gas emissions (Category 1)	1,435.6921	3,035.9600	3,069.0220
Energy indirect (Category 2)	25,860.7157	18,558.2024	23,345.0158
Other indirect (Categories 3-6)	11,801.1523	4,618.1222	9,580.1270
Total	39,097.5601	26,212.2846	35,994.1648

Note 1: Once the external verification is completed, the Company will update and publish the data of the 2023 emissions on the company website.

Note 2: The IPCC AR6 was referenced for the GWP value. (2021)

Note 3: Due to the inconsistencies in the settings for the baseline year in the three complexes, adjustments will be made to ensure the consistency for the baseline year.

Note 4: The information in this form is as of April 2024. Third-party verification is scheduled to be completed in the third quarter of 2024.

Climate Change Response

Energy Management

The Intergovernmental Panel on Climate Change (IPCC) global climate assessment report indicates that there is a 90% likelihood that global warming is caused by greenhouse gas emissions resulting from human activities. Recognizing this, AIDC has established an Energy Saving and Carbon Reduction Task Force and Technical Subgroup to further implement energy-saving and carbon reduction strategies. As a result, the Taichung plant obtained ISO-50001 certification in 2013, continuously improving energy usage methods to achieve sustainable business operations.

Energy Usage Review

AIDC’s primary energy resources include electricity, diesel, natural gas, gasoline, and aviation fuel oil. In 2023, the total energy consumption at the Taichung plant was 361,022 gigajoules (GJ), with electricity accounting for 90% of the total. The Kang-Shan plant’s total energy consumption was 188,655 gigajoules (GJ), with electricity accounting for 88%.

Total Electricity Consumption and Electricity Intensity Over the Past Three Years

In 2023, the Company’s actual electricity intensity was 3,529, achieving the target of a 5% reduction from the 2022 electricity intensity of 4,356. Continuing to align with carbon neutrality goals, the Company has set a target for 2024 to reduce the actual 2023 electricity intensity by an additional 5%.

Electricity Intensity: Electricity usage per million NTD of sales

Details of Energy Consumption	Taichung Complex and Sha-Lu Complex						Kang-Shan Complex					
	2021		2022		2023		2021		2022		2023	
Category	GJ	Ratio	GJ	Ratio	GJ	Ratio	GJ	Ratio	GJ	Ratio	GJ	Ratio
Purchased Electricity	301,284	94.51%	310,874	92.04%	325,844	90.26%	148,530	90.08%	166,079	88.03%	169,821	85.30%
Diesel	3,308	1.04%	4,278	1.30%	4,952	1.37%	572	0.35%	838	0.44%	765	0.38%
Natural Gas (NG)	7,112	2.23%	6,840	2.09%	7,337	2.03%	12,202	7.40%	17,049	9.04%	15,177	7.62%
Gasoline	2,936	0.92%	4,202	1.28%	4,375	1.22%	237	0.14%	224	0.12%	225	0.11%
Aviation fuel	4,076	1.28%	10,724	3.27%	13,346	3.70%	3,350	2.03%	4,465	2.37%	11,389	5.72%
Liquefied Petroleum Gas (LPG)	17	0.01%	1	0.00%	0	0.00%	—	—	—	—	—	—
Solar Power	49	0.02%	48	0.01%	5,167	1.43%	—	—	—	—	1,703	0.86%
Heating value coefficient (Unit: kcal/liter): Purchased Electricity 860; Diesel 8,400; NG 9,000; Gasoline 7,800; LPG 6,635; Solar Power 860; Aviation Fuel 8,000												



Climate Change Response

Installation of Power

Management System

To effectively manage the total electricity consumption of the Company's various plants and buildings, AIDC utilizes a Power Management System (PMS) to monitor, collect, and analyze real-time electricity usage data and manage the real-time electricity consumption information of major equipment.

Energy Saving Execution Results

In 2023, to enhance energy use efficiency and respond to the government's energy

conservation targets, AIDC implemented 17 energy-saving measures, resulting in electricity savings of 1,993.5 megawatt-hours (MWh).

Green Electricity and Solar Power

AIDC places great importance on green electricity. In 2023, the total power generation of the solar photovoltaic system was 17,181,431 kilowatt-hours (kWh). In line with the Company's carbon neutrality path and government regulations for major electricity consumers, AIDC plans to install an additional 1,222 kW of solar photovoltaic self-use capacity in 2024.

Complex	Installed capacity (kWp)	Current conditions	Total power output (kWh)	Self-use percentage (%)
Taichung	9	Construction completed	13,231	100
Taichung	1,996	Construction in progress	1,421,901	100
Kang-Shan	440	Construction completed	472,934	100

Complex	2023 Energy Conservation Projects	Implementation Areas
Taichung	Lighting equipment replacement	#7 Plant, Administration Bldg, Yunhan Bldg, #11 Plant, #16 Plant, #23 Hangar, Wenkang Center of Hsiang Yuan Complex
Taichung	AC equipment improvements, heat pump replacement, chiller replacement, air conditioning box replacement, cooling water tower, heat dissipation materials, air compressor equipment improvement	#8 Plant, Administration Bldg, Avionics Bldg, TACC22 Plant, #11 Plant, #12 Plant, #7 Plant
Kang-Shan	Lighting equipment replacement	Machining 2, Tooling, Assembly, Expansion of precision casting
Kang-Shan	AC equipment improvements	1. Case Line 1, Machining 1 chilled water pump replacement, Case Line 2 air conditioning box replacement 2. Case Line 2 260RT chiller replacement 3. Case Line 2 processing machine cooling system integration 4. Case Line 1, Case Line 2, Case Line 3, Case Line 4, Machining 1, Machining 2, Turbine Center Frame chiller side clean
Kang-Shan	AC equipment improvements (replacement of cooling tower)	Case Line 2, Tooling, Process, Production Planning, Machining 2, Casting Line

Note: The power conservation is calculated with different methods such as equipment rating, estimates based on existing machine data, clamp meter measurement, and estimates based on external literature review. The appropriate basis for estimates is chosen based on actual onsite conditions. The aforementioned electricity conservation measures have been reported to the Bureau of Energy for its review.

Climate Change Response

Water Resource Management

In recent years, AIDC has considered water resource utilization as an important issue. Activities such as promoting water conservation among employees and reusing water in production units are actively implemented across all departments. To reduce water resource loss, AIDC continuously reviews and improves plans for employee water conservation and water resource recycling, aiming to achieve minimal water usage and the highest possible recycling percentage.

Water Resource Usage Review

AIDC primarily uses tap water, rainwater, and groundwater. In 2023, the Taichung plant (including Sha-Lu) used 1,204,597 tons of water, with tap water accounting for 48%. The Kang-Shan plant used 198,966 tons of water, with tap water accounting for 100%.

Kang-Shan Plant Water Usage:

From 2020 to 2023, the Kang-Shan plant used 100% tap water. In 2023, due to an increase in business volume, water usage increased compared to 2022.

Company-Wide Water Usage and Water Intensity:

In 2023, the Company’s total water usage and water intensity (as shown in the table below) decreased compared to the previous year.

Total Water Usage Unit: Tons

Water Intensity Definition: Total water usage (tons) / Sales value (million NTD)

Water Conservation Results

RO wastewater is collected for use in heat treatment processes, scrubber towers, and wastewater plant reagent preparation. Cooling water from processes is recycled for landscape irrigation. A sand filtration facility and recovery pool are installed at the end of the wastewater treatment facilities. The treated water meets the EPA's "Recommended Water Quality Standards for Recycling and Reuse" and is fully reused for green space irrigation, except on rainy days when irrigation is not needed. For domestic wastewater, a membrane bioreactor (MBR) sewage treatment facility is set up to treat various domestic wastewater generated by employees. The treated water meets discharge standards and is entirely used for irrigation.

Details of Water Consumption	Taichung Complex and Sha-Lu Complex						Kang-Shan Complex					
	2021		2022		2023		2021		2022		2023	
	Ton	Ratio	Ton	Ratio	Ton	Ratio	Ton	Ratio	Ton	Ratio	Ton	Ratio
Tap water	487,936	41.91%	502,252	38.64%	577,235	47.92%	160,604	100.00%	175,181	100.00%	198,966	100.00%
Ground water	671,407	57.67%	794,185	61.10%	624,321	51.83%	—	—	—	—	—	—
Rainwater	4,846	0.42%	3,472	0.27%	3,041	0.25%	—	—	—	—	—	—

Pollution Control and Waste Management

Complex	Item	Source of water	Recycled/saved water volume (tons)	Total water consumption ratio(%)
Taichung and Sha-Lu	Rainwater recovery	Rainwater	42,538	1,204,597 (3.5%)
	RO wastewater recycling	RO wastewater		
Kang-Shan	RO wastewater recycling	RO wastewater	4,757	198,966 (2.29%)

Water Pollution Prevention

Water pollution prevention is a key part of environmental protection for companies and an important item in corporate social responsibility.

Process wastewater of AIDC can be classified into vibration grinding wastewater, alkaline wastewater, acid wastewater, cyanide wastewater, alkaline wastewater from paint removal, chemical film wastewater, chromium wastewater, sand filter cleaning water, laboratory cleaning wastewater, organic wastewater, tartaric acid wastewater, borosulfuric acid wastewater, miscellaneous wastewater, and kitchen wastewater. As wastewater includes different kinds of wastewater with different

characteristics due to organic, acid/alkali and heavy metal contents, biological treatment, coagulation, and sedimentation technologies are used in combination to ensure that the effluent meets effluent water standards. The total wastewater in 2023 amounted to 181,000 tons, including 117,000 tons of wastewater in Taichung Complex which accounted for 64.7%, 4,000 tons in Sha-Lu Complex which accounted for 2.3%, and 59,000 tons in Kang-Shan Plant which accounted for 33%.

Soil and Ground Water Pollution Prevention

AIDC's site was announced as a groundwater pollution remediation site because the trichloroethylene contents in the groundwater reached 0.183mg/l in May 2012, which exceeded the 0.05mg/l in groundwater pollution control standards. To effectively control the groundwater remediation project, the project was smoothly implemented and various tasks were performed in accordance with the remediation plan approved by the Environmental Protection Bureau of Taichung City Government. The site was removed from the list of control sites

in July 2020, and the regular post-delisting monitoring data obtained along with the Environmental Protection Bureau of Taichung City Government in February and September 2021 and February 2022 showed results lower than the maximum value permitted by laws (Groundwater Pollution Monitoring Standards). In November 2022, AIDC obtained approval from the Environmental Protection Bureau for the completion of the two-year regular monitoring after the site was removed from the list of control sites and the case was closed.

Complex effluent port	Total effluent volume (tons)	Water body receiving effluent	Whether inspection value meets standards
Taichung ComplexD01	74,985	Fazi River	✓
Taichung ComplexD02	419	Fazi River	✓
Taichung ComplexD03	41,820	Fazi River	✓
Sha-Lu SouthD01	3,842	Zhulin North River	✓
Sha-Lu SouthD02	322	Zhulin North River	✓
Kang-Shan Complex D01	24,280	Baijia Canal	✓
Kang-Shan Complex D02	8,786	Baijia Canal	✓
Kang-Shan Complex D03	26,786	Baijia Canal	✓

Pollution Control and Waste Management

Air Pollution Management

Effective Treatment of Pollution Prevention

In order to effectively treat air pollutants, AIDC evaluates the feasibility and applicability of the equipment based on the process type, air pollutant characteristics, treatment performance, etc. before installing air pollution control equipment. After completion of the installation, the treatment efficiency is verified by a third-party unit to ensure the effectiveness of the control equipment and ensure that the pollutants discharged into the atmosphere comply with legal specifications.

Periodic Maintenance and Stable Operations

AIDC establishes and implements operation and maintenance of air pollution prevention equipment to maintain the normal operations and stability of the pollution prevention equipment and to prevent anomalies.

Regular Inspections and Reporting

In addition, the Company also appoints a third-party certification unit to implement regular inspections of air pollutants and report the inspection results to environmental protection authorities. The Company's inspection results in recent years have met the "Standards for Air Pollutant Emission from Stationary Pollution Sources" established by the Environmental Protection Administration. There were no anomalies to be reported in 2023.

Management of Toxic and Concern Chemicals

In order to prevent toxic and concern chemicals from polluting the environment and endangering human health, AIDC operates in accordance with relevant domestic laws and regulations during the import, storage, and use stages, while strengthening the management mechanism.

The Company also implements toxic chemical reduction. For instance, AIDC discontinued the use of trichloroethylene and replaced it with bromopropane, and we replaced chromic acid with tartaric acid in an environmentally friendly process.

SVHC of REACH

Finished parts to be sold to the EU must comply with the EU REACH regulations to confirm whether the finished products contain substances of very high concern (SVHC) under REACH. The Company informs customers of the test results to ensure that the products meet the basic requirements of environmental protection and safety.

2023 Air Pollution Detection and Reporting					Unit: tons
Pollutant type in AIDC plants	Taichung	Sha-Lu South	Sha-Lu North	TACC	Kang-Shan
Volatile organic compounds (VOC)	105.584	18.338	8.856	5.736	9.11
Nitrogen oxides (NOx)	0.174	0.011	0.052	0.076	0.640
Sulfur oxides (SOx)	0.000	0.000	0.000	0.000	0.004
Particulate pollutants (P)	0.030	0.004	0.002	0.002	0.221
Note1: AIDC's air pollutant emissions are reported in accordance with regulations.					
Note2: Data source: Emissions data reported to local authorities. The year of reporting is 2023.					



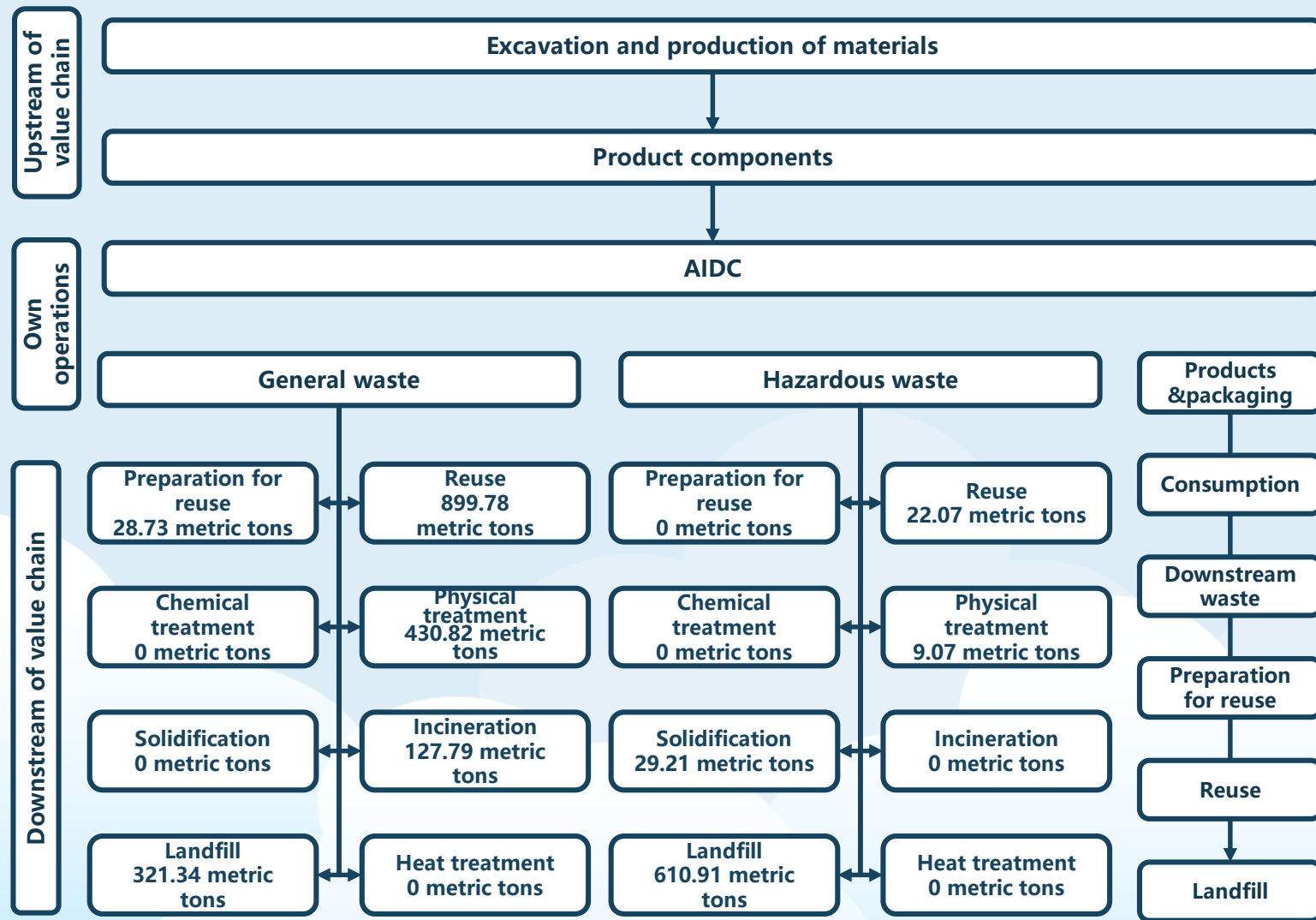
Pollution Control and Waste Management

Waste Management

AIDC is committed to environmental protection. The Company has established the "Industrial Waste Disposal Regulations", "Industrial Waste Removal Guidelines" and other operational standards and management documents to reduce the potential environmental hazards caused by waste. AIDC complies with the regulatory requirements in the Waste Disposal Act and Resource Recycling Act of the Environmental Protection Administration. AIDC collects and sorts waste and stores them securely in temporary storage areas based on their characteristics. AIDC also conducts internal environmental audits from time to time so that the Company's industrial waste can be managed, removed, treated, and reused appropriately to protect the environment from pollution caused by the waste.

AIDC's industrial waste can be divided into general industrial waste and hazardous industrial waste. Hazardous industrial waste includes hazardous waste liquids and sludge generated from the Company's metal surface treatment and non-destructive quality inspection processes. General industrial waste includes industrial waste other than those mentioned above, such as waste cutting fluid, waste paint, waste wood, and waste aluminum. The Company commissions removal, treatment, and recycling companies approved by the EPA to remove and process waste based on the characteristics of the waste. The Company uses the waste disposal triplicate form and retention of comprehensive treatment records and documents to ensure that the waste enters the treatment plant and is properly treated. In order to better understand the situation and appropriateness of waste treatment, AIDC regularly sends personnel to the waste treatment plant to track the flow of waste, confirm that the treatment process is consistent with the approved method, and record it in documents.

Work Process for Significant Impact Involving Waste in 2023





Pollution Control and Waste Management

Waste Recycling and Reuse

Measures for waste recycling and reuse include regular collection and disposal of resources and waste. The Company also sells waste aluminum, scrap iron, and waste wood which make up the majority of the industrial waste, or outsources their refuse to external entities to increase the reuse rate of industrial waste, reduce the waste of resources, and implement the spirit of environmental sustainability.

Recycling and Reuse of Wax Materials

Filtration and water removal equipment have been installed in the factory, and the wax is recycled and reconstituted as secondary raw materials to increase the number of cycles and reduce waste discharge.

Before the improvement, the amount of waste generated was about 70 KG/day. After the improvement, the amount of waste generated was about 5 KG/day.

Recycling of Ingot

Non-casting parts produced during the casting production process are sent back to the original ingot supplier for remelting and reforming into ingots, and then sent back to the factory to continue producing castings so as to reduce waste output and improve effectiveness of recycling.

Note: Starting from 2023, the statistical method of waste treatment methods at the Taichung and Sha-Lu complexes has been revised to the final disposal method. After the revision, the statistical method is consistent with the Kang-Shan complex and is closer to the ultimate flows of waste.

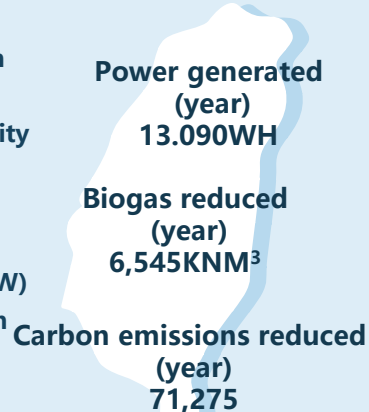
Unit: Ton							
Complex		Taichung Complex and Sha-Lu Complex			Kang-Shan Complex		
Year		2021	2022	2023	2021	2022	2023
General industrial waste	Preparation for reuse	17.03	15.51	18.91	8.79	12.98	9.82
	Reuse	343.84	392.44	494.2	352.19	492.98	405.579
	Chemical treatment	0	0	0	0	0	0
	Physical treatment	18	34.14	146.35	265.06	288.40	284.473
	Solidification	11.94	20.35	0	0	0	0
	Incineration	482.57	454.5	0	121.98	131.18	127.29
	Landfill	0	0	245.5126	38.76	55.6	75.83
	Heat treatment	0	0	0	0	0	0
	Total volume	873.38	916.94	904.9726	786.78	981.14	902.992
Waste with hazardous substances	Preparation for reuse	0	0	0	0	0	0
	Reuse	0	0	22.07	0	6.52	0
	Chemical treatment	382.05	351.56	0	0	0	0
	Physical treatment	0.74	0.4	0	0	0	9.07
	Solidification	39.55	47.33	0	23.85	21.62	29.21
	Incineration	2.81	1.86	0	0	0	0
	Landfill	0	0	610.9096	0	0	0
	Heat treatment	0	0	0	7.48	0	0
	Total volume	425.15	401.15	632.9796	31.33	28.14	38.28
Total waste volume		1298.53	1318.09	1537.9522	818.11	1009.29	941.272



Green Products and Procurement

- 5 generators in Bali, New Taipei City (325kW)
- 3 generators in Sanxia, New Taipei City (90kW)
- 4 generators of Department of Environment Protection, Taipei City (260kW)
- 1 generator of Taiwan Power Company in Shulin, New Taipei City (30kW)
- 7 catalytic incineration and microgrid power generators of the Institute of

- Nuclear Energy Research (315kW)
- 5 generators in a plant of Chang Chun Petrochemical (325kW)
- 1 generator in a landfill in Taichung City (30kW)
- 1 generator in Green Field Energy (495kW)
- 2 generators in President Food (130kW)
- 1 generator in Taiwan Power Research Institute of Taiwan Power Company (65kW)



- 4 generators in Han Pao Livestock Farm (260kW)
- 4 generators in Sheng Fu Livestock Farm (260kW)
- 4 generators in Tien Chi Livestock Farm (225kW)
- 1 generator of President Food (30kW)
- 1 generator in Livestock Research Institute (30kW)
- 1 generator in a landfill in

- Kaohsiung City (30kW)
- 8 generators in Central Livestock Farm (520kW)
- 4 generators in Taiwan Sugar Livestock Farm (225kW)
- 1 generator in Innolux Plant 2 (30kW)
- 1 generator in Academia Sinica (65kW)



Green Products

As global warming intensifies, reducing greenhouse gas emissions has become a common goal for the entire world. Taiwan is committed to its energy transition to reduce greenhouse gas emissions. The natural constraints of renewable energy sources such as solar and wind energy have given rise to the rapid development of the energy storage market and fast-start power generation equipment. AIDC supports government policy and utilizes its technologies to extend high-tech aerospace operations to energy projects such as biogas power generation, energy storage systems, and gas turbine generators.

Biogas Micro Steam Turbine Generator

The methane (CH₄) produced in emissions of the animal husbandry industry has a greenhouse effect 23-25 times that of carbon dioxide. AIDC uses technologies from the aerospace industry based on the core technology of the aerospace gas turbine generator and control system design for renewable energy. The Company invested in biomass energy to convert the biogas in landfills, livestock farms, chemical plants, and food processing plants into energy for power generation and build a green energy economy. More than 50 generators have been set up from Northern to Southern Taiwan and each generator is capable of generating 400,000kWh with a total of approximately 20 million kWh each year. AIDC added 2 generators in President Food (130KW), 1 generator in Innolux Plant 2 (30KW), 1 generator in Taiwan Power Research Institute (65KW), and 1 generator in Academia Sinica (65KW) in 2022. Additionally, the project of installation of 3

generators in Innolux Plant 8 began in 2023 and will be completed in 2024. AIDC has completed the installation of 3,740kW of biogas generators. After accounting for the maintenance time and calculating based on a power factor of 50% and 7,000 hours in annual operations, they are expected to generate green electricity totaling $3,740 \times 7000 \times 50\% = 13,090,000\text{kWh}$, and can help reduce carbon emissions by 71,275 tons in Taiwan each year.



Green Products and Procurement

Energy Storage System

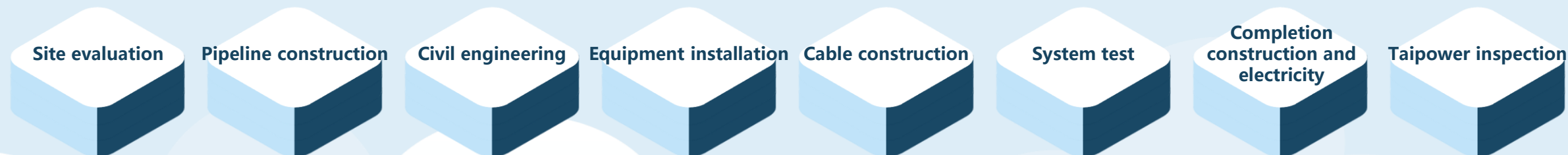
The use of renewable energy has increased proportionally in response to the global carbon emission reduction trends for fulfilling the target of net zero emissions by 2050. To maintain the safe and stable operations of the electricity system, Taipower officially activated the Energy Trading Platform on July 1, 2021. The trading platform allows the inclusion of diverse and decentralized electricity resources into the grid for the energy trading ancillary services. The automatic frequency control trading volume is expected to be increased to 1GW by 2025.

AIDC used its professional competencies in aerospace and experience in power plant EPC projects to form alliances with capable companies in Taiwan for the system planning, design, integration, installation, and O&M of infrastructure projects. AIDC have identified global carbon

emissions and energy transition as future development trends and the Company actively installed energy storage facilities in Taichung Complex and Sha-Lu Complex to become part of Taipower's current Automatic Frequency Control (AFC) market.

By the end of September 2021, the Company's first project, a 5MW energy storage plant in Taichung Complex, became the first to pass Taipower's two certifications for dReg0.25/dReg0.5. AIDC became one of the first operators to obtain the qualifications for trading professionals on the Taipower Energy Trading Platform, and services were officially launched on October 28. AIDC expanded its experience in setting up the first demonstration site and set up the second and third 5MW energy storage systems in the Company's Sha-Lu Complex and Hsiang Yuan Complex in 2022, which completed and launched in the third quarter of 2023.

AIDC is optimistic about energy market. In addition to building self-built energy storage demonstration sites and participating in AFC auxiliary services, we will continue to develop energy management system (EMS) and battery management system (BMS) technical capabilities, and form alliances with high-quality manufacturers to provide ancillary services for the Energy Trading Platform, photovoltaic storage system, regional power grids and behind-the-meter solutions. In addition, AIDC will combine its engineering capability of manufacturing domestic aircrafts and its EMS technology in developing military energy storage systems and providing energy storage microgrid and mobile energy storage equipment solutions to establish stable independent power and combat-ready emergency power equipment for the needs of national defense.



Gas-fired Power Generation

To attain the long-term target of net zero emissions by 2050, many countries have expanded the installed capacity of renewable energy equipment such as solar and wind power. In terms of gas-fired power generation, we can also use hydrogen, carbon capture, and carbon sequestration to attain the ultimate goal of zero carbon emissions. Due to the intermittent nature of renewable energy, gas-fired power generation will play critical roles for stabilizing the frequency and power allocation of the grid. In the future, Taiwan's government also plans to increase the proportion of gas-fired power generation to 50% and increase the renewable energy ratio to 20%.

The aeroderivative gas turbine produced by GE (LM2500 gas turbine) facilitates flexible and fast power generation. One unit can generate 30,000 kWh of electricity power an hour, which can support the electricity consumption of 100 families for one month. It is perfect for providing backup power for off-peak periods and supplementing the deficiencies of renewable energy during peak periods to strengthen the flexibility of grid operations. The Company and GE jointly developed the gas turbine generators to pursue immense business opportunities for green energy in the future. The Company has set up gas turbine power generation units in Tongxiao Power Plant of TPC as well as Wuqi Plant and Yongan Plant of CPC Corporation in 2023. AIDC plans to encourage more domestic

companies to replace coal-fired generation units with gas-fired generation units and continue to pursue the target of attaining energy transition. The Company shall also work with top companies to use gas-fired generation to effectively solve electricity supply issues and make more real contributions to the green economy.



Green Products and Procurement

Green Procurement

Green procurement refers to the procurement of products with minimum impact on the environment and human health. AIDC prioritizes the purchase of products with lower impact on the environment based on its mission to creating a sustainable supply chain to encourage the production of green products and use products that can be recycled, create low pollution, and conserve resources. The Company aims to take the lead in driving green consumption to attain environmental protection and provide information to general consumers. AIDC also aims to expand the green product market and reduce the prices of green products. The Company is fully committed to the implementation of the green procurement policy and requires the procurement unit to prioritize products with environmental protection labels when making purchases of office administration items, stationery, information equipment, and electrical equipment. Our goal is to do our best to promote green procurement and consumption.

Enhancing green procurement awareness and promoting environmental protection products

Training of procurement specialists:

Continue to implement internal green procurement awareness campaigns and training to increase the awareness of procurement personnel for environmental protection products. Learn about the current state of green procurement and development trends in Taiwan and foreign countries.

Green procurement principles:

- The Company shall consider the environmental impact of the product life cycle from the acquisition of raw materials to the disposal of the product after use when making purchases.
- The Company shall prioritize products with the same or similar

performance that have received an environmental protection label from the government, and shall allow a price difference of within 10%.

- When purchasing a product, if there is a domestic legislation that requires compliance with the energy efficiency standards, the Company shall endeavor to purchase products that comply with such standards.
- Collect environmental information on products and suppliers.
- Choose suppliers that take care of the environment.

Green procurement implementation strategies:

- Promote sustainable development with green procurement: Purchase energy-efficient products, to enhance improvements in social sustainability.
- Reduce the cost of acquisition through joint procurement and reduce usage and disposal costs. As a result of these factors, the total cost of green products may not necessarily be higher than that of regular products.
- Gradually create a green supply chain and strengthen the green mindset of the supply chain.

Effectiveness of green procurement

According to the terms of the "Regulations for Priority Procurement of Eco-Products", environmental protection products are divided into three categories which are described as right:

Support government's green procurement policy

The Company supports the creation of a green supply chain and purchases green procurement items designated by government agencies. The total procurement amount was NT\$19.5 million in 2022. Thanks to the installation of a self-use solar power generation system at the Taichung plant, the total green procurement amount reached NT\$98.54 million in

01

Category I products

A product that has obtained permission to use an Eco-label from the Environmental Protection Administration of Executive Yuan or has obtained permission to use an Eco-label from a foreign country that has mutual recognition agreement with this nation.

02

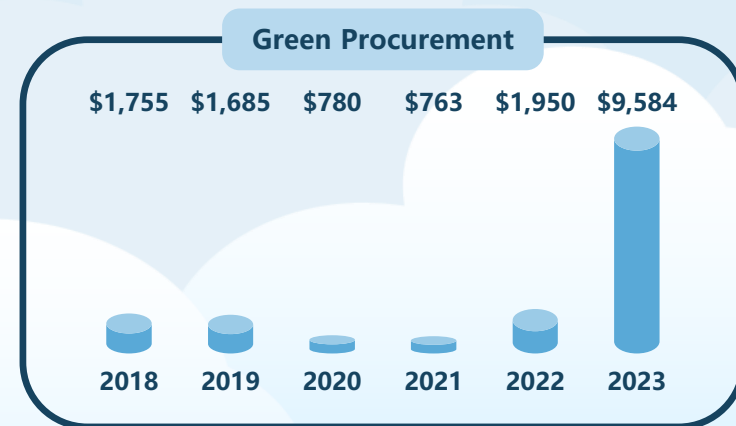
Category II products

A product or its raw material to be manufactured, used, and disposed of in such condition that conforms to recycled material, returnable product, low pollution, or energy-saving requirement that is not one of the Eco-label products announced by the EPA but has been approved by the EPA as satisfying the condition and been issued with a certificate.

03

Category III products

Products which "increase social benefit or reduce social cost" as approved by the competent entity responsible for such products as satisfying the condition and been issued with a certificate. Products with energy efficiency certification are Category III products.



Society

Implementing Corporate Social Responsibilities

- Management of Material Topics
- Scope of Material Topics
- Policies and Commitments
- Impact and Influence
- Actions Taken
- Stakeholder Engagement

Talent Recruitment and Retention

- Expanding recruitment management to attract external talents
- Improve the welfare system and increase employee retention
- Employee Hiring
- Employee training and talent development

Happy Workplace

- Labor-Management Relations
- Employee Rights and Benefits
- Employee Assistance Service Center
- Implementation of the Employee Assistance System

Occupational Safety and Health

- Safe and Healthy Work Environment
- Employee healthcare

Social Care

- Prevention of Natural Disasters
- Good Relations with Local Communities
- Supporting Charity Organizations for the Disadvantaged



Implementing Corporate Social Responsibilities

Management of material topics

AIDC actively implements sustainable development while conducting corporate operations to meet international trends for balanced ESG development, improve the quality of life for its employees, communities, and the society as a whole, and leverage sustainable development as the basis of its competitive advantages. AIDC pays close attention to employee rights and interests and harmonious employee and employer relations. We are committed to creating a friendly and safe workplace environment, engaging communities, and caring for society to attain prosperity and development with related stakeholders.

Scope of material topics

Talent recruitment and retention, Occupational safety and health

Policies and commitments

- Article 2 of the "AIDC Sustainable Development (ESG) Best Practice Principles": The Company actively implements sustainable development while conducting corporate operations to meet international trends for

balanced ESG development, improve the quality of life for its employees, communities, and the society as a whole, and leverage sustainable development as the basis of its competitive advantages.

- AIDC Human Rights Policy: Diversity, inclusion, and equal opportunity; Provide a safe and healthy work environment; Respect employees' freedom of assembly and association; Assist employees in maintaining physical and mental health and attaining balance between work and life; Ban on the use of child labor and forced labor.
- Safety and health policy: We use risk management and continuous improvement to actively improve the work environment, manufacturing equipment, and work procedures, and protect the safety and health of workers and stakeholders.

Impact

Employees are important assets of the businesses and they have a profound effect on the Company's operations and development. The Company creates a diverse workplace environment, builds competency models, and offers related training courses to enhance employees' skills, revitalize human resources, and pass on core heritage.

Take action

- Talent training and legacy programs
- Employee Assistance System
- Signing of collective bargaining agreements
- Occupational health and safety management system
- Other employee benefits and activities: Health examination system superior to regulatory requirements, employee stock ownership trust, sponsorship of club activities, friendly childcare environment, etc.

Stakeholder engagement

Regularly organize labor-management meetings, smooth communication, and harmonious employee and employer relations

Set up the Chairman's mailbox, internal and external whistleblower mailbox, and annual satisfaction surveys.

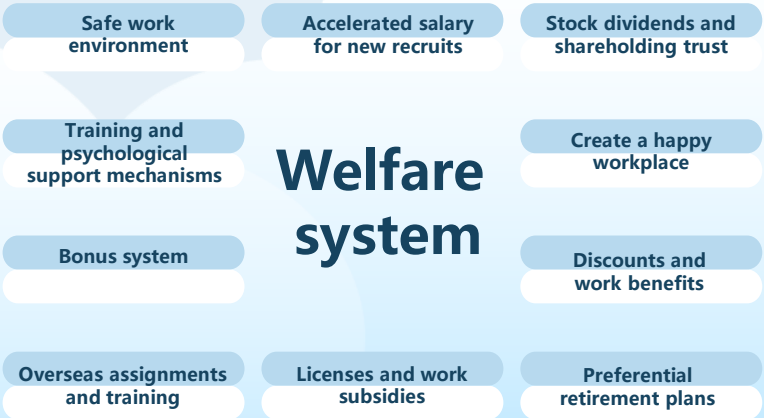
Talent Recruitment and Retention

Expanding recruitment management to attract external talents

AIDC has actively expanded all channels for talent recruitment and selected outstanding talents for retention. The recruitment results in 2023 are as follows. The Company shall progress toward AI development, streamline human resource management procedures, and actively expand recruitment channels by working with entities such as the Workforce Development Agency, Employment Service Center, TaiwanJobs, 104 Job Bank, and Airline Career Development Association.

Improve the welfare system and increase employee retention

AIDC continues to improve the welfare system to increase employees' sense of solidarity and cohesion. The measures include a salary and leave system that is superior to requirements in the Labor Standards Act, annual health examinations for all employees, generous bonuses and rewards for employees, permission for technical and vocation school students to apply for unpaid leave during military service, overseas assignment and business travel opportunities to Europe and the United States, training programs, employee care and counseling, preferential insurance policies and subsidies, and an independent employee committee to plan employees' leisure and health life and diverse club activities. We have established a safe and comfortable workplace environment for employees to enjoy their work.

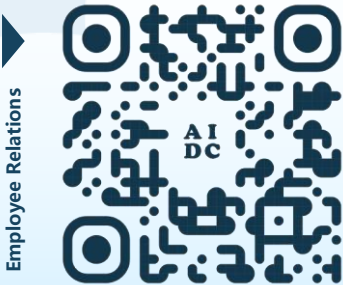


2023 recruitment results		
Type	Work Item	Results
Selection/test	MA and PhD scholarship selection	Recruited 4 individuals
	Dispatched/ contracted laborers transfer to full-time employees	233 individuals transferred
	Technical and vocation school students transfer to full-time employees	11 individuals transferred
Recruitment and selection	Technical and vocation school students	recruited from China University of Science and Technology, Cheng Shiu University, and National Kangshan Agricultural & Industrial Vocational Senior High School

Employee Hiring

Overview of hiring

The Company organizes employee hiring based on open tests, and specifies different requirements for academic achievements based on the job description. The minimum requirement is senior high (vocational) school in Taiwan or overseas recognized by the Ministry of Education. The Company does not hire child labor below the statutory age. The Company does not impose gender restrictions in the job description. The Company is committed to implementing gender equality and there are no gender-based differences for the employees' salary, performance evaluation, and opportunities for promotions.





Talent Recruitment and Retention

Note 1: Ratio = number of full-time employees of the same job category in the complex / total number of full-time employees in the complex

Note 2: Entry-level managers: Level 3 managers

Mid-level managers: Level 2 managers / deputy managers

Senior-level managers: Level 1 managers / deputy managers

Note 3: Data date :2023/12/31

Employee hiring distribution							
Category	Gender	Taichung and Sha-Lu Complexes		Kang-Shan Complex		Total	
		2022	2023	2022	2023	2022	2023
Full-time employees (irregular basis)	Male	2998	2967	1089	1118	4087	4085
	Female	999	1023	219	223	1218	1246
	Subtotal	3997	3990	1308	1341	5305	5331
Full-time employees (regular basis)	Male	109	84	35	62	144	146
	Female	9	7	5	4	14	11
	Subtotal	118	91	40	66	158	157
Non-full-time employees (temporary)	Male	989	868	145	173	1134	1041
	Female	245	190	33	39	278	229
	Subtotal	1234	1058	178	212	1412	1270
All employees	Male	4096	3919	1269	1353	5365	5272
	Female	1253	1220	257	266	1510	1486
	Subtotal	5349	5139	1526	1619	6875	6758

Note 1: Full-time employees (regular basis) Including employees with fixed-term contracts and industry student programs (technical and vocation school students)

Note 2: Data date: 2022 data as of December 31, 2022. 2023 data as of December 31, 2023

Composition of employees								
Complex	Item		Management personnel			Professional personnel	Entry-level personnel	Total
			Entry level	Mid-level	Senior level			
Taichung and Sha-Lu Complexes	Age 30 and under	Male	0	1	0	70	304	375
		Female	1	0	0	32	32	65
	30-50 years old	Male	54	17	1	416	885	1373
		Female	11	11	0	191	243	456
	Age 50 and above	Male	34	66	51	418	734	1303
		Female	12	15	10	173	299	509
	Total number of people		112	110	62	1300	2497	4081
Kang-Shan Complex	Ratio%		2.74%	2.70%	1.52%	31.85%	61.19%	100.00%
	Age 30 and under	Male	1	0	0	27	203	231
		Female	0	0	0	10	16	26
	30-50 years old	Male	22	9	0	99	516	646
		Female	8	0	0	56	45	109
	Age 50 and above	Male	8	13	6	57	219	303
		Female	5	8	0	22	57	92
	Total number of people		44	30	6	271	1056	1407
	Ratio%		3.13%	2.13%	0.43%	19.26%	75.05%	100.00%



Talent Recruitment and Retention

Number of new employees

Age group	Gender	Taichung and Sha-Lu Complexes		Kang-Shan Complex	
		Number of people	Ratio	Number of people	Ratio
Age 30 and under	Male	58	15.5%	47	20.3%
	Female	16	24.6%	2	7.7%
	Subtotal	74	16.8%	49	19.1%
30-50 years old	Male	88	6.4%	40	6.2%
	Female	28	6.1%	8	7.3%
	Subtotal	116	6.3%	48	6.4%
Age 50 and above	Male	9	0.7%	0	0.0%
	Female	6	1.2%	0	0.0%
	Subtotal	15	0.8%	0	0.0%
Total		205	5.0%	97	6.9%

Note 1: Ratio = number of new employees of the same age group and gender in the complex / total number of full-time employees of the same age group and gender in the complex.

Note 2: New employees are those who joined between January 1, 2023, and December 31, 2023 (including both regular and irregular employees).

According to the turnover conditions at the Company, the Company's turnover is low as most employees identify with the values of the Company.

Number of employee turnover

Age group	Gender	Taichung and Sha-Lu Complexes		Kang-Shan Complex	
		Number of people	Ratio	Number of people	Ratio
Age 30 and under	Male	35	9.3%	3	1.3%
	Female	6	9.2%	2	7.7%
	Subtotal	41	9.3%	5	1.9%
30-50 years old	Male	39	2.8%	11	1.7%
	Female	5	1.1%	3	2.8%
	Subtotal	44	2.4%	14	1.9%
Age 50 and above	Male	129	9.9%	25	8.3%
	Female	15	2.9%	4	4.3%
	Subtotal	144	7.9%	29	7.3%
Total		229	5.6%	48	3.4%

Note 1: Turnover refers to those whose resignation took effect between January 1, 2023, and December 31, 2023.

Note 2: Number of employee turnover

(1) Including regular and irregular employees who resigned voluntarily, retired, passed away, were laid off, or were dismissed.

(2) Excluding employees on unpaid leave/suspended pay (e.g. parental leave, military service, family care, etc.).



Talent Recruitment and Retention

Hiring of persons with disabilities and indigenous people

To protect the equal opportunities to employment of disadvantaged groups, AIDC implements the regulations in the "People with Disabilities Rights Protection Act" and "Indigenous Peoples Employment Rights Protection Act" for hiring persons with disabilities and indigenous people. The Company hired 112 employees with disabilities in 2023, which exceeded the required amount (53 employees). The Company hired 45 indigenous employees and has made a cash payment to the employment fund of the Aboriginal Comprehensive Development Fund for the shortfall (53 employees).

Note: Hiring individuals with severe physical or mental disabilities counts as hiring two people per individual

Workers who are not employees

The most common non-employee workers of AIDC are dispatched laborers, project contract, cleaning, and security guards of contractors. There were 1,440 such individuals in 2023 (1,270 dispatched laborers, 37 project contract personnel, 70 cleaners, and 63 security guards).

Note: The number of employees as of the end December 2023 is used as the basis for calculation.

Talent Cultivation and Development

AIDC adopted the "Talent Quality-management System (TTQS)" of the Ministry of Labor in 2015 as the guidelines for the Company's talent development. We received the corporate version gold medal in the most recent evaluation and the certificate is valid till December 19, 2025.

Therefore, AIDC adopted competence development as the critical foundations for overall talent cultivation and development. The Company has completed the modeling and establishment of the core competencies, management competencies, and general competencies of the Company. AIDC promotes talent cultivation based on the established functions along with the Company's development. We continue to pay attention to changes in R&D and strategy development and adjust training strategies in a timely manner. We also gradually improved the competency management mechanisms to retain big data for the Company's human resources and increase competencies for talent selection, hiring, and retention in HR operations.

Employee training and talent development

In addition to training for competency development, the Company remains

focused on training necessary for the implementation of the overall strategy and business objectives, including courses in general knowledge, occupational safety and health, audit and certification, manufacturing, product maintenance, material management, quality management, R&D and engineering, information software, flight safety, finance and accounting, and business administration and economics. These courses are provided to ensure that relevant business executives and employees have the necessary professional skills. The Company organized 4,209 sessions (3,850 company courses and 359 external courses) of employee training with 119,244 attendances (118,146 attendances in company courses and 1,098 attendances in external courses) in 2023, totaling 376,013 training hours (361,401 hours in company courses and 14,612 hours in external courses). The Company also encourages employees to use diverse learning channels and opened 235 digital courses for employees, which registered 55,374 attendances and accumulated 64,883 hours of training. The Company organized 4,444 sessions of employee training with 174,618 attendances in 2023, totaling 440,896 training hours (calculated based on the cumulative number of course hours for 2023 before deducting the resigning or retiring employees).

The Company also divided employees by title and gender to calculate the average training hours per person:

Training hours										
Category		Male			Female			Total		
		Training hours (A)	Number of employees (B)	Average hours per employee (A/B)	Training hours (A)	Number of employees (B)	Average hours per employee (A/B)	Training hours (A)	Number of employees (B)	Average hours per employee (A/B)
Direct employees		280,654	4,184	67.08	55,608	913	60.91	336,263	5,097	65.97
Indirect employees	Managers	12,038	304	39.6	3,663	82	44.67	15,701	386	40.68
	Specialists	33,363	784	42.55	15,175	491	30.91	48,538	1,275	38.07
Subtotal		326,055	5,272	61.85	74,446	1,486	50.10	400,501	6,758	59.26

Note 1: The scope of the number of employees and employee training hours is the full-time and non-full-time employees still employed as of December 31, 2023. Note 2: Employees who resigned or retired in 2022 were not included in the statistics.



Talent Recruitment and Retention

Industry-academic cooperation

AIDC has focused on the aerospace industry for many years and has created a solid foundation as well as technologies in the aerospace industry. We combine technical and vocational education with the aerospace industry to develop outstanding aerospace talents. We signed strategic alliance agreements with multiple institutions, jointly planned courses and faculty, and provided students with internship opportunities. We work together and develop elites in the aerospace industry.

Strategic alliances

The Company has signed strategic alliance agreements with 29 academic institutions in Taiwan.

Internships during winter and summer vacation

Regular students from freshman to senior year. The internship is organized during winter and summer vacation and is mostly 1 to 2 months.

2023 Partnerships: Taiwan National University, China Medical University, Chung Shan Medical University, Tunghai University, Hsiuping University of Science and Technology.

Long-term internship

The Company plans work for each profession and level and uses course internships, actual operations, and a mentor system to lead and familiarize students with work.

2023 Partnerships: National Chung Hsing University, Tunghai University, Feng Chia University, China University of Science and Technology, Cheng Shiu University, Taichung Municipal Shalu Industrial High School.

MA and PhD scholarships

The scholarship is provided for students who have been accepted in graduate institutes and postgraduate programs.

4 students were selected in 2023. Since 2014, the scholarship has been distributed 4 individuals in doctoral degree programs and 34 individuals in master degree programs. The total amount of scholarship distributed was NT\$11.4 million.

List of academic institutions with strategic alliance agreements

Academic institution	Universities		Technical and vocational institutions	
Name of institution	National Cheng Kung University	National Tsing Hua University	National Taiwan University of Science and Technology	National Taipei University of Technology
	National Chung Hsing University	Tamkang University	National Kaohsiung University of Science and Technology	Chienkuo Technology University
	National Changhua University of Education	Mingdao University	National Formosa University	Overseas Chinese University
	National Chung Cheng University	Da-Yeh University	National Chin-Yi University of Technology	Shu-Te University
	Tunghai University	Kainan University	National Taichung University of Science and Technology	Ling Tung University
	Feng Chia University	Yuan Ze University	China University of Science and Technology	Vanung University
	Providence University		Chaoyang University of Technology	Cheng Shiu University
			Taipei City University of Science and Technology	Kun Shan University
Total	13		16	



Happy Workplace

Labor-Management Relations

AIDC abides by Article 83 of the Labor Standards Act and the Regulations for Implementing Labor-Management Meeting and convenes a labor-management meeting to discuss labor issues every 3 months. The Company convened 12 labor-management meetings in 2023 (4 meetings each in Shui-Nan ,Sha-Lu and Kang-Shan complex). The Company also organized 1 seminars with the labor union to ensure harmonious communication between labor and management. 79.21% of all current employees have joined the union. The Company has signed a collective bargaining agreement with the corporate union in accordance with laws and continues to protect the rights and interests of the members and track the implementation of the collective bargaining agreement. Employees who are not members of the union are provided with protection in accordance with the Labor Standards Act and related regulations.

The Company was reorganized as a private company from a state-owned enterprise under the Ministry of Economic Affairs in 2014. The first collective bargaining agreement was signed after 28 consultation meetings over a period of 13 months and the collective bargaining agreement was signed on August 21, 2014 when AIDC was reorganized as a private company. Due to the validity period of the agreement, the second agreement was signed on May 22, 2018 after 13 consultation meetings over a period of 8 months. The third agreement was signed on December 4, 2023 after 8 consultation meetings over a period of 15 months.

The contents of the current (third) collective bargaining agreement included union activities, appointment and transfer, working hours, rest, leave, work remuneration and bonuses, human resource development, benefits, safety and health, collective bargaining, and the handling of labor disputes. The content superior to the Labor Standards Act included special approval for applications filed by union members for half salary for the first 6 months and 1/4 salary for the last 6 months of general injury and sick leave, with a total amount of no less than NT\$15,000. For working on a national holiday, the salary for the day shall be paid and the employee shall

be entitled to 1.6 days of additional overtime pay. Where the employment of a union member is terminated with prior notice as specified in Article 11 of the Labor Standards Act prior to August 20, 2024, the Company must provide the prior notice one month in advance and distribute one month's advance notice wages (base salary) to the member. Each year, the Company shall provide children of union members with scholarships and subsidies. The Company shall purchase accident insurance with an insurance amount no lower than NT\$4 million. Company shall adjust the labor pension allocation rate to 9% for employees eligible for the new pension system who were employed prior to August 21, 2014. The Company shall establish the employee stock ownership trust committee. Female members are given 8 days of prenatal check-up leave before giving birth. The terms of profit sharing are: performance bonuses are allocated based on pre-tax profit, 30% of the pre-tax profit is allocated within NT\$1.5 billion (inclusive), and 30% is allocated for the part above NT\$1.5 billion.

Employee Rights and Benefits

AIDC continues to abide by the Labor Standards Act, Employment Service Act, Act of Gender Equality in Employment, and related regulations. We pay close attention to employee training and maintain the physical and mental health of employees and their families. We established the "Sexual Harassment Complaint and Review Committee" and the head of the Ethics & Security Division serves as the chair. We respect human rights and gender equality to create an environment with substantial gender equality. In addition to the terms of labor and related laws and regulations, the Company's regular employees are entitled to certain benefits are superior to regulatory requirements.

AIDC Human Rights Policy

AIDC abides by labor and related regulations, protects employees' rights and interests, and abides by the spirit and principles of international human rights conventions such as the "United Nations Global Compact", "United Nations Universal Declaration of Human Rights", and "International Labour

Organization Declaration of Fundamental Principles and Rights at Work" to treat all employees with dignity. The Company organized human rights protection training in 2023 with contents including issues related to employee rights such as gender equality and prevention of sexual harassment and unlawful infringement. A total of 85 training courses were provided for 1,501 participants who received a total of 2,787 hours of training. In addition, the Employee Welfare Committee also upholds its position for taking care of employees and actively organizes leisure and educational outings, skill contests, ball games, seminars, and cultural and entertainment activities to enhance their physical and mental health. We offer group insurance for employees, gifts for retired employees, birthday gifts, and gift coupons for the three festivals. We also provide subsidies for club activities, marriage, childbirth, funerals, life insurance, accident insurance, and disaster relief. We set up cafeterias and cooperative stores and sign contracts with stores to provide employees with discounts.

Freedom of association

AIDC encourages employees to establish and participate in club activities. The Employee Welfare Committee has established clear guidelines for club management and subsidies and subsidizes the events of the clubs. Taichung and Kang-Shan Complex now have a total of 52 clubs.

Friendly childcare environment

To help employees take care of their careers and family, the Company complies with the policies of the government and is committed to providing a friendly childcare environment and related measures, such as breastfeeding rooms, family care leave, maternity leave and prenatal checkup leave for female employees, paternity leave for male employees, childbirth subsidies, and unpaid parental leave. The Company also provides pregnancy care and postpartum care for female employees. The Company provides employees with the "marriage subsidies", "childbirth subsidies", and "childcare subsidies" in accordance with the "Guidelines for Emergency Relief and Marriage and Childcare Subsidies" of the Employee Welfare Committee. Employees may file applications based on their personal or family needs and the benefits are the same for all genders and positions.



Happy Workplace

Parental leave

After AIDC employees are employed for six months, they may apply for unpaid parental leave before each child is three years old. The unpaid parental leave ends when the child reaches three years old but may not exceed two years. If the parents have two children under the age of three, both parents may apply for parental leave (not limited to twins/multiple births). When an employee applies for reinstatement before the expiry of

the unpaid parental leave, the Company shall assist in making arrangements for the employee to return to the original unit.

In 2023, 58 employees applied for unpaid parental leave and 38 of the 55 employees eligible for reinstatement were reinstated. The reinstatement rate in 2023 was 69.1%. 31 employees were reinstated from unpaid parental leave in 2022, and 31 remained on the job for more than one year after reinstatement. The retention rate was 88.6%.

Item	Male	Female	Total
Number of employees eligible for unpaid parental leave in 2023 (A) *	289	84	373
Number of employees who applied for unpaid parental leave in 2023 (B)	27	31	58
Unpaid parental leave application rate in 2023 (B/A)	9.3%	36.9%	15.5%
Number of employees expected to be reinstated from unpaid parental leave in 2023 (C)	25	30	55
Number of employees reinstated from unpaid parental leave in 2023 (D)	21	17	38
Reinstatement rate from unpaid parental leave in 2023 (D/C)	84.0%	56.7%	69.1%
Number of employees reinstated from unpaid parental leave in 2022 (E)	12	23	35
Number of employees reinstated in 2022 who have continuously worked for more than one year (F)	11	20	31
Retention rate of employees on unpaid parental leave in 2022 (F/E)	91.7%	87.0%	88.6%

Note 1: Number of employees who applied for maternity leave and paternity leave from 2021 to 2023

Note 2: Both parents may apply for unpaid parental leave before each child reaches the age of three.

Employee insurance

All employees are enrolled in labor insurance, health insurance, and group accident insurance. The Employee Welfare Committee also enrolls employees in group accident insurance, life insurance, medical insurance, and cancer insurance to help employees recover with peace of mind.

Pension

- Old pension system: The Company allocates 2% to 15% of employees' monthly salary to the labor pension reserve fund account in accordance with the regulations of the Labor Standards Act and the actuary report. The labor pension reserve fund account currently has a balance of approximately NT\$3.409 billion, which is sufficient for covering payments to employees who meet the criteria for retirement in accordance with the Labor Standards Act.
- New pension system: The Company allocates 6% of the employee's salary (9% for employees eligible for the new pension system who were employed prior to August 21, 2014 in accordance with the collective bargaining agreement) to the dedicated personal pension account set up at the Bureau of Labor Insurance in accordance with the Labor Pension Act.

The current ratio of the eligibility of the Company's employees for the new and old pension systems is 1.86 for new to old. The Company sets aside sufficient pension and

labor pension reserve fund for both the new and old pension system.

Compensation payment

The Company shall pay compensation in accordance with the compensation regulations upon the death of an employee.

Bonus payment

The performance bonus includes two parts, namely the appraisal bonus and performance bonus. The maximum amount of the appraisal bonus is 2.4 months of the total salary. The appraisal bonus includes the year-end bonus, annual appraisal bonus, and full attendance bonus; the performance bonus shall be paid only if the Company has earnings.

Ensuring labor conditions

AIDC abides by the requirements in the conventions of the International Labour Organization. We do not use any form of forced or compulsory labor. When employees are required to work overtime, they may apply for overtime pay in accordance with regulations. In addition, the Company abides by the regulations in the Labor Standards Act and related laws, and protects the employees' right to work. There have been no cases of leave without pay.

Employee shareholding trust

After the privatization of AIDC, the Company seeks to provide substantive care for employees and stabilize management rights. After considering the business environment and financial conditions of the Company, we continued to organize the employee shareholding trust for employees to join at their discretion and select the employee contribution amount. The Company shall provide the company contribution amount proportionally based on the employee contribution amount.

Further education subsidies

AIDC encourages employee learning and development for them to improve technical and language skills. The Company prepares budgets for subsidizing studies after work, technical license acquisition, and language skill test certification for the first and second halves of the year. In addition to providing key subsidies to employees whose continuing education aligns with the company's business development direction, those who have previously received subsidies for technical certification or language proficiency certification are also eligible for subsidies if they obtain higher-level certifications.

Company activities

In 2023, the company held a family carnival and a cultural market, and distributed holiday gift boxes and movie tickets to every employee.



Happy Workplace

Employee Assistance Service Center

AIDC prioritizes employees' physical and mental health and upholds the policy of protecting employee health and creating happy workplaces and careers. We continue to provide diverse options in line with company operations for the purpose of facilitating early detection or early treatment or response with diverse mental health early warning and management plans. We also use mental health care plans to help employees return to the workplace, make contributions, and improve business performance. The Company has established the Employee Assistance Service Center and assigned professionals to take charge of the Employee Assistance System, set up the caregiver network operation system, and provide diverse Employee Assistance Programs (EAPs). We established the Mental Health Assistance Implementation Regulations and the Care System and Volunteer Service Regulations to comprehensively support the mental health of employees.

Implementation of the Employee Assistance System

Purpose: The Company integrated internal and external resources to provide AIDC employees with assistance for work, health, emotional needs, and stress.

Contents and results of the Employee Assistance System (EAS)

● Employee assistance knowledge and mental health education

The Company promotes self-growth courses/events, spiritual growth, health, volunteer services, gender mainstreaming, and public welfare information in the Employee Assistance Service area of the internal Notes system. We published 729 posts in 2023 for employees to choose activities or use the information. In 2023, we organize 145 employee assistance knowledge courses for a total of 1,875 participants.

● Operations of the care system

The company's volunteer team has established and trained caring volunteer squads to assist the employee support programs. The caring volunteer squads serving as a bridge between entry-level employees and supervisors in the unit. They implement the care mechanisms in the Employee Assistance System and use various "personalized employee assistance programs" and "group employee assistance programs" to provide employees with care and assistance. They maintain the physical and mental health of employees and their families, and reduce employee absenteeism. These measures improve the physical and mental health of employees, reduce unsafe conduct, prevent human error, reduce the risks and cost of health hazards, and improve mental health and workplace safety. The up-close care initiatives help employees receive the caring support of the Company.

The services provided by caring volunteer squad to employees and their families are as follows:

- 1) Individual care (including care for new employees), as needed, refers employees to employee assistance services, other relevant departments, or external resources for support.
- 2) Report incidents of injury/illness hospitalization, bereavement, or other accidents, and provide care and condolences.
- 3) Promotion of mental health and employee assistance service

information.

- 4) Identify the need for group counseling within the unit, and proactively facilitate and assist in organizing group counseling sessions.
- 5) Provide birthday message and care.
- 6) Assist with large company events or company-sponsored charitable activities.
- 7) Other matters related to employee assistance services.

In 2023, a total of 212 caring volunteers were involved, providing 911 hours of service to 6,649 individuals.

Caring volunteer squad visit the hospital or homes of employees with injuries or illnesses based on information received through the care network's reporting channels. They assess the conditions and recovery status of both employees and their family members, monitor the resources available to them, and remind them of their benefits and rights. Additionally, they track the employees' recovery progress regularly.

● Guidance services for new employee care

When the care volunteers of units provide care for new employees, those who are unable to adapt are referred to the professional personnel at the Employee Assistance Center who provide necessary assistance for new employees to experience the thoughtful care and services of the Company. It helps build cohesion in the Company and helps them adapt to the environment and new work faster. The Training Center provided 79 sessions of general knowledge training for new employees in 2023. 671 employees attended the training, totaling 4,852.5 training hours (including dispatched employees but excluding professional competency training courses).



Happy Workplace

● Psychological consultation

The psychological consultation is provided in one-on-one meetings to protect the privacy of employees. Employees are provided with psychological consultation services to resolve employees' troubles and issues in management efficiency, work environment, mental state, health, legal issues, economic issues, family interactions, children's education, career development, and interpersonal relations to help them concentrate on work with peace of mind and increase work efficiency and quality.

● Care services for injuries, illnesses, and accidents

The contents of the program include visits to the hospital or homes of employees to express the care of the Company's senior management to the employee. The care providers learn about the conditions and recovery and the status of resources of employees and family members. They also provide or verify their exercise of rights and benefits to ensure that all rights and benefits are provided.

● Group plans for catastrophic illness support

Purpose: Use mutual support and care between employees to provide emotional relief and support, alleviate the uncertainty and anxiety about illnesses and treatments, improve employees' psychological adaptability, help them view life from a positive perspective, and make their lives complete and fulfilling.

Goals: Use support groups to help employees receive emotional support to face the process of cancer diagnosis and treatment. Help them actively seek the meaning and value of life goals and their existence.

Results: The Company organized 21 group sessions in Taichung and Kang-Shan Complexes for 208 participants in 2023 for professional instructors to provide systematic support.

● Care services for employees eligible for age-based/special retirement plan

- ▲ Assistance for retired employees upon reaching retirement age: The Company learns about employees' retirement plans and matters for which they require assistance, and provides career development consultation services. AIDC also provides opportunities for volunteer services to enrich their life after retirement.
- ▲ Retirement career plan education: We provide explanation and care knowledge courses on the rights and interests of retirement.
- ▲ Retirement farewell tea party: The President presides over the farewell tea party each quarter to thank the employees and listen to their advice.
- ▲ Care for retired employees: The Company mails greeting cards signed by senior managers at the end of the year and invites them to return for the year-end party and anniversary events.



Occupational Safety and Health

Safe and Healthy Work Environment

Employees are the most important assets of the Company. AIDC cares about employee health and continues to create a healthy, safe, sanitary, and comfortable work environment for every employee to work with peace of mind and create a bright future with the Company.

Safety and Health Committee

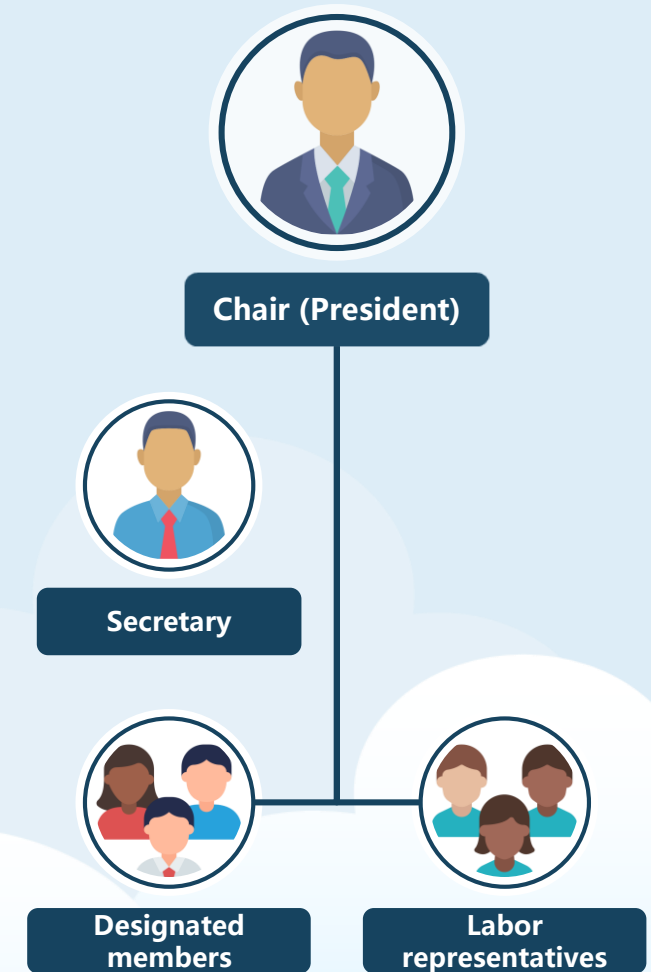
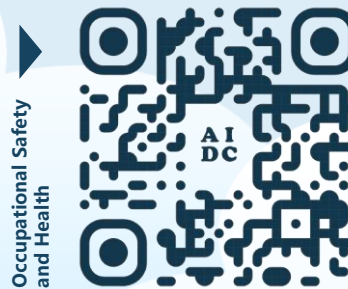
The Company established the Occupational Safety and Health Committee in accordance with the Occupational Safety and Health Act and the Regulations Governing Occupational Safety and Health. The President serves as the chair of the Committee and the Vice President of the occupational safety and health unit serves as the deputy chair. The role of the secretary is filled by a manager of the occupational safety and environmental protection unit. The President may designate managers or personnel of related units as committee members based on actual requirements. The members of the Committee who represent the union shall be elected by the corporate union. The organization of the Occupational Safety and Health Committee of AIDC is as right graph.

The Occupational Safety and Health Committee convenes 1 meeting every quarter. Its duty is to propose recommendations for the Safety and Health Policy and review and coordinate safety and health matters. In 2023, the 14th Occupational Safety and Health Committee had 26 members, including 13 management representatives and 13 labor representatives (including 6 labor representatives for Taichung Complex, 3 labor representatives for Sha-Lu Complex, and 4 labor representatives for Kang-Shan Complex). Labor representatives account for 50% of the members.

Operations of the safety and health management system

All AIDC complexes have received the occupational health and safety management system (ISO 45001) certification. The scope of internal and external audits includes all complexes of the Company. Workers covered by the management system include all employees (5,433 individuals) and non-employee workers (951 individuals). We use risk management and continuous improvement to reduce the occurrence of occupational injuries. We also organize occupational safety and health promotion activities, training, and emergency response drills to help all workers develop correct safety and health awareness knowledge, reduce operational risks for employees, implement environmental safety and health management, and create a high-quality workplace environment.

AIDC implements labor health protection plans for maternity health protection at the workplace, abnormal work load, illegal infringement of physical and mental health, and ergonomic hazards to promote the physical and mental health of employees. Risk identification, evaluation, and control shall be implemented for all plans in accordance with related guidelines of the central competent authority





Occupational Safety and Health

Hazard Identification, Risk Assessment, and Incident Investigation

AIDC has established, implemented, and maintained the occupational health and safety management system to identify hazards in the work environment or operational activities, evaluate occupational safety and health risks, and determine the impact of hazards on the Company's personnel. AIDC also considers occupational safety and health opportunities for eliminating hazards or reducing occupational safety and health risks and improving occupational safety and health performance. The Company seeks to protect the safety and health of employees and prevent the occurrence of occupational hazards and occupational diseases. At the same time, the top priority of the safety and lives of workers are declared in various occupational safety and health education and training and related documents and operating regulations. To reduce the occurrence of occupational incidents, it is also stipulated that when there is an immediate danger in the workplace, work can be stopped immediately and workers shall evacuate to a safe place.

Timing to perform risk assessment: when establishing an occupational safety and health management system; when new chemical substances, machinery, equipment, or operating activities are introduced; when processes, equipment, materials, technology, organization, and manpower are changed.

Timing to revise risk assessment:

1. When occupational safety and health regulations are revised and relevant operations are confirmed to be affected.
2. When new hazards are identified in a process, activity or service.
3. When new safety and health knowledge, technology or practices emerge and are relevant to operations.
4. When it is confirmed that the risk assessment results of relevant operations need to be reviewed and revised based on the incident investigation report, incident statistical analysis results or management review results.
5. When it is confirmed based on the results of supervision or measurement that the control measures cannot be effectively implemented or achieve expected results.
6. The occupational safety and health management system shall be regularly evaluated at least once every three years before renewal of certificates.

01

Process name

Identify all operations or construction based on the process, activity, or service procedures

02

Hazard identification and consequences

- Operation conditions
- Hazard type
- Cause of hazard and potential consequences (description of cause and effect)

03

Existing protection facilities

- Engineering control
- Management control
- Personal protective equipment

04

Risk evaluation

- Severity
- likelihood
- Risk level

05

Measures to reduce risk

Control measures required to reduce risks

06

Estimated risk after control measures

Residual risk after implementation of control measures



Occupational Safety and Health

Safety and Health Training

AIDC provides employees with safety and health training programs to ensure that every employee is familiar with occupational safety and health regulations and the Company's safety and health management mechanisms. In 2023, AIDC trained 7,133 employees in its safety and health training courses.

Onsite Management

Equipment Safety Management

The Company completed the regular inspections of hazardous machinery and equipment in 2023 to ensure the safety of equipment and personnel. The Company has 18 fixed cranes with hoisting capacity of 3 tons or more, 16 sets of special high-pressure gas equipment, 1 set of first type pressure vessel and 1 set of small boiler.

Emergency Response Drills

Self-defense fire safety team organization training: The Company organized 6 sessions in Taichung Complex, Sha-Lu Complex, and Kang-Shan Complex for a total of 1,850 participants.

Emergency response drills: The Company organized 57 sessions of the self-defense fire safety emergency response drills in Taichung Complex, Sha-Lu Complex, and Kang-Shan Complex for a total of 2,350 participants.

Work Environment Control

The Company appoints institutions approved by the Ministry of Labor to conduct inspections on dust, noise, carbon dioxide, organic solvents, specific chemical substances, and lead in the work environment. Two rounds of operating environment inspections were implemented each in Taichung, Sha-Lu, Taiwan Advanced Composite Center, and Kang-Shan in 2023.

Statistics on Training for Safety and Health Personnel in 2023

Course name	Number of sessions	Number of trainees
General safety and health training for new employees	69	446
Type A occupational safety and health supervisor training	2	22
Training for operators of fixed cranes with hoisting capacity of 3 tons or more	7	25
Training for operators of fixed cranes with hoisting capacity of under 3 tons	5	316
Safety and health training for operators using cranes for slinging operations	5	286
Training for operators of aerial work platform	3	7
Training for operators of forklifts	4	42
Training for supervisors in charge of harmful operations	15	43
Training for operators of specified high-pressure gas equipment	3	3
Safety and health training for Supervisors of roof operations	1	3
Safety and health training for first aid personnel	3	122
Health improvement activities-noon sessions	9	336
Safety and health communication, seminars, or lectures	13	492
On-the-job safety and health training for all employees	42	4,989
Internal audit training for occupational safety and health system	1	1
Total	182	7,133



Occupational Safety and Health

Occupational Hazards

The occurrence rate of occupational hazards at AIDC in 2023 is calculated based on the "Ministry of Labor Announcement on the Disabling Frequency Rate of Each Industry (Other Transportation Vehicles and Parts Manufacturing Industry)". The average value in the last three years is 1.85. There have been no major occupational incidents in 2022 and 2023.

Occupational Hazard Statistics and Prevention

In terms of types of occupational accidents occurred at AIDC in 2023, Taichung complex (including Sha-lu complex) has the highest number of falls, trips, and slips, followed by stabbings, cuts, lacerations, and bruises; the Kang-Shan complex has the highest number of objects dropped and falling, followed by being pinched, rolled, and pressure injury. A caught-in-between incident occurred on February 15, 2023 at the Kang-Shan complex. When the worker was replacing the rollers of a roller press machine, the power-off operation was not carried out in advance according to the standard operating procedures, causing two fingers of the worker's left hand (middle finger and ring finger) to get caught in the rollers. After treatment and surgery, the worker was discharged from the hospital on February 23 and returned home for recuperation, and returned to work on April 24. During the period of hospitalization and recuperation, the supervisor of the worker continued to express condolences many times, and sent consolation grant and nutritional supplements. Colleagues in the unit also helped to understand and apply for various insurance claims so that the worker was able to focus on recovery. After returning to the workplace, an occupational physician was arranged to conduct a return-to-work assessment, which showed that the injured worker recovered well and did not need further treatment. The worker was transferred to other work areas which mainly engaging in grinding operations. There was no need for the worker to operate the roller press machine or carry heavy objects.

Item/Year	2019	2020	2021	2022	2023
Number of employees deceased due to work	0	0	1	0	0

Statistic of occupational accidents in 2023	Taichung and Sha-Lu	Kang-Shan	Average of peers in the last 3 years
Disabling injury frequency rate (FR) (number of disabling injuries per 1 million work hours)	2.42	0.97	1.85
Disabling injury severity rate (SR) (number of days lost due to disabling injuries per 1 million work hours)	38	53	106
Total frequency-severity indicator (FSI) √ (disabling frequency rate (FR) X disabling severity rate (SR)) ÷ 1000	0.30	0.22	0.44

Number of occupational injuries	2022				2023			
	Taichung and Sha-Lu		Kang-Shan		Taichung and Sha-Lu		Kang-Shan	
	Number of cases	Work hours lost	Number of cases	Work hours lost	Number of cases	Work hours lost	Number of cases	Work hours lost
Occupational injuries from workplace and plant traffic accident	39	5004	5	964	23	2936	3	1304
Occupational injuries from external traffic accidents	66	55324	8	1997	43	6696	16	6575

Taichung			Sha-Lu			Kang-Shan		
falls, trips, and slips	stabbings, cuts, lacerations, and bruises	objects dropped and falling	Collision injury	falls, trips, and slips	stabbings, cuts, lacerations, and bruises	objects dropped and falling	caught-in-between and pressure injuries	stabbings, cuts, lacerations, and bruises
18.5%	14.8%	7.4%	11.1%	7.4%	7.4%	15.8%	13.6%	12.5%



Occupational Safety and Health

Total work hours in each complex in 2023:

- Total male employee work hours at Taichung and Sha-Lu Complexes were 5,866,360 hours
- Total female employee work hours at Taichung and Sha-Lu Complexes were 1,880,495 hours
- Total contractor work hours at Taichung and Sha-Lu Complexes were 1,726,948 hours
- Total male employee work hours at Kang-Shan Complex were 2,558,184 hours
- Total female employee work hours at Kang-Shan Complex were 503,280 hours
- Total contractor work hours at Kang-Shan Complex were 16,224 hours

High-consequence occupational injuries:

Occupational injuries that lead to fatalities or that are barely possible/difficult to completely recover within six months.

Recordable occupational injuries:

Occupational injuries or illnesses caused by any of the following conditions: A major injury or illness that results in death, removal from work, restricted or changed work, medical treatment that exceeds the scope of emergency aid, or loss of consciousness, or a diagnosis by a physician or other licensed health care professional.

Number of deaths and rate caused by occupational injuries in 2023
= number of deaths caused by occupational injuries/work hours (total work hours) * 1,000,000

Complex	Number of people	rate
Taichung and Sha-Lu Complexes	0	0
Kang-Shan Complex	0	0
Contractors at Taichung and Sha-Lu Complexes	0	0
Contractors at Kang-Shan Complex	0	0

Number and rate of high-consequence occupational injuries (excluding deaths) in 2023
= number of high-consequence occupational injuries (excluding deaths)/work hours (total work hours) * 1,000,000

Complex	Number of people	rate
Taichung and Sha-Lu Complexes	0	0
Kang-Shan Complex	1	0.32
Contractors at Taichung and Sha-Lu Complexes	0	0
Contractors at Kang-Shan Complex	0	0

Number of recordable occupational injuries and rate in 2023
= number of recordable occupational injuries/work hours * 1,000,000

Complex	Number of people	rate
Taichung and Sha-Lu Complexes	15	1.93
Kang-Shan Complex	3	0.97
Contractors at Taichung and Sha-Lu Complexes	9	31.5
Contractors at Kang-Shan Complex	0	0

Note: High-consequence occupational injuries are those that lead to fatalities or that are barely possible/difficult to completely recover within six months.



Occupational Safety and Health

Contractor Safety and Health Management

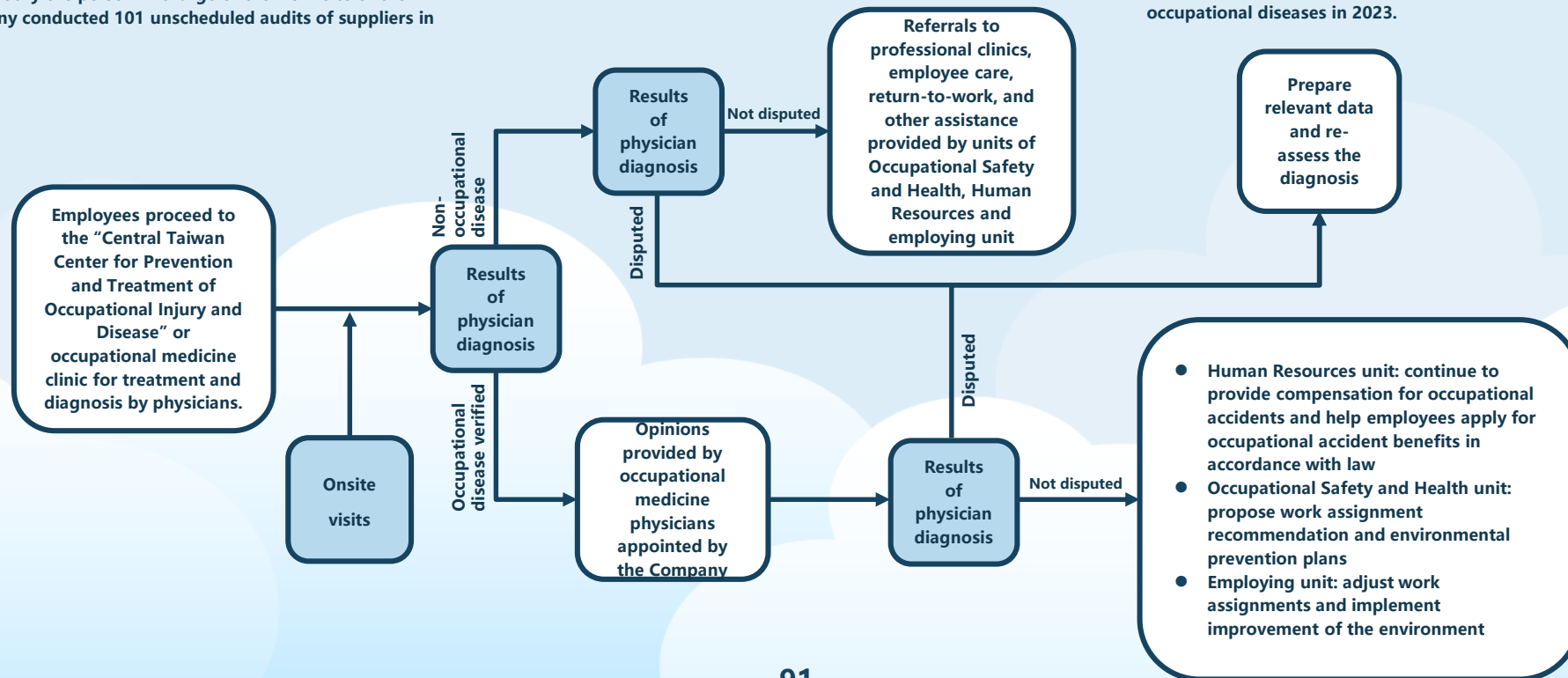
Quality assurance has become a basic requirement of the aerospace industry. Contractors are critical partners for the development of the industry and their quality has a significant impact on AIDC. Therefore, the Company established the "The Management of Occupational Safety and Health Implemental Regulation for Contractors" in accordance with the Occupational Safety and Health Act and the Company's actual requirements. Before construction, the Company provides occupational safety and environmental protection training for construction workers and sets up a consultative organization. AIDC designates the person in charge of the work site to implement supervision and coordination and prepare records. In the event of an accident, the Contract shall immediately respond in accordance with related regulations in the Occupational Safety and Health Act and immediately notify the person in charge of the work site of the Company. The Company conducted 101 unscheduled audits of suppliers in 2023.

Chemical Materials Supplier Management

AIDC requires suppliers to provide safety data sheets and related documents when purchasing chemical materials. To prevent the hazards of toxic substances, suppliers are required to label the containers and provide the safety data sheets for the toxic chemical substances when they supply the chemical materials. The Company also requires suppliers to obtain the permit for the import, production, or sales of toxic chemical substances issued by the Environmental Protection Administration in accordance with the "Toxic Chemical Substances Control Regulations". In addition, the unit that requires the materials must consult the environmental protection unit before requesting the purchase. These measures are implemented to ensure compliance with environmental protection regulations.

Occupational Disease Prevention, Diagnosis, and Treatment

AIDC organizes seminars on hearing protection and prevention of musculoskeletal injuries from time to time and works with occupational safety and health and employer units in inspections of the work environment and operating procedures as well as improvements of the environment. The Company established the "Diagnosis and Treatment Procedures for Suspected Occupational Diseases" to provide employees suspected of occupational diseases with sufficient information for diagnoses by doctors and help employees with diagnosis of occupational diseases. In 2023, there was no fatalities caused by occupational injuries for the Company. There was a case of noise-induced hearing loss in which the worker had early-stage hearing loss. Adjustments were made at work in 2013. Since 2019, personal noise exposure has not exceeded 60dBa. There were no cases of occupational diseases in 2023.





Occupational Safety and Health

Employee Healthcare Health Promotion Policies

- The Company has the responsibility and obligation to take care of employees' health.
- Comply with health regulations and policies promulgated by the government.
- Continue to focus on improving the work environment, control hazardous substances, and prevent accidents and injuries.
- Enhance physical activities, adaptation to pressure, and tobacco hazard prevention, and organize diverse health promotion activities and training.
- Prevention is more important than treatment. The Company implements regular and irregular health examinations, chronic disease control, women's cancer screening, and prevention of communicable diseases.

COVID-19 Preparedness Response

1. All production lines of the Company were operating normally without any shutdown, achieving the goal of continuous operation.
2. During the pandemic from January 2020 to May 2023, approximately 54% of all employees were confirmed with COVID-19, lower than the Central Epidemic Command Center's (CECC) estimate of Taiwan's actual diagnosis rate of more than 70%.
3. The first confirmed case in the Company (April 2022) was 28 months later than the first confirmed case in Taiwan (January 2020).
4. When there was still a shortage of vaccines domestically,

the Company actively coordinated with relevant units to assist employees in being vaccinated, and approximately 6,000 employees were vaccinated in 10 batches, effectively reducing the risk of employees getting COVID-19.

5. The company-wide vaccination rate is higher than the average vaccination rate in Taiwan: The first dose was 99.0%, the second dose was 98.4%, and the third dose was 94.5%.
6. When there was a shortage of rapid screening kits as the government gradually eased the lockdown, we immediately prepared and assisted employees with being screened 23,000 times, effectively preventing the spread of COVID-19 within the Company.
7. On May 1, 2023, the CECC lowered the epidemic alert level to general regulations. The entire company worked together to prevent and control the spread of COVID-19, and safely weathered the pandemic that lasted three years and four months.

Health Promotion Management and Health Education Services

AIDC values the health of employees. In 2023, the Company actively promoted and implemented health promotion management and health education services with the following results:

Health Education Services

- Health education - Gastroscopy health: 367 cases
- Health instructions for employees with high blood pressure: 229 cases

- Hearing protection program: 247 cases
- Health education - Health and health education during pregnancy: 32 cases
- Respiratory protection program: 312 cases

Health Promotion

The Company organizes regular employee health examinations each year and 5,233 participants (3,939 in Taichung and 1,294 in Kang-Shan) completed health examinations in 2023, in which the Company added thyroid ultrasound screening, glycosylated hemoglobin test to ensure early discovery and early treatment. The Company also provided self-paid inspection items including hepatobiliary functions, pancreatitis screening, helicobacter pylori, thyroid, and cardiovascular pathology for blood tests at the health examination for employees to choose.

1. High-risk individuals: The Company shall investigate the connection between labor health conditions and operations based on the health examination results. It shall also assess the health of workers with high health risks, implement health promotion measures, and assign doctors to provide services onsite:
 - High risks of brain and cardiovascular diseases - Blood pressure measurements of 1,681 employees were monitored. 175 employees were identified with medium to high risks of brain and cardiovascular diseases. Doctors were assigned to provide follow-up healthcare services onsite.
 - The Company completed personal health education for 280 employees after the health examination for special

operations, including noise operations, ionizing radiation operations, lead operations, dimethyl formamide operations, 2,4-toluene diisocyanate operations, dust operation, chromic acid operations, nickel operations, and bromopropane operations.

- 37 cases were included in overload prevention and continuous personal healthcare education was provided.
 - Abnormal blood sugar management: 18 cases
 - Musculoskeletal injury prevention and management: 47 cases
 - Return to work assessment: 7 cases
 - Worker selection and assignment for new employees: 92 cases
2. Seminars/activities:
 - Preventing communicable diseases: Administered flu vaccine for 437 people
 - 116 health information announcements / viewed 29,302 times
 - 7 COVID-19 disease prevention information announcements
 - 1,813 cases of injury and illness treatment
 - 189 cases of hearing protection tightness tests
 - 150 cases of vision inspections
 - 23 health seminars for 616 participants
 - 1,726 blood pressure tracking cases
 - 672 bags in blood donation drives
 - 160 cases included in fitness examinations
 - 189 cases of CPR training
 - 384 cases of worker selection and assignment



Occupational Safety and Health

Health Promotion Track Records

- From 2016 to 2024, the Company has received the "Exercise Enterprise Certification" issued by the Sports Administration of the Ministry of Education for 4 consecutive times.
- The Company received Company and Individual Award for 2023 Workplace Employee Service Promotion Plan from Department of Health of Kaohsiung City Government

Safety and Health Management System Certification

AIDC's measures for processing risks and opportunities, occupational safety and health targets, and plans for attaining these goals are processed in accordance with the occupational safety and health management system. The Company also appoints third-party certification institutions to conduct audits every year to maintain effectiveness of the certification.

- Taichung Complex obtained CNS 45001/ISO 14001/ISO 45001 certification in 2021. The effective period is from October 16, 2021 to October 16, 2024. It passed the second follow-up inspection for ISO45001 and TOSHMS conducted by SGS Taiwan on October 18, 2023.
- Kang-Shan Complex obtained CNS 45001/ISO 45001 certification in 2023 and the effective period is from September 20, 2023 to September 20, 2026.

Social Care

Prevention of Natural Disasters

Taiwan is located on the main path of typhoons in Northwest Pacific. The frequency of extreme weather events has increased in recent years due to climate and environmental changes. In response to such phenomena, AIDC upholds the ideals of resource integration and sharing and made use of the Company's core resources for aerospace engineering in the "Typhoon Observation Project and Southwest Monsoon Heavy Rain Observation" to contribute to the national disaster reduction and relief policy.

Typhoon Observation Project

The project consists mainly of observation of typhoons that may affect Taiwan. The aircraft responsible for implementing the project took off from Taichung Ching Chuan Kang Air Base and reached the top of the typhoon clouds in the atmosphere and used dropwindsondes on designated flight paths to obtain information on the atmosphere. It used satellite equipment to deliver the information to the Central Weather Bureau's system. Once the data are assimilated and analyzed, they can be used to increase the accuracy for typhoon path predictions and reduce the losses from typhoons. The data are also provided to international meteorologists and academic institutions to increase the international standing of Taiwan in typhoon research.

Observations of Typhoon Doksuri were carried out in 2023. Due to poor transmission of observation data and the system could not be repaired, the observations were suspended. We have carried out 86 flights for observing

70 typhoons in the "Typhoon Observation Project" as of the end of 2023 since the first flight for Typhoon Dujuan in 2003. AIDC completed 430 hours of typhoon flight observation and the results were used as major benchmarks for future flight observation projects in Taiwan and other countries. It also helps increase the accuracy for predicting the paths of typhoons that affect Taiwan. The actual typhoon path forecasts of the Central Weather Bureau show that the data from the dropwindsondes reduced the inaccuracy of typhoon path forecasts within 72 hours by approximately 6.2%. It increases the government's effectiveness in disaster prevention measures and significantly reduces the loss of life and property of people.

Southwest Monsoon Heavy Rain Observation

AIDC cooperated with the Central Weather Bureau in the "Southwest Monsoon Heavy Rain Observation". Dropwindsondes were also dropped from high altitudes by an aircraft to obtain information on the atmosphere. The overall objective is to enhance early warning for heavy rain and meet disaster reduction and relief requirements. It enhances the basic scientific understanding of heavy rainfall systems caused by the Southwest Monsoon, and improves the accuracy of existing short-term quantitative rainfall estimates and forecasts. It also provides insight on the thermodynamic characteristics of the Southwest Monsoon, the mechanisms for triggering heavy rainfall systems, and the cloud microphysics and cloud dynamic structure within the mesoscale convective complex itself. The experiment also includes high-resolution quantitative rainfall forecast data simulation

and radar data assimilation experiments to improve the accuracy of existing quantitative rainfall forecasts.

Airborne Medical and Rescue Services

To make the most of the Company's resources and to help people, the Company obtained the permission from the Civil Aeronautics Administration for operating emergency medical care flights in May 2013. The Company signed the "emergency medical care flight" contract with Tung's Taichung MetroHarbor Hospital in August of the same year. AIDC also expanded the partnership with medical service teams such as Inter Partner Assistance, Chang Bing Show Chwan Memorial Hospital, and International SOS in Hong Kong (ISOS, renamed International SOS (Taiwan) Company Limited) in 2014. AIDC expanded the partnership with Executive Aviation Global Services in 2015. The Company expanded cooperation with Taiwan International Tourism and Rescue Service Association and the Medical Center of Taiwan Landseed Hospital at Taiwan Taoyuan International Airport in 2019 to provide emergency medical aircraft transportation services to help transport foreign nationals residing in Taiwan back home for treatment.

The scope of services for emergency medical flights includes Southeast Asia, Northeast Asia, and China. Flights to destinations at greater distances include Hokkaido, Ulaanbaatar, Chengdu, Bangkok, and Jakarta. The Company completed 150 missions to airports in 45 cities in Mainland China (including Hong Kong/Macau), Japan, South Korea, Cambodia, Thailand, the Philippines, Vietnam, and Malaysia from June 2013 to 2023.



Social Care

Good Relations with Local Communities

The Company upholds related policies and prepares annual community care budgets to continue to care for the community and society. We work hard together to create a high-quality living environment.

	Unit/activity name	Description
1	Eden Social Welfare Foundation-Love Children Festival	Grant funding. The organizer of the event is the Eden Social Welfare Foundation, which supports the early treatment of children with developmental delay, aiming at solving children's difficulties and growth issues.
2	National Outstanding Mothers Awards	Grant funding. The organizer of the event was the Taiwan Disability-Free Association, which promoted accessible construction and the welfare and rights of people with physical and mental disabilities. The National Outstanding Mothers Awards pay tribute to the mothers of people with disabilities, and commend the greatness of maternal love.
3	2023 Internet Safety Education Campaign for children and teenagers	Grant funding. To enable children and teenagers in remote areas to have a deep understanding of internet safety and to keep them from being overly addicted, attacking others, so that they know how to use internet correctly, and how to protect themselves.
4	Influenza Vaccination Campaign in Pengcheng Vil., Xitun District, Taichung City	Grant funding, community participation, and improvement of residents' health.
5	2023 Longevity Club Activities in Xishi Vil., Shalu District, Taichung City	Grant funding, community participation, and improvement of the elders' welfare.
6	2023 Shalu Concert and Energy Saving Promotion Campaign in Shalu District, Taichung City	Lottery prize sponsorship, community participation, and promotion of cultural literacy of residents.
7	Surveillance video host for Gongming Vil. Office in Shalu District, Taichung City	Grant funding, community participation, and improvement of the safety of the neighborhood.
8	Tree Sponsorship for Huagang Community Development Association in Gangshan District, Kaohsiung City	Grant funding, community participation, and improvement of environment quality of the community.
9	87 th Anniversary of National Kangshan Agricultural & Industrial Vocational Senior High School in Gangshan District, Kaohsiung City	Grant funding, community participation, and talent cultivation.

In 2023, AIDC participated in activities including donation of agricultural produce to underprivileged groups, purchase of products made by welfare associations, living allowance for mid or low-income families, concerts, festival activities for Dragon Boat Festival, Mother's Day, Father's Day and Double Ninth Festival, emergency allowance, meetings with the neighborhood, environmental volunteer, visits to the disadvantaged.

Other social care and sponsorship events are shown in the table below:

	Unit/activity name	Description
10	2023 Double Ninth Festival Respect for the Elderly and Energy Saving and Carbon Reduction Promotion Campaign in Jiaxing Vil., Gangshan District, Kaohsiung City	Grant funding, community participation, and expression of gratitude and admiration to the elderly.
11	Donation of agricultural produce (atemoya) to Hueiming Blind Welfare Foundation https://www.aidc.com.tw/tw/news/510	For ESG implementation, the Company purchased agricultural produce (atemoya) grown by smallholders who have been affected by climate change, and donated them to the Christian Hueiming Blind Welfare Foundation.
12	Donation of agricultural produce (Irwin mango) to welfare association for disadvantaged children https://www.aidc.com.tw/tw/news/512	For ESG implementation, the Company purchased agricultural produce (Irwin mango) grown by smallholders and donated them to the Central Region Children's Home of the Ministry of Health and Welfare the Cixin Children's Home in the East District of Taichung City to do our share of caring for disadvantaged children.
13	Donation of agricultural produce (pomelo) to underprivileged groups https://www.aidc.com.tw/tw/news/521	For ESG implementation, the Company purchased agricultural produce (pomelo) grown in Ruisui and Hegang Vil. in Hualien County and donated them to the Genesis Social Welfare Foundation, Taichung City Association of Mentally Retarded and Good Shepherd Center in Taichung City to do our share of caring for underprivileged groups.
14	Purchase of vinegar of Maria Social Welfare Foundation	The Company purchased products made by Maria Social Welfare Foundation to help improve the lives of underprivileged groups.
15	Purchase of mooncake gift set of Eden Social Welfare Foundation	The Company purchased products made by Eden Social Welfare Foundation to encourage people with disabilities to learn skills and develop self-reliance abilities.
16	Promotion of aviation education in nearby elementary school https://www.aidc.com.tw/tw/news/520	2023 marked the 50th anniversary of the establishment of the Company's aero engine business. On Sept. 19, the Company specially invited personnel from Rolls-Royce, a major British manufacturer of aircraft engines, to Jiaxing Elementary School in Gangshan District, Kaohsiung City to promote basic aviation knowledge.

Social Care

Supporting Charity Organizations for the Disadvantaged

AIDC aims to use the manpower resources of employees to fulfill corporate social responsibility. In addition to assigning teams of care volunteers to provide services to employees, the Company also established the comprehensive service volunteer team and aerospace education volunteer team to provide services to external entities and serve the public interest. The activities enrich the lives of volunteers and improve their value in life, and support the spirit of kindheartedness and help for the poor. AIDC

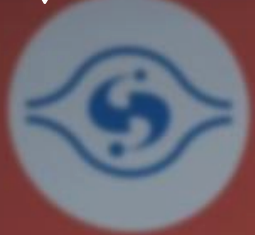
supports the underprivileged and helps the poor out of compassion and empathy. The Company has organized volunteers to provide social care and mutual support services through the "AIDC Volunteers Team" established by the Company for many years. We established the "Care System and Volunteer Service Regulations" to promote social welfare. Over the years, the Company has been working with government agencies and welfare associations to pay attention to the human rights of the elderly, young people, persons with disabilities, and new immigrants to enhance their social integration and adaptability. The Company also focuses on environmental and ecological protection issues and involves in environmental protection education and beach and mountain cleaning activities. In the meantime, the Company assists in the promotion of

volunteerism and public service including regular on-duty services in supporting walking/running/music classes for visually impaired students of Hueiming Institution to assist in the development of professional talents, volunteering in tours/consultations at Taichung Central Park, improvement of citizens' awareness of environmental protection through Jiading Wetland ecological conservation/environmental improvement activities, visit and care for the elderly living alone to strengthen the nursing care and companionship, paper art DIY activities for the elderly with dementia to slow down degeneration and dementia, and other diversified activities and services to fulfill social responsibilities. In 2023, the Company provided support for 51 charitable activities, which involved 3,201 volunteers and 450,850 recipients, and provided services for 75 charity organizations.

Activity date	Activity name	Groups supported	Number of AIDC volunteers	Number of recipients	Times of activity	Number of groups supported
year-round	Walking companions for the visually impaired of Hueiming Blind Welfare Foundation in social inclusion activities, course service in music classes	Institution for the visually impaired of Hueiming Blind Welfare Foundation	557	771	1	1
year-round	Paper art DIY activities for the elderly with dementia at Western District Community Care Center	Dementia Care Association	66	499	1	1
year-round	Tours, consultations, plants tending at Central Park	Central Park of Construction Bureau of Taichung City Government	1,203	304,897	1	1
Every Tuesday and Sunday	Jiading Wetland ecological conservation and environmental improvement activities	Road Maintenance Office, Public Works Bureau, Kaohsiung City Government, Kaohsiung City Jiading Tourism Development Association	308	121,090	1	2
Monthly	Qijin coast patrolling	Environmental Protection Bureau, Kaohsiung City Government	133	5,597	1	1
Monthly	Care for the elderly living alone in Dazhuang Vil. and Weisui Vil. of Gangshan District	Senior Citizen Services Center, Social Affairs Bureau of Kaohsiung City Government	156	96	1	2
Jan. 4, 2023	New Year's Eve Dinner with Mr. Lai	Ying Xi Education Foundation, Taiwan Sunshine Women Association	15	300	1	2
Jan. 8, Mar. 12, May 28, Jul. 2, Aug. 13, Nov. 26, 2023	Maintenance of North District Dementia Care Base Cai Yi Home and Muscle Maintaining Campaign	Dementia Care Association	138	235	6	6
Mar. 4, Jun. 3, Aug. 26, Nov. 11, 2023	Regular farm maintenance for Furui Community Care Base	Furui Community Care Association	25	160	4	4

Social Care

Activity date	Activity name	Groups supported	Number of AIDC volunteers	Number of recipients	Times of activity	Number of groups supported
Mar. 19, Nov. 5, and Dec. 23-24, 2023	Recreational sports activities for the visually impaired: Beep baseball games, Winter Cup of National Beep Baseball Championship, Yate Cup of South District Mental Disability Games	Institute for the Blind of Taiwan, R.O.C. Service Heart Association, Service Heart Association	64	692	3	4
Mar. 29, Apr. 22, and Aug. 26, 2023	Beach cleanup activities for the first section of Mituo Coastline, and No. 9 Windmill in Qingshui and mountain cleanup for Shengai Retreat Center	Environmental Protection Bureau Kaohsiung City Government, Bliss and Wisdom Foundation, Topkey Foundation	105	5,140	3	4
Apr. 16, 2023	The 7th Anti-drug and Food Cherish PK Battle	Taiwan Sunshine Women Association, Ying Xi Education Foundation, Taiwan Ying Xi Family Development Association	42	1,500	1	3
May 31, Jun. 26, Jun. 29, Sept. 16, Oct. 1, 2023	Course service: Training course for elderly with dementia, technology interactive art installations/wearable technologies rhythmic exercise course	Dementia Care Association	17	240	5	5
Jun. 2, Jun. 18, Sept. 18, Oct. 12, Oct. 13, Oct. 16, 2023	Aerospace education promotion and career exploration activities	Shou Tian Elementary School of Gangshan District of Kaohsiung City, National Cheng Kung University, Jia Sing Elementary School and Jhu Wei Elementary School of Gangshan District of Kaohsiung City	34	743	6	6
Sept. 2 and Nov. 4, 2023	Taichung Area Corporate Volunteer Day & Summit Forum & Achievements Sharing Session	Catholic Non-profit Tsz-Ai Mercy Hospice of Taichung Diocesan Body Corporate, Social Affairs Bureau of Taichung City Government, Topkey Foundation	56	304	2	3
Sept. 9, 2023	Taichung City Volunteer Service Promotion Campaign	Social Affairs Bureau, Taichung City Government	48	1,000	1	1
Oct. 15, 21 and 28, 2023	13 th Sports Competition for Individuals with disabilities of Taichung City, Love in Love Charity Run, running companions for Hueiming Blind Welfare Foundation in 2023 Qingshui Marathon Carnival	Institution for the visually impaired of Hueiming Blind Welfare Foundation, Taiwan Association for MDVI	16	16	3	4
Oct. 29, 2023	Taichung New Resident Carnival	Taiwan Sunshine Women Association	41	600	1	1
Nov. 4, 2023	The 18th Scholarship and Bursary Award Ceremony and Youth Performance	Ying Xi Education Foundation	15	700	1	1
Nov. 14 and 15, 2023	2023 Taichung City Volunteer Service Award and Recognition Ceremony for personnel, teams and supervisors of outstanding volunteer service.	Social Affairs Bureau, Taichung City Government	29	800	1	1
Jun. 6-13, 2023	Charity sale and donation of vegetarian rice dumpling, financial donation	Taiwan Sunshine Women Association, Dementia Care Association, Ying Xi Education Foundation	2	1,400	1	3
Nov. 29, 2023	2023 Veterans Affairs Council's Recognition Ceremony for Excellent Volunteer Service for Veterans	Veterans Affairs Council	14	550	1	1



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APPENDIX





GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter Level 1	Chapter Level 2	Chapter Level 3	Description/Description of Omissions	Page Number 
The organization and its reporting practices						
2-1	Organizational details	Corporate Governance	Basic Information			30
2-2	Entities included in the organization's sustainability reporting	Editor's Note	Scope of the Report			4
		Business Performance	Investment Businesses			44
2-3	Reporting period, frequency and contact point	Editor's Note	Disclosure Period			4
		Editor's Note	Date of Issue			4
		Editor's Note	Contact Information			4
2-4	Restatements of information	—	—	—	No changes in merger or acquisition, reporting period, nature of business, and measurement methods	—
2-5	External assurance	Editor's Note	Report Assurance			4
		Assurance Statement				112
Activities and workers						
2-6	Activities, value chain and other business relationships	Corporate Governance	Company Background			30
		Business Performance	Product Categories and Markets			43
		Supplier Management, Quality Management, Technology R&D	Supplier Management	Distribution of Global Procurement		48
2-7	Employees	Talent Recruitment and Retention	Employee Hiring	Overview of Hiring		77
2-8	Workers who are not employees	Talent Recruitment and Retention	Employee Hiring	Workers who are not employees		80
Governance						
2-9	Governance structure and composition	Corporate Governance	Organization Structure			31
		Corporate Governance	Organization and Operations of the ESG Committee			35
2-10	Nomination and selection of the highest governance body	Corporate Governance	Governance Organization	Board Members		32

GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter Level 1	Chapter Level 2	Chapter Level 3	Description/Description of Omissions	Page Number📍
Governance						
2-11	Chair of the highest governance body	Corporate Governance	Governance Organization	Board Members		32
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance	Governance Organization			32
2-13	Delegation of responsibility for managing impacts	Corporate Governance	Organization and Operations of the ESG Committee			35
2-14	Role of the highest governance body in sustainability reporting	—	—	—	Material topics of 2023 have been approved by the "ESG Promotion Committee" in November 2023, and included in the operating report submitted to the board of directors in January 2024.	—
2-15	Conflicts of interest	Corporate Governance	Governance Organization			32
2-16	Communication of critical concerns	—	—	—	15 items of critical concerns were communicated by the Board of Directors in 2023. (5 people and human rights items, 3 corporate governance items, 6 operation items, and 1 environment items)	—
2-17	Collective knowledge of the highest governance body	Corporate Governance	Governance Organization	Board Members		32
2-18	Evaluation of the performance of the highest governance body	Corporate Governance	Governance Organization	Board Performance Evaluation		33
2-19	Remuneration policies	Corporate Governance	Governance Organization	Connection Between the Board of Directors Remuneration and Sustainable Performance		33
		Happy Workplace	Employee Rights and Benefits	Bonus Payment		83
2-20	Process to determine remuneration	Corporate Governance	Governance Organization	Connection Between the Board of Directors Remuneration and Sustainable Performance		33
		Corporate Governance	Governance Organization	Remuneration Committee		34
Strategy, policies and practices						
2-22	Statement on sustainable development strategy	Message from the Chairman	Charting the Path to Carbon Neutrality			5
		Message from the Chairman	Expanding into the Energy Market			5
		Message from the Chairman	Creating Sustainable Value			5



GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter_Level 1	Chapter_Level 2	Chapter_Level 3	Description/Description of Omissions	Page Number 
2-23	Policy commitments	Business Philosophy and Sustainability Policy				6
		Business Philosophy and Sustainability Policy	AIDC Mission, Vision, and Philosophy			6
		Improve Corporate Governance	Policies and Commitments			29
		Care for the Environment	Policies and Commitments			58
		Implementing Corporate Social Responsibilities	Policies and Commitments			76
2-24	Embedding policy commitments	Business Philosophy and Sustainability Policy				6
		Business Philosophy and Sustainability Policy	AIDC Mission, Vision, and Philosophy			6
		Supplier Management, Quality Management, Technology R&D	Supplier Management	Supplier Selection and Evaluation		47
2-25	Processes to remediate negative impacts	Identification of Material Topics	Oversee the Issues of Concern to Stakeholders, Communication Methods Adopted, and Track Records			10
		Improve Corporate Governance	Stakeholder Engagement			29
		Ethical Corporate Management and Compliance	Ethical Corporate Management			38
		Care for the Environment	Stakeholder Engagement			58
		Implementing Corporate Social Responsibilities	Stakeholder Engagement			76
2-26	Mechanisms for seeking advice and raising concerns	Ethical Corporate Management and Compliance	Ethical Corporate Management			38
		Supplier Management, Quality Management, Technology R&D	Customer Satisfaction	Satisfaction rating		52
2-27	Compliance with laws and regulations	Ethical Corporate Management and Compliance	Ethical Corporate Management		There were 0 major violations; 2 other violations; for details, please refer to the Ministry of Labor's Inquiry System of Institution (Employer) violating labor laws and regulations.	38
2-28	Membership associations	Business Performance	Participation in Domestic and International Organizations			45



GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter_Level 1	Chapter_Level 2	Chapter_Level 3	Description/Description of Omissions	Page Number 
Stakeholder engagement						
2-29	Approach to stakeholder engagement	Identification of Material Topics	Oversee the Issues of Concern to Stakeholders, Communication Methods Adopted, and Track Records			10
2-30	Collective bargaining agreements	Happy Workplace	Labor-Management Relations			82
The organization and its reporting practices						
3-1	Process to Determine Material Topics	Identification of Material Topics	Identification Process			8
		Identification of Material Topics	Identification of Sustainability Issues			8
		Identification of Material Topics	Stakeholder Identification and Evaluation			9
3-2	List of material topics	Identification of Material Topics	Analysis and Decisions of Material Topics			12
		Identification of Material Topics	Differences in Material Topics from the Previous Year			12
		Identification of Material Topics	Differences in Material Topics from the Previous Year	New material topics		12
		Identification of Material Topics	Differences in Material Topics from the Previous Year	Items listed as material topics in the previous year but not listed as material topics this year		12
3-3	Management of material topics	Improve Corporate Governance	Management of Material Topics			29
		Improve Corporate Governance	Scope of Material Topics			29
		Improve Corporate Governance	Impact and Influence			29
		Improve Corporate Governance	Actions Taken			29
		Care for the Environment	Management of Material Topics			58
		Care for the Environment	Scope of Material Topics			58
		Care for the Environment	Impact and Influence			58
		Care for the Environment	Actions Taken			58



GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter_Level 1	Chapter_Level 2	Chapter_Level 3	Description/Description of Omissions	Page Number📍
3-3	Management of material topics	Implementing Corporate Social Responsibilities	Management of Material Topics			76
		Implementing Corporate Social Responsibilities	Scope of Material Topics			76
		Implementing Corporate Social Responsibilities	Impact and Influence			76
		Implementing Corporate Social Responsibilities	Actions Taken			76
Operation and financial performance						
GRI 201 Economic Performance2016	201-1 Direct economic value generated and distributed Business Performance	Business Performance				42
	201-2 Financial implications and other risks and opportunities due to climate change	Climate Change Response				59
	201-3 Defined benefit plan obligations and other retirement plans	Happy Workplace				82
	201-4 Financial assistance received from government	Business Performance				42
Ethical corporate management and compliance						
GRI 205 Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Ethical Corporate Management				38
	205-3 Confirmed incidents of corruption and actions taken	Ethical Corporate Management				38
GRI 416Customer Health and Safety2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	—	—	—	No such incidents	—



GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter_Level 1	Chapter_Level 2	Chapter_Level 3	Description/Description of Omissions	Page Number📍
GRI 418 customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	—	—	—	No such incidents	—
Supplier management						
GRI 204 Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Supplier Management, Quality Management, Technology R&D				47
GRI 308 Supplier environment assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	Supplier Management, Quality Management, Technology R&D				47
Waste Management						
GRI 306 Waste 2020	306-1 Waste generation and significant waste-related impacts	Pollution Control and Waste Management				68
	306-2 Management of significant waste-related impacts	Pollution Control and Waste Management				68
	306-4 Waste diverted from disposal	Pollution Control and Waste Management				68
	306-5 Waste directed to disposal	Pollution Control and Waste Management				68
Climate change response						
GRI 201 Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	Climate Change Response				59



GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter_Level 1	Chapter_Level 2	Chapter_Level 3	Description/Description of Omissions	Page Number 
GRI 201 Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	Climate Change Response				59
GRI 302 Energy 2016	302-1 Energy consumption within the organization	Climate Change Response				59
	302-3 Energy intensity	Climate Change Response				59
	302-4 Reduction of energy consumption	Climate Change Response				59
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Climate Change Response				59
	305-2 Energy indirect (Scope 2) GHG emissions	Climate Change Response				59
	305-3 Other indirect (Scope 3) GHG emissions	Climate Change Response				59
Talent recruitment and retention						
GRI 201 Economic Performance2016	201-3 Defined benefit plan obligations and other retirement plans	Happy Workplace				82
GRI 401 Employment2016	401-1 Report the total number and rate of new employee hires / employee turnover during the reporting period, by age group, gender, and region	Talent Recruitment and Retention				77
	401-2 Benefits which are standard for full-time employees of the organization (but are not provided to temporary or part-time employees), by significant locations of operation	Happy Workplace				82
	401-3 Parental leave	Happy Workplace				82

GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter_Level 1	Chapter_Level 2	Chapter_Level 3	Description/Description of Omissions	Page Number 
GRI 405 Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Corporate Governance				30
		Talent Recruitment and Retention				77
	405-2 Ratio of basic salary and remuneration of women to men	Talent Recruitment and Retention				77
GRI 406 Non-discrimination2016	406-1 Incidents of discrimination and corrective actions taken	—	—	—	No such incidents	—
GRI 408 Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	—	—	—	No such incidents	—
GRI 409 Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	—	—	—	No such incidents	—
Occupational safety and health						
GRI 403 Occupational safety and health 2018	403-1 Occupational health and safety management system	Occupational Safety and Health				86
		Occupational Safety and Health				86
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational Safety and Health				86



GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter_Level 1	Chapter_Level 2	Chapter_Level 3	Description/Description of Omissions	Page Number
GRI 403 Occupational safety and health 2018	403-3 Occupational health services	Occupational Safety and Health				86
		Happy Workplace				82
		Occupational Safety and Health				86
		Occupational Safety and Health				86
		Occupational Safety and Health				86
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Safety and Health				86
		Happy Workplace				82
		Occupational Safety and Health				86
		Occupational Safety and Health				86
		Occupational Safety and Health				86
	403-5 Worker training on occupational health and safety	Occupational Safety and Health				86
	403-6 Promotion of worker health	Occupational Safety and Health				86
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Safety and Health				86
	403-8 Workers covered by an occupational health and safety management system	Occupational Safety and Health				86
	403-9 Workers covered by an occupational health and safety management system	Occupational Safety and Health				86
	403-10 Work-related ill health	Occupational Safety and Health				86



GRI Standards (2021) Comparison Table

GRI Standard	Disclosure Requirements	Chapter_Level 1	Chapter_Level 2	Chapter_Level 3	Description/Description of Omissions	Page Number📍
Product quality/technology R&D						
—	Quality control system certification	Supplier Management, Quality Management, Technology R&D				47
—	Inspection capacity	Supplier Management, Quality Management, Technology R&D				47
—	Special process certification	Supplier Management, Quality Management, Technology R&D				47
—	Quality escape management	Supplier Management, Quality Management, Technology R&D				47
—	Research and Development	Supplier Management, Quality Management, Technology R&D				47
—	Smart Manufacturing for Aerospace	Supplier Management, Quality Management, Technology R&D				47
Cybersecurity management and customer privacy						
—	Cybersecurity	Cybersecurity Management and Customer Privacy				40
—	Trade Secret Protection	Cybersecurity Management and Customer Privacy				40
Indigenous production of aircraft						
—	Indigenous production of aircraft	Business Performance				42
—	Operations of the F-16 Maintenance & Support Center	Business Performance				42
Green product/services design and development						
—	Biogas micro steam turbine generator	Green Products and Procurement				72
—	Energy storage system	Green Products and Procurement				72
—	Gas-fired power generation	Green Products and Procurement				72



Sustainability Accounting Standards Board Index

Category: AEROSPACE & DEFENSE

Topic/Number	Calculation indicators	Measurement unit	AIDC response
Energy Management RT-AE-130a.1	1. Total energy consumed 2. Percentage grid electricity 3. percentage renewable	Gigajoules (GJ) Percentage (%)	1. Total energy consumption: 549,677 GJ 2. Percentage of grid electricity supply: 88.5% 3. Renewable energy: 0.92%(installed capacity exceeded9.36kWp).
Hazardous Waste Management RT-AE-150a.1	Amount of hazardous waste generated, percentage recycled	Metric tons (t) Percentage (%)	1. 671.2596 metric tons 2. 3% 3. Refer to page 70 of the Report for details.
RT-AE-150a.2	Number and aggregate quantity of reportable spills, quantity recovered	Number Kilograms (kg)	1. 0 2. 0 3. Refer to page 70 of the Report for details.
	1. Number of data breaches 2. percentage involving confidential information	Number Percentage (%)	The Company's business involves sensitive military information and is not disclosed.
Data Security RT-AE-230a.1 RT-AE-230a.2	Description of approach to identifying and addressing data security risks in company operations and products	N/A	1. AIDC continually refines information security from the perspectives of "systems", "management", and "technology", ensuring the confidentiality, integrity, and availability of its information and communication systems and data. In 2008, AIDC obtained its first ISO/IEC 27001 international information security certification, which has been consistently maintained through regular annual reviews and triennial recertifications by the IAF/TAF verification agency. 2. AIDC has adopted the NIST CSF Cybersecurity Framework, building its cybersecurity defense on five core functions: Identify, Protect, Detect, Respond, and Recover. This is supplemented by the Plan-Do-Check-Act (PDCA) cycle for continuous improvement. AIDC has built a complete cybersecurity infrastructure and protection system from aspects such as gateway management and control, endpoint protection, intranet monitoring and protection and information security joint defense, and physical isolation zone control, which is supplemented by social engineering drills, information security awareness education and promotion for all employees, information security detection and review, information security joint defense, operations continuity and emergency recovery drills, information security incident reporting and response, and recovery tabletop exercises, etc., in order to prevent losses from hacking and ensure uninterrupted business operations. 3. Refer to page 40-41 of the Report for details.

Sustainability Accounting Standards Board Index

Category: AEROSPACE & DEFENSE

Topic/Number	Calculation indicators	Measurement unit	AIDC response
Product Safety RT-AE-250a.1 RT-AE-250a.2 RT-AE-250a.3 RT-AE-250a.4	Number of recalls issued, total units recalled	Number	The Company's products are sensitive military information and are not disclosed.
	Number of counterfeit parts detected, percentage avoided	Number Percentage (%)	Zero(0)counterfeit part was detected in 2023
	Number of Airworthiness Directives received, total units affected	Number	In 2023, the Company received 7 Airworthiness Directives (ADs) from the Civil Aeronautics Administration (CAA) and one of them was applicable to the Company's aircraft (Gulfstream Astra SPX) and will be implemented when the original manufacturer completes revision, while the remaining 6 items do not need to be executed. The Company received 1 AD from the Federal Aviation Administration (FAA) which did not need to be executed. The total units affected was 1.
	Total amount of monetary losses as a result of legal proceedings associated with product safety	Reporting currency	N/A
Product Lifecycle Management RT-AE-410a.1 RT-AE-410a.2	Revenue from alternative energy-related products	Reporting currency	NTD\$3,025,234,144
	Description of approach and discussion of strategy to address fuel economy and greenhouse gas (GHG)emissions of products	N/A	The Company owns one Gulfstream Astra SPX which performed 112 flights in 2023 with 224 total flight hours and consumed 234,826 liters of fuel. The fuel conservation strategy from the perspective of the aircraft user can be implemented in five ways: 1. Payload calculation: The aircraft takeoff weight directly affects flight fuel consumption. If we can effectively control the weight before takeoff (e.g., reduce non-essential equipment and personnel on board and accurately assess the amount of fuel required for the mission), we can ensure flight safety and effectively reduce fuel consumption. 2. Route plan: Use the most suitable aircraft flight plan to effectively reduce fuel consumption for flight missions. 3. Integration of sorties: As a profit-seeking company, the number of mission hours required by customers cannot be reduced. Other missions such as training or maintenance flights can be effectively managed or optimized (e.g., integration or multi-purpose missions) to reduce the number of sorties or flight hours and effectively reduce fuel consumption. 4. Aircraft maintenance: Maintenance operations for aircrafts must be implemented in accordance with technical orders to ensure that aircrafts are in optimal conditions and effectively reduce fuel consumption. 5. Communication between flight crew: Mission debriefing and average fuel consumption for missions can be used to review the effects of aircraft operations on fuel consumption, and pilots can use the opportunities to communicate and identify the most fuel-efficient solutions for adoption.

Sustainability Accounting Standards Board Index

Category: AEROSPACE & DEFENSE

Topic/Number	Calculation indicators	Measurement unit	AIDC response
Materials Sourcing RT-AE-440a.1	Description of the management of risks associated with the use of critical materials	N/A	- AIDC operates within the aerospace industry. Its procurement range for materials extends globally. Nickel alloys, aluminum alloys, and stainless steel/alloy steel constitute the most used and critical raw materials. Also, carbon fiber composite materials have become one of the key raw materials in the aerospace industry in recent years due to their high strength, corrosion resistance, lightweight, and wear resistance, helping airplanes to reduce weight, decrease fuel consumption, and enhancing their energy-saving features. - The on-schedule supply of key materials has long been a major control item for AIDC. As economic and trade trends in various countries will affect the stability of the supply chain, AIDC needs to continuously adjust and improve its procurement strategies and management efforts according to the situation in each country. AIDC not only controls the delivery progress of pending items through domestic procurement staff each month, but also encourages suppliers with unstable delivery times to resolve delivery delays by enhancing contract supervision measures such as factory visits by staff stationed overseas, requesting suppliers to provide daily production progress, regular overseas compliance supervision, etc. AIDC continues to expand the signing of long-term contracts with suppliers to maintain delivery speed and stabilize material prices, establish a small safety stock to reduce delivery risk. Based on international conditions and supplier delivery status, it also readjusts the lead times for all types of materials in order to prepare early, and appropriately adjust sea and air transport times. AIDC aims to ensure the on-time delivery of materials by allowing enough preparation and production time for suppliers through early procurement, thereby fulfilling customer order schedules.
Business Ethics RT-AE-510a.1 RT-AE-510a.2 RT-AE-510a.3	Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and/or illicit international trade	Reporting currency	NTD\$0
	Revenue from countries ranked in the “E” or “F” Band of Transparency International’s Government Defense Anti-Corruption Index	Reporting currency	NTD\$339,438,997
	Discussion of processes to manage business ethics risks throughout the value chain	N/A	Refer to page 38-39 of the Report and the Company’s website for details.
Activity indicators RT-AE-000.A	Production by reportable segment	Number	Refer to page 138 of 2023 Annual Report for details. https://www.aidc.com.tw/doc/ir/annrep2023en.pdf
RT-AE-000.B	Number of employees	Number	6,758 individuals in 2023.



Assurance Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION'S SUSTAINABILITY REPORT FOR 2023

NATURE AND SCOPE OF THE ASSURANCE

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION. (hereinafter referred to as AIDC) to conduct an independent assurance of the Sustainability Report for 2023 (hereinafter referred to as the Sustainability Report). The scope of assurance is based on the SGS Sustainability Report Assurance methodology and AA1000 Assurance Standard v3 Type 1 Moderate level to assess whether the text and data in accompanying tables contained in the report presented and complies with the GRI Standards and AA1000 Accountability Principles (2018) during assurance (2024/1/22~2024/4/23) in AIDC headquarter. The assurance process did not include the evaluation of specific performance information outside the scope, such as climate-related financial disclosures (TCFD) and sustainability accounting standards (SASB).

SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all AIDC's Stakeholders.

RESPONSIBILITIES

The information in the AIDC's Sustainability Report of 2023 and its presentation are the responsibility of the directors or governing body (as applicable) and management of AIDC. SGS has not been involved in the preparation of any of the material included in the Sustainability Report.

Our responsibility is to express an opinion on the report content within the scope of assurance with the intention to inform all AIDC's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance and standards including the principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) GRI 1: Foundation 2021 for report quality, GRI 2 General Disclosure 2021 for organization's reporting practices and other organizational detail, GRI 3 2021 for organization's process of determining material topics, its list of material topics and how to manages each topic, and the guidance on levels of assurance contained within the AA1000 series of standards.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard Options	Level of Assurance
A	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000) n/a
B	AA1000ASv3 Type 1 (AA1000AP Evaluation only) Moderate

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SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of adherence to the following reporting criteria:

Reporting Criteria Options

1	GRI Standards (Reference)
2	AA1000 Accountability Principles (2018)

- AA1000 Assurance Standard v3 Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018) is conducted at a moderate level of scrutiny, and therefore the reliability and quality of specified sustainability performance information is excluded.
- The evaluation of the report against the requirements of GRI Standards is listed in the GRI content index as material in the report and is conducted with reference to the Standards.

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, ESG committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts, Total Impact Measurement and Management, and Social Return on Investment assessments (SROI), Task Force on Climate-related Financial Disclosures (TCFD) and SASB related disclosures has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and assurance, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from AIDC, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 20121, SA8000, RBA, EMS, SMS, GPMS, CFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

ASSURANCE / VERIFICATION OPINION

On the basis of the methodology described and the assurance work performed, we are satisfied that the disclosure with inclusivity, materiality, responsiveness, and impact information in the scope of assurance is reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria. We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

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ADHERENCE TO AA1000 ACCOUNTABILITY PRINCIPLES (2018)

INCLUSIVITY

AIDC has demonstrated a commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, AIDC may proactively consider having some metrics to evaluate the effect of stakeholders' communication channel.

MATERIALITY

AIDC has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

RESPONSIVENESS

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

IMPACT

AIDC has demonstrated a process on identify and fairly represented impacts that encompass a range of environmental, social and governance topics from wide range of sources, such as activities, policies, programs, decisions and products and services, as well as any related performance. Measurement and evaluation of its impacts related to material topic were in place at target setting with combination of qualitative and quantitative measurements.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, AIDC's Sustainability Report of 2023, is reporting with reference to the GRI Universal Standards 2021 and complies with the requirements set out in section 3 of GRI 1 Foundation 2021. The significant impacts were assessed and disclosed with reference to the guidance defined in GRI 3: Material Topic 2021 and the relevant 200/300/400 series Topic Standard related to Material Topic have been disclosed. The report has properly disclosed information related to AIDC's contributions to sustainability development. For future reporting, AIDC is encouraged to conduct human rights impact assessments in material topics identification procedure and demonstrate their effectiveness.

Signed:

For and on behalf of SGS Taiwan Ltd.

Stephen Pao
Business Assurance Director
Taipei, Taiwan
28 May, 2024
www.sgs.com



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A blue airplane is shown from a top-down perspective, flying straight down a runway. The runway is represented by a white dashed line on a blue background. The background is divided into two shades of blue by two white diagonal lines that form a V-shape pointing towards the runway. The text '~THE END~' is written in a dark blue, bold, serif font at the bottom of the image.

~THE END~