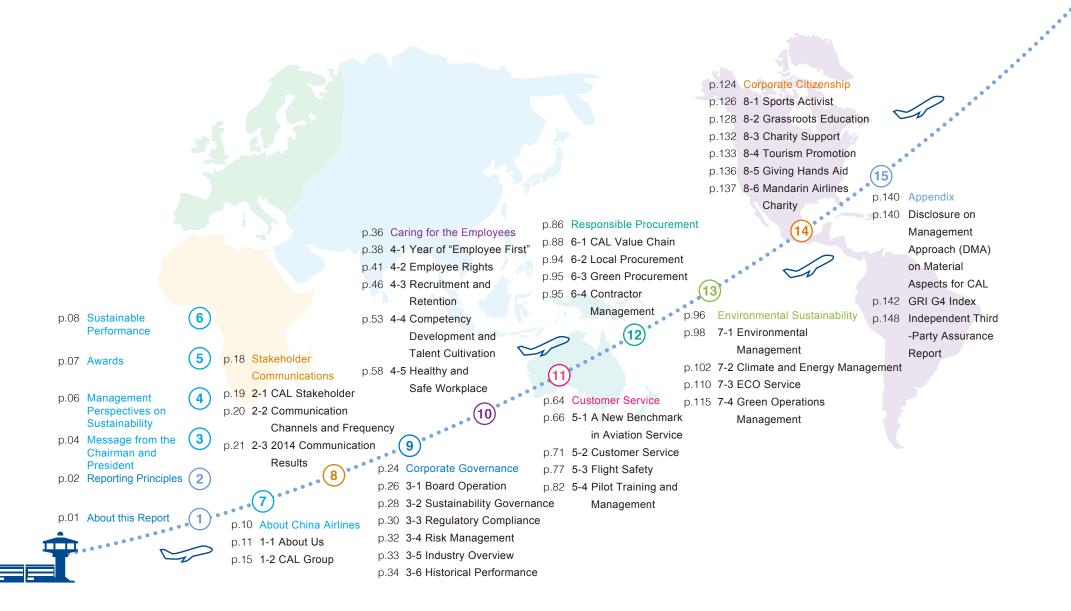


Contents



About this Report

The 2014 China Airlines Corporate Sustainability Report conforms to the Core option of the GRI G4 Guidelines with independent assurance provided by the AA 1000AS Type II standard (high level of assurance) to ensure reliability of disclosures.







2012 Environmental

2013 Environmental Sustainability Report

2013 Corporate Sustainability Report

China Airlines (hereafter referred to as "CAL") has now published non-financial reports for three consecutive years since 2013. We are the first airline in Taiwan to publish reports on the environment and sustainability. Our first corporate sustainability (CSR) report was published in August, 2014. We are continuing to improve the level of transparency of our sustainability information and to communicate with all stakeholders with an interest in the company. We will publish the report on an annual basis in the future to actively convey the sustainability mission, commitment, practices, results and future targets of China Airlines to our stakeholders. The next CSR report will be published in June, 2016.



The scope of organization encompasses the CAL Park (Corporate Headquarters), Songshan Park, maintenance facilities, Taipei Branch Office and Kaohsiung Branch Office. Some of the data also includes overseas sites. On the scope of disclosure for organizational subsidiaries, this report includes Mandarin Airlines because CAL and Mandarin Airlines together account for up to 98% of consolidated revenue and have the same core portfolio. Tigerair Taiwan was excluded as it only officially commenced operations in September, 2014.

External entities include investors, customers, communities and suppliers. Apart from the above, as CAL subsidiaries such as Novotel Taipei Taoyuan International Airport, Hwa Hsia Company Ltd., China Pacific Catering Services Ltd., and China Pacific Laundry Services Ltd. account for only a small proportion of consolidated revenue and belong to our supply chain, these were classified as external supplier stakeholders for substantive disclosure of their sustainability information.



The information and data within this report were gathered and compiled by CAL employees from each department. This was then reviewed by department heads then submitted to the report working group for confirmation. External consultants were also retained to provide improvement suggestions. Once all of the information and data was ready, it was reviewed by the vice presidents of each unit then passed to the chairman and president for final approval. Standardized forms were established for all of the information and data in this report. These were made a part of the standard operating procedure for our internal management to ensure reliability.

External

The financial data in this report came from annual financial report data audited by Deloitte and is presented in NTD (New Taiwan Dollars). The sections relating to ISO 9001 quality management system and ISO 1404-1 greenhouse gas inventory were verified by DNV; the ISO 14001 environmental management system and ISO 50001 energy management system were verified by BSI Taiwan. The rest of the information in this report was verified by SGS Taiwan.



Scope

Data Collection Scope

General Information

January 1, 2014, through to December 31, 2014

Key Events

January 1, 2014, through to April 30, 2015



Data Collection Boundary Internal

China Airlines: CAL Park (Corporate

Headquarters), Songshan Park, maintenance facilities, Taipei Branch Office, Kaohsiung Branch Office

Mandarin Airlines



Data Collection Boundary -

Suppliers (including CAL subsidiaries)

Customers

Local Communities

Investors



Data Quality Management

Financial Data - Deloitte

Quality Data - ISO 9001 - DNV

Environmental Data - ISO 14064-1-DNV

Environmental Data - ISO 14001-BSI Taiwan

Environmental Data - ISO 50001-BSI Taiwan

Sustainability Data - AA 1000AS-SGS Taiwan



Contact Information

China Airlines

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Reporting Principles

The reporting principles of the CAL 2014 CSR Report generally adhered to the Global Reporting Initiative (GRI) G4 Guidelines in establishing a 7-step method for materiality analysis. The method was used to determine the stakeholders that this year's report will reach out to, the material issues with priority in disclosure, and the boundaries of data collection.

Identification Phase - Steps 1 and 2

CAL publishes the CSR report to communicate with stakeholders. To do so, we must first identify those we wish to communicate with including employees, customers, investors, the government, partners and the community. To understand what these stakeholders expect about the CAL CSR Report, we gathered sustainability related information regarding CAL and aviation industry in order to investigate the level of stakeholder interest on each issue.



stakeholders

Identification of Stakeholders

The five principles of the AA1000 SES-2011 Stakeholder Engagement Standard were used to identify the 2014 CSR report's targets for communication and six main stakeholders were decided upon.

Step 2

sustainability issues

Compilation of Sustainability Issues

Sustainability issues were collected by CAL through global guidelines/standards, industry guidelines/standards, sustainability initiatives, aviation industry benchmarks, organizational annual targets and stakeholder feedback.

Step 3

1795 questionnaires

Investigate Stakeholder Interest

To gauge each stakeholder's interest in each sustainability issue, CAL used an online survey to let stakeholders indicate their level of interest.

Step 4

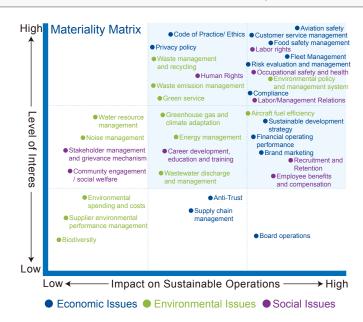
38 report participants

Analyze Impact of Issues on Company

Apart from stakeholder interest in sustainability issues, how each issue impacts on CAL operations was also taken into consideration. The impact of each issue was therefore also analyzed by the members of the CSR Report Team.

Key issues of media interest at CAL

Dimension	Section of Disclosure	Page
Insufficient number of handicapped employees	4-3-2 Employee Diversity	48
Labor protests	4-1-3 Annual bonus protest	40
Excessive work hours	4-1-2 Explanation of employee dispute	39
Talent cultivation/recruitment	4-3-3 Recruitment	49
Food safety	5-2-5 Food hygiene	75



Step 5

24 key material issues

Determine Material Issues

Based on the level of stakeholder interest and impact on company operations of each issue if either was considered important (score greater than 4) then it was listed as a material issue.

Step 6

Material Issues

Aviation safety

10. Privacy policy

13. Labor rights

16. Human rights

11. Brand marketing

8. Customer service management

12. Occupational safety and health

14. Labor/Management relations

17. Employee benefits and compensation

18. Career development, education and training

21. Environmental policy and management system

22. Greenhouse gas and climate adaptation

23. Waste management and recycling

15. Recruitment and retention

19. Aircraft fuel efficiency20. Waste emission management

24. Energy management

9. Food safety management

36 material aspects

Select Material Aspects

The 24 material issues identified were compared to the 46 aspects defined in GRI G4 to select 35 material aspects. One aspect particular to the nature of the aviation industry was also added to arrive at a total of 36 material aspects.

Step 7

internal and external entities

Define Boundary of Disclosure

Each of the 36 selected material aspects were assessed by CAL employees on their internal impact (CAL, Mandarin Airlines) and external impact (suppliers, customers, investors, community) to determine the boundaries of disclosure for the report.

Analysis Phase - Steps 3 to 5

Once the CAL sustainability issues had been collected a questionnaire survey was conducted with stakeholders to establish their level of interest in each issue; the CSR Report team also determined each issue's impact on sustainability of company operations. A total of 24 material issues were eventually selected. At the same time, CAL also gathered media reports and came up with five important positive and negative news reports to serve as the basis of disclosure in our report.

Confirmation Phase - Steps 6 and 7

CAL used the selected material issues to identify 35 material aspects from GRI G4. These and the addition of one material aspect particular to the aviation industry produced a total of 36 aspects. The CAL CSR Report team met to discuss the boundaries of disclosure for the indicators of each aspect in this year's report. This included both internal (CAL, Mandarin Airlines) and external (customers, investors, community, suppliers). (see the GRI G4 Index in the Appendix)

Risk evaluation and management
 Compliance
 Compliance
 Code of Practice/Conduct
 Financial operating performance
 Fleet management
 Sustainable development strategy

Economic performance, Indirect economic impact, Anti-corruption, Public policy, Anti-competitive behavior, Compliance, Grievance mechanisms for impact on society, Investment, Procurement practices, Fleet management and planning*

Customer health and safety, Product and service labeling, Marketing communications, Customer privacy, Compliance

GRI G4 Material Aspects

Market presence, Employment,
Labor/Management relations, Occupational
health and safety, Training and education,
Diversity and equal opportunity, Equal
remuneration for women and men, Labor
practices grievance mechanisms,
Non-discrimination, Freedom of association
and collective bargaining, Child labor,
Forced labor, Human rights assessment,
Human rights grievance mechanisms

Products and services, Energy, Emissions, Effluent and waste, Compliance, Transport, Environmental grievance mechanisms

Corresponding Section

Corporate Governance

Customer Service

Caring for the Employees

Environmenta Sustainability

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	3-4 Risk Management	32
	3-3 Regulatory Compliance	30
	3-3 Regulatory Compliance	30
:]	3-3 Industry Overview	33
	1-1 About Us	11
	3-2 Sustainability Governance	28
	5-3 Flight Safety	77
	5-2 Customer Service	71
	5-2 Customer Service	71
	5-2 Customer Service	71
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^{*}Material aspects specific to CAL

Message from the Chairman and President



Chairman of China Airlines

China Airlines was founded in 1959 and is about to enter its 56th year. Our business philosophy from the beginning has been to "retain satisfied customers and happy employees, and create maximum value for shareholders and society." CAL is committed to becoming the most trusted world-class airline and to satisfying every passenger through the best flying quality. As of June 30, 2015, our passenger and freighter fleet has expanded to 86 aircraft. Our network flies to 115 destinations in 29 countries around the world. Last year, everyone working together saw CAL and its affiliates produce eye-catching results. In 2015, factors such as stable international oil prices, devaluation of the Japanese Yen and anticipated lifting of restrictions on Chinese passengers transiting through Taiwan have spurred continued growth in passenger numbers and a gradual recovery in the freight market. We thank every CAL employee, passenger, shareholder and partner for their support and encouragement.

CAL named 2014 as "Start Year for Corporate Sustainability" and published our 1st CSR report which was also the 1st in Taiwan's aviation industry, setting up a corporate sustainability website and creating a Corporate Sustainability Committee. We are progressively putting our six sustainability missions of "rewarding investors through integrity, inspiring customers through passion, supporting partners through action, caring for the Earth through sustainability, caring for our employees through compassion, and giving back to society through culture." We believe that sustainable development is the only choice for businesses in an environment with diversified competition faced with globalization trends and climate change.

The laying of foundations in this Start Year for Corporate Sustainability is of paramount importance to the corporate growth of CAL. In 2014, the Civil Aeronautics Administration presented CAL with the "Golden Flyer Award", the top airline award in Taiwan. We introduced the all-new eco-friendly and fuel-efficient Boeing 777-300ER passenger aircraft and went on to win Germany's Red Dot Design Award, the top Golden Pin Award for design in Chinese-speaking circles, and the National Industrial Innovation Award. With environmental protection and sustainability in particular, CAL once again received the Enterprise Environmental Protection Award from the Environmental Protection Administration, as well as the Asian Productivity Organization's "EPIF International Green Classics Awards - Green Service Award". Our first foray into the "Taiwan Corporate Sustainability Awards" immediately netted four major awards, these being the Growth through Innovation Award, Climate Leadership Award, Creativity in Communication Award, and the Top 50 Corporate Sustainability Report Award. We shall continue to implement our corporate sustainable development strategy along the four dimensions of "refining safety management, creating a friendly environment, protecting employee benefits, and participating in corporate citizenship."

Refining safety management

Our safety management operations incorporate the values of safety into the everyday work of each employee, system design and organizational structure. Operational safety risks are controlled through various safety management initiatives to form a positive safety culture; in 2014, we took this a step further by enhancing risk management through a "Just Culture". The Integrated Pilot Training System (IPTS) was also activated to refine flight training and embrace a culture of safety. These efforts saw CAL become the first airline in Taiwan to pass the Enhanced IOSA program of the International Air Transport Association (IATA) and to consistently renew its certification.

Creating a friendly environment

In friendly environment efforts and to respond to climate change, CAL implemented the ISO 14064-1 greenhouse gas inventory system in 2009 and has been proactive in establishing a corporate environmental and energy management mechanism in recent

years. CAL has since been certified under the ISO 14001 environmental management system and ISO 50001 energy management, the second airline in the world to be certified in both systems. We continued to promote 60 environmental programs in 2014. In the past three years (2012 ~ 2014), we have cut carbon emissions by a total of 41,804 tonnes CO2e (Carbon dioxide 2 equivalent) and saved nearly 18,782 tonnes of water. We are also actively auditing our energy infrastructure to guarantee the quality of execution and to provide further assurance on internal/external environmental and ecological safety. We have begun working on a promotional strategy for sustainable supply chain management as well.

Guarantee employee benefits

In employee benefits and safety, CAL continues to follow a policy of providing employees with a friendly, safe and healthy workplace. We conduct negotiations with the company union while also regularly reviewing and amending the collective bargaining agreement. Direct benefits for employees have amounted to more than NTD 600 million over the past five years. CAL has named 2015 as "Year of Employees First". We shall follow the four principles of Communication, Participation, Working Conditions and Career Development in hosting Town Hall Meetings where managers and employees can communicate face-to-face and forge a high quality, harmonious working environment.

Participation in corporate citizenship

As a leader in corporate citizenship, we support a tradition of social welfare where employees participate in charitable and environmental projects on their own initiative. From the introduction of the 777-300ER fleet to the upcoming new A350 fleet, CAL will continue to leverage the nature of our industry to promote environmental protection, tourism and cultural creativity in Taiwan through cabin design, service process and other methods. We will craft next-generation products that support important scientific research projects and emergency disaster relief efforts in both Taiwan and around the world. We hope that the CAL global network will help the cultural values of "Truth, Goodness, Beauty" and the spirit of cultural creativity of Taiwan shine on the international stage.

For 2015, apart from continuing to improve service quality and brand value, CAL will also strengthen its sustainability governance operations in accordance with the sustainable development roadmap drawn up in 2014. Under the goals of "Year of Employees First", we shall follow through with initiatives including "sound operation of the corporate sustainability committee", "development of a sustainable supply chain policy and strategy" and "participation in international sustainability assessments" to make sustainability governance become the core of our corporate management and strive to become a world-class benchmark enterprise in terms of sustainability.

These new goals will bring new challenges but CAL is ready. We are committed to doing the right thing and to progressively realize our corporate development vision of "Commitment to Excellence and Reliability".



Yu-He Chang

President of China Airlines

Management Perspectives on Sustainability



Senior Vice President
Steve Yang

Customer satisfaction is our service mission and creating a happy working environment for employees is both my responsibility and commitment as the senior vice president of air/ground crew services and human resources. We actively promote the SOP+ approach to delivering services that come from the heart. We encourage frontline employees to be creative in upgrading existing services when necessary to better reach out to our customers. At the same time, various service improvement training programs are helping our colleagues to be more confident about providing quality service to passengers and improving their satisfaction levels. There is no such thing as perfect service so we listen carefully to our passengers and use their feedback to drive improvement, creating a sustainable positive feedback cycle.

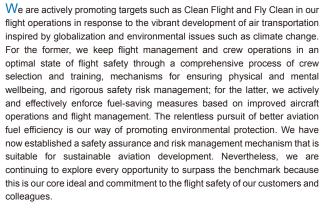
Responsible for the operations of the Cabin Crew Division, Ground Services Division, In-Flight Service Supply Division, Human Resources Division, Legal & Insurance Division, Service Quality Assurance Department and related units.

Insistence on a sound financial base and effective cost controls embody the core values and operational goals in our pursuit of corporate sustainable management. We have therefore continued to roll-out a total financial risk management mechanism to audit every financial process and environment. We have also launched a "Lean Operations Project" to pursue aggressive revenue generation and cost reduction. The results over the past few years have surpassed expectations. We will continue to focus on this goal in the future by imbuing a mindset of revitalization, diversity and innovation, as well as a total operational approach in everything we do. For the freight business, the global freight industry is now on the verge of recovery. We have combined our freighter fleet and passenger aircraft belly capacity to establish a flexible freight dispatching management capability. This, along with our focus on "high capacity, low carbon footprint" operations, has seen our freight business repeatedly surpass operating targets while taking the environment and ecology into account, satisfying our interests in sustainable development as well as customer and shareholder expectations.

Responsible for the operations of the Finance Division, Investment Management Division, Cargo Sales & Marketing Division, Cargo Service Division, Administration of General Affairs and related units.

As the pioneer of Taiwan's aviation industry, China Airlines feels a strong sense of mission in its development. In 2014 we actively integrated our internal and external corporate resources to launch the "Next Generation" branding program incorporating the five core service values of "Cultural Creativity, Technology, Environmental Protection, Emotional Connection and Trust" and introduced new eco-friendly, fuel-efficient 777-300ER aircraft. In addition to continuing to refine our green philosophy, we also imbued it with a Taiwanese spirit of cultural creativity. A completely new cabin design and NexGen products were adopted to enhance competitiveness, bring about an overhaul of our products and services, and usher in a new era at China Airlines. It will undoubtedly amaze the global aviation industry and provide passengers with an unprecedented flying experience. The new generation of China Airlines is steeped in its core brand values. By continuing to improve quality of service through creativity and innovation, we will communicate our brand character of "Elegance, Emotion, Leadership, and Innovation" to remain competitive.

Responsible for the operations of the Passenger Sales Division, Passenger Marketing Division, Information Management Division and related units.







Senior Vice President
Shing-Hwang Kao

As a member of the global aviation maintenance industry, we are keenly aware of the need for work discipline. There can be no compromise on flight safety or quality in order to establish and maintain a reliable aircraft maintenance system. For internal customers we provide a safe, reliable and trustworthy operating environment; for external customers we provide effective and reliable maintenance quality as well as a safe and comfortable flying experience. The CAL maintenance organization balances environmental protection and social justice in our maintenance operations when it comes to fulfilling the corporate values of sustainability. With safety, reliability and trustworthy maintenance operations as our mission, we have forged a value chain based on trust to promote the sustainable development of our company and the aviation industry as a whole. We take the training and working environment of every maintenance employee seriously. We strongly believe that a healthy working environment, a fair management system and open channels of communication are essential to building trust within a team. This in turn delivers flawless maintenance quality that connects with our customers and partners, further strengthening and expanding the partnership between us.



Responsible for planning, execution and supervision of the maintenance facilities, Engineering Division, Quality Assurance Division and Business Planning Department.



Senior Vice President Hsiao-Hsing Tung

Awards















 ✓ International Trophy at the 125th Rose Parade

January, **2014**

"International Green 🕑

Classics Awards - Green

Service Award" from

Organization (APO)

the Asian Productivity

Presented with "Wines on the
Wings" honors by Global Traveler

1st place in the "Young Generation Brand Survey" for the 3rd consecutive year

April, 2014

5-Star Service Award in the ointernational aviation category,
Global Views magazine

August, 2014

Received four awards at the "2014 Taiwan Corporate Sustainability Awards"

November, 2014

January, **2015**

"Super Green" Judges' Award and first prize in the "Green Brand Survey" for 3 consecutive years **May, 2014**

 Received the "Gold Trusted Brand Award" from Reader's Digest in Asia for 14 consecutive years October, 2014

 23rd "Enterprise Environmental Protection Award", Environmental Protection Administration

CAL NexGen cabin design for

new 777-300ER aircraft won

"Golden Pin Design Award"

December, 2014

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Sustainable Performance

Indicator	Change	2014	2013	2012
Aviation fuel consumption (Tonne)	-	2,176,178	2,010,522	1,966,062
Aviation fuel consumption efficiency (Tonne/RTK)	=	0.26	0.26	0.25
Aviation fuel GHG emissions (Tonne CO ₂ e)	-	6,885,712	6,456,480	6,220,878
Aviation fuel GHG emission intensity (Tonne CO ₂ e/ 1000 R	RTK) -	0.82	0.81	0.80
Carbon reduction from aviation fuel savings (KG CO ₂)	+	21,138,926	6,583,924	8,990,658
Scope 1 GHG emissions (Tonne CO ₂ e)	-	68,91,110	6,462,069	6,227,163
Scope 2 GHG emissions (Tonne CO ₂ e)	+	20,884	22,113	23,197
Ground operations electricity consumption (kWh)	+	40,002	42,363	43,603
Ground operations electricity savings (kWh)	+	1,920	1,898	2,024
Ground vehicle fuel consumption (KL)	+	1,145	1,479	1,549
Ground vehicle fuel-savings (KL)	+	136	134	209

\sim	$\overline{}$	4.5
(iraan	<i>(</i>)	perations
GIECH	v	DETAILOTTS

Indicator	Change	2014	2013	2012
Company-wide electricity savings (kWh)	-	1,919,512	1,898,116	2,023,868
Company-wide water savings (KL)	-	6,900	8,210	3,672
Company-wide paper savings (sheet)	+	583,000	497,174	1,915,000
Water consumption (KL)	+	149,517	157,773	163,068
Maintenance Facility Wastewater Discharge (Tonne)	+	18,115	22,713	23,944
Wastewater Recovery (Tonne)	-	6,900	8,210	3,672
Domestic waste (KG)	-	387,948	134,035	113,450
Hazardous waste (KG)	+	17,673	18,398	19,070
Batteries with cadmium (KG)	+	1,110	1,328	1,717
Investment in environmental equipment (in Thousands NTE)) +	25,935	22,260	23,407
Green Purchasing (in Thousands NTD)	+	9,634	8,013	9,423

ECO Service

Indicator	Change	2014	2013	2012
Passenger use of self check-in counter (persons)	+	3,163,414	2,074,823	
Passenger download of CI Mobile App (downloads)	-	120,884	132,508	
Passenger use of app for check-in (persons)	+	129,064	59,148	
Cargo using e-freight (shipments)	+	69,970	55,083	

Change: Performance difference between 2013 and 2014 +: Performance improved -: Performance deteriorated =: No change in performance





Competency Development and Talent Recruitment Indicator Change

Indicator	Change	2014	2013	2012
Total number of training courses	-	22,247	23,715	24,926
Total training time (hours)	-	496,306	556,400	578,643
Average hours of training per employee (hours)	-	43.8	49.9	53.3
Total subsidies for outsourced training (NTD)	+	3,283,000	2,854,450	2,490,630
Total training budget including branch offices (NTD)	+	310,422,359	264,733,181	247,723,097
Average training budget per employee (NTD)	+	27,425	23,762	22,798
Training completion rate (%)	-	98.6	98.8	98.5
Number of new employees (people)	+	1,054	1,007	948
Number of handicapped employees (people)	+	85	82	86
Number of indigenous employees (people)	-	77	78	79
Ratio of local employees (%)	-	68.4	89.1	88.8
Ratio of local employees in managerial positions (%) -	33.4	45.3	45.9
Turnover rate (%)	-	7.20	6.40	5.86
New employee turnover rate (%)	+	4.9	5.6	5.5

Employee Rights

Indicator	Change	2014	2013	2012
Unionization rate (%)	+	99.1	96.4	98.5
Losses caused by labor disputes (NTD)	-	2,990,000	1,240,000	4,400,422
Benefits amount (NTD)	-	\$132,860,000	\$159,260,000	\$112,160,000
Employee complaints (cases)	-	33	18	20

A Healthy and Safe Workplace

Indicator	Change	2014	2013	2012
Disabling injury frequency rate (FR)	-	3.94	3.59	3.16
Disabling injury severity rate (SR)	-	51	48	26
Health exam attendance (%)	=	98	98	95
Employee psychological counseling (persons)) +	125	66	59

Change: Performance difference between 2013 and 2014 +: Performance improved -: Performance deteriorated =: No change in performance

About China Airlines



1. About China Airlines

1-1 About Us

China Airlines has strived to satisfy all of its passengers through the provision of optimum flying quality since its founding on December 16, 1959. On February 26, 1993, China Airlines (2610:TT) was officially listed on the Taiwan Stock Exchange. We are the largest airline in Taiwan.

On December 16, 1959, a group of retired servicemen from the R.O.C. Air Force founded - "China Airlines" (CAL), the first locally owned airline in Taiwan, ending the foreign monopoly on civil aviation. Today, CAL is the largest civil airline in Taiwan with the most international destinations and passengers among all local operators. CAL headquarters and its main hub are located at the Taoyuan International Airport. The core business of China Airlines is international passenger and freight routes. We also operate peripheral businesses including ground agent services at Taiwan airports, air freight, in-flight catering, aircraft maintenance, hotel management, and in-flight duty-free sales. The running of all domestic airlines was transferred to our Mandarin Airlines subsidiary in 1998. To counter the challenge from Low-Cost Carriers (LCC) and meet the needs of different customer segments, CAL partnered with Tigerair of Singapore to set up "Tigerair Taiwan". The new airlines began operating in 2014 and is continuing to expand its destinations with the goal of boosting overall group synergies through a different business model and the development of different passenger sources.

Corporate Vision, Values and Business Philosophy



CAL Vision

Commitment to Excellence and Reliability

Core Values
Safety, Discipline,
Innovation, Service, Team





Business Philosophy

Satisfied customers, happy employees and creating maximum value for shareholders and society





NTD 52 Billion Registered Capital

11,319 people

Number of employees at end of 2014

84 aircraft
Number of aircraft
(February, 2015)

29Destination countries (February, 2015)

121
Destinations
(February, 2015)

30.2%
Passenger market share
Note 1: Passenger market share data comes from the CAA

Note 1: Passenger market share data comes from the CAA (http://www.caa.gov.tw/big5/content/index01.asp?sno=1855) * Note 2: The annual data from the above web page was used to calculate the number of overseas passengers carried by China Airlines/Mandarin Airlines as a proportion of overall overseas passengers.

28.9%
Freight market share
Note 1: Freight market share data comes from the CAL Cargo
Management System (CMS). The system data in turn comes froi
the four leading warehouse companies. TACT Logistics.
Evergreen Air Cargo Services, Farglory Logistics and
Everterminal.
Note 2: The volume of export cargo from the four above
warehouse companies was used to calculate China
Airlines/Mandarin Airlines' share of the overall freight market.

2014 China Airlines Corporate Sustainability Report

Sites and Routes

At the end of February, 2015, the CAL fleet consisted of 84 aircraft including 63 passenger aircraft and 21 freighters. The average age of the fleet was 10.4 years. In 2016 CAL expects to progressively introduce 14 Airbus A350-900 passenger aircraft to further lower our fleet age and environmental impact. With respect to route management, CAL operates codeshare flights to provide passenger and freight routes to 118 destinations covering 29 countries and 4 continents around the globe. These destinations include 65 in Asia, 34 in the Americas, 9 in Europe and 5 in Oceania (the Christchurch summer schedule has been suspended).

CAA statistics indicate that CAL leads domestic competitors in both the passenger and cargo markets. According to the 2014 international passenger rankings published by the IATA, the company is the world's No. 29 airline with 33.639 billion Revenue Passenger Kilometers (RPK); in freight we are ranked tenth in the world at 4.813 billion Freight Revenue Ton Kilometers (FRTK).

Thanks to strong government support for tourism, the Open Skies agreement between Taiwan and neighboring countries, as well as the depreciation of the Yen in recent years, the aviation industry has seen significant growth in passenger capacity. In 2014, regular international and cross-strait routes in Taiwan carried around 43.75 million passengers, an increase of 8.84 million or 25.4% compared to 2012.



2014 China Airlines Corporate Sustainability Report

While the market share of CAL declined slightly by 1.4% between 2012 ~ 2014, we remained the market leader. Passenger numbers also increased by over 2.18 million (nearly 20%) bringing our market share to 30.2% in 2014. On a regional level, CAL's overall market share on regional routes such as in the China, Hong Kong and Macau markets declined by 0.9%. Overall passenger numbers grew by 486,000 people (21.6%) and we remain the leader in this regional market. In the Northeast Asia market, the Open Skies agreement between Taiwan and Japan saw overall passenger numbers grow by 1.23 million (45.7%) and we remain the undisputed leader. The Southeast Asia market is where LCCs are the most well-developed in Asia so there is intense competition here. Our share of the market has declined very little and passenger numbers grew by 353,000 (7.4%).

For long-haul flights, the entry of several European and American airlines into the Taiwan market led to a decline in our share of the European and American markets. Nevertheless, overall passenger numbers still grew by 23,000 and 66,000 respectively. CAL is now in the midst of a long-haul fleet introduction program that will not only produce fuel savings of more than 20% in conjunction with green policies but also effectively reduce greenhouse gas (GHG) emissions. We also have a completely new-look cabin design and NexGen products in the works that will optimize our competitiveness on long-haul routes and completely revitalize our products and services to provide passengers with an unprecedented flying experience.

With regards to freight, global economic stagnation slowdown, currency rate fluctuations and increase in competition in the aviation market are all having an effect. Regional analysis shows that in the China/Hong Kong/Macau region, factors in play include the economic slowdown, higher labor costs and increases in aircraft numbers; in the South Asia region, the reduction in freighters and passenger aircraft in India is having an effect; in Europe, the Euro debt crisis and economic recession, competition for market share from Middle Eastern airlines, and the switch from air transport to ground transport for goods being

shipped from China to Europe have all impacted on market share; as for Oceania, the increase in belly capacity on passenger aircraft has affected operations to some extent. In the Southeast Asia region however, the migration of the world's factories from China to Southeast Asia has led to CAL increasing the frequency of its freighter services. The resultant increase in market share has strengthened our competitive advantage.

IATA forecasts suggest that demand from the global freight market will grow by 4.5% due to the anticipated global economic recovery. At the same time, CAL will closely monitor market recovery on long-haul routes and U.S. routes in particular. We will actively push to increase the frequency of our services and charter flights (e.g. such as high-return routes to Chicago via Tokyo and Osaka). Now that the B777-300ER passenger aircraft is being progressively put into service we will make the most of their belly capacity. In addition, we will strengthen our cooperation with partner airlines to expand the Central and South American markets and develop new cargo sources. On European routes, we will focus on maintaining stable freighter services. We are also planning to switch the transit point of our European freighter service from Abu Dhabi to Dubai due to the larger market. This will hopefully boost business opportunities while also developing cargo sources in the Middle East and Africa. For short-haul routes, CAL will continue to leverage our freighter route resources in Southern China such as Guangzhou, Shenzhen and Hong Kong to push for higher frequencies on niche routes. We will also continue to develop sources of belly cargo for new passenger destination. Apart from the above, CAL will work to cultivate the Japan, Singapore, Malaysia, Indonesia and Thailand markets in response to market demand. Not only will we compete to carry inter-regional cargo in Asia on northbound-southbound routes but also actively look for opportunities to increase services to potential growth markets such as Vietnam and the Philippines.

China Airlines Fleet	Aircraft type	76 aircraft Total aircraft as of December, 2013	83 aircraft Total aircraft as of December, 2014	Total aircraft as of December, 2015
ORNAMINES	A340-300	6	6	6
Control Address To	A330-300	23	24	24
STORY AND ASSESSMENT OF THE PARTY OF THE PAR	B737-800	13	16	16
CHINA AIRLINES 9	B747-400	13	13	13
STONY ANKINGS &	B777-300ER	0	3	4
- See CLARGO)	B747-400F	21	21	21
		40.4	40.0	40 /

^{*14} Airbus A350-900 passenger aircraft will be progressively introduced in 2016.

10.1 years **10.2** years **10.4** years

Average fleet age as of December, 2013 Average fleet age as of December, 2014 Average fleet age as of December, 2015



2014 China Airlines Corporate Sustainability Report

1-2 CAL Group - Mandarin Airlines

Mandarin Airlines was established in 1991 and its corporate logo is the "Hai Tung Ching (Gyrfalcon)". This not only symbolizes "the eagle's flight" but also Mandarin Airlines' determination to face all challenges with its "head held high." Mandarin Airlines was created by CAL as an investment subsidiary and flew Canada and Australia routes between 1991 ~ 2000. It therefore has extensive experience on international routes and a strong management team. On August 8, 1998, Mandarin Airlines was merged with "Formosa Airlines" whereupon it began focusing on operating regional international and domestic routes.

All employees of Mandarin Airlines are united under the philosophy of "Flight safety" and "Comfortable flight service". Its accolades include "Best Airline Award" from the Civil Aviation Safety Authority of Australia and award for excellence in flight safety from the CAA. In 2003. Mandarin Airlines received its first Golden Flyer Award from the CAA. In 2014, the CAA again presented Mandarin Airlines with the Golden Flyer Award to recognize the airline for its excellence in flight safety, innovative service and social welfare.

Mandarin Airlines has passed IATA IOSA certification and was the first airline in Taiwan to achieve ISO 9002 quality systems certification for air services. Apart from conforming to international standards in flight safety, Mandarin Airlines also strives to improve quality of its services. In June, 2015, it became a member of the IATA joining the international aviation sector. The Mandarin Airlines fleet is composed of eight Embraer E190 short/medium-range aircraft from Brazil. It also leases B747-400, A340-300, A330-300 and B737-800 aircraft from its parent company CAL for cross-strait and regional Asian routes.

The sharing of complementary resources between Mandarin Airlines and its parent CAL has helped the airline achieve steady growth. The close cooperation between CAL and Mandarin Airlines in all areas including fleet, sales and operational management have maximized synergies for the CAL Group. At the end of 2014, Mandarin Airlines not only operated domestic routes in Taiwan but is also focusing on providing convenient and comfortable travel/business

services for direct cross-strait flights as well as international regional routes departing from Taichung and Songshan to Southeast Asia, Japan and South Korea. Mandarin Airlines serves seven domestic destinations in Taiwan. There are around 122 flights a week to Taipei, Taichung, Kinmen, Magong, Taitung, Kaohsiung and Hualien. Mandarin Airlines operates a total of 35 cross-strait and international routes with up to 251 flights a week.







2014 China Airlines Corporate Sustainability Report

China Airlines Milestones

Chi	na Airlines' Founding Period	Time	e of Growth
1959	CAL founded with a capital of NTD 400,000, 26 employees, 1 C54 aircraft and 2 PBY aircraft.	-1995	"Corporate Identity System" (CIS) changed to the "Plum Blossom".
- 1961	Contracted to undertake combat supply missions in Laos.	- 1998	The new "CAL Strategy Plan" was completed. The new corporate vision was for the company to become "The Most Reliable Airline".
+1986 +1988 +1991 +1993	Business expanded with sales division split into passenger and cargo divisions. 27 shareholders gave up their shares to set up the "China Aviation Foundation", allowing for public oversight of CAL Privatization and preparations for public listing. Officially listed on the Taiwan Stock Exchange, becoming the first publicly listed	-2000 -2001 -2004 -2005	"Shanghai Office" established in China. ISO-9001 international quality certification and completion of online ticketing system. Subsidiaries established in Canada, Australia, New Zealand and Guam. A340-300 passenger aircraft introduced. Introduced three A330-300 passenger aircraft, two 747-400 passenger aircraft and two 747-400 freighters. Codeshare agreement with German Rail for air-ground transportation.
	international airline in Taiwan. e of Growth		Launched the world's first butterfly orchid livery aircraft to support Taiwanese agriculture. ustainable China Airlines
	C Of Glowiff	7100	astaniable Office / timiles
2006	Collaborated with the Council of Agriculture to create the world's first fruit livery aircraft. Launched the Taoyuan International Airport Airlines Operation Center. Construction expected to take three years with a 47-year concession period.	2011	Codeshare flights with China Eastern and Shanghai Airlines. Strategic cooperation framework agreement signed with Zhejiang Tourism Group. Became an official member of "SkyTeam" and the first Taiwanese airline to join an international aviation alliance.
20072008	Memorandum of understanding signed with China Southern Airlines. Announced the signing of airport hotel contract with the French Accor Hotel Group. Memorandum of understanding signed with China Southern Airlines.	-2 012	SkyPriority service launched. Joined SkyTeamCargo. Signed agreement with GE aviation group on OnPoint fuel carbon reduction solution. Launched electronic boarding passes, check-in and boarding can now be completed on a Smartphone. World's first Trans-Pacific Climate Observation aircraft. First airline in the world to display meal carbon footprints and calorie information. Refitted nine 747 passenger aircraft with all-new seating and entertainment systems.
2009	Became official IATA e-freight airline. Taiwan's largest 120,000 lb engine test platform put into service.	2013	Formed "Greater China Connection" alliance with Southern Airlines, Eastern Airlines and Xiamen Airlines. Codeshare agreement with Transaero Airlines of Russia and Hawaii Airlines. Expanded codeshare agreement with Southern Airlines. Launched temperature-controlled cargo service.
-2010	Signed strategic cooperation agreement with Eastern Airlines and Southern Airlines. Memorandum of understanding signed with Garuda Indonesia Air. Signed strategic cooperation framework agreement with Fuzhou City in China. Corporate HQ at CAL Park commissioned, winning the national golden award for architecture and 1st place ranking nationally.	-2 014	Next Generation service architecture rolled-out. Established formal sustainability governance organization. Tigerair Taiwan became an official member of the CAL Group. Introduced three 737-800 passenger aircraft, one A330-300 passenger aircraft and three 777-300ER passenger aircraft. Became first airline in Taiwan to successfully pass Enhanced IOSA (E-IOSA) certification

Participation in External Public Organizations

Organization	member
International Air Transport Association	
The Association of Asia Pacific Airlines •	
SKYTEAM	
SkyTeam Cargo	
Euromoney	
Clean Development and Carbon Management Alliance	
The Third Wednesday Club	
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	
Taiwan Visitors Association	
ROC-USA Business Council	
Taiwan Advertisers' Association	



15th Anniversary Annual General Meeting of SkyTeam



Celebrating the 15th anniversary of the SkyTeam alliance

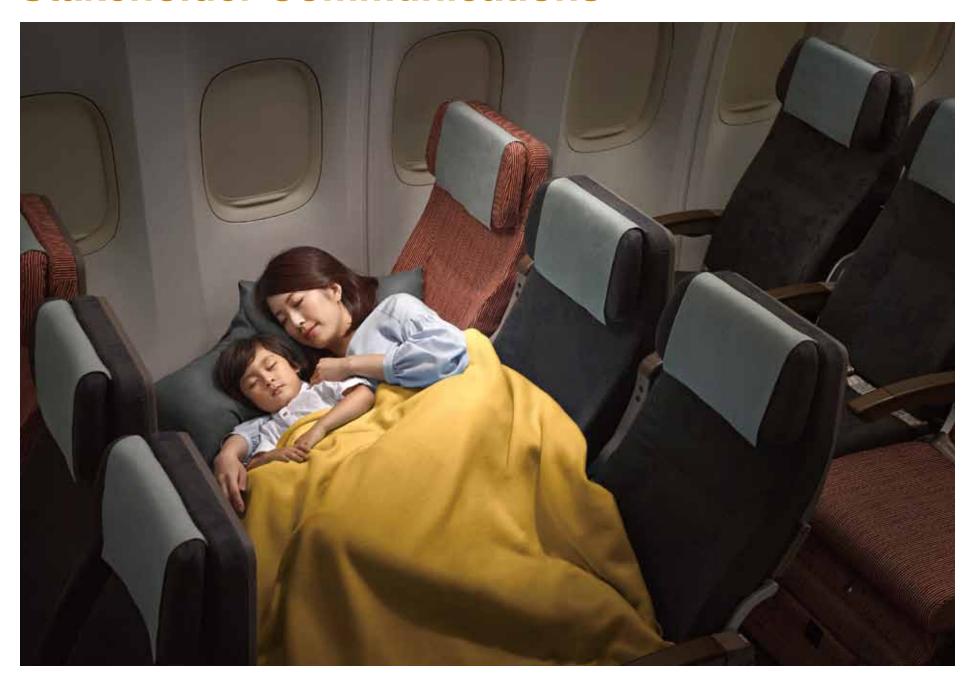


70th IATA Annual General Meeting



SkyTeam "Greater China Connection" summit

Stakeholder Communications



2. Stakeholder Communications

2-1 CAL Stakeholder

Understanding and listening to our stakeholders plays an important role in CAL's pursuit of corporate sustainability because each shareholder strong influences CAL's management, environmental protection and social welfare efforts in different ways.

CAL identified the six most important stakeholders through the AA1000 SES-2011 Stakeholder Engagement Standard (SES). Different channels and platforms of communication are established for each stakeholder and a communication theme is set for each year as well. In 2014, CAL responded to stakeholder expectations and requirements. We also explained subsequent management actions in the hopes of converting our interaction with stakeholders from "Communication" to "Engagement."



Customers Cargo customers, passenger customers, corporate customers, maintenance customers, Dynasty Flyer members

It has always been the goal of CAL to become a world-class airline. We strive to not only provide customers with the best service, but also incorporate environmental protection and sustainability into our service processes. By creating innovative, professional, convenient, and comfortable air passenger and cargo services we can improve customer satisfaction.





Government Finance/financial, flight safety, environmental protection and labor-related government agencies

The government creates and regulates sustainability policies. It is also a crucial supporter of company efforts to become a sustainable enterprise. CAL not only actively monitors and adheres to government regulations and requirements on corporate sustainability but also communicates with the government to form a partnership for the sustainable development of the aviation industry.





Society Community residents, general public

Business reputation is an intangible asset that is more valuable than tangible assets. The general public's perception and expectations of CAL form the cornerstone of sustainable development. In keeping with the spirit of humanitarian service, CAL is not only a promoter of culture but also listens to voices from the edges of society. We seek out disadvantaged groups in need to help and assistance in order to give all the assistance we can.



Employees All employees, flight crews, cabin crews and union

In the aviation industry, core competitiveness is centered around creating the best quality service for customers. Employees of CAL therefore play a crucial role. Providing employees with comprehensive professional training, creating a safe and friendly working environment, strengthening labor-management communication channels and respecting employees' opinions are all goals that CAL is continuing to work towards.



Investors General investors, artificial persons, other institutional entities

Investors now take corporate sustainability into account when screening their investments. Corporate sustainability performance is also measured from a risk and opportunity perspective. Apart from embracing ethical management, CAL also strives to conform to investor expectations on sustainability by implementing sustainability governance as well as actively engaging in value creation and risk reduction activities to produce long-term gains for investors.



Partners Suppliers, subsidiaries

The support of suppliers and subsidiaries determines the success or failure of corporate sustainability initiatives. CAL works with partners to implement energy-saving, carbon reduction and CSR initiatives. Together, we promote the spirit and practice of sustainability and establish a sustainable supply chain for Taiwan's aviation industry.



2-2 Communication Channels and Frequency

	Target	Channel	Frequency	2014 Communication Focus
†		1. Town Hall Meeting	1. Monthly	Deepend to ampleyor requirements by keeping table on ampleyor feelings and
	Employees	2. Employer-employee meeting	2. Monthly	Respond to employee requirements by keeping tabs on employee feelings and
	(Current employees,	3. Employee suggestion box	3. On demand	opinions.
	retired employees)	4. CAL Newsletter	4. On demand	Strengthen communications while also conveying internal and external company
		5. CAL retiree website	5. On demand	messages.
	Customers (Passengers, freight and	Customer satisfaction survey	Quarterly/Half-yearly/Ad hoc	Survey customer satisfaction with service, efficiency and quality.
		2. Global Sales Section Meeting	2. Ad hoc	2. Strengthen customer interaction and strategic partnerships with Global Key/VIP
		3. Travel agent meeting	3. 1 ~ 2 times a year	accounts.
UU		4. Corporate website, corporate sustainability website, Facebook and e-mail	4. On demand	Invite travel agents to review past sales and explore future opportunities. Promotions/Information delivery.
	maintenance)	Customer service hotline	5. On demand	5. Receive customer feedback for initial processing.
		6. Personal visits	6. Ad hoc	6. Maintain customer relations and help customers solve business-related problems.
A	Investors (Shareholders, artificial persons)	Shareholders' Meeting	1. Yearly	Report annual operating results.
		2. Investor hotline / Mailbox	2. On demand	2. Interact with and respond to investors to maintain positive relationships.
N #		Organize unofficial artificial person meetings and interviews	3. Ad hoc	3. Use related seminars and interviews to maintain positive relationships.
	Government and competent agencies	1. Missive	1. Ad hoc	Cooperation/communication on related matters.
		2. Proactive visits	2. Ad hoc	Visit competent authorities to gain an initial understanding/cooperate with regulations and policy initiatives.
		3. Project participation	3. Ad hoc	3. Actively participate in/execute related projects.
		Participation in regulatory meetings, symposiums and proposals	4. Ad hoc	4. Participate in legislative public hearings and international conferences.
	Partners (Suppliers, contractors)	1. Telephone	1. Ad hoc	
		2. E-mail	2. Ad hoc	
191		3. Coordination meetings	3. Quarterly	Check on supplier shipping/delivery status.
		4. Business visit	4. 1 ~ 2 months	
	Society (Community, general public)	Organize charity events	1. Ad hoc	Organize events at local schools, children's homes and senior homes. Donate
		2. Participation in community activities	2. Ad hoc	second-hand items to local disadvantaged groups. 2. Participate in/Sponsor community events hosted by competent agencies.
TAT		3. Press release	3. Monthly / Ad hoc	Press releases on various topics.
		4. Online marketing	4. Ad hoc / Daily	4. Provide the latest information.

2-3 2014 Communication Results

	Stakeholders	Expectation/Requirement	CAL Response	
	Ministry of Transportation and Communications	CAL asked to set up a service point at Taoyuan MRT A1 Station.	Began planning work on service counters at the MRT station in support of the government's policy and to expand passenger services.	
		Required to conform to IATA and CAA regulations on air transport of hazardous goods	Enforced employee training on hazardous goods including reservation, delivery, packaging and preparation of Notification to Captain (NOTOC) information.	
	Civil Aeronautics	Enforce verification of aircraft load-balancing to reduce anomaly rate	Every step of the loading process must adhere to the standard operating procedure (SOP). Inspection frequency increased by QA unit to reduce risk.	
Government	Administration (CAA)	Conform to Aircraft Flight Operation Regulations	Established procedure for management using automated system that will facilitate effective handling of abnormal events.	
Covernment		GHG reduction by the aviation industry and airport	Issued the CAL Voluntary Greenhouse Gas Emission Reduction Statement	
	European Food Safety Authority	EU regulations require consumers to be provided with information on food and beverages served.	To conform to regulations, CAL now requires suppliers to provide consumer information on in-flight foods.	
	Ministry of Health and Welfare	Government announcements on food safety information must be timely and transparent.	When the food oil scandal broke out, CAL immediately asked all catering partners to review their food & beverage products and cooperate with menu planning to avoid consumer concern as well as ensure the safety and health of products.	
	Environmental Protection Bureau	Reporting of fixed emission sources and emission rates	Dispatched personnel to learn about new reporting regulations governing simplified forms and electronic payment/collection.	
	Stakeholders	Expectation/Requirement	CAL Response	
222	Union (5th branch)	Correct the issue of long-term supervisor shortage, promote quality personnel and establish clear channels for promotion	The acting supervisory operations regulations were formulated by Customer Service of Ground Service Division in 2013. A number of quality personnel were promoted to acting supervisors in 2014. A talent pool program has also been developed to realize the goal of training the right people for the right positions.	
Employee	Employees	Increase in flights and codesharing has led to manpower shortages and excessive work hours that make it difficult to improve the quality of operations	Cargo Services Division/Cargo Station Operations Department have taken part in CAL Headquarters' joint recruitment events to recruit new employees and improve quality of operations.	
	Flight attendants	Call for legal work hours and reasonable dispatching	Five communication meetings hosted each week. Crew feedback is also collected at different times each month to come up with workable solutions that satisfy flight attendants' expectations of CAL.	

Stakeholders		Expectation/Requirement	CAL Response	
		Remuneration	Use block time to calculate monthly flight pay instead. *Block time: Time from the aircraft beginning to move until it stops moving after landing.	
مُصُفّ	Flight attendants		Increase the number of roster changes from 3 to 4 times a month.	
II II II Employee		Benefits system	Cabin crew members attending ground classes should receive a meal allowance for the day.	
h ,			Provide full coverage for transportation costs to the local contracted hospital when medical attention is needed at overseas stations.	
	Union (3rd branch)	Push for better flight attendant benefits	Apart from regular employer-employee meetings each month, union representatives are welcome to discuss issues with managers at all levels at any time.	
Sta	akeholders	Expectation/Requirement	CAL Response	
	Passenger customers	Call to make self-service check-ins easier and to Improve the check-in environment	Asked Taoyuan Airport to improve the placement of the Common Use Self Service (CUSS), set up dedicated baggage check-in counters and assigned personnel to assist with use of CUSS.	
		Passengers want to shorten the time spent Waiting in check-in queues	Continue to recruit and increase the number of frontline staff. Due to the number of flights at Terminal 2 forcing multiple flights to be served by the same counters, CAL is continuing to negotiate with Taoyuan Airport to increase the number of leased counters or the transfer of some flights to Terminal 1.	
		Passengers waiting for an excessively long time at boarding gates for their prams after flights each gates.	More personnel assigned to getting prams quickly to the boarding gate. Union representatives and the TIAS have reached an agreement to deliver prams on to air bridges within $6 \sim 10$ minutes of flights reaching gates.	
		Vegetarian/vegan passengers want better quality Vegetarian/vegan meals and less use of processed Products	The Food & Beverage Service Department and China Pacific Catering Services is developing a new vegetarian menu based around healthy vegetable foods. The new vegetarian menu developed to satisfy passenger expectations is expected to become available in the second half of 2015.	
Customer		Improve the stability of the freight website to void login problems and excessive loading imes on the cargo status query page.	The Information Management Division has added hardware to improve stability of the corporate website. Customers are also encouraged to use the query function of the CAL Cargo app launched in January, 2013.	
		Reduce the rate of cargo problems and damage	IRR Case Study conducted each month at all stations on all routes to improve training in issue prevention.	
	Travel agency	Faster and more convenient dynasty package Bookings	ALL CAL bookings are now handled through the CI LINK system. We are continuing to increase the number of reserved rooms and to speed up confirmation of bookings.	
		Early check-in and seat selection services for Group passengers	CAL continues to improve early check-in and seat selection services for group passengers so they can receive attentive services.	
		Ability to provide additional group seats in a imely manner.	Faxes or e-mails sent by travel agencies for additional group booking requirements will be processed and a concrete response provided within 3 days.	

Sta	keholders	Expectation/Requirement	CAL Response	
	Environmental Protection Group	CAL asked to stop transporting shark fin products immediately	CAL supports ecological conservation, environmental protection and sustainable development. We therefore issued in December, 2014, a notice that we will no longer transport shark fin products and published related policies on the corporate website.	
ŤÅŤ		Teaching of free classes by the Volunteer Club	The CAL Volunteer Club will arrange for free classes on aviation knowledge for Ju-Wei and Shi-Hai elementary schools at a time convenient to these schools.	
Society	Partner Institution	Industry-university cooperation to promote civil aviation flying courses	Cultivate outstanding aviation talent to increase our potential manpower pool.	
	Charity group	Provide sponsorship	Provide donations and excess baggage discounts after assessment.	
Sta	keholders	Expectation/Requirement	CAL Response	
Investor	General investors / Artificial person	Communication on operating results, finances and investor affairs	Information relating to operating results, finances and investor affairs published and provided on request in accordance with government regulations and investor requirements.	
Sto	keholders	Expectation/Requirement	CAL Response	
Sla	Kenoluers	Expectation/Requirement	CAL Response	
	Affiliated enterprise	Effective use of food ingredients and more efficient menu preparation	Planning for new menus including Economy Class, Business Class to China and sections with no tray service.	
			Tender information is disclosed in a public and transparent manner on the CAL website.	
Partner	Bidder	Bidding specifications	According to the "Procurement Notice" on the CAL website, bid documentation must include a "Bidder Declaration" to ensure that suppliers adhere to the "Code of Ethical Conduct" and "Code of Ethical Management" for CSR fulfillment.	
	Security/Vehicle/Cleaning service contractors	Respect for contractor employees	Use contracts to regulate business conduct in areas such as the management's duty of care on human rights and business ethics.	

Corporate Governance



Highlights



1st

First airlines in Taiwan to set up a standing sustainability governance establishment.

In pursuit of corporate sustainability, CAL has set up a Corporate Sustainability Committee consisting of six task forces.



 A^{+}

In 2014, CAL received an A+-rating in the "Information Disclosure and Transparency Ranking System".

Information disclosure and transparency form a key part of the six corporate governance principles recognized by OECD. This is the standard used by countries, companies and investors around the world to constitute their own corporate governance policies.

1st



Evaluation and certification on corporate governance system In 2010, CAL became the first airline company in Taiwan to be awarded the "CG6005 certificate" issued by Corporate Governance Association through evaluation of its corporate governance system.

CAL strives to maximize its return on investments for the shareholders, while minimizing operation risks through the implementation of corporate governance.



Top 20%

Ranked among the Top 20% of companies in the first Corporate Governance Evaluation System

CAL is actively enhancing its corporate governance and voluntarily implementing various self-monitoring measures that exceed statutory requirements in order to pursue the highest standard of corporate governance.



1st

Corporate Sustainability Report
The first airline company in Taiwan to publish a corporate sustainability report

CAL has adopted Global Reporting Initiative (GRI) guidelines to compile its sustainability report and passed the certification of AA10000 AS standard. The report discloses to the stakeholders the company's philosophies and initiatives in its sustainable business management.

3-1 Board Operations

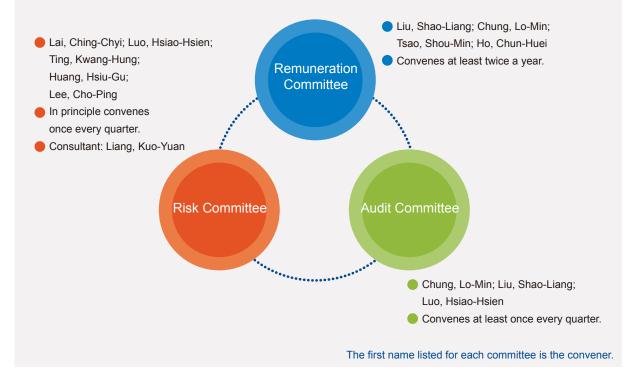
The CAL shareholders' meeting elects a Board of 13 directors (including three independent directors for three-year terms in accordance with the "Rules for Election of Directors of the Board". The directors then elect one of their members as chairman. The Board must convene at least quarterly under the "Rules of Procedure for Board of Directors Meeting" to forge the company's strategies and resolve on important business proposals. Board directors possess the necessary professional knowledge, experiences and accomplishments to carry out their duties. Their backgrounds include aerospace, shipping, transportation, law, finance, insurance, telecommunications, academia and international trade. Their wealth of international perspective, decisive leadership and crisis management skills make them more than capable of responding to economic, environmental and social changes. The president is appointed by the Board to head the management team, follow the policy guidance of the Board and oversee overall business management. The clear division of responsibility between the Board and the management team, well-defined delegation of authority and open channels of communication have led to a sound corporate governance system and effective operations.



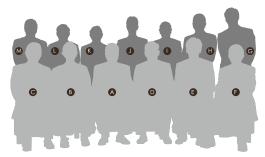
Three functional committees have been set up under the Board: "Remuneration Committee", "Audit Committee" and "Risk Committee." They are convened in accordance with the organic charters approved by the Board, carry out their duties under the law and by the Board's authority, review and discuss related issues, then submit their conclusions and recommendations to the Board for resolution. The sober operations effectively enhance the corporate governance and strengthen the organizational functions of the Board.

A General Audit Office reporting directly to the Board has long been established to plan and carry out CAL's internal controls and auditing operations in accordance with the relevant laws and decrees as well as the Board's directions. CAL was awarded the "CG6005 certificate on Corporate Governance Assessment" hosted by the Taiwan Corporate Governance Association in 2010, the first for a Taiwanese airline company. CAL once again received A+-rating in this field through the "Information Disclosure and Transparency Ranking System" in 2014.

The composition and meeting frequency of each committee is shown below:







Rules for Election of Directors of the Board

Rules of Procedure for Board of Directors Meeting

Age distribution of the directors of the board: one between $30 \sim 50$ years, 12 over 50 years; average board meeting attendance: 90%

- Chairman, Sun, Huang-Hsiang
 Chairman, China Airlines Ltd.
 Chairman, CAL Park Co., Ltd.
 Chairman, CAL Hotel Co., Ltd.
 Chairman, CAL-Optiastly International, Inc.
 Chairman, CAL-Asia Investment Inc.
 Director, China Aviation Development Foundation
- Independent Director, Chung, Lo-Min Chairman, Audit Committee, China Airlines Ltd.
 Member, Remuneration Committee, China Airlines Ltd. Chairman, China Steel Chemical Corporation Chairman, Universal eXchange Inc.
- Independent Director, Luo, Hsiao-Hsien Member, Audit Committee, China Airlines Ltd. Member, Risk Committee, China Airlines Ltd. Associate Professor and Dean of General Affairs, Department of Transportation Management. Tamkang University President, Chinese Institute of Transportation Director, Eastern Asia Society for Transportation Studies Managing Director, Taipei Rapid Transit Corporation Director, EasyCard Investment Holdings Corporation and EasyCard Corporation Director, Vehicle Safety Certification Center Director, Taipei Society for Traffic Safety Supervisor, China Road Federation Director, Taipei Traffic Education Foundation Director, The General Association of the Scouts of China
- Director, Lin, Perng-Liang
 President, China Airlines Ltd.
 Chairman, Mandarin Airlines, Ltd.
 Director, CAL Park Co., Ltd.
 Director, CAL Hotel Co., Ltd.
 Director, Taoyuan International Airport Services Co., Ltd.
 Director, CAL-Asia Investment Inc.
 Director, Dynasty Properties Co., Ltd.
 Director, China Aviation Development Foundation
- Independent Director, Liu. Shao-Liang Chairman, Remuneration Committee, China Airlines Member, Audit Committee, China Airlines Executive Vice President, China Development Financial Holdings Chairman, China Venture Management, Inc. Chairman, R.O.C. Strategic Company, Ltd. Chairman, CDIB Strategic Venture Fund, Ltd. Chairman, CDIB CME Fund Ltd. Supervisor, China Development Asset Management Corp. Supervisor, CDIB Venture Capital Corp. Director, CDIB Private Equity (China) Corp. Director, CDIB Venture Capital (HK) Corp. Ltd. Director, Taiwan Stock Exchange Corp. Director, HIM International Music Inc. Director, CECI Engineering Consultants, Inc., Taiwan Chairman, CDIB Healthcare Fund Ltd.

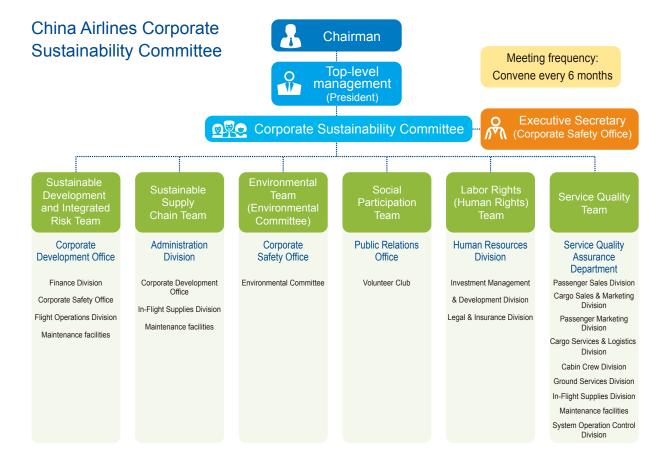
- Director, Lai, Ching-Chyi
 Chairman, Risk Committee, China Airlines Ltd.
 Member, Remuneration Committee, Topco
 Scientific Coprostor,
 Chair Professor, College of Management,
 Chung Hua University
- Director, Ting, Kwang-Hung
 Member, Risk Committee, China Airlines
 Chairman, Central Trading & Development Corp.
 Chairman, Phu My Hung Corp.
 Chairman, Hiep Phuco Power Co., Ltd.
 Chairman, Macro Technologies Inc. (Vietnam) Ltd.
 Corporate Visiting Professor, College of
 Management, National Taiwan Normal University
- Director, Ko, Tso-Liang
 Chairman, China Airlines Employees Union
 Standing Director, Federation of Aviation
 Employees, R.O.C.
- Director, Huang, Hsiu-Gu
 Member, Risk Committee, China Airlines Ltd.
 Senior Executive Vice President, Chunghwa
 Telecom Co., Ltd.
 Director, The Chinese Institute of Electrical
 Engineering
 Director, Taipei Computer Association
 Director, Taipei Financial Center Corp.
- Director, Charles C. Y. Chen Chairman, Eyon Holding Group Vice Chairman, Taiwan Air Cargo Terminal Ltd. Vice Chairman, Taiwan Air Cargo Terminal Ltd. Director, Epistar Corporation Director, Formosa International Hotels Corporation Director, Ascendas Pte. Ltd. Director, Ichia Technologies Inc. Vice Chairman, Wan Hai Lines (Singapore) Pte Ltd. President, Cheng-Yung Foundation Adjunct Associate Professor, Department of Quantitative Finance, National Tsing Hua University
- Director, Sung, Hong-Lei Supervisor, The Grand Hotel
- Director, Lin, Su-Ming
 Public Director, Taipei Exchange, R.O.C.
 Independent Director, Nan Shan Life Insurance
 Co., Ltd.
 Director, iPass Corporation
 Professor, Department & Graduate Institute of
 Accounting, National Taiwan University
- Director, Lee, Cho-Ping Member, Risk Committee, China Airlines Ltd. President, Federation of Aviation Employees, R.O.C. President, Air Transport Workers Industrial Unions Municipal Advisor, Taipei City Government

3-2 Sustainability Governance

CAL knows that the aviation industry faces many sustainability risks. A Corporate Sustainability Committee was set up as a senior organization for strengthening and enforcing sustainable governance. The committee sets the goals and direction of sustainable development for CAL. Action plans are developed through the Executive Secretary and assigned to teams for implementation. The chairman inspects the performance and sets target completion rates for teams every 6 months. The committee has set up six teams based around key sustainability issues in the aviation industry: Sustainable Development and Integrated Risk, Sustainable Supply Chain, Environmental, Social Participation, Labor and Human Rights, and Service Quality.

Sustainability Vision and Mission

"Commitment to Excellence and Reliability" defines the corporate vision of CAL. To follow this vision and work towards sustainable development, we must listen carefully to each of our stakeholders. We have defined "Customers, Shareholders, Employees, Partners, Society, Earth" as our key considerations. We have also combined our mission of sustainability with these key areas of interest and will work with our stakeholders to ensure sustainable development and share the returns that it brings.

















CAL Short, Medium and Long-term Sustainability Goals

Dimension

Customer Service

Short-term

- immediately process and respond to customer feedback
- Promote a safety culture, enforce safety accountability and enhance the safety awareness of all employees.
- Strengthen "proactive autonomy" in safety awareness among employees. Use positive incentives to encourage safe behavior of employees. Enforce safety discipline in all units as well as establish a habit of two-way communication between managers and employees.
- All managers and employees shall possess sound safety management skills and abilities, safety awareness, and demonstrate safe behavior.



Aviation Safety

- Set energy reduction goals and management
- Strengthen the company's environmental management system to conform to the corporate energy and environmental management policy as well as improve operating quality.
- Set a sustainable supply chain management strategy, publish a management policy and establish assessment tools.
- Freighter station managers (DM/FN/FO) conduct monthly quality evaluations of ground service
- Freighter station managers (DM/FN/FO) evaluate the ground service provider's execution of the Safety Management System (SMS) every 6 months.
- Improve the provision of job opportunities to the disabled and indigenous peoples. Continue to promote gender equality in the workplace, respect equal opportunity, expand employee engagement, open up promotion opportunities and improve basic employee salaries and benefits.
 - Set up internal rotation based on employee performance and competence.

Medium- and Long-term

- A service satisfaction survey is conducted among the main freight forwarders at each station to provide a basis for concrete service improvements
- Ocntinue to identify, confirm, improve and control risks in the working environment. Minimize and reduce potential losses caused by risk to an acceptable level in order to achieve the highest standard of flight safety.
- Continue to promote safety management systems and management initiatives so that the safety culture can be elevated to a state of mutual learning. Accumulate and share experience, carry out improvements, and encourage cooperation between teams. Cultivate the attitude and habit of safety to realize continual improvement in organizational safety performance.
- Actively promote CNG 2020 zero carbon growth initiatives.
- ✓ Enforce the CAL Group environmental risk assessment and management system.
- Actively respond to international sustainability assessments as well as refine our corporate environmental management capability and quality.
- Set up a provider risk assessment, control mechanism and management capability.
- Conduct re-certifications every 3 years.
- Encourage supply chain customers (ground service agents, freight forwarders) to apply for AEO certification to ensure the best possible safety assurance at each logistics node.
- Create a fair, happy, safe and healthy working environment to ensure that employees achieve a balance between work and family life.
- Organize inter-unit rotation and overseas assignments or cultivation of management personnel based on employee performance and competence.

CAL Participation in Sustainability Initiatives

Initiative



SkyTeam Corporate Social Responsibility Statement

CAL role and participation

Strive to set the industry standard for protecting the environment, promoting social responsibility, realizing social equity and supporting the sustainable development of the aviation industry.



SkyTeam Statement on Commitment to Safety, Security and Quality

Committed to providing the best flight safety, security and quality goals through continuous improvement and refinement as well intra-industry cooperation



Global Code of Ethics

Strive to minimize the impact of tourism on the environment and cultural heritages, promote sustainable tourism, reduce poverty, and encourage mutual understanding between nations.



Earth Hour" event

CAL has participated in the "Earth Hour" international event since 2008. Non-essential power sources are switched off for one hour to raise public awareness of the impact of global warming and climate change.



IATA International **Aviation Industrial Waste** Research Program

Began participating in the IATA international aviation industrial waste research program in 2013. We now sort and recycle waste from flights returning to Taiwan.



Pacific Greenhouse **Gases Measurement** Project (PGGM)

As part of the Pacific Greenhouse Gases Measurement (PGGM) project, CAL installed In-service Aircraft for a Global Observation System (IAGOS) instrumentation in the electronics bay of aircraft to collect data on atmospheric gases over the Pacific. This will be used by scientific units around the world for research into global warming and climate change.



CAA "Taipei Aviation Information Region and Route Structure Master Plan'

Cooperated with the CAA " Aviation Taipei Information Region and Route Structure Master Plan" working group to provide aircraft with advice and support data for optimizing operations for approach or take-off.



CAL began disclosing a carbon risk management strategy, GHG emissions, reduction management and results in 2012 at the invitation of the Carbon Disclosure Project. We also disclose our GHG management practices to international institutional investors



Supply Chain

Management

3-3 Regulatory Compliance

CAL has developed the Code of Corporate Governance for China Airlines, Board of Directors' Code of Conduct, Executive Code of Conduct, and China Airlines Ltd. Procedures for Handling Material Inside Information to establish a sound corporate governance system. In addition to complying with existing regulations, we are also committed to the six principles of governance: protecting shareholders' rights, strengthening the Board's competency, establish Board meeting rules and decision-making processes (including conflicts of interest of directors), respect stakeholders' rights, and enhance information transparency. CAL has also created an Employee Code of Conduct to ensure that all employees understand and comply with the established guidelines for behavior.

Anti-corruption

The General Audit Office of CAL reports to the Board of Directors and there are regulations in place for reporting corruption and improper behavior. If any CAL employee or external stakeholder such as suppliers should discover any CAL or affiliate's employee exploiting their position to accept bribes, act inappropriately, seek illegal gain for themselves or others in a manner that damages company property or reputation, they are encouraged to report such behavior. This helps to prevent employees using their positions for illegal gain or to harm the company's interests. Under our internal controls, random inspections are also conducted at different times for business units deemed at risk to enforce risk management and prevent improper behavior.

Information Protection

CAL Corporate Governance Principles

Target: Directors of the Board

Summary:1. Establish an effective corporate governance structure.

- 2. Protect shareholders' rights.
- 3. Strengthen the competency of the Board.
- 4. Utilize the Audit Committee.
- 5. Respect stakeholders' rights.
- 6. Improve information transparency.

Board Directors' Code of Conduct



Target: Board of Directors

- Summary: 1. In the execution of their duties, directors are expected to put the company's interests first. They may not harm the company's interests for the benefit of certain individuals or groups. All shareholders should also be treated fairly during the performance of their duties.
 - 2. Directors should perform their duties in good faith by emphasizing integrity and equality as well as a high-level of self-discipline. They should follow the law, our corporate charter and the resolutions of the general shareholders' meeting.

Executive Code of Conduct



Target: Executives

Summary:1. Behave in an honest and ethical manner. This includes ethical handling of conflicts of interest between individuals and their roles.

- 2. Maintain confidentiality.
- 3. Fair treatment of customers and employees as well as lawful behavior toward competitors.
- 4. Protect company assets so they can be used effectively.
- 5. Obey government laws and regulations including laws against insider trading.

China Airlines Ltd. Procedures for Handling Material Inside Information

Target:1. Directors, managerial officers and employees.

- (Any other person who acquires knowledge of the Company's material inside information due to their position, profession, or relationship of control interests.) Other people who become aware of important inside information through their status, occupation or controlling interests.
- Summary: Establish a sound mechanism for managing important inside information to avoid the improper disclosure of information as well as to ensure the consistency and accuracy of published information.

China Airlines has established a Personal Information Management Committee to oversee the maintenance and management of personal files in accordance with the Personal Information Protection Act and the CAA "Civil Aviation Industry Personal Information Protection Plan and Processing Regulations (Personal Information Protection Plan Regulations)". A team of professional consultants advises the company on the introduction of the personal information management system as well as conducting a personal information inventory, risk evaluation and drawing up personal information protection management quality documentation (SOP) for pilot units (Information Management Division, Human Resources Division and Passenger Sales Division). These ensure that the gathering, processing and use of personal information complies with national laws on personal information protection.

Employee Code of Conduct

The Employee Code of Conduct specifies the ethics and corporate values that are at the heart of CAL. The Code of Conduct is the highest principle for all CAL employees to adhere to in the performance of their duties and in daily work behavior. The Code of Conduct should be obeyed at all times. The CAL Employee Code of Conduct covers different aspects including human rights, privacy and anti-discrimination requirements based on the United Nations Declaration of Human Rights, the Global Compact and the International Labor Organization. It is the duty of every employee to report improper behavior. Reports are to be investigated by senior CAL executives while protecting the rights of the informant. To strengthen awareness on fair competition, an "Anti-Trust and Fair Competition Clause" was explicitly included in the Employee Code of Conduct. Personnel receive regular training to further reinforce compliance.



Anti-Trust and Fair Competition Clause

- (1) The Clause explicitly states what activities are prohibited for CAL personnel.
- Do not discuss or negotiate fares, commissions, revenue distribution, customers, market segments, boycotts or other matters that may impact market competition with other airlines.
- There must be no exchange or discussion of non-public sensitive commercial information (by e-mail, phone, SMS etc.) with other airlines during the collection of market intelligence.
- Do not exploit market monopolies to set clearly unreasonable fares.
- Do not set fares at below cost in order to deliberately eliminate the competition.
- Do not refuse a transaction without a justifiable reason, or give preferential treatment to one party during a transaction.
- Do not engage in any activities that may influence the fairness of any transaction procedure.
- (2) The Clause also lays out what actions should be taken by CAL personnel.
- Before taking part in industry meetings, ask the host to provide the agenda. If there is any doubt over legality, consult with the local legal advisor or the Legal & Insurance Division first.
- Commercially sensitive information such as competitor pricing should be acquired from open sources.
- If another airline wishes to discuss competition-related non-public sensitive commercial information, CAL employees should state immediately that they are not authorized to do so and excuse themselves. The incident should also be reported to superiors and recorded in writing.
- If the local law-enforcement agency has court-approved documents for a search or the local anti-trust authority is conducting an administrative investigation, the business oversight unit, legal insurance & local law international consultant should be notified for assistance.

Key Litigation Cases

Case Background	Facts of the Dispute	Incident Date	Current Progress
Arbitration for refund of excess aircraft lease payments	The Civil Aviation Administration (CAA) recovered aircraft leased to CAL and put it up for tender. According to CAL calculations, this led to excess lease payments amounting to more than NTD2.4 billion. CAL filed for arbitration with the Arbitration Association of the R.O.C. Judgment ruled that the CAA should refund the excess lease payments.	March, 2008	The Arbitration Association of R.O.C. ruled that that the CAA should refund CAL the amount of NTD1,529,916,900 with 5% interest p.a. from April 9, 2008, until full repayment is made. The CAA was also held liable for 30% of the arbitration fee. Based on the analysis and advice of Lee and Li Attorneys-at-Law, we decided to suspend the enforcement procedure to wait for the outcome of the suit to revoke the result of arbitration. The arbitration result was revoked by the Supreme Court in its Taishentzu 312 judgment on March 4, 2015.
Revoking of arbitration decision for refund of excess aircraft lease payments	The CAA refused to accept the decision of the Arbitration Association of the R.O.C. that it should pay NTD1,529,916,900 to CAL and petitioned the courts to overturn the decision.	May, 2010	The Taipei District Court rejected the CAA's argument, the Taiwan High Court rejected the CAA's appeal, the Supreme Court sent the case back to the High Court for review, the Taiwan High Court revoked the arbitration judgment, and the Supreme Court rejected the appeal filed by CAA in its 2015 Taishentzu 312 decision. The aforementioned arbitration decision has therefore been overturned.
Air cargo price fixing civil class action in the U.S.	In February 2006, the U.S. Department of Justice launched an anti-trust investigation into the fuel surcharges levied by major global air cargo freight carriers. The civil class action over price fixing and all relevant lawsuits have been consolidated and are now being examined by the New York District Court.	February, 2010	CAL settled with the plaintiff for USD 90 Million in 2014.
Air passenger price fixing civil class action in the U.S.	In December 2007, due to allegations of major airlines conspiring to fix the pricing of passenger freight fees and fuel surcharges, CAL (as a member of AAPA) was named as a co-defendant. The case is currently under review by the San Francisco District Court.	December, 2007	At this current juncture CAL has adopted a pro-active defense strategy and has joined the defendants group. The pre-trial disclosure process was completed at the end of February 2014. The court is now determining whether the original plaintiffs are "sufficiently represented" for the class action.

3-4 Risk Management

CAL understands the importance of risk management and takes potential interaction between risks very seriously. A Risk Management Committee was there-

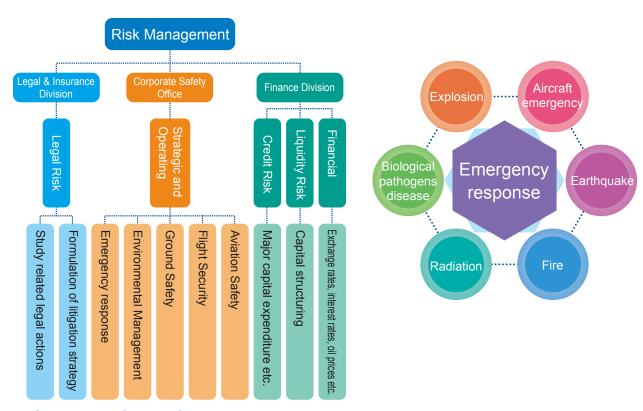
fore set up under the Board of Directors to strengthen the risk management system. Subordinate units have also been asked to monitor the main types of risks. CAL is highly aware that aviation safety is the No. 1 concern for an airline. Thus, the Corporate Safety Office is authorized to integrate and manage the risks emerging from flight safety, aviation security and environment.

For legal and litigation risks, the Legal & Insurance division provides advice on the prevention and handling of legal issues. To further strengthen legal compliance, internal training is also provided to update internal teams on relevant law changes. Due to the rapidly changing nature of domestic and global financial markets, the Finance Division is responsible for managing the company's financial risk and reducing the impact of market fluctuations (i.e., exchange rates, interest rates, oil prices) on CAL finances.

Emergency Response

CAL has drawn up emergency response plans to tackle different situations, and describes the steps to take in detail in the emergency response manual. In addition, CAL has also formed taskforces with profes-

sionals from responsible departments to undergo regular and strict training exercise. To further protect passenger safety, CAL has also signed emergency response agreements with airline partners, SkyTeam members, responses to emergency situations.



Summary of 2014 CAL Emergency Response Training and Exercise

Training

- Organized EU emergency response instructor training. 10 personnel completed the course.
- Organized recurring training for all CAL caregivers (including reserve caregivers) in an e-learning format. 267 personnel have completed the course.
- Hosted one initial training session for caregivers at CAL headquarters. A total of 29 newly recruited caregivers were trained on the workflow, role, responsibilities and self-care.
- Organized e-learning for CAL emergency response task force grouped staff. A total of 245 employees completed the training.

- Exercise
- Organized EU emergency response table-top exercise. 10 personnel completed these exercises.
- Organized one table-top exercise for the accommodations team, luggage team and Taoyuan customer service department. 20 personnel have completed this exercise.
- Organized the caregiver's management team as well as the hospital team and their care team leaders to respond
 to two table-top exercises. 38 students completed these simulations.
- Organized one table-top exercise for the wreckage team. 17 personnel completed this session.
- Organized a manifest drill using the CI-642 HKG/TPE flight as an example. Passenger, crew and cargo manifests
 were inspected. The results of the drills showed that all manifests could be completed within one hour.
- Organized a full-scale emergency response exercise. The exercise took place with no warning and mobilized a total of 514 people in 21 emergency response teams. The drill included: notification and mobilization, head count, inspection of headquarters equipment and functionality, introduction of the emergency response iER app, command post and emergency response center (ERC) operations, scenario exercises and after-action review. The large-scale mobilization exercise conducted once every three years was therefore conducted successfully.
- Joint exercises were also conducted with Taoyuan International Airport, including: placement of uninjured passengers, providing of family services in the terminal, establishing a family reception and service center at the CAL Novotel Hotel, and supporting the airport's air-disaster emergency operation exercise. A total of 10 emergency response teams with 300 people, 30 vehicles, 1 744 aircraft, 2 737 aircraft and other resources including amenity supplies, and communications equipment were mobilized. The exercise was conducted successfully.

3-5 Industry Overview

The drop in international oil prices in 2014 Q4 lowered operating costs while also effectively driving a recovery in demand for passenger and freight services. The revenue situation gradually improved and will make a major contribution to operations in 2015. Despite intense pressure in the business environment, CAL still aggressively launched a next-generation product to boost the quality of products and services as well as competitiveness. We are focusing on the China and Southeast Asia niche markets in particular to strengthen our network and take advantage of economic recovery.

According to the latest IATA statistics, in 2014 the global aviation industry's Revenue Passenger Kilometer (RPK) grew by 5.9% compared to 2013. The overall Available Sea Kilometer (ASK) grew by just 5.5%. Demand outstripping supply helped boost the overall loading factor to 79.7%. In the freight market, the 2014 global Freight Tonne Kilometers (FTK) grew by 4.5% compared to 2014 while the Available Freight Tonne Kilometers (AFTK) grew by just 3.7%. Demand growing faster than supply helped boost the freight loading factor to 45.7%.

For 2015, IATA expects that global demand for passenger services will increase by 7.0%. This is higher than the 5.9% in 2014. Passenger growth in the Asia-Pacific region in particular will grow by 7.7%, second only to the Middle East. In terms of EBIT margin (% revenues), in 2015 the global airline average will reach 6.0% while Asia Pacific will reach 7.7%. These will both be five-year highs. In 2015, CAL will continue to maintain an attitude of "solid management" and "cautious optimism". We will make Taiwan our base for building a transshipping hub in East Asia and construct an even more solid regional and long-haul network.

Changes in supply and demand in the aviation industry in recent years



Faced with such difficult market conditions, CAL has not only drawn up development strategies for the short- and long-term but is also upgrading management tools. We are now working to boost our competitiveness and revenues through the introduction of next-generation electronic operating systems as well as the development of new services. (For more information, please refer to page 73-74 of Annual Report.)

Recent annual plans	Estimated completion time	Current progress
Introduction of the next-generation passenger business system	May, 2016	15%
Development of a freight revenue management system	December, 2016	5%
Set up freight container & pallet sales system	August, 2016	5%
Set up next-generation freight website	June, 2016	5%
Set up new flight planning system	August, 2015	74%
Set up next-generation crew dispatching system	December, 2016	8%
Set up flight operations control system	December, 2016	7%
Set up next-generation CAL corporate website	December, 2015	6%
Set up collectibles system	July, 2015	50%
Set up mechanism for automated passenger ticket review	July, 2016	5%
Set up campaign management platform	December, 2016	5%
Set up next-generation multimedia customer service system	December, 2015	5%
Set up next-generation CAL mobile app functions	December, 2015	5%

3-6 Historical Performance

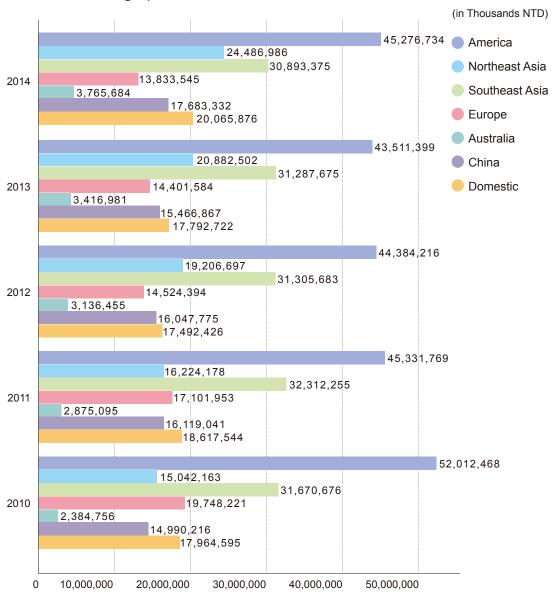
The slow global economic recovery in 2014 meant the market remained sluggish. The drop in international oil prices in 2014 Q4 however lowered operating costs while also effectively driving a recovery in demand for passenger and freight services. The revenue situation gradually improved and will make a major contribution to operations in 2015. Despite intense pressure in the business environment during 2014, CAL still aggressively launched a next-generation product to boost the quality of products and services as well as competitiveness. We are focusing on the China and Southeast Asia niche markets in particular to strengthen our network and take advantage of economic recovery.

Main Types of Operating Revenue (consolidated revenues) (in Thousands NTD)



^{*}Financial data in 2010-2011 adopted GAAP, Financial data in 2012-2014 adopted IFRS.

Overview of Geographical Revenue



^{*}Financial data in 2010-2011 adopted GAAP, Financial data in 2012-2014 adopted IFRS.

Historic Financial Performance

(in Thousands NTD)

	2014	2013	2012	Notes
Income tax expenses (benefit)	798,560	329,709	-40,407	
Total assets	217,905,470	211,056,974	209,818,674	
Capital	52,491,666	52,000,000	52,000,000	
Revenue per employee	12,344	11,826	12,044	Calculated using the number of employees at the end of the year
Total revenue	139,726,168	131,752,677	132,135,468	
Total consolidated revenue	150,581,742	141,702,545	140,972,139	
Consolidated pretax profit	357,709	-361,180	-172,005	
Total market value	76,112,922	56,940,000	62,400,000	Based on share price at the end of the year
Operating expenses	137,855,614	132,036,459	132,912,058	Operating costs + Operating expenses
Retained earnings	-3,864,876	-3,161,115	-1,841,688	
Salary expense	11,188,769	11,309,878	11,438,960	
Employee benefits expense	14,863,658	14,722,548	13,871,863	
Total pensions cost	749,506	642,892	527,507	

Caring for the Employees



Highlights



Year of "Employee First "

Launched in 2015

Strengthening communication mechanisms, expanding employee participation, enhancing the work environment and improving career development were key tasks for the Year.



11.1 Billion

Investment in remuneration and benefits



Total CAL remuneration and spending on benefits in 2014

5.4%

Proportion of national unpaid parental leave



Ministry of Labor statistics showed that there were 73,899 first-time applications for unpaid parental leave in 2014; 398 of the applicants were from CAL and accounted for 5.4% of all applicants in Taiwan.

310 Million

Spending on employee education and training

CAL organized a variety of training activities to provide employees with the necessary knowledge and skills for their roles.



6 times

Professional paid psychological counseling services provided by CAL

Employees are provided with psychological counseling services when necessary to help them cope with the changes and increasing complexity of society as well as reduce psychological stress.

4-1 Year of "Employee First" Launched

4-1-1 Promoting the Year of "Employee First"

The chairman announced at the start of Chinese New Year that 2015 will be the year of "Employee First". We hope that CAL and affiliates will continue to improve in every area while also making taking care of employees the top priority.

The president emphasized that everyone must pull together in both communication and participation. Everyone must also think about how we can do better in every system and on items important to employees. CAL needs to be even more proactive with unobstruc-

ted channels for communication in the new year. We encourage all managers to host regular "Town Hall Meetings" with employees where everyone can suggest proposals and improvements to keep the doorway of communication open. "CAL Newsletter" is planning to include a section that regularly compiles and publishes frequently asked questions among CAL employees to keep everyone informed.

Four key tasks in the Year of "Employee First"



Enhancement of Communications

- Monthly announcement of important company information by the chairman and president.
- Managers making use of the internal Team+ system to communicate and exchange opinions with team members.



Enhancement of Participation

- Encouraging employees to participate in the amending of
- work rules and the reward & disciplinary action mechanism. roster status.



Enhancement of Career Development

- Publish and accept applications for management openings online.
- Provide frontline employees who perform well with opportunities for rapid advancement.



Enhancement of working condition

- Ensure mid- and long-term plans with adequate staffing



Collective agreement signing ceremony



Group photo for signing of collective agreement



Communicating through Town Hall Meeting



Communicating through Town Hall Meeting

4-1-2 Explanation of Employee Dispute

The most frequent sources of labor disputes at CAL in 2014 were work hours and leave, remuneration and unpaid leave. Employer and employee representatives met numerous times to discuss the disputes and reach a consensus through collective bargaining. CAL convened regular and extraordinary coordination/project meetings or collective bargaining sessions for employer-employee communications. These helped both sides to understand their respective positions and reach mutually agreeable solutions. Apart from Communications, Working Conditions and Career Development, CAL also reviewed the remuneration structure of all employees then implemented phased adjustments based on the relevant regulations, content of the collective bargaining agreement, impact on operations and number of affected personnel.

Year of "Employee First" Action Plans

Guaranteeing the appropriate cabin class for planned Additional Crew Member (ACM) missions; flying bonus for supporting missions during leave.

Calculating the flying bonus for cabin crews the same way as for flight crews; increasing the number of roster changes in a month; adjustment of purser pay.

Adjustments to maintenance pay of maintenance personnel as well as to stipend for Aircraft On Ground (AOG) emergency support and flying off-base.

Adjustments to the airport personnel (including passenger and cargo services) substitute system and shift supervisor stipend.

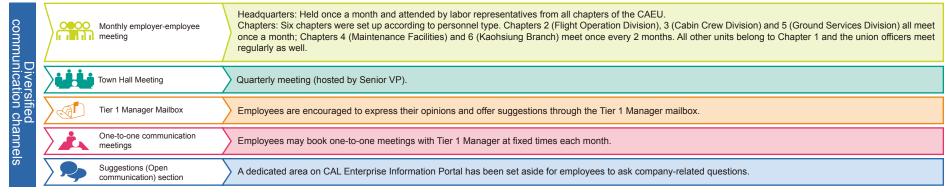
CAL paying for the washing of uniforms for employees directly involved with passenger service.

Туре	Dispute	Improvement
Work hours	Differences in the nature of work led to dispute over different work hours and leave days for employees on regular and rotating shifts.	Agreed to adjust the total annual work hours and leave for ground service personnel on rotating and regular shifts. From 2015 onwards, personnel on rotating and regular shifts will all work 249 days a year.
and leave	Dispute over excessively long single missions running longer than 12 hours for cabin crews (e.g. China flights).	Adjustment to reserved seating to allow cabin crews to rest on a rotating basis during the flight. For crew members on some regional routes that involve working for longer than 12 hours, switched from return dispatching to over-night dispatching or arranging for two sets of crew.
Remuneration >	Under the collective agreement, the overtime penalty rate is an additional 66% based on the basic hourly rate for both 1~2 or 3~4 hours. This conflicts with the Labor Standards Act.	Overtime rates and multiplier shall be calculated in accordance with the Labor Standards Act. Overtime can be converted into overtime pay or compensatory leave. Compensatory leave is calculated according to the penalty rate.
	Employees may only apply for unpaid family leave once.	Changed to allow employees to apply for unpaid family leave twice while keeping overall duration to 6 months.
Unpaid leave	Employees who applied for unpaid leave longer than one year can't retain their annual leave and Compensatory leave between return to duty until the start of the next leave period, and can only apply for personal leave with pay deductions.	Any unused annual leave or Compensatory leave accrued before employees in Taiwan go on unpaid leave can be retained and used once they return to duty. Those who do not return to duty after their unpaid leave is up, unused leave is paid out based on the basic rate during unpaid leave.
Parking space >	Insufficient parking space at CAL Park.	Added around 90 parking spaces at Terminal 2 for the use of employees at CAL Park to reduce the pressure on parking spaces.

4-1-3 Annual Bonus Protest

	Annual Bonus Protest Explanation
Background	The launching of cross-strait flights in 2008 and the Open Skies agreement between Taiwan and Japan in 2011 led to a large increase in new routes and flights. The increase in regional flight density means the type of crew shifts are gradually changing. External factors such as the runway refurbishment at Taoyuan Airport and airport traffic restrictions due to military exercises in China meant that the actual duty hours are far higher than the planned schedule. Add to this an excessively rigid shift system and a lack of flexibility made it difficult to effectively control rest periods. The increase in flights and company requirements on training quality meant that new recruits could not make up the shortfall in time. All of these factors contributed to growing dissatisfaction among some crew members and culminated in this protest event.
Origin of the event	A small number of employees used dissatisfaction with annual bonuses as their reason to launch the event on January 22, 2015, in conjunction with outside organizations. The event was not instigated by the China Airlines Employees Union (CAEU).
Union	The Union called upon its members to obey and respect the results of employeremployee negotiations. Those who have an issue with the results of the negotiations should go through the proper channels and have the Union represent them in employer-employee negotiations.
Collective Agreement	Under Article 44 of the collective agreement, 20% of earnings before tax are allocated towards the disbursement of employee annual bonuses.
Earnings	Company revenues were up in 2014 but fuel, maintenance, personnel and airport costs as well as the amortized payment of the "U.S. Air Cargo Antitrust Settlement" meant that total pre-tax earnings for the year were just over NTD30 million. Around NTD6 million was therefore allocated towards employee bonuses in 2014.

		CAL Action
	revious years	To take care of CAL employees, we negotiate in all good will with the CA Employee Union each year to arrive at a bonus plan.
	Appeal to reason	A variety of methods were used to explain and dispel doubts over the annual bonus; internal employee notices were also published on the corporate website to ask employees to revert to the internal communication mechanism
Before the incident	1st negotiation session	The first negotiation session was convened on January 6. Senior VP Yang and representatives from HR, Finance and Audit represented CAL. The Labor representatives included the CAEU president, managing directors and supervisors as well as representatives from chapters 1 \sim 6. The labor representatives voiced the opinions of each chapter during the meeting and compiled labor demands.
าe i	2nd negotiation session	The same representatives discussed the proposals put forward by each side but failed to reach a consensus.
nciden	3rd negotiation session	The meeting was chaired by the president. The two sides interrupted the meeting on two occasions to conduct further communication and negotiations off the record before finally reaching an agreement to disburse NTD45,000 in Lunar New Year bonuses and incentives.
Ť	Session on the results of the negotiations	The session was chaired personally by the president on January 19 to listen to the feedback from labor representatives after the bonuses were announced. The labor representatives were also asked to do their best to prevent unreasonable protest activities.
After	Incentive bonus	The one month of incentive pay originally slated for April was disbursed early as part of the pay for March. The operating results of the first two quarters will be reviewed in the middle of the year. Negotiations will then be conducted on the allocation and disbursement of the mid-year bonus in the spirit of the collective bargaining agreement.
After the incident	Training course	To take care of employees and avoid them carrying out missions in a state of heightened emotion, four flight attendants and one pilot who took part in the protest were assigned to ground-side training on the company's business policy.
ident	Improvement	The dispute generated great social concern. We therefore promise to increase the diversity of employer-employee communication channels in the future to avoid unnecessary misunderstanding between both parties.



4-2 Employee Rights

4-2-1 China Airlines Union

The "China Airlines Union" was established in 1988. In 2011, it was renamed the "China Airlines Employee Union" and is a member of the Chinese Federation of Labor. Total number of employees eligible for union membership in 2014 was 9,466. Actual membership was 9,380 for an average participation rate of 99.1% Since the Union's creation there has been excellent employer-employee communications at CAL so it has been effective in promoting harmonious labor relations. The negotiations at monthly employer-employee meetings cover work environment, work hours, working conditions, performance evaluation system, salary structure, annual bonus and concession tickets. Union chapters are provided with offices at each CAL site where possible. Employees are also assigned to the Union to support its administrative affairs as necessary.

A collective agreement was signed in 2002 containing clauses on union activities, employer-employee meetings and dispute resolution, employment and resignation, rest and leave, pay, stipends and bonuses, personnel changes, incentives and disciplinary action, welfare, training, safety and health. Collective agreements at CAL are for a period of 3 years and have been previously renewed in 2005, 2009, 2012 and 2015.

Amendments to the collective agreement

The amendments to the collective agreement signed on January 5, 2015, to take effect on the following day included:

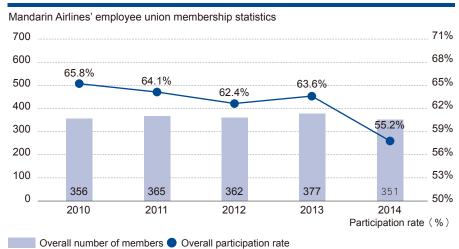
- Agreed to adjust the total annual work hours and leave so they are the same for ground service personnel on rotating and regular shifts.
- Overtime can be paid as overtime pay or compensatory leave. Compensatory leave calculated using the overtime pay multiplier.
- Increased the monthly meal allowance from NTD 3,000 to NTD 4.000.
- Added compensation rates for employees who die outside of work or in non-occupational-related disasters.

99.1% CAL employee union participation in 2014



Note: Number of employees refers to the number of registered members during the year; the statistics do not include part-time student workers, interns, contractors and personnel above the grade of vice-president.

55.2% Mandarin Airlines employee union participation in 2014



4-2-2 Remuneration and Benefits

To realize the philosophy of "employees are a company's greatest asset", CAL takes employee benefits very seriously. We work to provide a comprehensive benefits system suitable for all employees and established an "Employee Welfare Committee" in 1967 to manage employee benefits. Our company's pension contribution rate was 7.5% under the old system and 6% under the new system; employee participation under both systems was 100%. To create a festive atmosphere for our employees, CAL organized events such as "Thank You Mom", "Cool Summer", "Glutinous Rice Balls for Winter Solstice" and "Ginger Soup in Winter"in 2014. We hope these activities will show employees that CAL cares about them and boost employee loyalty.

CAL offers unpaid leave due to illness, pregnancy, child-rearing, caring for dependents, continuing education and accompanying spouses on overseas assignments, to create a friendly workplace. In 2014, there were a total of 656 unpaid leave applicants for various reasons.

In line with government regulations, the normal total working hours in a fortnight is capped at 84 hours. Employees who must work overtime due to their nature of their work are paid reasonable penalty rates in accordance with the law so there have been no incidents of forced or compulsory labor. There is no difference in the compensation of CAL on the basis of gender, race, religion, political bias or marital status. When local minimum wages are adjusted, we review our associated compensation standards as well and raise them when appropriate.

The reason why the basic salary for men is higher than women is due to 80% of the management being male and a higher ratio of unpaid (maternity) leave among female employees.







Cool Summer

China Airlines' Salary Ratio for Men and Women

	Men/Women		2010	2011	2012	2013	2014
	Operations	Basic salary	1.41	1.41	1.37	1.37	1.49
S	personnel	Remuneration	1.36	1.27	1.2	1.24	1.76
<u> </u>	Air service personnel	Basic salary	1.85	1.91	1.96	1.99	2.05
<u> </u>		Remuneration	4.42	4.59	4.88	5.36	4.37
414	Maintenance personnel	Basic salary	1.23	1.21	1.2	1.17	1.24
l 1 <u>ĕ</u> 1		Remuneration	2.06	2.08	2.15	2.03	2.13
	Other	Basic salary	1.24	1.22	1.25	1.25	1.24
	personnel	Remuneration	1.65	1.58	1.59	1.75	1.29

Other: Includes executives above vice president, audit staff, finance, accounting, IT and other personnel not in the above categories.

Mandarin Airlines' Salary Ratio for Men and Women

	Men/Women		2010	2011	2012	2013	2014
	Operations	Basic salary	1.07	1.08	1.07	1.07	1.07
S	personnel	Remuneration	1.08	1.06	1.06	1.06	1.08
<u>_</u>	Air service personnel	Basic salary	1.24	1.23	1.24	1.18	1.14
X.		Remuneration	1.92	1.99	2.06	2.01	1.81
414	Maintenance	Basic salary	1.13	1.14	1.06	1.09	1.01
1 1 ≥ 1	personnel	Remuneration	1.42	1.39	1.47	1.55	1.55
	Other	Basic salary	1.14	1.11	1.1	1.14	1.12
	personnel	Remuneration	1.34	1.3	1.29	1.33	1.38

Other: Includes executives above vice president, audit staff, finance, accounting, IT and other personnel not in the above categories.



Annual bonus/Profit sharing

At the end of the year, annual bonuses are allocated from company profits.

Employee dividends are issued based on employee performance during the year and company management targets



Retiree Association

Assisted retirees and employees with establishing a global China Airlines retiree association as well as the "China Airlines Retiree Portal" website.



Employee Benefit

Marital gift, childbirth gift, disaster assistance, travel subsidy, employee and offspring scholarship, Senior Day gift, emergency loan, birthday gift, Labor Day gift voucher/gift money, bereavement assistance.



Annual Leave Scheme

Surpasses the requirement set by the Labor Standards Act



Childcare Benefits

Preferential childcare contracts with 13 daycare centers throughout Taiwan to help employees solve problems with childcare arrangements.



Group Health Insurance

Medical, accident and serious illness insurance. Dependents may also be enrolled in the group insurance scheme at favorable rates.



Commuting

Apart from regular commuter shuttles at fixed sites, there are also shuttle services for shift workers, cabin crews and disabled employees stretching from Keelung, Taipei City and New Taipei City to Taoyuan and Zhongli.



Concession Tickets

Employees, their spouses, parents and offspring enjoy free and discounted CAL tickets to more than 50 global destinations around the world. These can also be used with code-share concession tickets from other airlines to travel all across the world and



Employee Stock Ownership Trust

Participation is voluntary. Employees that agree to join the employee stock ownership trust are deducted a fixed amount from their monthly salary based on their pay grade. In 2014, there were 2,029 trust participants and the trust held approximately 0.9% of company



Retirement Scheme

Employees in the general track after 10 years of service and employees in the specialist track with at least 10 years of service and reaching the age of 54.





For when an employee's spouse or direct relatives are seriously ill or when necessary.

Where an employee is still not physically recovered after using up all available sick leave.





All employees regardless of school and program.

CAL Salary, Benefits and Pension

OAL Gulary, Benefits and 1 choich						
Item	2010	2011	2012	2013	2014	
Remuneration Amount (NTD)	\$13,392,230,000	\$11,438,960,000	\$11,443,820,000	\$11,309,880,000	\$11,062,820,000	
Benefits Amount (NTD)	\$105,230,000	\$118,190,000	\$112,160,000	\$159,260,000	\$13,286,0000	
Total Pension Fund (NTD)	\$2,436,790,000	\$2,528,500,000	\$2,673,810,000	\$2,486,700,000	\$1,831,490,000	

Mandarin Airlines' Remuneration, Benefits and Pension

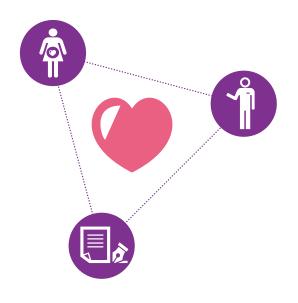
Item	2010	2011	2012	2013	2014
Remuneration Amount (NTD)	\$48,157,0000	\$325,600,000	\$345,580,000	\$333,460,000	\$317,710,000
Benefits Amount (NTD)	\$4,600,000	\$4,880,000	\$5,110,000	\$5,200,000	\$6,230,000
Total Pension Fund (NTD)	\$196,210,000	\$208,580,000	\$213,030,000	\$218,850,000	\$212,480,000

CAL employs professional experts to assess the adequacy of the pension fund and ensure that it will remain solvent for the next five years.

4-2-3 Unpaid Parental Leave

CAL is cooperating with government policy on unpaid parental leave by encouraging eligible employees to apply. Employees on unpaid leave are guaranteed an annual performance evaluation of at least A. For employees who do not return from unpaid leave or leave less than a year after returning to work, the main reasons are either family commitments or change of career.

CAL surpasses the Gender Equality in Employment Act by allowing male employees to apply for 5 days of paid paternity leave before and after their spouse gives birth. If paternity leave coincides with business leave, public holidays and national holidays then it can be used within 15 days of the following day.



China Airlines Unpaid Parental Leave Statistics	Female	Male	Total
Number of people who qualified for unpaid parental leave in 2014 (A)	608	582	1,190
Actual number of applicants for unpaid parental leave in 2014 (B)	374	24	398
Unpaid parental leave application rate in 2014 (B*100/A)	61.5%	4.1%	33.4%
Number of people yet to return from unpaid parental leave in 2014 (C)	183	12	195
Number of applicants for return to duty in 2014 (D)	151	11	162
Return rate in 2014 (D*100/C)	82.5%	91.7%	83.1%
Total number of people who returned from unpaid parental leave in 2013 (E)	278	15	293
Number of people still working a year after returning in 2013 (F)	143	11	154
Unpaid parental leave retention rate in 2014 (F*100/E)	51.4%	73.3%	52.6%

- A: Number of employees whose children were born between $2011/02/01 \sim 2014/10/31$.
- C: Employees whose planned return rate was between 2014/01/01 ~ 2014/12/31 after applying for unpaid parental leave in 2014.

Mandarin Airlines Unpaid Parental Leave Statistics	Female	Male	Total
Number of people who qualified for unpaid parental leave in 2014 (A)	36	26	62
Actual number of applicants for unpaid parental leave in 2014 (B)	18	0	18
Unpaid parental leave application rate in 2014 (B*100/A)	50.0%	0	29.0%
Number of people yet to return from unpaid parental leave in 2014 (C)	16	0	16
Number of applicants for return to duty in 2014 (D)	15	0	15
Return rate in 2014 (D*100/C)	93.8%	0	93.8%
Total number of people who returned from unpaid parental leave in 2013 (E)	16	0	16
Number of people still working a year after returning in 2013 (F)	12	0	12
Unpaid parental leave retention rate in 2014 (F*100/E)	75.0%	0	75.0%

- A: Number of employees whose children were born between 2011/02/01 ~ 2014/10/31.
- C: Employees whose planned return rate was between 2014/01/01 ~ 2014/12/31 after applying for unpaid parental leave in 2014.

4-2-4 Human Rights and Anti-Discrimination

In 2014, there were no incidents of human rights violations or discrimination in CAL. There were also no violations of indigenous human rights. CAL complies with the core labor standards set out by the United Nations Declaration of Human Rights, the Global Compact and the International Labor Organization; we support the principle of liberty and equality. If there should be any threat to personal health and safety, discrimination, sexual harassment, forced labor or other forms of unequal treatment in the workplace, employees may report them through internal channels. The most rigorous standard in personal information protection will also be applied by the company to protect employees' right to report complaints confidentially. To give every employee an understanding of their rights as well as the company's policies and practices, all new employees are required to undergo training on employee rights/obligations and anti-corruption in their 2-day " Orientation Training course ".

To prevent workplace sexual harassment, sexual harassment prevention concepts have been strengthened in the education and training of new employees. Current employees also receive sexual harassment prevention training every year. The teaching materials are published on the corporate website for employee access. In the event of sexual harassment, employees may file a complaint through the anti-sexual harassment mailbox of the Human Resources Division. If the offender is external personnel then CAL will assist the employee with filing a complaint, determining the applicable laws and providing legal assistance. To respect feedback from employees, if employees feel that their rights have been harmed or handled improperly, a grievance can be filed with the responsible business unit or the Human Resources Division in accordance with the "Employee Grievance Regulations" according to the type and content of the grievance. If an employee wishes to dispute their response from the unit then they may file an appeal with the Human Rights Division. This ensures that employees' basic rights are protected. The most common grievances over the past 4 years have related to concession tickets.

China Airlines regulations on human rights

Document content



Employee Code of Conduct Employees should support the company's policy on human rights by treating all colleagues equally and with respect, avoid violating the human rights of others or being complicit in human rights infringements. We must not only protect the human rights of employees on a policy level but also establish management mechanisms at an execution level to ensure that employees are properly taken care of and not subjected to coercion.



Human Resources Manual/ Employee Complaints Regulations/ Sexual Harassment Prevention Complaints and Disciplinary Action Regulations

Commitment to the protection of employees' human rights including basic regulatory requirements, freedom to work, humane treatment and prohibition on improper discrimination and sexual harassment.



Enforcing Corporate Social Responsibility Ban on Child Labor The employment of child labor under the age of 16 is strictly prohibited to ensure that there are no child workers under the minimum age; assigning juvenile workers to hazardous tasks is also prohibited for their physical and mental health/safety.



Anti-Discrimination Policy Course

In order to safeguard passenger rights operations personnel must undergo courses on anti-discrimination policy regarding handicapped passengers.

Sexual Harassmen Incident Statistics	^t 2010	2011	2012	2013	2014
Number of Complaints	1	2	2 1		0
Confirmed Cases) 1	1	1	0	0
Sexual Harassment Type	Verbal	Physical	Physical	Physical	0
Result	Work environment improvement measures studied	Referred complaint to the offender's company for action	Administrative disciplinary action and transfer	Not confirmed	-
Appeal Statistics	2011	2012		2013	2014
Performance	0	0		1	3
Concession Tickets	5	18		7	15
¾ Leave	0	0		2	0
Disciplinary action	3	0		2	4
Occupational injury	0	1		1	0
Other	2	1		5	11
Total number of Appeals	10	20		18	33

^{*}Other complaints include disputes between colleagues and complaints regarding transfers.

4-3 Recruitment and Retention

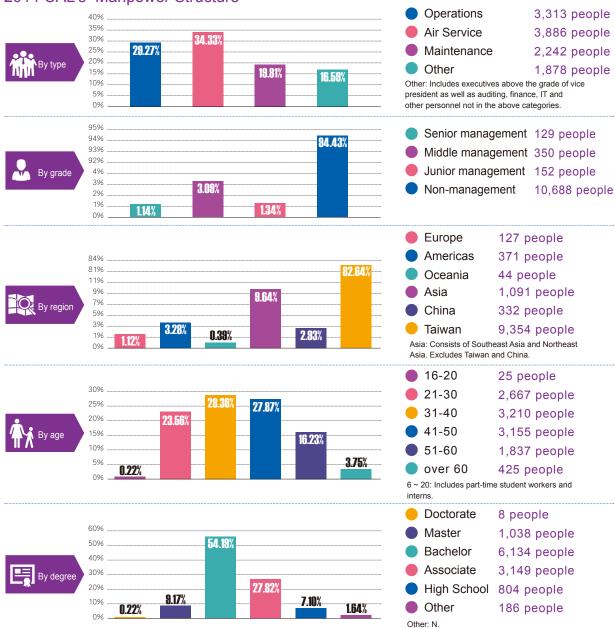
4-3-1 Human Resources

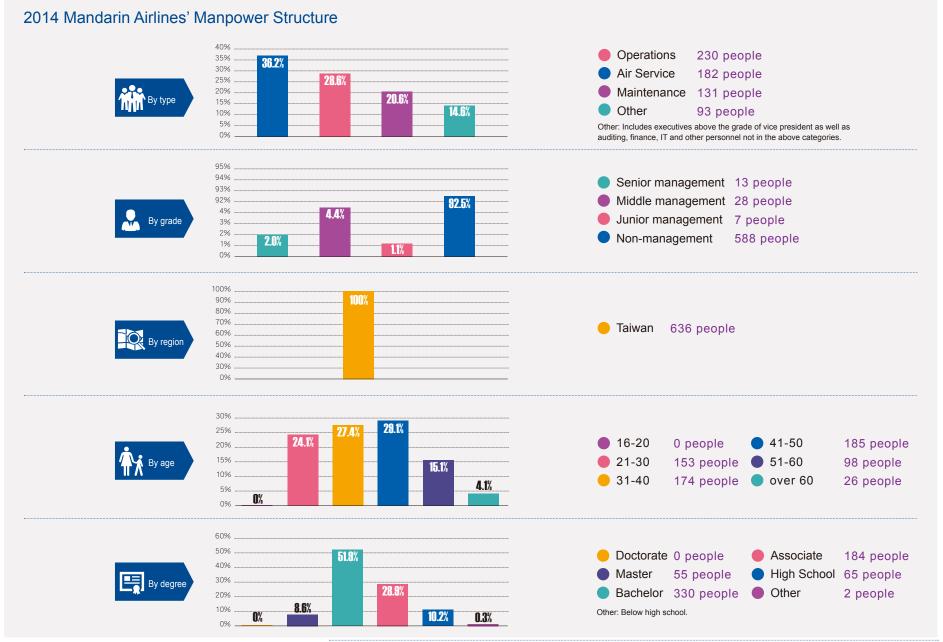
CAL has been actively recruiting highly-educated talent across different fields in recent years to join in improving aviation quality and safety. As of 2014, CAL had 11,319 employees worldwide; 11,178 full-time employees (98.7%) and 141 contractors (1.3%).

Apart from management and administrative positions, CAL also offers service air, ground, cargo and passenger roles; specialist roles such as pilots, aircraft maintenance engineers, IT management engineers, finance and accounting that are particular to the aviation industry.



2014 CAL's Manpower Structure



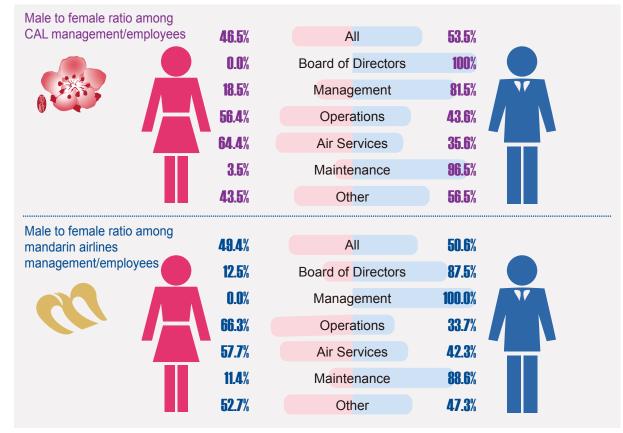


4-3-2 Employee Diversity

The overall male to female ratio at CAL is 1.15:1. In management the male to female ratio is 4:39:1. Due to the nature of their mission, the majority of maintenance personnel are male while the majority of cabin crew are female. Between 2010 and 2014, the number of female indigenous employees increased by 38% from 24 to 33; male indigenous employees increased by 100% from 22 in 2010 to 44 in 2014.

Due to government regulations on the employment of disabled people in Taiwan, CAL is continuing to adjust internal roles and job descriptions. Disabled people are given preference when filling general administration roles and we constantly strive to meet regulatory requirements.

CAL has always supported the employment rights of people with disabilities. We have employed through a variety of private- and public-sector channels more disabled people than required by law at our Taipei branch and maintenance facility. In 2014 the employment rates were 133% and 109% respectively. The actual overall employment rate each year has been maintained at around 90% of the legal quota. Factors include the difficulty of commuting for disabled people as CAL Park is located next to the freeway as well as several disabled employees resigning or retiring.



Historical Indigenous Employee Statistics



Number of Disabled Employees

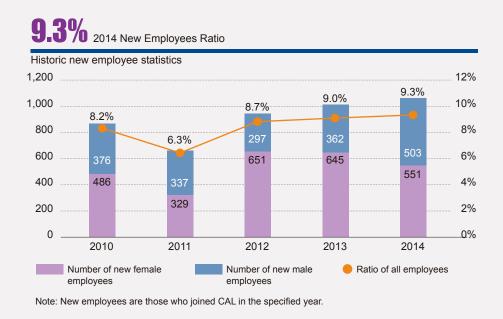


Note: The legal quota and actual number of disabled employees is based on the average for the year of monthly numbers.

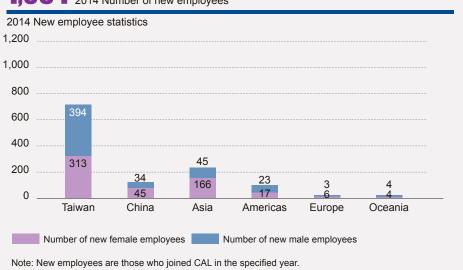
4-3-3 Recruitment

As we continue to expand our flights and destinations, participate in international airline alliances, pursue high quality services and improve competitiveness, we have drawn up short, mid- and long-term manpower training plans to recruit and employ personnel in a professional manner. Recruiting is carried out by each branch based on business requirements. The most suitable candidates are chosen through a fair and rigorous selection process. There is absolutely no bias in terms of gender, race, religion, political beliefs, education or socio-economic background. Job openings are published while foreign pilots are recruited through HR agents. We are now designing diversified selection tools tailored to the nature of each position to improve our recruitment performance. We are also looking at raising the educational requirements and foreign language proficiency to improve the quality of employees.

For those who join the CAL family, equality is the overriding principle. Employee evaluations (every 6 months) and performance reviews (annual) are conducted in accordance with the Performance Review Regulations. To attract and recruit talented personnel as well as enhance employee motivation, CAL revises its compensation policy based on external competitiveness, internal equality, employee contribution and other factors to boost operating performance. For locally-recruited employees, we follow local labor regulations and provide reasonable compensation, benefits and insurance in line with our overall company compensation policy.



1.054 2014 Number of new employees



Employment of Local Employees

As of 2014, the percentage of local employees in Taiwan was 99.3% and percentage of local residents in management was 100%. The global average for percentage of local employees was 68.4% and the global average for percentage of local residents in management was 33.4%. CAL creates many job opportunities for local residents both in Taiwan and overseas.

Industry-Academia Cooperation and Intership

The HR management policy at CAL seeks to continue expanding industry-academic cooperation and internship quotas to make employment at CAL a future option. Industry-academia cooperation is divided into three categories based on specialization and manpower requirements, these being Maintenance, Education & Technology as well as 1-year and short-term ground services. To support the Ministry of Education's policy of encouraging vocational colleges to set up off-campus practical courses, CAL organizes mutual exchanges and visits with universities. Once a consensus on cooperation is reached then industry-academia cooperation programs are set up in each operational field to actively cultivate maintenance professionals. These help introduce students to the aviation industry and cultivate their related professional knowledge and skills.



CAL has setup an industry-academia cooperation program with Feng Chia University to launch "Civil Aviation" courses.



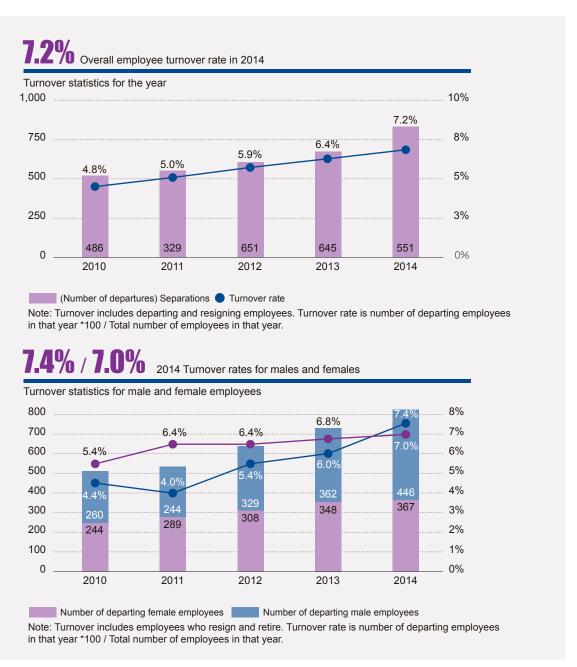
	Category	Partner Institution
Industr	Maintenance	NTUT, NFU, YunTech, KUAS, NKFUST, NPUST, NTUST, TKU, FCU, CYCU, YZU
Industry-Academia	Education & Technology	NTNU, NTUE
	1-year Ground Services	NKUHT, KNU, IHU, KUAS, PCCU, USC, ISU, TPCU, NPUST, NKFUST, CUST
Cooperation	Ground Services Short-term	KNU, CUST
2	Summer Internship	NCCU, NCTU, NCKU, CCU, NTNU, NTUE, USC, FJU, MCU, TKU, KNU, SHU, Asia University, THU, CJCU, AU, CMU, WZU, NUTC, NKMU, NKFUST, TPCU, SJU

4-3-4 Turnover

CAL adheres to the Labor Standards Act on the notice periods for departing employees; when a resignation is submitted the manager must find out why the employee is leaving. All employee rights conform to government regulations relating to the Labor Standards Act. All employees are also protected by contracts with clearly defined rewards, punishments and termination clauses. CAL upholds the principle of employing the right employees for the job. We also organize regular job rotations and internal training to improve employee competency and expand their experience in different roles. For internal rotation, every unit conducts at least one personnel review and rotation each year based on lists provided by the Human Resources Division. Rotations are primarily reassignment with some change of jobs.

Factors such as supply and demand in the external job market as well as changes in number of retirees meant that the average global turnover in 2014 was 7.2%. After the compulsory retirement age for workers was raised from 60 to 65 years in 2008, CAL also initiated an early retirement (departure) program in 2014 that led to a clear upswing in the number of retirements since 2013. For regions experiencing high turnover rates, CAL inspects the local labor regulations and remuneration standards to make changes to remuneration and benefits as necessary. We are also continuing to use the management system to reduce turnover through internal initiatives. In recent years, the turnover rate for women has remained higher than men because most departing personnel consist of women-dominated cabin crews and part-time workers.

While the main reason for departure among new employees is a change in employment, turnover in the last five years has averaged 4.7%, lower than the 5.9% overall turnover rate.

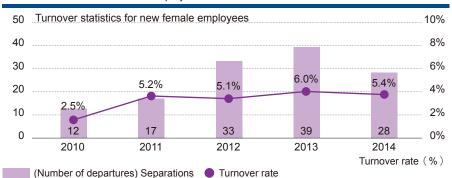


2014 New employee turnover rate



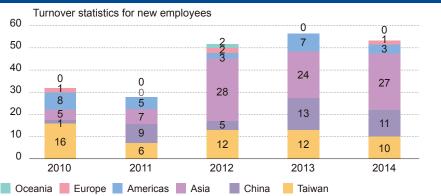
Note: Turnover rate = Number of new employees who depart within 4 months * 100/ Total number of new employees in that year.

2014 New female employee turnover rate



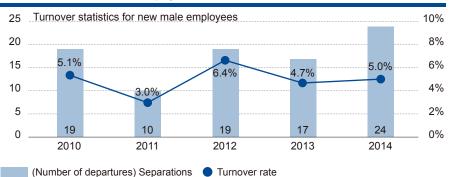
Note: Turnover rate = Number of new female employees who depart within 4 months * 100/ Total number of new female employees in that year.

52 2014 Number of departing new employees



Note: Turnover rate = Number of new employees who depart within 4 months * 100/ Total number of new employees in that year.

2014 New male employee turnover rate



Note: Turnover rate = Number of new male employees who depart within 4 months * 100/ Total number of new male employees in that year.

Mandarin Airlines' new employee turnover rate		2010	2011	2012	2013	2014	
Number of new employees (persons)	Famale	57	39	68	56	72	
	Male	20	45	41	39	67	
(Number of departures) Separations	Famale	7	4	21	5	8	
	Male	0	3	6	3	5	
T	Famale	12.3	10.3	30.9	8.9	11.1	
Turnover rate(%)	Male	0	6.7	14.6	7.7	7.5	

4-4 Competency Development and Talent Cultivation

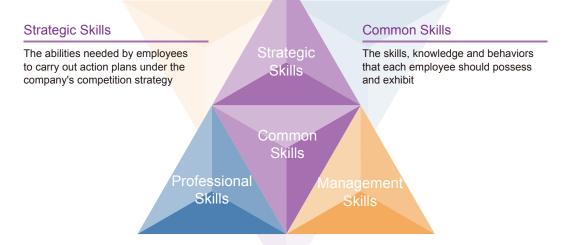
4-4-1 Overview

CAL's policy goals for education and training are:

- Establish an internal database of training materials and internal training cases to provide the resources for future training.
- Cultivate mid- and high-level management, low-level cadres and new employees to ensure that all personnel are qualified for their positions.
- Emphasis on skills training for front-line personnel in order to provide high-quality human resources and guarantee the quality of service.

To increase overall corporate competitiveness, CAL organizes different training activities that complement the company's strategic goals. The diversified training provides employees with the necessary knowledge and skills to further their education and strengthen their competency. It also cultivates managers at all levels of the company while expanding the management skills and perspectives of personnel with potential. We have established a "Training Advisory Committee" to oversee the annual education and training plans for all employees based on the requirements of education & training operations, customer requirements as well as the applicable laws and regulations. The top priority of CAL's training program is the strategic objective of "enhancing professional skills". Training takes place under the framework of the "CAL Lecture Hall" to ensure that all employees have the necessary professional skills, and to improve them. CAL actively encourages employees to attend the training courses under the Workforce Development Agent's "Industrial Investment Program Plan". The accredited and non-accredited courses completed by employees are entered into the external training records of the e-learning system. Employees also receive subsidies for course fees.

Design Framework of the CAL Lecture Hall

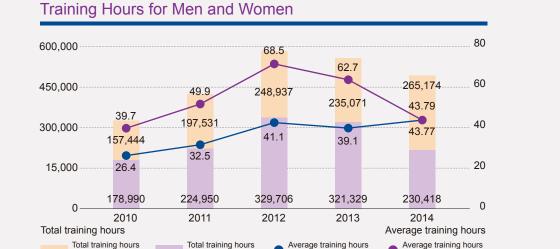


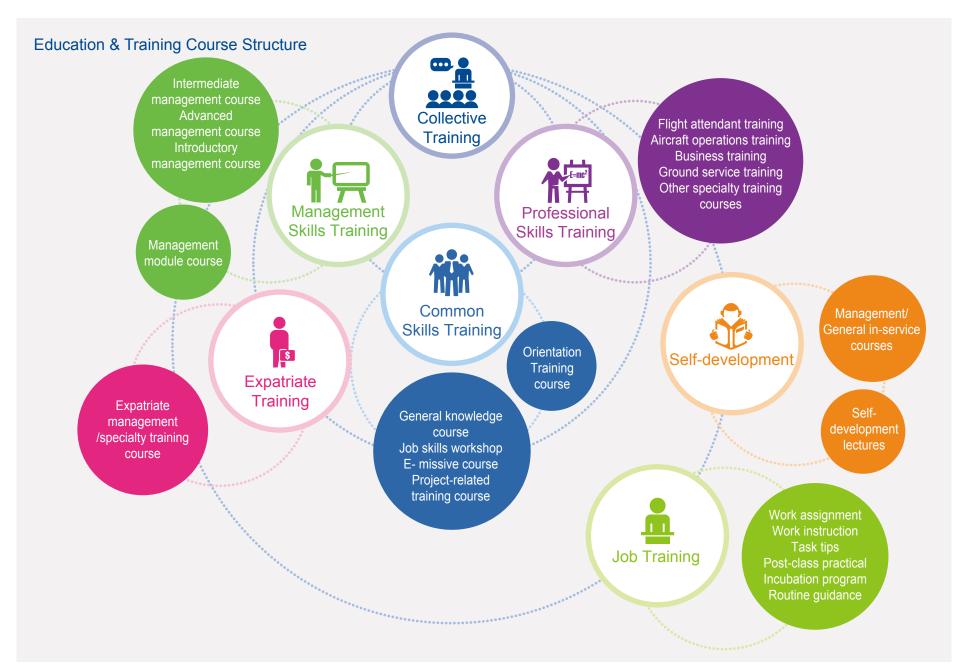
Management Skills

Specialty knowledge or skills required for management positions

Professional Skills

Specialty knowledge or skills required in certain jobs or tasks



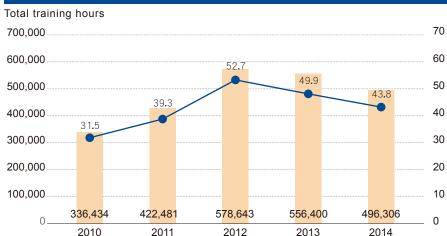




Overall employee training statistic	s 2010	2011	2012	2013	2014
Total number of training	13,692	18,226	24,926	23,715	22,247
Total training hours	336,434	422,481	578,643	556,400	496,306
Average hours of training per employee	32.1	39.9	53.3	49.9	43.8
Total subsidy amount from external sources (NTD)	950,000	1,349,740	2,490,630	2,854,450	3,283,000
Total training costs including branch offices (NTD)	172,316,605	286,396,688	247,723,097	264,733,181	310,422,359
Average training cost per employee (NTD)	16,433	27,075	22,798	23,762	27,425
Completion of Training (%)	98.3	98.8	98.5	98.8	98.6

- Note 1: The above statistics do not include external training.
- Note 2: The denominator for the above statistics is all employees.
- Note 3: External training subsidies are provided by Workforce Development Agent and China Aviation Development Foundation.
- Note 4: Completion rate: Pass rate for internal training (including physical and online courses) with the denominator being the sum of voluntary registrations (optional course) and training assignments (compulsory course).

43.8 2014 Average training hours



Total training hours

Average hours of training per employee





Total training budget (NTD) Average training budget per employee (NTD)

Training	by type	2010	2011	2012	2013	2014
XIII.	Total training hours	25,382	56,027	59,139	76,590	74,955
Operations	Average training hours	8.2	17.8	18.6	23.7	22.62
	Total training hours	253,781	298,774	450,779	415,283	331,629
Air Service	Average training hours	76.1	91.2	126.2	109.8	85.34
	Total training hours	37,267	34,753	39,295	44,632	52,939
Maintenance	Average training hours	17.4	16.0	17.9	20.0	23.61
Q	Total training hours	20,004	32,927	29,430	19,895	11,791
Other	Average training hours	10.4	16.7	15.3	10.5	6.27

Other: Include executives above vice president, audit staff, finance, accounting, IT and other personnel not in the above categories.

4-4-2 Pilot Training

CAL has long insisted on training professional pilots through a comprehensive training program. All new recruits have the chance to become top pilots through the comprehensive training program at CAL whether they have previous flying experience or not. The pilot training system can provide Advanced Pilot Qualification Program (APQ) bridging courses for pilots from different backgrounds to help them transition to large civilian aircraft. An advanced cloud-based training system and new high-realism simulator equipment are then used for aircraft transition training. To build up real-world experience, actual hands-on training is arranged during IOE (Initial Operating Experience) training. Proficiency Training (PT) is scheduled every 6 months targeted at common and seasonal considerations in order to strengthen crew skills, prevent accidents before they occur and enhance flight safety.

For testing, two simulator checks are organized every year. The content of the tests are based on CAA-approved flight crew training and the test plans. Crews who fail their route or simulator tests are temporarily suspended from flying duties by Flight Operations Division. Normal assignments may only resume after they undergo remedial training and pass testing.

In terms of career planning and development for pilots, those without previous flying experience can qualify as co-pilots after completing two years of training and passing the exam. Once they become a co-pilot, they need seven years of experience and at least 4,200 flying hours to qualify as a first pilot. A first pilot who performs exceptionally well may be groomed by CAL for a future management role or become a pilot instructor in charge of flight training.

4-4-3 Flight Attendant Training

Cabin crew's career development is on the vitalization of the ranking level, and enhances the functions of Purser. In order to meet the "Customer Satisfaction and expectation", All cabin crew need to take the required training by following the Cabin Crew Training Manual, so that each is equipped with the knowledge of different types of aircraft and skill of service and be aware of the duty during irregular and emergent situation.

2014 Non-In-House training include external business training for other industries, Airlines, and cabin crew summer camp. Visits to CAL are with the exchange of other airlines, government institutes, industries and all levels of schools, public-relation crossover and activities and movements shootings etc.

Cabin service at China Airlines comes from the "heart" and the upholding of SOP+ values: "diligent, attentive, proactive, interactive, and enthusiastic". We provide service quality that exceeds customer expectations by taking responsibility. Service process reviews and improvements are carried out with the support of internal Mystery Shopper operations by service quality assurance companies. In 2014, CAL received Global Views magazine's 12th "5-Star Service Award" and was named the winner of the international aviation category



Purser Wang, Hsi-Fang won a Global Views gold medal for service excellence

again. Purser Wang Hsi-Fang also won a gold medal for service excellence. These honors represented recognition of CAL's quality services. CAL's winning of the "Gold Trusted Brand Award" from Reader's Digest Asia for 14 consecutive years is a reflection of the high quality service and safe, comfortable flying experience provided by CAL.

Flight attendant training cours description and statistics	se Classes	Heads of Completion
Initial Training	15	302
Regular Service Recurrent Training	96	2,481
Regular Recurrent Training	150	2,536
Cabin Manager& Purser Advanced Training	4	93
Purser Training	6	122
Cabin Manager Candidate Training	1	24
Premium Cabin Training	6	121
Premium Cabin Reinforcement training	3	66
AED manager training	15	353
B777-300ER Transition Training	81	1,743
Re-Qualification Training (24 ~ 48 months' break in air service assignments)	8	8
Re-Qualification Training (6 ~ 24 months' break in air service assignments)	12	155
Total	397	8,004

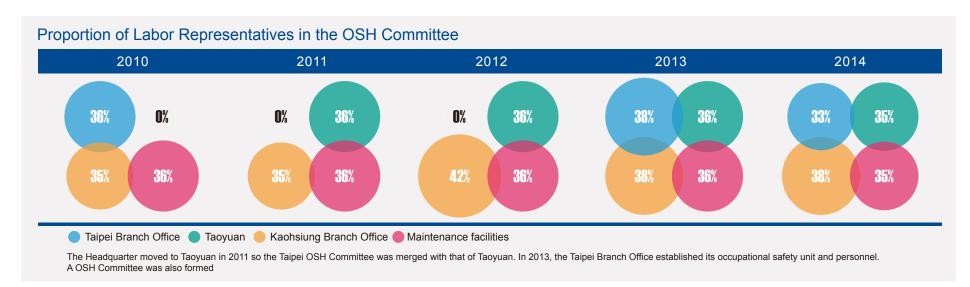
4-5 A Healthy and Safe Workplace

4-5-1 Occupational Safety and Healt h Committee

The OSH Committee is chaired by the company president. There is also a deputy chairman, a secretary and a director. The committee is made up of designated tier 1 unit executives, safety & health professionals, engineering personnel, medical personnel and union representatives. The OSH Committee is convened every 3 months with OSH units reporting on OSH operations; briefings on occupational injury statistics, analysis and comparisons; as well as the safety and health management plan proposed by the unit where the accident occurred. The OSH Committee reviews, coordinates and makes recommendations on safety and health-related matters. Its goal is to prevent occupational disasters while ensuring the safety and health of employees.







OSH Management Focus for 2014 - 2015

Item	Execution
Overall planning of safety and health management operations	 Defining the 2014-2015 occupational safety and health management plan, and the promotion of safety and health management operations. Defining the 2014-2015 internal equipment inspection plan to prevent occupational injuries due to equipment defects. The OSH Committee is convened quarterly to review improvements on deficiencies in safety and health.
OSH management and safety & health inspections	
Rebuilding of the occupational injury management system	⊙ Under R&D by the Information Management Division (trials to begin in July, 2015).
Strengthen e-learning on safety and health training	 ⊘ Safety and health training for new and management personnel. ⊘ Occupational Safety & Health Act. ⊘ Defensive driving training. ⊘ Seminar on the application process for certification of occupational injuries. ⊘ General employee safety and health training.
Workplace risk assessment consultation plan	
Establish industrial safety promotion committees at affiliates.	 ⊘ Draw up organic charter and framework. ⊘ Formulate work plan and liaising on cooperation agreements. ⊘ Establishment of work liaison and promotion committees. ⊘ Form safety partnerships with inspection agencies. ⊘ Carry out the 2015 work plan of the promotion committee.
Illegal Interference with performance of duties prevention plan	 ✓ Formulate a promotion plan based on the "Guidelines for Prevention of Illegal Interference with ✓ Carry out related risk management measures. ✓ Carry out performance evaluation and improvements. ✓ Organize workplace violence prevention training.
Installation of AED emergency first-aid equipment in the workplace	

4-5-2 Occupational Safety and Prevention

CAL complies with government regulations in adopting project controls and administrative management for hazardous operations. Employees are also issued personal protective equipment. We are continuing to arrange employee health exams, health promoting activities and health counseling to reduce rates of occupational disease. In addition to enforcing safety and health management, CAL also rigorously carries out internal checks, workplace monitoring and safety inspections. Occupational injury cases are also publicized to strengthen proper and safe work practices among employees. For safety and health training and emergency response training, China Airlines carries out mandatory safety and health training for new and current employees.

For employees involved in hazardous operations such as elevated operations in the maintenance facilities CAL reduces their work time in accordance with regulatory requirements to ensure that they receive sufficient rest periods. Adjustments can also be made by the site supervisor as necessary. A safety manager is also assigned every day to monitor employee performance and ensure work safety. As noise and vibration may lead to hearing loss or muscule-skeletal harm in the hands, CAL not only tries to eliminate sources but also issues and requires the correct use of protective gear. CAL arranges for employees to undergo annual health exams to identify any health problems in order to make improvements to the work environment or adjust their work. This helps prevent injury from extended exposure to noise and vibration. The discernible increase in disabling injury severity rate in 2010 was due to the fatal accident involving a technician on an apron maintenance team on October 8. Since the incident CAL has made improvements to operational movement routes and increased awareness efforts on safe operations to prevent such an accident from happening again. In 2014, our overall disabling injury frequency rate (FR) was 3.94, disabling injury severity rate (SR) was 51 and absentee rate (AR) was 1.12%. In 2014, there were 3 more injuries and 158 more lost days compared to 2013. Analysis found that in most cases this was due to unsafe behavior by employees. Nevertheless, this was still lower than Taiwan's aviation industry average FR and SR of 5.15 and 63 in 2014. To realize the target of keeping FR below 3.74 and SR below 48 in 2015, CAL is continuing to enforce an occupational safety policy. There were no incidents of occupational injuries among contractors on CAL sites.

To reach all employees through in-service training, safety & health teaching materials have been produced for E-Learning; organic firefighting team training and drills are conducted every six months to improve our ability to respond to disasters. If drills or accident reviews identify weaknesses in the "Emergency Response Plan", or when revisions are necessary due to similar disasters in Taiwan or overseas, the changes are promptly made by China Airlines. Training and education is then conducted as well. In accordance with "Occupational Safety and Health Training Regulations", CAL organized related safety and health courses such as "Supervisor Safety and Health Training", "Health-related Physical Fitness Protection for Baggage Handling", "Occupational Injury Prevention" and "Electrical Fire Hazard Prevention".

Protection for Baggage Handling", "Occupational Injury Prevention" and "Electrical Fire Hazard Prevention".

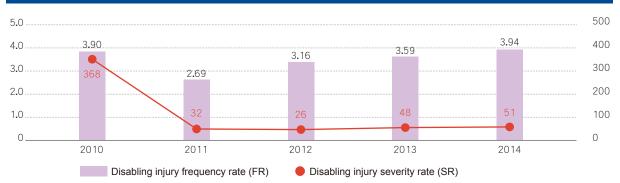


Firefighting training

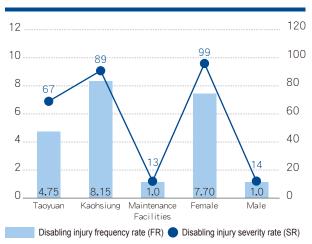


Emergency response training

3.94 Disabling injury frequency rate in 2014







Female Occupational Injury Statistics



Male Occupational Injury Statistics



Absentee Rate

Absentee Rate	2010	2011	2012	2013	2014
All - Male (%)	0.43	0.43	0.38	0.31	0.51
All - Female (%)	0.71	0.77	0.83	0.78	1.89
Taoyuan - Male (%)	0.39	0.39	0.33	0.31	0.67
Taoyuan - Female (%)	0.91	0.99	1.13	1.08	2.17
Kaohsiung - Male (%)	0.17	0.19	0.24	0.14	0.49
Kaohsiung - Female (%)	0.59	0.82	0.68	0.82	0.88
Maintenance Facilities - Male (%)	0.55	0.54	0.50	0.38	0.38
Maintenance Facilities - Female (%)	0.05	0.04	0.03	0.08	0.55

Calculation of annual total work hours: Total number of employees for the year x Total number work days in the year x working hours per day

Disabling injury frequency rate(FR) calculation: (Total number of disabling injuries during the year ÷ Total work hours) × 1,000,000

Disabling injury severity rate (SR) calculation: (Total number of days lost during the year ÷ Total work hours) × 1,000,000

Absentee Rate calculation: Absentee days = Total SR = Total occupational injury leave for all employees + Ordinary non-hospitalized sick leave + Ordinary hospitalization sick leave + Menstrual leave 2014 AR calculation: (Absentee days ÷ Total number of work days) × 100%

4-5-3 Comprehensive Health Exam

CAL provides employees with health exam items and frequencies that surpass the Labor Health Protection Regulations and organize around 4~6 health promoting events each year; the Medical Division is responsible for organizing regular general and special employee health exams as well as analyzing and managing the exam results. Medical advice and health education is provided for serious health problems with assignment recommendations and rehabilitation plans provided if necessary. Health management for hazardous operations is also provided. CAL adjusts the meal allowance based on the consumer price index as well so that employees can take care of their health through healthy diets. In 2014, 98.2% of ground service employees in Taiwan underwent health examinations. The other 1.8% either paid for their health examination at another hospital or were on medication due to illness. The e-learning course "Call CABD to Get the Heart Moving" was held in 2014. Completion rate was 99.78%.

2010

2011

health exam

Weight Loss for All

372people took part in

Flu vaccination

at own expense

55people took part in

2012

health exam

Quit to Win 17 people took part in

> Flu vaccination at own expense

41 people took part in

Traditional Chinese Medicine Health and Beauty Lecture

42people took part in

Cancer Prevention Tips 340 people took part in 2013

health exam

Mammogram

93 people took part in

Stress-Relieving Aromatherapy 34people took part in

New Sights

301 people took part in

Flu vaccination at own expense 104 people took part in

Personal Medical Consulting 38 people took part in 2014

attendance

Cancer screening 222 people took part in

> Flu vaccination at own expense

7 people took part in

Flu vaccination

322people took part in

health exam attendance

New Sights 141 people took part in

Flu vaccination at own expense 7people took part in

Cancer screening 201 people took part in

My Date with Annie 178 people took part in



Cancer screening



Flu vaccination



Call CABD to Get the Heart Moving

4-5-4 Psychological Counseling

An employee care e-newsletter is published each month to look after the mental health of employees. Regional arts and culture activities are introduced and information on the company's psychological counseling service provided to show employees that CAL truly cares. Every employee can use company-paid professional psychological counseling services up to 6 times a year. They can choose to consult with consultant counselors or physicians (with at least 5 years of practical experience).

To encourage employees to take advantage of the psychological counseling service and increase awareness on the importance of psychological counseling, CAL began producing employee assistance program e-newsletters in August, 2013. The e-newsletter covers articles on mental health and promotes the internal psychological counseling service to increase its take-up rate. The changing society means people today are also faced with more complex situations and are more stressed out as a result. The large number of channels used to promote psychological counseling helped increase employee awareness on the importance of their own physical and mental well-being, increasing the number of people and hours of use for psychological counseling.

Employee psychological counseling statistics	Frequency	Hours
2010	73	118
2011	67	129
2012	59	100
2013	66	122
2014	125	232

4-5-5 Friendly Work Space

CAL Park offers a relatively well-equipped and comfortable work environment. Apart from the variety of dining options offered by employee cafeterias, there are also convenience stores, a laundry department, swimming pool, table tennis hall and other facilities available for employees. Clubs for badminton, softball, mountain climbing, table tennis, basketball, golf, yoga and Tai Chi have also been formed to help employees unwind. Dedicated parking and toilet facilities are provided for handicapped employees. Breast-feeding rooms are also available for employees.













Customer Service



Highlights



"Family Couch" Cabin Seating First in Asia

The "Family Couch" was provided on new aircraft to provide greater product diversity and improve cabin comfort. By raising leg rests and stowing arm rests, three Economy Class seats can be combined into one sofa bed to provide long-distance travelers with a more comfortable space and improved sleeping quality.



No.1 e-AWB Usage in Taiwan

No.11 Usage in the world

Cargo delivery time reduced by 1.5 days, while reducing lost documentation rate and increasing delivery efficiency. CAL is the 22nd airline among all airlines to adopt "e-Freight". The annual target for adoption of the system was further increased to 25%. Implementation across all routes and airports led to the IATA reporting in December 2014 a penetration rate of 29.9% for CAL.

Note: e-AWB Penetration rate(in %) =Effective e-AWB volume/Feasible e-AWB volume



China Airlines App

Downloaded more than 400,000 times

CI Mobile is a fast and convenient mobile Internet tool. All you need is an Internet device for unlimited access to real-time information provided by CAL. This provides an indispensable tool for business travelers planning their itinerary or while on the move. Functions such as reservation, meal selection, duty-free pre-order, flight information, itinerary management, member services and early check-in ensure the most convenient mobile service.



E-IOSA: First in Taiwan

First airline in Taiwan to pass certification

CAL applied for re-certification to Enhanced IOSA (E-IOSA) standards in October, 2014. Apart from ensuring the continued validity of CAL's IOSA certification and enforcement of self-inspections, this also kept our safety standards in line with international guidelines. CAL therefore became the first airline in Taiwan to pass E-IOSA certification.



Colorful Service Dialogue

Provision of personalized services that "can be heard, seen and felt"

Colorful Service Dialogue refers to CAL passenger services employees actively conversing with passengers to create resonance on positive topics and to provide a warm reception. The expression of sincere concern along with a friendly, polite attitude is intended to reach out to our passengers. CAL service representatives move through the airport to provide personalized service that "can be seen, heard and felt". The change from "static services" to proactive "walk-about services" maximizes service effectiveness.



World's First Seat Chat Service

First in-flight Chinese chat room function in the world

The in-flight entertainment system offers a social chat function that can also be used for sharing of favorite videos and music.

5-1 A New Benchmark in Aviation Service

Under the "NexGen Plan" and "Sustainability Start Year", in 2014 CAL invited outstanding Chinese designers from different fields to apply the Taiwanese spirit of cultural creativity to create NexGen products. Service was also optimized through the SOP+ values of "diligent, attentive, proactive, interactive, and enthusiastic". The CAL sustainability mission of "rewarding Investors through integrity, inspiring customers through passion, supporting partners through action, protecting Earth through sustainability, caring for our employees, and giving back to society through culture" was also harnessed to maximize sustainability returns for all "shareholders, partners, the environment, employees, and society". CAL is setting a world-class benchmark for Taiwan's aviation industry.

5-1-1 NexGen Plan

The "Next Generation" plan represents a milestone for CAL that connects its past with the significance of its next-generation services. Through extensive research and brainstorming, CAL's brand positioning has been defined with a clear customer orientation that will give Taiwan, Asia, and the world a brand new CAL. The NextGen CAL is about cultural heritage and understated elegance.

By defining its core brand values as "Cultural Creativity, Technology, Environmental Protection, Emotional Connection, and Trust" and combining them with nine key brand attributes, CAL unveils the new look of the brand, one that offers innovative services with a unique style. With Eastern aesthetics as the defining theme, CAL pursues innovation and aims to deliver attentive, personalized services through an emphasis on elegant,

minimalist design that brings together Taiwan's cultural creativity, pursuit of environmental protection and technological advances. The world-class design team led by Ray Chen used Song Dynasty inspired literary aesthetics as the design theme to create a novel and unique Asian cultural identity that stands out in a global aviation industry which is dominated by Western high-tech design. The cabin design creates a feeling of prestige for anyone stepping in for the first time; there is a full appreciation of the harmony of Eastern aesthetics. All in-flight amenities and utensils have been completely redesigned with an elegant, minimalist approach that emphasizes quality and promises passengers a physically, mentally and spiritually enjoyable journey.









CAL NexGen Core Service Values

Passengers flying at 30,000 feet can keep in touch with those on the ground by accessing the Internet to send e-mails or check-in on Facebook, PAC ex3 combined with the 18" HD touch screen is exclusive to Business Class and offers an even more comprehensive in-flight entertainment system than before.

'Wi-Fi On board 'In-Flight Entertainment (IFE)

'Family Couch

with this versatile space.

combined with the seat to form a couch. The

pillows and mattress form an exclusive personal

area. Families, couples, friends and colleagues

traveling together can travel closer to each other



The Sky Lounge recreates the atmosphere of a scholar's study. Like a bonsai plant, it brings to mind the grandeur of the mountains and the rivers in an elegant way. The quality design of this lounge area by Taiwanese/Chinese designers not only helps to improve service quality and re-define the brand, it hopefully also gives Taiwanese/Chinese designers a world stage on which they can demonstrate their cultural creativity.

'Sky Lounge

'New galley system Economy Class seats 'e-Books and magazines

- 1. The new galley appliances offer significant reductions in weight and power consumption.
- 2. Lightweight seats greatly reduce fuel consumption.
- 3. E-books and e-magazines to reduce weight and fuel consumption.

'Use gestures to convey trust 'Use actions to ensure safety!

For air and ground services, front-line colleagues can convey the CAL sense of professionalism and discipline through the appropriate use of eye contact as a form of body language that can promote customers' trust in the company and their confidence in our focus on aviation safety.

CAL Boeing 777-300ER

The latest Boeing 777-300ER passenger aircraft being introduced by CAL incorporates Asian lifestyle aesthetics and traditional elements. Apart from the latest hardware, contemporary design has been applied in ingenious ways to present a unique and refined living space that not only adds a literary touch to every journey but also offers passengers a relaxing, natural flying experience.





Premium Business Class

- •The 180° fully-flat seats are like private bedrooms. They measure up to 78" when fully reclined while still offering passengers direct access.
- •The cushions designed to Asian ergonomics provide a comfortable journey while the height-adjustable armrests expand the sleeping space.
- •Press the icons on the LCD touch control panel to adjust the position and lighting.
- •The latest in-flight entertainment system features an 18" multi-touch screen with Audio-Video-on-Demand (AVOD).
- •The multi-purpose cabinet includes a 110V power socket, 2 USB ports, noise-cancellation headphone jack and 4.1" LCD remote control.
- •The Sky Lounge provides a place to enjoy reading, tea and coffee on long flights
- •The Seat Chat function of the entertainment system can be used to chat and send messages to friends or for real-time sharing of multimedia content.
- •The designer amenities pack includes selected brand-name natural skin-care products.







Premium Wi-Fi Internet access is available for passenger mobile phones and personal electronic devices in all cabins.



The in-flight entertainment system offers a "Seat Chat" function that can also be used for sharing videos and music.







Premium Economy Class

- •39" seat pitch, fixed back design and forward-sliding reclining seats avoid interference to the front and back
- •The latest in-flight entertainment system features a 12.1" multi-touch screen with Audio-Video-on-Demand (AVOD).
- •Multi-purpose table, personal stowage space and reading light.
- •Comfortable headrest, armrest and footrest can be adjusted to the most comfortable position.
- •Personal USB port and power socket.
- •The Seat Chat function of the entertainment system can be used to chat and send messages to friends or for real-time sharing of multimedia content.
- •Designer amenities pack with selected brand-name natural skin care products and value-added meal/beverage service.

12.1" sliding







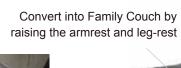
Family Couch

- •Three seats in the same row can be converted into a sofa-like Family Couch (limited to special seats) for quality family time.
- •Family Couch amenities include dedicated seat belts, mattress protector, pillows and thin blanket. Children's toys also provided.
- •Thin seat design for more leg room
- •4-stage adjustable headrest and ergonomic padding for more comfortable seating
- •The latest in-flight entertainment system features a 11.1" multi-touch screen with Audio-Video-on-Demand (AVOD) service.
- •Personal USB port and shared power socket
- •The Seat Chat function of the entertainment system can be used to chat and send messages to friends or for real-time sharing of multimedia content.



11.1" sliding

multi-touch display



4-stage adjustable headrest





5-1-2 Service Excelsior Project Team

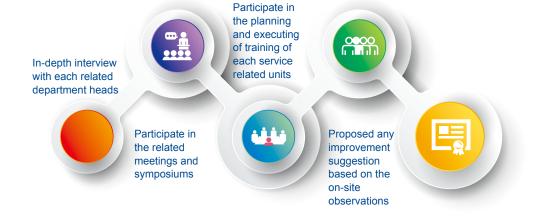
To strengthen our overall customer service, CAL has set up a " Service Excelsior Project Team " that reports directly to the Chairman. The team is responsible for overall service design, planning, and the implementation of service strategies and processes that exceed customer expectations. In addition, the team will coordinate the efforts of different departments to ensure service quality is strengthened and can be managed broadly, comprehensively and sustainably.

In 2014 the Service Excelsior Project Team took an active role in the recruiting process of the Cabin Crew and Ground Service Divisions by helping the recruiting unit and interviewers with the observation of applicants and the selection of talented new employees with a passion for service. The Team also took part in the "China Airlines and I" training course for every batch of new recruits. The theme of "Welcome" was used to welcome and encourage new employees, introduce them to the essence of service, and help them find self-fulfillment through their work.

The Team took part in forums with cabin crew pursers. refresher training for ground service supervisors, tele-education for route freight and sales managers, filming of an airport ambassador training video, and advanced training for internal instructors. The mission of the Team is to reinforce and internalize the service philosophy among employees at all levels, teach leadership skills and inspire employees to increase their own value. To boost the service mindset among executives, hone observation skills and cultivate a sense of aesthetics, assistance was provided in hosting executive consensus-building camps on a variety of themes. Well-known local artists were also invited to teach tier-1 managers about aesthetics. To support the new 777 product and "NexGen" service, the Team participated in the service design process and in-flight menu tastings, provided guidance on food arrangement, and taught the colorful service dialogue.

5-2 Customer Service

The CAL Quality Policy of "Safety first, Service plus, Eco must, Innovation best" strives to realize the highest quality of service and fulfill the vision of "Commitment to Excellence and Reliability". We aim to deliver the highest level of the customer satisfaction through our optimal services. To achieve this target, CAL has invested in innovative services such as electronic and mobile (e+M) accessibility services that provide customers with immediate, efficient and convenient services recently. Through our SOP+ service campaign, CAL is hoping to deliver the most attentive service that comes from our heart.





SOP⁺ for Sophisticated Cabin Management

To meet the needs of customers, improve passenger satisfaction and boost cabin crew service efficiency, the Air Service Standards Department is constantly reviewing, simplifying and amending cabin service processes through new initiatives and online feedba-

ck. The Cabin Crew Division is also embracing SOP+: We provide service quality that exceeds customer expectations by taking responsibility. This includes cooperating with air product design by engaging in cross-industry cooperation with W Hotel and four top Taiwan chefs to promote in-flight cuisine; cooperating with the Mystery Shopper operations of service quality assurance companies to engage in service process reviews and improvements. To boost

returns from duty-free sales, studies were also conducted into e-shopping, Pre-Order POS and online home delivery pre-order forms. Environmental-

ly friendly operations were also implemented in the cabin as part of the company's environmental policy. For example, eco-friendly paper bags for duty-free goods, playing of environmental protection videos onboard aircraft, and making hand wipes from reclaimed cloth products. A cabin crew management system was also developed in cooperation with the Information Management Division to improve pursers' management capabilities with iPads.

China Airlines Quality Policy

"Safety First"

There can be no compromises on flight safety. Intensive training, rigorous testing, rigid discipline and crew participation form the basic requirements of flight safety.



"Service Plus"

All processes throughout the system are customer-oriented. Prompt handling of customer complaints and continuous improvement of service quality all contribute to the ultimate goal of improving customer satisfaction.



"Eco Must"

Ensure environmentally-friendly practices and sustainable development by complying with environmental regulations, conserving the planet's resources, raising eco-efficiency and fulfilling the Company's social responsibilities.



"Innovation Must"

Continual innovation and improvement produce excellence by encouraging innovation and giving employees the space and opportunities to innovate.



5-2-1 Dynasty Flyer

Dynasty Flyer membership surpassed 2.73 million people in 2014. Intra- and inter-industry partnerships include 20 partner airlines (19 SkyTeam members and Hawaii Airlines), 19 banks/card issuing companies, 10 global chain hotels or regional hotels, 3 online hotel booking centers, 3 global car rental chains and 1 telecom company. In 2014, our airline partnerships added two-way mileage rewards with Garuda Air of Indonesia (GA). Members flying on codeshare flights with WestJet (WS) and Virgin Airlines U.S. (VX) can accumulate one-way mileage in their membership account. CAL also joined China Southern, China Eastern and Xiamen Airlines in launching the "Greater China Connection" members program. Between October 8 ~ November 30, 2014, the "Joining Together" promotion gave members flying on cross-strait flights operated by the four airlines an additional 888 frequent flyer miles.

See Dynasty Flyer webpage for details of benefits



5-2-2 Listening to the Customer

CAL naturally values the opinions of our customers. We provide the most comprehensive and convenient channels for customers to give us guidance. At the same time, we also expect all customer feedback to be answered and acted upon in a definitive way. Apart from opinions provided by our customers, CAL actively tries to engage with customers through customer satisfaction surveys. Different types of satisfaction surveys are conducted for different customer types in order to collect their most sincere opinions so we can put ourselves in their shoes. The opinions and feelings of our customers are what drive continued improvement at CAL.

To collect the full spectrum of customer opinions and react promptly to customer complaints, CAL offers a variety of channels that make it convenient for customers to voice their thoughts on any matter. Customer complaints are taken seriously and swiftly and acted upon by the relevant CAL departments. At CAL, customer complaints are treasured because they help us maintain our quality of service.

All consumer feedback is logged with the Customer Service System (CSS) by the contact window at the receiving unit for tracking. If a consumer uses the "Customer Response" webpage on the CAL website to submit their feedback, the content is automatically imported into the CSS system. The customer's recommendation is then forwarded by type to the relevant units for investigation and action by the Customer Relations Department. The responsible unit must report back within three working days and the processing unit must compile the results of the investigation by the given deadline. A reply and explanation is then provided to the customer based on the investigation results.

5-2-3 Customer Privacy Protection

CAL strives to protect the privacy of all customer information. We have also announced a "Data Privacy & Security Statement". Our collection of customer information and use of customer information or modification of personal details as well as efforts to protect data security are all available on our corporate website. There were no complaints relating to customer privacy protection.

Channels for Communicating with CAL

"Feedback Hotline" at CAL regional subsidiaries



Customers can call the "Feedback Hotline" to give their feedback or make a complaint. They can also contact the regional subsidiary. Details on the "Feedback Hotline" and "Business Office" of CAL's regional subsidiaries are available at "At Your Service" under the "Customers Voice" section of the CAL website

"Customer Response" webpage on the CAL website



Customers can visit the <u>CAL</u> website and under "At Your Service", click on "Customers Voice" then "Customer Response" to submit their opinion or complaint.

"Passenger Feedback Letter"



Customers aboard a CAL flight can ask flight attendants for the "Passenger Feedback Letter" then fill it out with their suggestion or complaint. The letter can be collected by the flight attendant, or mailed directly to the CAL Customer Relations Department for processing.

General correspondence



Customer suggestions or complaints can be mailed directly to the "CAL Customer Relations Department".

5-2-4 Customer Satisfaction

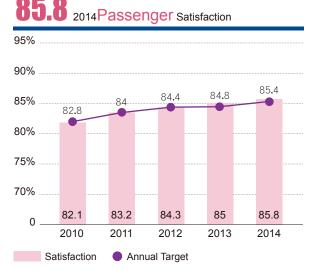
In addition to collect customer's opinion, China Airlines is also proactively monitoring customers and cargo owners' satisfaction with our passenger and cargo services on a continuous basis. Electronic surveys such as "China Airlines Passenger Satisfaction Survey", "China Airlines Dynasty Package Passenger Satisfaction Survey" and "Cargo Service Satisfaction Survey" are also used to gather information of passenger satisfaction of passenger and ground services as well as cargo services. CAL also aims for customer satisfaction in our aircraft maintenance service with at least one customer satisfaction survey conducted each year.

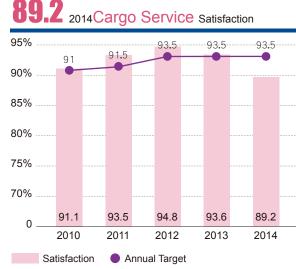
The results of the customer satisfaction surveys are also used by CAL to convene a "Target of Service Quality review Meeting" each year. The participant units are passenger service division, cargo service division and maintenance departments. Through this review meeting, each responsible unit can review the achievement of the Service Satisfaction target of passenger service, cargo service and maintenance facilities, set up new targets, annual plans and propose ways of how to achieve those targets. With these all efforts, that's because CAL knows that customer satisfaction is the only way to connect with our customers.

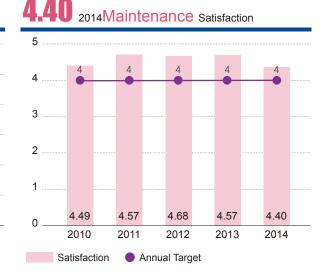
The score for cargo service went down slightly in 2013 due to the target respondents were changed. The original survey was targeting the 20% of key agents selected by each station. In 2013, the survey targets were selected by headquarter according to the contribution to revenue at each station.

To expand the scope of the survey, we had modified the content in 2014 to include the on-time performance, liaison for special situations, Irregularity handling and website services

for a closer examination of CAL's core operations. While the level of the customer satisfaction seemed dropped significantly in 2014 but it allowed us to understand our weakness and helped us to set a clear direction for improvements. With these efforts, CAL can improve the quality of service and attract more customers to use our services.







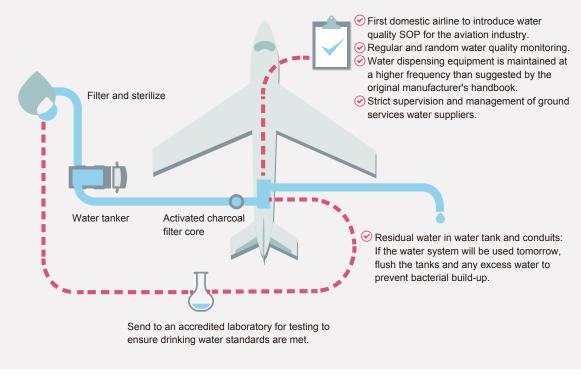
5-2-5 Food Hygiene

"Food safety" is the main principle for CAL. The "food hygiene" and "food quality" are the fundamental requirement. CAL requires our supplier Cathay Pacific Catering Services (CPCS) to rigorously separate every preparation process. "Keeping food fresh" is one of the most important requirements in hygiene & safety. On the hardware level, the work area is divided into separate zones based on the type of process. Different temperature requirements are set for each zone based on the type of food to be processed. The room temperature of the food preparation area must be kept below 18°C. Every area is also separated by refrigerators. Even the meal delivery elevator is located within a refrigerator to ensure that a standard low-temperature environment is maintained from food preparation to storage and shipping. CAL requires in-flight catering contractors on all routes to partner in ensuring food safety for passengers by adhering strictly to international food hygiene regulations on airline meals. The strict hygiene standards at CPCS are based on industry best practices, the International Air Transport Association and national hygiene regulations, and have passed HACCP international certification. Strict hygiene and safety controls are enforced throughout each process. Staff is not only expected to obey personal hygiene rules and hygienic operation standards but also undergo regular education and training. In addition, all products, materials and food equipment provided by CAL must undergo on-site micro-organism inspections to ensure that all processes obey the necessary controls. CPCS has rigorous supplier manager and ingredient review regulations for the selection of qualified suppliers and for confirming that supplied ingredients satisfy the relevant food hygiene specifications. A tier management system is used with all suppliers. Any supplier that is not up to standard is given a deadline for improvement. Failure to do so will result in their removal. On-site audits are conducted for suppliers of high-risk, high-volume ingredients. The supplied ingredients not only undergo standard incoming inspection but also random in-depth inspections based on the nature of the ingredient.

Strict Controls over Water Quality on Aircraft

- To guarantee the quality of the drinking water consumed by passengers on flights, China Airlines became the first in the industry to issue the "Aircraft Drinking Water Management Procedure". The procedure exceeds the standards set in environmental regulations and rules governing original manufacturer maintenance.
- The safety of drinking water is included in the preliminary evaluation of new destinations.
- Strict checks on the qualifications of water suppliers: Foreign stations must monitor water replenishment operations and conduct an inspection of the supplier once a year.
- Draw up a regular maintenance plan that exceeds the recommended requirements set by the government.

 Overnight flights have their water tanks and pipes flushed to avoid bacterial growth.
- Water dispensers aboard are fitted with activated charcoal filters to guarantee good quality water.
- The headquarter also conducts drinking water safety inspections at foreign stations to ensure passenger safety.



5-2-6 Cargo Delivery Service

CAL not only delivers regular cargo and packages but also humanitarian relief supplies and special cargo. We possess a wealth of transportation experience, conduct professional training to improve our quality of service, joined SkyTeam Cargo to offer cool chain transportation services, and are working with partner airlines to establish a global service network. In the future, we will also introduce e-AWB to help protect the environment.



Worldwide Special Cargo Services

CAL freighters fly all over the world. For the transportation of special cargo, CAL has trained professional experts and developed relevant operating procedures to ensure safe and professional services. We have extensive experience in the transportation of special cargoes from precision instruments and large machine-

ry to precious relics and live animals. In 2014, CAL was chosen by customers to transport sophisticated electronic instruments made by ASML, Canon and Nikon from Europe and Japan to Taiwan.

Apart from regular cargo services, we also assisted the National Palace Museum with transporting of 231 cultural artifacts to Japan for exhibition. These included not only the world-famous Jade Cabbage and Meat-shaped Stone but also the Lotus Bowl from the Northern Song Dynasty's Ru Kiln. The professionalism demonstrated by CAL throughout the transportation process was greatly appreciated by the customer. It also gave people outside of Taiwan an opportunity to see the precious cultural heritage of China for themselves and helped promote international cultural exchange.



Building a global service network through interline agreements

destinations include Chongqing, Shanghai, Guangzhou, Nanjing, Xiamen, Zhengzhou and Shenzhen. The "Special Prorate Agreements" were signed with Chinese airlines including Air China, China Southern Airline, China Postal Airlines and China Eastern Airlines to improve space utilization and transportation quality. CAL has also partnered with China Post to transship post bags from China to the Americas via Taipei in order to expand the fast-growing e-commerce market. "Block Space" agreements" have also been signed with a number of international integrated courier companies to provide fixed hold capacity from Taipei to Los Angeles, Singapore and Shanghai. In the future, CAL will continue to optimize its cargo network to increase freighters and passenger aircraft belly cargo utilization, strengthen cooperation with partner airlines, reinforce our status as a leading brand, compete for more international customers and establish a comprehensive global network.



Enhanced service through Sky-**Team Cargo**

CAL flies to 32 cities in the China cargo market. Pure freighter After joining SkyTeam Cargo, CAL has cooperated with the alliance's development strategy by developing logistics opportunities such as courier delivery of high-value products, cool chain products and healthcare products. We have now achieved Qualified Envirotainer Provider (QEP) certification for Taipei, Tokyo, San Francisco, Frankfurt and Amsterdam stations. We plan to expand this service to all trade lanes in the future. CAL is also working with other airlines with the alliance, including singing block space agreement with Vietnam Airlines, Aero Mexico and Korean Air We have also negotiated capacity exchange agreement with China Cargo



Improving service quality through professional training

The CAL Cargo Service Standard & Contract Dept. provides CAL has set up a task force in response to the import numerous training courses and On-the-Job-Training (OJT), including Cargo Basic, Cargo Professional Training, Live May 2015. We are now actively negotiating with Trade-Van Animal Regulations, Dangerous Goods training, Cargo Operation e-Learning Test, CAA AVsec, and TSA AVsec.



Improving quality through preclearance and e-freight

pre-clearance scheme introduced by TAIWAN Customs in Information to develop an initial operating procedure for the master plan announced by Customs in order to realize paperless operations. We are also discussing related proposals with other airlines at the TPE-AOC to ensure the rights of the aviation industry and improve the service quality through further shortening the waiting time for cargo pickup.

5-3 Flight Safety

CAL is aware that safety is the primary objective and the only standard by which the company operates. A Risk Committee has therefore been established under the Board of Directors. All relevant departments are asked to be involved in order to instill the culture of safety into every employee. The core values of safety have been defined as "Safety, Discipline, Innovation, Service and Teamwork". The CAL Safety Policy has also been defined so that safety practices can be part of our employees' routine activities. By upholding the highest safety standards, we can fulfill our vision of "Commitment to Excellence and Reliability" for flight safety.





5-3-1 CAL Safety Management System

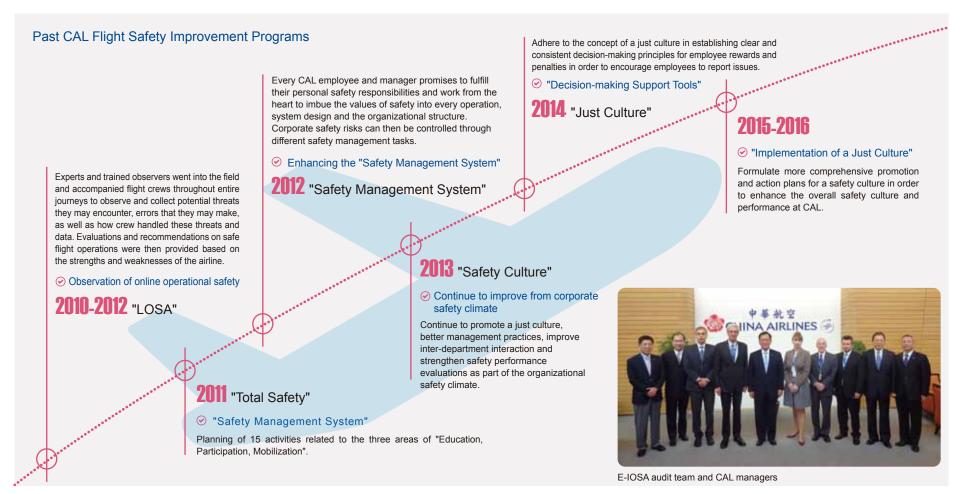
CAL has established a safety management system consisting of six key management systems for ensuring aviation safety. The company reduces risk by paying attention to every little detail and sets the highest standard of safety through the most rigorous requirements. Since 2011, the annual all-hands safety improvement program has continued to strengthen the safety awareness of all CAL employees and continues to set the highest safety standards at CAL.



5-3-2 Enhanced IOSA

CAL was the first airline in Taiwan to achieve IOSA certification. The IATA Operation Safety Audit (IOSA) provides airlines with a way of measuring their own safety standards and airlines that pass the audit are presented with AITA certification. IOSA is therefore an objective and credible airline safety audit scheme.

CAL received its first IOSA certification in 2005 and had been re-certified five consecutive times by 2012. In September 2015, IATA began requiring members up for re-certification to pass an Enhanced IOSA (E-IOSA) audit in order to strengthen the adoption of safety audit standards among members and strengthen the internal audit systems of airlines. The focus of the audit aims at ensuring that the airline's self-monitoring and Quality Assurance Program can continue to conform to IOSA standards. In response to this development, CAL applied for early re-certification under E-IOSA in October, 2014, to ensure the continued validity of CAL's IOSA certification, self-monitoring system implementation and to bring our safety standards in line with international guidelines. Our certification has now been extended from 2/25/2015 to 2/25/2017, making CAL the first airline in Taiwan to successfully apply for E-IOSA certification.



5-3-3 Safety Management System (SMS)

CAL has adopted the ICAO Safety Management System (SMS). To ensure the effectiveness of safety management, CAL established 4 key safety requirements and 12 subitems. Safety management has also been incorporated into our organizational behavior and internalized as part of our corporate safety culture. Risks related to aircraft operations such as aviation affairs, aircraft affairs, system operations, cabin service, cargo service and ground service have also been placed under systematic management. A CAL "Corporate Safety Manual" has been created in accordance

with the spirit of Safety Management System (SMS) to explicitly set the safety policy and targets for each level of management. This ensures the meeting of our corporate safety goals and their implementation in all current standard operating procedures.

Commitment and accountability Hazard identification from high-level executives + Safety risk assessment + Safety responsibility and improvement Safety Policy Safety Risk + Assignment of critical safety personnel and Objectives Emergency response coordination Safety management system documentation SMS + Safety performance monitoring + Safety education and Safety Safety and measurement training Assurance Promotion + Management revisions Safety communications •••••• Continued improvement of safety management system

5-3-4 Next Generation Safety Management System (AQD)

Introduced by CAL from overseas, the Aviation Quality Database (AQD) will help CAL achieve higher standards of aviation safety. AQD is a safety management tool designed specifically for airlines and has been adopted by over 120 airlines worldwide to date. Through the enhanced information integration and sharing functions offered by AQD, all safety reports can be imported into the risk database and accessible to all relevant units for risk management operations. AQD also provides a more complete tracking tool that identifies risks during the work process. The system also requires relevant units to take appropriate risk management measures and continue monitoring the situation to ensure better aviation safety.



2014 China Airlines Corporate Sustainability Report



5-3-5 Safety and Just Culture Program

CAL understands that the safety culture of an airline has a major influence on flight safety. To understand itself better, CAL partnered with research teams to perform a comprehensive review of CAL's safety culture, becoming the first in the industry to do so. By looking at CAL safety and introducing new ideas through industry-university cooperation, the company was able to achieve further reductions in risk events due to human negligence as well as enhance the standard of safety culture. "Safety takes priority over everything else" now forms the foundation of the total safety culture at CAL. Development of a general version of the Just Culture decision-making support tool was completed by CAL in 2014. For 2015 CAL will continue to move ahead on customized decision-making support tools. Other safety culture introduction initiatives will continue to be executed in 2015 ~ 2016 to strengthen safety management behavior in managers as well as enhance group decision-making, self-management and execution abilities of employees. In September, 2014, CAL launched a Quality Control Circle (QCC) initiative for high-risk units. A system of processes was defined from the selection of improvement topics, planning, situational analysis and target definition. By changing basic employee concepts, behaviors and habits, CAL can cultivate a corporate culture that places a strong emphasis on safety quality and safety culture management practices.

To improve the domestic aviation industry's understanding and application of just culture, as well as to enhance the effectiveness of the domestic aviation industry's safety management system, CAL invited local and foreign industry, government, and academic experts to attend a symposium held at the Taoyuan International Airport Novotel Hotel on August 28, 2014, with the theme of "Promoting the SMS Just Culture - Cultivating a Quality Corporate Safety Culture". A total of 105 people (including speakers) took part in the symposium. Co-organizers included the Flight Safety Foundation, Boeing and Pratt & Whitney.

The symposium was the first of its kind for domestic airlines. Apart from sharing CAL's efforts in implementing a Just Culture with the domestic aviation industry, it also highlighted the importance of a corporate safety culture and just culture to Taiwan airlines. Presenters at the symposium included Just Culture experts Dr. Sidney Dekker and Dr. Shawn Pruchnicki who described the theoretical basis and promotional approach of Just Culture. Lin Chun-liang (Standards Section, CAA) also explained the importance of the Just Culture and Safety Culture from a CAA perspective.



ional approach of Just Culture. Lin Chun-liang (Standards ture and Safety Culture from a CAA perspective.

5-3-6 Identification of Aviation Safety Risks

CAL understands the importance of identifying risks in the process of achieving the highest standard of aviation safety. The full-spectrum of risk factors during flight and ground operations were collected, assessed and potential risks subjected to quantitative analysis. The trends derived from the data were also used to determine the probability of risks so that potential hazards and risks in aviation safety can be prevented early.



5-3-7 System Operation Control

The Systems Operations Control Division set up by CAL is manned around the clock to ensure the safety and track status of our flights. Developments that may have an impact on flights including climate change, weather conditions at regional airports, severe disasters (e.g. earthquakes, volcanic eruptions) and Taiwan's seasonal typhoons are all closely monitored. Flights in the air are provided with real-time updates and emergency response plans because the safety of passengers is our number one priority. To further enhance our safety controls, CAL has contracted Lido of Germany to introduce a next-generation flight planning system that will come online in August, 2015. Apart from providing even more optimized routes to save fuel, it also incorporates a function to automatically avoid military exercise areas. The In-Flight Monitor (IFM) module will also provide further improvements in aviation safety and efficiency by monitoring in-flight fuel consumption and flying conditions.

Complement 182 personnel

24 hours Staffed

- Responsible for monitoring and controlling aircraft movements
- Provide aircraft in the air with realtime updates
- Compile comprehensive aircraft statistics



5-3-8 Maintenance Quality

Maintenance quality is the cornerstone of flight safety. Since its formation in 1959. CAL's maintenance unit has secured aircraft maintenance certification for 11 countries/regions including EASA, SAA and CAAC, making us the largest and most modern aircraft maintenance center in Taiwan. Our facilities boast hangar capacity for five large wide-body aircraft as well as test cells for engines in the 120,000 pound class to meet the high-level maintenance requirements of different aircraft models. We service not only our own passenger and cargo fleets but also provide maintenance services for aircraft, engines and components to more than 40 local and overseas customers. Workshop projects are also carried out every year to evaluate and continuously monitor staff competency and training. We aim to surpass relevant standards and conduct on-going training in order to meet the highest safety standards and requirements.

The quality of maintenance personnel is critical to improving the quality of maintenance. CAL needs to recruit 150 new maintenance personnel every year due to employee turnover and the expansion of maintenance capacity. To expand recruitment sources CAL began cooperating with local universities and colleges in 2012. The number of partner universities was also increased from 3 to 11 in 2014. Students can come to the CAL Maintenance Facility while the university is in session and what they learn can count towards part of their maintenance training courses. This not only shortens training time but also allows theory to be combined with practice. In response to changes in civil aviation regulations and for the sake of long-term development, CAL applied to the CAA to set up an aircraft maintenance school in 2014. The school will produce high-quality maintenance personnel for the future.









5-4 Pilot Training and Management

To maintain the highest standards in flight safety requires not only the setting of the highest safety standards in hardware but also well-trained pilots capable of handling all conditions and situations. At CAL, we use the three concepts of "Prediction", "Active" and "Passive" to identify hazard factors and carry out risk management. We also use comprehensive training on internal and external environmental changes such as new stations, new routes, new aircraft, new systems and new procedures as well as systemic proficiency checks, Flight Operation Quality Assurance (FOQA) and regular evaluation of pilot instructors to cultivate pilots of the highest caliber and ensure flight safety.

*FOQA reduces accidents and crashes by using flight information to improve flight safety. In other words, it mines routine flying logs and abnormality reports, analyzes the operating characteristics of active fleets then conducts an assessment to identify potential risks for correction.

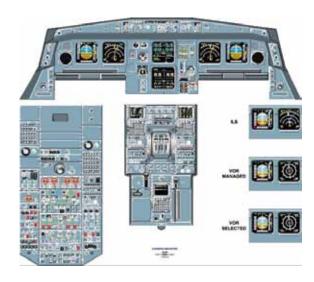


5-4-1 Integrated Pilot Training System

The Integrated Pilot Training System (IPTS) was formally activated by CAL in 2014. All training records are now fully computerized to improve training trend analytics and to effectively integrate all information including training courses, instructor management and training records. Phase 2 upgrades and optimizations will be carried out in 2015 to continue improving the quality of training services and reduce personnel/operating costs. CAL has also introduced a new e-learning system. All of the courses in the old system have now been migrated over to the new system which not only supports Windows but also iOS and Android as well. This will help flight crews with mobile learning and improve satisfaction with e-learning.

CAL is planning and deploying flight crew training courses and equipment to support the introduction of the new B777-300ER aircraft. Apart from sending crew to the Boeing Flight Service - Singapore

Campus to undergo related training, we are also actively upgrading our internal training capacity to meet future demand for large numbers of pilots. For ground-related courses of the B777-300ER we have introduced computer-based training from the original manufacturer. Original manufacturer teaching videos are also used to improve the content and quality of existing ground courses. Simulator briefing has been upgraded by CAL in preparation for the new aircraft. Equipment has been adjusted and new 3D cockpit mock-ups installed to optimize pre-simulator training briefings and enhance teaching quality.





5-4-2 Life Management

In addition to rigorous training and requirements based on the highest safety standards for flight crews, CAL also manages the physical and psychological condition of crew members to ensure that they can complete every mission. Flight crews are vulnerable to physical fatigue and psychological stress on extended flights. Crew life management is therefore carried out based on the three management principles of proactive planning, crew feedback and prediction. We also surpass regulatory requirements so that crew members can carry out their missions with a maximum of preparation.

Proactive Planning

- •Monthly review and discussion of crew schedules for the following month
- Plan for crew pre-mission/post-mission rest periods and configurations that exceed statutory requirements
- •or night-time missions, mission time is reduced by 2 hours
- •Manage mission assignments based on crew experience information provided by fleet
- •Monitor night-time mission performance on regional routes jointly with the fleet

Crew Feedback

•Use crew mission reports to determine if fatigue has set in then adjust missions, crew assignments or station as necessary •Dispatcher must immediately adjust the assignment of crew members reporting of fatigue or discomfort

•Adjust crew sizes on flights based on peak and off-peak season for travel

 New destinations are evaluated by fleet before deciding on crew dispatch conditions and crew sizes

5-4-3 Simulator Training

To provide pilots with the best training environment, CAL has introduced advanced full-motion simulator systems that can not only simulate the 3-axes of motion during real flight but are also equipped with a high-resolution Visual system. To improve flight safety, original manufacturer's aircraft performance and system parameters, airport databases and weather phenomena (clear, rain, snow, storm, low-visibility etc.) are also uploaded to prepare flight crew to cope with all kinds of abnormal situations and weather conditions.

CAL's flight simulation equipment and training, ground and water escape training facilities/equipment have received EASA as well as civil aviation certification in South Korea, Vietnam, Malaysia, Philippines and Hong Kong. The software and hardware can therefore be made available to other domestic and overseas airlines for training. Existing areas of exchange include assisting with advanced instructor training for other airlines, simulator training for flight crews, and emergency response training for

flight/cabin crews. CAL actively promotes resource sharing and knowledge exchange across the aviation industry.

In February, 2014, the B744F simulator visual system was upgraded to the new Rockwell Collins EP-8000. Satellite topographic maps, high-definition imagery and realistic weather simulation improves training results for flight crews to ensure zero-risk flights. Quality of flight training has also been strengthened to support the timetable for the introduction of the B777-300ER. CAL introduced the B777-300ER door training system in April, 2014, followed by the B777-300ER simulator in July. The simulator quality management system has passed EASA Compliance Monitoring System certification.

In the future, CAL will continue to improve and enrich aviation training facilities as part of the push for continuous quality improvement.





5-4-4 Pilot Training and Examination

Rigorous and impartial training is an essential part of maintaining the flying skills of pilots. To ensure the objectivity of training, examination and management, CAL has set up three parallel and independent units under the Flight Operations Division responsible for pilot management. This organizational structure insulates check pilots against any outside influence during crew checks, ensuring that pilot training meets the most rigorous requirements and objective standards at every stage. CAL conducts over 22,000 hours of demanding training for over 1000 pilots each year costing up to NTD370 million.

For new pilots from different backgrounds, CAL has set up a range of Advanced Pilot Qualification Program (APQD) bridging courses that use an advanced Cloud academic training system and highly realistic simulator equipment for transition training. Real aircraft are used during the Initial Operating Experience (IOE) to meet the high standards we expect of pilots. With new pilots with commercial pilot licenses for example, the process of completing CAL' pilot qualification training, transition training and the overall training program to receive co-pilot qualifications takes 13 months.





Aviation Physical Examination Certificate

According to the "Medical Examination Standards of Airmen" issued by the CAA:

- Crew members under the age of 40: Once a year
- Between 40 ~ 60: Once every 6 months
- Over 60: Once every 4 months

The cost of aviation physical examinations is approximately NTD9,000 per person. The annual cost of physical examinations for all crew members is approximately NTD15 million.



Airman Radiotelephony Communication English Language Proficiency

According to the " Airman Radiotelephony Communication English Language Proficiency " of the CAA, Crew members must achieve proficiency of ICA Aviation English Level 4 or above:

- · Level 4: Tested once every 3 years
- · Level 5: Tested once every 6 years
- Level 6: Re-testing waived
- Our company has been appointed by the CAA as Designated English Examiner (DEE).

5-4-5 Fatigue Management

CAL is more conservative than regulatory requirements when it comes to flight mission assignments. Based on the spirit of the SMS, we use proactive planning, crew feedback and prediction in the planning and management of crew rosters. Before crew members report for their flight mission, they must conduct a self-check using the IMSAFE(Illness/Medication/Stress/Alcohol/Fatigue/Emotion) checklist to determine if they are physically and mentally fit to continue with the mission.

5-4-6 Stress Management

CAL established a Crew Resource Management (CRM) system to boost the psychological profiles of crew members through systematic training in Situational Awareness, Workload Management, Communication Skills, Teamwork, Decision-making and Judgment. CAL also provides employees with free psychological counseling. Through interviews between professional counselors and the client, their personal background and experience is gradually analyzed to identify the source of problems and obstacles to growth. By identifying solutions and ways of releasing stress, individual potential and psychological character can be enhanced. The CAL CRM team was established in 1996 and CRM training for flight crews was launched in the following year. By comparison, the Team Resource Management concept was only recently introduced to the Taiwan medical system. CAL worked with National Taiwan University Hospital to successfully introduce the concept of CRM. Many medical institutions have since invited CAL to provide CRM training and to cultivate CRM instructors.

To improve flight safety through better communication and coordination between flight crews and frontline operations personnel, CAL implemented CRM refresher training in 2014. Flight crew, maintenance person-

nel and airline representatives took part in Joint CRM courses that not only went over the theory of CRM but also encouraged group research and discussion on case studies and scenarios to enhance training effectiveness.

The US Federal Aviation Authority (FAA) defines Crew Resource Management (CRM) as: "Crew Resource Management in its broadest sense can be defined as the use of all available resources, information, equipment, and people to achieve safe and efficient flight operations." Flight safety is further enhanced by the overall coordination of crew members.



5-4-7 Alcohol and Drug Abuse

CAL takes safety management of flight operations very seriously. We have issued explicit regulations on the consumption of alcoholic beverages/foods, anesthetics or other drugs that may impact on the normal performance of crew members including: Flight crews must not consume any alcoholic beverages up to 12 hours before a flight. They must also gauge their own ability to ensure that they are not under the influence of alcohol when reporting for and while on duty. Random tests are also conducted by CAL to ensure that the highest standards are maintained.

Apart from explicit rules on the use of drugs and alcohol, as flight safety is our core target we also encourage our crew members to follow regular routines while off duty as well as avoid engaging in high-risk or physically-taxing recreational activities to ensure that they are in the best physical and mental shape while on duty. If they feel tired or unwell, they should report this to their chief pilot or deputy. The fleet administrator must then assist with changing the crew assignment to avoid placing fatigued crew on flight missions.



Responsible Procurement



Highlights



NT\$38,002,000

Amount of green procurement between 2010-2014

CAL leads by example and does its part for the planet through green procurement.



95 10%

Percentage of local procurement by supplier

As the leading airline in Taiwan, CAL believes it is our responsibility to support local suppliers and the local economy.



1st

CAL has defined a sustainable supply chain management policy and conducts supplier sustainability surveys.

First airline in Taiwan to announce a sustainable supply chain management policy and conduct supply chain sustainability surveys.



Six Group companies

Safety management program for total organizational and operational safety assessment.

Safety assessments and audits are conducted at Group partners in accordance with the IATA Safety Audit for Ground Operation (ISAGO) standard to further improve Group safety management.



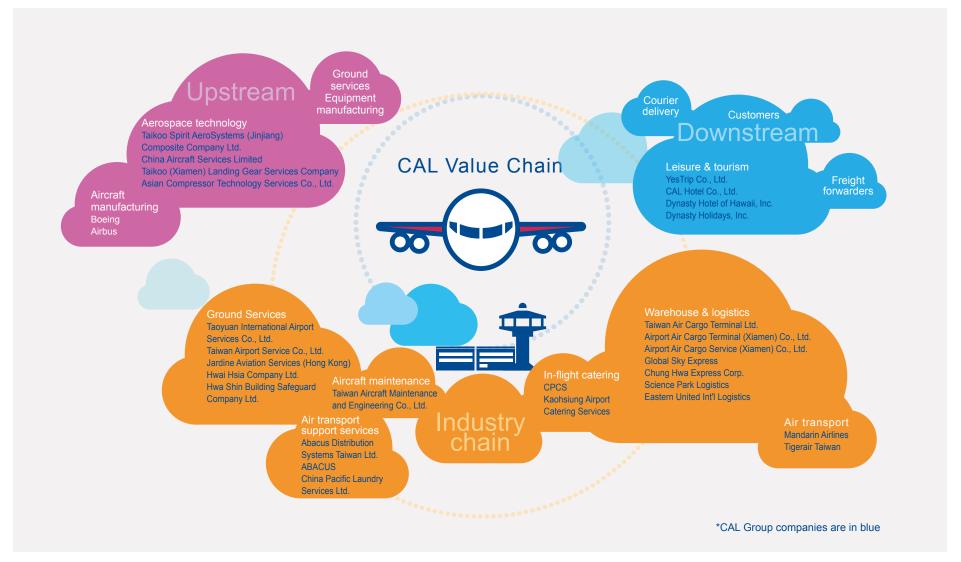
Over 160 people

Supplier sustainability management training

Between 2013 and 2015 Q1, CAL conducted environment, energy and GHG management system courses based on the ISO 14001, ISO 50001 and ISO 14064-1 standards as well as courses on environmental protection and sustainable development. Subsidiaries and partner companies were invited to take part and help build a sustainable supply chain.

6-1 CAL Value Chain

Safety comes first in the aviation industry and there are a number of international safety standards that must be complied with. The industry chain is therefore unique in many ways. A complete aviation service network has been built up by CAL to diversify operations and realize Group synergies. At the end of 2014, the CAL Group owned 35 subsidiaries in areas such as aviation, ground services, logistics, air freight stations, in-flight catering, laundry services, information networks and tourism. We are coordinating our resources to improve the overall quality of the service chain and enhance the Group's overall competitiveness.



6-1-1 Supplier Management

CAL requires suppliers to provide a "Statement of Tenderer" when bidding. Suppliers are not only expected to conform to requirements on integrity and ethics such as conflict of interest principles, anticorruption regulations, and trustworthiness but must also conform to relevant local laws.



Supplier education and training



Supplier education and training

投標廠商聲明書

本廠商參加中華航空股份有限公司 招標採購 案之投標,茲聲明如下:

項次	聲明事項	是(打V)	否(打V)
1	本殿商之營業項目不符合公司法或商業登記法規定,無法於得標後作為 簽約廠商,合法履行契約。		
	本廠商或負責人係金融機構之拒絕往來戶,或最近一年內(以投標截止日往前推算)有金融機構退票紀錄或其他喪失重大債信情事者。		
	本殿商或負責人與招標公司之主管/採購案之洽辦單位之主管/受委託辦 理採購之法人或團體之負責人,有涉及本人、配偶、三親等以內血親或 姻親,或同財共居親屬之利益之情形。		
四	本廠商或負責人係自招標公司離職之承辦、監辦採購人員,離職期間未 屆滿三年,且離職前五年內係從事與本購案相關之事務。		
五	本承辦專案管理之廠商負責人或合夥人是同時為規劃、設計、施工或供 應廠商之負責人或合夥人。		
六	本承辦專案管理之廠商與規劃、設計、施工或供應廠商係同時為關係企業或同一其他廠商之關係企業。		
	本採購案如係以選擇性招標或限制性招標辦理,或係以公開招標辦理但 投標廠商未達3家之情形,本廠商之得標價款會有高於本廠商於同樣市 場條件之相同工程、財物或勞務之最低價格之情形。		
八	本廠商已有或將有支付他人佣金、比例金、仲介費、後謝金或其他利益 為條件,促成採購契約之簽訂之情形。		
九	本廠商、共同投標廠商或分包廠商是招標公司之拒絕往來廠商或分包廠 商之廠商。[【投標廠商應於投標當日遞送投標文件前向招標公司採購部門 查詢自己(包括總公司及各分公司)、共同投標廠商、分包廠商是否為拒 絕往來廠商】		

附	 第一項至第九項答「是」或未答者,不得參加投標;其投標者,不得作為決標對象;聲 書內容有誤者,不得作為決標對象。
	書內容有誤者,不得作為決標對象。

註 2. 本聲明書填妥後, 附於投標文件遞送。

投標廠商名稱:

投標廠商章及負責人章:

日期:

▲ Statement of tenderer

6-1-2 Sustainable Supply Chain Management

CAL considers suppliers to be business partners on the road to sustainability. We also adhere to the CAL sustainability mission of supporting our partners through action. Supply chain sustainability management was launched in 2014 by defining the "China Airlines Sustainable Supply Chain Management Policy". The policy applies to all suppliers, contractors, Group subsidiaries and joint ventures. Suppliers are also encouraged to expand the concept of sustainable development to their everyday work and supply chain management for the fulfillment of CSR. CAL also hopes to set an example for suppliers in sustainable supply chain management, diffusion and profit sharing.



Inspection of supplier sites



Sustainable Supply Chain Management Policy Statement

China Airlines' vision of "Striving for Trustworthiness and Excellence" has firmly established the airline in Taiwan and around the world. As part of China Airlines' management objectives, the company is committed to the pursuit of sustainable development. We understand that true sustainable development can only be achieved through collaboration with our business partners. Thus, we have defined a sustainable supply chain policy that integrates international guidelines such as GRI, UNGC, ILO and ISO 26000. This policy applies to all our suppliers, contract manufacturers, subsidiaries, and joint ventures. Concurrently, we urge that the principles of sustainable development be implemented as part of our overall supply chain management to jointly fulfill our corporate social responsibility.

In order to implement sustainable supply chain management, China Airlines hereby promises to continuously improve and promote environmental protection, human rights, labor practices, business ethics, social welfare, and other related issues. In particular:

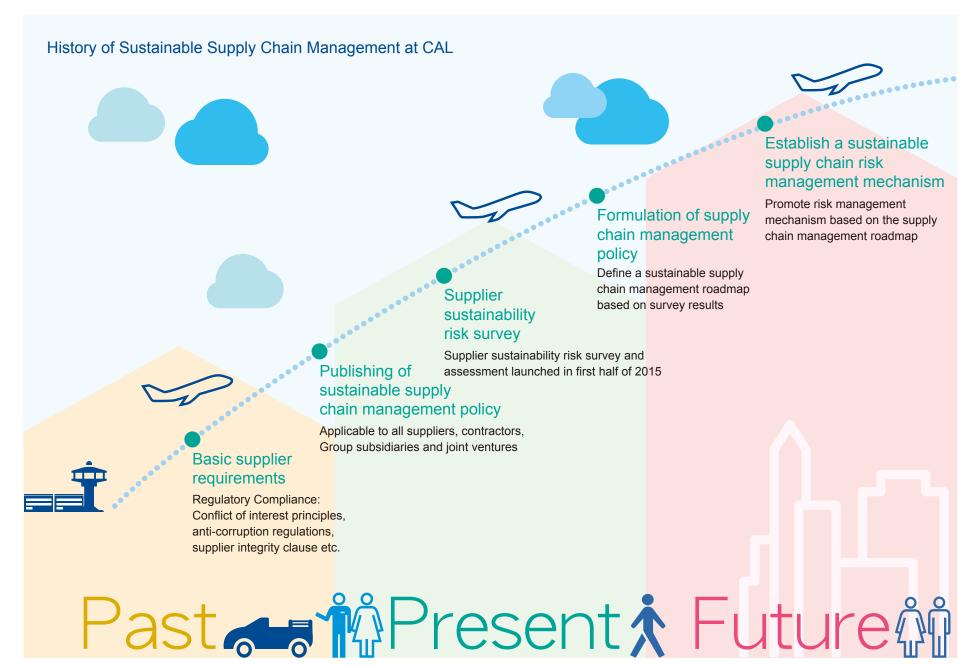
- To abide by applicable laws and international & local regulations; implement related mechanisms to assess and manage supplier risks and impacts.
- To take environmental impact and social costs into consideration in purchasing the best services and products based on economic rationality, and to establish a mechanism for supplier management.
- To conduct business in an ethical and moral manner; eliminate the leaking of confidential information and the making of illegal profits.
- To promote transparency in supplier management and equal opportunity for all suppliers.
- To require suppliers to comply with international and local standards on human rights and labor practices, while taking a stance against child labor and discrimination of any kind.
- Services and products should be in compliance with related sustainability rules, while striving to reduce environmental and social impact.

Signature :

Chairman

resident

igust 12, 2015



6-1-3 Supply Shain Sustainability Risk Assessment

Risk is an ever-present factor in everyday operations. The first step in supply chain sustainability management is to understand the risks facing the supply chain so CAL began conducting supply chain sustainability risk assessment in 2015. Joint studies were conducted with external experts to look at supply chain-related issues in international standards such as GRI G4, CDP and DJSI. International guidelines including the International Labour Organization, the Universal Declaration of Human Rights and the Global Compact were also considered to incorporate their spirit and main requirements into the supply chain sustainability risk survey. The content of the survey encompassed economic, environmental and social aspects. In the future, we will consider supplier size, supplier region and risk prevention ability in order to strengthen our sustainable supply chain management mechanism. The survey takes the form of hierarchical options and openended questions that suppliers can progressively fill out to balance the needs of small and medium enterprises.





6-1-4 Establishment of Supplier Safety Management Program

CAL introduced the Safety Management System (SMS) in 2007 to realize the goal of continuous safety improvement and to continue enforcing safety management operations. Safety and risk management has now become a part of supply chain management. CAL has therefore expanded safety management practices to all CAL Group affiliates in order to further improve the quality of safety management in the overall supply chain. Taoyuan International Airport Service (TIAS), Taiwan Air Cargo Terminal (TACT) and Cathay Pacific Catering Service

(CPCS) were chosen for initial adoption but this has since been expanded to include Hwa Hsia and China Pacific Laundry Services.

The safety management program starts by conducting a comprehensive assessment of the safety organization and system at Group affiliates. Risk management and safety quality assurance through the PDCA quality cycle management concept was also introduced on the operational level. Safety management was thus enhanced through a cyclical management system. Among CAL affiliates, TIAS

received assistance and counseling to successfully pass ISAGO* audit and certification in 2012. TAS will also apply for ISAGO certification and auditing this year. Group affiliates are now progressively introducing e-safety systems and safety education. Joint audits and the hosting of Group safety symposiums will further enhance the quality of safety management within the CAL Group.

*ISAGO (IATA Safety Audit for Ground Operations) is the safety audit and certification mechanism established by the IATA for ground service companies.

Comprehensive Assessment

Organization

Safety organization structure and personnel assignment Organizational function and personnel responsibilities Safety manager qualification and training

Organization

Safety system planning and handbook (Plan)
Safety management and execution (Do)
Self-monitoring scheme and performance indicator
assessment (Check)
Safety improvement and upgrade (Action)

Ground Operations

Introduction of e-safety management system

Set up e-safety management system with the necessary attributes

Establish predictive risk e-management mechanism

Education and training

Cultivation of instructors

Development of safety management teaching materials

Joint audit

Conduct audit based on content of ISAGO Improve safety management system by promoting interaction and exchanges through different perspectives and safety cultures.



Inspection of supplier sites





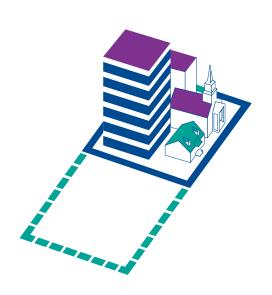


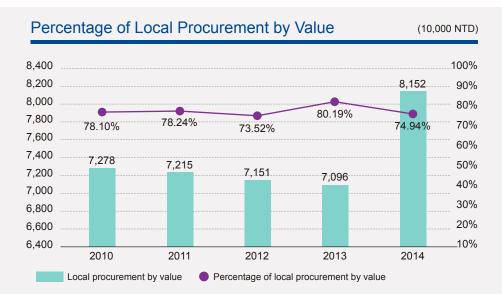


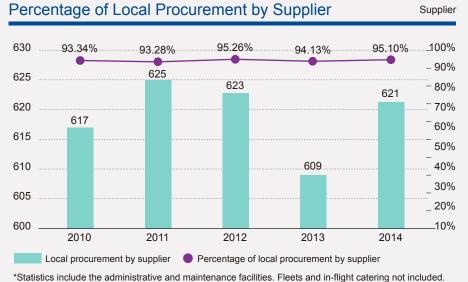
The Ground Safety and Group Safety Symposium held on May 27, 2015, invited the CAA, IATA, Chung Yuan Christian University faculty and Airbus representatives to take part in exchanges and sharing on ground safety and Group safety management practices.

6-2 Local Procurement

CAL is the largest airline in Taiwan. Apart from striving to provide the people of Taiwan with the most convenient method of travel, we are also keenly aware of our responsibility to Taiwan. This is why CAL continues to push itself to provide better services to the Taiwanese people as well as supporting related industrial developments in Taiwan. The unique nature of aviation means that some procurement must go through layers of international inspection in order to achieve our number one priority - safety. Apart from special aviationrelated equipment and parts, CAL tries to procure locally where possible as long as it does not impact on company operations and fairness.







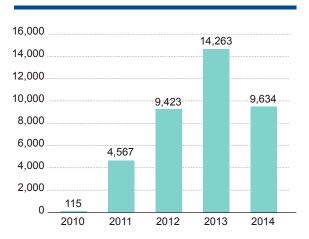
Statistical data does not include aviation materials. Since aviation-related parts require special certification it is not possible to provide this data.

^{*}In 2010, the maintenance facility included only tooling parts, hardware, safety & medical equipment, metal, timber and cleaning supplies.

6-3 Green Procurement

To support sustainable development of the Taiwan environment, CAL not only takes a proactive approach in our environmental management but also supports associated government policies. The precedence given to green procurement is aimed at doing our part for the Taiwan environment and spurring the development of even more green industries.

Amount of Green Procurement (1,000 NTD)





Green procurement includes type 1, type 2 and type 3 environmental products as defined under the "Regulations for Priority Procurement of Eco-Products" (January 15, 2001).

6-4 Contractor Management

China Airlines has always considered safety to be a basic requirement for contractors. The following measures have been adopted to strengthen contractor safety selfmanagement and improve work safety performance as part of our continued efforts to realize a zeroaccident rate.

6-4-1 Hazardous Operations

Open flames, restricted spaces and suspended operations are classified as hazardous operations. These operations require proper safety precautions to be taken and the procedures must be reviewed in advance to verify that all of the personnel and equipment are properly qualified and certified. Once a work permit has been issued, the site supervisor must check the safety requirements before work can begin.

Item Management method Contractors that have suffered a major occupational disaster or industrial accident that has led to property loss or project delays in the last 3 years, or accumulated more than 300 penalty points without proposing Contractor selection effective corrective actions shall have their contractor status temporarily suspended. The "Contractor Operational Safety and Health Guidelines" are incorporated into the "Request for Contract Proposals" and "Work Contract" to serve as a reference for both parties. The work environment, hazard factors and expected precautions for contracted work should be used to Hazard notice compile the "Project Safety Notice", "Project Memo", or a coordination meeting convened and its minutes provided in writing to the contractor for signature. Before the contractor can access the site and start work, the contractor and its sub-contractors, site Construction safety management unit and collaborating units convene a "Construction Safety Coordination Meeting" to coordination coordinate the tasks and precautions expected of each unit. A site overseer is also appointed. Fill out a "Hazard Notice" and the photocopy the "Construction Safety Coordination Meeting" minutes then Site access control submit them to the regional labor safety unit for reference. Upon confirmation, go through the site access application process in accordance with the Visitor Guidelines. Construction safety Assign an overseer or coordinate with the relevant units to assign a site overseer to handle all coordination, supervision and tracking of improvements with the contractor during the work period.

Contractor safety

Environmental Sustainability



Highlights



1st

Disclosure of carbon footprint on international routes

First airline in Taiwan to use the carbon footprint calculation methods of ICAO and IATA to disclose carbon footprints of international routes.



1st

Medium and long-term voluntary reduction targets

First airline in Taiwan to announce voluntary GHG reduction targets. Fuel efficiency will be increased by 1.5% every year before 2020; Carbob emissions reach zero growth by 2020 and halve 2005 emissions by 2050.



1st

Inventory of Group GHG emissions

First airline in Taiwan to organize an inventory of Group GHG emissions as well as help suppliers with carbon inventory and energy-saving/carbon reduction technology.



1st

Energy resource reduction target

First airline in Taiwan to set annual energy resource reduction targets.



1st

Quantified Scope 3 GHG emissions

First airline in Taiwan to quantify Scope 3 emissions. Employee shuttle buses contracted by CAL produced emissions equal to 4,616 tonnes CO2e.



5 million times

Self-service Kiosk used

Total number of passengers who used the self check-in counter.

7-1 Environmental Management

7-1-1 Dedicated Environmental Unit and Policy

The "Environmental and Energy Management Principles" was formulated by CAL in 2007 to enforce environmental protection operations and fulfill social responsibilities. "Environmental protection" was defined as a core operational element and was followed by the establishment of the Environmental Department and CAL Environmental Committee in 2011. The main operational units set up five environmental management committees and one carbon management task force. Quarterly reviews headed by the president or his/her representative are now conducted on CAL's environmental and energy management performance, making CAL the first airline to establish a dedicated environmental unit. When the Corporate Sustainability Committee was set up by CAL in 2014, the CAL Environmental Committee was incorporated as the Environmental Team to enhance its ability to promote environmental management.

The Four Principles of Environmental and Energy Management



Complying with Environmental Laws and Regulations

Conserving the Earth's Resources

As environmental regulations become increasingly more stringent across the world, CAL, as the largest airline in Taiwan, complies with all local environmental regulations in flight and ground services at each destination to fulfill our corporate responsibilities and obligations.



Improving Eco-Efficiency

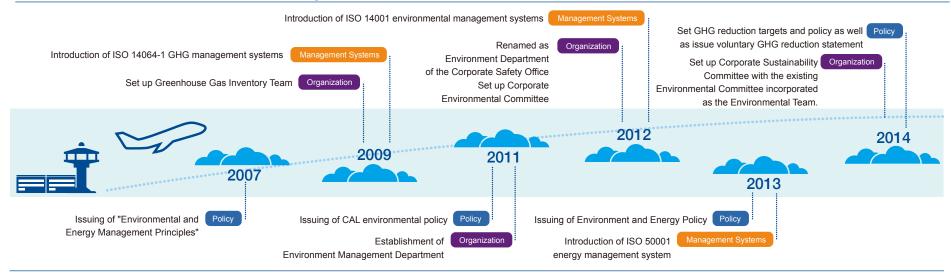
CAL is continuing to refine our operating processes to effectively utilize and protect resources, reduce the environmental impact of our operations and improve overall ecological benefits.

CAL is actively promoting the "3R" concept: Reduce, Reuse and Recycle. Apart from fuel, water and electricity conservation, we also promote paper-less services to reduce the waste of resources and carbon emissions.



CAL considers environmental protection to be a key element in corporate governance. We are actively introducing an environmental management system, supporting environmental research and communications. The sustainable development of both business and the environment is our goal.

CAL Milestones in Environmental Management





CAL has long embraced a vision of "Commitment to Excellence and Reliability" and has made Taiwan the hub of its global strategy. Even as we pursue corporate growth, we have come to appreciate just how rare and unique the environmental resources of the Earth are. CAL also realizes that it is the duty and responsibility of enterprises to protect natural resources and the environment. To this end, we have defined our environmental policy and energy management principles to be "complying with environmental regulations, conserving the Earth's resources, improving eco-efficiency and fulfilling social responsibility". These four principles will now guide our efforts towards environmentally-friendly sustainable development.

To enforce the environmental and energy management principles as well as stay true to sustainable development, we promise to commit sufficient resources towards promotion and continuous improvement by:

- Establishing environmental and energy management systems and performance indicators, to verify complince with established policy
- Promoting environmental and energy conservation education, to foster employees'eco- awareness
- ✓ Implementing green supply chain management, to raise overall eco-efficiency
- Creating a low-carbon operating environment to establish continuous improvement of environmental protection and energy efficiency
- Supporting green design and procurement, to promote sustainable development



2015 environmental performance improvement targets



Projects 72



Carbon Reduction

11,892.9 tonnes



Electricity Savings

1,959,821 kWh



Paper Savings

313,000 sheets



Aviation Fuel Savings

3,438 KL



Water Savings

1,384 KL



Vehicle Fuel Savings

133 KI

Under the management system of the Environmental Committee, CAL conducts regular audits based on the CAL Environmental Management Manual and Internal Audit Procedure for Environmental Management. Personnel from the Environmental Department of the Corporate Safety Office act as chief auditor and the Environmental Management Committee is invited to send representatives in order to accumulate CAL's audit capabilities. CAL has also developed a variety of proposals for improving energy resource performance. For 2015, CAL has 72 energy resource improvement plans in the pipeline that should reduce carbon emissions by 11,892.982 tonnes CO₂e.

CAL Energy and Resource Improvement Program and Outcomes for 2012 ~ 2014

Aviation Fuel Cavings	2012	2013	2014
Aviation Fuel Savings	Savings 2,854 t	Savings 2,081 t	Savings 6,681 t
	Carbon Reduction 8,990.658 t CO₂e	Carbon Reduction 6,583.924 t CO ₂ e	Carbon Reduction 21,138.926 t CO ₂ e
Vehicle Fuel Savings - Petrol	Savings 14,316 KL	Savings 10,733 KL	Savings 14,121 KL
	Carbon Reduction 33.803 t CO ₂ e	Carbon Reduction 25.343 t CO₂e	Carbon Reduction 33.343 t CO ₂ e
Vehicle Fuel Savings - Diesel	Savings 194 KL	Savings 123 KL	Savings 122 KL
10-010101	Carbon Reduction 505.142 t CO ₂ e	Carbon Reduction 326.004 t CO₂e	Carbon Reduction 324.043 t CO ₂ e
Electricity Savings	Savings 2,023,868 kWh	Savings 1,898,116 kWh	Savings 1,919,512 kWh
D~ M	Carbon Reduction 1,238.607 t CO₂e	Carbon Reduction 1,009.798 t CO ₂ e	Carbon Reduction 1,021.180 t CO ₂ e
Water Savings	Savings 3,672 KL	Savings 8,210 KL	Savings 6,900 KL
	Carbon Reduction 0.709 t CO₂e	Carbon Reduction 1.346 t CO ₂ e	Carbon Reduction 1.132 t CO₂e
Paper Savings	Savings 1,915,000 sheets	Savings 497,174 sheets	Savings 583,000 sheets
	Carbon Reduction 6.488 t CO ₂ e	Carbon Reduction 0.529 t CO ₂ e	Carbon Reduction 0.621 t CO ₂ e
Other	Environmental protection services for passenger and freight, environmental education, defining of environmental	Environmental protection services for passenger and freight, environmental education, defining of environmental protection SOP.	Environmental protection service and information platform, environmental education, paper conservation, reduction of toxic chemicals, cargo container weight reduction.
	protection SOP.	Carbon Reduction 0.164 t CO ₂ e	Carbon Reduction 563.836 t CO₂e



Number of energy resource improvement projects in 2012

Total carbon reductions in 2012

Number of energy resource improvement projects in 2013

Total carbon reductions in 2013

Number of energy resource improvement projects in 2014

Total carbon reductions in 2014

7-1-2 Environment and Energy Management System

In 2012. CAL became the first airline in Taiwan to introduce the ISO 14001 environmental management system. The move sought to improve environmental improvement performance by implementing an environmental management system throughout all departments and processes. In 2013, CAL set another first in Taiwan's aviation industry by introducing the ISO 50001 energy management system. This made CAL the first airline in Taiwan and the second in the world to achieve both ISO 14001 and ISO 50001 certification. CAL also set up a GHG management system based on the ISO 14064-1 standard in 2009 with annual inventories on GHG emissions from global aviation operations and ground operations in Taiwan. The issuing of "Reasonable Level of Assurance" certification, the highest rating possible, by independent certification bodies shows that CAL's GHG inventory and management quality satisfy international standards.

2015 Environmental Management Plan



Strengthen carbon management operations

- Complete GHG inventory and audit
- Complete the 2015 CDP climate change survey
- Monitor carbon reduction performance
- Promote the computerization of GHG inventory and management information
- ✓ Calculate the air cargo carbon footprint of CAL routes



Enhance the environmental management operations system

- Continue to promote the monitoring of energy resource conservation KPIs
- Carry out tier-2 supervision and performance evaluation of the management system
- Propose water resource management assessment
- Plan the deployment of an information platform for the environmental management system



Set up supply chain management capability

- Propose supply chain sustainability management practices for benchmark enterprises
- Propose CAL supply chain sustainability management strategy
- Propose CAL supply chain management assessment tool
- Conduct study into supply chain environmental management information
- Promote carbon management education and training in affiliated companies



Promote employee awareness on environmental protection and sustainability

- Continue to strengthen professional knowledge and skills in environmental management
- Organize environmental education for new recruits
- Participate in external environmental protection assessments
- Strengthen ECO services and communications
- Organize Environmental Protection Month and CSR promotion events
- Organize e-learning on environmental policy for foreign employees and branch offices

China Airlines Environmental Management Systems Certifications

2009



ISO 14064-1:2006

Greenhouse Gas Inventory System

- Ground operations in Taiwan including CAL Park, maintenance facility, Taipei branch office, Songshan Park and Kaohsiung branch office

2012



ISO 14001:2004

environmental management systems

- Aircraft maintenance service
- Aviation-related administrative affairs
- Air cargo service

2013



ISO 50001:2011

energy management system



7-2 Climate and Energy Management

7-2-1 Climate Governance and International Participation

In recent years, many scientific studies have shown that GHG generated by human activities plays a critical role in global warming and climate change. This not only has an impact on people's lives but also on the operations of international aviation including CAL. CAL has set up an internal Carbon Management Task Force to serve our governance organization in planning of sustainable climate strategies. CAL also participates in external domestic/international climate change organizations and initiatives to help the aviation industry develop carbon management schemes and set up a platform for international information exchange.

Carbon Management Task Force







Passenger Sales Division

Cargo Sales & Marketing Division Flight Operations Division

Corporate **Development Office**



Management

Conduct Monitoring, Reporting, Verification (MRV) operations in accordance with the EU **Emissions Trading System** (ETS); keep up to date on international carbon reduction developments and regulations

Carbon Trading

Conduct carbon credit operations in accordance with EU ETS regulations; engage in research and trading of carbon purchasing/offsets

Fuel-efficient

Continue to improve fuel efficiency through aircraft fuel-savings, dispatching and route planning

Operating Strategy

Planning of European routes and flights. The purchase and study of new, fuel-efficient aircraft

Actively Participate in Domestic and International Climate Change Organizations and Initiative

2013



EPA - Clean Development and Carbon Management Alliance

Initiative/Events

Assist with the transformation to a low-carbon industry, create opportunities for carbon reduction, promote industry cooperation and take corporate sustainability responsibility into account

CAL's response and practices

As a member of the EPA Clean Development and Carbon Management Alliance, CAL actively exchanges carbon management experiences and opinions with the industry, government and academic sectors, helps with staying up to date on carbon management trends in the international aviation industry, assists with the transformation to a low carbon industry, and promotes industry cooperation.

2013



AAPA executive committee

Initiative/Events

Support the exchange of information between members, monitor aviation regulations in each country, industry development and complaints

CAL's response and practices

CAL was appointed to the executive committee of the Association of Asia Pacific Airlines (AAPA) and in 2014 chaired meetings on aviation fuel efficiency improvement and bio-fuel development. The information was also provided to domestic competent authorities.

2013



IATA Air Cargo Carbon Footprint Working Group

Initiative/Events

The Air Cargo Carbon Footprint (ACCF) working group worked on carbon footprint calculation methods and disclosure for the air cargo industry.

CAL's response and practices As an IATA observer, CAL took

an active role in discussions on environmental protection in international aviation and supported studies into related environmental issues

2014



Association of Atmosphere Protection in Taiwan

Initiative/Events

Promote initiatives on atmospheric protection in Taiwan including the protection of the ozone layer, prevention of the greenhouse effect, air quality improvements and international exchanges.

CAL's response and practices

As one of the directors of the association, CAL assists with the formulation and amendment of government policies and laws on atmosphere protection, supports controls related to atmosphere protection, as well as related academic research, technology development, counseling and services.

2014

International Air Transport Association (IATA) Environment Committee

Initiative/Events

Assist the IATA executive committee with drafting of policies and strategies in environmental management and sustainable development of the global aviation industry as well as the monitoring and execution of related policies and proposals.

CAL's response and practices

As an IATA observer, CAL takes an active role in discussions on environmental protection in international aviation and supports studies into related environmental issues

2014

International Civil Aviation Organization (ICAO)

Initiative/Events

Planning of the global aviation industry's Global Market-based Measures (GMBM) for greenhouse gases.

CAL's response and practices

As an observer of the IATA delegation, CAL actively participates in ICAO peripheral meetings to collect information on negotiations and take part in technology liaisons. The related information is used not only for internal analysis, but also shared with the CAA to help the domestic industry develop a response. Between April 23 ~ 24, 2015, CAL took part in the ICAO's Global Aviation Dialogues (GLADs) held in Singapore.



Civil Aeronautics Administration (CAA)

2014

Initiative/Events

Support the "Voluntary GHG reduction by local airlines" initiative in accordance with the ICAO Basket of Measures which encourages and supports voluntary reduction and management measures by the industry.

CAL's response and practices

Consolidated the operating resources of the "Carbon Management Task Force" to evaluate operating scenarios and develop the "China Airlines Voluntary Greenhouse Gas Reduction Statement".

Climate Change Risks And Opportunities

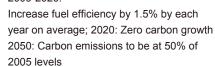
Carbon risks for CAL

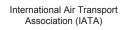


Member states asked to "sign agreement on reduction of greenhouse gas emissions", verify the Global Market-based Measure (GMBM) and draw up carbon trading scheme.

International Civil Aviation Organization (ICAO)

2009-2020:







International Air Transport Association (IATA)

Develop "Environmental Management Guidelines and Document" targeted at the aviation industry



Incorporate civil aircraft flying to and from EU airports into " Emissions Trading System (ETS)"

European Union (EU)



Air transport operators landing in and taking off from France must "disclose carbon emissions information"

CAL carbon risk strategy



- Set up the Environment Department of the Corporate Safety Office
- Set up carbon management task force and its subordinate aviation fuel
- Set up Environmental Team under the Corporate Sustainability Committee



- ✓ Introduction of ISO 14001 environmental management systems
- ✓ Introduction of ISO 50001 energy management system
- Planning of the Group's GHG management strategy
- Enforce system-level self-audits



- Air and ground fuel-savings
- Promote the four main fuel-saving initiatives: Personnel operations, aircraft maintenance, aircraft weight, and aircraft fuel capacity.
- Develop new routes that encourage fuel saving and carbon reduction



Management

- Greenhouse gas/ carbon footprint calculation
- Calculate the carbon footprint and emissions of in-flight meals and passenger services
- Calculate the carbon footprint and emissions of international routes
- ✓ Continue to improve the management quality of ISO 14064-1 GHG
- ECO fleet

Report

(v) Introduction of a next-generation energy-saving fleet based around B777-300ER and A350-900

Disclosure

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Action

- Publication of CSR Report
- Corporate sustainability website
- Regular disclosure of our company's energy-saving and carbon disclosure practices on the environmental protection webpage
- Carbon Disclosure Project
- Continue to participate in CDP and voluntarily complete the climate disclosure questionnaire every year
- External promotion
- Continue to participate in the Pacific Greenhouse Gases Measurement Project (PGGM)
- Continuously participate in the Clean Development and Carbon Management Alliance of the EPA
- Continuously participate in the ITRI EV electric vehicle testing project
- Participate in the Association of Atmosphere Protection in Taiwan



- Continuously participate in the Association of Asian Pacific Airlines (AAPA) environmental protection plan
- Assist the IATA Air Cargo Carbon Footprint (ACCF) working group with the formulation and issuing of RP1678
- Continue to participate in ICAO GMBM peripheral meetings



France

Greenhouse Gas Inventory and Reduction

Based on the inventory results from past years, aviation fuel was our main source of GHG emissions, accounting for over 99.7%; 100% of Scope 2 GHG emissions were due to externally purchased electricity. CAL therefore listed aviation fuel and electricity use by ground operations as key items in our energy-saving and carbon reduction efforts, part of our continued push to become a low-carbon airline. Annual energy saving and carbon reduction targets have been set since 2012 with energy resource consumption included in our routine KPI monitoring and controls. The Environmental Committee is convened quarterly by the president or the assigned senior vice president to supervise progress and results. In 2014, contracted employee shuttle buses were inventoried for the first time and Scope 3 emissions found to be 4,616 tonnes CO₂e.

CAL has been invited to participate in CDP for four consecutive years and is the only transport company in Taiwan to respond to CDP questionnaires. To implement the 3-phase targets of the IATA and support Taiwan's national GHG reduction plan, GHG voluntary reduction targets were announced by CAL in October, 2014.

At the same time, CAL also applied the aviation carbon footprint calculation method proposed by ICAO and IATA to calculate the carbon footprint generated from providing flying services to individual passengers. The carbon footprint data and calculations for CAL's main routes were also disclosed on the CAL sustainability website so that every passenger's can find out the carbon footprint their trip generates. This will hopefully help CAL employees and passengers understand how flying affects the environment. They will then realize the importance of environmental protection and conservation of natural resources in caring for the planet.

CAL's 3-stage carbon reduction target

Fuel efficiency

between 2009 ~ 2020



Annual fuel efficiency improvements

Carbon emissions growth



Carbon-Neutral Growth (CNG) from 2020



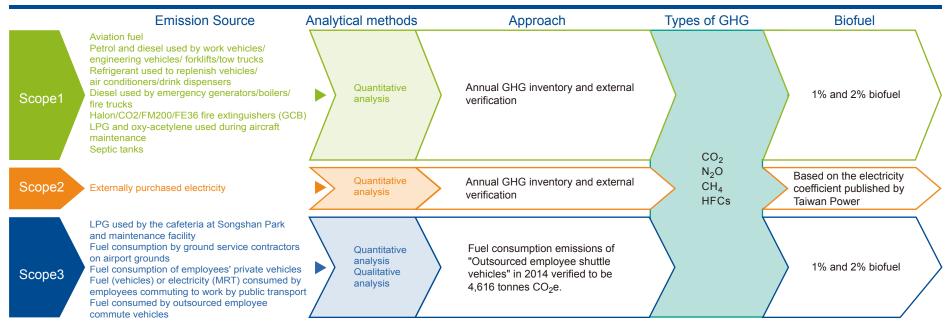
2020 2050

Carbon Reduction

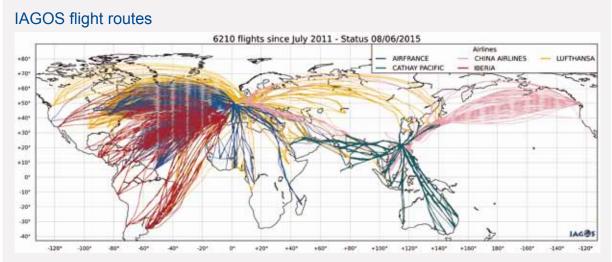
2005 2050

Reduce 2050 carbon emissions to 50% of 2005 levels

Main Sources of GHG Emissions at CAL



Pacific Greenhouse Gases Measurement Project (PGGM)



The pink routes in the figure mark regions covered by CAL Airbus A340-300 with tail No. B-18806. This aircraft is fitted with the In-service Aircraft for a Global Observing System (IAGOS) for collecting atmospheric gas samples and the routes cover both the Pacific and Eurasian regions.

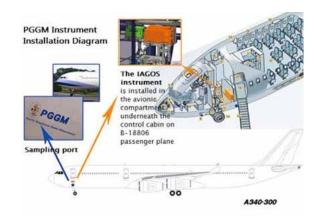
CAL Contribution CAL participated in the "Pacific Greenhouse Gases Measurement Project" (PGGM) led by National Central University and supported by the Environmental Protection Administration. The Airbus A340-300 with tail number B-18806 was fitted with an IAOGS instrument provided by European research institutes and entered service on June 26, 2012, to become the first trans-Pacific IAGOS carrier. During flights, the instrument observes and collects data on atmospheric gases over the Pacific to help scientists uncover their mysteries.



IAGOS (In-service Aircraft for a Global Observing System) instrumentation is installed in the aircraft's electronics bay. Sampling ports that extend beyond the aircraft body collect atmospheric data such as water vapor, ozone, carbon monoxide and nitrogen oxides on every flight. The data is automatically transmitted to the European research center by satellite after the aircraft lands. Between the first flight in 2012 and the end of 2014, a total of 1,505 flights were carried out with 182 being trans-Pacific (Taipei-Vancouver return flights). The atmospheric data compiled during the flights helped global scientific research units with research into global warming and climate change. It also helped increase the international exposure of Taiwan's scientific endeavors.



The A340-300 passenger aircraft numbered B-18806 displays the text "The Official Airline for Climate Monitoring". The aircraft livery also features a flight attendant embracing planet Earth and calling on everyone to join in protecting the planet.



PGGM instrument installation diagram



PGGM instrument installation



PGGM liveried aircraft takes off

7-2-2 Energy Management

Aviation Fuel

As aviation fuel is the main source of GHG emissions by CAL. we began promoting aircraft fuel-saving initiatives in 2007. Improvements to fuel efficiency were made through operational planning, flight operations, aircraft maintenance, process management and aircraft weight reduction. In 2014, over 34 aviation fuel saving projects were carried out including route optimization, alternate airport optimization, and turning off 1 ~ 2 engines while taxiing after landing. These projects saved 6,681 tonnes of fuel and reduced emissions by 21,139 tonnes CO₂e compared to 2013.

You Tube Aviation Fuel Saving Measures at CAL



The 777-300ER's maximum take-off weight is 11% lower, producing 22% less CO2 emissions and is more fuel-efficient (compared to similar aircraft).





Introduction of energysaving passenger aircraft Total cost index

Route Optimization optimization Aircraft Center of

Gravity Optimization

The introduction of three B777-300ER as replacements for the B744 will reduce fuel consumption by 20%. New fuel-efficient A350-900 passenger aircraft will also be purchased in the future.

Routes are regularly inspected to select the optimal route and improve efficiency.

Saving aviation fuel through computer-calculated flight path and height that takes into account safety and fuel-efficiency requirements.

Cooperated with the CAA "Taipei Information Region and Route Structure Master Plan" working group to provide aircraft with advice and supporting data for optimizing operations for approach or take-off. Carefully plan the optimal center of gravity of the aircraft to achieve a balanced load and improve energy efficiency.



Reduce use of APU system

Operations Optimization

Altitude Optimization

Aircraft Center of **Gravity Optimization** Minimize the amount of time that the Auxiliary Power Unit (APU) is run after landing and use power from the towing tractor instead of the APU. Alternatively, use ground-side power and air-conditioning as much as possible to reduce aircraft fuel consumption.

Optimization of flight operations by flight crews at every phase: acceleration altitude, full flap landing, idle thrust utilization after landing, turning off 1~2 engines for taxiing in. Continue to increase planning accuracy from take-off to landing, regular inspection of flight taxiing and cruising performance and maintain optimal performance and fuel economy.

When permitted by traffic control, crew members are encourage to ask air traffic control for the most suitable flight path and optimal height, fully utilizing the aircraft's performance capabilities. Carefully plan the optimal center of gravity of the aircraft to achieve a balanced load and improve energy

efficiency.



Equipment optimization

Regular cleaning of aircraft engines.

Regular cleaning of aircraft body to reduce the impact of dust and grease on equipment performance.



Aircraft water replenishment Information technology

Make adjustments to the amount of water carried onboard based on the nature of the route and the number of passengers. The reduction in weight helps to realize fuel savings.

The iPad has now been adopted as the Electronic Flight Bag (EFB) in place of the thick, heavy binders of the past. Pilots can use cloud technology and specialized software to acquire the latest flight information through apps. Flight checks can also be carried out more effectively. The reduction in the amount of paper and overall weight of the aircraft helps to reduce fuel consumption and carbon emissions.

Lightweight Cargo Container

Lightweight Meal Trolley Introduction of super-lightweight meal trolleys.

Transoceanic service trolleys (20.5kg) were replaced by ultra-light trolleys (17kg) to save 100kg of weight on each flight. Lightweight cutlery (9g) has been adopted as well. Assuming that two meals are served on transoceanic 747 flights this translates into savings of 33kg on cutlery each day.

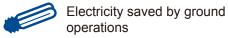
21,139 t (9.103 GJ)

1,919,512 KL

KL(0.068 GJ)

22,517 t CO₂e







Ground Vehicle Fuel-Savings



Carbon reduction from aviation fuel, ground service electricity

Energy Conservation during Ground Operations

CAL implemented energy saving and carbon reduction measures in three areas: air-conditioning, lighting and vehicle fuel consumption. We also support the government's energy-saving and carbon reduction policy. To promote energy-saving management measures in a systematic manner. CAL became the first airline in Taiwan to introduce the ISO 50001 energy management system. Our various electricity-saving measures reduced power consumption by nearly 1.92 million kWh in 2014 and reduced GHG emissions by over 1,021 tonnes CO2e. The CAL Park in particular had an Energy Use Intensity (EUI) of 149.9 kWh/m².yr in 2014, a 19.5% improvement on the average EUI of 186.2kWh/m².yr calculated by the MOEA Energy Bureau for office buildings in Taiwan. CAL has so far converted nearly 100 of the various vehicles used in the maintenance facility from internal combustion to electric power. This, along with the optimization of vehicle dispatching and many other measures, saw CAL achieve fuel savings of over 136KL and reduce GHG emissions by 357 tonnes CO2e in 2014.



Electricity saved by ground operations in 2014



- Optimization of AC temperature for simulator server room
- Fitting of inverters to chiller cooling pumps
- CAL Park installed a separate air-conditioning system that runs instead of the large AC system outside of business hours to realize electricity savings of around 703,000 kWh a year
- Independent split AC system installed for offices not in regular use to reduce the power consumption of the large central AC system
- As part of our energy-saving campaign, air-conditioning operating times were adjusted and a target temperature of over 26 degrees Celsius set for offices
- The backup split AC program for the telecommunications server room was switched to a more energy-efficient inverter model.
- Adjustment to AC reflow balance, installation of circulation fans, raising indoor temperatures, adoption of inverter-type chiller units and invert-type split AC units
- Optimized AC operating times during winter



- Reduced the number of lamps or neon tubes used; added lighting circuit controls and independent switches to create separate lighting zones
- Offices upgraded with more efficient lighting fixtures. No.2 maintenance facility had 1001 T8 lamps replaced by T5 lamps. This long-term energy-saving improvement will reduce power consumption by 216,877 kWh per year
- Portable power-intensive 300W halogen lights used in the maintenance facility replaced by energy-saving 100W LED lights



- Self-built electric carts or tractor equipment used in the maintenance facility instead of fuel-based equipment
- Reduced vehicle standby time to save fuel from idling
- Management of official vehicles and consolidate trips where possible to reduce vehicle dispatching
- Onsolidated flight crew vehicle dispatching with ride-sharing

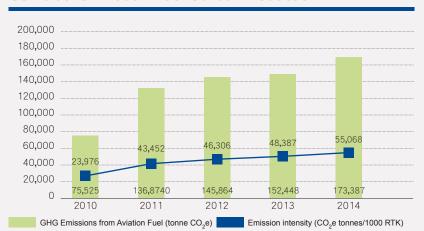
	Region	EUI in 2013(kWh/m²·yr)	EUI in 2014(kWh/m²·yr)	
<u> </u>	CAL Park	164.2	149.9	
Park	Taipei Branch Office	111.5	109.1	
	Song Shan Park	96.9	88.8	
_	Hangar 2	158.8	153.7	
Maintenance facilities	Hangar 3	177.3	172.9	
	Engine repair/maintenance	116.9	110.6	
Kaohsiung Branch Office	Office	91.6	85.3	

Overall Energy and Climate Performance

Aviation Fuel Consumption



Cumulative Aviation Fuel Carbon Reduction



Remark 1: All of the data comes from CAL's aviation fuel consumption (in 2014, Mandarin Airlines' aviation fuel consumption was just 277.141 tonnes)

Remark 2: Aviation fuel consumption data independently verified by DNV (2014), BSI (2010-2013)

Remark 3: Aviation fuel consumption intensity = Aviation fuel / Revenue Ton Kilometers (RTK)

Remark 4: Revenue Ton Kilometers (RTK): Total Passenger and Cargo Revenue Payload (Tonne) X Flying Distance (KM)

Remark 5: Fuel conversion density (Tonne) = 3.78541(L) X 0.8/1000; Revenue Ton Kilometers (RTK): Total Passenger and Cargo Revenue Payload (Tonne) X Flying Distance (KM)

Electricity saved by ground operations

	_			,	
1		2012	2013	2014	
	Ground operations electricity consumption (1000 kWh)	43,603	42,363	40,002	
	Ground operations electricity savings (1000 kWh)	2024	1898	1920	

Remark 1: Scope of electricity consumption includes CAL Park, maintenance facility, Kaohsiung branch office, Songshan Park and Taipei branch office.

Remark 2: Electricity saving is the electricity savings from environmental management projects active each year based on differences in meters, electricity bills, and work days

Remark 3: Vehicle fuel consumption estimates include CAL Park, maintenance facility and Kaohsiung branch office

Ground vehicle fuel savings

	2012	2013	2014
Ground vehicle fuel consumption (KL)	1,549(0.773 GJ)	1,479(0.738 GJ)	1,145(0.571 GJ)
Ground vehicle fuel savings (KL)	209(0.104 GJ)	134(0.067 GJ)	136(0.068 GJ)

Remark 1: Scope of vehicle fuel consumption includes CAL Park, maintenance facility, Kaohsiung branch office, Songshan Park and Taipei branch office.

Remark 2: Fuel consumption for 2012 - 2014 includes petrol, 98%/99%/100% diesel and 2% biodiesel

Aviation fuel consumption

	2012	2013	2014
Passenger aircraft fuel consumption (Tonne)	1,307(0.563 GJ)	1,367(0.589 GJ)	1,388(0.598 GJ)
Freighter aircraft fuel consumption (Tonne)	692(0.298 GJ)	703(0.303 GJ)	781(0.336 GJ)

Remark 1: Aviation fuel consumption data independently verified by DNV (2014), BSI (2010-2013) Remark 2: Fuel conversion density (Tonne) = 3.78541(L) X 0.8/1000

Remark 3: Passenger and freighter fuel consumption does not include the fuel consumption of Mandarin Airlines' E90 aircraft (but includes the fuel consumption of CAL aircraft leased to Mandarin Airlines).







Carbon reductions from ground operations

1		2012	2013	2014	
	Carbon reductions from ground operation electricity savings (Tonne CO ₂ e)	s 1,239	1,010	1,021	
	Carbon reductions from ground vehicle fuel savings (Tonne CO ₂ e)	537	351	357	_

Remark 1: The scope of carbon reductions from ground operation electricity savings includes CAL park, maintenance facility, Kaohsiung branch office (only 2012 electricity savings data available)

Remark 2: The scope of carbon reductions from vehicle fuel savings includes CAL park, maintenance facility, Kaohsiung branch office, Songshan Park and Taipei branch office.

Sox and NOx emissions

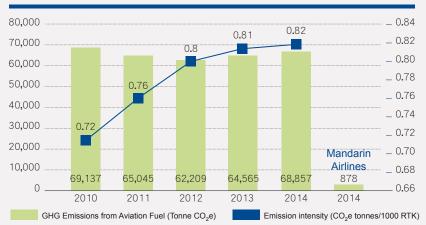
	2012	2013	2014	2014(Mandarin Airlines)
SOx(Tonne)	58.388	67.184	72.502	1,145(0.571 GJ)
NOx(Tonne)	608.652	700.343	755.783	136(0.068 GJ)

SOx: Based on the US EPA methodology of "Total annual emissions = No. of Landings and Take-Offs * 0.000891) where 0.000891 is the emission coefficient (Tons/LTO).

NOx: Based on the US EPA methodology of "Total annual emissions = No. of Landings and Take-Offs * 0.009288) where 0.009288 is the emission coefficient (Tons/LTO).

LTO: Landing and Take-off (flights)

GHG Emissions from Aviation Fuel



Remark 1: The scope of data consists entirely of CAL and Mandarin Airlines' aviation fuel consumption

Remark 2: GHG emission verified by DNV (2014), BSI (2010-2013)

Remark 3: Emission intensity (Tonne CO2e/1000RTK) = Greenhouse gas emissions / Total Revenue Tonne-Kilometers

Remark 4: Revenue Ton Kilometers (RKTK): Total payload of passenger and freighter aircraft (Tonne) x Flying distance (KM).

Scope 1 and 2 GHG Emissions



Remark 1: Scope 1 data includes CAL Park, Songshan Park, maintenance facility, Taipei branch, Kaohsiung branch and aviation fuel.

Remark 2: Scope 2 data includes CAL Park, Songshan Park, maintenance facility, Taipei branch and Kaohsiung branch Remark 3: The inventory data for CAL Park starts from March 26, 2010

7-3 ECO Service

CAL recognizes the need to incorporate environmentalism into customer service. For the Greater China region, we have launched the "ECO Service" brand image focused on the themes of "Cultural Creativity, Technology, Environmental Protection, Emotional Connection, and Trust". Through internet-based, mobile, and culturally creative services, we will communicate the importance of the Earth and our environment to customers, using sincerity to motivate every passenger into action. Our "ECO Service" won the Asian Productivity Organization's (APO) "EPIF International Green Classics Award" and CAL was invited to become an EPIF exhibitor. CAL also launched the "NexGen Plan" in support of upcoming new fleet. Aircraft weight reduction, waste reduction and sustainability concepts were combined with fashion and incorporated into the design concept of next-generation service hardware. Considering customer and market acceptance levels, CAL will launch the concept for Taipei-Europe passenger services, including all processes from passenger ticketing, check-in, boarding to in-flight services. ECO-Service will be rolled-out to all routes worldwide in the future.

3,163,414 passengers

Number of passengers who used the self check-in kiosk in 2014



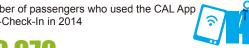
20.884 downloads

Passenger downloads of the CI Mobile app in 2014



04 passengers

Number of passengers who used the CAL App for e-Check-In in 2014



69.9/U shipments

Number of shipments in 2014 that used the e-freight service





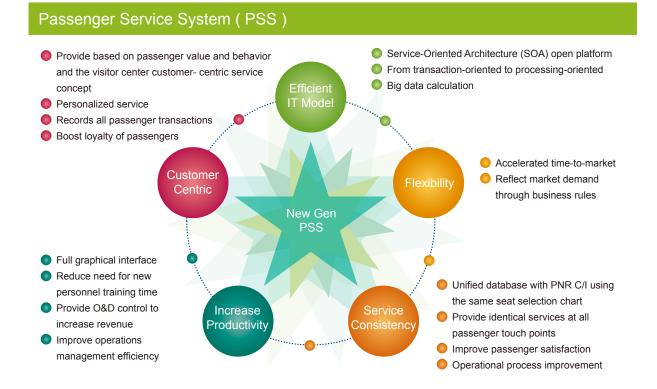
Local foods

For more on the multimedia experience, please visit the CAL website.

7-3-1 Online Services

To utilize the convenience and speed of mobile Internet, CAL developed the "China Airlines CI Mobile" app in 2012 that provides customers with a comprehensive offering of 11 service functions. Travelers can use the "China Airlines CI Mobile" app or visit the "CAL website" on their smart phone to make online reservations, purchase tickets, and complete check-in. The use of mobile technology for ticketing, precheck-in, and checking flight status not only saves passengers time but also reduces carbon emissions with the option of electronic boarding passes, an alternative to printing physical ones. Customer satisfaction is enhanced as well. In 2014, a total of 129,064 passengers used the app for e-check-in, an increase of nearly 120% on 2013. This shows that passengers are increasingly willing to use the convenient ECO service offered by CAL.

For CAL, 2012 was year zero for the transition over to fully electronic and mobile services. All passenger-related systems are being mobilized to provide passengers with the most convenient service at any time and place. CAL is now offering a new generation of passenger-oriented, full-function service system.





7-3-2 Airport Services





In 2009, the IATA announced that CAL had become the 22nd "e-Freight" airline in the world. More than 650 freight agents have since received assistance in the implementation of paperless services. CAL aims to become totally paper-free in the future.

29.9%

Reduce cargo delivery time by 1.5 days while reducing the rate of documentation loss.

Penetration

7-3-3 VIP Lounge Service

After partnering with the Industrial Technology Research Institute (ITRI) in 2012 to launch carbon footprints for in-flight meals, CAL also introduced carbon footprints for six popular meals in the VIP Lounge in 2013. Passengers can enjoy their meal while learning about the effects of their meal on the environment and gain a better appreciation for resource conservation and environmental protection. For 2015, CAL plans to calculate the carbon footprint of more in-flight supplies and expand the scope of disclosure.





Carbon footprint label in the VIP Lounge food area



Rest area in VIP Lounge



Carbon footprint label in the VIP Lounge food area

7-3-4 In-flight Services

Local foods

CAL strives to provide the best quality of service to all passengers so they can enjoy delicious food under food safety. With routes that connect different locations around the world, CAL wants to provide its Taiwanese passengers a taste of home but also give travelers from different countries the chance to experience the gourmet cuisine of Taiwan, learn more about Taiwanese culture, and fall in love with Taiwan. As the leading airliner of Taiwanese, CAL's environmental practices include giving preference to local ingredients in order to support Taiwan agriculture, promote local economic development, improve farmer incomes and shorten the distances ingredients have to travel. This leads to fresher ingredients and reduces the carbon footprint from their transportation. Great food is thus elevated to the level of environmental sustainability. Apart from partnering with the Taipei Ambassador Hotel in 2014 to launch a number of classic New Year dishes, we also served up limited edition baked wheat cookies inspired by Ali Mountain.



2014 - Mar 2015

Taipei Ambassador Hotel

The New Year menu and Chinese dishes of the First and Business Classes were developed in partnership with the Taipei Ambassador Hotel. A number of classic New Year dishes were released during the Chinese New Year including the "Stewed Garlic with Fo-Tau-Chang" cooked with black garlic from Yunlin. From April 1 onwards classic dishes from the Ambassador Hotel were also served on selected routes in China and Japan.



2014 - Mar 2015

TK Food Cubic Pastry

TK Food Cubic Pastry of Chiayi City created limited edition dessert cookies for CAL. Inspired by the nursery rhyme about Ali Mountain, a famed destination in Taiwan, the sweet and savory cookie combined with white chocolate was transformed into Ali Mountain's famous sunrise, cloud sea and sacred trees, giving passengers a chance to savor the beautiful scenery of Ali Mountain.



Environmentally Friendly Supplies with Cultural Creativity

CAL has incorporated environmental protection into in-flight supplies. In 2013, CAL leverages the concept of cultural creativity in conveying the rich local culture of Taiwan to the international community and to provide passengers with better in-flight services. For higher cabin classes, CAL provides biodegradable toothbrushes made from cornstarch, which has reduced environmental impact; the toiletry bag now uses a non-woven textile decorated with indigenous tribal motifs that passengers can reuse, replacing the old plastic outer bag. To continue reducing the environmental impact of in-flight services, CAL began providing lightweight portable headsets in 2014 that allow passengers to enjoy in-flight services and entertainment in a safe, eco-friendly and comfortable way.

New products in 2014



Promotion of environmental awareness



Continuing to promote eco micro-movies. Every month, a number of eco-themed short videos and movies are played at random in-flight. At least 6 ECO-themed videos are released every quarter for a total of 24 videos a year.





To raise the environmental awareness of travelers, CAL produced the eco micro-movie "A Pleasant ECO-Trip" for broadcast on Youtube and on all CAL routes. The movie showcases interactions between flight attendants and passengers and highlights the efforts made by CAL with respect to passenger service and environmental protection.





CAL pioneered the "Windows Down, Temperature Down" initiative between June and October so we and our passengers can join in saving energy and reducing carbon emissions together. This measure reduces cabin temperatures by 3-4 degrees, reducing demand for AC on the ground and lowering fuel consumption.





E-functions are introduced every month to promote paperless services. The articles "China Airlines Presented with Forest Stewardship Council Certification FSC C102049 on Paper Use" (March), "China Airlines invites you to taste gourmet in-flight cuisine from local ingredients" (April) and "China Airlines Launches Cool Summer Initiative to Save Energy and Reduce Carbon Emissions" (July) were published in 2014



7-4 Green Operations

7-4-1 Waste Management

Waste management at CAL follows the 3R principles: "Reduce", "Reuse" and "Recycle". Our goal is to achieve 100% recycling by progressively increasing the ratio of recycled waste each year. Waste types include: aviation oil, lubricants, skids, metal scrap, solvents, plastics, paper, wiring and cabling, lighting equipment and kitchen scraps. Recycling helps to reduce environmental impact of waste. CAL is continuing to improve waste management in aviation operations by ensuring that waste is properly sorted and disposed of. Recycling in the office areas of the CAL Park including cargo services and office operations all come under the aegis of the ISO 14001 management system. To effectively reduce the amount of waste, the CAL Maintenance Facility practices a strict recycling regime that ensures the effective reuse of resources, reduces the load on waste disposal equipment and also reduces environmental costs.



Waste Management During Ground Operations

Waste management in the CAL service process has been extended to ground operations at airports. In 2014, CAL recovered 14.278 tonnes of waste iron/aluminum cans, and 47.261 tonnes of waste paper from VIP lounges in Taiwan (Taoyuan, Songshan, Kaohsiung). Recycling of all waste ensures the effective use of resources and reduces the environmental impact.

	\	
	Aviation fuel reuse	During aircraft maintenance, any aviation fuel remaining in the fuel tanks are drained and collected for reuse by CPC.
	Dedicated storage area	The large amounts of recyclable resource-type waste produced during aircraft maintenance such as metal scrap, waste solvents, waste electronic instruments, waste wiring and cabling are properly sorted and sold to qualified companies for reuse.
A	Reduced use of chemicals	Use of electroplating solutions (sodium cyanide) reduced by 5% as part of our waste and toxin reduction efforts.
Maintenance facilities	Modification of scrapped service carts	Modification of night-time lighting carts: Through professional design and ingenuity, the lifting arm from scrapped crane carts and platform carts has been rebuilt as night-time lighting carts to support night-time maintenance operations. Modification of electric supply carts: the Maintenance Facility has built its own electric supply carts to replace conventional fossil-fueled models.
	Reuse of cabin seating	Decommissioned cabin seating was donated to community education institutions for scenario education and other uses in order to extend product life.
,	Packaging reuse	Materials entering and leaving the warehouse result in large amounts of wooden crates, paper cartons, skids, stuffing, padding, foam and paper. Recycling stations have been set up so they can be reused in other warehouse operations. In 2013, an average of 200 paper cartons were purchased each month. In 2014, this was reduced by 10 cartons per month.
	Paper Savings	Source control of cleaning paper towels used during maintenance. This saved 475 boxes of paper towels a year or NTD 131,944.
	Reduction in packaging material	Tie-downs and skids used during cargo operations are recovered for reuse. Waste cartons and expired in-flight magazines are sold to recyclers each month. Amount of cartons used by cargo services also reduced.
Cargo services and office	Paper Savings	Offices on the same floor share common OA equipment. Procurement and usage controls are also in place to reduce the amount of photocopying done. Single-sided photocopies are recycled from the office for reuse.
operations	Magazine recycling	Expired in-flight magazines are collected and then sent to the flea market in the Park employee cafeteria. Employees can take these magazines with them for a nominal sum. This extends the usefulness of the magazines and the collected funds go towards employee welfare.
Airport operations	Recycling	Recycling during ground operations

Waste Management during Ground Operations

The three main types of waste produced while an aircraft is in flight include kitchen scraps, sewage and recyclable resources (PET bottles, metal cans, glass bottles, paper etc). CAL employs qualified contractors to remove and process each type of waste. Kitchen scraps on the aircraft are removed by qualified contractors and destroyed in accordance with national quarantine regulations. For recyclable resources, they are first sorted by flight attendants aboard the plane and then handed over to qualified operators for processing. Non-recyclable materials are incinerated. Old magazines on the aircraft may be taken by employees so that more people can benefit from the information and knowledge.

142.612 t

CAL paper recycling at Taoyuan Airport in 2014



23.064 t

CAL iron/aluminum can recycling at Taoyuan Airport in 2014



4.189 t

CAL plastic recycling at Taoyuan Airport in 2014



0.101 t

CAL glass recycling at Taoyuan Airport in 2014







PET bottles, metal cans, glass wine bottles, newspapers and magazines

Sorted by flight attendants in-flight

Removed from aircraft by TIAS for sorting then shipped to the Taoyuan International Airport incinerator

Taoyuan International Airport incinerator secondary sorting



In-flight leftove

China Pacific Catering Services Ltd. (CPCS)

Leftovers on the aircraft are removed by qualified operators and destroyed in accordance with national quarantine regulations



Sewag

Taoyuan International Airport Services Co., Ltd. (TIAS)

Sewage is transported by lavatory service carts to airport certified sewage treatment plants for processing



Magazine reuse

Damaged old magazines

are recycled through legal channels; relatively intact old magazines are picked out and sent to the head office where employees may take them home for a nominal donation, extending their useful life



Recyclable Weigh

Processing contracted to qualified waste recycling firms



Non-recyclable



Incineration

Carried out in accordance with environmental regulations and subject to regulatory controls

Recycling Statistics from Airports in Taiwan

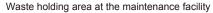
recoyoling ciationics from the ports in raiwan				
Category (KG)	2013Remark1	2014Remark2		
Paper	23,615	47,261		
Iron	5,151	143		
Aluminum	6,233	7,139		
Plastics	18,427	4,712		
Glass	101	2,284		
OtherRemark3	12,757	20,573		

Remark 1: Taoyuan Airport

Remark 2: Taoyuan, Songshan and Kaohsiung airports

Remark 3: Sum of waste plastics, waste glass, tires, polystyrene, electrical appliances, furniture, batteries, lighting sources, oils, and leftovers.







Waste holding area at the maintenance facility

Waste Treatment and Production

Category (KG)	Treatment Methods	2010	2011	2012	2013	2014
Domestic waste	Qualified waste operators are contracted for regular removal. Proof of proper disposal are kept on record and regularly submitted as required by law (physical/incineration/heat treatment).	98,930	82,945	113,450	204,745	387,948
Hazardous waste	Qualified waste operators are contracted for regular removal. Proof of proper disposal are kept on record and regularly submitted as required by law (chemical treatment/solidification and landfill).	9,741	21,100	19,070	18,398	17,673
Batteries with cadmium	Qualified waste operators are contracted to regularly ship the waste overseas for treatment. Records are regularly submitted as required by law.	4,197	1,191	1,717	1,328	1,110

Remark 1: The 2010 ~ 2013 statistics came from the Maintenance Facility

Remark 2: The CAL Park, Songshan Training Area and Taipei Branch Office engage in general office operations and produce no hazardous industrial waste. These areas were incorporated into the domestic waste statistics in June, 2013.

7-4-2 Water Resource Management

Water Resource Conservation

CAL is continuing to save water through "sourcing" and "conservation". In 2014, more than 6,900 KL of water savings was achieved through a variety of water-saving measures. According to Taiwan Water data, in 2013, the people of Taiwan had an average daily domestic water consumption of 0.259 KL. The water saving by CAL was therefore equivalent to the daily water consumption of 26,641 people.

You Tube Water Conservation Educational Video



No. 1 wastewater treatment plant of the maintenance facility



No. 2 wastewater treatment plant of the maintenance facility

Water Consumption and Wastewater Recovery

·	0010	0010	0014	
	ZUIZ	ZUIJ	ZU14	
Water Consumption (KL)	163,068	157,773	149,517	
Wastewater Recovery (Tonne)	3,672	8,210	6,900	
Carbon Reduction (KG)	709	1,346	1,132	

- Remark 1: Water consumption statistics include the CAL Park, Maintenance Facility and Songshan Park
- Remark 2: 2012 carbon reduction = water saved (wastewater recycled) x 0.193 Kg CO₂e (Carbon reduction / each KL of water saved. Based on data provided by Taiwan Water)
- Remark 3: 2013/2014 carbon reduction = water saved (wastewater recycled) x 0.164 Kg CO₂e (Carbon reduction / each KL of water saved. Based on data provided by Taiwan Water)
- Remark 4: The Maintenance Facility accounted for the bulk of wastewater recycled

Scope Approach

Water recycling/equipment



Installation of rainwater recovery system in the park Waste water from the central drinking water system channeled to the recovery system

The 1,050 tonne water reclamation tank is used within the building for "flushing toilets and urinals", and for "outdoor water use" such as washing cars, watering plants and ornamental ponds.

Optimization of the swimming pool water level

To maintain the quality of swimming pool management and operations, overflow was changed from daily to two days a week.



Maintenance facilities

Wastewater recycling and reuse Recycling and reuse of wastewater from aircraft washing Wastewater from the washing of vehicles and aircraft in Hangar 2 recovered for reuse; Reuse of re-circulated water from the ornamental pond next to Hangar 2 cafeteria; use of reclaimed wastewater for watering plants and gardens; water source of the re-circulating ornamental pond changed to run-off from the wastewater treatment plant instead of tap water. The water was also used to water the plants around the ornamental pond as well as for cleaning the floor of the cafeteria and administration building. This produced total savings of 1,290 KL and the reclamation of 1,527 KL of wastewater from the water treatment plant for the year.



All sites and office buildings

Adoption of products with Water Saving mark Adoption of water-saving equipment Review and reduce the frequency of building façade cleaning Set reduction target for the year

Water-saving equipment, hydrants, toilets, and showers; auto-flushing sensors; and automated moisture-sensing irrigation system for the lawns and gardens. Water consumption reduced by 15 \sim 20% compared to standard equipment, and rainwater piped to the ornamental ponds on Park grounds. The frequency of building façade cleaning was also reviewed and reduced to save more water. CAL also sets annual water saving targets each year. The CAL Park for example reduced its water consumption by 28% over the past three years and has now set a target of 2% reduction for 2015.

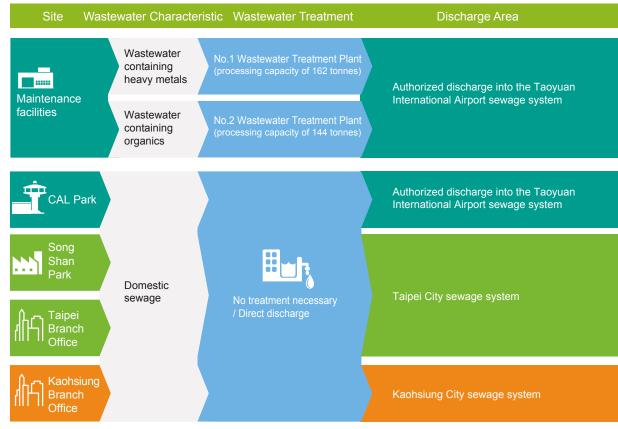
7-4-3 Wastewater, Emission and Noise Management

CAL conforms to Taiwan's environmental regulations as well as the SOP laid down in the CAL Environmental Protection Operations Manual in operational, management, maintenance and reporting processes. The emission data for all pollutants conforms to regulatory requirements. The Maintenance Facility has two wastewater treatment plants and one air pollution prevention facility designed for treatment electro-plating wastewater (containing heavy metals such as chrome and cadmium) and wastewater containing organics produced during aircraft maintenance and washing. They also process wastewater and waste emissions produced during the spray painting or paint stripping of the aircraft body. They also process wastewater and waste emissions produced during the spray painting or paint stripping of the aircraft body. To ensure compliance with water quality standards, CAL conducts discharge water quality testing on the two wastewater treatment plants every six months. In 2014, all wastewater discharge came in below the discharge limits and satisfied the regulatory requirements. CAL has also switched from incineration to filtration for dealing with emissions. Our current fleet all satisfy the ICAO environmental protection requirements on aircraft noise. In the future, CAL will continue to introduce a next-generation fleet that will effective reduce noise pollution from aircraft landings and takeoffs by 20%.



No. 2 Wastewater Treatment Plant of the Maintenance Facility

Wastewater Treatment and Monitoring at CAL



2014 emission self-test for air pollution prevention

Pollutant	Allowed concentration (ppm)	Actual reading(ppm)	Conversion(g/s)	Emission standard(g/s)
Toluene	100	Not detected	Not detected	50.5
p-Xylene	100	Not detected	Not detected	50.5
2-Chlorotoluen		19	1.89	18

CAL Wastewater Treatment Process



Wastewater Monitoring Indicators



Maintenance Facility Wastewater Discharge

		•	•
	No. 1 Wastewater Treatment Plant (Tonne)	No. 2 Wastewater Treatment Plant (Tonne)	Total (Tonne)
2010	9,658	9,388	19,046
2011	12,504	10,131	22,635
2012	12,663	11,281	23,944
2013	12,695	10,018	22,713
2014	11,274	6,842	18,115



Note: The monitoring indicators must be tested twice a year. The data shown are the readings from the second half of the year.

7-4-4 Environmental Investment and Green Procurement

The requirements of environmental protection and energy saving are enforced during CAL procurement. This includes office machines with the energy-saving mark, use of energy-saving light bulbs, selection of consumables with the eco-mark and other products that are eco-friendly and energy-saving. In 2014, nearly NTD 35.6 million was spent on the purchase of eco-friendly equipment and green purchasing.

CAL Environmental Equipment and Green Procurement Investment List

	2010	2011	2012	2013	2014	Total
Environmental equipment ^{Remark 1}	20,839	18,076	23,407	22,260	25,935	110,517
Green procurement ^{Remark 2}	115	4,567	9,423	14,263	9,634	38,002
Total investment	20,954	22,643	32,830	36,523	35,569	148,519

Remark 1: Environmental equipment includes the depreciation of pollution prevention equipment, operations and maintenance, hardware investment and environmental testing

NT\$ **9,634,433** Amount of procurement under the three main eco-marks in 2014

Environmental Protection Mark	Product name	Mark No.	Procurement amount in 2014 (NTD)
\sim	Business Class pillow cover/headrest cover	7777	3,852,000
()	First Class pillow cover/headrest cover	7776	122,400
*	Green carbon cartridge	6798/5830	300,945
	T5 lamp	101556	46,711
Energy-saving mark	T5 lamp (fixture)	10309	1,947,956
	Dandelion tissues	519	2,294,600
	Energy-saving fan	980277	242,600
	Split AC	101002	177,000
, ark	Split AC	102305	120,000
Mater Conservation Industrial	Air-conditioner	8939	201,000
.c/ Conserv	Air-conditioner	102005	67,400
	Water cooler	3075	60,000
	Water cooler	8022	75,000
	Water-saving tap	102-344	15,550
~	Water-saving tap	103-070	3,019
Environmental Protection Mark	Refrigerator	101192	15,800
	Cement paint	11239	92,452
			Total: 9,634,433

Remark 2: Green procurement includes type 1, type 2 and type 3 environmental products as defined under the "Regulations for Priority Procurement of Eco-Products (January 15, 2001).

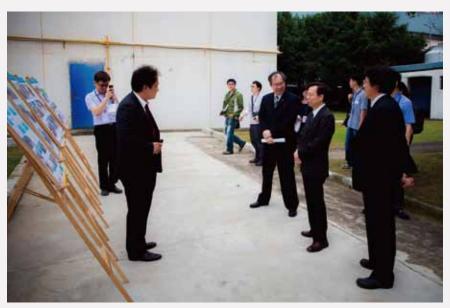
Remark 3: The statistics are in thousands of NTD and rounded to the nearest integer.

7-4-5 Ecology Concern

Soil Remediation

A 2011 EPA study of the airport soil and ground water found soil and ground water pollution at several business sites near Taoyuan Airport. At an engine test bay in a maintenance facility that CAL abandoned a long time ago, traces of oil pollution were found in the soil under the fuel tank. CAL investigation found that there was a leak in the underground conduit to the oil tank before the Soil Pollution Act came into force. Though the leak was immediately repaired, the lack of mature soil pollution prevention and monitoring technology at the time meant traces of oil pollution remained. After the discovery, CAL immediately took responsibility by investing manpower and resources. A specialist team was commissioned to use methods that exceed the regulatory requirements to remediate the soil within the affected region. The area passed inspection by the Taoyuan County Environmental Protection Department and was removed from the list of registered sites under Article 7, Paragraph 5 of the Soil and Ground Water Pollution Remediation Act. The project was also nominated by the EPA as a national model rehabilitation site for 2013. For future pollution prevention, CAL will not only continue to monitor the site closely but also establish third-party verification through the ISO 14001 environmental management system. This will create a risk early-warning and control mechanism for the area.





Soil pollution remediation conference



Soil pollution remediation conference



Excessive fishing has led to a steep decline in the shark population that threatens marine eco-systems. A 2010 IUCN Red List of Threatened Species study found that more than 180 shark species were listed in the IUCN Red List or the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). To support marine ecological conservation and sustainable development, some countries and local governments have issued restrictions on the sale and trade of sea fin products. Environmental groups also launched petitions calling on airlines to stop transporting shark fin products. To help protect the ecosystem, CAL stopped accepting shark fin products for shipment from December 1, 2014.

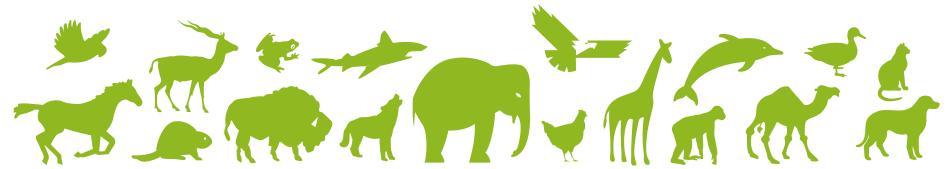




To promote sustainable products and services, CAL has for many years refused to feature protected species in in-flight menus or VIP Lounge food offerings. This has also been extended to CAL Hotel services in order to fulfill the CAL Group's social responsibilities and enhance Taiwan's international image.



In the spirit of global friendship and international trends on ecological conservation, CAL is continuing to improve the quality of cargo services while also providing specialized transportation services for products with special requirements and attributes. Due to concerns on safety, health and animal rights involved in transporting of live animals by air, CAL not only conforms to IATA's Live Animals Regulations on transportation of live animals but has also passed a special rule that bans the transportation of non-human primates in the future.



Corporate Citizenship



Highlights



16 aircraft

CAL is the airline with the most liveried aircraft in Taiwan

The body of the aircraft serves as a platform for promoting the best that Taiwan has to offer as well as the features and strength of Taiwan's cultural creativity. CAL has over the years unveiled 11 types of livery on 16 aircraft.



1923 persons

Number of students who took part in English classes and sharing of flying experience

Volunteers from cabin crew, flight operations, ground services and aircraft operations visited remote schools in indigenous areas of Taoyuan, Hsinchu, Miaoli, Yilan and Kaohsiung to teach English and share their flying experience. A total of 1923 students benefited from these events.



Over NTD 1 million

Donation to the \$100 Cultivation Program

Volunteers launched a "CAL \$100 Cultivation Program" to support after-school tutoring for students in children's homes. The program also helps students in remote areas with improving their reading skills and to develop the habit of reading. Over NTD 1 million in donations were raised.



NTD 10 million

Donation to the Kaohsiung Gas Explosion

In the aftermath of the Kaohsiung gas explosion, the CAL Group donated NTD 10 million to the "Social Affairs Bureau of Kaohsiung City Government - Emergency Relief Fund - 'August 1 Gas Explosion' program" to assist with disaster recovery efforts.



Total 24

International Trophy at the Rose Parade

CAL won its 24th International Trophy at the 126th Rose Parade held in the City of Pasadena, Los Angeles.

8-1 Sports Activist

8-1-1 Sponsorship of Sporting Competition

Athletes from Taiwan have made a strong impact in international sports especially in ball sports and athletics. CAL is the largest airline in Taiwan so it is natural for us to support Chinese Taipei heroes attending international sporting events. We offer Chinese Taipei teams our sincere enthusiasm through our air transportation services. Apart from being the official airline for various international competitions, CAL also sponsors different sporting events as well. We actively coordinate resources and participate in important sporting events. We support Jeremy Lin, the NBA star, world-class ladies tennis player Su-Wei Hsieh, Taiwan's No.1 men's tennis player Yen-Hsun Lu, and Wei-Yin Chen, a Taiwanese baseball player in America. We also welcome and look after Taiwanese athletes through our professional air transport services in order to raise Taiwan's international profile.



Jeremy Lin - Basketball charity camp

On July 20, 2014, CAL invited NBA star point guard Jeremy Lin to be guest coach for 30 students from Jong-Jen Elementary School and Kui-Hui Elementary School in Taoyuan County. The 1-hour fun basketball session gave the kids an unforgettable summer!





Su-Wei Hsieh - Tennis camp

The "CAL Charity Tennis Camp" was held at the Tianmu campus of National Taipei University on July 30, 2014, with top tennis player Su-Wei Hsieh who had just won the doubles tournament of the French Open invited to be the guest coach for 30 tennis players from Hsin-Yi Elementary School in Taoyuan County. This gave the kids a chance to learn up-close from their role-model and left them with memories to treasure!





China Airlines Road Run

The road run held on December 13, 2014, attracted nearly 5000 enthusiastic participants. Ten CAL flight tickets were also given away on the day to celebrate CAL's birthday.



CAL Sports Sponsorship in the Last Three Years

2012

2013

- Sunrise LPGA Taiwan Championship
- Asia Series
- Set up "China Airlines Cheerleading Team"

2014

- Taiwanese & Chinese American Athletics Tournament of the San Francisco Bay Area

8-1-2 Cultivating Young Baseball Players

CAL launched an outreach effort to help indigenous children play baseball. For many, the outreach effort was also their first contact with indigenous people. Sheng-Hsiung Chuang from Engineering Division said: "Our department and three other departments formed the NE35 baseball team in 2011 and played in the internal competition." The baseball practice made him fall in love with baseball. This hobby also led us to look into whether economic difficulties make it hard for indigenous children to take part in ball sports. That year, Manager Wang, Yeu-Shann traveled to Taitung to visit Tao-Yuan Primary School and took the first step in supporting baseball development in indigenous regions. When the practice was over, Coach Song met with us in the Principal's Office. During our conversation we realized how much we had in common and this increased our faith in each

other. As the principal said: "It was the will of the ancestral spirits!"

We provided funding to Tao-Yuan Primary School so they could play baseball happily and do basic training without worrying about the score; we then provided funding to Tau-Yuan Junior High School so that students who want to keep playing baseball do not have to leave their hometown. This indirectly helped students' parents and their whole village as well, making them feel that they have not been abandoned. A Council of Indigenous Peoples program in 2013 provided dedicated coaches and resources for baseball teams at indigenous schools. For the 2014 national games, Tau-Yuan Junior High School represented Taitung County at the national games in Kaohsiung. This was a breakthrough for the school. At the Hua Nan Financial

Holdings Cup, Taoyuan Junior High School's southpaw pitcher won the best pitcher award with a 0 earned run average. The Kashima Gakuen High School in Japan also offered a full scholarship to study in Japan, a first for Taoyuan Junior High School. We now continue to support and encourage them from behind the scenes. Once they grow up and have enough fame to attract their own resources and support, it will be time for CAL to move aside and seek out other worthy causes.



Tau-Yuan Junior High School at the national games



Taoyuan Village Christmas event PR Office sends Children Are Us hand-made cookies to Taoyuan Junior High School



Donors and CAL dependents visit Taoyuan Village Group photo with the principal of Tao-Yuan Primary School

8-2 Grassroots Education

8-2-1 Volunteer Teaching

After CAL Headquarters moved to Dayuan Dist., Taoyuan County in March, 2010, CAL began actively fulfilling its CSR in the spirit of community relations building. After the "CAL Volunteer Club" was formed in April, 2011, CAL employees were recruited to help disadvantaged groups. A range of charitable events was organized to give back to society and the community in meaningful ways. During the school term, volunteers visited local elementary schools in their spare time each month to teach children of all years about aviation English and to share their experience of flying. In the beginning, interactive classes on aviation and English were held for students from all years at Jhuwei Elementary School. In September 2013, the teaching program was extended to include Shi-Hai Elementary School. 24 pilots and flight attendants have been recruited as volunteers to teach flying knowledge and English at Jhuwei and Shi-Hai elementary schools in Taoyuan County each month.

Aviation English class – Jhuwei Elementary School





Aviation English class - Shi-Hai Elementary School





2014 Volunteer teaching statistics

	March 13 5th grade	April 10 6th grade	May 8 4th grade	June 12 3rd grade	September 25 6th grade	October 23 5th grade	November 27 4th grade	December 25 3rd grade
Number of members	3	6	6	5	7	4	5	7
No. of participating students from Shi-Hai Elementary School	64	67	61	59	67	62	60	42
No. of participating students from Jhuwei Elementary School	89	80	96	70	78	84	96	69

8-2-2 Love Goes Around

CAL hope that the example set by employees during the introduction of aircraft safety, meals and challenge activities will expand the horizons of children in remote areas and encourage them to boost their competitiveness by learning foreign languages. Our enthusiastic cabin crew employees therefore switched shifts and used their personal days off to visit indigenous schools in Taoyuan, Hsinchu, Miaoli, Yilan and Kaohsiung. They shared their aviation experiences with indigenous children, most of whom had never flown before.

10 schools

2014 Love Goes Around Schools



persons

Participating students in 2014



1452.5 hours

Total volunteer hours in 2014



Service Target

Class in progress

Service Target

Class in progress

Service Target Jiaxin Elementary

School, Hsinchu

Date March 10, 2014

Volunteers/Hours 11 persons /3.5 hours

No. of participating 80 students



Service Target Yongding Elementary School, New Taipei

Date September 16, 2014

Volunteers/Hours 49 persons /3.5 hours

No. of participating 87

students



Service Target Gien-Shih Elementary School, Hsinchu

Date April 16, 2014

Volunteers/Hours 26 persons /3.5 hours

No. of participating 60 students



Service Target Sanwan Elementary School, Miaoli

Date October 16, 2014

Volunteers/Hours 52 persons /3.5 hours

No. of participating 120 students



Service Target Dong-Ao Elementary

School, Yilan

Date May 15, 2014

Volunteers/Hours 40 persons /3.5 hours

No. of participating 80

students



Service Target Neiwan Elementary School, Hsinchu

Date November 18, 2014

Volunteers/Hours 73 persons /3.5 hours

No. of participating 62 students



Service Target Jinping Elementary

School, Hsinchu

Date June 9, 2014

Volunteers/Hours 43 persons /3.5 hours

No. of participating 50 students



Service Target Luo-Fu Elementary School, Taoyuan

Date December 16, 2014

Volunteers/Hours 52 persons /3.5 hours

No. of participating 88 students



Service Target Christian Mountain

Children's Home, Kaohsiung

Date July 26, 2014

Volunteers/Hours 41 persons /3.5 hours

No. of participating 35 students



Service Target Shuangwen Junior High School, Nantou

Date January 22, 2014

Volunteers/Hours 80 persons /3.5 hours

No. of participating 117 students



8-2-3 Donation of Cabin Supplies

CAL continuously provides equipment from the cabins of our Boeing 747-400 fleet to schools for establishing scenario classrooms. These included obsolete cabin seats and life jackets that can be used for teaching. We also donate related cabin supplies such as trolleys, tableware and lifesaving equipment as well as computer hardware. More than 20 schools have accepted donations of CAL items to date including nine universities, three senior/vocational high schools, 1 junior high school and 12 elementary schools. We hope that the donation of further cabin equipment in the future will help the seeds of flying education take root and prosper in Taiwan.



8-2-4 CAL Park Tour

The CAL Park tour includes the simulator classroom, pilot training departments, flight attendant training cabin, museum, maintenance facility, bartender classroom, etiquette classroom, emergency escape training and swimming pool. The tours are led by CAL personnel who also provide introductions, demonstrations and DIY activities. One of the key goals is to showcase the rigorous flight attendant training system at CAL to the outside world.



GE Volunteers Tour CAL Park



Tainan City Cerebral Palsy Association Visits CAL Park

8-2-5 Junior Cabin Crew Camps

China Airlines has long been committed to community relations building. Regular English education events are used to share aviation knowledge with students at Jhuwei Elementary School and Shi-Hai Elementary School in Dayuan Dist.. To give students at two elementary schools a very different winter break, CAL organized the "Junior Cabin Crew Camp" on January 20/21, 2014. The half-day program gave the children an insight into the work of the cabin crew. CAL invited 20 children in each grade from 1st to 4th grade at Shi-Hai and Jhuwei Elementary Schools to start with posture and etiquette training, followed by learning how to lead guests to their seats and hand out newspapers,

Finally, the boys put on cabin crew vests and ties while the girls put on a children's version of the improved qipao to practice serving passengers and distributing meals in the cabin. The experience made for an unforgettable winter break.





8-3 Charity Support

8-3-1 \$100 Cultivation Program

The "Emptying Closets" program set up in January, 2007, encourages employees to donate unneeded items that are still usable. These are sorted then donated to disadvantaged groups or rural regions. After CAL Headquarters was relocated to Taoyuan, the Volunteer Club switched to promoting the "CAL \$100 Cultivation Program". This was further divided into two sub-programs: "Care for the Children" and "Read for Wealth". Over a dozen volunteers now help with collecting donations that go towards after-school tutoring in children's homes, as well as encouraging children in remote areas to read and get in the habit of reading. In 2014 CAL helped the Parent-Teacher-Student Farm Co-Op organized by San Guang Elementary School by setting up an online channel for selling May peaches. By improving the income of indigenous households this will provide students with a better living environment. More than 10,000 cartons were produced by San Guang. CAL alone accounted for more than 1000 cartons sold and will continue to assist with marketing in 2015.

NTD 1.023.270 Total amount of donations in 2014

NIDIJOLOJI	Total amount of donations in 2014
Care for the Children recipients Target Donations (NTD)	Muhsiang Preschool - Dayuan Dist., Taoyuan County 290,000
Read for Wealth recipients	
Target	San Guang Elementary School, Fusing Dist., Taoyuan County
Donations (NTD)	243,800
Target	Jeso Elementary(Primary) School - Fusing Dist., Taoyuan County
Donations (NTD)	213,800
Target	Kui-Hui Elementary School - Fusing County,
Donations (NTD)	Taoyuan County 184,570
Target	Ba-Lung Elementary School - Fusing County,
Donations (NTD)	Taoyuan County 91.100

^{*}The data is for January 2013, through to May 2015

8-3-2 Helping Paraplegics

CAL has been working with charities such as "Chou Ta-Kuan Cultural and Educational Foundation n" and "Make a Wish Taiwan" in recent years. We also help international volunteer organizations and medical aid workers with the shipping of materials as part of the CAL philosophy of caring for the poor. In 2014, quadriplegic artist Cheng, Hui-Lien was invited to attend the "Drawing from 45 Degrees art exhibition" art exhibition in Hong Kong. CAL gave her its full support including an in-flight stretcher, medical team and family members. Apart from helping Ms. Cheng fulfill her lifelong dream, we also hoped to make more people aware of her talent and determination.





8-3-3 Community and Senior Relations

In 2014, CAL hosted its first community and senior relations event with seven cabin crew volunteers visiting the Chang Qing Senior Care Center and Dayuan Senior Home in Dayuan Dist. Apart from serving up new year meal boxes from CPSC that are easy for the seniors to eat from, CAL Volunteer Club members gifted each senior with a warm blanket, scarf and gloves.





8-4 Tourism Promotion

8-4-1 Rose Parade in the U.S.

CAL began attending the Rose Parade in 1987 and has been a participant for 28 consecutive years. Every year, we follow the theme of the parade and highlight the unique features of Taiwan. This has resulted in many international first-place prizes. By presenting the beauty of Taiwan on the international stage, we introduce more people to Taiwan and CAL. CAL won its 24th International Trophy at the 126th Rose Parade held in the City of Pasadena, Los Angeles, in January, 2015.



2015Inspiring Grace of Cloud Gate Cloud Gate Dancers

The dancers wore silvery-white costumes with gold threads to complement choreography that flowed like clouds and water. All around them were lily and lotus flowers while colorful butterflies fluttered about the front of the float to infuse contemporary art with the elegance of classical culture.





2013Cycling T

Cycling Through Paradise

The "Tse-en Tower" at Sun Moon Lake provided the core design for a 55-foot long medium-sized float. This North American festival was used to promote Taiwan's image as a destination for "Bicycle Tourism" on the international stage.





2014 Time for Taiwan

Yushan (Jade Mountain), Ali Mountain and Taipei 101 form the base, and are then decorated with colorful orchids, irises, roses and chrysanthemums. These are complemented by 7 hot-air balloons featuring auspicious traditional patterns such as the Dragon and Phoenix, Gold and Jade, and Welcome Wine to showcase the tourism highlights of Taiwan.





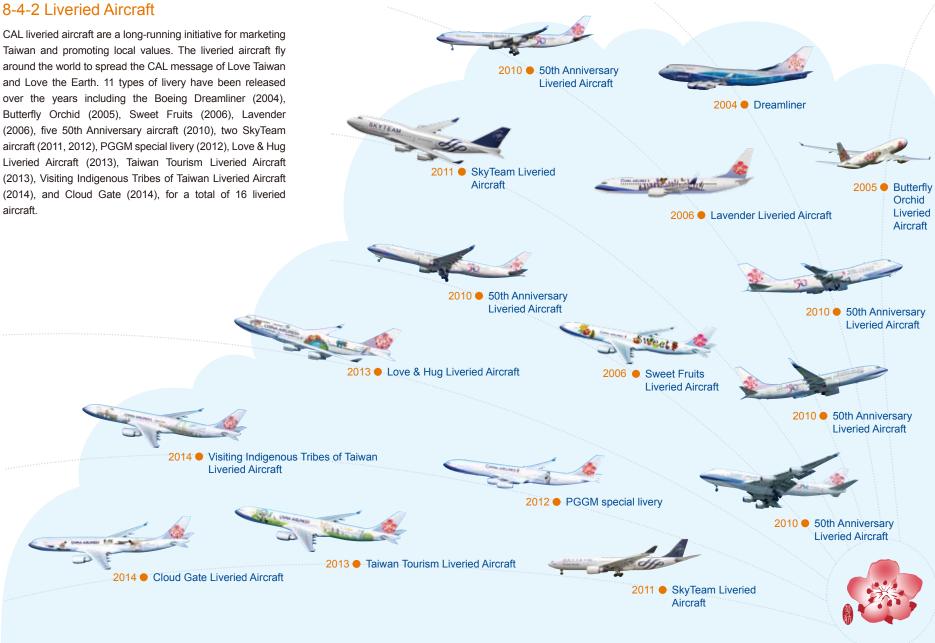
2012Spirit of Prosperity and Harmony

The CAL float uses the "Spirit of Prosperity and Harmony" concept from the I-Ching to complement the coming of the Year of the Dragon. It is also a prayer for good weather and fortune in the coming year.



8-4-2 Liveried Aircraft

Taiwan and promoting local values. The liveried aircraft fly around the world to spread the CAL message of Love Taiwan and Love the Earth. 11 types of livery have been released over the years including the Boeing Dreamliner (2004), Butterfly Orchid (2005), Sweet Fruits (2006), Lavender (2006), five 50th Anniversary aircraft (2010), two SkyTeam aircraft (2011, 2012), PGGM special livery (2012), Love & Hug Liveried Aircraft (2013), Taiwan Tourism Liveried Aircraft (2013), Visiting Indigenous Tribes of Taiwan Liveried Aircraft (2014), and Cloud Gate (2014), for a total of 16 liveried aircraft.



8-4-3 Internationalization of Local Tourism

The promotion of Taiwan tourism is a priority for CAL as a part of Taiwan's tourism industry. CAL supports government tourism programs by bringing Taiwan and its tourism opportunities to the attention of the world through its actions and resources. In 2014, CAL received the "Taiwan Tourism Contribution Award" from the Tourism Bureau. The award not only recognizes CAL's contributions to the development of tourism in Taiwan but also helps strengthen our corporate image. CAL took part in a number of local and overseas travel exhibitions in 2014. Apart from continuing to sponsor, the "2014 Taiwan Lantern Festival" and "Fulong International Sand Sculpture Festival" organized by the Tourism Bureau and Tourism Association, we also supported the "2014 Luzhu Flower Sea Festival" organized by the local Taoyuan government.



CAA Golden Flyer Award



CAA Golden Flyer Award

8-4-4 Promotion of Cultural Diplomacy

CAL spares no effort when it comes to promoting international cultural exchange. We work with both the public and private sectors to pool resources for supporting domestic/overseas arts, cultural and sporting activities. We also support cultural exchanges that demonstrate Taiwan's prowess in cultural creativity to the world. Apart from cooperating with well-known groups and artists such as the "Ju Percussion Group" on many occasions over the year, in 2014 CAL was tasked with transporting national treasures from Taiwan's National Palace Museum to Tokyo and Fukuoka in Japan for display. This was the first international exhibition of national treasures from Taiwan and attracted over a million visitors. It was an important cultural exchange milestone between Japan and Taiwan that attracted much domestic and international attention. CAL also sponsored the Taiwan tour of "The 12 Cellists of Berliner Philharmoniker" in 2014 to introduce the world to Taiwan through the most approachable form of cultural exchange.



Sponsorship of the 12 Cellists of Berliner Philharmoniker



Transportation of National Palace Museum relics to Japan

8-4-5 Dawn of Happiness Flight

CAL led the domestic industry in launching the "2015 Dawn of Happiness Flight" that took passengers to the sky to welcome Taiwan's earliest and highest sunrise. The Dawn of Happiness Flight is a direct flight flown by the Boeing 737-800. Departing from Taoyuan Airport, it first flies to the East Coast to welcome the early sunrise before continuing on to Okinawa for a New Year's day trip. Flight CI 2015 took off at dawn on January 1, 2015, from Taoyuan Airport. At Sanzhi on the north coast, it turned southeast to fly over Taipei and Yilan before reaching an altitude of 30,000 feet above the east coast. There it continued south along the Jigi Coast in Hualien to be bathed in the first rays of light of 2015 ahead of Lanyu which sees the earliest sunrise in Taiwan at sea level. There was also a "Storyteller" captain aboard the flight who introduced the sights of Taiwan and the beauty of the coasts along the way. Passengers enjoyed a New Year holiday up in the air and under the sun.







2015 Dawn of Happiness Flight takes off

8-5 Giving Hands Aid

8-5-1 Malaysia Floods

Heavy rainfall at the end of 2014 caused the worst-ever flooding in the history of Malaysia. Over 150,000 people were forced to evacuate and many people were killed or injured. CAL contributed to the reconstruction and international disaster relief efforts by mobilizing resources to help with the transportation of emergency supplies.

8-5-2 Anti-Chinese Riots in Vietnam

CAL was the first to send larger charter aircraft to Vietnam to assist with the evacuation of overseas compatriots. We also adjusted the aircraft types and sent charter flights to help with the evacuation. Return flights from Taipei to Ho Chi Minh City were up-sized from A340 to B744, an increase of 99 seats. Other Taipei-Ho Chi Minh services were also upsized from B738 and A330 to B744 to increase daily capacity by nearly 700 seats. To cope with the demand for return flights to Taiwan, the three flights combined could carry nearly 1,200 passengers from Vietnam back to Taiwan. Charter aircraft were also put on standby for the evacuation effort.

8-5-3 Kaohsiung Gas Explosion

In the aftermath of the Kaohsiung gas explosion, the CAL Group donated NTD 10 million to the "Social Affairs Bureau of Kaohsiung City Government - Emergency Relief Fund - 'August 1 Gas Explosion' program". The accident dealt a serious blow to Kaohsiung. The CAL Group has strong links with Kaohsiung so we raised NTD 10 million to give back to society as well as show our support for local residents as well as military, police and firefighters involved with emergency response.





8-6 Mandarin Airlines Charity

8-6-1 Charity Service in Taitung



Finding Heart for Children of the Mountains

Mandarin Airlines began hosting charity concerts in Taitung in 2012. In November, 2014, Mandarin Airlines held the "Finding Heart for Children of the Mountains" charity concert at the Taitung County Performing Arts Center. The concert presented court music from the Golden Age of Europe during the 18th Century. Leading baroque violinist Francois Fernandez was invited to make his first performance in Taiwan supported by expatriate soprano Li-Chin Huang from France, baroque flutist Yi-Fen Chen and harpsichordist Francois Guerrier. Together they presented arias of different baroque styles from France, Germany and Italy. Apart from the NTD 500,000 in ticket income, Mandarin Airlines also donated a further NTD 100,000 for a total of NTD 600,000 to the Galilee Family Social Welfare Foundation which provides counseling for traumatized.





Taiwan Taitung Day

The Hokkaido Nippon-Ham Fighters team hosted a "Taiwan Taitung Day" during the Tokyo Arena 2014 season. Fighters star player Dai-Kang Yang is a native of Taitung, Taiwan. His game-changing home run helped the Hams beat the SoftBank Hawks 10 to 2. Mandarin Airlines and CAL sponsored the Hams "Taiwan Taitung Day" by providing two Tokyo-Taipei-Taitung return tickets to promote baseball in Taiwan and Japan.





Ticketing System

To help residents of offshore islands and the Hualien-Taitung region take advantage of online ticketing, Mandarin Airlines became the first airline in Taiwan to offer online ticketing for all ticket types to residents of offshore islands. All ticket types for offshore and Hualien-Taitung residents were added to the B2C ticketing webpage including resident tickets, resident seniors tickets, resident handicapped tickets, resident handicapped companion tickets and resident children's tickets. Mandarin Airlines was also the first airline to offer offshore/Hualien-Taitung residents ticketing services for all ticket types through 7-Eleven's ibon platform.



WeLove Charter Flight

To uphold the spirit of caring and charity in its business philosophy, Mandarin Airlines and the Arise and Shine Artists Association organized the "April Love - Mandarin Airlines WeLove Flight" to carry a hundred artists to Taitung for a charity event.







Photography Exhibition

In 2013 and 2014, Mandarin Airlines partnered with charities to organize the "Children's Eye" photographic exhibition. The junior photographers awarded a distinction received a free Taitung-Taipei flight to attend the opening ceremony and a 3-day Taipei tour.



8-6-2 First Ray of Dawn Flight

Mandarin Airlines launched the "2015 First Ray of Dawn Flight" to give passengers the chance to see the sunrise from on high. The flight departed from Songshan Airport and flew along the east coast to greet the dawn before arriving at Taitung, the beautiful back garden of Taiwan. The pilot gave a guided tour along the way and the First Rays of Dawn flight became the first group of travelers to arrive in Taitung on New Year's Day. From there, car and bicycle service meant every traveler returned home loaded down with heart-warming memories.





8-6-3 Charity Meal Box for Seniors Living Alone

The Concern with Love charity in Nantou County's Guosing Township was given help in making charity meal boxes for seniors in rural areas living alone. Meal boxes were delivered to the seniors every day along with care and compassion. Second-hand clothing, toys and decorations were also donated and auctioned for charity during the Taipei City Environmental Protection Bureau end of year refurbished furniture auction to promote being green by reducing waste. The NTD 66,000 raised in 2013 and NTD 70,000 raised in 2014 were donated to Concern with Love. In 2015, the goal is to raise NTD 100,000.





8-6-4 Caring for Foreign Workers

To cater for the many foreign workers introduced by local companies in central Taiwan, Mandarin Airlines set up a "Foreign Workers Support Desk" at Taichung Airport in 2014. Services include checking the identity of foreign workers when they enter the country for the first time. The support desk also provides foreign workers returning home with a complaints hotline and help desk. The Mandarin Airlines Foreign Worker Support Desk has been approved by Vocational Training Council. All support desk staff have been trained by the Bureau as well.





Disclosure on Management Approach (DMA) on Material Aspects for CAL

Material aspect	Impact on CAL	Management responsibility	Management review
Economic Performance	Potential impact on shareholders, employees and other stakeholders.	Top governance unit and management team	Internal/external reviews of the annual financial statements.
Market Presence	Affects all CAL sites. Employment of local executives as well as protecting the compensation and rights of local employees.	Human Resources Division	Management of employee productivity increases.
Indirect Economic Impact	CAL's impact on customers, suppliers and the local community as a provider of air transportation services.	Top governance unit and management team	Internal/external reviews of the annual financial statements.
Procurement Practices	Potential impact on suppliers and the local community.	CAL Sustainability Committee, purchasing unit	The Sustainability Committee is convened for a review every six months.
Energy	Impact on operating costs from rising oil prices.	Carbon Management Task Force	Regular monitoring through the ISO 50001 management system.
Emisson	Impact on business reputation from global concern over climate change issues.	Carbon Management Task Force	Regular inventory with ISO 14064.
Effluents and Waste	Impact on business reputation from public concern over environmental pollution.	Environment Department of the Corporate Safety Office	Regular monitoring through the ISO 14001 management system.
Products and Services	Eco-friendly or green services can boost competitiveness.	CAL Sustainability Committee	Environmental Committe is convened periodically.
Compliance	The impact of violations on public opinion.	Legal & Insurance Division, Environment Department of the Corporate Safety Office	Through the ISO 4001 internal/external audit system.
Transport	Environmental burden from GHG emission and air pollutants.	Administration Division, Environment Department of the Corporate Safety Office	Calculate Scope 3 emissions every year.
Environmental Grievance Mechanism	Identify and correct environmental issues in a timely manner to prevent situations from worsening or continuing to impact on the corporate image.	Environment Department of the Corporate Safety Office	Review the internal/external communications management procedure and system every year.
Employment	Hire talented people to improve quality of service.	Human Resources Division	Conduct work assessment (every 6 months) and performance evaluation (yearly) for all employees.
Labor/Management	Personnel turnover impacts on quality of service. Improper management gives a bad impression and creates compliance risks.	Human Resources Division, Union	Labor/management meeting is held monthly.
Occupational Health and Safety	Leads to loss of personnel and higher personnel costs that trigger labor inspections by the competent authorities.	Human Resources Division	The Committee meets once every 3 months.
Training and Education	Improve employee quality of service and professional skills.	Human Resources Division and Tier-1 units	Regular inspection of competency completion rate and training pass rate.
Diversity and Equal Opportunity	Protect disadvantaged groups and create equal opportunities for employment.	Human Resources Division	Organize recruitment drives according to business needs.
Equal Remuneration for Women and Men	Pursuit of gender equality helps with workplace harmony.	Human Resources Division	When the local minimum wage is adjusted, review all corresponding wage standards as well.
Labor Practices Grievance Mechanisms	Employee dissatisfaction with the company's systems or handling impacts on their loyalty.	Human Resources Division	Under the "Employee Grievance Mechanisms", an employee can appeal administrative penalties that infringe on their personal rights by writing to wecare@china-airlines.com. This will be investigated/processed/responded to by dedicated personnel. All information will be kept confidential with retribution forbidden.
Non-discrimination/Investment	Discrimination impacts on workplace atmosphere. The processing of grievances takes manpower.	Human Resources Division	Conduct regular "CAL Lifestyle Protocol" (including Employee Code of Conduct) online testing.
Freedom of Association and Collective Bargaining	Protect labor rights and maintain good communications between employer and employee to avoid operational issues from misunderstandings.	Human Resources Division	Convene labor/management meetings with the union every month and sign collective bargaining agreements at regular times.
Child Labor	Injury or harm of child laborers from demanding or hazardous tasks leads to a public backlash that impacts directly on the company's reputation.	Human Resources Division	Inspect resumes of new recruits.

Disclosure on Management Approach (DMA) on Material Aspects for CAL

Material aspect	Impact on CAL	Management responsibility	Management review
Forced or Compulsory Labor	Reduces employee loyalty, leading to low operational efficiency.	Human Resources Division	Regular inspection of time sheets to identify high-risk personnel.
Human Rights	Impact on investment and overall operations.	Human Resources Division, Investment development& management Division	Investment Development & Management Division regularly reviews the operations and compliance of subsidiaries.
Mechanisms for human rights grievances	Identify and correct human rights problems to prevent interruption to operations.	Human Resources Division	Conduct regular "CAL Lifestyle Protocol (including Employee Code of Conduct) online tests.
Anti-Corruption	Impact on corporate governance, honest management and potential stakeholders.	General Audit Office, Human Resources Division, Finance Division	Internal management is by the respective units and general audit office conducted the policy of blow the whistle and auditing.
Public Policy	May have an impact on company operations, financial performance and related stakeholders.	Public Relations Office and Tier-1 units	CAL disclosure the political contributions in the CSR Report and does not make political contributions.
Anti-Competitive Behavior	May have a serious impact on company operations and financial performance.	Monitored by Tier-1 business units, Legal & Insurance Division	Important litigation is disclosed in the annual report.
Compliance	Compliance may have an impact on CAL's overall operations, corporate image and freedoms of the air.	Tier-1 units responsible for their respective compliance areas, Legal & Insurance Division	Important litigation as well as major penalties and amounts are disclosed in the annual report.
Grievance Mechanism for Impact on Society	Identify and correct social problems in a timely manner to prevent situations from worsening or continuing in a way that impacts on the corporate image.	Customer Relations Department of Passenger Marketing Division	Feedback is processed and handled through the Customer Service System (CSS). The competent units are responsible for responding to complaints from the general public.
Customer Health and Safety	Flight safety has a major impact on both passengers and the company. Food safety can trigger customer panic, health concerns and loss of custom.	Risk Committee of the Board of Directors Monitors flight safety risks, In-Flight Service Supply Division Responsible for monitoring food safety of in-flight meals	The Risk Committee is convened every quarter to conduct an internal review on the effectiveness of flight safety management. This is supplemented by external flight safety certification. In-flight Service Supply Division conducts random inspections of meals and requires the supplier to pass HACCP international certification.
Products and Service Labeling	CAL is mainly a provider of air transportation services so it may have an impact on passengers, cargo and aircraft maintenance.	Service Quality Assurance Department, Passenger Sales and Cargo Sales business units	The Service Quality Assurance Department convenes the "Quality Target Meeting" each year to review every item, results and improvement actions.
Marketing Communications	May have an impact on operations, customers, suppliers and competitors.	Public Relations Office	Important litigation as well as major penalties and amounts are disclosed in the annual report.
Customer Privacy	Violation of customer privacy may lead to customer dissatisfaction and impact on operations.	Legal & Insurance Division, all business units	Customer privacy cases are logged through CSS. Reporting statistics are tracked to serve as an internal control.
Compliance	Compliance may have an impact on CAL's overall operations, corporate image and freedoms of the air.	Tier-1 units responsible for their respective compliance areas, Legal & Insurance Division provides related consultation services	The Legal & Insurance Division submits the statistics of related cases to the General Audit Office for review.
Other - Fleet Management and Planning	Fleet planning and management helps with CAL's future business growth and energy-saving/carbon reduction planning.	Corporate Development Office, Flight Operations Division	The Corporate Development Office includes the Aircraft Management Department that formulates and manages the execution of the fleet program. This includes the overall management and coordination of aircraft purchasing, leasing, sales, rental and refitting.

GRI G4 Index

Material aspect	Indicator description	Corresponding Section	Page N/A ,	External rerification
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	G4-2 A description of key impacts, risks, and opportunities.	3-4 Risk Management > 3-5 Industry Overview (32 \ 33	V
	G4-3 The name of the organization	1-1 About Us	11	V
	G4-4 The primary brands, products, and services	1-1 About Us	11	V
Organizational Profile	G4-5 The location of the organization's headquarters	1-1 About Us	11	V
	G4-6 The number of countries where the organization operates and their names	1-1 About Us	11	V
	G4-7 The nature of ownership and legal form	1-1 About Us	11	V
	G4-8 The markets served	1-1 About Us	11	V
	G4-9 The scale of the organization	1-1 About Us	11	~
	G4-10 Total number of employees	1-1 About Us	11	~
	G4-11 The percentage of total employees covered by collective bargaining agreements.	4-2 Employee Rights	41	V
	G4-12 Describe the organization's supply chain	6-1 CAL Value Chain	88	V
	G4-13 Any significant changes in organization' size, structure, ownership, or it's supply chain		No major change f the reporting perio	
	G4-14 Whether and how the precautionary approach or principle is addressed by the organization	3-4 Risk Management	32	V
	G4-15 List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.	3-2 Sustainability Governance	28	V
	G4-16 List membership of (industry) associations and national or international advocacy organizations	1-2 CAL Group	15	V
	G4-17 a. List all entities included in the organization's consolidated financial statements or equivalent documents	3-6 Historical Performance	34	V
	G4-17 ^{b.} Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the reportrses.	3-6 Historical Performance	34	~
	G4-18 a. Explain the process for defining the report content and the aspect boundaries	Reporting Principles	2	V
	G4-18 b. Explain how the organization implemented the "Reporting Principles for Defining Report Content"	Reporting Principles	2	V
Material Aspect	G4-19 List all the material aspects identified in the process for defining report content.	Reporting Principles	2	V
	G4-20 For each material aspect, report the aspect boundary within the organization	Reporting Principles	2	V
	G4-21 For each material aspect, report the aspect boundary outside the organization	Reporting Principles	2	V
	G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements		No major change f the reporting perio	or 🗸
	G4-23 The effect of any restatements of information provided in previous reports, and the reasons for such restatement	Reporting Principles	2	~
Stakeholder	G4-24 List stakeholder groups engaged by the organization	2-1CAL Stakeholder	19	V
Engagement	G4-25 The basis for identification and selection of stakeholders with whom to engage	2-1CAL Stakeholder	19	V

Material aspect	Indicator description	Corresponding Section	Page	External verification
Stakeholder	G4-26 The organization's approach to stakeholder engagement	2-2 Communication channels and frequency	20	~
Engagement	G4-27 Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	2-3 2014 Communication Results	21	Y
	G4-28 Reporting period for information provided	About this Report	1 🗸	
Stakeholder Engagement	G4-29 Date of most recent previous report	About this Report	1	Y
	G4-30 Reporting cycle	About this Report	1	Y
	G4-31 Contact point for questions regarding the report or its contents	About this Report	1	Y
Report Profile	G4-32 a. The 'in accordance' option the organization has chosen	About this Report	1	Y
	G4-32 b. GRI Content Index for the chosen option	GRI G4 Index	142	Y
	G4-32 c. Reference to the External Assurance Report	Independent Third-Party Assurance	148	Y
	G4-33 a. Policy and current practice with regard to seeking external assurance report	About this Report	1	Y
	G4-33 b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided	About this Report	1	V
	G4-33 c. Relationship between the organization and the assurance providers	About this Report	1	V
	G4-33 d. Whether the highest governance body or senior executives are involved in seeking external assurance for the sustainability reportd	About this Report	1	~
	G4-34 Report the governance structure of the organization, including committees of the highest governance body	3-1 Board Operations	26-27	~
	G4-35 The process for delegating authority for economic, environmental and social performance topics to senior executives and other employees	3-2 Sustainability Governance	28	~
	G4-36 Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance bodys	3-2 Sustainability Governance	28	V
	G4-37 Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	3-2 Sustainability Governance	28	V
	G4-38 The composition of the highest governance body and its committees	3-1 Board Operations	26-27	V
	G4-39 Whether the Chair of the highest governance body is also an executive officer	3-1 Board Operations	27	V
	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	3-1 Board Operations	26	~
Governance	G4-41 Processes for the highest governance body to ensure conflicts of interest are avoided and managed	3-3 Regulatory Compliance	30	V
	The highest governance body's and senior executives' roles in the development, approval and updating of the G4-42 organization's purpose, value or mission statements, strategies, polices and goals related to economic, environmental and social impacts.	3-2 Sustainability Governance	28	~
	G4-43 The measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	3-2 Sustainability Governance	28	V
	a. The processes for evaluation of the highest governance body's performance on economic, environmental and social topics. Whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	3-2 Sustainability Governance	28	~

Material aspect	Indicator description	Corresponding Section	Page	External verification
	b. The actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	3-2 Sustainability Governance	28	~
	a. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	3-1 Board Operations 3-2 Sustainability Governance 3-4 Risk Management	26 \ 28 \ 32	2 🗸
	 b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities. 		26 \ 28 \ 32	2 🗸
Governance	G4-46 The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	3-1 Board Operations 3-2 Sustainability Governance 3-4 Risk Management	26 \ 28 \ 32	2 🗸
	G4-47 The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	3-1 Board Operations 3-2 Sustainability Governance 3-4 Risk Management	26 \ 28 \ 32	2 🗸
	G4-48 The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered.	3-2 Sustainability Governance	28	~
	G4-51 a. The remuneration policies for the highest governance body and senior executives	3-1 Board Operations,	26	~
	G4-52 b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	3-1 Board Operations,	26	~
	G4-56 Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	1-1 About Us, 3-2 Sustainability Governance	11 \ 28 \ 31	~
Ethics and Integrity	G4-57 Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	3-3 Regulatory Compliance	30	~
	G4-58 The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistle-blowing mechanisms or hotlines.	3-3 Regulatory Compliance 3-3 Regulatory Compliance	30	V

Material aspect	Indicator description	Internal	entity	External entity	Corresponding Section	Page _	External verification
			Mandarin Airlines	Suppliers Local Communities Investors Customers			
	Management approach					140	V
	G4-EC1 The direct economic value generated and distributed by the organization	•	0	• •	3-6 Historical Performance	34	\checkmark
	G4-EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change		0	•	7-2 Climate and Energy Management	102	~
Economic Performance	G4-EC3 Coverage of the organization's defined benefit plan obligations				4-2 Employee Rights	41	V
	G4-EC4 Financial assistance received from government	•		•	GRI G4 Index	142	~
	Management approach					140	~
Market Presence	G4-EC5 Ratios of standard entry level wages by gender compared to local minimum wage at significant locations of operation	on			4-3 Recruitment and Retention	46	
namet i recente	G4-EC6 Proportion of senior management hired from the local community at significant locations of operation	•			4-3 Recruitment and Retention	46	
	Management approach					140	~
ndirect Economic Impact	G4-EC7 Development and impact of infrastructure investments and services supported	•		•	None		
nullect Economic impact	G4-EC8 Significant indirect economic impact, including extent of impact	•		•	6-2 Local Procurement, Social Welfare	94	
	Management approach					140	·
Procurement Practices	G4-EC9 Proportion of spending on local suppliers at significant locations of operation	•		•	6-2 Local Procurement	94	S S
	Management approach					140	
	G4-EN3 Energy consumption within the organization				7-2 Climate and Energy Management	102	Š
	G4-EN4 Energy consumption within the organization		0		7-2 Climate and Energy Management	102	
Energy	•		0		7-2 Climate and Energy Management	102	Š
0,	G4-EN5 Energy intensity		0		• • • • • • • • • • • • • • • • • • • •		
	G4-EN6 Reduction of energy consumption		0		7-2 Climate and Energy Management	102 110	
	G4-EN7 Reductions in energy requirements of products and services		<u> </u>		7-3 ECO Service	110	—
	Management approach	_	_			140	Y
	G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	•		•	7-2 Climate and Energy Management	102	Y
	G4-EN16 Energy indirect GHG emissions (Scope 2)	•	0	•	7-2 Climate and Energy Management	102	Y
Emission	G4-EN17 Other indirect GHG emissions (Scope 3)		0	•	7-2 Climate and Energy Management	102	
	G4-EN18 GHG emissions intensity		0	•	7-2 Climate and Energy Management	102	
	G4-EN19 Reduction of GHG emissions		0	•	7-2 Climate and Energy Management	102	Y
	G4-EN20 Emissions ozone-depleting substances (ODS)	0	0		7-2 Climate and Energy Management	102	Y
	G4-EN21 NOx, SOx, and other significant air emissions	•	•		7-2 Climate and Energy Management	102	
	Management approach					140	V
	G4-EN22 Total water discharge by quality and destination	•			7-4 Green Operations Management	115	~
	G4-EN23 Total weight of waste by type and disposal method	•	0	•	7-4 Green Operations Management	115	
Effluents and Waste	G4-EN24 Total number and volume of significant spills	•	Ö	•	No spills		~
	G4-EN25 Weight of waste deemed hazardous under the terms of the Basel Convention imported, and percentage of transported waste shipped internation	nally	Ö	•	7-4 Green Operations Management	117	
	G4-En26 Significant impact from discharge of water and runoff on the environment and biodiversity of water bodies and habita	•	Ü		No significant impact		V
	Management approach					140	
Products and Services	G4-EN27 Extent of environmental impact mitigation of products and services		0	•	7-3 ECO Service	110	Š
Todatio and Corrido	G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category	•	0	•	7-3 ECO Service	110	Š
Compliance	Management approach G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulati	ions	0		Unable to confirm non-compliance record	140	S
	Management approach					140	
Transport	management approach G4-EN30 Significant environmental impact of transporting products, other goods, materials and transporting members of the workford	ne 🖷	0		7-2 Climate and Energy Management	102	
		~. •			Omnate and Energy Management		
Environmental Grievance	Management approach	_			O	140	Y
Environmental Grievance Mechanism	G4-EN34 Number of grievances on environmental impact filed, addressed, and resolved through formal grievance mechanis	ms	0		Corporate Safety Office can be contacted		~
vicci (di libili					through column mailbox Feedback on Environmental Issues Environment@chin	2	
					LITATION THE THAT ISSUES ENVIRONMENT (WCHILL	а	

Material aspect	Indicator description In	ternal e	entity	External entity	Corresponding Section	Page	External verification
		China Airlines	Mandarin Airlines				
	Management approach					140	V
Employment	G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	•	•		4-3 Recruitment and Retention	46	V
Employment	G4-LA2 Benefits provided to full-time employees (not temporary or part-time employees) by significant locations of operation	•	0		4-3 Recruitment and Retention	46	V
	G4-LA3 Return to work and retention rates after parental leave by gender	•	•		4-2 Employee Rights	41	~
Labor/Management	Management approach						~
Relations	G4-LA4 Minimum notice periods regarding operational changes	•			4-2 Employee Rights	41	~
	Management approach					140	V
Occupational Health	G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety progra	ms	0		4-5 A Healthy and Safe Workplace	58	V
Occupational Health	G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		0		4-5 A Healthy and Safe Workplace	58	
and Safety	G4-LA7 Workers with high incidence or high risk of disease related to their occupation		0		4-5 A Healthy and Safe Workplace	58	
	G4-LA8 Health and safety topics covered in formal agreements with trade unions	•			No occupational diseases		\checkmark
	Management approach					140	<u> </u>
	G4-LA9 Average hours of training per year per employee by gender, and by employee category	•			4-4 Competency Development and Talent Cultivation	53	
raining and Education	G4-LA10 Programs for skill management and lifelong learning that support the continued employability of employees and assist them in managing career en	dings			4-4 Competency Development and Talent Cultivation	53	
	G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee cate				4-4 Competency Development and Talent Cultivation	53	V
	Management approach					140	
Diversity and Equal	G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age		0		3-1 Board Operations	26	
Opportunity	group, minority membership, and other indicators of diversity	•	O		4-3 Recruitment and Retention		•
	Managament approach					140	
Equal Remuneration for Women and Men	Management approach G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation		•		4-2 Employee Rights	41	Š
Women and Men							
abor Practices	Management approach	_				140	
Grievance Mechanisms	G4-LA34 Number of grievances on labor practices filed, addressed, and resolved through formal grievance mechanisms	•			4-3 Recruitment and Retention	46	
					4-2 Employee Rights	41	V
	Management approach					140	~
nvestors	G4-HR2 Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant operations, including the percentage of employees trained.	•			4-2 Employee Rights	41	~
	Management approach					140	<u> </u>
Non-discrimination	G4-HR3 Total number of incidents of discrimination and corrective actions taken		0		4-2 Employee Rights	41	ŭ.
	OFFIRM Total number of incuents of discrimination and confecute actions taken		<u> </u>				
Freedom of Association	Management approach					140	
and Collective Bargaining	G4-HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	•	0	•	None identified		V
	Management approach						4
Child Labor	G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to					140	
Siliid Laboi	contribute to the effective abolition of child labor	•		•	None identified		V
'araad ar Camaula	Management approach						<u> </u>
Forced or Compulsory Labor	G4-HR6 Operations and suppliers identified as having significant risk of incidents of forced or compulsory labor, and measure to contribute to the elimination of all forms of forced or compulsory labor	s •	0	•	None identified	141	V
Human Rights	Management approach					141	✓
Assessment	G4-HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments	0	\circ		No assessment on human rights conducted so far	1	Ž.
						141	
luman Rights Grievance	Management annuals						

Material aspect	Indicator description Ir	ternal e	entity	External entity	Corresponding Section	Page	External verification
		China Airlines	Mandarin Airlines	Suppliers Local Investors Customers	3		
	Management approach					141	V
	G4-S03 Total number and percentage of operations assessed for risk related to corruption and the significant risks identified	•	0		3-3 Regulatory Compliance	30	V
Anti-Corruption	G4-SO4 Communication and training on anti-corruption policies and procedures		0		3-3 Regulatory Compliance	30	~
	G4-SO5 Confirmed incidents of corruption and actions taken	•	0		3-3 Regulatory Compliance	30	~
Public Policy	Management approach					141	V
ublic Folicy	G4-S06 Total value of political contributions by country and recipient/beneficiary	•			Not applicable		V
Anti-Competitive	Management approach					141	V
Behavior	G4-S07 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	•	0		3-3 Regulatory Compliance	31	~
- I	Management approach					141	V
Compliance	G4-S08 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulation	ns	0		4-1 Year of the Employee Launched	38	~
Grievance Mechanism	Management approach				In 2014, there were 11 administrative	141	V
or Social Impact	G4-SO11 Number of grievances on social impact filed, addressed, and resolved through formal grievance mechanisms	•	\circ	0	fines amounting to NTD 2.99 million.		~
	Management approach					141	
Customer Health	G4-PR1 Percentage of significant product and service categories for which health and safety impact is assessed for improvement	•	0		5-3 Flight Safety, 5-2-5 Food Hygiene		
and Safety	G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impact products and services during their life cycle, by type of outcomes	of	Ö	•	Not applicable		V
	Management approach					141	V
	G4-PR3 Type of product and service information required, and percentage of significant product and service categories subject to such information requirement	•		•	Enforced in accordance with CA and IATA regulations. All checke luggage and cargo has significant information labeled based on	ed	V
Products and Service	G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service informat	ion _			their type and method of transportation.		
Labeling	and labeling, by types of outcomes		0		Not applicable	74	Ž.
	G4-PR5 Results of surveys measuring customer satisfaction				5-2-4 Customer Satisfaction	/4	
Analysis s	Management approach					141	V
Marketing	G4-PR6 Sale of banned or disputed products			•	Not applicable		V
Communications	G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, by type of outcomes	•	0	•	Not applicable		V
	Management approach					141	~
Customer Privacy	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	•	0	•	There were no violations during the reporting period.		~
	Management approach					141	V
Compliance	G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of produ and services	cts •	0		3-3 Regulatory Compliance	31	Y
Other - Fleet	Management approach					141	~
Management and Planning	Fleet management and planning	•	•		1-1 About Us	13	V

Independent Third-Party Assurance Report



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY ACTIVITIES IN CHINA AIRLINES CO., LTD's CORPORATE SUSTAINABILITY REPORT FOR 2014

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by China Airlines Co., Ltd. (hereinafter referred to as CAL) to conduct an independent assurance of the Corporate Sustainability Report (hereinafter referred to as CS Report) of 2014. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables contained in this report.

The information in CAL's CS Report of 2014 and its presentation are the responsibility of the superintendents, CSR committee and the management of CAL. SGS has not been involved in the preparation of any of the material included in CAL's CS Report of 2014.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of assurance set out below with the intention to inform all CAL's stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative (hereinafter referred to as GRI) Sustainability Reporting Guidelines and the AA1000 Assurance Standard (2008). These protocols follow differing options for Assurance depending the reporting history and capabilities of the Reporting Organization.

This report has been assured using our protocols for:

- evaluation of content veracity at a high level of scrutiny for CAL, subsidiaries and applicable aspect boundaries outside of the organization covered by this report;
- evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008):
- · evaluation of the report against the GRI Sustainability Reporting Guidelines (G4 2013).

The assurance comprised a combination of pre-assurance research; interviews with relevant superintendents, CSR committee members and the senior management; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts 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 verification, 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 affirms our independence from CAL, 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 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, GMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within CAL's CS Report of 2014 verified is accurate, reliable and provides a fair and balanced representation of CAL sustainability activities in 01/01/2014 to 12/31/2014.

The assurance team is of the opinion that the report can be used by the Reporting Organization's Stakeholders. We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting. The report is the second to be assured by an independent assurance team and CAL has taken a bold step by offering the report to evaluation against both GRI G4 guidelines and the AA1000 Assurance standard. This shows a deserved confidence in their reporting process. In our opinion, the contents of the report meet the requirements of GRI G4 Core Option and AA1000 Assurance Standard (2008) Type 2, High level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS Inclusivity

CAL has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts with internal & external stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. CAL may consider having more direct two-ways involvements of stakeholders to identify relevant issues for future reporting.

Materiality

CAL 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. Future reporting would benefit from more reporting on the results of stakeholder feedback from this report.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, CAL's CS Report of 2014, is adequately in line with the GRI G4 Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement are correctly located in content index and report. More disclosure on Disclosure on Management Approach (DMA) within the organization entities, supply chain management and material aspects having boundaries outside of the organization are encouraged in future reporting

Signed: For and on behalf of SGS Taiwan Ltd.





Dennis Yang, Chief Operating Officer Taipei, Taiwan 18 June, 2015 WWW.SGS.COM

