



About this report 1

Message from Chairman and President 3

2015 Sustainability Results 7



| 2 | Stakeholder Engagement and 19 Material Issues |
|-----|---|
| 2-1 | Materiality Assessment 20 Process |
| 2-2 | Stakeholder 25 |
| | |

| 3 | Corporate Governance | 31 |
|-----|------------------------------|----|
| 3-1 | Board Operation | 32 |
| 3-2 | Sustainability Governance | 34 |
| 3-3 | Regulatory Compliance | 37 |
| 3-4 | Risk Management | 40 |
| 3-5 | Industry Overview | 42 |
| 3-6 | Historical Performance | 43 |
| | | |

| 4 Best for Customer | 45 |
|---|---------|
| 4-1 A New Benchmark Aviation Service | k in 46 |
| 4-2 Customer Service | 51 |
| 4-3 Flight Safety | 59 |
| | |
| | |







| 8 | Contribute to the Society | 139 |
|-----|---------------------------|-----|
| 8-1 | Sports Activist | 142 |
| 8-2 | Sharing Education | 143 |
| 8-3 | Charity Support | 146 |
| 8-4 | Tourism Promotion | 147 |
| 8-5 | Rescue Mission | 151 |
| 8-6 | Mandarin Airlines Charity | 152 |
| 8-7 | Tigerair Taiwan Charity | 155 |

| 157 |
|-----|
| 157 |
| 159 |
| 169 |
| |



About this Report

The 2015 China Airlines Corporate Sustainability Report conforms to the Core option of the GRI G4 Guidelines with independent assurance provided by an external verifying unit through the AA 1000AS Type II standard (high level of assurance) to ensure reliability of disclosures.

China Airlines (hereafter referred to as "CAL") has now published non-financial reports for four consecutive years since the publication of the first one, Environment Sustainability Report, in 2013. Our first corporate sustainability report was published in 2014, which made us the first airlines in Taiwan to publish corporate sustainability report. In 2015, we published the second corporate sustainability report. In 2016, we published the third report to include media as one of the main stakeholders and demonstrate the boundaries of sustainability issues on external entities in terms of value chain.

In the future, China Airlines will continue to publish the corporate sustainability report on an annual basis with verification from a third independent party and keep improving the level of transparency of our sustainability information. Moreover, we will actively convey the sustainability mission, commitment, practices, results and future targets of China Airlines to our stakeholders. The next corporate sustainability report is expected to be published on June 30, 2017.

Moreover, because the board of directors elected the new chairman and president on June 24, 2016, partial information is disclosed in this time period.



Data Collection Scope

January 1, 2015 to December 31, 2015



Data Collection Boundary(Inside Organization)

- √ CAL Park (Corporate Headquarters), Songshan Park, maintenance facilities, Taipei Branch
 Office, Kaohsiung Branch Office
- √ Mandarin Airlines
- √ Tigerair Taiwan



Data Collection Boundary(Outside Organization)

- √ CAL Group
- √ Value chain entities



Data Quality Management

- ✓ Financial Data : Deloitte✓ Quality Data ISO 9001 : DNV
- ✓ Environmental Data ISO 14001: DNV Energy Data ISO 50001: DNV
- √ Greenhouse gas data ISO 14064-1 : BSI Taiwan
- √ Sustainability data AA1000 AS : SGS Taiwan



GRI Compliance

√ Core option



Level of Assurance

√ AA 1000AS Type II- high level of assurance



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★ Scope

Inside Organization

- √ The CAL information disclosed in this report is dated from January 1 to December 31 of 2015. The information includes operation governance, environmental protection, social activities and performance data. Important event occurred before and on March 31, 2016 was disclosed.
- √ The scope of disclosing for this report encompasses the CAL Park (Corporate) Headquarters), Songshan Park, maintenance facilities, Taipei Branch Office and Kaohsiung Branch Office. Some of the data also include overseas sites.
- √ The scope of disclosure for the company's subsidiaries is mainly based on both passenger and freight services. China Airlines, Mandarin Airlines and Tigerair Taiwan account for up to 97% of consolidated revenue and have the same core portfolio. Therefore, Mandarin Airlines and TigerairTaiwan were included as well.

Outside Organization

- √ As for entity that has key influence on CAL operation, places where its impact occurred shall be demonstrated in terms of value chain and its managing practices shall be disclosed.
- √ The impact of material aspects on external stakeholders (customer, investor, government, community, the media) was also included into the organization's external scope.

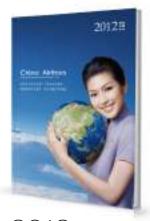


Internal

- √ Firstly, the information and data within this report were gathered and aggregated by CAL employees from each department. Secondly, this report was reviewed by department heads and then submitted to the corporate sustainability report team 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 division 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 TWD (Taiwan Dollars).
- √ The data relating to ISO quality, environment and energy management, and greenhouse gas emission were verified and audit by a third independent party.
- √ The rest of the information in this report was verified by SGS Taiwan.



2012 China Airlines Environment Sustainability Report



2013 China Airlines Environment Sustainability Report



2013 China Airlines Corporate Sustainability Report



2014 China Airlines Corporate Sustainability Report

Message from Chairman and President



M.H. 140

Nuan-Hsuan Ho
Chairman of China Airlines

Dear Stakeholders:

First of all, I would like to give my deepest appreciation to all of our stakeholders who care about China Airlines and have shown great support during the past year. Last year was a year full of challenges and opportunities. Thanks to all of our stakeholders, we have worked through it together and the accomplishments were fruitful.

Looking back to 2015, even though we have faced the challenge of supply over demand in freight market, the low global oil price, the increase of passenger demand in North-East Asia, the economic stabilization of the South-East Asia region, and the gradual economic growth in Europe and the United States took away some of our burdens. In addition, the strategy of introducing new fleet of aircraft and expanding of global flight destinations, as well as the launch of NexGen and innovative service projects have showcased Taiwan and its culture to the world, offering a totally new experience to our customers. The benefits resulted from the newly implemented strategy can be observed directly from the company's rising financial performance. As of February 2016, our passenger aircraft has expanded to 91 aircraft. Our network includes 134 destinations in 28 countries around the world. In 2015, the total earnings before tax was 6.838 billion NT dollars while the net profit after tax was 5.764 billion NT dollars. Comparing with last year, the net profit is improved by 6.515 billion NT dollars, boosting the earning per share to 1.06. As for the major management practices, we launched the so called "i Love CAL" corporate culture reconstruction project to promote a series of consensus camps and activities throughout the corporation. In this project, "i Love CAL" was adopted as the theme to set corporate core values. One of our corporate goals and vision is to "be the world's top 10 airlines by 2018." Furthermore, we continued to promote several management practices for corporate sustainability, and enforce stakeholder communication as well as sustainability committee operation. We introduced international sustainability management assessment tools to carry out self inspection. We shall continue to implement our corporate sustainable development strategy along the six dimensions of "Integrity management, persistence in safety, care for employee, environmental friendliness coprosperity partner, and contribution to the community".

Integrity Management

Realizing integrity management is the key for China Airlines to root in Taiwan. It is also the foundation of corporate social responsibility. We actively carried out risk management and employee educational tasks under the supervision of the board of directors, so that integrity and honesty are regarded as the core of the corporate culture and the fundamental principle of everyday processes. In the 2nd Corporate Governance Evaluation, China Airlines was elected as the top 20% company in Taiwan with excellency in corporate management. Despite the great honor, we are not complacent. We will continue to make improvements based on the assessment results. By introducing foreign assessment tools, we aim to benchmark with the international level. Furthermore, we will continue to integrate the elements of sustainability management into the existing corporate management system through project promotion by the sustainability committee. This work will be listed as the routine items for discussion during the board of directors meeting.

Persistence in Safety

"Safety" is the key to promise sustainability for the aviation company. Initiatives in policy, management, process, and education were carried out by China Airlines to incorporate safety management as well as safety culture into all its employees. We continue to improve the safety management systems for air and ground processes, and promote "Active Report" and "Just Culture". Through implementing active and predicting-type risk detection mechanism, possible risk factors from process interfaces can be eliminated, controlling the front-end risks. Corporate exchange and benchmarking were carried out to integrate the logics used for analyzing safety data and big data, so that clear picture of the front-end risk index can be acquired to reduce possible risks. Eventually, we hope to pursue the safety goal of zero human and zero system error during all operations. In 2015, we passed the IOSA (IATA Operational Safety Audit) program of the International Air Transport Association (IATA) with no fault and received the 7-Star award, which is the highest in international flight safety ranking, granted by Airline Ratings of Australia. In addition, China Airline also received the "Golden Wing Awards" which is the most prestigious award for the aviation industry in Taiwan.

Care for Employee

China Airlines' biggest asset is our employees. We named 2015 as the "Year of Employee Firs" and launched a series of operations to construct or strengthen intra-corporate communication systems. We listened to employee's voices and improved their working

environment based on the four principles of "Enhancement of communication", "Enhancement of participation", "Enhancement of working condition" and "Enhancement of working condition". In 2015, a total of 198 Town Hall Meetings were held to hear and answer employees' needs. Besides improving employee's salary structure and benefits, we hope to provide better working environment, recruit more talents and expand the routes of career development for our employees, achieving the goal of "China Airlines Happiness Workplace".

Environmental Friendliness

ECO and environmental friendly services is one of China Airlines core values. Since the establishment of environment risk management system in transportation industry in Taiwan, China Airlines has completed its management system. Through conducting various environmental protection projects, we have cut carbon emission by over a total of 80,977 tones during 5 years. Based on our Flight Carbon Reduction Declaration announced in 2014, we set a goal that by the year 2020, the carbon emission in Taiwan for ground work will be reduced by 38%. Besides the continuous support of international studies, we actively participate in international and domestic meetings to discuss environmental protection issues in the aviation industry. We will get ready for the upcoming ICAO Global Market-Based Mechanism and work with Taiwan government to ensure that Taiwan industry has green competitiveness. We received Corporate Environmental Protection Award and Taiwan Corporate Sustainability Award granted by Institute of Sustainable Energy, Taiwan for our outstanding achievements.

Mutual Prosperity with Partners

Aviation sector is an industry with specialty division and close collaboration. Therefore, we cherish every partner who worked with China Airlines. Supply chain management has become an essential part of a company in realizing corporate social responsibility and sustainability management. In 2015, we announced the sustainability supply chain management policy, promoted strategy and launched supply chain sustainability risk investigation plan and related management processes. We actively promoted the guiding processes in the area of safety, environment and carbon emission risk management, hoping to share our knowledge and experience accumulated over the past years with our partners in achieving the goal of mutual prosperity with partners.

Contribution to the Community

We know that China Airlines will not have today's success without the support of the community. Therefore, making contribution to the community is one of our beliefs that never changed. With our specialties and resources, we continued to support various charity events to cultivate young talents who are interested in the aviation industry. The events include offering English classes and flight experience sharing classes to elementary school students in remote areas, and donating used parts of aircraft to schools for building scenario demonstration classroom. In addition, we also sponsored several Taiwanese athletes, hoping they can win the glory for Taiwan. We introduced liveried aircraft and decorated vehicle parade based on the theme of Taiwan culture, promoting the value and culture of Taiwan to the world. Last but not least, we continued to take the role in transporting many national treasures to and from Taiwan, promoting international culture exchange. We will continue to make a contribution to the local community with endless love, interaction and passion.

We would like to thank all the employees for their sacrifices and contributions, collaboration partners, shareholders and customers for their support, and other stakeholders for their caring and guidance, which made us a fruitful 2015. We not only showed outstanding achievement in sales performance but also gained recognition by winning several prestigious awards worldwide. For 2016, the global aviation market is expected to flourish. Nonetheless, we believe that only the one with perspectives in corporate sustainability development, persistence in management, ability to bring everyone working together, and strong innovation as well as competitiveness, can overcome the challenges in such a changing world. For any complement received from the past, we will be modest. As for the criticisms, we will accept them and be ready to change. We will face our challenges with a graceful attitude and continue to spread our passion in providing more innovation and services. We will carry out corporate management and daily operations under the principle of honesty and integrity, and get ready to face all challenges and perform our duty. We sincerely wish that stakeholders of China Airlines will continue to offer us support and encouragement, persisting in corporate sustainability development to bring happiness and prosperity to the company, community and society in the future.



J. C. Hsich

Su-Chien Hsieh
President of China Airlines





Sustainable Development Goals (SDGs)

| Sustainable Development Goa | als | CAL Measures and Implementation | Corresponsing Chapter | Page |
|--|--|---|--|-----------------------------|
| Affordable energy | Energy Efficiency | Establish the Carbon Management Task Force, set aircraft fuel efficiency goal, establish monitoring mechanism and continue to make improvements. | Love the Earth Love the Earth Love the Earth | 113 113 113 |
| Employment and sustainable economic growth | Promote sustainable tourism | Establish energy management systems, and set and implement short, mid and long-term reduction goals. | Best for Customers | 45 |
| Sustainable consumption and production | Integrate sustainability information into the reporting cycle Halve waste food and food lost Sustainable management of natural resources | Implement fuel conservation programs, perfectly formulate and implement the new generation fleet plan. Include ecotourism as a passenger marketing target. Include ecological conservation as key elements in corporate brand marketing and customer communication. | About this Report Sustainable Performance Love the Earth Love the Earth Love the Earth | 1 7 113 113 113 |
| Action to combat climate change | Resilience and adaptive capacity Raise awareness and capacity | Issue annual report on external verification of corporate social responsibility. Establish and monitor annual food wastage rate, and continue to make improvements. | Love the Earth Love the Earth Love the Earth | 113 113 113 |
| Oceans ecology | Sustainable protection and management | Collaborate with suppliers to reduce wastage in menu and ingredient planning | Best for Customers | 45 |

2015 Highlight



In the 2nd corporate governance evaluation. CAL ranked among the top 6-20% excellent vendor.



CAL ranked 5th in the DesignAir's world's top ten best airport lounges.



CAL 777-300ER cabin design won the German iF Design Award



Ranked 1st in Taiwan in the use of freight electronic bills of lading (e-AWB). In 2015, 95.38% of procurement was



Completed 86 projects for proving environmental performance, and saved more than TWD 0.5 billion in cost of energy resources.

Scored 96 points on the 2015 CDP, which is the top score among domestic transport services



Compared to 2014, fuel efficiency increased by 1.5%

Ranked top 6% in the 2015 DJSI environment score for global aviation industries.



from local vendors.

Greenhouse gas emission calculated according to the three reporting standards of the GHG Protocol



Promote zero communication gap. cohesion and solidarity, enhance competitiveness, and continue to care for employees.



In 2015, salary and various benefits amount reached a new high for the last five years.



2.210 students participated in the English and flying experience sharing classes.



CAL Group donated TWD 10 million toward the Tainan earthquake relief.



The CAL \$100 Cultivation Program helped 293 students in children's home receive after-school guidance.

Award and Recognition



CAL and Mandarin Airlines received 2014 Golden Wing Award from the CAA



Jan 2015



CAL "NexGen" cabin design won the Best of the Best" at 2015 Red Dot Design Award and Winner of the Red Dot Design Award



Jan 2015



CAL "NexGen" won a silver award at the A'Design Award & Competition in Italy



Mar 2015



CAL "NexGen"
received the Excellence in
Entrepreneurial Innovation
Award at the 4th National
Industrial Innovation Award



June 2015



No. 8 in World's Best Premium Economy Class Airline, and No.5 in Most Improved Airlines at Skytrax



June 2015



Awarded Top 10 Economy Class by TheDesignAir



Sept 2015



CAL "NexGen" cabin design for 777-300ER aircraft won Good Design Award from Japan



Sept 2015



Received the award of 2015 Taiwan CDC



Oct 2015



Won 24th (Three consecutive years) in Enterprise Environmental Protection Award (EEPA)



Nov 2015



Received Forth awards at the 2015 Taiwan Corporate Sustainability Award



Nov 2015



CAL "NexGen" for 777-300ER aircraft won German iF Design Award



Feb 2016



2015 Sustainable Performance

Financial Operations



| Indicator | Change | 2015 | 2014 | 2013 |
|------------------------------------|--------|-----------|-----------|-----------|
| Revenue Ton Kilometers (RTK) | + | 8,926,177 | 8,803,655 | 7,798,612 |
| Pretax profit (in 100 Million TWD) | + | 68.37 | 0.49 | -9.44 |
| Current ratio (%) | + | 58.56 | 58.36 | 52.27 |

Climate and Energy Management



| Indicator | Change | 2015 | 2014 | 2013 |
|---|--------|------------|------------|-----------|
| Aviation fuel consumption (Tonne) | - | 2,189,644 | 2,176,178 | 2,010,522 |
| Aviation fuel consumption efficiency (Tonne/RTK) | + | 0.254 | 0.258 | 0.259 |
| Aviation fuel GHG emissions (Tonne CO ₂ e) | - | 7,103,473 | 6,885,712 | 6,456,480 |
| Carbon reduction from aviation fuel savings (KG CO ₂) | + | 33,494,487 | 21,138,926 | 6,583,924 |
| Scope 1 GHG emissions (Tonne CO ₂ e) | - | 7,108,495 | 6,891,110 | 6,462,069 |
| Scope 2 GHG emissions (Tonne CO ₂ e) | + | 20,518 | 20,884 | 22,113 |
| Ground operations electricity consumption (MWh) | + | 39,382 | 40,002 | 42,363 |
| Ground operations electricity savings (MWh) | - | 718 | 1,920 | 1,898 |
| Ground vehicle fuel consumption (KL) | - | 1,320 | 1,145 | 1,479 |
| Ground vehicle fuel-savings (KL) | + | 1,215 | 136 | 134 |

Green Operation



| Indicator | Change | 2015 | 2014 | 2013 |
|--|--------|------------|-----------|-----------|
| CAL Park EUI (kWh/m2 · Yr) | - | 150.4 | 149.9 | 164.2 |
| Company-wide electricity savings (kWh) | - | 718,429 | 1,919,512 | 1,898,116 |
| Company-wide water savings (M³) | - | 13,802 | 8,256 | 5,295 |
| Company-wide paper savings (paper) | + | 21,489,783 | 583,000 | 497,174 |
| Water consumption (M³) | + | 135,715 | 149,517 | 157,773 |
| Maintenance Facility Wastewater Discharge (Tonne) | - | 18,444 | 18,115 | 22,713 |
| Domestic waste (KG) | + | 380,662 | 387,948 | 204,745 |
| Hazardous waste (KG) | + | 12,728 | 17,673 | 18,398 |
| Batteries with cadmium (KG) (100% recycle) | - | 1,445 | 1,110 | 1,328 |
| Investment in environmental equipment (in Thousands TWD) | + | 16,798 | 5,331 | 6,975 |
| Green Procurement (in Thousands TWD) | - | 7,294 | 9,634 | 14,263 |

Note 1: Monetary unit is TWD.

Note 2: Change: Performance difference between 2014 and 2015

+: Performance improved-: Performance deteriorated

Performance deterioratedNo change in performance

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| S | Serv | <i>ice</i> |
| | | |
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| Indicator | Change | 2015 | 2014 | 2013 |
|--|--------|-----------|-----------|-----------|
| Passenger use of self check-in counter (persons) | + | 3,272,068 | 3,163,414 | 2,074,823 |
| Passenger download of CI Mobile App (downloads) | + | 238,327 | 120,884 | 132,508 |
| Passenger use of app for check-in (persons) | + | 262,730 | 129,064 | 59,148 |
| Cargo using e-freight (shipments) | + | 230,484 | 94,548 | 55,083 |
| In-flight tableware reduction(set) | - | 148,620 | - | • |

| Indicator | Change | 2015 | 2014 | 2013 |
|--|--------|-------------|-------------|-------------|
| Total number of training courses | + | 29,889 | 22,247 | 23,715 |
| Total training time (hours) | + | 623,937 | 496,306 | 556,400 |
| Average hours of training per employee (hours) | + | 50.16 | 43.8 | 49.9 |
| Total subsidies for outsourced training (TWD) | - | 2,000,000 | 3,283,000 | 2,854,450 |
| Total training budget including branch offices (TWD) | + | 324,447,523 | 310,422,359 | 264,733,181 |
| Average training budget per employee (TWD) | - | 26,087 | 27,425 | 23,762 |
| Training completion rate (%) | - | 97.42 | 98.6 | 98.8 |
| Number of new employees (people) | + | 1,892 | 1,054 | 1,007 |
| Number of handicapped employees (people) | + | 92 | 85 | 82 |
| Number of indigenous employees (people) | + | 88 | 77 | 78 |
| Ratio of local employees (%) | + | 77.1 | 68.4 | 89.1 |
| Ratio of local employees in managerial positions (%) | - | 33.2 | 33.4 | 45.3 |
| Turnover rate (%) | + | 6.00 | 7.20 | 6.40 |
| New employee turnover rate (%) | + | 4.4 | 4.9 | 5.6 |
| | | | | |





| Indicator | Change | 2015 | 2014 | 2013 |
|---------------------------------------|--------|-----------|-----------|-----------|
| Unionization rate (%) | - | 98.1 | 99.1 | 96.4 |
| Losses caused by labor disputes (TWD) | - | 6,840,000 | 2,990,000 | 1,240,000 |
| Salary amount (in 10,000 TWD) | + | 1,222,327 | 1,106,282 | 1,130,988 |
| Benefit amount (in 10,000 TWD) | + | 24,285 | 13,286 | 15,926 |
| Benefit amount (in 10,000 TWD) | - | 180,389 | 183,149 | 248,670 |
| Employee grievance (cases) | + | 24 | 33 | 18 |

Employee Rights



| Indicator | Change | 2015 | 2014 | 2013 |
|---|--------|------|------|------|
| Disabling injury frequency rate (FR) | + | 3.21 | 3.94 | 3.59 |
| Disabling injury severity rate (SR) | = | 51 | 51 | 48 |
| Health exam attendance (%) | = | 98 | 98 | 98 |
| Employee psychological counseling (persons) | + | 106 | 125 | 66 |

A Healthy and Safe Workplace





1-1 About Us

On December 16, 1959, a group of Republic of China Air Force veterans co-founded Taiwan's first private airlines-- China Airlines (CAL), and changed the country's civil aviation industry which was previously monopolized by foreigners. CAL is currently Taiwan's largest civilian airlines, and has the most international destinations and number of passengers. CAL's headquarters and transit center are located in Taoyuan International Airport. CAL is mainly engaged in international air passenger and freight routes, but also operates side businesses such as Taiwan's airport ground operation, air freight, airline catering, aircraft maintenance, hotel management and in-flight duty-free shopping. In addition, all domestic routes have been operated by CAL subsidiary Mandarin Airlines since 1998. At the same time, to compete with low-cost carriers (LCC) and meet different customer needs, CAL jointly established the Tigerair Taiwan with Singapore's Tigerair, which has begun operations since 2014.

In 2016, after 56 years of operation, CAL has a strong sense of mission as the pioneer of Taiwan's aviation industry. CAL continues to strengthen flight safety, improve service quality and operational efficiency, and uphold the corporate mission of trustworthiness, customer first and forever pursuit of excellence so that the world may see Taiwan and the New Face of CAL.



Corporate Mission



「About CAL」



54. 7 Billion in registered capital

At the end of 2015



2610

On February 26, 1993, CAL became publicly listed company on the Taiwan Stock Exchange.



12,437 Employees

At the end of 2015



92 Aircraft

CAL has 71 passenger fleet and 21 cargo fleet. (March 2016)



28

Destination countries (March, 2016)



134

Destinations (March, 2016)



29.4%

Passenger Market Share



29.5%

Freight Market Share

Operation Base and Route

CAL expects to introduce 4 Airbus A350-900 passenger aircraft by the end of 2016, and further reduce fleet age and environmental impact. By then, CAL will have a total of 84 aircraft comprising 66 passenger aircraft and 18 freighters, and an average fleet age of 8.6 years. CAL also cooperates with other airlines to provide travel to four continents, 28 countries and 134 passenger and freight destinations, including 5 destinations in Taiwan, 77 destinations in Asia, 36 destinations in the Americas, 9 destinations in Europe and 7 destinations in Oceania.

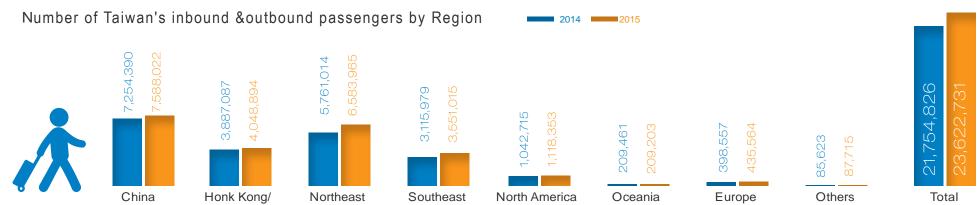
Statistics show that CAL not only leads the domestic industry in passenger and freight performance, but also ranks among the top 5 in the Asia-Pacific region. The 2015 report released by the International Air Transport Association (IATA) indicates that CAL passenger traffic ranked 24th in the world, 4th in Asia-Pacific and top in Taiwan, and has an overall capacity of 13.37 million passengers. CAL's freight capacity is 6th in the world, 3rd in Asia-Pacific, and top in Taiwan, and has an overall capacity of 1.296 million tons.

The Tourism Bureau, M.O.T.C., R.O.C.(Taiwan) statistics show that the 2015 passenger transport market in Taiwan has about 10.44 million foreigners visiting Taiwan(5.34% growth) and 13.18 million nationals traveling abroad (11.30% growth), and a total overall growth rate of 8.59%. Compared to 2014, regional routes were impacted by

regional economic growth and long-term depreciation of the Japanese yen, resulting in a growth of 14.28% and 13.96% for Southeast Asia and Northeast Asia, respectively. The cross-strait and Hong Kong markets were impacted by China's economic slowdown and changes in the cross-strait political situation, resulting in a growth of only 4.60% and 4.16%, respectively. Longhaul routes were impacted by national and foreign operators' entry into the market, stable growth in the US economy and continual depreciation of the euro, resulting in a growth of 14.28% for the North America market and 9.29% growth for the European market.

In 2015, despite demand boom in the regional route market, a large influx of low-cost carriers penetrated the Taiwan market. In 2015, low-cost carriers accounts for 15% of the overall passenger market in Northeast Asia, which represents a 6.2 % increase compared to 2013 that means market competition is increasingly intense. Although the growth in long-haul route market is gradual, national/foreign operators are vigorously expanding transport capacity to increase supply and enhance their competitiveness. Despite today's Red Ocean condition in the greater environment, the CAL Group continues to maintain its leadership, and shows a slight growing trend in the overall market share (includes CAL, Mandarin Airlines and Tigerair Taiwan).

Air freight transport grew in regional market share due mainly to effective control of market demand and adjustments in transport capability, including the opening of the new freight route to Shenzhen at the end of March and integrating the advantages of the Shenzhen, Guangzhou, Xiamen and Hong Kongflights to increase freight supply from us in the South China region. To meet the growing demand of Japan and ASEAN markets, a 5th cargo flight to Tokyo has been added since April, and a 4th cargo flight to Hanoi has been added since May. In addition, stable flight schedules in the long-haul route market are maintained through flexible freight rate and cargo hold management. Freight volume is also increased by changing the stopping points for European freighter (by replacing the original Abu Dhabi stop with the larger Dubai market). However, market share slid down due to slowing demand for air export and market competitiveness. On the other hand, CAL serves 91 freight destinations (including 32 destination of all-cargo aircraft service) by integrating freighters with passenger aircraft's belly space. The intensive freight network built by CAL provides customers with high efficiency, high-quality and customized professional transportation services that hold CAL in the lead in Taiwan's market share.



Asia

Macau

Asia

| China Airlines Fleet | Aircraft type | 78 aircraft Total aircraft as of Dec. 31, 2014 | 81 aircraft Total aircraft as of Dec. 31, 2015 | 84 aircraft Total aircraft as of Dec. 31, 2016 |
|---|---------------------------|---|--|--|
| | A350-900 | | | 4 |
| Commence . | 747-400 | 11 | 9 | 6 |
| | 737-800 | 16 | 18 | 19 |
| | 777-300 | 3 | 8 | 10 |
| | A330-300 | 24 | 24 | 24 |
| | A340-300 | 6 | 4 | 3 |
| Sea, reace to | 747-400F (Cargo Fleet) | 18 | 18 | 18 |
| ※Four Airbus A350-90 passenger aircraft are expected to introduced in the second half of 2016. The above fleet excludes aircraft in storage. | be successively | 9.8 years | 9.6 years | 8.6 years |

You Tibe Aircraft History

CAL Global Destinations



Americas 36 Europe 9 Oceania 7 Asia 77 Taiwan 5

Honolulu, Los Angeles, New York, San Francisco, Vancouver, San Diego@, Phoenix City@, Sacramento@, San Jose@, Dallas@, Miami@, Austin@, San Antonio@, Nashville@, Spokane@, Guatemala City@, Boston@, Chicago@, Newark@, Washington@, Fort Lauderdale@, Seattle@, Las Vegas@, Orlando@, Denver@, Hilo@, Kona@, Lihue@, Kahului@, Toronto@, Calgary@, Edmonton@, Montreal@, Ottawa@, Anchorage#, Atlanta#

Amsterdam,
Frankfurt, Rome,
Vienna, London@,
Manchester@,
Prague@,
Luxembourg#, Dubai
(Al Maktoum)#

Sydney, Brisbane, Melbourne, Auckland, Christchurch, Guam, Palau

Tokyo Narita, Tokyo Haneda, Fukuoka, Nagoya, Hiroshima, Okinawa, Hong Kong, Bangkok, Jakarta, Bali, Soerabaja, Hanoi, Ho Chi Minh City, Kuala Lumpur, Penang, Singapore, Phnom Penh, Delhi, Manila, Yangon, Seoul Incheon, Seoul Kumpo, Pusan, Osaka, Sapporo, Miyazaki, Beijing, Shanghai Pudong, Shanghai Hongqiao, Guangzhou, Shenzun, Chengdu, Xian, Qingdao, Wuhan, Sanya, Haikou, Chongqing, Nanchang, Dalian, Kagoshima, Shizuoka, Toyama, Takamatsu, Ürümchi, Ishigaki, Weihai, Hefei, Xuzhou, Yentai, Kumamoto, Boracay, Wuxi, Yangzhou, Nanjing &, Hangzhou &, Zhengzhou &, Xiamen &, Ningbo &, Shenyang &, Changsha &, Yanchang &, Wenzhou &, Changchun &, Fuzhou &, Changzhou &, Ko Samui@, Phuket@, Chiang Mai@, Chiang Rai@, Ko Chang Trat@, Krabi@, Yogyakarta@, Semarang@, Bandar Lampung@, Pontianak@, Medan@

Taipei Songshan, Taipei Taoyuan, Tainan, Kaohsiung, Taichung ☆

Corporate vision, mission, core values and corporate culture

CAL hopes to become a model of sustainable company for Taiwan. Confronted with increasingly intense competitiveness in the aviation industry and unpredictable external environment, CAL organizes internal Consensus Camp to solidify employee cohesiveness, establish the vision, mission and goals for CAL's future development and create an employee friendly work environment. CAL cultivates a corporate culture of safer, more reliable and more customer-oriented services and fulfills its social responsibility as a corporate citizenship so that CAL can become an outstanding model of corporate sustainability and a benchmark in the aviation industry.

Six Consensus Camps were conducted in 2015, and hundreds of elite CAL employees participated enthusiastically, including grassroots employees, pilots, frontline service personnel, logistics, and maintenance staff. Through these activities, employees shared their thoughts, pointed out current core issues in the company, and shared expectations and suggestions for the future, and together formulated the vision and mission for CAL's future development and the attributes and corporate culture expected of CAL employees.























i Love CAL

The lower case letter "i" at the beginning symbolizes the passion and love of CAL employees towards CAL. We hope that this symbol of i Love CAL can spread the love and warmth of CAL to the community so that our trustworthy, united, innovative and sustainable team of professionals can continue to motivate CAL toward excellence and long term sustainable development.

Reliable: CAL is a warm, reliable home to all CAL employees, and an important place that bears the marks of growth of its people. With one heart and mind, CAL strives to be a great enterprise worthy of employee dedication and passenger trust!

One Team: A good cooperation is like a beautiful concerto. Although different instruments are played, they abide by a common theme to deliver the best performance. Let all the employees unite in dedication to deliver the most beautiful music!

Visionary: The eagle, the king of the sky, overcomes all barriers and soars with the wind to great heights to overlook the big, wide earth. CAL employees must broaden their horizon, pay attention to the market trend and remain innovative to become innovative leaders.

Expertise: The CAL family is built from the past dedication of countless people. Together with a grateful heart, CAL must honor our glorious heritage and continue to advance so that CAL may stand firm on this land!



1-2 CAL Group-Mandarin Airlines

Mandarin Airlines was founded in 1991. The Hai Tung Ching (gyrfalcon) logo identifies the company, symbolizes" Eagle's Flight", and reflects Mandarin Airlines belief in perseverance under all circumstances with "Head Held High". Mandarin Airlines is a subsidiary of CAL. Between 1991-2000, opened up flights to Canada and Australia, and has extensive experience in international routes and an excellent management team. On August 8, 1999, Mandarin Airlines merged with Formosa Airlines, and gradually transformed into an airline that operates regional international routes and domestic routes. The staff of Mandarin Airlines consistently believe in "Flight Safety" and "Comfortable Flight Service", and was awarded "Best Airline Award" by the Civil Aviation Safety Authority of Australia and excellent flight safety award by the Civil Aviation Administration. In 2003, Mandarin Airline received its first Golden Flyer Award from the Civil Aviation Administration, and again in 2014 for its excellent flight safety, innovative services and community outreach. Mandarin Airlines achieved the IATA IOSA certification, and also became Taiwan's first airliner to achieve the ISO-9002 certification for quality flight services. In addition to complying with international flight safety standards and pursuit of service quality, Mandarin Airlines joined the International Air Transport Association (IATA) in June 2015 to integrate with international airlines, which symbolizes international

recognition of Mandarin Airline's safety. In addition, Mandarin Airlines also shares flight safety information with other member airlines to strengthen airline risk identification and risk management in order to enhance the flight safety quality..

Under shared resources and mutual benefits with its parent CAL, Mandarin Airlines has gradually been growing stronger. CAL and Mandarin Airlines maintain close cooperation in their fleets, operations and management to create maximum benefit for the CAL Group. As of the end of 2015, in addition to domestic routes in Taiwan, Mandarin Airlines has focused on departures from Taichung and Songshan to international destinations such as SE Asia, Japan and Korea and direct cross-strait flights to provide convenient and comfortable travel and business services. Mandarin Airlines offers 150 flights per week to 7 domestic destinations, namely Taipei, Taichung, Kinmen, Magong, Taitung, Kaohsiung and Hualien, and up to 251 flights per week in 35 cross-strait and international routes.

The Mandarin Airlines fleet consists of eight Brazilian Embraer E190 short and mid haul models, and leases the B747-400 / A340-300 / A330-300 / B737-800 models from its parent company, CAL, for its cross-strait and Asia routes.



1-3 CAL Group-Tigerair Taiwan

To compete with low-cost carriers (LCC) and meet different customer needs, the CAL Group officially announced its entry into the LCC market when welcoming its 55th year. CAL Group jointly established the Tigerair Taiwan with Singapore's Tigerair to provide more options for the civil aviation market in Taiwan. During the preparation phase, experienced elites recruited by CAL began developing various operations and job preparedness. On April 21, 2014, Tigerair Taiwan obtained the establishment registration certificate from the Ministry of Economic Affairs, and started recruiting the first recruitment of flight attendants. Now Tigerair Taiwan has completed its 7th flight crew training, and has reached 150 flight attendants.

Flight safety is the corner stone of airline operations. It is also the utmost belief and core value of all Tigerair Taiwan employees. The Tigerair corporate logo with a "Taiwan"

liveried on the aircraft, the spirit of Tigerair Taiwan conveys both international standards and local brand positioning.

Until the end of March, 2016, Tigerair Taiwan fleet consisted of 8 A320 aircraft in service (In 2017: 12 A320 aircraft as expected) and 14 international routes distributed throughout NE Asia and SE Asia, with more destinations expected to open. To date, Tigerair Taiwan has been operating for more than a year, and passenger volume has exceed 1 million. Tigerair Taiwan is committed to delivering practical services so that every passenger traveling with Tigerair Taiwan can always enjoy a relaxing and fun trip.

China Airlines Milestone





Soaring-Growing Strong





| 1995 | Updated the Company Identification System (CIS) to the Plum Blossom Logo. |
|------|---|
| 1998 | Completed the new version of the China Airlines Strategy Plan, and announced the new company vision of The Most Reliable Airline. |
| 2000 | Established the Shanghai office in Mainland China. Received the ISO-9001 certificate, and began online ticketing service. Established branch offices in Canada, Australia, New Zealand and Guam. |
| 2001 | Introduced the A340-300 aircraft. |
| 2004 | Introduced three A330-300 passenger aircraft, two B747-400 passenger aircraft and two B747-400 freighters. |
| 2005 | Launched code-sharing services with Deutsche Bahn AG for land-air transport. Helped promote Taiwan's agriculture and launched the world's butterfly orchid livery aircraft. |
| 2006 | Jointly created the first fruit liveried aircraft with the Council of Agriculture. Began the Airline Business Operation Center Plan for Taoyuan International Airport. Three years of construction and 47 years of operations are expected. |
| 2007 | Announced the signing of the airport hotel contract with AccorHotels (France). Launched the mobile counter at Taoyuan International Airport to shorten passenger check-in time at designated counters. |
| 2008 | Signed the Memorandum of Cooperation with China Southern Airlines. |
| 2009 | Became an official member of IATA e-Freight. Launched the use of Taiwan's largest 120,000-pound engine testing bed. |
| 2010 | Signed the Strategic Cooperation Agreement with China Eastern Airlines and China Southern Airlines. Signed the Memorandum of Cooperation with Garuda Indonesia. Signed the Strategic Cooperation Framework Agreement with Fuzhou City, China. China Airlines Park headquarters began operations and won the National Building Golden Award and National First Award. |
| 2011 | Launched code-sharing with China Eastern Airlines and Shanghai Airlines. Signed Strategic Framework Agreement with Zhejian Tourism Group Became the first Taiwan airliner to officially join the SkyTeam, an international aviation alliance. |





Launched SkyPriority services and joined the SkyTeam Cargo. 2012 Signed the OnPoint Fuel Carbon Solutions Agreement with GE Aviation.

Launched the e-boarding pass, and ticket booking and purchase, pre-boarding and customs through smart phones.

Launched the world's first trans-Pacific climate observation aircraft. Became the world's first airlines to display carbon footprint and calories in in-flight menus.

Refitted nine 747 passenger aircraft with new cabin seats and video systems.

Formed the Greater China Connection alliance with China Southern Airlines, China Easter Airlines and 2013 Formed the Green Xiamen Airlines.

Launched code-sharing with Russia's Transaero Airlines and Hawaiin Airlines, and expanded code-sharing with China Southern Airlines.

Launched freight services for thermal-controlled products.

Launched the general framework for Next Generation services. 2014 Conficially established the Corporate Sustainability Committee.

Tigerair Taiwan officially joined the Group operations.

Purchased three 737-800 passenger aircraft, , one A330-300 passenger aircraft and three 777-300ER passenger aircraft.

Passed the Enhanced IOSA (E-IOSA) evaluation standards to become Taiwan's first E-IOSA certified airline.

The NexGen 777 cabin won Germany's Red Dot Design Award. 2015 The Nex Gen 777 capin won Gennary's New Dot Boogni Maria.

Became the first airline in Taiwan to install braille In-Flight Safety instructions for the convenience of visually impaired passengers.

New uniform presented.

Established Taiwan's first aircraft maintenance training center, Training Center (CTC).

Launched code-sharing with Philippines Airlines.

Joint ventures with Chunghwa Post and Yang Ming Marine Transport Corporation to create innovative business opportunities in sea, land and air cooperation.

Participation in External Organization

| Organization | Membership |
|--|---|
| International Air Transport Association (IATA) | 4 core committee members and 1 committee observer |
| Association of Asia Pacific Airlines (AAPA) | Executive Committee Member |
| SKYTEAM | А |
| SkyTeam Cargo | А |
| Taipei Airlines Association (TAA) | Executive Director |
| Euromoney | А |
| Environmental Protection Administration- Clean Development and Carbon Credit Management Alliance | A |
| Association of Atmosphere Protection in Taiwan (AAPT) | Director |
| Centers for Corporate Sustainability | Director |



2-1 Materiality Analysis Process

The reporting principles of the CAL 2015 Corporate Sustainability 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

The aim of CAL publishing the report is to communicate with stakeholders. To do so, we must first identify those we wish to communicate with, including employees, customers, investors, the government, partners, the community and the media, through adopting AA1000 SES standard. To understand what these stakeholders expect about the CAL Corporate Sustainability Report, we internally and externally gathered sustainability related

information regarding CAL as well as aviation industry and completed a questionnaire survey that contains 37 sustainable issues. The feedbacks were then used to investigate the level of stakeholder interest in each issue.

Analysis Phase - Steps 3 to 5

Once the CAL sustainability issues had been collected, a questionnaire survey was conducted with stakeholders to understand their level of interest in each issue. At the same time, the Corporate Sustainability Report team members also determined each issue's impact on sustainability of company operations. A total of 26 material issues were eventually selected based on the analysis and evaluation. In addition, CAL also gathered reports interested by the media. Among all the media reports on CAL in 2015, 88% of them were positive and neutral reports, while 12% of them were negative reports. The top 3 issues in the

negative reports were employee benefits and services image and flight safety, which were also disclosed in various chapters of this report.

Confirmation Phase - Steps 6 and 7

CAL used the selected material issues to identify 34 material aspects from GRI G4. These and the addition of three aspects particular to the aviation industry produced a total of 37 material aspects. To determine the boundaries of disclosure for the report, each of the selected important aspects were assessed by CAL CSR Report Team in a meeting to find out where the aspects took place both internally (CAL, Mandarin Airlines, and Tigerair Taiwan) and externally (value chain), as well as how these aspects impact the external stakeholders (customers, investors, government, community, and the media).



stakeholders

Identification of Stakeholders

The five principles of the AA1000 SES-2011 Stakeholder Engagement Standard were used to identify the 2015 Corporate Sustainability report's targets for communication and 7 main stakeholders were decided upon

Step 2

3 / 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 external stakeholder feedback.

Step 3

2880 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 in each sustainability issue.



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 evaluated by the members of the CSR Report Team.



26material issues

Determine Material Issues

Based on the level of stakeholder interest, the impact of each issue on company operations, and the result of media report analysis, material issues were determined.



37 material aspect

Material Aspects

The 26 material issues identified were compared to the 46 aspects defined in GRI G4 to select 34 material aspects. Three aspects particular to the nature of the aviation industry were also added to select a total of 37 material aspects.



14 internal and external entities

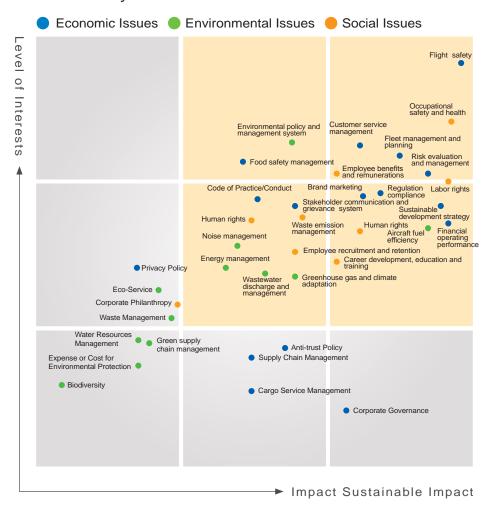
Define Boundary of Disclosure

To determine the boundaries of disclosure for the report, each of the selected important aspects were assessed by CAL employees to find out where the aspects took place both internally (CAL, Mandarin Airlines, and Tigerair Taiwan) and externally (value chain), as well as how these aspects impact the external stakeholders (customers, investors, government, community, and the media).

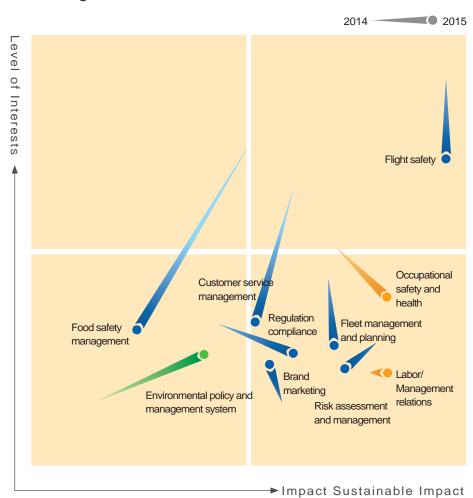


| | Material Issues | GRI G4 Aspects | Corresponding Chapter | Heading | Page |
|----|--|---|--|---|------|
| 1 | Risk evaluation and management | | | 3-4 Risk Management | 40 |
| 2 | Regulation compliance | • | | 3-3 Regulatory Compliance | 37 |
| 3 | Sustainable development strategy | Economic performance, Indirect economic | 0 | 3-2 Sustainability Governance | 34 |
| 4 | Financial operating performance | - impact, Anti-corruption, Public policy, Anti- competitive behavior, Procurement practices, | Corporate Governance | 3-5 Historical Performance | 42 |
| 5 | Fleet management and planning | Compliance | | 4-1 A New Benchmark in Aviation Service | 45 |
| 6 | Code of Practice/Conduct | - | - | 3-3 Regulatory Compliance | 37 |
| 7 | Flight safety | | - | 4-3 Flight Safety | 59 |
| 8 | Customer service management | | | 4-2 Customer Service | 51 |
| 9 | Food safety management | Food safety management, Fleet management and planning, Aviation safety, Customer health | Best for | 4-2 Customer Service | 51 |
| 10 | Brand marketing | and planning, Aviation safety, Customer health and safety, Product and service labelling, Marketing communications, Compliance | Customer | 4-1 A New Benchmark in Aviation Service | 46 |
| 11 | Service image | • | | 4-1 A New Benchmark in Aviation Service | 46 |
| 12 | Occupational safety and health | | Care for Employees | 5-5 Healthy and Safe Workplace | 98 |
| 13 | Labor rights | Market presence, Employment, Labor/ Management relations, Occupational health and safety, Training and education, Diversity and equal opportunity, Equal remuneration | | 5-2 Employee Rights | 74 |
| 14 | Labor/Management relations | | | 5-2 Employee Rights | 74 |
| 15 | Employee benefits and remunerations | | | 5-2 Employee Rights | 74 |
| 16 | Human rights | for women and men, Non-discrimination, Freedom of association and collective | | 5-2 Employee Rights | 74 |
| 17 | Employee recruitment and retention | bargaining, Child labor, Forced or compulsory | | 5-3 Recruitment and Retention | 82 |
| 18 | Career development, education and training | abor, Human rights assessment, Investment | | 5-4 Employee Development and Training | 89 |
| 19 | Environmental policy and management system | | | 7-1Environmental Sustainability Management | 114 |
| 20 | Greenhouse gas and climate adaptation | | | 7-2 Climate Change Governance | 120 |
| 21 | Aircraft fuel efficiency | Products and services, Energy, Emissions, Transport, Effluents and waste, Compliance | | 7-1Environmental Sustainability Management | 120 |
| 22 | Energy management | | | 7-2 Climate Change Governance | 120 |
| 23 | Waste emission management | | | 7-2 Climate Change Governance | 120 |
| 24 | Noise management | - | | 7-2 Climate Change Governance | 120 |
| 25 | Wastewater discharge and management | • | | 7-3 Green Operations | 131 |
| 26 | Stakeholder communication and grievance system | Environment grievance mechanisms, Labor practices grievance mechanisms, Human rights grievance mechanisms, Grievance Mechanisms for Impacts on Society | Stakeholder Engagement and Material Issues | 2.Stakeholder Engagement and Material Issues | 19 |

Materiality Martrix



Changes of Material Issues in 2015



Top three major issues in ESG of China Airlines and Improvement Strategy

| Flight Safety Aviation safety is the most important objective for the company's operations; gain insights to all influential risk factors, prevent flight safety risks early on and further gain the trust of customers, to create sustainable operational growth opportunities. Rate of high risk incidents safety involvement in the investigation (RE, CFIT, LOC-1) 0 incident/year 100% 0 incident/year agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of indights agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of indights agency involvement in the investigation of international investigative agency investigation of international i | Issue | Importance to Operations | KPI / MBO | 2015 Targets | Achievement rate(%) | 2016 Targets |
|--|------------------|---|---|--------------------|---------------------|---|
| Flight Safety Aviation safety is the most important objective for the company's operations; gain insights to all influential risk factors, prevent flight safety risks early on, and further gain the trust of customers, to create sustainable operational growth opportunities. Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents flights) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents flights) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation (cabin or cargo space fire, smoke incidents) Non-Fatal & Hull Loss domestic or international investigative of incident/10,000 flights 100% (incident/10,000 flights) Non-Fatal & Hull Loss domestic or international investigative of incidents agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative of incidents agency involvement in the investigation of other incidents Non-Fatal & Hull Loss domestic or international investigative of incidents agen | | | | 0 incident/year | 100% | 0 incident/year |
| Aviation safety is the most important objective for the company's operations; gain insights to all influential risk factors, prevent flight safety risks early on, and further gain the trust of customers, to create sustainable operational growth opportunities. Non-Fatal & Hull Loss domestic or international investigative agency involvement in the investigation of other incidents | | | agency involvement in the investigation (RE, CFIT, LOC-I | 0 incident/year | 100% | 0 incident/year |
| and further gain the trust of customers, to create sustainable operational growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the poperational growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the operational growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the operational growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the investigative of the operational growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the international growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the international growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the international growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the international growth opportunities. Non-Fatal & Hull Loss domestic or international investigative of the international flights 100% Of incident/10,000 flights 100% Incident/10,000 flights | Flight Safety | company's operations; gain insights to all influential | agency involvement in the investigation (cabin or cargo | 0 incident/year | 100% | 0 incident/year |
| that are attributed to human errors based on the assessment from the Corporate Safety Office Fatigue incidents that have been escalated into cases by the crew members after they reported them Complete the target number of 738 rental planes Complete the target number of 738 rental planes Fleet Management and Planning The fleet is the most import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. The fleet is the most import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. The fleet is the most import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. Complete the target number of 777 rental planes 4 planes 100% The introduct A359 5-stag Plan and import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. | Flight Salety | and further gain the trust of customers, to create sustainable operational growth opportunities. | · · · · · · · · · · · · · · · · · · · | | 100% | 0 (incident/10,000 flights) |
| Complete the target number of 738 rental planes Complete the target number of 738 rental planes 2 planes 100% The introduct A359 5-stag process Fleet Management and Planning The fleet is the most import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. Complete the target number of 777 rental planes 4 planes 100% The introduct A359 5-stag process Plan and import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. | | | that are attributed to human errors based on the assessment | | 100% | 0 incident/10,000 flights |
| Fleet Management and Planning The fleet is the most import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. A359 5-stag process Plan and import asset for China Airlines. Complete the target number of 777 rental planes 4 planes 100% the introduct retirement plants of the operational power to create sustainable revenue growth. | | | • | ≦ 12 incident/year | 100% | ≦ 12 incidents/year |
| Fleet Management and Planning The fleet is the most import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. The fleet is the most import asset for China Airlines. Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue growth. Complete the target number of 777 rental planes 4 planes 100% the introduct retirement planes of the operational power to create sustainable revenue growth. | | | Complete the target number of 738 rental planes | 2 planes | 100% | The introduction of the A359 5-stage review |
| Fleet Plan Review 2 times/year 100% 2 times/year | | Having an adequate fleet will enable the strengthening of the operational power to create sustainable revenue | Complete the target number of 777 rental planes | 4 planes | 100% | Plan and implement the introduction and retirement plans for all kinds of plane models |
| | | | Fleet Plan Review | 2 times/year | 100% | 2 times/year |
| "Service" is an important interface where the Cabin Crew Overall Satisfaction 88 101% 89.1 Customer Service company has direct contact with the passengers at | Customer Service | • | Cabin Crew Overall Satisfaction | 88 | 101% | 89.1 |
| Management Manage | | cannot satisfy the passengers, it will impact the passengers' willingness to use the company's product | Abnormal Dining Incident Rate | , | 100% | <0.2 incident/10,000 people every month |

| looue | Importance to Operations | KPL/MBO | 2015 Torquia | Achievement | 2016 |
|--|---|---|-------------------------------|-------------|---|
| Issue | Importance to Operations | KPI / IVIBO | 2015 Targets | rate(%) | Targets |
| Environmental Policy and Management System | Establishing the ISO 14001, ISO 50001, and ISO 14064 environmentally related management systems, not only ensures the effective implementation of the environmental management measures, but also reduces operating costs. | Complete Management System Verification | Pass third-party verification | 100% | Continue to pass third-party verification |
| Aircraft Fuel Efficiency | Fuel is the most important operating cost for the company. Through the promotion of various fuel-saving programs and the improvement in fuel efficiency, we can improve fuel usage efficiency and help reduce the company's operating costs. | Improve aviation fuel usage efficiency (tons of fuel consumption/RTK) | 0.254 | 99.8% | 0.250 |
| | There is an increasingly stringent requirement | Scope 1 Greenhouse Gas Emission Reduction | 4747 metric tons | 93.3% | 4733 metric tons |
| Greenhouse Gas and Climate Adaptation | for carbon emissions at the international level. Implementing the climate adaptation strategy will help the company confront the risk of international regulatory requirements, and it could also reduce operating costs through the carbon reduction strategy. | Scope 2 Greenhouse Gas Emission Reduction | 18,989 metric tons | 92.0% | 18,932 metric tons |
| | | | | | |

| Issue | Importance to Operations | KPI / MBO | 2015 Targets | Achievement rate(%) | 2016 Targets |
|------------------|--|---|-------------------------------------|---------------------|---|
| Occupational Saf | Employees are the company's assets. Every employee has gone through a rigorous selection and training process, before reporting for duty in the | | < 3 incidents/year | 100% | < 3 incidents/year |
| Health | workplace. If the employee losses his or her job as a result of vocational disaster, the potential costs and risks that are brought about will directly affect the company's operating conditions. | Reduce disabling injury frequency | 5% | 100% | 5% |
| Labor/Manage | Good labor/management relations can effectively he to understand the employees' needs and expectation | • | 12 times/year | 100% | 12 times/year |
| Relations | curtail the occurrence of labor dispute incidents, and strengthen employee loyalty and service quality. | Reduce the number of incidents of employee grievances | 35 incidents/year | 100% | 30 |
| | | Union Participation Rate | 98.1% | 100% | 98.2% |
| Labor Righ | Promote various measures to advance employee rights, which will help to create a harmonious workplace environment, and reduce the impact on operations as a result from damaging labor rights. | Hold Retirees Seminars | 3 events/year (in- person class) | 100% | 2 events/year in- person class and e-learning class |
| | | Hold Sexual Harassment Prevention Lectures | 1 event/year | 100% | 1 event/year |

2-2 Stakeholder Communication

2-2-1 CAL Major Stakeholders

Listening to stakeholders and understanding their opinion is critical to the corporate sustainability of China Airlines (CAL), because each stakeholder has a strong influence on the business operation, environmental protection and social charity of CAL. Through the AA1000 SES: 2011 Stakeholders Engagement Standard, CAL has delineated the six most important stakeholders, and after analyzing material issues in the past two years, news media is turned into the 7th stakeholder. CAL has established communication channels and platforms for each stakeholder, and determines the focus of communication each year. In 2015, CAL also responded stakeholder expectations and needs and explained the follow-up actions for moving interaction with stakeholder towards "engagement" from "communication".



Employees

All employees, Flight crew, Cabin crew, Employees Union

Creating top quality service for customers is fundamental to the competitiveness of an aviation industry, and CAL employees play a key role in this task. CAL strives to provide employees with comprehensive professional training, create a friendly and safe workplace, improve labor-management communication channels and respect employee feedback.



Freights customer, Passenger, customers Corporate customers, Maintenance customers, Dynasty, Flyer members

CAL strives to become the world-class airlines, and is committed to providing customers with the best service. At the same time, the essence of environmental protection and sustainability are incorporated into its service to create innovative, professional, convenient, dignified and comfortable passenger and freight services that can achieve greater customer satisfaction.



General investors, Artificial persons
Other institutional entities

Corporate Sustainability has become a selection factor among investors, and its effectiveness is measured in terms of risks and opportunities. In addition to upholding integrity in our management, CAL is committed to fulfilling investor expectation of corporate sustainability by implementing sustainable governance, pursuing value creation and reducing risks in order to gain long-term interest for investors.



Society

Community, general public

The intangible asset of reputation is more valuable than tangible property. Community feelings and expectations toward CAL is the cornerstone of corporate sustainability. Upholding a people-oriented service involves more than promotion. CAL listens more carefully to each corner of society to find out disadvantaged populations who need help and aid, and reaches out to the community with warmest dedication

Partners

Subsidiaries, Value chains

Support from subsidiaries and partners of the value chain is the key to the successful promotion of corporate sustainability.

Together with partners, CAL implements carbon reduction and corporate social responsibility, and imparts the methods and principles of sustainability to construct sustainable supply chains for Taiwan's aviation industry.



Media

Print, Internet, Electronic

The media is influential in portraying the image of CAL, and also plays an increasingly important role in the lives of the public. Establishing a good relationship with the various forms of media is one of the most fundamental key for CAL in its creation of brand image and international reputation.



Government

Accounting/financial, aviation safety, environmental protection and labor related governmental agencies

The government shapes and formulates policies pertaining to sustainability, and is also an important force that supports and influences the sustainability of an enterprise. In addition to actively understanding and complying with standards and corporate sustainability requirements set up by government, CAL communicates with the government to jointly promote sustainable development in the aviation industry.

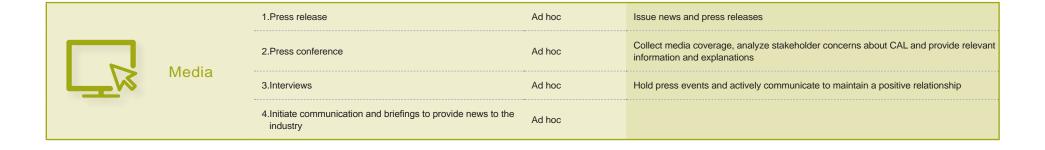


2-2-2 Communication Channels and Frequency

| Stakeholder | | Communication Channel | Frequency | Communication Focus in 2015 |
|-------------|---|--|---------------------------|--|
| | | 1.Town hall meeting | Monthly | |
| | Employees | 2.Labor meeting | Monthly | |
| | (Incumbent and retired | 3.Employee suggestion box | On demand | Respond to employees' needs by understanding employee opinions and feelings to in order to strengthen communication, and to convey company's internal and external messages |
| | employees) | 4.CAL newsletter | On demand | · incooling in the control of the co |
| | | 5.CAL Retirees website | On demand | |
| | | | | |
| | | 1.Annual general meeting | Yearly | Report annual operating outcome |
| | Investors (Shareholders, entities) | 2.Shareholders hotline / mailbox | On demand | Maintain positive relationship with shareholders through FAQ |
| | | 3. Informal entity seminars and interviews | Ad hoc | Maintain positive relationship through seminars and interviews |
| | | | | |
| | Partners (Suppliers, contractors) | 1.Telephone | Ad hoc | |
| | | 2.E-mail | Ad hoc | |
| | | 3.Coordination meeting | Quarterly | Check and confirm vendor shipments / supply situation |
| | | 4.Business visits | Every 1 month or 2 months | |
| | | | | |
| | | 1.Organization of charity events | Ad hoc | Organize and conduct related activities at primary schools, orphanages and children's homes in the community, and donate second-hand goods to local disadvantaged groups |
| | Society (Community, general public) | 2.Participation in community activities | Ad hoc | Participate/sponsor community events organized by competent authorities |
| | | 3.Press Releases | Monthly / Ad hoc | Provide press releases on various topics |
| | | | | |

| Stakeholder | | Communication Channel | Frequency | Communication Focus in 2015 |
|----------------------|----------------------|---|------------------------|--|
| | | 1.Customer satisfaction survey | 6 months | Survey customer's satisfaction with service, efficiency and quality |
| | | 2.Global Sales Section meeting | Ad hoc | Strengthen interaction and strategic project cooperation with GLOBAL KEY / VIP Account customers |
| | Customers | 3.Travel industry forum. | once or twice per year | Invite travel agents reviewed past performance and explore future improvement |
| (Passenger, freight) | (Passenger, freight) | Corporate website, corporate sustainability website, Facebook and e-mail | On demand | Convey promotions / messages |
| | | 5.Customer service hotline | On demand | Provide reception at all times |
| | | 6.On-site visit | Ad hoc | Maintain customer relationship and determine and address customer needs |

| | 1.Missive | Ad hoc | Cooperate / communicate related matters. |
|---------------|---|--------|---|
| Government | 2.Visitation | Ad hoc | Visit competent authorities to understand/comply with regulations and promote matters |
| and Competent | 3.Project participation | Ad hoc | Actively participate / implement relevant projects. |
| Authorities | Participation in regulation briefings, seminars and initiatives | Ad hoc | Participated in public hearings for regulations and international conferences |
| | 5.Participate in and support the initiatives | Ad hoc | Participate in the iniatives to enlarge and strengthen the partnership. |



2-2-3 2015 Communication Results

| Employees | | |
|--|--|--|
| Organization | Need/Expectation | CAL Response |
| | | Reduced Europe, US, Canada and one-way route points to 4 points. |
| | | For children over 25 years old of current employees added one CI ZED ticket per year. |
| Employees Union | Adjust rebated ticket benefits | Added a point card for two-way flight reservations for dependents of employees in foreign stations |
| | | Freely upgraded to Premium Economy Class in Boeing 777 aircrafts for those who buy ID00 ticket if Economy Class is fully booked and Premium Economy Class is available |
| | Revise domestic employee vacation and leave rules and proof requirement for prenatal care leave | Revised vacation and leave rules of Personnel Operation Manual for domestic employees |
| | Revise leave units from 20 minutes to 10 minutes | Adjusted leave application system and implemented from 2015/09/01 |
| Employees Union | CAL shall not require employees to conduct or participate in any training or courses before job reinstatement. | Revised relevant provisions and deleted training requirement for reinstating qualified employees |
| | Delete performance evaluation result restriction for internal recruitment (same job level) | Revised regulations for internal recruitment, and deleted performance evaluation result restriction |
| | Revise the way of stocking supply from offer by company to purchase by self including extra yearly subsidy | Employees receive a subsidy of TWD1440 toward the purchase of their own stockings. |
| Employees Union (3rd & 5th Branch) | Work overtime because of shortage human resource to affect job quality | Actively recruited flight crew and ground staff to make up for inadequate frontline human resource |
| Employees Union (5th Branch) | Resolve the long-term problem of inadequate supervisory personnel to attract outstanding employees, and enhance promotion channels | Customer Service, Taoyuan from Ground Services Division formulated proxy of supervisor regulation and promoted outstanding employees in each department to be the proxy of supervisor. The Administration Department from Ground Service Division compiled a human resource cultivation plan to achieve optimal nurturing and use of suitable talents. |
| | | Cabin crew attending ground training is given lunch allowance. |
| Cabin Crew | Adjust cabin crew benefits | Shifts are adjusted from three times to four times per month. |
| Cabiii Ciew | | Employees in out-stations receive full travel subsidy for medical treatment at contracted local hospitals. |
| | | Crew returning to Taiwan from the US receives 48 hours of rest |
| Flight Crew | Adjust flight crew benefits | Flight crew providing job support while on leave receive bonus, salary and travel expense compensation. |
| Ground Service Staff | Adjust ground crew benefits | Adjusted bonuses and unscheduled dispatch allowance for maintenance staff |
| | | Allowances are given to frontline senior supervisors, maintenance supervisor/foreman, pursers and domestic ground service staff. |
| Entry Level Employees | Increase job rotation opportunities | In compliance with CAL policy, internal human resource reassessment is conducted so that employees can freely participate in internal recruitment. Employees with seniority at a particular position are given a rotation willingness survey. |

| | Customers | |
|------------------------------------|---|--|
| Organization | Need/Expectation | CAL Response |
| Corporate Customer | Taoyuan International Airport Corporation (TIAC) requested compliance with environmental cleanliness-garbage sorting and the keep trash off the ground | CAL required suppliers (China Pacific Catering Services and NOVOTEL) to fully implement garbage sorting an count for airport Terminals T1 and T2, and the V1 / V2 / V3 VIP lounges. Garbage must be meticulously packe and transported to designated collection sites. |
| Passenger Transport Customer | Customers requested more convenient self check-in and improved check-in environment | Requested TIAC to improve the positions of CUSS and arrange convenient procedures. Set up designate baggage drop-off counters and provide guides and assistance in using CUSS service staff |
| | T2 passengers requested shorter waiting time for seat allocation | Because of many flights at T2 counters and frequent multiple flights check-ins at the same counter which happened short-handedness was resulted and long wait to passengers, CAL has applied to TIAC for additional counters and the feasibility of moving some flights to T1. |
| | Passengers requested improving the poor T1 / T2 boarding gates arrangement caused by the inadequate number of boarding gates at Taoyuan airport, which often resulted in passengers going to the wrong passenger terminal | Customer Service, Taoyuan from Ground Services Division continues to work toward a solution, such a increasing the number of guides and making recommendations to TIAC for improving terminal directions to reduce passenger difficulty. |
| | Passenger flight experience satisfaction survey helps CAL improve service quality | Survey results are given to relevant departments for reference, and passenger dissatisfaction are improve accordingly. |
| Freight Contractors | Improve freight inquiry and instant up-date functions | The revised CAL freight website is expected to be effective during the second quarter of 2016. Inquiry function hat been upgraded. Supervision of cooperating truck companies and airlines, and e-information exchange function are also strengthened. |
| | Cooperate the carbon footprint management | Since 2007, CAL has built the carbon management mechanism, participates in CDP, and proactively disclose th related information. |

| 3 | Partners | |
|---------------------------|---|--|
| Organization | Need/Expectation | CAL Response |
| Vendors | Transparency of procurement channel and information | CAL has a rigorous supplier selection system to facilitate production and marketing process Established a Stakeholder Contact on the official website |
| Affiliated Enterprises | Effective use of food ingredients and enhance efficiency of meal production | Implemented ingredient planning for new menus to include more seasonal ingredients in Economy Class, China Business Class, and snack flight segments |

| 808 | Investors | |
|---|--|--|
| Organization | Need/Expectation | CAL Response |
| General Investor/ Artificial Persons | Communicate operational performance and relevant financial and stock information | Announced and provided feedback on operational performance and relevant financial and stock information in accordance with governmental regulations and investor needs |

| | Government | |
|--|---|---|
| Organization | Need/Expectation | CAL Response |
| Civil Aeronautics Administration | Submit annual safety performance indicator/target/ safety plan | As of January 2016, CAL has submitted the plan. According to the allocation of International Freedom of Air and Audit Outline for Charter Flights, CAL scored one more extra point on the item from flight safety management. |
| Customs , R.O.C.(Taiwan) | Cooperate with pre-clearance mechanism for imports | The customs is expected to be fully implemented on July 1, 2016. CAL has cooperated with custom to promote the mechanism since 2014. CAL has begun planning for testing on all routes since May 2015 in readiness for smooth integration whenever Customs orders full implementation. |
| Civil Aeronautics Administration | When transporting dispatched empty containers on flights, conduct thorough inventory clearance to prevent potential hazards | CAL has already requested ground agents to review transport and loading mechanisms for various nodes, and implemented inspection mechanism for walking supervision (on-site supervision) at all sites. |

| | Media | |
|---------------------------------|--|---|
| Organization | Need/Expectation | CAL Response |
| Print Internet Electronic | Announce operation information Company image Announce promotional activities | Posted a total of 237 press releases and promotional announcements Occasionally communicated relevant company information to the media Held press conferences |

| | Society | |
|---------------------------------|--|--|
| Organization | Need/Expectation | CAL Response |
| Charity Group | Offer sponsorship | Provided donations and excess baggage discounts after assessment. |
| School | Request Volunteer Association to conduct volunteer teaching | CAL Volunteer Association regularly volunteers to teach aviation knowledge at Jhuwei/Shi Hai elementary schools, and will add 2 new schools started from 2016. |
| School/ Government Agency | Request tour of CAL park to promote of aviation industry | Provided charged tours to the requesting agency according to the nature of tour and the schedule of our each department |
| Internet Evaluation | Through passenger feedback and third-party evaluation, provide airline rating as reference for travelers and improving service quality | Made improvements based on internet opinion and 3rd party evaluation, to continue maintaining excellent service quality |
| Governmental Agency | Southern Branch of the National Palace Museum requested CAL to provide transport services for the 39 pieces of ceramics on loan from Japan's Osaka Museum of Oriental Ceramics | CAL provided a total of 3,126 kg of free shipping space in 3 flights, and successfully completed the transport. |



3-1 Board Operation

Shareholders of China Airlines(CAL) elect 13 board members (including 3 independent members) according to "Rules for Election of Directors of Board" . Each term of board of directors is 3 years, and the Chairman and the meeting chairperson are elected by and from among board members. According to "Rules of Procedure for Board of Directors Meeting", the board must meet once every quarter to formulate company strategies and resolve on business proposals. Board members must be competent in the professional knowledge, experience and achievements required for executing the duties in their fields, such as aviation, shipping, transportation, accounting, insurance, telecommunication, academic and international trade. They must be highly capable in international perspective, decision-making leadership and crisis management to cope with changes in the economy, environment and society.

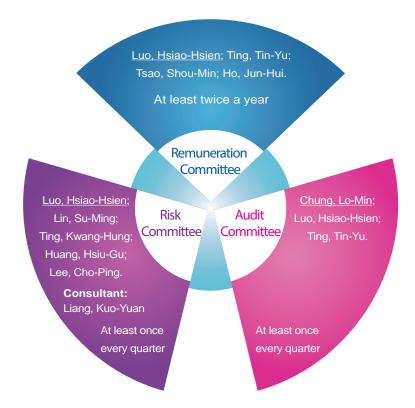
The President is appointed by the Board to lead the management team in implementing Board policy guidelines, and is responsible for overall management and administration. The roles, authority and communication channels between the Board and management team are clearly defined for sound corporate governance and overall operations.



Functional Committee

Three functional committees are set up under the Board of Directors which are the Remuneration Committee, the Audit Committee and the Risk Committee and each functional committees' chapters are disclosed in the Important Company Regulations of the official website. Based on the chapters approved by the Board, the Committees convene meetings, execute governmental stipulations, perform duties authorized by the Board, and review and discuss relevant issues. The Committees report conclusions and recommendations to the Board for resolutions to effectively enhance corporate governance and facilitate the organizational function of the Board.

Committee membership and the frequency of meetings are shown below (The person first listed in each committee member list is the convener):



(A) Chairman Sun, Huang-Hsiang

Chairman, China Airlines Ltd. Chairman, CAL Park Co., Ltd. Chairman, CAL Hotel Co., Ltd.

Chairman, CAL-Dynasty International, Inc.

Chairman, CAL-Asia Investment Inc.

Director, China Aviation Development Foundation

B Director Lai, Ching-Chyi

Member, Remuneration Committee, TOPCO Scientific Co., Ltd.

Professor, Chung Hua University, College of Management.

© Independent Director Luo, Hsiao-Hsien

Chairman, Remuneration Committee, China Airlines Ltd
Chairman, Risk Committee, China Airlines Ltd.
Member, Audit 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, EASTS
Supervisor, Taipei Rapid Transit Corp.
Director, Vehicle Safety Certification Center
Director, Taipei Traffic Foundation
Director, JING CHUAN CHILD SAFETY FOUNDATION

D Director Lee, Kuo- Fu

of China

744Captain, China Airlines Ltd. Standing Director, China Airlines Employee Union

Director, Federation of Aviation Employees, R.O.C.

Standing Director, Taipei Society for Traffic Safety Standing Director, China Road Federation Director, The General Association of the Scouts

Board members age distribution: 30-50 years old: 1 member; more than 50 years old: 12 members; average attendance rate: 90%

The second special meeting of the 20th session board of directors was held on June 24, 2016 to elect the new chairman, Nuan-Hsuan Ho, and the new president, Su-Chien Hsieh.

E Independent Director Chung, Lo-Min

Chairman, Audit Committee, China Airlines Ltd.

F Director Ko, Tso-Liang

President, China Airlines Employees Union Standing Director, Federation of Aviation Employees, R.O.C.

© Director Chang, Yu-Hern

President, China Airlines Ltd.

Chairman, Mandarin Airlines, Ltd.
Director \ President, 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, CAL-Dynasty International, Inc.
Director, Taiwan High Speed Rail Corporation
Distinguished Professor, Department of Transportation
and Communication Management Science of National

Cheng Kung University
Director, China Aviation Development Foundation

(H) Director Ting, Kwang-Hung

Member, Risk Committee, China Airlines Ltd.
Chairman, Central Trading & Development Corp.
Chairman, Phu My Hung Corp.
Chairman, Hiep Phuoc Power Co., Ltd.
Chairman, Macro Technologies Inc. (Vietnam) Ltd.
Visiting Professor, College of Management of National
Taiwan Normal University
Vice Chairman, TVBS Media Inc.

Independent DirectorTing, Tin-Yu

Member, Remuneration Committee, China Airlines Ltd Member, Audit Committee, China Airlines Ltd. Associate Professor, Department of Urban Industrial Management and Marketing, University of Taipei

J Director Huang, Hsiu-Gu

Member, Risk Committee, China Airlines Ltd.
Sen. Exe. VP & CTO, Chunghwa Telecom Co., Ltd.
Director, The Chinese Institute of Electrical
Engineering
Director, Taipei Computer Association

Director, Taipei Computer Association Director, Taipei Financial Center Corp. Chairman, Smartfun Digital Co., Ltd.

K Director Charles C.Y., Chen

Chairman, Eyon Holding Group
Vice Chairman, Taiwan Air Cargo Terminal Ltd.
Vice Chairman, Taian Insurance Co., Ltd.
Director, Epistar Corp.
Director, Ichia Technologies, Inc.
Chairman, Wan Hai International Pte. Ltd.
President, Chen-Yung Foundation
Adjunct Associate Professor, National Tsing Hua
University

L Director Lin, Su-Ming

Member, Risk Committee, China Airlines Ltd. Public Director, Taipei Exchange, R.O.C. Independent Director, Nan Shan Life Insurance Co., Ltd.

Director, iPASS Corp. Professor, Department & Graduate Institute of Accounting, National Taiwan University

M Director Lee, Cho-Ping

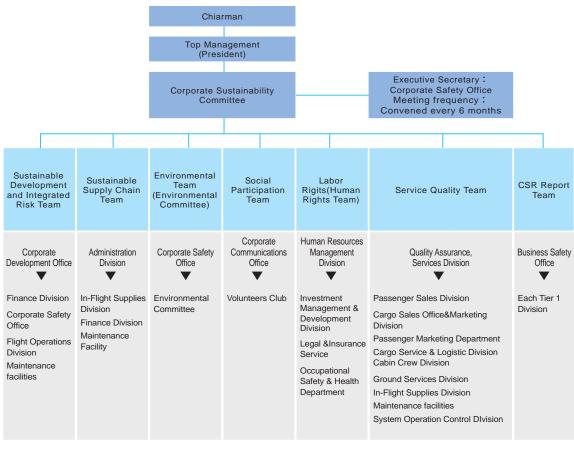
Member, Risk Committee, China Airlines Ltd.
President, Federation of Aviation Employees, ROC
President, Air Transport Workers Industrial Unions



3-2 Sustainability Governance

CAL understands the numerous sustainability risks in the aviation industry. The Corporate Sustainability Committee is formed to strengthen and implement sustainable management. It is the highest-tier sustainable governance body and regularly reports progress and plans pertaining to sustainable governance to the Board each quarter. The Committee co-ordinates, directs and formulates company-wide goals for sustainable development, and implements detailed plans through various teams. The chairperson shall review the performance and the goal achievement rate every half a year. The Committee has established 6 teams according to key sustainability issues in the aviation industry: Sustainable Operations and Risk Integration Team, Sustainable Supply Chain Team, Environment Team (Environment Committee), Social Participation Team, Labor Right (Human Rights) Team, Service Quality Team. Moreover, CSR Report Team is established for writing annual corporate sustainability reports.

China Airlines Corporate Sustainability Committee



Sustainability Mission





Inspiring Customers with Passion



Rewarding Investors with Integrity



Caring for Our Employees



Supporting Partners in Actions



Benefiting the Society through Cultural Involvement



Preserving the Earth in a Sustainable Way

CAL participation in sustainability related initiatives



SkyTeam Corporate Social Responsibility Statement

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 of 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 Tourism Code of Ethics

Committed to minimizing the negative impact of tourism on the environment and cultural heritage, promoting sustainable tourism, alleviating poverty and promoting understanding and maximum benefits between countries.



Pacific Greenhouse Gases Measurement Program (PGGM)

CAL participates in the PGGM by installing the In-service Aircraft for a Global Observing System (IAGOS) in its aircraft cabins to collect trans-Pacific high-altitude gas data for global warming and climate studies by international science agencies.



CDP

Since 2012, CAL accepted the invitation of CDP to disclose its carbon risk management strategy and greenhouse gas emission reduction management, performance and response measures to international investment institutions.



Earth Hour

Since 2008, CAL has participated in "Earth Hour" to show our supports and promoted the program through media to urge people to take the impact of global warming and climate change seriously.



Short Term, Mid Term and Long Term Goals

| Issue | Short Term | Mid and Long Term |
|----------------------------------|--|--|
| Customer Service | ✓ Maintenance facilities promptly handle and respond to customer recommendations when receiving customer suggestion ✓ Push to promote the Champions Project for improving Image Promotion, Cabin Meals, Cabin Cleanliness and in-flight Supplies to increase passenger satisfaction. ✓ Revise official website for freight (expected to be available in 2016 / Q2) to provide customers with an easier and faster channel for freight status inquiry and feedback. | ✓ Conduct a maintenance service satisfaction survey once every half a year with major customers to make specific service improvements. ✓ In order to optimize passenger service quality, continue to push to increase passenger satisfaction with frontline service as part of the 3-year strategy project. To increase passenger satisfaction, improve and optimize the quality of services such as airport check-in efficiency, meal quality in long distance flights, meal quality and ordering in airport VIP lounge, cabin cleanliness and employee service quality consistency. ✓ Conduct an annual service satisfaction survey for major freight forwarding agents at each airport to serve as basis for specific service improvements. |
| Flight Safety | ✓ Plan to promote safety culture to fulfill responsibility toward safety and strengthen employee safety awareness. ✓ Further employee autonomy and initiative toward safety awareness and encourage safe behavior through incentives. Fully implement safety discipline in all departments by establishing the mutual communication between executives and employees. ✓ To promote safe conduct, all levels of management and staff must possess good safety management skills, capabilities and safety awareness. | ✓ Continue to discover, identify, improve and control risks in the operating environment. Reduce potential loss to the minimum and control risks to acceptable levels to achieve the highest standard in flight safety. ✓ Continue to improve safety management system and measure and promote a safety culture characterized by mutual learning – learning from experience, improving implementation and sharing experiences. Develop cooperation among teams and cultivate safe attitudes and habits to achieve organizational safety performance and continual improvement. |
| Climate and Energy Management | ✓ Formulate and implement energy-saving and environmental protection objectives to comply with environment and energy management policy. ✓ Be informed of GMBM development and respond accordingly in operations. ✓ Incorporate key affiliated enterprises or companies into the Group's greenhouse gas management. | ✓ Actively promote the CNG 2020 zero carbon growth. ✓ Implement the Group's environmental risk assessment and management mechanisms. ✓ Actively respond to international sustainability evaluation to improve the environmental management capability and quality of the company. |
| Supply Chain Management | ✓ Formulate classification for supply chain (key suppliers, first-tier suppliers). ✓ Formulate risk survey objectives for sustainable supply chains. ✓ Implement sustainability training for procurement personnel. | ✓ Formulate incentives for sustainable suppliers. ✓ Construct a sustainable supplier database (based on the risk survey results for sustainable supply chains). ✓ Disclose risk status of suppliers. ✓ Request suppliers to sign the Supplier Code of Conduct and Policy. |
| Labor Rights | ✓ Strengthen employment opportunities for indigenous people and those with disabilities, continue to create a gender equality work environment, emphasize equal opportunity, expand employee involvement, facilitate promotion channel and improve employee basic pay and benefits. ✓ Plan job rotation within the department based on employee performance and career battery. | ✓ Create a fair, happy, safe and healthy work place that allows employees to balance work and family. ✓ Plan inter-department job rotation or out-station transfer based on employee performance and career planning, and nurture management talents. |

3-3 Regulatory Compliance

To establish good corporate governance, CAL has formulated the China Airline Corporate Governance Principles, Board Directors' Code of Ethical Conduct, Executives Code of Ethical Conduct and the China Airlines Ltd. Procedure for Handling Material inside Information. In addition to complying with existing laws and regulations, CAL is specifically committed to the six principles of protecting shareholders' equity, strengthening the functions, meeting regulations and decision-making procedures of the Board (including avoiding member conflict of interest), respecting stakeholder interests and increasing information transparency. To ensure that all employees comply with relevant laws and regulations, CAL has formulated the Employee Code of Conduct, which is publicly disclosed on the official website



CAL Corporate Governance Principles Target Executives

- 1 Establish an effective corporate governance framework.
- 2 Protect the rights and interests of shareholders.

Key Content

- 3 Strengthen the powers of the board of directors.
- 4 Fulfill the function of supervisors.
- 5 Respect the rights and interests of stakeholders.
- 6 Enhance information transparency.



Board Directors' Code of Ethical Conduct

| rarget | LX | eculives |
|---------|----|---|
| Key | 1 | Directors shall perform their duties in pursui of the overall interests of the company, shall not undermine the interests of the Company for the benefit of a particular individual o group, and shall treat all shareholders fairly in the execution of their duties. |
| Content | | Directors shall practice integrity, fairness and self-discipline in the execution and |

Directors shall practice integrity, fairness and self-discipline in the execution and administration of their duties, and uphold the highest discipline in complying with laws and regulations, company regulations and shareholder meeting resolutions.

Executives Code of Ethical Conduct

Target Executives

- 1 Exercise honest and ethical conduct, including ethical processes in the event of conflict between personal interest and duty.
- 2 Exercise confidentiality in information processing.

Key Content

- 3 Treat customers, employees and lawful competitors with fairness.
- 4 Protect and effectively use company assets.
- 5 Comply with governmental laws and regulations, including laws pertaining to the prevention of insider trading.



China Airlines Ltd. Procedure for Handling Material Inside Information

Target

Board members, managers and employees and others familiar with the company's internal important information because of their status, occupation or controlling interest

Key Content

Established a sound processing and disclosure mechanism for internal important information to prevent improper leaks and to ensure the consistency and correctness of information disclosed to the public.

Employee Code of Conduct

CAL has formulated the Employee Code of Conduct to specifically convey important CAL ethics and corporate values through employee behavior. The Code of Conduct is the highest principle by which all CAL employees are expected to abide by in their daily duties and not violate through any act. The CAL Employee Code of Conducts include various dimensions, such as those delineated in "Protect, Respect and Remedy" framework by UN Human Rights Representative Professor Ruggie, the Global Compact and International Labour Organization human rights standards, privacy rights, personal information confidentiality protection, and anti-discrimination standards. All employees are obligated to report misconduct, and under the premise of protecting informant interest, CAL senior executives will conduct specific investigations.

To strengthen awareness of fair competition, CAL has particularly set Antitrust and Fair Competition Clause in the Employee Code of Conduct and regularly conducts employee education and training. In the second half of 2016, online education and training will be conducted for all domestic and foreign staff to strengthen employee knowledge and to further reinforce compliance with laws and regulations.



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.

Employee Code of Conduct

- √ Service philosophy and professional ethics
- √ Safe and equal-opportunity workplace
- √ Personal character and ethics
- √ Media interaction and public relations
- √ Conflict of interest and recusal
- √ Anti-Trust and Fair Competition
- √ Anti-corruption guidelines for socializing and gifts
- √ Protect company assets and intellectual property
- √ Responsibility and obligation to report
- √ Commitment to environmental friendliness
- √ Respect for human rights



Ethics and Integrity

Under the Board of Directors, CAL has a General Audit Office with a whistle-blowing mechanism for frauds and unethical conducts. CAL employees or external individuals such as suppliers who find CAL employees misusing their positions to receive bribe or violate their duties for unlawful gains or profits which causes the loss of company's property or reputation, are encouraged to report through the managerial system or an independent mailbox (auditor@china-airlines.com).

Information Confidentiality

To strengthen personal data protection and comply with Regulations Governing Personal Information File Security Maintenance Plan and Processing Method for the Civil Air Transport Enterprise in Civil Aviation Transport (Personal Data Protection Plan), CAL has established the Personal Data Management Committee to protect and manage personal information files. A professional team of project consultants serving as a personal data protection mechanism introduced a system for managing personal data. The team conducts a personal data inventory and risk assessment according to tier-1 departments in the company. Currently, assessment is completed in departments with access to personal data (Information Management Division, Human Resources Division, Passenger Marketing Division). Assessment is being conducted in tier-1 departments, and is expected to be completed by the first half of 2016. In addition, the SOP for personal data safety management quality is completed and posted online to ensure that the collection, management and use of personal data are consistent with the Personal Data Protection Act. As the national benchmark airlines, CAL is striving to strengthen the information from customers, employees and other stakeholders.

Key Litigation Cases

| Cause Background | Disputed Incident | Date of Incident | Current Status |
|--|--|---------------------|--|
| Arbitration for refunding overpayment on aircraft rental | The Civil Aviation Administration withdrew aircrafts leased to CAL and auctioned them for auction. CAL calculated an overpayment of more than TWD 2.4 billion, and applied to the Chinese Arbitration Association to arbitrate on the amount of rental that CAA should refund to CAL. | March 2008 | The Chinese Arbitration Association, Taipei determined that CAA should repay CAL the amount of TWD 1,529,916,900 beginning April 9, 2008 at an annual interest of 5%, and assume 30% of the arbitration cost. According to the analysis, Lee and Li Attorneys-at-Law recommended that verdict should be delayed pending the revocation of arbitration and litigation outcome in view of overall consideration. On the March 4, 2015, the Supreme Court revoked the arbitration (2015 Appeal Case No. Taishentzu 312). |
| Revoked the arbitration case on refunding overpayment for aircraft lease | The Civil Aviation Administration objected the Chinese Arbitration Association verdict of refunding CAL TWD 1,529,916,900, and appealed to the court to revoke the arbitration verdict. | May 2010 | The Civil Aviation Administration appeal was dismissed by the Taipei District Court in the first instance judgment, dismissed by the Taiwan High Court and in the second instance judgment, sent back to the Taiwan High Court by the Supreme High Court for review. The arbitration was revoked by the Taiwan High Court in the first instance judgment. On March 4, 2015, the Supreme High Court dismissed CAL appeal (2015 Appeal Case Taishentzu 312). The revocation of the above arbitration verdict is confirmed. |
| US antitrust class action re air Cargo | In February 2006, the US Department of Justice began antitrust investigation against the world's major airline freighters for fuel surcharges, subsequently resulting in the civil class action suit for compensation. The proceedings have been integrated and tried by the Eastern District Court of New York. | February 2010 | In 2014, CAL reached a US\$90 million settlement with the plaintiff. The settlement will be paid in 3 installments over a 2-year period. In May 2015, the second installment of US\$30 million was paid. |
| US antitrust class action re passenger fares | In December 2007, the lawsuit was filed against major global passenger airlines that added passenger and fuel surcharges, and as a member of the AAPA, CAL was listed as joint-defendant. The case is now being heard by the District Court of California, San Francisco | December 2007 | CAL joined the Joint Defense Group ("JDG") of the codefendants. Pre-trial discovery has been completed as of February 2014. The summary judgment based on class certification in the plaintiff's class action and the joint-defendant claims that the plaintiff lacks evidence are both temporarily suspended due to JDG's appeal. |
| US DHL antitrust civil claims suit | US DHL Global Forwarding (DHL) was formerly one of the plaintiffs in the US freight antitrust civil class action suit. In November 2014, DHL opted out from the class suit and filed a claim against CAL. On December 16 of the same year, DHL also filed a civil action suit against CAL with the Eastern District Court of New York. | December 2014 | On March 31, 2015, CAL received documents for the DHL suit, and officially began proceedings. CAL has appointed lawyers to respond as appropriate. |

3-4 Risk Management

CAL understands the importance of risk management and is aware of potential impact among risks. Therefore, the Board of Directors has set up a Risk Management Committee to strengthen its management quality, and requires all subordinate units to undertake control of all major types of risks. CAL recognizes that flight safety is the foremost goal for airlines as well as more crucial environmental issues in the world, so all potential risks in major operations, such as flight safety, aviation security and environmental risks are assigned to the Corporate Safety Office for integrated management. The prevention and handling of legal and law suits related risks are managed by the Legal and Insurance Division, which also provides internal education and training in changes in laws and regulations to strengthen the legal compliance of CAL. Risks related to rapid changes in domestic and international situations and financial markets are

controlled by the Finance Division to prevent overall financial threat due to interest rate, exchange rate and fluctuating oil price. Through the company's financial risk prevention tools, major cost items such as interest rate, exchange rate and fluctuating oil price are controlled within a fixed range to avoid the impact of market price fluctuation on company costs, so engaging in subsequent hedge transactions of surplus derivative products resulting from low market prices. For prompt understanding of domestic and international economic and financial situations, the Risk Management Committee of the Board meets regularly to assess operating performance and appropriate hedge ratio of derivative products, control overall financial risks arising from changes in the financial environment and oil prices, and formulate measures and strategies to manage risks.

Risk Management Corporate Safety Office Corporate Safety Office Strategy and Operational Risk Changes in capital structure Aviation security Flight safety Ground safety Law suits formulation Legal actions study and formulation

Emerging Risk

In addition to contingency risk management, CAL also controls major emerging risk in the overall environment and industry that arise from a rapidly changing internal and external environment. Through a risk assessment model, CAL identifies emerging risks. The emerging risks in 2015 included:

Employee Strike: Employees are important CAL assets regardless of the labor dispute in 2014. To heed the voices of employees and help them understand CAL actions and attitude, CAL initiates negotiations and discussions, and enhances communication mechanisms. Through strengthening employee care and increasing employee rights, CAL provides a better workplace for all employees.

Terrorist Attacks: In recent years, the issue of international terrorist attack has intensified. CAL has always prioritized aviation safety and has included the issue into its security policy. Protecting staff, passengers and property safety against unlawful interferences according to the standards of international aviation security is a key priority, and at the same time, CAL also prevents potential threats through departmental cooperation and risk management.

Global Carbon Control: The ICAO is formulating Global Market-Based Mechanism (GMBM) by 2020 for achieving zero carbon growth after 2020(CNG2020). CAL has taken the initiative to participate in international discussions and consultations with GMBM to understand the progress in the international standard setting, and has established an internal carbon management risk identification and response mechanism for carbon management. Relevant reports are given to the government as reference for policy making to help Taiwan's aviation industry comply with the international trend in sustainable development and remain competitive.

Emergency Response

CAL controls risks that could seriously affect normal operations, and formulates relevant contingency plans. In addition to specifying task groups and operating procedures in the emergency response manual, regular training and drills are conducted to familiarize emergency response personnel with contingency operations. To further ensure customer safety, CAL not only formulates its own set of rigorous contingency plans, but has also signed contingency agreements with United Airlines, SkyTeam members, code-sharing and other ground agents as a measure for promptly protecting and ensuring customer safety.



Summary of 2015 CAL Emergency Training and Exercise

| Training | Exercise |
|--|---|
| 1.Conducted seed instructor training for America region emergency response. 11 employees completed training. | 1.Conducted tabletop exercise for America region emergency response. 22 employees participated in the exercise. |
| employees completed training. | |

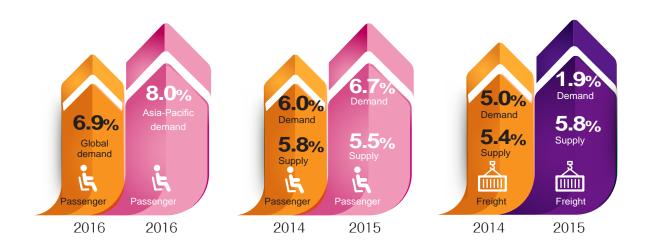
- Conducted America region
 emergency response
 regulations seminar. 22
 employees completed training.
- 3.Conducted 2 sessions of initial training for service staff of head offices. 54 new service staff attended (including Mandarin Airlines and Tigerair Taiwan) workflow, roles, job competency and self-care training.
- 2. Conducted one session of desktop drill for crisis PR Group. 13 employees participated in the exercise.
- 3. Conducted manifest exercise using the in-bound CI-7868 HKG / TNN manifest to review passenger, crew and cargo manifests. In the exercise, inspections of the various manifests were completed within 1 hour.
- 4. Conducted emergency response exercise for telephone reporting. Drill target include executives, all members of the emergency response team and all service staff s. A total of 494 attended the reporting exercise.
- 5.Conducted the 2015 CAL Group and Mandarin Airlines emergency response joint drill to ensure that both airlines understand their respective execution of contingency policies, implementation, on-site coordination and command and resource use, and clarify the available support and cooperation model when their contingency mechanism is activated.

3-5 Industry Overview

The global business environment is constantly changing. In 2015, the continual drop in international crude oil prices was a windfall for the global aviation industry, and CAL benefited from improved operating costs and increased profit. In terms of passenger transport, the regional air route markets were benefited from continual demand growth to China NE Asia and economic stabilization to SE Asia. However, long haul routes were limited by the US and European injection of resources, which resulted in fierce competition in overall growth in passenger demand. The latest IATA statistics indicated that the 2015 Revenue Passenger Kilometer (RPK) grew by 6.7% compared to 2014 due to the highest growth rate over the last four years. However, the Available Seat Kilometer (ASK) only grew by 5.5%, and the higher growth in demand over supply pushed the passenger load factor in the overall passenger market to a new high of 80.6% over the last five

In the freight market, overall demand was more sluggish in 2015. Compared to 2014, total global air Freight Tonne Kilometers (FTK) only grew by 1.9% while Available Freight Tonne Kilometers (AFTK) grew by 5.8%, resulting in oversupply in the overall freight market.

In terms of future prospects, IATA forecasts a 6.9% growth in global passenger demand in 2016, which is an increase of 0.2 % compared to 2015, indicating continual buoyant demand in the overall passenger market. Growth in passenger demand in the Asia-Pacific region is expected to exceed 8.0%, which is second only to the Middle East. In 2016, demand in the freight market is expected to increase by 3.0% and AFTK is expected to grow by 6.5% compared to 2015, indicating continuing oversupply. The 2016 net profit and percentage revenue for global airlines are expected to average 5.1%, with the Asia-Pacific region expecting to reach 3.2%. Compared to 2015, the 0.3% increase indicates that the global aviation industry has benefitted from the bullish wrinkle in the persistent low crude oil price, and overall operating condition is expected to remain optimistic. In 2016, with Taiwan as its base for

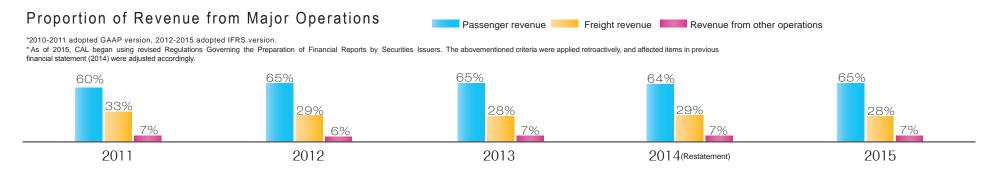


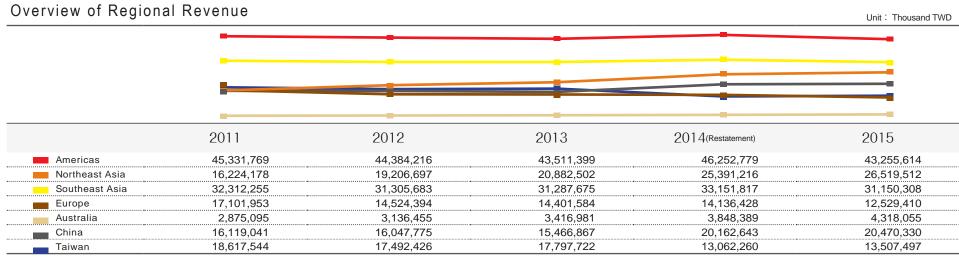
development, CAL will continue striving toward being the world's top 10 airlines by 2018, fulfill its mission of trustworthiness, customer first and forever pursuit of excellence, cultivate regional and long haul network of routes, and establish a more solid East Asian transit hub.

| Recent Yearly Plan | Expected Completion Time | Current Progress |
|---|--------------------------|------------------|
| New generation Flight Operation System (FOS) | February 2017 | 34% |
| A350-900 ground electronic workstation | December 2016 | 100% |
| New generation crew dispatch systems | February 2017 | 34% |
| Install a new generation of multimedia customer service system | December 2016 | 23% |
| Corporate big data platform | June 2016 | 72% |
| Construct a CAL webpage and Internet mobile commerce to accelerate environment optimization for users | June 2016 | 100% |
| Install a new generation mobile commerce platform (Mobile 3.0) | June 2016 | 70% |

3-6 Historical Performance

2015 had been an abundant year for CAL. The joint efforts of the management team and the entire staff had achieved a superb performance of TWD 7.134 billion in consolidated pretax profits. With the benefit of sustained low international crude oil prices, CAL experienced a relief in operational stress and an increase in profit. Consolidated operating revenue for 2015 was TWD145.056 billion, of which 65% was passenger revenue of TWD 94.962 billion mainly due to overall increase in passenger demand brought about by continual growth in demand in China and NE Asia regional airline markets, SE Asia economic stabilization, and the revival of long haul routes as a result of US and European economic recovery. Freight revenue was TWD 40.292 billion, and accounted for 28% of the consolidated operating revenue. Although economic improvement has driven freight market demand, the overall air cargo market is in a state of oversupply, and hence market demand remains stable but not buoyant. Regardless of positive or negative circumstances, CAL will strive to innovate and open up a new blue ocean in the fiercely competitive market. In addition, as a benchmark in Taiwan's aviation industry, CAL had achieved major success and wide recognition in its flight safety management, service innovation and corporate governance in 2015.





^{*2010-2011} adopted GAAP version, 2012-2015 adopted IFRS version.

^{*} As of 2015, CAL began using revised Regulations Governing the Preparation of Financial Reports by Securities Issuers. The abovementioned criteria were applied retroactively, and affected items in previous financial statement (2014) were adjusted accordingly.

Historical Financial Performance

Unit: Thousand TWD

| | 2015 | 2014(Restatement) | 2013 | 2012 | Remarks |
|-------------------------------|-------------|-------------------|-------------|-------------|---|
| Income tax expenses (benefit) | 1,074,108 | 798,498 | 329,709 | -40,407 | |
| Total assets | 209,142,850 | 217,899,610 | 211,056,974 | 209,818,674 | |
| Capital | 54,708,901 | 52,491,666 | 52,000,000 | 52,000,000 | |
| Revenue per employee | 10,729 | 12,344 | 11,826 | 12,044 | Total number of employees at year end |
| Total revenue | 133,441,725 | 139,726,168 | 131,752,677 | 132,135,468 | |
| Total consolidated revenue | 145,056,217 | 150,581,742 | 141,702,545 | 140,972,139 | |
| Consolidated pretax profit | 7,134,885 | 362,426 | -361,180 | -172,005 | |
| Total market value | 65,650,680 | 76,112,922 | 56,940,000 | 62,400,000 | Calculation is based on share price at the end of each year |
| Operating expenses | 125,556,628 | 137,855,977 | 132,036,459 | 132,912,058 | Operating cost+ Operating expense |
| Retained earnings | 2,872,235 | -3,870,736 | -3,161,115 | -1,841,688 | |
| Salary expense | 14,186,351 | 11,188,769 | 11,309,878 | 11,438,960 | |
| Employee benefits expense | 19,116,761 | 14,864,021 | 14,722,548 | 13,871,863 | |
| Total pensions cost | 723,540 | 749,869 | 642,892 | 527,507 | |

^{*}As of 2015, CAL began using revised Regulations Governing the Preparation of Financial Reports by Securities Issuers. The abovementioned criteria were applied retroactively, and affected items in previous financial statement (2014) were adjusted accordingly.



4-1 A New Benchmark in Aviation Service

For passing down Chinese culture, displaying Taiwan spirit, and planting the position of Taiwan airlines in the world, China Airlines (CAL) developed "Next Generation (NexGen) Plan for promoting Taiwanese culture and offering comfortable services to travelers. We introduced world-class design teams to reassess brand and service position from customers' perspective, and discovered core values of innovative services, to build the development direction of NexGen products. In external promotion part, we successfully push Taiwan to the world through several international awards. In internal promotion part, we internalize innovative strategy into corporate culture and employee conduct—to enhance the innovation value of CAL's product and shape the corporate brand image.

4-1-1 Next Generation Plan

CAL launched NexGen Plan to make passengers experience "Different China Airlines" to meet changing market demand.

With the introduction of new aircraft, increasingly younger fleet provides passengers with higher service quality. Through employee and customer opinions, CAL has reassessed the brand position and attributes, combined the service principle, "We Treasure each Encounter", to strengthen "the brand personality and value". CAL also reinforced the brand power, and proactively shaped nine brand attributes, "Environmental Protection, Innovation, Discipline, Emotional Connection, Trust, Elegance, Humanities, Technology Taiwan" based on four core brand values of "Leadership, Emotion, Elegance and Innovation" to re-launch CAL into the world stage.



VIP Lounge

In 2014, in addition to serving as a rest area, the VIP Lounge provides e-menu system by integrating the POS and iPAD mini App which is only from CAL in Taiwan so far. The e-menu system saves human resource and reduces meal waiting time for passengers, thereby enhancing the interaction between ground service staff and customer and ordering efficiency. The system also offers automated billing to save calculation time for kinds of information and improve management efficiency. As of 2014/7/1, a total of 38,734 passengers have been served.

The CAL's VIP Lounge at terminal 1 is the only airport lounge in the world with the space full of art and emphasizing eastern aesthetics. Except for the praises of both domestic and foreign passengers, CAL's VIP Lounge came to the 5th place among the world's top 10 DesignAir airport lounges in 2015 which is the best recognition for the high service quality we always insist. Our VIP Lounge is formed as a royalty by reputable designer, Ray Chen and added by Song Dynasty with the conceptual use of a "southern china style garden". The entire VIP lounge is built in walnut wood, and at the entrance's words is engraved on traditional hardwood by woodcarving masters from Sanyi, Taiwan to reflect CAL's respect for nature and commitment to the environment. Main hallways connecting all of the space are used stone skin and mirrors to create a garden landscape. Paintings of lakefront adorn the reading area. On each side of the hallway are lounge services such



as business center and recreation area for the enjoyment of guests as they stroll along the corridor.

Cabin Design for the New Fleet

The B777 cabin design uses Song Dynasty aesthetics to create three kinds of styles: study room with silence and nightlight in the Business Class; academic space with bright and fresh in Premium Economy; and a market with leisure and pleasure in Economy. Upon boarding, passengers can immediately feel the unique scholarly qualities of the Song Dynasty through the cabin design with Song Dynasty aesthetics the gentle but modern flight attendances and the tableware inspired from Song Dynasty through the implied Song aesthetics.

The stunning cabin design in CAL's B777 aircrafts exceeds the imagination and expectations of passengers, and has won numerous domestic and international awards for innovative design. Awards CAL won including the Golden Pin Design Award for the best design and Taiwan Interior Design Award (TID) in 2014; the A'Design Silver Award and Japan's Good Design Award in 2015. Furthermore, CAL won German's Red Dot Award for the best design in the Business Class seats making CAL the world's first airlines to win this award In the cabin design of the new A350 aircraft, CAL continues using Song Dynasty aesthetics as a design element but includes more contemporary elements and the metal for adding a sense of fashion and vigor.



China Airlines has always upheld the corporate mission of "Trustworthiness, Customer First, Forever Pursuit of Excellence" and is committed to providing passengers with the best service. After conducting an overall assessments of its existing fleet, external market demand and industry development, CAL introduced the world's newest Airbus A350-900 XWB (Xtra Wide Body) as the medium to long haul route' aircraft which are expected to be delivered since July 2016.

The Airbus A350 passenger craft is known for being the "most high-tech, most energy-efficient, most eco-friendly, most spacious and least noisy". 70% of the fuselage is built with advanced composite material which not only effectively reduces aircraft weight but can significantly reduce the risk of metal fatigue, improve flight safety, and greatly reduce fuel consumption, making it the world's most fuel-efficient model. The A350 is equipped with the latest Rolls-Royce engine, and compared to previous generation models, can effectively reduce carbon dioxide emissions by 25%, and is therefore a greener energy aircraft. The A350 passenger aircraft features the following characteristics:



A350 Chacteristics:

Spacious cabin

The A350 aircraft fuselage measures 66.9 m in length, 2.4 m in cabin height and 5.6 m in width, which exceeds conventional models and allows passengers to enjoy a sense of unfettered freedom.

Calm ambience

100% LED lighting: A 16.7 million hues capacity provides unlimited mood lighting to help reduce jet lag and create a comfortable flight experience. The pioneer combination of lighting effect and music creates a delightful visual and relaxing effect.

Pleasant journey

With seven temperature control zones combined with advanced medical grade air filter to remove volatile gases and remove allergens, and complete change of air every two minutes, cabin comfort is significantly improved. (Note: The current A340-300 passenger craft has three temperature control zones and completes air change once every 5 minutes).



Quiet cabin

External aircraft noise is reduced by 21 db (the A340 is 104 db), which is a 20% reduction compared to conventional models and the quietest and most peaceful flight in the industry.

Healthy flight

Cabin pressure is similar to that at 6000 ft (conventional aircraft cabin pressure is 8000ft), which can relieve flying discomfort, bloating and distress.

Wide vision

Streamlined extra-large picture windows and 18% larger wide angle windows than A340 creates a brighter and more open feel. The natural lighting design also offers passengers 40% more luminance.

....

Spacious compartment

Extra-large overhead compartments can accommodate five standard carry-on luggage (side compartments), or three carry-on luggage and other small carry-on (central aisle compartments).





The design of the new CAL A350 passenger cabin is overseen by renowned designer Ray Chen, and includes the following key features:

Mood Lighting

Combining natural beauty with the latest technology and lighting aesthetics, different themes are manifested. At the same time, the integration of technology and the humanities adds vibrant and trendy elements to bring passengers an unprecedented flight experience.

Economy

The 18-inch wide seat currently being used is the latest and lighter seating product in the industry. Combined with circuit box free space under the seats and unique full flat carpeting of A350 cabin, the slim seat design allows passengers greater feet space for stretching. When seated, even passengers taller than 190 cm have 3-5cm of knee space.

Business Class

Extra high ceilings create a more open visual experience and greater comfort to passengers, Combined with cabin mood lighting, a delightful and pleasant visual effect and relaxed atmosphere is created. The seats are configured diagonally as in the B777 for easy access and privacy, and the Oriental ergonomic seats can be reclined to a complete 180 degrees into spacious lie-flat beds for passenger comfort.

Family Couch

As part of CAL's brand new cabin plan, 12 rows (36 seats) are designated as family couch with enlarged space designed for family enjoyment.

Premium Economy

Adopting the fixed back design used in the 777-300ER, the seats do not interfere with other seats behind when reclined. Individual seats are also not affected by the seats in front, and the upgraded tilt angle and width (20 inches) of the seats allow for free and comfortable movements.

Sky Lounge

CAL creates a new concept of refined traveling by integrating the beauty of eastern and western art in the unique and inviting culture library.

Compared to the restrained and substantial luxury of the 777-300ER, the A350 combines oriental aesthetics with modern style while maintaining existing persimmon wood complemented with azure, raspberry red and indigo to create a livelier and more colorful visual effect. The sense of greater diversity and contemporary elegance is based on Taiwan's culture, and supplemented with technology and innovative ideas to produce creative, youthful and stylish overall design that opens the five senses to a new experience so that passengers can enjoy a comfortable boutique hotel-like stay at 30,000 feet in the air.

Sky Lounge

Sky Lounge: The Sky Lounge embraces the poem of Lu You from the Song Dynasty, "Embrace the voyage, no matter how much farther the road is ahead, as long as there is a place to rest our soul."

The Sky Lounge uses cracked ice patterns in the Song Dynasty as the main product packaging, and with tranquility, simplicity and restraint as foundation, a harmony of history and culture is created. In keeping with modern development, CAL portrays Taiwan's culture of culinary abundance, and occasionally spotlights in-depth features of Taiwan and its plants and baked products. Refreshments of authentic tea from the high mountains of Taiwan, elegant and aromatic coffee from the West and pastries are splendidly arrayed in boxes with ancient words and seals in a delightful mix of Oriental art.



4-1-2 Service Excelsior Project Team

To strengthen overall customer service, CAL has set up a "Service Excelsior Project Team" that reports directly to the Chairman of CAL. The team develops service and procedure which exceeds the customer expectation through the perspective of customers and coordinates inter-departmental communication to strengthen service quality.

Airport Service by Walking Around

Goodwill ambassadors are around the airport to offer warm and friendly assistance to passengers, and help for the elderly and frail. Moreover, by promptly addressing passenger needs, it is hoped that passengers and other travelers may be impressed by CAL service. Airport services by walking around are also offered at boarding gates to provide caring assistance to passengers with special needs. In baggage claim areas, baggage counters for inquiry by walking around also add to the positive impression of passengers.

This progression of impressive and reliable airport experience for passengers has won the praises of domestic and foreign travelers, and has won successive the Global News Monthly championship for Five Star Service Award in International Aviation.



4-2 Customer Service

In pursuit of the highest service quality, CAL especially formulated "Safety First, Service Plus, Eco Must and Innovation Must" quality policy requiring employees to be thoroughly diligent in their service and ensuring absolute customer satisfaction. As such, CAL is committed to providing innovative services, including instant and unlimited e+M services in recent years to improve service efficiency and convenience for customers. At the same time, through the improved SOP + in cabin service and "Diligence and Carefulness, Proactiveness Interaction, Touching and Accountability, customers are provided with the warmest service.



4-2-1 Trustworthiness

CAA statistics indicate that from the first to the fourth quarter of 2015, the on-time performance from Taiwan Taoyuan International Airport was 97.91%, 98.14%, 98.3% and 97.82%, respectively. To provide passengers with excellent service, CAL sets higher on-time performance goal of less than 15 minutes delay, and in 2015, 76.79% of all routes achieved the 15-minute punctuality; and in 2016, 87% of all routes are expected to achieve punctuality.

98.04%

30-minute on-time average performance for departure in 2015

30-minute on-time performance for departure in 2015



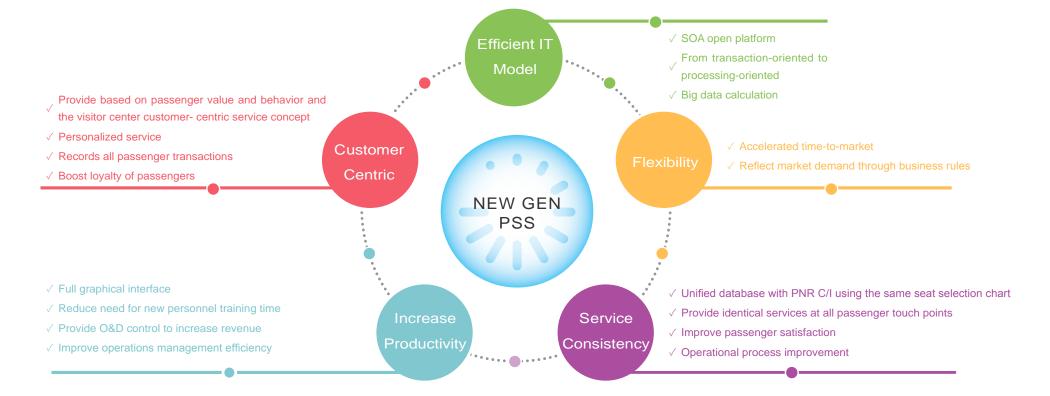
* The statistic of CAA is the regular flights delayed over 30 minutes due to the factors attributable to the industry of CAL aircraft departing from Taoyuan and Kaohsiung. The data offered from CAL is the complete route including the departure passenger aircraft (including charter flights and extra flights) delayed over 15 minutes due to factors attributable to the industry and factors not attributable to the industry.

4-2-2 A New Generation of Passenger Service System (PSS)

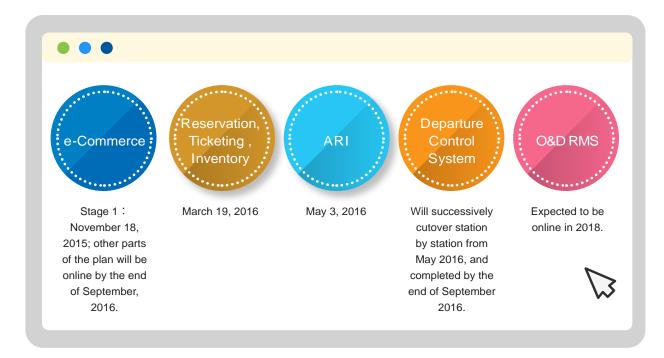
On 20 March 2016, CAL and its subsidiary MDA (Mandarin Airlines) completed the migration to the new Passenger Service System, which is internally called CICOS+. The CICOS+, powered by Amadeus, is currently the leader in the industry, and is adopted by more than 160 airlines around the world. The implementation of new system, which covers the areas of reservation, ticketing and inventory, features the airlines first step to fully integrated end-to-end passenger services system. Its inventory function is capable of accurately distributing seats according to market segmentation to

achieve optimal revenue. At the same time, it can provide available seat and fare information to sales channels for increasing sales opportunity. The Amadeus Revenue Integrity (ARI) function also automatically sets the booking period and deletes invalid reservations to increase the usage rate of seats. These automated functions (such as flight change notification and automated ticket change) improve operational efficiency and accuracy, and the use of the open-system environment significantly enhances the efficiency of system maintenance. With new departure control service (DCS) entering into operation later

this year, the passenger reservation and ticketing can connect seamlessly in a way to provide a more accurate and efficient check-in/boarding services. The single, integrated platform also help eliminate gaps in messages by synchronizing information, and enhance the future development of analysis/ management software. The powerful Ancillary Service function and O&D Revenue Control System can effectively enhance revenue, and the graphical user interface reduces training time for new employees and increases operational efficiency.



As for PSS, CALhas introduced a total of seven modules, namely Reservation, Ticketing, Inventory, Amadeus Revenue Integrity (ARI), Origin & Destination Revenue Management System (O&D RMS), Departure Control system and e-Commerce, and the planning time to run the abovementioned modules is as follow:







4-2-3 SOP+ Cabin Management

To meet traveler need and enhance passenger satisfaction and the service efficiency of cabin crew, the Cabin Crew Division constantly reviews cabin services. In addition, the cabin service also upholds the SOP+ service: diligence, carefulness, proactiveness, interaction, touching and accountability to provide service that exceeds customer expectations. For example, we cooperate with famous hotels and top 4 reputable chefs to promote in-flight meals. Through the mystery shopper survey, service process are reviewed and improved. To thoroughly enforce CAL's environmental policy, environmental protection is also implemented in cabin services, such as using eco-friendly paper bags for duty-free purchases, playing in-flight videos on environmental protection and using cleaning towels made from recycled fabric. In addition, together with the Information Management Department, a cabin management system is developed using iPad in order to increase the efficiency of cabin management.



4-2-4 Dynasty Member

Dynasty membership has exceeded 3 million, including partnership with 22 interlines, 19 banks or credit card companies, 10 international or regional hotel chains, 3 online hotel reservation service centers, 3 international car rental chains and 1 telecommunication company.

Banks

CAL launched the new co-branded card with HSBC to offer more excellent services to the whole CAL passengers. In addition, in support of CAL frequent passengers, a variety of benefits offer to members so that they can enjoy warm and customer first services anywhere in Taiwan or around the world.

Interlines

CAL continues to strengthen mileage cooperation with Garuda Indonesia, and has signed a Letter of Intent during a summit to expand passenger and freight flight cooperation such as core-sharing class code to better meet traveler needs by integrating products and sharing resource. Cooperation with partner airlines with China Southern Airlines, China Eastern Airlines and Xiamen Airlines to accelerate "Greater China Connection" member programs. . In addition, on October 19, 2015, CAL signed the Letter of Intent with China Trust Bank in Tengchong in Yunnan for the Greater China Connection Co-branded Card, which is expected to be effective in 2016.

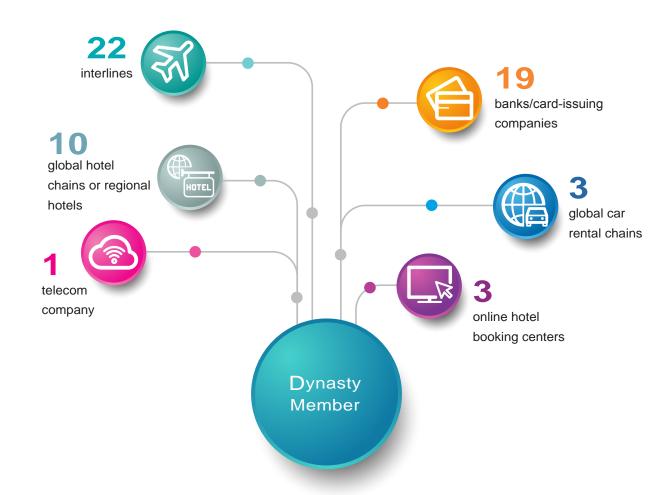
Cross-industry

Members can redeem their mileage for subscriptions to Business Today, CommonWealth, Common Health Magazine, Global Views Monthly and Business Weekly. In addition, CAL also promoted mileage benefits with Hotel Reservation Service (HRS), PointMax with Agoda, car rental deals with HERTZ, AVIS and SIXT, and mileage promotions with Nikko Hotel Group.

Member Benefits

A variety of benefits are available to members, including the Dynasty Flyer Paragon / Emerald Card, Taipei-Guangzhou/Pudong / Shenzhen round-trip economy class upgrade, bonus mileage on the 777 Premium Economy Taipei-Frankfurt round-trip, easy upgrade to Premium Economy on the 777 Frankfurt flight, and exclusive offers for elderly members.

CAL will continue to integrate travel services in the mileage program, and develop cooperation with other airlines and non-airline industries to provide more and better benefits for members. (For more details on CAL Member benefits, please login to CAL Member Webpage.



4-2-5 Listening to Customers

China Airlines values customer input and provides the most comprehensive and convenient channels for customers. We provide various channels for customers and respond proactively to customers' expectation. In addition to customer initiative, CAL also actively collects the opinions from customers through comprehensive customer satisfaction surveys. Different types of satisfaction surveys are conducted for different customers to obtain the most honest thoughts and feelings, which are the motivation behind changes and improvements made by in CAL.

Contact windows receiving consumer feedback input the information into the CAL Custom Service System (CSS) for filing. If passengers use the Customer Response at the official website to share ideas or opinions, the information will be automatically entered into the CSS system. Based on the issue involved, the Customer Relations Department distributes the feedback to relevant departments for investigation and handling. Responsible departments are required to complete investigation and reply to the customers through relevant channels.

Channels for Communicating with CAL



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 Customer Services under the We'd love to keep in touch section of the CAL website.



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.



Customers can visit the CAL website and under "Contact Us", click on "Customers Voice" then "Customer Response" to submit their opinion or complaint.



General correspondence

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

4-2-6 Customer Privacy Protection

CAL is committed to protecting the privacy of all customer information and has formulated the Data Privacy and Security Statement for the collection, use, acquisition or modification of personal information, and the revision of Data Privacy and Security Statement to diligently ensure data privacy. Details are posted on the official CAL website. Since 2015, CAL has received very few grievances of credit card fraud following ticket purchases at official CAL website. CAL has appointed external consultant approved by PCI Security Standards Council to provide a forensic report which indicates that "there is no evidence that official CAL online ticketing system has been hacked resulting in leak of personal customer information of customers," and customers' credit card fraud is not the result of online ticket purchase at official CAL website.



4-2-7 Customer Satisfaction

In addition to collection of customer feedback, CAL actively monitors and collects the satisfaction of passenger or cargo customers toward the services through CAL Passenger Satisfaction Survey, CAL Dynasty Package Passenger Satisfaction Survey, and Cargo Service Satisfaction Survey. Moreover, CAL conducts a customer satisfaction survey on aircraft maintenance at least once a year as well.

Likewise, in consistent with its service philosophy of "Customer First", based on the customer satisfaction survey results, CAL convenes Target of Service Quality review meeting each year with passenger, cargo and maintenance departments to conduct in-depth discussions and assess performance in the various passenger, cargo and maintenance quality objectives. At the same time, the objectives set by the responsible departments or business management levels are updated and yearly plans and methods to achieve the objectives for improving service quality. Because only by providing services that satisfy customers can CAL truly impress customers.

In 2013, respondents for the cargo service satisfaction survey were changed from cargo forwarder agents selected by each station to top agents of each station with high ranking revenue. In 2014, the survey was revised to include items on abnormal handling and web services. Although the scores decreased, main customer

needs were explored at a deeper level. In 2015, the survey frequency was reduced from twice to once a year to avoid repetitive survey target, but the score showed no significant change. In 2016, for increasing survey reliability and validity, all dimensions of the satisfaction survey will be reviewed in collaboration with a noted domestic academic institute. It is hoped that a third party participation can provide a fairer and tangible direction for improvement and excellence.

86,5% 2015 Passenger Customer Satisfaction

Passenger Customer Satisfaction



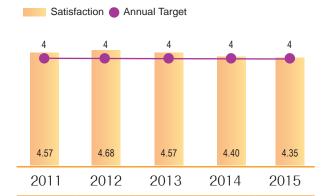
89_3% 2015 cargo Customer Satisfaction

Cargo Customer Satisfaction



4.35 2015 Maintenance Customer Satisfaction

Maintenance Customer Satisfaction



Note: The highest score is 5.

4-2-8 Food Hygiene

CAL takes food hygiene and safety very seriously, and sets Hygiene and Quality as the standards and requirements for passenger meals to ensure food safety. CAL further requires that catering service agent adhere to and rigorously enforce international safety and health standards for aviation meals to protect passenger health and safety.

Food safety incidents in recent years have triggered an international food safety crisis and significantly changed the global concept of food safety. The government has actively enlarged food-related laws and regulations, and established a registration and tracking system mandating the food industry to upload data for the Governing Traceability of Foods. The CAL Group, China Pacific Catering Services, has strict supplier management and material review criteria for selecting suppliers and ensuring that all supplied food materials comply with relevant food hygiene standards. In addition to intensifying current evaluation, a 3-year plan for improving food safety is formulated to strengthen source management. The plan includes tasks such as supplier management, increased inspection of supplies, item simplification, and heightened inspections of pesticide and food supply veterinary medicine. The farm to table scrutiny ensures the safety of agricultural and raw material source, and continual promotion of food tracking and tracing system will reinforce the safety of the entire food supply chain.

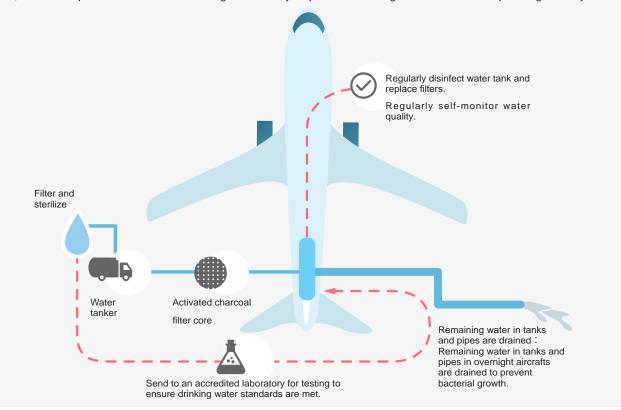
Seasonal Ingredients and Local Produce

CAL offers in-flight meals made with local ingredients, jointly promotes agricultural products with local farmer's association, sponsors charity events and participates in cross-industry collaborations. In 2015, in collaboration with Department of Indigenous Affairs, Taoyuan City, CAL offers persimmon cakes in the VIP Lounge. This charity event not only helps local fruit farmers promote persimmons internationally, but also publicly demonstrates CAL's diligence in supporting local agriculture.

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" and management mechanism. 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



4-2-9 Air Freight Service

In addition to general cargo and postal deliveries, CAL also transports humanitarian aid and special cargo transportation, and has a rich and diverse transport experience as well as excellent service quality. In the future, CAL will further cooperate with Customs to offer paperless pre-clearance for protecting the mother earth.



Worldwide Special Cargo Services

CAL has abundant experience and provides worldwide delivery services for special cargo such as general cargoes, sophisticated instruments, large equipment, valuable antiques, and live animals. We also positively implement the safety services beyond the regulations. For example, CAL requires certain products or goods in a cargo such as certain types of lithium battery products (bulk lithium battery) and dangerous goods not listed by the International Air Transport Association (IATA) to be declared as dangerous goods for safe delivery under the supervision and monitoring of CAL specialists. Moreover, CAL also helps countries deliver important national cultural relics. In 2016, CAL assisted the Palace Museum transport 60 priceless Holy See artifacts from the Vatican, and through its high-quality professional carrier experience.

Upgraded Service through SkyTeam Cargo Alliance

Since joining the SkyTeam Cargo, CAL cooperates with the alliance strategy to develope logistic opportunities for the high priced products, cool chain products and medical and healthcare products, and has already acquired the Qualified Envirotainer Provider (QEP) certification for Taipei, Tokyo, San Francisco, Frankfurt and Amsterdam stations, and plans to fully expand the services to other stations. At the same time, CAL also cooperates with other airlines of SkyTeam, including providing Vietnam Airlines trans-shipment once a week from Europe to Vietnam and from Vietnam to Americas via Taiwan. In addition, CAL has also obtained reciprocal agreement for the space with China Cargo Airlines, Aeromexico Airlines and Korean Airlines.

Global Service Network by Cooperating with Interlines

CAL has flights to 32 cities in China freight market, and destinations for cargo only include Chongqing, Shanghai, Guangzhou, Nanjing, Xiamen and Zhengzhou. To improve the utilization of space and delivery quality, CAL signed the Special Prorate Agreements with Chinese airlines, such as Air China, China Southern Airlines, China Postal Airlines and China Eastern Airlines. In the cooperation with China Postal Airlines, cargo source is mainly the delivery of mailbags from China to the Americas via Taipei, and business opportunities are expanded with the high growth in online shopping. CAL has also signed Block Space Agreements with a number of international integrated express delivery operators to provide fixed space from Taipei to Los Angeles, Singapore and Shanghai. CAL will continue to optimize future freight network, improve the use of belly space in freight and passenger aircrafts, strengthen cooperation with partner airlines, reinforce the leading advantage in freight partner, attract more international customers, and build a seamless global freight network.

Consolidated Supply and Load with Cooperating with Various Industries

- O After acquiring the freedoms of the air from Taipei to Shenzhen for cargo at the end of March 2015 which starts operating with the fixed space from August 2015, CAL become part of the supply system with UPS Express through the good on-time performance and high freight service quality.
- CAL assists SkyTeam Cargo to build the online Express Cargo platform and also acquired space cooperation with Vietnam Airlines and China Southern Airline.
- O In November 2015, CAL signed a Letter of Intent with Yang Ming Marine Transport Corp. to capture shipping and air cargo supply. At the end of December 2015, CAL expanded its strategic alliances by joining the Chunghwa Post Co. Ltd, and, acquired "To-Door" service opportunity in the e-commerce market through integration of land, sea and air resources.

Professional Cargo Delivery Training

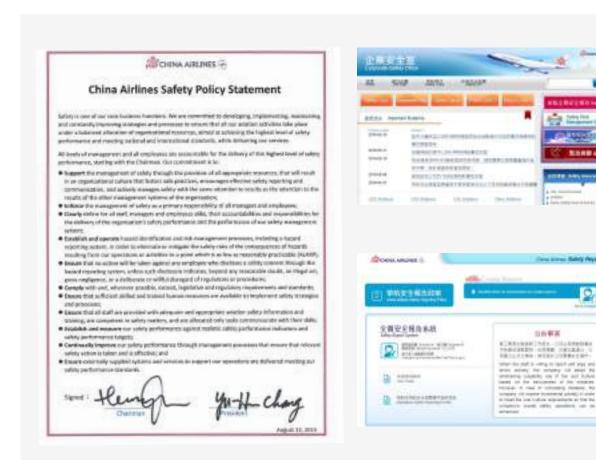
CAL regularly conducts professional freight training courses to improve service quality. Since 2016, advanced training has been conducted for freight executives in new out-stations to ensure proper management and professional service environment at all points in the cargo delivery process.

Freight Revenue Enhancement by Delivering High-Margin Revenue Freight

CAL continues to promote the delivery of high-margin revenue products such as cool chain products and special cargo, and promptly grasp market demand to secure more charter businesses. For example, , during the work sabotage in US west coast ports from the end of 2014 to the first quarter of 2015, the effect of the transformation from sea freight to solely air freight drove the Asian demand for charter flights to and from the US. For example, since the third quarter of 2014, CAL has flown three charter flights for 3C products from Taipei to Seattle, and one charter flight for French fries from Los Angeles to Tokyo. In the first quarter of 2015, CAL flew 17 flights for auto parts, 3C products, printer supplies and other high-priced goods from Taiwan/ Japan/Vietnam to the US, and the freight profit for the season reached a new high in the last five years.

4-3 Flight Safety

CAL understands that safety is the core operation for the airlines. Hence the Board of Directors particularly established the Risk Committee and require the participation of all relevant departments to deeply ingrain the safety culture into every employee. In addition to establishing the core values of Safety, Discipline, Innovation, Service and Teamwork, and CAL also formulated clear safety policies so that every employee can achieve the highest standard of safety in their daily performance.



4-3-1 CAL Safety Management System

To ensure flight safety, CAL established six key systems for safety management to reduce risk to the minimum level from every tiny aspect, and through the most stringent of requirements, safety is elevated to the highest level. Each year, CAL promotes the all-hands safety improvement program to continually strengthen employee awareness of safety and raise CAL's safety to the highest standard.



Past CAL Flight Safety Improvement Programs

Observation of online operational safety

Experts and trained observers went into the field and accompanied flight crews throughout entire journeys to observe and collect potential threats they may encounter, errors that they may make, as well as how crew handled these threats and data. Evaluations and recommendations on safe flight operations were then provided based on the strengths and weaknesses of the airline.

LOSA **2010-2012**



Total Safety **2011**

Safety Management System

Planning 15 activities related to the three areas of "Education, Participation,"

Enhancing the Safety Management System

Every CAL employee and manager promises to fulfill their personal safety responsibilities and work from the heart to imbue the values of safety into every operation, system design and the organizational structure. Corporate safety risks can then be controlled through different safety management tasks.

Safety Management System

2012



Safety Culture **2013**

Continue to improve from corporate safety climate

Continue to promote a just culture, better management practices, improve interdepartment interaction and strengthen safety performance evaluations as part of the organizational safety climate.

Decision-making Support Tools

Adhere to the concept of a just culture in establishing clear and consistent decision-making principles for employee rewards and penalties in order to encourage employees to report issues.









2015-2016

Implementation of Just Culture

Formulate more comprehensive promotion and action plans for a safety culture in order to enhance the overall safety culture and performance at CAL.



Safety Management System (SMS)

CAL abides by the standards of the ICAO Safety Management Manual (SMM) specification for efficient safety management. The construction of 4 major and 12 sub-safety management items have been completed and incorporated into the organization as an internalized safety culture. Aviation equipment operation risks such as flight operations, aircraft maintenance, system operations, flight services, freight services and ground services are systematically managed to keep operational risks within an acceptable level. In accordance with the Safety Management System (SMS), CAL has formulated the Corporate Safety Manual to clearly define safety policies and expected goals for all levels of management. From top management to frontline employees, all employees are expected to fulfill their safety duty, assume personal

responsibility, achieve the company's overall safety goal, and incorporate safety value into every standard operating procedure.

CAL is Taiwan's first airlines to obtain IATA Operation Safety Audit (IOSA) and Enhanced-IOSA (E-IOSA) certification. IOSA is a mechanism formulated by IATA which is a credible safety audit mechanism for airlines.. CAL received the first IOSA certification in 2005, and received the certification for the 6 consecutive years by 2014.

Since September 2015, IATA has required that members renew certification must pass Enhanced IOSA (E-IOSA) standards which is more advanced than IOSA in order to make safety inspection standard implant all of members and strengthen the internal audit system of airlines. The

point of inspection for E-IOSA mainly confirms whether airlines continue to meet IOSA standards in their Quality Assurance Program. Hence, in October 2014, CAL applied in advance for re-certification according to the standards of E-IOSA to ensure our IOSA certification remained effective, fulfill self-monitoring, and ensure that our company's safety standards were consistent with international standards. The Flight Operations Department renewed plans and re-aligned related tasks in less than 6 months, and successfully passed the E-IOSA review at the end of October. CAL's current certification is effective until 2017/2/25. CAL is also the first airlines to obtain it.





4-3-2 New Generation Integrated Safety Management System (AQD)

In pursuit of higher safety standards, CAL especially imported the Aviation Quality Database (AQD) integrated safety management system. The AQD is a safety management tool designed specifically for airlines, and to date, more than 120 airlines worldwide are using the system. The AQD has enhanced data integration and sharing capability, and all safety reports can be imported into the AQD risk data bank for relevant departments to conduct risk management operations. The AQD is capable of collecting more complete information on workflow problems, conducting risk assessment, and requiring relevant departments to adopt appropriate risk control measures. At the same time, the AQD can monitor the status of follow-up actions to further ensure flight safety. To familiarize employees with risk management operations, CAL conducted practical risk management courses in the second half of 2015, where through group learning, employees had more in-depth understanding of risk management methods and operations. In 2015, 405 employees had completed training. The course will continue in 2016, and 140 employees are expected to receive training to help more employees understand the concept and process of risk management.



4-3-3 Safety and Just Culture Project

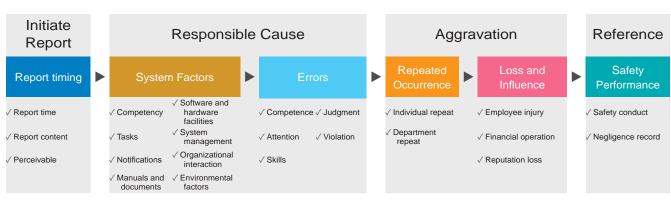
CAL understands the importance of safety culture for airlines. Therefore, CAL leads the industry in collaborating with research teams to conduct a comprehensive assessment of its safety culture. Beginning with its overall organizational safety, new ideas are introduced through industry-university collaboration. Risk incidents caused by human errors are further reduced to enhance safety culture, and Safety Above All is the foundation of CAL's safety culture for all employees.

In 2014, CAL improved its policies of cultural justices, and completed the development of a generic tool for supporting culturally just decisions. In 2015, the tool for supporting culturally Just decisions was promoted and implemented, flight operation department documents on quality were revised, and two sessions of Just Culture seminars for executives and management by walking around (MBWA) courses were completed. Subsequent directions will be oriented toward furthering employee autonomy and initiative in safety awareness, and approaches such as MBWA of executive, safety incentive policies, operational safety observation and safety indicator monitoring will be used to motivate safe employee conduct. Safety discipline is fully implemented in all departments, and by cultivating the habit of mutual communication between executives, employees, leader example and perseverance, safety will naturally become a habit. As such, employee dependence will become independence, and gradually transform into

executives and employees helping each other shape a safety culture that improves the safety performance of the company.

Given CAL's long standing active promotion of safety culture, Director-General Chou of the Taiwan Railways Administration, MOTC led a delegate to visit the CAL in March 2016 and conducted a safety management and safety cultural discussion. In addition to sharing practical experience in promoting employee safety culture, CAL demonstrated the effectiveness of its safety discipline and safety management promotion through case examples of flight crew training and assessment and explanation of the flight monitoring system used by our System Operation Control Division.





4-3-4 Flight and Ground Security

Due to the increasing international problem of terrorist attacks in recent years, CAL pays close attention to aviation security and has specific security policies in place. According to international aviation security protection standards, the protection the safety of employees, passengers and property against unlawful interference is the top priority in CAL's operations. In addition, through departmental cooperation and risk management tools, potential threats are prevented. To cultivate basic knowledge and concept of aviation security in new employee and meet international requirements for

strengthening aviation security competency training for flight crew, CAL trained 5,786 for the abovementioned category of employees in 2015. In compliance with international aviation security laws (such as the Taiwan's National Civil Aviation Security Program, the Annex 17 to the Convention on International Aviation, and the IOSA standards) and through security management systems (SeMS) plans for civil air transport, CAL is currently pushing to link the aviation security knowledge of its collaborating departments with related industries to more closely inter-connect the security operating procedures of

various departments.

Moreover, CAL maintains close coordination and cooperation with its Public Relations Department and other domestic and foreign airlines, and actively participates in authoritative and benchmark international aviation security events and conferences to keep alert to the latest development in international aviation security. The major security-related events held in 2015 and 2016 are as follows:

| Event | |
|---|---|
| SKYTEAM ASFE (Aviation Security Functional Expert)Conference (January 2015) | This 2-day conference was organized at Hotel Novotel Taipei Taoyuan International Airport by CAL and attendants included security experts from the Flight Safety Foundation-Taiwan, the Civil Aeronautics Administration, executives from the Aviation Police Bureau, Aeroflot, KLM Royal Dutch Airlines, Mexicana Airlines, Xiamen Airlines, China Southern Airlines, China Eastern Airlines and Korean Air. CAL's Security Office represented CAL in welcoming the guests and inviting their valuable practical experience of various industries. |
| VVIP Flight (March, July and November 2015) | CAL undertook the security of charter flights during the entire trip. Projects that were undertaken included the Guang Yao, Jiu-yang, Gu-pingand APEC. |
| Special Ops and Anti-hijacking Training (April, May and July 2015) | In coordination with the Ministry of National Defense and the National Police Agency's special services commando, CAL planned hijacking drills using CAL aircrafts to simulate passenger cabin hijacking, and successfully facilitated the joint anti-hijacking training for CAL crew and special forces which also promotes a great cooperation between the public sectors and enterprises. |
| Aviation Security Conference (November 2015) | The conference was organized by the CAL. Aviation security experts from Taiwan's security authorities and other airlines were invited to the lectures organized by CAL. More than a hundred quests attended the event, including others such as the Flight Safety Foundation-Taiwan, the |

related security enterprises

Airport. Simulated and actual police drills were conducted to fully prepare from various airport departments and SWAT in their response preparedness and exercises. CAL supplied the B-744 aircraft and cooperated with contingency task forces in the anti-hijacking and hostage rescue drills. More than 400 participants and observers attended the drills.

In cooperation with the Civil Air Transport Aviation Security Management System (SeMS) Plan announced by the Civil Aeronautics Administration, CAL promoted and reviewed the SeMS performance from Flight Safety Committee and Corporate Safety Committee to ensure the supervision of security operations in every department, continual improvement in the security management system, definition and control of threats, and promotion of security awareness.

quests attended the event, including others such as the Flight Safety Foundation-Taiwan, the Civil Aeronautics Administration, executives from the Aviation Police Bureau, other airlines and

CAL collaborated with Aviation Police Bureau to hold "Peace Drill" of Taoyuan International

CHINA AIRLIN

Challenges of Multicultural Differences in Airport Security forum(August 2016)

Peace Drill (September 2015)

SeMS Outline Policy(2016)

Will be jointly organized with the Flight Safety Foundation, and domestic and foreign aviation security experts will be invited to participate to raise the awareness of domestic aviation security and improving the management mechanism.

4-3-5 Flight Safety Risk Identification

CAL understands the importance of risk identification in flight safety. Hence CAL collects a comprehensive list of potential risk factors, including flight operations and ground operations for assessment reports. For early prevention of flight safety threat and risk, the potential risk of incidents is determined through quantitative analysis and the likelihood of occurrence is evaluated according to quantitative data trend in order to achieve the highest standard in flight security.

A

Aviation Safety Risks

- √ Analysis of flight operations data
- Improvement suggestions from meetings (Corporate Safety Committee. Flight Safety Committee)
- √ All types of reporting operations (Crew report of anomalies in ground operations, purser's report and crew safety reports etc.)
- √ Reports and recommendations for all types of flight safety anomaly events
- Safety assurance audit (Safety assurance audit), safety inspection, observed flights, cabin safety audits etc.

4-3-6 System Operation Control Center

Passenger safety always comes first. To ensure flight safety and real-time monitoring, CAL has System Operation Control Division that operates on shifts around the clock to provide all flights with uninterrupted real-time information that affect them, such as weather changes, weather condition at different airports, severe disasters (such as earthquakes, volcano eruptions) and yearly typhoons that are common in Taiwan. These conditions are strictly monitored and immediately reported to flying aircrafts, and emergency contingency plans are provided accordingly. To further strengthen safety control, CAL signed a contract with the reputable and famous German company to purchase a new generation flight plan system, which was officially launched in October 2015. In addition to providing routes that save fuel and time, the system has an automated capability for avoiding areas with drills in progress. The system also has the IFM-InFlight module for monitoring the fuel consumption and flight hours of flying aircraft to further improve flight safety and

efficiency. Moreover, in 2015, professional meteorologists were recruited to precisely analyze of weather information for flight schedule control. In 2016, a turbulence warning system is expected to be introduced to provide early warning for flying aircrafts.

Real-time Aircraft Monitoring

After the incident of Malaysia Airlines MH370, CAL positively reviews its current aircraft tracking mechanisms such as the Aircraft Communications Addressing and Reporting System (ACARS) and other options such as the Automatic Dependent Surveillance-Contract (ADS-C), and remains updated on IATA or ICAO promotion and development of relevant regulations. With the Malaysia Airlines MH17 incident, IS military activities and other terrorist attacks, CAL implemented Safety Risk Management (SRM) for the emergency contingency routes, developed contingency routes and mechanisms, continued monitoring the development of various situations, collected information on various international organizations (such as IATA) and airlines, and responded accordingly to maintain flight safety.



Staff of 209 Employees

24-hour rotation

- √ Monitor flight dynamics.
- √ Coordinate flight schedules during abnormal conditions.
- ✓ Provide immediate information to the flying aircrafts.
- √ Ensure flight safety.
- ✓ Establish a complete statistical analysis of flight data.



4-3-7 Maintenance Quality

For flight safety, maintenance quality cannot be compromised. Since its establishment in 1959, the maintenance department of CAL has put in years of diligent effort, and received aviation equipment repair station certification from 11 countries and regions, including the EU, United States and China. CAL has become the largest, modernized aircraft repair center in Taiwan with aircraft maintenance hangars that can accommodate 5 large wide-body aircraft under repair and with engine test cells that can withstand 120,000 lbs of thrust, thereby capable of inspecting and repairing various high-level aircrafts. In addition to existing clients and freight teams, maintenance service for aircraft, engine and parts are provided to more than 40 domestic and foreign customers. Workshops are also conducted each year to assess and monitor employee competency and provide corresponding training. To exceed relevant regulations, continuous training is provided to achieve the highest safety standards and requirements.

Maintenance staffs development is core to improving the quality of maintenance quality. In response to employee retirement and expansion in aircraft maintenance capacity, CAL requires about 150 new maintenance staffs per year. To increase talent source, CAL began industry collaboration with Taiwan's colleges and universities in 2012, and had 11 cooperating schools until 2015. During the semester, students can learn at CAL repair station, and the sessions can be counted as part of their maintenance training courses to shorten training time and integrate theory and practice.

In response to international maintenance demands, CAL expanded its existing training programs and increased training effectiveness. On October 16, 2015, CAL was awarded the Aircraft Maintenance Training Center certification by the Ministry of Transportation and Communications's Civil Aeronautics Administration certification to establish China Airlines Technical Training Center (CTC) for cultivating professional maintenance personnel. The Center provides maintenance engineers with training in aircraft models and certification conversion,

helps engineers obtain their professional certification and increases the standards of Taiwan's aircraft maintenance, making CAL the first airline in Taiwan that has an institution for training maintenance personnel.

CAL has invested tens of millions of funds to build the aircraft maintenance training center to ensure quality instruction. Engineers with maintenance experience are meticulously selected from the company to teach, and 8 classrooms are provided for theoretical training and exams. At the same time, a training simulation system was purchased for students to practice on computer simulated scenarios. Workshops for practicum in electrical, aircraft body, engine and structure are constructed for students to practice operating. The CTC will seek opportunities to obtain training commissions, expand industry-university collaboration, expand into overseas customers and obtain official civil aviation certification from their local authorities, recruit foreign students and lead the development of Taiwan's aviation industry.

Abnormal Maintenance Incidents and Quality Control

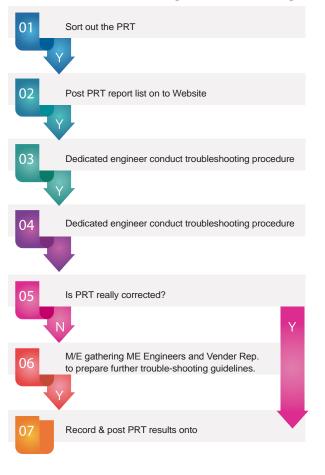
CAL positively manage aircraft condition which is mainly implemented through the Reliability Control Program. Various abnormal and technical parameters and information arising from the normal daily operation of aircrafts are collected and analyzed to formulate the most appropriate maintenance strategies and time frame to



maintain the reliability of aircraft systems, improve service quality and enhance flight safety.

Abnormal maintenance incidents are identified based on repeated monitoring error procedures and maintenance records of various aircraft models. When an error is repeated, it is eliminated in the shortest possible time to maintain aircraft quality.

Flow Chart of Tracking and monitoring



4-3-8 Pilot Management

To maintain the highest quality of flight safety, in addition to the hardware requirement, well-trained pilots are another key factor for maintaining flight safety.. CAL uses the three concepts of Prediction, Active and Passive to identify threat factors and operate risk management mechanisms. To protect flight safety, CAL also cultivates top quality pilots with the most comprehensive training systems including comprehensive contingency training for changes in internal and external environment such as new stations, routes, aircrafts, systems and procedures, systematic flight training, flight exams, Flight Operation Quality Assurance(FOQA*), and regular instructor and examiner evaluation.

* The goal of FOQA is to reduce the risk of accidents and air crash by improving flight safety through the use of flight data. In other words, routine flight records are obtained, abnormal incidents are detected, and the online operating characteristics of each fleet are analyzed to identify and correct potential risks.

IPTS-Integrated Pilot Training System

CAL officially began using the Integrated Pilot Training System (IPTS) in 2014, and electronize all training records, upgrade training trend analysis, and effectively integrate information such as training curriculum, teacher management and training records. Moreover, we also provided flight crews more convenient way for class through e-learning to reduce personnel costs and enhance the training quality..

In coordination with the purchase of the new B777-300ER aircraft, flight crew training and equipment are planned and installed. In addition to sending the crew to the Boeing for training, internal training capability is increased. For example, the manufacturer's manual titled Computer Based Training for the B777-300ER aircraft, and numerous manufacturers' tutorial videos are also used for ground training to enhance the content and quality of existing ground teaching materials in order to meet the future need for a large number of pilots..

Simulator Training

To provide pilots with the best training environment, CAL led the industry in purchasing the all movable simulator system which not only simulates the dynamic triaxial of actual flight but is also internally equipped with a high resolution visual system. The system is also uploaded with the manufacturer's aircraft performance and system parameters, airport operations database and various weather conditions(such as sunny, rain, snow, storm, low visibility) to help pilots cultivate operational capabilities for responding to abnormal situations and weather conditions and enhance flight safety.

CAL facilities for flight simulators and training, land and water survival training are certified by the civil aviation authorities of numerous countries, including EASA, Korea, Vietnam, Malaysia, Philippines and Hong Kong, and its hardware and software are available for the training needs of other domestic and international airlines. To actively promote resource sharing and knowledge exchange in the aviation industry, current exchanges include assisting other airline instructors with advanced training, simulator training for flight crew and emergency response training for flight/cabin crew.

In coordination with the introduction of the A350 fleet, cultivation of domestic flight personnel and the philosophy of enhancing flight safety, CAL introduced the latest 7000 series A350 simulator from CAE in 2016. The simulator provides a risk-free training and testing environment to train pilots for a variety of simulated weather environment, national and regional airports and flight routes, specific mechanical failure and emergency response, thereby cultivating their contingency capability and ensuring their professional standards.

The simulator includes: (1) the latest LED projection visual effects system, which offers the best image quality and global satellite imagery airport database in the industry, and is capable of virtual reality simulation of

airport operations; (2) the latest second-generation allelectric dynamic simulation system, which is safer, more stable, low noise, green and conserves up to 80% energy compared with conventional hydraulic systems; (3) the advanced task briefing /instruction system, which can fully record the training process information such as image, sounds, route location, aircraft attitude and instrument status, and replay for instructional purposes or training assessment.





Pilot Training and Examination

To secure pilot skills, objective and rigorous training is necessary. To assure objective training, evaluation and management, CAL has established three parallel and independent units under the Flight Operations Division, which is responsible for pilot management. Such an organizational structure allows the flight examiner to avoid the influence of any factor when conducting pilot evaluation, thereby ensuring that the pilot training complies with rigorous requirement and objective testing. In 2015, CAL conducts 31,980 hours of rigorous training including ground course and simulator training for more one thousand pilots each year, 6,882 routes training with lead pilot and training cost amounts to TWD360 million.

For new pilots with different backgrounds, CAL has formulated the Advanced Pilot Qualification Program (APQ) transitional courses. Using advanced cloud course training systems and new height simulator, pilots begin aircraft conversion training. During the Initial Operating Experience(IOE) stage, pilots begin actual aircraft operations to increase practical experience and achieve the required high standards in pilot skills. For example, for new pilots with commercial aviation license to obtain first officer qualification, they must undergo 13 months of rigorous training by CAL trained pilots, aircraft conversion training, and complete overall training. More information regarding pilot training on CAL Corporate Sustainability Website.





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 the age of 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).

Daily Life Control

In addition to requiring the highest safety standards and strict training for its crew, CAL also manages the physical and mental health of its flight crew to ensure the successful completion of every flight mission. Long hours of flight mission can easily cause physical fatigue and psychological stress for the flight crew. Through the three management principles of active planning, crew feedback and prediction, CAL implements crew life management and exceeds governmental requirements by ensuring that crew members are in complete health when performing flight missions.

Fatigue Management

China Airlines takes more stringent regulations than the mission dispatch way to take the main spirit of safety management systems, through active planning, crew feedback and prediction for planning and management of the crew of the shift table. Before reporting for conducting missions, the crew must use self-physical and mental condition Table View IMSAFE (Illness / Medication / Stress / Alcohol / Fatigue / Emotion) to view his or her own situation and identify the body physical and mental condition and then the supervisor will decide whether to continue mission.

Stress Management

Through the use of Crew Resource Management (CRM)*, CAL strengthens the training pilots' situation awareness, workload management, communication skills, teamwork, decision-making and judgment, thereby strengthening the psychological quality. In addition, China Airlines also provides free psychological consultation of employees, by professional interaction with the parties, through face to face interviews, and psychological consultation at the division of the professional guide, explore the correlation of successive personal background and experience, and call upon analysis of problem and Developmental Disabilities related issues, seek solutions to problems and ways to vent the pressure, and further enhance the development of individual potential and psychological qualities.



Note*- Crew resource management (CRM): According to the US Federal Aviation Administration (FAA)'s definition of CRM is "The "crew resource management can be broadly defined as the use of all personnel, equipment, and other information and resources to achieve the goal of flight safety and efficiency," by the crew overall coordination, further enhance flight safety".

Alcohol and Drug Abuse

AL attaches great importance to the safety level of flight operation management, including staff for drinking / eating alcoholic beverages / food, use of narcotic drugs or other drugs that may affect the normal performance during flight. We have expressed to the relevant specifications, such as: flight members 12 hours before performing flight tasks not allowed to drink alcoholic beverages, and their ability to measure and ensure that the task and duty to report period, without the influence of alcohol, and China Airlines to take a random sampling, so that the highest standards checks.

In addition to regulation to forbid or restrict the use of alcohol and drugs, but due to the flight safety is the core goal of CAL, CAL also encourages to make proper arrangements for members living off-duty period of rest, try to avoid engaging in risky or excessive consumption of

Active Planning

- Monthly discussion with flight crew on flight itinerary for the following month.
- √ Exceed governmental regulations in planning crew pre-flight/ post-flight rest hours and crew distribution.

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- √ Flight duties are reduced by 2 hours during night flights.
- √ Manage duty coordination according to crew experience.

•••••

√ Jointly manage the implementation of regional night flights
with flight crew.

★ Crew Feedback

- √ Based on crew report of flight mission, determine fatigue situation and adjust mission, crew distribution or change to stationed assignment.
- √ Dispatcher must immediately adjust the duties of crew applying for fatigue or illness related leave.



- √ Based on seasonal peaks and ebbs, adjust flight crew size.
- √ New routes are assessed by flight crew to determine assignment conditions and crew size.

physical and leisure activities, to serve when on duty can be in the best physical and mental state. If feeling tired or unwell, the crew should take the initiative to report to their respective division or office switchboard agents, fleet managers need to assist members to adjust task to avoid fatigue in while flying.



5-1 Implementation Results on the Year of Employee First

After the chairman announced that 2015 will be Year of Employee First during the Chinese New Year of 2015, China Airlines has conducted and implemented related projects and measures under the 4 major pillars of "Enhancement of communication", "Enhancement of participation", "Enhancement of working condition" and "Enhancement of career development" to strengthen communication with colleagues and enhance the sense of identity and the coherence among employees. The annual implementation results in 2015 are summarized as the following:



Four Pillars of the Year of Employee First



Enhancement of communication

- 1. A total of 198 Town Hall Meetings chaired by the senior vice presidents or vice presidents were held in 2015. More than 1000 cases of appeals were proposed by colleagues, including working environment, rights & privileges, salary & welfare and others. They are handled and responded in time by related departments.
- 2. An employee communication mailbox called "Suggestion" was added in the internal website. China Airlines received and responded 317 mails regarding issues such as human resource planning, welfare, employee's discounted air tickets, administrative supports and other issues.
- 3. Utilized Team+ (an instant communication platform) for instant opinion communication and exchange within and among departments.
- 4. Speeches made by the chairman/president and other major announcements were published on the internal website and sent to all employees' mailboxes.



Enhancement of participation

- 1. Invited employee representatives to participate and assist in reviewing the operation regulations and shift arrangements within their unit.
- 2. Invited representatives from China Airlines Employees Union to participate in comment interviews regarding salary system adjustment and examining issues on employee's discounted air tickets for employees.
- 3. The original performance review requirements for internal enrollment were canceled, allowing each employer departments to decide on their own criteria to implement the enlargement of colleagues participating in internal enrollment and enhance their career development.



Enhancement of working condition

- 1. Established a Flight Control and Crew Schedule Team to improve shift arrangement and shift schedule effectiveness to reduce employee complaints and lessen the burden of those arranging shift schedules.
- 2. To ameliorate the insufficient parking space problem at CAL Park, we initially asked crew members and ground staffs to park at the terminal 2 and paid their parking fares. Two extra shuttle buses were also added to commute colleagues.
- 3. Renovated the office and employee's lunge at the terminal 1 and the office at the terminal 2 to provide a more comfortable working and resting environment to colleagues serving in the airport.
- 4. Adjusted the additional pay for maintenance personnel. Senior supervisors at front-line units, maintenance foremen, pursers and others were given leading subsidies to show solicitude for their hard works in leading their crew.
- 5. Since March, the flight pay for cabin crews have been adjusted and calculated according to block hours*, making the calculation standard more preferential. Since July, subsidies have been given out to all ground staffs. Since August, the flight pay of flight crew members has adjusted.
- 6. Since August, we have provided free uniform laundry service to domestic front-line colleagues.
- 7. We added benefits regarding employee's discounted air tickets, in which the one-way flight to Europe, the USA and Canada were reduced from 5 points to 4 points, providing more utility flexibility to colleagues.

Note*: Block hour refers to the period during which the aircraft is active; it begins with engine ignition upon departure from gate and ends with engine turnoff upon arrival to gate.



Enhancement of career development

- 1. 30 first-tier to third-tier domestic management vacancies were available in 2015 and are open to qualified colleagues to apply and participate in selections online. Other vacancies such as front-line ground service staff supervisors and air crew supervisors are also opened for application online.
- 2. We enlarged the scope and quota of our current human resource base. The adjustment was made that the preliminary selection of "talent pool" and "elite talent" are opened for registration online, providing a more open and adaptive training channel for grassroots colleagues.

5-1-1 Initiating Year of Employee First 2.0

In 2016, China Airlines continues the spirits of the Year of Employees First and initiates Year of Employees First 2.0. In coordination with the promotion of "i Love CAL", we continue to strengthen the exchanges and communications internally and among colleagues, expecting everyone to display the traits of a "CAL Values" and complete the missions and visions of the corporation. Under the 3 major concepts of "No distance communication", "Cohesive centripetal forces" and "Competitiveness promotion", many measures have been organized to implement to care for employee and create a better working environment, allowing colleagues to enjoy their works. Related measures are summarized as the following:

The 3 Major Pillars of Year of Employee First 2.0



No distance communication

Town hall meetings and closed-door discussions between the vice president and colleagues continue to be held regularly within departments.

Continue to establish the communication channel of "Suggestion, Open Communication" in the internal website.

Speeches by the chairman or major corporation announcements will continue to be posted on CA1 Employee Newsletter and be sent to each employee's Web Mail.

Invites colleagues to participate and provide suggestions in the two-stage operational conference regarding uniform alternation.



Cohesive centripetal forces

Introduce "i Love CAL" with videos, speeches and lectures.

Develop the A350 APP exclusive for employees and organize visiting activities to enhance the next generation's understanding of aircraft.

Hold birthday celebration hiking, family day visits and other festival celebrating events to improve the working atmosphere.

Hold aerobic weight-loss exercise classes and cancer filtering events to ensure the employees, health.



Competitiveness promotion

Maintain the online registration system regarding preliminary selection of job vacancy between 9 junior and 13senior-level, executive and elite echelon.

Cooperate with universities to provide versatile lessons, hold career planning or management workshops.

Establish job category introduction platform on the internal website and hold experience camps to assist colleagues in organizing their career development.

Strengthen job rotation measures to enhance human resource application and assist in the career development of the colleagues.



5-1-2 Explanation of controversies between Employees and Company

Although a labor dispute incident happened in China Airlines in 2015, to be attentive on the true voices of the colleagues and expecting them to understand the actions and attitude of the corporation, China Airlines has proactively held negotiation and project discussion conferences, or conducted union-management communications with the forms of collective agreement and deal negotiation to enable mutual understanding on each sides position and seek mutually accepted resolutions to solve disputes. Besides enhancing communication mechanism, providing better working environment and enhancing career development, we further thoroughly examined the salary structure of colleagues regarding different job categories. Periodic adjustments were conducted in accordance to factors such as related legal regulations, collective agreement contents, their impacts on the corporation's management, their effects on number of employees and etc.

Labor Dispute regarding Pilots

To ensure their rights & privileges and enhance their skills, Second Chapter of China Airlines Employees Union (with all members being pilots) decided to submit payment to form a collective fund and a pilot union for a better working environment. On May 2014, Taoyuan Union of Pilot (TUOP) was founded and started to negotiate issues such as salary, holidays, related welfare and others with China Airlines. To maintain union-management harmony and keep outstanding pilots, China Airlines conducted several sincere negotiations with TUOP, taking reference of the average salary standard in the market. Later due to the unsuccessful labor dispute mediation on March 31st, 2015, TUOP gained the right to strike. During this period, China Airlines had continued to hold negotiations with TUOP and finally reached and signed an agreement. The process is as the following:

| Negotiation Process | China Airlines' Response |
|---|--|
| | 2015/03/02 China Airlines had the first collective agreement conference with TUOP and the latter proposed mediation application and expected China Airlines to meet their demands of adjustments. |
| Labor Dispute Mediation Conference | 2015/03/24 TUOP filed petitions to Ministry of Transportation and Communication, R.O.C |
| | 2015/03/31 Department of Labor, Taoyuan City Government held the first labor dispute mediation conference but was unsuccessful in reaching mutual consensus. |
| | 2015/04/02 TUOP voted for their right to strike. |
| First Negotiation Session | 2015/04/14 First negotiation session was held. Besides TUOP and China Airlines, other participants included representatives from Ministry of Labor, Ministry of Transportation and Communication, R.O.C. and Civil Aeronautics Administration. Representatives from China Airlines and TUOP discussed the adjustment demands one by one. |
| Second Negotiation Session | 2015/05/11 Second negotiation session was held. Leading representatives included Chairman's Special Assistant Zhang and Director Yang from TUOP. They discussed the adjustment demands one by one. |
| Third Negotiation Session | 2015/05/28 Third negotiation session was held. Leading representatives included president of China Airlines and Director Yang from TUOP. They re-examined the adjusted issues discussed on May 11th and conducted discussions on issues that failed to gain consensus in the last negotiation. |
| Conclusion of Negotiation and Schedule of Effectiveness | TUOP has reached a substantial consensus regarding the issues of adjustment with China Airlines, and only the schedule of effectiveness should be decided by a formal conference. Both sides regard the contents of the agreement as part of the collective agreement. |

Versatile Communication Channels



Headquarter: Conference are held monthly with employee representatives from all China Airlines Union branches

Chapters Departments with larger number of employees form union xchapters Conferences are held. monthly regarding the second (Flight Operations Division), the third (Cabin Crew Division), and the fifth (Ground Service Division) chapters. Conferences regarding the fort antenance facilities and sixth ach ng Branch branch are held once every 2 months. Other departments are affiliated under the first branch and officer meetings are held regularly



Monthly meeting (hosted by senior vice presidents and vice presidents)



Encourage colleagues to use the mailboxes of first - tier managers to express their opinions and bring out advices



For a certain time period each month, colleagues can reserve one - on - one conversation with first - tier managers



Provide in the corporation 's internal website CAL Enterprise Information Portal) to allow colleagues to ask any related questions



5-2 Employee Rights

5-2-1 China Airlines Employee Union

The "China Airlines Union" was established in 1988 and was renamed into "China Airlines Employee Union" in 2011. It is a member of the Chinese Federation of Labor. In 2015, the qualified participants in China Airlines Employee Union were 10,442 people, actual participants were 10,247 people, and average participation rate was 98.1%. Since the union's establishment, there has various communication channels between the union and China Airlines, and it has been effective in promoting harmonious labor relations. The regular monthly union-management conferences negotiate on issues such as working

environment & hours, working conditions, performance evaluation system, salary structure, annual bonus, concessional airline rebated tickets and etc. If members of the union have to take part in these conferences, leave for union related business are provided by China Airlines. The corporation also provided venues to serve as union branch offices in each of China Airlines' operational bases. In accordance with the necessity of the union, employees will be provided to serve as conference staffs to support conference affairs.

China Airlines signed its first collective agreement with the union in 2002 and is the first aviation corporation in Taiwan to do so and the agreement had been renewed in 2005, 2009, 2012 and 2015. The collective agreement contains clauses on union activities, union-management conferences and dispute resolution, employment and resignation, working hours, rest and leave, salary, stipends and bonuses, personnel changes, reward and punishment system, welfare, training, safety and health and etc., in which they are gradually implemented to ensure the rights of the employees.



Union Membership Statistics of China Airlines



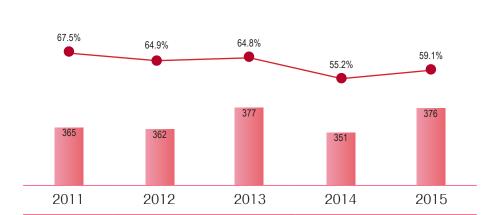
Note: Union participants mean employees with union membership that year. The employees in this chart does not include part-time student workers, interns, contract employees and executives above the rank of vice presidents.



Participation Rate

Union Member





5-2-2 Wages and Benefits

To fulfill the philosophy that employees are the most important asset, CAL highly emphasizes employee welfare measures and strives to provide employees with a comprehensive benefit policy. In 1967, the Employee Welfare Committee was established to oversee employee welfare, and each year, employees receive benefits such as travel subsidy, Labor Day gift vouchers, scholarships for children and senior allowance. In the old employee pension plan, the appropriation rate was 9.5%, which well exceeded the 2% governmental stipulation, and the amount is carefully calculated by actuaries each year to secure a comfortable pension for our employees. Employee participation in our new pension plan is 100%, which has an appropriation rate of 6%. In addition, friendly workplace outreach activities are organized each year to help employees feel cared for. In 2015, lectures and holiday activities were held for employees, such as Chinese Medicine Healthcare Lecture, Aromatherapy Lecture, Aerobic Boxing, and the Warm Our Hearts with Winter Solstice Dumplings. To promote the A Happy Company Starts with a Smile campaign, the CAL Happy Smile Sticker and Photo Contest was organized, and eager participation by employees energized the workplace and promoted company solidarity and identity.





CAL Ratio of Male-Female Wages

| | Male/Fema | ale | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------|-------------|--------------|------|------|------|------|------|
| 0 | Operations | Basic Wage | 1.41 | 1.37 | 1.37 | 1.49 | 1.36 |
| \bigcap | staff | Remuneration | 1.27 | 1.2 | 1.24 | 1.76 | 1.69 |
| | Aircrew | Basic Wage | 1.91 | 1.96 | 1.99 | 2.05 | 1.94 |
| //`\\ | | Remuneration | 4.59 | 4.88 | 5.36 | 4.37 | 4.83 |
| 0 | Maintenance | Basic Wage | 1.21 | 1.2 | 1.17 | 1.24 | 1.22 |
| / * \ | staff | Remuneration | 2.08 | 2.15 | 2.03 | 2.13 | 1.89 |
| 0 | | Basic Wage | 1.22 | 1.25 | 1.25 | 1.24 | 1.23 |
| \bigcap | Others | Remuneration | 1.65 | 1.59 | 1.75 | 1.29 | 1.84 |

Others: Includes vice president level and above, audit and accounting, information technology staff and others.

Basic wage: Base salary. Remuneration: Payments beyond base salary.

Further explanation: Aircrew includes captains and cabin crew. The male to female of captain ration is 100:6, and the salary of captains is five times more than cabin crew's which increases the ratio difference between male and female.



CAL Wages, Benefits and Pension

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Wages (TWD) | 11,438.96 million | 11,443.82 million | 11,309.88 million | 11,062.82 million | 12,223.27 million |
| Benefits (TWD) | 118.19 million | 112.16 million | 159.26 million | 132.86 million | 242.85 million |
| Pension Reserves (TWD) | 2,528.5 million | 2,673.81 million | 2,486.70 million | 1,831.49 million | 1,803.89 million |

Payment levels for pension reserves are assessed by CPAs each year to ensure disbursement within 5 years.



Warm Our Hearts with Winter Solstice Dumplings activity



Chinese medicine healthcare seminar



Others: Includes vice president level and above, audit and accounting, information technology staff and others.

Basic wage: Base salary.

Remuneration: Payments beyond base salary
Maintenance staffs of Tigerair Taiwan staffs are all males.



Mandarin Airlines and Tigerair Taiwan Wages, Benefits and Pension



| Items | 2011 | 2012 | 2013 | 2014 | 2015 | 2015* |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Wages (TWD) | 325.60 million | 345.58 million | 333.46 million | 317.71 million | 457.29 million | 246.27 million |
| Benefits (TWD) | 4.88 million | 5.11 million | 5.20 million | 6.23 million | 6.91 million | NA |
| Pension Reserves(TWD) | 208.58 million | 213.03 million | 218.85 million | 212.48 million | 213.64 million | 276 thousand |

^{*}Note 1: Benefit amount--As of 2015, an employee welfare committee had yet to be established.

CAL understands that in the course of their career, personal and family issues may result in employee inability to fulfill job demands. Hence for personal reasons, employees may apply for leave without pay to care for self or their families, and categories include illness, pregnancy, child-care, family care, further education, caring for dependent. As such, a friendly workplace is created to enable employees to balance career and family. In 2015, a total of 656 employees applied for leave without pay. Work hour policies are in accordance with government regulations, where a maximum of 84 hours per every two weeks are allowed. Employee overtime due to job responsibilities is compensated with reasonable overtime pay as defined by regulations, and no incident of forced labor has been reported. Employee pay scale is independent of gender, race, religion, political affiliation or marital status. When minimum wage was adjusted globally, CAL also reviewed its pay standards and raised wages accordingly. Currently, the higher basic wage and remuneration for male employees compared to female employees is due to male employees accounting for 80% of managerial positions and more female employees accounting for leave without pay for child-care.

Massage service for employees began on May 1, 2015 at the corporate headquarters, and by June 1, 2015, has expanded to Terminal 1(T1), Terminal 2 (T2), the maintenance facilities and the branch office in Taipei. In Phase 1, 15 visually impaired masseurs were hired (4 in the headquarters, 6 in the terminals, 4 in the maintenance facilities, and 1 in Taipei). Given the enthusiastic response from employees, massage hours have increased since October 1, 2015 so that more employees can access the benefit. In Phase 2, additional visually impaired masseurs were hired (3 in the headquarters, 1 in Terminal 2, and 1 in Taipei). The free massage for employees has enhanced employee perception of benefits and workplace friendliness, and helps them relax in both body and spirit.

In order to help employees understand the rights they have and the benefits, we conduct "Orientation Course" for new employees to promote the employee obligation, right, anti-corruption course.

^{*}Note 2 : Retirement reserve - As of 2015, 17 foreigners were employed, and 2-15% retirement reserve was appropriated according to government regulations.

5-2-3 Employee Opinion Survey

CAL believes that employee care involves establishing multiple accessible channels of communication and carefully listening to employee suggestions. CAL also believes that the foundation of mutual trust is valuing employees by listening to their voice. From the end of March to mid-April 2016, CAL conducted an Employee Opinion Survey comprising 50 items on 6 key dimensions (flight attendants have an additional 6 questions specific to their job features). Five categories of employees

were surveyed, and overall, 70% of employees were satisfied. Most were satisfied with professional dedication, followed by company vision and work environment and content. The survey revealed employee views toward the organization and their needs, and suggestions were analyzed to create a stable work environment for CAL employees, increase job efficiency, provide further employee care and respond to employee needs.







5-2-4 Parental leave without

CAL supports governmental policies for promoting parental

leave without pay, and encourages eligible employees to

apply by ensuring a minimum of Grade A in the annual

performance evaluation during the leave year. The main

reasons for employees not returning to their positions or

leaving positions less than one year after returning are

family needs or change in career plan. CAL exceeds

the Act of Gender Equality in Employment in that male employees can apply for 5 days of paternity leave with full pay to accompany their spouse during childbirth. If the paternity leave overlaps with business trips, days off

and public holidays, the difference leave can be made up

beginning the following day and up to 15 days.

pay

| Survey Target | Survey Items | Measures |
|--|--|---|
| General administrative employees | Company vision | Establish an exclusive channel for employee opinion and feedback, and designate a person for overall management and progress tracking. |
| Cockpit crew | Overall satisfaction | Based on employee opinion, formulate and prioritize items for improvement. |
| Cabin crew | Management and employee interaction | Establish a group for overall management of employee career development. |
| Maintenance crew | Professional dedication | Design an After Training Evaluation method to track training effectiveness, ensure training effectiveness, and strengthen the application of employee skills in the work field. |
| Airport and customer service shift employees | Work environment and content Wages and benefits | Conduct annual survey of employee feed back on items for improvement, and understand employee opinion accordingly. Through various communication channels, educate employees on the benefits of the survey to increase future response rate to the employee survey. |



CAL Domestic Parental Leave Data

| Items | Female | Male | Total |
|--|--------|--------|--------|
| Number of employees eligible for parental leave in 2015 (A) | 636 | 544 | 1180 |
| Actual number of employees applying for parental leave in 2015 (B) | 369 | 21 | 390 |
| Rate of employees applying for parental leave in 2015 (B x 100/A) | 58.0% | 3.9% | 33.1% |
| Number of employees expecting to return in 2015 after parental leave (C) | 180 | 9 | 189 |
| Number of employees applying to return in 2015 (D) | 156 | 8 | 164 |
| Return rate in 2015 (D x 100 / C) | 86.7% | 88.9% | 86.8% |
| Total number of employees returning after parental leave in 2014 (E) | 298 | 18 | 316 |
| Number of employees completing one full year of service after returning from parental leave in 2014(F) | 183 | 15 | 198 |
| Rate of return after parental leave in 2015 (F x 100/E) | 61.41% | 83.33% | 62.66% |

- A : Number of employees with child born between 2012/03/01 ~ 2015/11/30
- C : Number of employees expecting to return between 2015/01/01 \sim 2015/12/31 when applying for parental leave in 2015

Mandarin Airlines Domestic Parental Leave Data

| Items | Female | Male | Total |
|--|--------|------|-------|
| Number of employees eligible for parental leave in 2015 (A) | 31 | 24 | 55 |
| Actual number of employees applying for parental leave in 2015 (B) | 14 | 0 | 14 |
| Rate of employees applying for parental leave in 2015 (B x 100 / A) | 45% | 0 | 25% |
| Number of employees expecting to return after parental leave in 2015 (C) | 19 | 0 | 19 |
| Number of employees applying to return in 2015 (D) | 14 | 0 | 14 |
| Return rate in 2015 (D x 100 / C) | 74% | 0 | 74% |
| Total number of employees returning after parental leave in 2014 (E) | 14 | 0 | 14 |
| Number of employees completing one full year of service after returning from parental leave in 2014(F) | 4 | 0 | 4 |
| Rate of return after parental leave in 2015 (F x 100/E) | 29% | 0 | 29% |

- A: Number of employees with child born between 2012/03/01 ~ 2015/10/31
- C: Number of employees expecting to return between 2015/01/01 \sim 2015/12/31 when applying for parental

tigerair Tigerair Taiwan Domestic Parental Leave Data

| Items | Female | Male | Total |
|--|--------|------|-------|
| Number of employees eligible for parental leave in 2015 (A) | 9 | 15 | 24 |
| Actual number of employees applying for parental leave in 2015 (B) | 1 | 0 | 1 |
| Rate of employees applying for parental leave in 2015 (B x 100 / A) | 11.00% | 0% | 4.17% |
| Number of employees expecting to return after parental leave in 2015 (C) | 1 | 0 | Ο |
| Number of employees applying to return in 2015 (D) | 1 | 0 | 1 |
| Return rate in 2015 (D x 100 / C) | 100% | 0 | 100% |

- A: Number of employees with child born between 2012/01/01 ~ 2015/12/31.
- C: Number of employees expecting to return between 2015/01/01 \sim 2015/12/31 when applying for parental leave in 2015



5-2-5 Human Rights and Anti-discrimination

In 2015, there was no grievance of human rights violation, discrimination, or infringement of aboriginal rights. CAL support the UN Universal Declaration of Human Rights (UDHR) and the core labor standards of global alliances and International Labor Organization, and supports the concept of freedom and equality of dignity and rights for all people. Employees can report any workplace incidents that violate personal health and safety, discrimination, sexual harassment, forced labor or other unequal treatment through CAL communication channels. CAL also adheres strictly to the standards of personal information protection to ensure the freedom and confidentiality of grievances. If the discrimination happens, CAL immediately take corrective actions and prevention measures, and provide the psychological counseling.

CAL Human Rights Standards



Employee Code of Conduct

√ Employees should support company policies on human rights, fair treatment and respect for every employee, avoid infringing on the rights of others or become accomplice to human rights abuses. We not only implement policies to protect the human rights of employees, but has also established a management mechanism to ensure employee care. We do not use forced labor. We do not use race, gender, age, family, political affiliation or religious beliefs as the criteria for employee assignment, performance evaluation or promotion.



Human Resource Manual / Employee Complaints Regulation/ Sexual Harassment Complaints and Disciplinary Actions Regulation

- Proclaimed employee human rights protection includes basic stipulations, freedom of employment, humane treatment, and prohibition of discrimination or sexual harassment.
- √ In June 2015, one sexual harassment prevention seminar was held, and 167 employees participated.
- √ In March 2016, one sexual harassment prevention case discussion was held, and 96 employees participated.



Corporate Social Responsibility and
Sustainable Development Best Practice
Principles-Child Labor Prohibited

√ Employment of minors less than 16 years old is strictly prohibited to fully ensure compliance with legal minimum age for employment. To safeguard the physical and psychological health and safety of minor employees, hazardous assignments are strictly prohibited.



Supplier Code of Conduct

- √ Human rights standards specified in the Supplier Code of Conduct include :
- 1. Prohibition of child labor; 2. Anti-discrimination; 3. Remuneration and working hours; 4. Freedom of labor; 5. Respect for freedom of assembly and association, and the right to collective bargaining agreement.



Anti-discrimination Policies and Courses

√ Operations staff must attend non-discriminatory policy courses for boarding passengers with physical and mental disabilities to ensure the interests of passengers.

| Policy | Target | Vulnerable Population | Human Rights Issues | Improvement Measures | Internal Management Mechanism/Procedure |
|--|------------|--|--|--|---|
| Employee Workplace Code of Conduct Occupational Safety and Hygiene Policy | Employee | ✓ Female flight crew✓ Maintenance crew✓ Shift crew | ✓ Freedom of assembly and association ✓ Negotiation freedom ✓ Discrimination ✓ Respect for privacy ✓ Job safety and hygiene ✓ Freedom from sexual harassment ✓ Work hours ✓ Anti-corruption / accepting bribes / offering bribes ✓ Wages | ✓ Education and Training Conduct training courses on issues such as sexual harassment, personal information protection, laws and regulations, and health and safety to improve employee human rights awareness. ✓ Compliance with Regulations Integrate issues such as discrimination, bribery, working hours, sexual harassment, employee grievance and personal information into internal management standards and measures. ✓ Employee Engagement Communicate and address employee needs through channels such as unions, labor-management meeting and town hall meeting. | ✓ Regular workplace labor-management meetings. ✓ Annual internal and external audit. ✓ Labor inspection. |
| Supplier Code of Conduct | Supplier | √ All suppliers | ✓ Ban child labor ✓ Anti-discrimination ✓ Remuneration and working hours ✓ Labor freedom ✓ Respect the freedom of assembly and association, and the right to collective bargaining | ✓ Conduct supplier social responsibility survey | √ Future suppliers participating ir bids must agree with and sign the Supplier Code of Conduct |
| Contractor work safety and hygiene standard Occupational Safety and Hygiene Policy | Contractor | √ All customers | √ Safety and health | ✓ Include safety and hygiene issues into contractor agreement. ✓ Inform contractors of workplace, risk factors, preventive measures and safety and hygiene regulations. ✓ Hold Construction Safety Coordination meetings before and during construction, and coordinate safety in the industry. ✓ Supervise contractors to ensure compliance with safety regulations, and follow up and improve on any failure. | ✓ Contractor Health and Safety check during construction. ✓ Contractor Health and Safety Management procedure. |
| Personal data security protection plan and measures in civil aviation transportation | Customer | ✓ All customers | √ Privacy rights | ✓ Ensure that standard operating regulations comply with Personal Information Protection Act to safeguard passenger interest. ✓ Without passenger consent, personal information will not be disclosed to a third party unrelated to the service or transaction. ✓ Formulate standard operating procedure for personal information, and establish personal information processing system beginning April 2016. | ✓ Personal Information Security Management Committee |

Sexual harassment prevention is emphasized in education and training courses for new employees to prevent workplace sexual harassment. Continuing education in sexual harassment prevention is also conducted annually for all employees, and course materials are available to employees on CAL website (CAL EIP). Employees can file grievance of sexual harassment to the Sexual Harassment Mailbox provided by Human Resource Department. If the perpetrator of sexual harassment is a company employee, the Human Resource Department must investigate within 7 days of receiving the notification or grievance. No less than half of the members of the Complaint Review Committee for disciplinary actions or other resolution must be women, and based on individual cases, psychological counseling is provided to both the offender and victim. If the perpetrator of sexual harassment is an outside employee, the CAL will help the victim with relevant laws for charges and legal aid.

In respect of employee feedback, employees may file grievances of infringement or improper handling to their respective departments or the Human Resource Department in accordance with Employee Complaint Regulations. Employees disagreeing with the outcome of their grievances may appeal to the Human Rights Department to ensure their basic employee rights and interests. In the last four years, most disputes were related to concessional flight ticket. There is a grievance case regarding the contract violation with a captain in Mandarin Airlines. As for Tigerair Taiwan, there is no grievance.



| Incidents of Sexual Harassment | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------------------|-------------------|--|---------------|------|------------------------------|
| No. of Grievance | 2 | 1 | 1 | Ο | 4 |
| No. of Cases Opened | 1 | 1 | O | 0 | 3 |
| Types of Harassment | Physical | Physical | Physical | 0 | Physical |
| Grievance Outcome | Requested company | Administrative discipline and job transfer | Case unopened | - | Administrative discipline |

| Number of Grievances | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------|------|------|------|------|
| Performance Evaluation | 0 | Ο | 1 | 3 | 2 |
| Concessional Airline Rebated Tickets | 5 | 18 | 7 | 15 | 16 |
| Leave of Absence | 0 | Ο | 2 | 0 | 0 |
| Disciplinary Action | 3 | Ο | 2 | 4 | 1 |
| Occupational Disaster | 0 | 1 | 1 | 0 | 0 |
| Others | 2 | 1 | 5 | 11 | 5 |
| Total Number of Grievances | 10 | 20 | 18 | 33 | 24 |

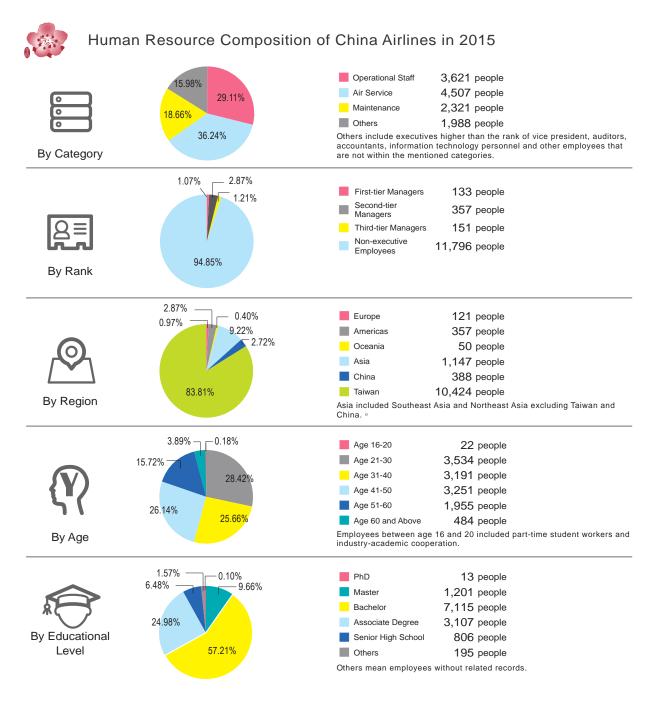
Note: Other types of grievances include employee disputes and job transfers.

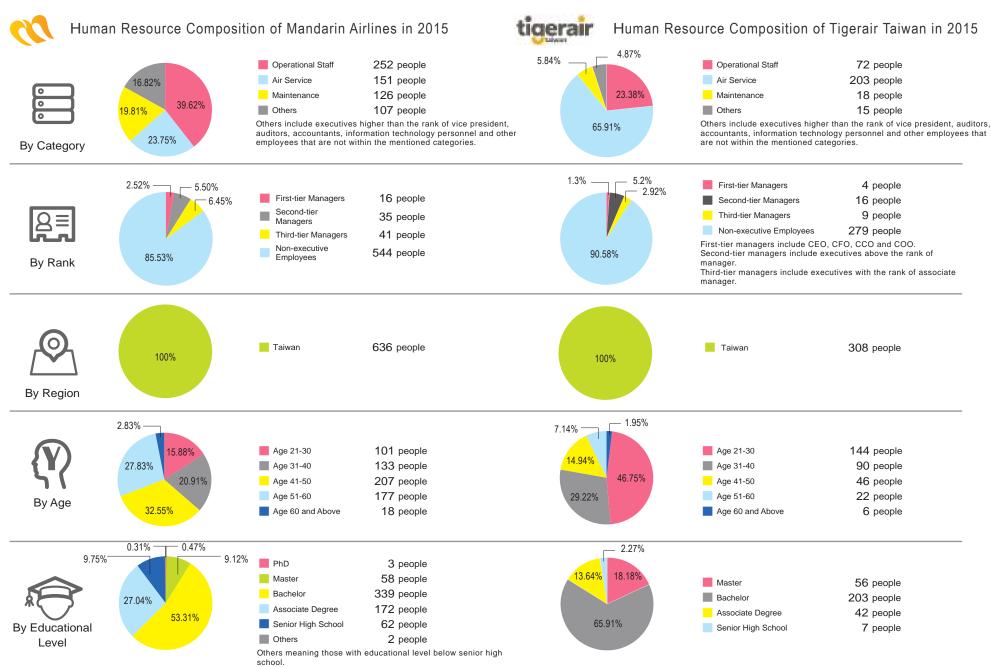
5-3 Recruitment and Retention

5-3-1 Human Resource

Due to the growth regarding the human resource necessity in the aviation industry, China Airlines has continued to recruit excellent people with high educational level from different fields to enhance the service quality and safety of aviation. By the end of 2015, China Airlines had a total of 12,437 employees globally, with 12,352 formal employees (Male for 6,384 people and female for 5,968 people; 99.3%) and 85 contracted employees (Male for 35 people, and female for 50 people;0.7%). Regarding job categories in the aviation industry, besides the management and organizing jobs that also exist in ordinary industries, there are other categories that are exclusive to the aviation industry such as air crew, ground service staffs, cargo transportation, customer service and flight & airplane maintenance staffs that require professional techniques.







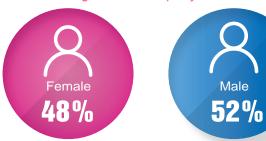
Note: This chart does not include employees at offices in China.

5-3-2 Indicators of Diversity

China Airlines has 1.07 times more male employees than female employees and has 4.05 more male than female in the management level. Due to the nature of jobs, there are more male employees in the maintenance facilities and more female employees as flight attendants. Between 2011 and 2015, the retaining female aborigine employees had increased from 27 women in 2011 to 45 women in 2015, with the growth rate of 67%, and the retaining male aborigine employees had increased from 40 men in 2011 to 43 men in 2015, with the growth rate of 8%.

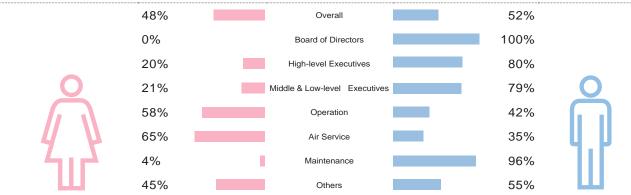
In accordance with the legal regulations regarding the recruitment of disabled people in Taiwan, China Airlines has continued to conduct internal job rotations and work content evaluations. Recruiting disabled people to work as ordinary administrative staffs has been first priority in China Airlines and is constantly working to achieve the targets set by the legal regulations. China Airlines has always been supportive on the employment rights of the disabled. In 2015, the retaining rate of disabled people had reached 133% and 104% in Taipei branch and in the maintenance facilities. The head office retained disabled people from diversified channels and the retaining employees had exceeded legal requirements by the second half of 2015. In 2015, the retaining rate of disabled people in all China Airlines offices and headquarters all exceeded the legal datum of 93%.

Overall male to female ratio among CAL management/employees

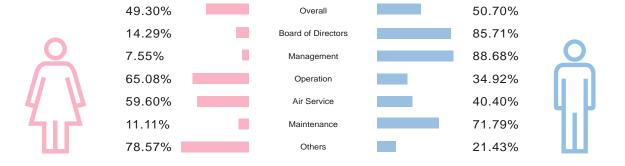




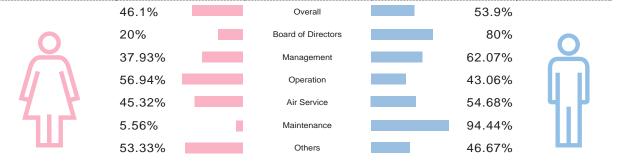
Male to female ratio among CAL management/employees



Male to female ratio among Mandarin Airlines management/employees

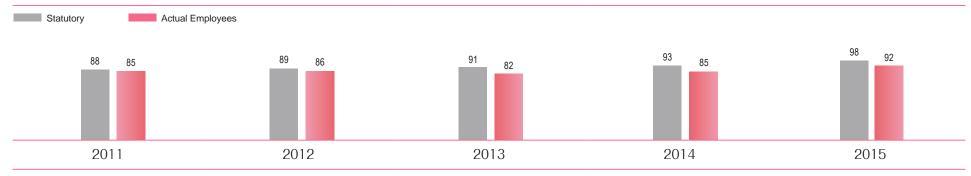


tigerair Male to female ratio among Tigerair Taiwan management/employees



85 Care for Employees

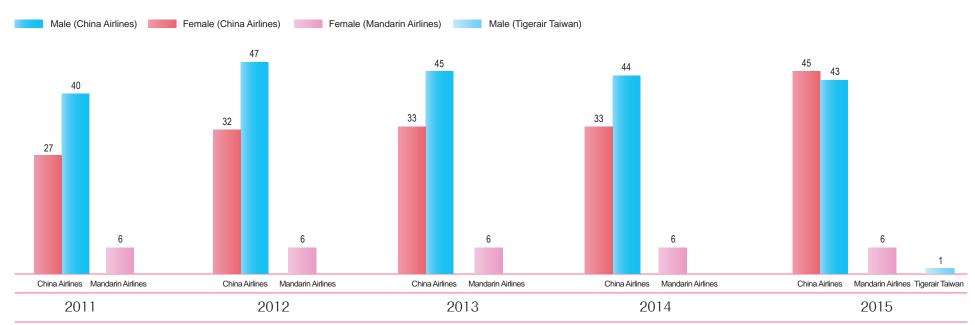
Statistics on Retaining Disabled People in China Airlines



Note: Statutory and actual employees' numbers are annual averages of employee numbers calculated each month.



Statistics on the Retaining Aborigine Employees in China Airlines, Mandarin Airlines, and Tigerair Taiwan



 $Note 1: The \ number \ of \ male \ aborigine \ employee \ of \ Mandarin \ Airlines \ was \ all \ 0 \ from \ 2011 \ to \ 2014.$

Note2: The number of female aborigine employee of Tigerair Taiwan was all 0 in 2015.

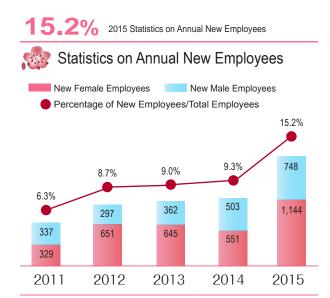
5-3-3 Recruitment

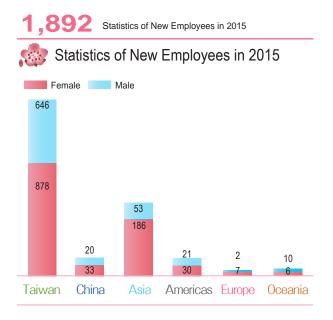
Due to the continuous enlargement of China Airlines' flight network in 2015, the growth rate of total passengers had increased by 4% comparing with 2014. Alongside with the establishment of "Next Generation (NexGen) fleets, the annual need for employees have increased greatly. We openly recruit new employees for all vacancies. To attract and keep outstanding employees, we have established a human resource database for different job categories and special necessities and are attracting talented people to register and participate in our recruitment. At the same time, we also examine our overall salary policy and provide employees with reasonable remuneration, related welfare and insurance. We also provide performance salary raise and promotion salary raise to promote outstanding employees and conduct fair and transparent promotions.

5-3-4 Local Staff Employment

By the end of 2015, the hiring rate of local staffs in Taiwan was 98.84% and 100% of management level personnel were local employees. The overall global hiring rate of local staffs was 77.08% and 33.19% of management level personnel were local employees. China Airlines has provided abundant employment opportunities to local residents and promoted the local employment and economic development domestically and abroad. There is no foreign captain in Mandarin Airlines. In Tigerair Taiwan, there are 16 foreign captains and 2 foreign managers.







5-3-5 Staff Turnover

CAL regulations for resignations and advance notice period are based on the Labor Standards Act, and when employees turn in their resignation, supervisory staff will seek to understand the reasons for resignation. All employees are protected by their labor contract, which stipulates regulations for merits, disciplinary actions, termination, hiring principles, regular staff rotation, and regular internal and professional training to enhance productivity. In terms of internal staff rotation, each department conducts an employee evaluation and rotation at least once a year. Rotation candidates are recommended by the Human Resource Department and based mainly on job responsibility, followed by job adjustment.

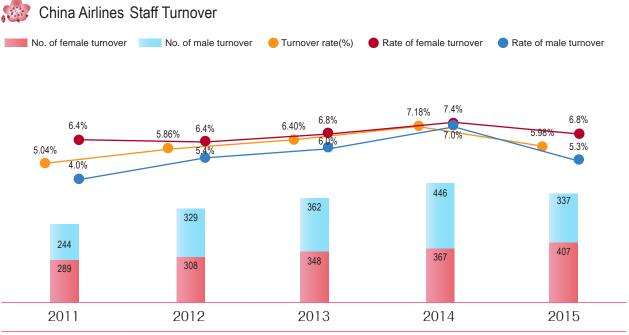
Due to factors such as labor market supply & demand and changes in the number of retirees, the global employee turnover rate in 2015 averaged 5.98%, which was significantly lower than the 2014 turnover mainly due to the 2015 employee welfare measures which attracted employee retention. For areas with high turnover, local labor laws and salary scales are reviewed, pay and benefits systems are revised as appropriate, and through company management mechanisms, policies and merit system are revised to reduce turnover. In recent years, the turnover for female is higher than for male mainly due to the higher proportion of females in the cabin crew and hourly pay staff. New employee turnover is mainly due to job changes, but the overall is 5.98% which is slightly lower than the average turnover for the last five years (6.09%).



| CAL Turnover Type | 2012 | 2013 | 2014 | 2015 |
|-----------------------------|------|------|------|------|
| No. of Voluntary Turnover | 462 | 578 | 678 | 545 |
| Proportion of Turnover (%) | 62 | 71 | 95 | 86 |
| No. of Involuntary Turnover | 175 | 132 | 135 | 199 |
| Proportion of Turnover (%) | 38 | 29 | 5 | 14 |

Note: Voluntary turnover= resignation +early retirement + application for resignation. Involuntary turnover--retirement + severance

5.98% 2015 Yearly Staff Turnover



Note: Turnover count includes resignation and retirement. Turnover rate refers to the (No. of turnover for a particular year X 100)/Total number of employees in that particular year.

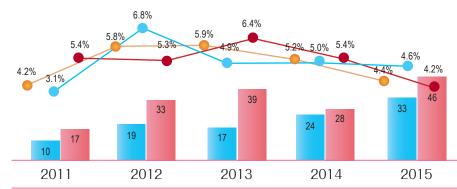
88

4.4% 2015 New Employee Turnover

🥵 New Employee Turnover

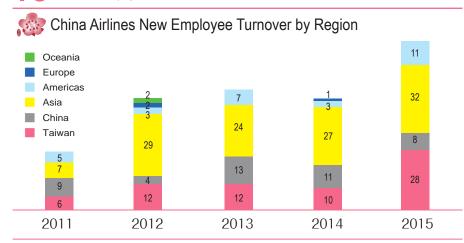
Rate of new employee turnover (%)
 Number of new female employee turnover
 Number of new male employee turnover
 Number of new male employee turnover

Rate of new male employee turnover (%)

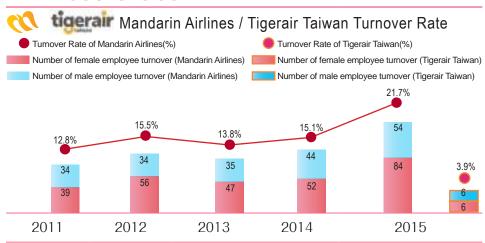


Note: Turnover rate= Turnover of employees newly hired for less than four months/ (employees completing employment terms *100 %)

79 2015 New Employee Turnover

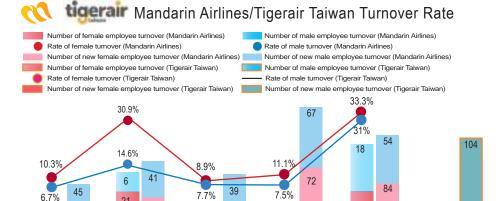


21.7% / 3.9% 2015 Mandarin Airlines / Tigerair Taiwan Turnover Rate



Note: Turnover rate= Turnover of employees newly hired for less than four months/ (employees completing employment terms *100 %)

31%. 33% / 0%. 2.4% 2015 Mandarin Airlines / Tigerair Taiwan Male and Female Turnover



Note 1: Turnover count includes resignation and retirement. Turnover rate refers to the (No. of turnover for a particular year X 100)/Total number of employees in that particular year.

5

8

2014

26

2.4%

2015

Note 2: Turnover rate= (Turnover of employees newly hired for less than fourmonths X 100)/Total number of new employees in that particular year, Female turnover rate = Turnover of female employees newly hired for less than four months X 100)/Total number of new female employees in that particular year; Male turnover rate = Turnover of male employees newly hired for less than four months X 100)/Total number of new male employees in that particular year. Note 3: The number of male turnover of Tigerair Taiwan in 2015 was 0; The rate of male turnover of Tigerair Taiwan in 2015 was 0 %.

2013

39

2012

4

2011

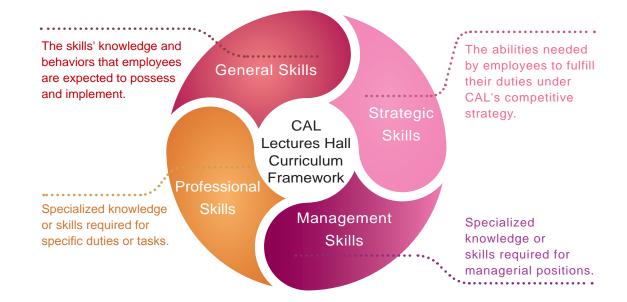
5-4 Employee Development and Training

5-4-10verview

CAL Education and Training Objectives:

- √ Establish archive of CAL training materials and training examples to provide adequate resources for subsequent trainings.
- √ Cultivate first-tier managers and second-tier managers, grassroots executives and new employees to ensure that all employees are capable of fulfilling job requirements.
- Focus on skills training for front-line staff to cultivate excellent human resources for ensuring service quality.

To increase overall corporate competitiveness and match overall strategic objectives, CAL plans a diversity of training to provide employees with the necessary knowledge and skills to strengthen professional competence and development, cultivate managerial personnel and enhance the competency and horizon of potential talents. The Training Advisory Committee was formed to oversee the annual education and training of employees, and formulates courses under relevant laws and regulations and based on operation promotion, and customer need. The CAL personnel training program focuses on strengthening employee competency, and uses the CAL Lecture Hall framework to ensure that all employees have the necessary professional skills and competency to perform their duties. CAL encourages employees to participate in the Industrial Investment Program Plan courses offered by the Vocational Training Bureau. Credit and non-credit courses completed by employees are entered in the e-Learning System records for outside training so that the employees may receive subsidies for their out-of-pocket tuition.



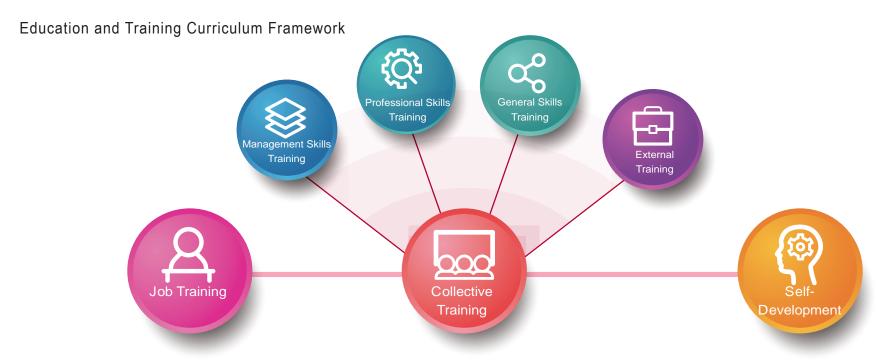


General courses in aviation management



5th graduation class of management personnel







Management Skills Training

- √ Advanced management courses
- √ Intermediate management courses
- √ Introductory management courses
- √ Management Curriculum



General Skills Training

- ✓ Project related courses
- √ General knowledge courses
- √ Job skills workshops
- √ e-Missive courses
- √ Orientation Training Course

{Q}

Professional Skills

- √ Aviation Training
- √ Flight attendant training
- √ Aircraft operations training
- √ Business training
- √ Ground service training
- √ Other specialized training

₽

courses

External Training

√ External management/specialized

- ✓ Job assignment✓ Job instruction
 - √ Job tips
 - √ Field practice
 - √ Incubation program

Job Training

√ Routine guidance



- √ Self-development seminars
- √ Management/general in-service courses

Professional Training Category and Description

Sales **Technical** Service Others Sales employees **Technicians** Service employees Administrative staff Corporate security /inspection operations, aviation Sales strategy, passenger operations, cargo Service quality assurance, general public relations Investment management, insurance, legal operations and other related training. operations, system control and maintenance knowledge, service, ground operations and inprotection, finance, information technology, human flight supplies operations. hangar operations. resource management planning

To help employees achieve company goals and develop together in this labor-intensive service industry, CAL strives to strengthen employee ability through education and training with the corporate's operation goal and strategy to continuously increase the corporate asset, which is also the foundation of corporate sustainability. In order to effectively manage human capital investment, in recent years, CAL has been using the Return of Investor (Human Capital ROI) index for estimating the return on TWD 1 of human capital investment as an indicator of corporate mid and long term performance.

| Year | 2012 | 2013 | 2014 | 2015 |
|-------------------|------|------|------|------|
| Human Capital ROI | 0.97 | 0.99 | 1.07 | 1.24 |

Human Capital ROI = Revenue - [operating expenses - (salaries + benefits)] / (salaries + benefits)

With the introduction of new aircraft in 2015, a substantial number of pilots, flight attendants and ground crew were recruited, and compared to previous years, new employee courses increased accordingly. At the same time, to optimize service quality, a variety of flight and ground service courses were planned. In addition, to increase professional skills, the NEW PSS was introduced for sales and service training courses, and 4 general knowledge camps and numerous project management curriculums were offered. Due to the large number of courses offered in 2015 to increase the overall expense which includes hourly instructor fee, course materials, travel expenses and rental fees for simulators, the number of participating employees was higher, which resulted in a lower average training cost despite the increase in total training cost. In 2015, the primary reason for the decline in training completion rate is due to ground service employees not completing their online security and anti-discrimination law courses before deadline.

In responses to international trend and the aviation industry development, we set up several new departments in 2015, expanding business and employee career development strategies, and overall external and internal recruitment were greatly increased in 2015. Internal hiring rates for the last three years were 2.42%, 8.11 % and 4.92%, respectively, and in 2015, the decline in internal recruitment was mainly due to increasing job openings from business growth but the available employees are limited.

The 2015 CAL operational goals and employee career development needs are integrated to formulate the following employee development projects:

| Employee Development Project | Business Benefits | Quantitative Impact of Business Benefits | Proportion of Employees Included in the Projects |
|--|---|--|--|
| Refresher training for maintenance, ground service, cabin crew and flight operation | 1.Elevate the safety awareness and enhance the security awareness 2.Be familiar with the operation procedure 3.Be familiar with the emergency response procedure | Flights in 2014: 83292 GDI Direct Lost in 2014: Amount: US\$1,853,897 Flights in 2015: 85520 GDI Direct Lost in 2015: Amount: US\$922,051 | Proportion to total employees: 7,522/12,437=60% Maintenance Facility: 2,593 People Ground Service Staff: 1,110 People Cabin Crew: 2,946 people Flight Operations: 873 people |
| Regular service related training for cabin crews and ground service staffs to strengthen the service concept and skills: | 1.Recall the passion of service 2.Enhance the service skills 3.strengthen the professional ability for handling and solving problems 4.Decrease customer complaints and elevate the service quality | Enhance the service quality and decrease the compensation issue from customers to increase customers' willingness to take the plane again The customer satisfaction in 2013 - 2015 are 85, 85.8 and 86.5 | Proportion to total employees: 4,255/12,437=34% Ground Service Staff: 1,110 people Cabin Crew: 3,145 people |







Staff Training Statistics of China Airlines, Mandarin Airlines and Tigerair Taiwan

| | | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|
| | China Airlines | 18,226 | 24,926 | 23,715 | 22,247 | 29,889 |
| Fotal sessions of education and raining courses offered | Mandarin Airlines | - | - | - | - | 2,767 |
| .ag courses chorea | Tigerair Taiwan | - | _ | _ | _ | 592 |
| | China Airlines | 422,481 | 578,643 | 556,400 | 496,306 | 623,937 |
| otal training hours | Mandarin Airlines | - | - | - | - | 29,435 |
| | Tigerair Taiwan | - | - | - | - | 5,382 |
| | China Airlines | 39.9 | 53.3 | 49.9 | 43.8 | 50.16 |
| verage training hours per mployee | Mandarin Airlines | - | - | _ | - | 46.3 |
| | Tigerair Taiwan | - | - | - | - | 17.47 |
| | China Airlines | 1,349,740 | 2,490,630 | 2,854,450 | 3,283,000 | 2,000,000 |
| subsidy for external training (TWD) | Mandarin Airlines | - | - | _ | - | N/A |
| | Tigerair Taiwan | - | _ | _ | _ | N/A |
| | China Airlines | 286,396,688 | 247,723,097 | 264,733,181 | 310,422,359 | 324,447,523 |
| otal training expenses including ut-stations (TWD) | Mandarin Airlines | - | - | _ | - | N/A |
| | Tigerair Taiwan | _ | _ | _ | _ | 4,377,780 |
| | China Airlines | 27,075 | 22,798 | 23,762 | 27,425 | 26,087 |
| verage training cost per employee TWD) | Mandarin Airlines | - | - | - | - | N/A |
| , | Tigerair Taiwan | _ | _ | _ | _ | 14,214 |
| | China Airlines | 98.8 | 98.5 | 98.8 | 98.6 | 97.42 |
| raining completion rate (%) | Mandarin Airlines | - | _ | _ | | 98.5 |
| | Tigerair Taiwan | - | - | - | - | 94 |

Note 1: The above data excludes external training.

Note 2: The denominator for the above data is all employees.

Note 3: Subsidy for external training is funded by the Vocational Training Bureau and Taiwan Aviation Career Development Association.

Note 4: Completion rate: Pass rate for internal training (including physical and online courses). The denominator is the total number of voluntary registrations (optional course) and training assignments (compulsory course).

Note 5: Mandarin Airlines hasn't applied for subsidy for external training and total statistic training expenses.

Note 6 : Completion rate: Pass rate for internal training (including physical and online courses). The denominator is the total number of voluntary registrations (optional course) and training assignments (compulsory course).

Note 7: Tigerair Taiwan has no out-stations.

93 Care for Employees

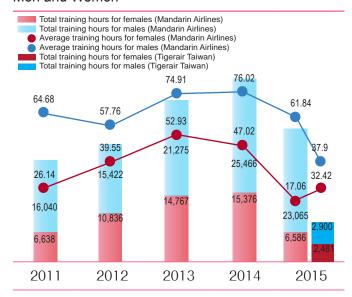
50.16 Hours 2015 Average Training Hour Per Employee

Staff Training Statistics Average training hour per employee Total training hours for females Average training hours for females Total training hours for males Average training hours for males 76.5 68.5 62.7 52.7 50.16 49.9 43.79 41.1 39.1 43.77 26.57 460,409 329,706 321.329 265,174 248,937 235,071 230,418 224,950 197.531 170.594 2011 2012 2013 2014 2015

324,447,523 2015 Staff Training Expense(TWD)



Mandarin Airlines / Tigerair Taiwan Training Hours for Men and Women









China Airlines, Mandarin Airlines and Tigerair Taiwan Training Statistics

| raining by C | ategory | | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------|-------------------|---------------|----------|-----------|-----------|-----------|-----------|
| operations | Ohina Aidina | Total hours | 56,027 | 59,139 | 76,590 | 74,955 | 116,899 |
| | China Airlines | Average hours | 17.8 | 18.6 | 23.7 | 22.62 | 42.72 |
| | Mandarin Airlines | Total hours | 6,929.00 | 10,512.50 | 6,196.50 | 11,901.00 | 2,870.50 |
| | Mandarin Airlines | Average hours | 37.05 | 76.73 | 32.44 | 58.05 | 12.59 |
| | Tigorois Tobuso | Total hours | - | - | - | _ | 673 |
| | Tigerair Taiwan | Average hours | - | - | - | - | 9.35 |
| | China Aidinaa | Total hours | 298,774 | 450,779 | 415,283 | 331,629 | 426,826 |
| | China Airlines | Average hours | 91.2 | 126.2 | 109.8 | 85.34 | 93.29 |
| flight crow | Manday's Aislis | Total hours | 7,962.50 | 11,079.00 | 17,763.30 | 14,523.42 | 9,366.50 |
| flight crew | Mandarin Airlines | Average hours | 54.91 | 68.81 | 101.50 | 78.50 | 53.52 |
| | | Total hours | - | - | - | _ | 4322 |
| | Tigerair Taiwan | Average hours | - | - | - | - | 21.09 |
| | Obia - Aidia | Total hours | 34,753 | 39,295 | 44,632 | 52,939 | 25,605 |
| | China Airlines | Average hours | 16.0 | 17.9 | 20.0 | 23.61 | 9.85 |
| | | Total hours | 6,188.50 | 3,605.50 | 8,816.00 | 3,301.34 | 14,159.00 |
| maintenance | Mandarin Airlines | Average hours | 46.88 | 28.62 | 71.67 | 79.70 | 107.27 |
| | | Total hours | - | - | - | - | 240 |
| | Tigerair Taiwan | Average hours | - | - | - | - | 13.3 |
| | China Aidin - | Total hours | 32,927 | 29,430 | 19,895 | 11,791 | 7,650 |
| | China Airlines | Average hours | 16.7 | 15.3 | 10.5 | 6.27 | 8.52 |
| oth c " | Manday's Airlin | Total hours | 1,611.00 | 1,124.00 | 3,301.00 | 3,301.34 | 3,293.75 |
| other | Mandarin Airlines | Average hours | 16.11 | 18.73 | 46.49 | 36.68 | 49.16 |
| | T T : | Total hours | - | - | _ | _ | 147 |
| | Tigerair Taiwan | Average hours | - | - | - | - | 9.8 |

Others: Includes vice presidents and above, audit and accounting, information technology personnel and others.

Note: Average hours of training = Total training hours / total number of employees trained.

5-4-2 Pilot Training

CAL has consistently insisted on a comprehensive training program for cultivating professional airline pilots. Regardless of flight experience, all new employees have the opportunity to train to become a top airline pilot through the comprehensive program offered by CAL. The systematic pilot training uses the Advanced Pilot Qualification Program to further the training of pilots from different background so that they can transition into operating large civil aircrafts. Advanced cloud technology training systems and new high simulator equipment are then used for aircraft conversion training. At the same time, during the Initial Operating Experience training phase, hands-on training is conducted to reinforce training and increase practical experience. In addition, Proficiency Training (PT) targeting common pilot errors is conducted every 6 months and appropriate seasonal courses are designed every semester as a preventive measure to strengthen pilot competency and promote flight safety.

Testing is conducted twice a year using aircraft stimulators, and the content is based on test programs approved by the Civil Aeronautics Administration. The Flight Operations Division immediately suspends pilots who fail the route or simulator test from their flight operations, and may resume their assignments upon further training and qualification. In pilot career planning and development, those with no flight experience may train for 2 years and pass a first officer qualification test, and become further promoted to captains after 7 years of being the first officer (FO) and a minimum of 4,200 flight hours. Those with outstanding performance may be trained for managerial positions or become flight instructors responsible for pilot training. As of 2015, a total of 1,123 employees received pilot qualification.



5-4-3 Flight Attendant Training

Through weekly cabin management meetings, flight attendant seminars and monthly labor management meetings, CAL promotes mutual communication with its staff. Career planning and development focuses on revitalizing cabin organization, strengthening purser competencies and increasing avenues for promotion. To help cabin crew deliver quality services that "satisfy customer needs and expectations", flight attendants must undergo rigorous training according to the Cabin Crew Training Manual issued by CAL, be equipped with ground knowledge and flight service competency, and understand their roles and responsibilities in extraordinary and emergency situations. In 2015, external training operations included organizing external training, providing training to other airlines and conducting flight attendant experience camps. Visitations included exchanges with other airlines, government agencies, companies and schools, public relations activities and industrial cooperation and activitiesvideo shooting.

CAL offers sincere services that uphold the values of SOP+, namely diligent, attentive, proactive, interaction and enthusiastic, and are committed to delivering quality service that exceeds customer expectations. In line with the CAL's internal mystery shopper quality assurance, operations and service processes are reviewed and improved.



| 2015 Flight Attendant Training Course Title | No. of Session | No. of Completion |
|---|-------------------|----------------------|
| Initial Training | 22 | 553 |
| Aircraft Transition Training | 16 | 346 |
| Initial Training for Outstation Recruit | 4 | 75 |
| Taiwan premium cabin training | 1 | 24 |
| Cabin Manager Advanced Training (including Purser) / Instructor Advanced Training | 8 | 149 |
| Regular Service Recurrent Training (including Outstations) | 111 | 2,664 |
| CRM (including First Aid Recurrent Training) | 125 | 3,000 |
| Re-qualification Training | 23 | 150 |
| Candidate Purser Training | 4 | 96 |
| Candidate Cabin Manager Training | 1 | 24 |
| PA Training | 4 | 72 |
| KHH Up-grade Training | 1 | 24 |
| Aircraft Transition Training - Boeing 777-300ER | 49 | 1,176 |
| Total | 369 | 8,353 |

| 2015 Flight Attendant Training Course Title | No. of Session | No. of completion |
|---|-------------------|-------------------|
| New Flight Attendant Training | Ο | 0 |
| Regular Refresher Service Training For Cabin Crew | 0 | 0 |
| Regular Refresher Training For Cabin Crew | 13 | 111 |
| Purser Promotion Training | 1 | 3 |
| Cabin Crew Re-qualification Training Following Leave Of Absence (Absence Of 24-48 Months) | 3 | 3 |
| Cabin Crew Re-qualification Training Following Leave Of Absence (Absence Of 6-24 Months) | 2 | 4 |
| Business Class Cabin Training | 3 | 30 |
| B738 Aircraft Training | 7 | 42 |
| Other Training Projects | 72 | 344 |
| Total | 101 | 537 |

5-4-4 Industry-University Collaboration and Internship

Aerospace maintenance personnel training

In addition to staff training, CAL also fulfills its corporate social responsibility by offering its extensive practical experience and comprehensive aviation facilities and curriculum to support the vocational colleges-industry collaboration and professional training policies promoted by the Ministry of Education. Since 2013, CAL has long-term collaborations with universities in Taiwan, and to date, has collaborated with 10 universities and cultivated a total of 179 aerospace maintenance professionals. CAL promotes basic maintenance training courses, offers scholarship to students completing the program and ensures employment opportunities to provide a stable source of maintenance professionals and a reserve of outstanding aerospace maintenance technicians for the country.

Civil Aviation Program

Since 2014, CAL has collaborated with Tamkang University, Feng Chia University and National Cheng Kung University to offer programs in civil aviation, and signed the Framework for Tactic Cooperation in Aviation Training Agreement. To date, a total of 482 students were cultivated through the aviation training, thereby reducing their gap between academics and practice. Students completing the CAL curriculum have employment priority, and through the collaboration, academics and industry are more closely integrated to produce highly competent professionals in aviation management.

Campus Talent Incubation Program

The rapid global development in air travel industry has resulted in a demand for industrial professionals. The campus incubation program promoted by CAL is an innovative campus education cooperation program. To date, CAL has taught cooperatively with 46 universities in northern, central and southern Taiwan, such as Shih Hsin University, Providence University and National Kaohsiung University of Applied Sciences. Collaborative efforts include:

(1)Establishing tourism internship for Shih Hsin University Department of Tourism, and creating a new page in industry-university collaboration by constructing a Learning and Practice Integration model comprising team teaching and internship. Students interning in travel services receive professional CAL training such as customer service, ticketing and marketing. CAL also offers management information and consultation services, and assists with the construction of comprehensive operations systems and training of aviation operations and marketing professionals.

- (2)Recruiting internal outstanding company instructors to teach aviation management, travel management, service management and marketing management at universities, enhance the practical aspect of academic curriculum and jointly promote industry-university collaboration to effectively integrate industry and academics.
- (3)Organizing campus seminars to meet career counseling needs, and through these seminars, recruiting professionals from various disciplines.

CAL offers a wealth of corporate expertise and resources to help students increase their professional knowledge and

practical experience, thereby cultivating air travel professionals with an excellent theoretical and practical foundation. Such a strong win-win collaboration with universities has been beneficial to both parties.

The CAL human resource management continues to expand its industry-university collaboration and internships to further the feasibility of future employment relationship. Based on professional nature and needs, industry-university collaboration is divided into maintenance, education and technology, one-year ground service and short-term ground service internship categories. In support of the Ministry of Education's external internship policy, CAL has conducted exchanges with various universities. Formal consensus on collaborations were reached, and industry-university cooperation for various operations were implemented to nurture maintenance professionals in aviation knowledge and professional competence.

Industry-Academia Corperation

Service Internship

2-month Summer

Internship

Collaborating University Category National Taipei University of Technology, National Formosa University, National Yunlin University of Science and Technology, National Kaohsiung University of Applied Sciences, National Kaohsiung First University of Science and Technology, National Maintenance Pingtung University of Science and Technology, National Taiwan University of Science and Technology, Tamkang University, Feng Chia University, Chung Yuan Christian University, Yuan Ze University, National Chin-Yi University of Technology. Education and National Taiwan Normal University, National Taipei University of Education. Technology Resource National Kaohsiung First University of Science and Technology, National Yunlin University of Science and Technology Management National Kaohsiung University of Hospitality and Tourism, Kainan University, I-Shou University, Lunghwa University of Science 1-year Ground and Technology, National Kaohsiung University of Applied Sciences, Chinese Culture University, Shih Chien University, Taipei City Service Internship University of Science and Technology, Hsing Wu University, National Kaohsiung First University of Science and Technology, China University of Science and Technology, Feng Chia University, Wenzao Ursuline University of Languages. Short-term Ground Kainan University and Vanung University.

Science and Technology, Taipei City University of Science and Technology, St. John's University.

National Chengchi University, National Chiao Tung University, National Cheng Kung University, National Cheng University, National

National Taiwan Normal University, National Taipei University of Education, Shih Chien University, Fu Jen Catholic University,

Taichung University of Science and Technology, National Kaohsiung Marine University, National Kaohsiung First University of

Ming Chuan University, Tamkang University, Kainan University, Shih Hsin University, Asia University, Tunghai University, Chang Jung Christian University, Aletheia University, China Medical University, Wenzao Ursuline University of Languages, National

5-5 Health and Safety in Workplace

5-5-1 Occupational Health and Safety Committee

We have established an Occupational Health and Safety Committee in accordance with governmental stipulations. The Committee is chaired by the president of CAL, and comprises 1 vice-chair, 1 secretary and members represented by tier 1 managers, occupational safety and health employees, engineering and technical employees and medical care employees from designated departments and labor union representatives. The Committee meets once every three months where the Occupational Health and Safety Department presents reports and analysis on occupational accidents and programs for managing health and safety incidents, and arranges for experts to deliver related speeches on safety and health issues when appropriate. The Committee is also responsible for reviewing, coordinating and recommending safety and health issues to prevent occupational accidents and protect employee safety and health.

CAL Occupational Safety and Health Policy



Five Key Goals

Establish a comprehensive occupational health and safety management system.

Strengthen corporate safety culture to enhance employee safety awareness. Implement
hazard and risk
management
mechanisms to
effectively resolve
hazard issues.

Strengthen health and safety education and training to reduce incidents of occupational accidents.

Create a safe, healthy and comfortable working environment

| Occupational Health and Safety Committee Members | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------|--------|------|------|------|
| Proportion of Taipei branch employee representatives (%) | Note 1 | Note 2 | 38 | 33 | 33 |
| Proportion of Taoyuan area employee representatives (%) | 36 | 36 | 36 | 35 | 36 |
| Proportion of Kaohsiung branch employee representatives (%) | 35 | 42 | 38 | 38 | 38 |
| Proportion of maintenance facility labor representatives (%) | 36 | 36 | 36 | 35 | 35 |

Note 1,2: In 2011, the company was headquartered in Taoyuan, so the Taipei Occupational Safety and Health Committee meeting also held in Taoyuan at that year; in 2013, the Taipei branch office established a staffed Occupational Safety unit, and established the Safety and Health Committee.

| ltem | Implementations |
|---|--|
| Overall safety and health management plans. | Formulated the 2014-2015 Occupational Safety and Health Management Plan to promote health and safety management Formulated the 2014-2015 equipment self-inspection plan to prevent accidents caused by equipment error Convene a quarterly Occupational Safety and Health committee meeting to evaluate and improve on safety and health failure |
| Safety and health management and inspection. | ✓ Education using occupational accidents as case examples > = 10-12 cases/ year ✓ Workplace safety and health inspections> = 90 times / year ✓ Self-inspection and monitoring: 2 times / year ✓ Occupational hazard analysis and reports = 12 times / year ✓ Work environment monitoring: 2 times / year |
| Occupational accident management system reconstruction | ✓ In effect beginning from August 2015 |
| Application for Occupational Health and Safety Management System third party certification. | ✓ Received the OHSAS 18001: 2007 Occupational Health and Safety Management System certificate in April,2016. ✓ Received the CNS15506 Taiwan Occupational Health and Safety Management System certificate in April,2016. |
| Strengthen e-health and safety education and training | ✓ Health and safety education and training for new employees and supervisors ✓ Defensive driving education and training ✓ Occupational Safety and Health Act education and training ✓ Workplace Violations Prevention training and education ✓ General employee health and safety education and training |
| Workplace Risk Assessment and Guidance Program | Screen departments with high quarterly incidence of occupational accident and apply the AQD RISK MODULE to formulate a guidance program Identify potential risks in the operational procedures of departments under guidance quarterly Determine unacceptable risks identified in the previous quarter and assist the particular department in formulating and providing effective safety and health management plans quarterly Implement improvement measures to enhance departmental risk assessment capability, and reduce expected incidence of occupational accident to 5% |
| Implement Workplace Violations Prevention Plan | ✓ Formulate programs in accordance with the Occupational Safety and Health Administration's Workplace Violations Prevention Guidelines ✓ Assist relevant departments with hazard identification and assessment ✓ Implement hazard control measures ✓ Organize workplace violence prevention training ✓ Implement performance evaluation and improvement |
| Install AED emergency rescue equipment in work places. | ✓ Installed 17 sets of AED, provided first aid and AED training to relevant personnel. |

5-5-2 Occupational Safety and Prevention

In compliance with relevant government regulations, CAL implements risk and health measures through engineering controls, administrative management and distribution of personal protective equipment for employee use. Measures such as health checks, health promoting activities and health education and counseling are also offered to employees to reduce incidence of occupational diseases. In addition to ensuring health and safety management, CAL implements a stringent supervision of self-inspection and workplace monitoring, and management by walking around. Case examples of occupational accidents are also shared to strengthen employees'concept of work safety. CAL provides separate mandatory safety and health training and emergency response training for new employees and existing employees.

For employees in particularly hazardous jobs such as high-elevation operations in maintenance facilities, CAL reduces working hours according to labor laws, and gives such employees appropriate breaks during working hours. Based on circumstances, maintenance facilities overseers arrange for job adjustment as needed. In addition, one safety supervisor is on site every day to oversee employee work condition and ensure occupational safety. To prevent risk of hearing loss and musculoskeletal injuries to the hands caused by noise and vibrations, risk factors are eliminated as much as possible and sufficient protective gears are provided as well for employees to use properly. In addition, CAL arranges yearly employee health checks, and in the event of abnormalities, the work environment is improved or job content is modified to prevent injuries from prolonged exposure to environmental noise and vibrations.

In 2015, the overall frequency rate(FR) of disabling injuries was 3.21, disabling injury severity rate (SR) was 51, and absenteeism rate (AR) was 1.36%. Compared to 2014, there were 11 less occupational accident people However, compared to Taiwan's aviation industry in 2015, CAL's FR and SR are lower than the industrial average FR(4.95) and SR(67). To achieve a disabling injury rate of less than

3.05 and a disabling injury severity rate of less than 48 in 2016, CAL continues to implement occupational safety policies. Furthermore, there was no incident of contractor occupational accidents in the CAL workplace.

In line with international labor development trend, pursuit of corporate sustainability, improvements in safety and health management efficiency and promotion of systematic management measures, CAL received the certificates of OHSAS-18001 Occupational Health and Safety Management System and CNS- 15506 Taiwan Occupational Health and Safety Management System in April 2016. Through self-assessment and understanding of safety and health failures and risks, CAL expects to formulate standards and improvement plans for major safety and health risks. Furthermore, in this spirit of improvement, CAL uses the PDCA self-management model and preventive measures to ensure compliance with regulatory requirements to provide employees with a safe, healthy and comfortable working environment.

To universalize in-service education and training for all employees, safety and health teaching materials were developed for regular employee e-education and training. The Self-Protect Fire Protection Group also conducts training and drills once every 6 months to increase emergency response capability. Any Emergency Response Plan weaknesses detected through the drills, incident evaluation or other domestic and international disaster experiences are immediately corrected as necessary and incorporated into education, training and promotions. In addition, in accordance with the Occupational Safety and Health Education and Training Regulations, safety and health courses such as Safety and Health Education and Training for Executives, Workplace Violations Prevention, Understanding the Occupational Safety and Health Act and Defensive Driving Education and Training are offered.



Firefighting Training

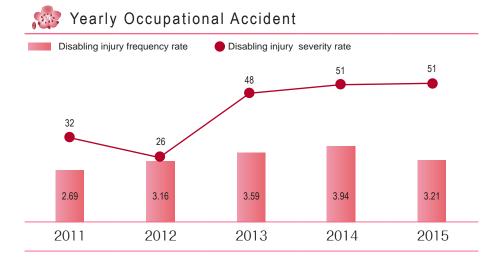


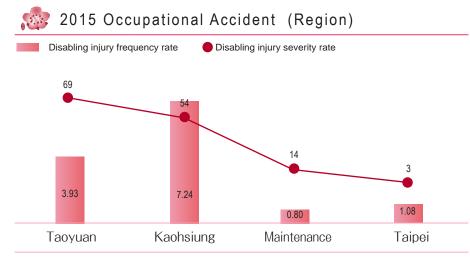
Emergency Response Training

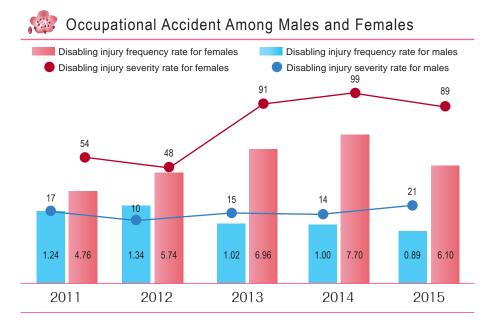


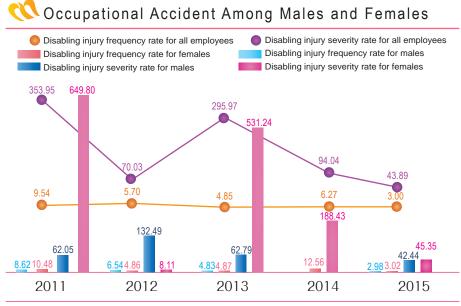
Regular Occupational Safety Committee meeting

101 Care for Employees









Note: Disabling injury frequency rate for males and disabling injury severity rate for males in 2014 were 0.









China Airlines, Mandarin Airlines and Tigerair Taiwan Yearly Absenteeism Rate

| | | • | | · · | • | | |
|---|------------------|------------|------|------|---|------|------|
| Absenteeism Rate | | | 2011 | 2012 | 2013 | 2014 | 2015 |
| | Total | Male (%) | 0.43 | 0.38 | 0.31 | 0.51 | 0.56 |
| | Total | Female (%) | 0.77 | 0.83 | 0.78 | 1.89 | 2.36 |
| | T | Male (%) | 0.39 | 0.33 | 0.31 | 0.67 | 0.74 |
| | Taoyuan | Female (%) | 0.99 | 1.13 | 1.08 | 2.17 | 2.60 |
| China | Markaina a | Male (%) | 0.19 | 0.24 | 0.14 | 0.49 | 0.28 |
| Airlines | Kaohsiung | Female (%) | 0.82 | 0.68 | 0.82 | 0.88 | 1.36 |
| | Maintenance | Male (%) | 0.54 | 0.50 | 0.38 | 0.38 | 0.37 |
| | Facilities | Female (%) | 0.04 | 0.03 | 0.08 | 0.55 | 0.27 |
| | Tainai | Male (%) | _ | _ | _ | - | 0.57 |
| | Taipei | Female (%) | - | - | - | - | 1.27 |
| Mano | darin | Male (%) | 0.50 | 0.71 | 0.65 | 0.66 | 0.87 |
| Airli | | Female (%) | 1.21 | 1.06 | 1.09 | 0.90 | 1.07 |
| Tige | erair | Male (%) | - | - | - | - | 0.20 |
| | van ⁶ | Female (%) | _ | _ | _ | - | 0.18 |
| Note 4: Total angual washing hours calculation. | | | | | A court Pearl Physics I are decreased and | | |

Note 1: Total annual working hours calculation:

Total number of employees x Total number of working days in the year x Number of working hours per day

Note 2: Yearly FR calculation: (Total number of annual disabling injuries during the year÷Total working hours × 1,000,000

Note 3: Yearly SR calculation: (Total number of days lost from disability during the year÷Total working hours) × 1,000,000

Note 4: Absenteeism calculation : Absent days = Annual disability lost days of entire staff= (Annual occupation accident disability leave of total staff + General non-hospitalized sick leave + General hospitalized sick leave + Menstrual leave). Note 5: Yearly AR calculation : (Absenteeism days \div Total number of working days) \times 100%

Note 6: In 2015, there is no occupational injury in Tigerair Taiwan, so absenteeism rate is calculated with sick leave and menstrual leave.

5-5-3 Happy and Healthy Workplace

CAL provides the better health check than statutory health check items and frequency, and holds health improvement activities combining with the community, such as New Sight, Weight Loss for All. Cancer Screening and Flu Vaccination. We also offer the medical consultants when material abnormal accidents happened, give the suggestions for allocating work and returning to work if necessary, and implement special management operation regarding health harm. Because of the unique characters of the aviation industry, CAL has consistently cooperated with international epidemic prevention. During epidemic outbreaks, epidemic prevention teams are established as necessary, and relevant departments meet to discuss internal epidemic precautionary measures. Short epidemic prevention training videos for front line employees are produced, epidemic mailboxes are set up, and protective supplies are distributed to front line units when necessary. From time to time, domestic and international epidemic management information and notice for business and leisure travelers are issued to provide employees with the latest epidemic information and company measures. CAL has long standing participation in international epidemic prevention, and has produced short epidemic prevention training videos, designated a special webpage for promoting employee health and installed an epidemic prevention mailbox. A diversity of epidemic prevention activities are regularly conducted and implemented.

On October 7th, 2015, CAL was recommended by Centers for Disease Control, Taiwan for excellent performance and contribution.



Relaxation exercises



CPR and AED education and training



Flu vaccination



2015 Excellent Performance of Group Section by Centers for Disease Control, Taiwan

Medical Department Performance



⇔ 95%

Medical Department Performance



Medical Department Performance



\$ 98%

Medical Department Performance



Medical Department Performance



⇔ 98%

2011

- √ Weight Loss for All 372 people
- √ Flu Vaccination at your expense 55 people
- √ A Date with Annie 178 people
- √ Weight Loss for All 372 people

2012

- √ Quit smoking 17 people
- √ Flu Vaccination at your expense 41
- √ Chinese medicine health care and beauty Lecture 42 people
- √ Cancer Prevention Lecture 340 people

2013

- √ Mammogram 93 people
- √ Aromatherapy 34 people
- √ New Sights 301 people
- √ Flu vaccination at your expense 104
- √ 3 sessions of Personal Medical Consulting 38 people

2014

- √ Cancer screening 222 people
- √ Flu Vaccination at your expense 38 people
- √ Free Flu Vaccination 322 people

2015

- √ Mental Health and Stress Relief at Workplace 32 people
- √ Free Measles, Mumps, Rubella combined vaccine (MMR) and Free Flu Vaccinations for flight crew. 377 people
- √ Relaxation exercises 32 people
- √ Free Flu Vaccination 1399 people
- √ Jointly CPR and AED training with Chinese Emergency Medicine Educator Association 46 people

5-5-4 Psychological Counseling

Monthly e-newsletters are issued to employees for employee mental health care. In addition, for showing care for employees, local cultural activities and psychological counseling services offered by CAL are also promoted. Each employee have 6 company-paid counseling sessions provided by designated counselors or physicians (with at least 5 years of practical professional experience). To help employees seek counseling when needed and help them recognize the importance of mental health, employee assistance e-newsletters have been published since August 2013. The newsletters contain mental health articles and promotes internal psychological counseling services to increase the use of psychological counseling services. Furthermore, along with societal changes, contemporary problems are becoming increasingly complex, resulting in greater psychological stress than ever before. Having numerous channels for promoting mental health can facilitate employee attention to physical and mental health, encourage willingness to seek psychological counseling, and increase the number and hours of counseling visits.

| Employee Counseling | Number of Employees | Hours |
|------------------------|------------------------|-------|
| 2011 | 67 | 129 |
| 2012 | 59 | 100 |
| 2013 | 66 | 122 |
| 2014 | 125 | 232 |
| 2015 | 106 | 205 |

5-5-5 Warm Working Environment

In appreciation of employee job dedication, diligence, unity and joint development, and to encourage hard work and excellent performance, CAL recognizes senior staff and model employees in its yearly anniversary celebration to instill honor and pursuit of excellence in job performance. Staff seniority its divided into 10, 20, 30 and 40 years of service, and 10 employees are presented with seniority medals to foster cohesion. Model employees are selected based on morale, promotion of positive company values and motivating employees in their capability and development, which demonstrates CAL passion and dedication to service. Between September to November each year, employees from domestic and out-stations participate in the model employee and special awards nominations. Candidates are recommended by their departments, and categories are based on job descriptions (flight operations, business, service, maintenance and general business). Candidates are also nominated for four categories of special awards, namely the Best Brand Promotion Award, the Best Safety Award, Happy CAL has you Award, and the Best Teamwork Award. During the anniversary celebration, the chairman announces the winners and presents the awards to encourage employees towards further excellence.

CAL also provides attentive services for retirees in appreciation of their dedicated services and recognition of their many years of hard work and contribution to CAL. Quarterly social activities and a yearly friendship banquet are held for retirees. Moreover, in collaboration with YesTrip Travel Service, a special exquisite concessional travel package is designed for retired employees. The China Airlines Retiree Portal dedicated to retired employees provides information on CAL discounts, and retirees can enjoy the same store discounts, duty-free pre-orders, travel concessions and special fares as other incumbent employees.



Staff seniority award

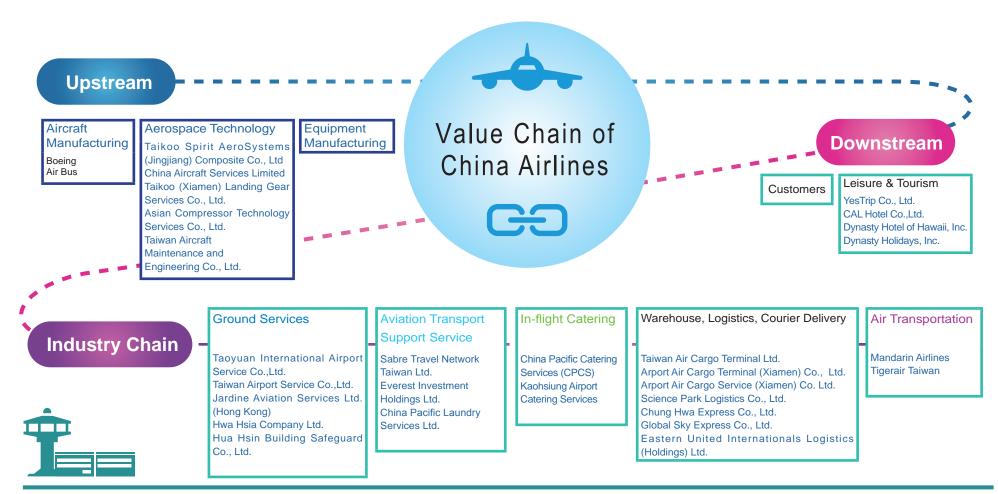


Model employee award



6-1 Value Chain of China Airlines

"Safety" always comes first in the aviation industry. Given the necessity of being recognized by many international aviation standards, its industry chain has high industrial uniqueness. Therefore, to pursue comprehensive operation and exert the group's synergies. China Airlines (CAL) has constructed a complete aviation service network. By the end of 2015, CAL owns 37 subsidiaries spreading across aviation, aircraft maintenance, ground service, logistic, air cargo terminals, in-flight catering, laundry service, information networks, tourism and etc. We expect to improve the quality of our overall service chain and enhance the group's competitiveness from different aspects.



6-2 Sustainable Supply Chain Management

CAL regards suppliers as partners and together head towards sustainability. Following the sustainability mission of "supporting partners in actions" upheld by CAL, we initiated sustainable supply chain management in 2014 and stipulated "China Airlines Sustainable Supply Chain Management Policy". This policy applies to all suppliers, contractors, group subsidiaries and joint ventures. At the same time, suppliers are encouraged to implement the concept of sustainable development in their daily operation and supply chain management to fulfill their corporate social responsibility. We expects ourselves to play the role of bellwether, thus gaining the support and recognition of suppliers by setting up examples, and implementing sustainable supply chain management to exert diffusion efficiency and create the progress of profit-sharing.

6-2-1 Supplier Code of Conducts

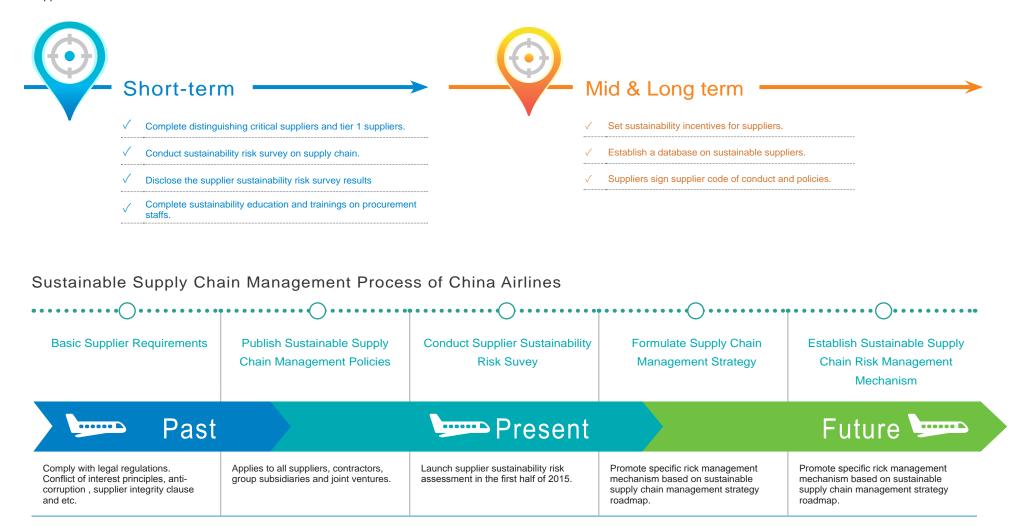
To enhance the sustainability of CAL's many suppliers, we started to set up "supplier code of conduct" based on GRI G4/ISO 26000/UNGC/ILO Convention/Social Accountability International (SA8000), the Organization for Economic Cooperation and Development (OECD) and other international standards in 2015, including laws and regulations compliance, human right & labor conditions, occupational safety & health, the environment, fair transactions & ethics, quality & safety, information security and other major aspects, to encourage suppliers to implement the concept of sustainable development into their daily management and supply chain management in order to fulfill their corporate social responsibility. CAL will continue to promote sustainable supplier risk surveys, establish supplier reward systems and strengthen related trainings on our procurement staffs regarding sustainability. We expect ourselves to set the example and gain the support and recognition of our suppliers, and together we can share the progress of profit-sharing and mutual development.





6-2-2 Short-term and Mid & Long-term Goals on Sustainable Supply Chain

To enforce sustainable supply chain management, CAL has made short-term goals to complete distinguishing critical suppliers and tier -1 suppliers, identify the sustainability risk survey on supply chain, disclose the sustainability risk survey results of suppliers, and complete sustainability related education and trainings on our procurement staffs. Our mid-term goals are to set up sustainability incentives for supplier, establish a database on sustainability suppliers according to the results of supply chain sustainability risk survey, and demand our suppliers to sign supplier code of conduct.



6-2-3 Risk Assessment on Supply Chain Sustainability

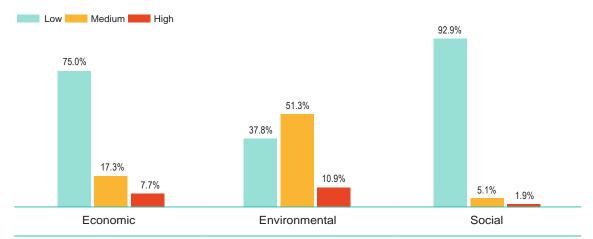
CAL referred to international sustainability assessments from GRIG4, CDP, DJSI, ILO, Universal Declaration of Human Rights, and Global Compact to develop sustainability risk assessment questionnaire on supply chain which encompassed the 3 aspects of economy, environment and society.

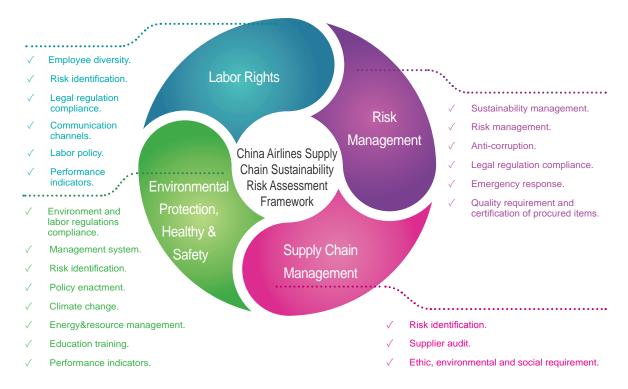
Results of Supply Chain Sustainability Risk Survey

In order to understand the sustainability risk faced by our supply chain, CAL conducted sustainability risk survey to 271 critical suppliers and a total of around 60% respondent rate. In our suppliers, there are more than 60 suppliers to publish CSR reports and over 120 suppliers to establish sustainability related committee which shows CAL's supply chain has been moving towards sustainable development. According to the result of our sustainability risk survey, among the suppliers with high risk, there is 7.7% for economic dimension, 10.9% for environmental dimension, and 1.9% for social dimension. As for the economic dimension, fewer suppliers introduced management systems and enforced supply management. As for environmental dimension, not many suppliers have energy and carbon related management system. As for social dimension, few suppliers calculate the total working hours of employees and build the procedure of labor risk assessment.

In the future, except for paying attention and investigating the suppliers for sustainability, CAL will hold the suppliers meeting to provide the sustainability supply chain's trend and the result of our sustainability suppliers for heading forward sustainable development.

CAL Supply Chain Risk Overview

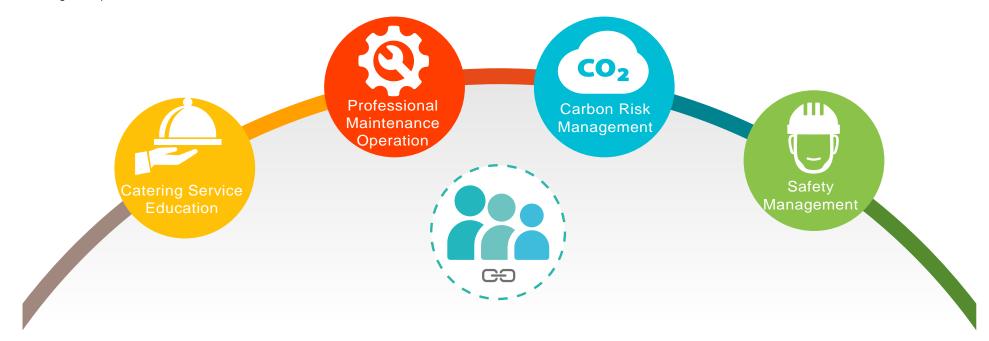




6-3 Grow with Suppliers

CAL understands that the suppliers are the pillars for sustainable development, and also pays high attention to the enhancement of suppliers' capability. Therefore, CAL held related courses in 2015 to elevate the related capabilities of the suppliers:

- (1) Catering Service Education: CAL provided tier 1 and tier 2 suppliers with free in-flight catering chef training courses to enhance their professional competence and the customer satisfaction.
- (2) Professional Maintenance Operation: In order to make suppliers comply with CAL and domestic & international aviation standard regulation, maintenance facilities assigned professional companies to offer the related courses such as aircraft refueling operation, and assisted suppliers to get the professional certifications, such as PMA
- certificate, to make them possess the ability of qualified production and passing quality control test and certification. Moreover, after visiting suppliers' factories, CAL shared supplier information and related professional books and tools to ensure that they meet the demands of all applicable laws, legal regulations, regulations, decrees, permit, licenses, ratification, orders, standards and etc.
- (3) Carbon Risk Management: CAL provided the education and counseling courses of GHG inventory and verification operation (A total of 21.5 hours and 44 participants), and implement capacity-building counseling operation of carbon management for 2 critical suppliers and group companies through CAL carbon management experience in order for building the ability and strengthen the power of CAL group.
- (4) Safety Management: CAL introduced the safety management structure and various safety management actions to subsidiaries by "Group Safety Management Project" to help each subsidiary implement e-operation of safety management. In addition, CAL held group joint-audit not only for auditing but for learning experiences from each other, and education training of safety management to spread CAL safety management experiences executed for many years in order for achieving the goal of enhancing group and supplies' safety management quality mutually.



6-4 Local Procurement

As the largest airlines in Taiwan, besides providing the most convenient way of travel to the people in Taiwan, CAL is also keenly aware of our responsibility towards Taiwan. Therefore, we constantly demand ourselves to provide better services to the Taiwanese people as well as supporting related industrial developments in Taiwan. Because flight safety is the priority for the aviation industry, special aviation related equipments and parts must go through layers of international examinations. Apart from the abovementioned, procurements we try our best to procure locally where possible as long as it does not affect company operations and procurement fairness. The reason why the amount of local procurement is less than 2014 is the impact of overall procurement difference. However, CAL still keeps the best to procure locally.

6-5 Green Procurement

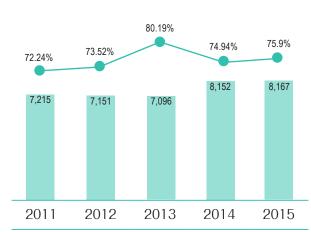
CAL not only puts great effort on our own environmental management, but also supports associated government policies to promote and enforce green procurement for the sustainable development of Taiwan. To reduce resource consumption, CAL continues to implement education propaganda and related control measures internally to change the energy and resource usage habit of our colleagues, extend usage life time of goods, and reduce procurements. This caused the decrease of green procurement amount in 2015 compared to those of 2014.



Percentage of Local Procurement by Value

Value of Local Procurement (10,000 TWD)

Percentage of Local Procurement by Value (%)



Note 1: Statistics include the Administration Division and maintenance facilities. Fleets and In-flight Service supply Division are not included.

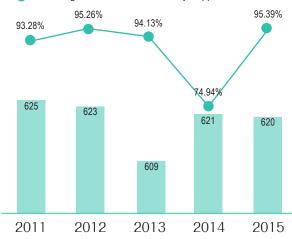
Note 2: Given that aviation-related parts require special certification and is not available for further selections, this statistical data does not include aviation materials.

95.4% Percentage of Local Procurement by Supplier

Percentage of Local Procurement by Supplier

Supplier of Local Procurement(Supplier)

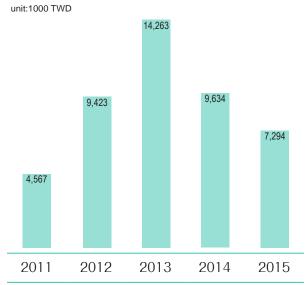
Percentage of Local Procurement by Supplier (%)



7,294 Green Procurement Amount

Green Procurement Amount

oreen riocarement / amount



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

Note 2: The unit of this statistical data is by TWD1000 and presented after rounding.

6-6 Contractor Management

CAL always takes for contractors seriously and enforces the contractor management on safety. To strengthen contractor safety self-management, improve work safety performance, and achieve the goal of zero-accident, CAL has adopted the following measures:

Contractor Management



Contractor Selection

Contactors that have suffered major occupational accidents or construction damage that resulted in property loss or construction delays in the past 3 years, or have accumulated more than 300 penalty points without proposing effective corrective measures shall have their contractor status temporarily suspended.



Contracting

"Contractor Operational Safety and Health Guidelines" is incorporated into "Request for Proposals" and "Work Contract" to serve as implementation reference for both narties



Hazard Notice

Notice contractors via sending the copy of "Construction Safety Notice", and "Construction Memo" compassed the work environment, hazard factors and precautions that should be taken in contracted works and request them to sign the delivery receipt or convene the meeting for hazard notice and write the meeting minutes as a record.



Construction
Safety Coordination
Meeting

Before the contractor gains access and starts their construction, the contractor and its sub-contractors, site management units and collaborating units should be assembled to convene a "Construction Safety Coordination Meeting" to coordinate the works and precautions of each unit during the construction and appoint a site overseer.



Site Access Control

The photocopy of "Hazard Notice" and "Construction Safety Coordination Meeting" minutes will be submitted to regional labor safety units for reference. After confirmation, one can go through the site access application procedures in accordance with Visitor Guidelines.



Construction
Safety Inspection

Overseers or site overseers coordinated among units will be assigned to handle all operational coordination during the construction, guide the construction and keep track of improvement measures.

Random inspections or examinations will be conducted on the contractors' working sites to ensure they adhere to the safety regulations of China Airlines.



Safety and Health Performance Assessment

After the termination of contract or work completion, the organizer should implement safety and health performance assessment for contractors. The vendor with good performance after assessing will be kept in the qualified vendor list. The one with poor performance shall be removed.

Hazardous Operations

CAL regards tasks involving high temperature, working in confined space and crane/cradle operations as hazardous operations. To conduct related operations, related safety measures must be fully prepared, related operation process examination and verification must be completed, related personnel must be trained and qualified, and the devices used must be qualified. After acquiring construction permit, related operations cannot be started until overseers have completed on-site safety confirmation.

6-7 CAL Group Safety Management Project

To achieve the goal of continuous safety enhancement, CAL has established SMS since 2007 and keeps implementing various safety management operations. Given that the scope of safety risk management has turned entity into supply chain, CAL has conducted integration regarding safety management between China Airlines Group and its associated enterprises to further enhance the overall safety management quality of the supply chain. The initial promotion targets were Taoyuan International Airport Service Co., Ltd., Taiwan Airport Service Co., Ltd., Taiwan Airport Service Co., Ltd., TACT Logistics, and China Pacific Catering Services and have been gradually promoted to Hwa Hsia Co., Ltd and China Pacific Laundry Services Ltd.

Safety management project is to first conduct overall evaluation on the associated enterprises within the group and introduce risk management and PDCA cycle concept of safety and quality assurance in the operation aspect to enhance safety management with such mechanism. Among the associated enterprises of CAL, after assistance and guidance, Taoyuan International Airport Service Co., Ltd. and Taiwan Airport Service Co., Ltd. successfully passed the ISAGO examination and gained recognition in 2011 and 2015 respectively, and Taiwan Airport Service Co., Ltd. was also recognized by ISAGO after filing an application in 2015. Other associated enterprises within the group continue to introduce electronic safety management system and safety education trainings and further enhance the group's safety management quality through joint audit and group safety seminars.



Ground Security Management Seminar



7-1 Environmental Sustainability Management

CAL continued the belief in environmental sustainability management and actively promoted environmental management practices based on the four major themes. Through setting annual management goals, we continue to review the progress of continual improvement. Besides the implementation of ISO 14001/50001 internal and external audit as well as verification to improve environmental management system, CAL also followed the international trend of carbon management closely

to improve energy efficiency, emission mitigation and information quality. In addition, practices such as the establishment of carbon footprint database, improvement of greenhouse gas inventory/verification process, and participation of sustainability evaluation project such as CDP climate change program were carried out to continuously monitor and improve emission reduction performance. Furthermore, we continued to promote energy resource conservation KPIs, devise water resource

strategy, and strengthen the supply chain sustainability management. In 2015, CAL is the first airlines in Taiwan to complete the supply chain sustainability management strategy. In response to the promotion of supplier code of conduct, CAL plans to investigate the supply chain environmental safety risk in 2016. The strategy of concentric circle logic was adopted to gradually promote the environmental protection experiences of CAL.

Under the management system of the Environmental

Conserving the Earth's Resources:

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

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.

Conserving the Earth's Resources The Principles of Environmental and Energy Management Improving Eco-Efficiency Complying with Environmental Laws and Regulations

Fulfilling Social Responsibility:

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 with stakeholders through any channels. The sustainable development of both business and the environment is our goal.

Complying with Environmental Laws and Regulations:

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.



Environmental and

Energy Policy

- √ Complying with laws and regulations, to fulfill the company's responsibilities in environmental protection and energy conservation
- √ Establishing environmental and energy management systems that include performance indicators, to verify compliance with established policies
- √ Promoting environmental and energy conservation education, to foster employees' eco- awareness
- Implementing green supply chain management, to raise overall ecoefficiency
- √ Creating a low-carbon operating environment, to establish continued improvement of environmental protection and energy efficiency
- √ Supporting green design and procurement, to promote sustainable development

Strengthen carbon management operations



2015 Target Complete green EUETS inventory and independent third party

√ Complete greenhouse gas (GHG) inventory and verification √ Complete 2015 CDP climate change program

Perform carbon reduction efficiency monitoring according to CAA voluntary reduction agreement

√ Calculate the air cargo carbon footprint of CAL routes

2015 Accomplishments

100%; completed two efficiency monitoring and proposed improvement of 1.5% in fuel efficiency

100%; completed the establishment of GHG information platform first-tier units

100%; completed the calculation framework of carbon footprint for air cargo and the trial run for 2014

2016 Environmental Management Plan

- √ Complete annual GHG inventory and independent third party verification
- √ Set related strategy for responding ICAO GMBM
- √ Complete 2016 CDP climate change program
- √ Perform carbon reduction efficiency monitoring and improvement operations according to CAA voluntary reduction agreement
- √ Promote CAL park carbon reduction project
- √ Set the carbon footprint rules of different products for domestic aviation industry

Enhance the environmental management operations system



2015 Target

Continue to promote the monitoring of energy resource conservation KPIs

√ Complete ISO 14001 and ISO 50001 certifications

Carry out second stage supervision and performance evaluation of the management system

√ Propose the response strategy for ISO 14001 revision √ Propose water resource management assessment

/ Plan the deployment of first-stage information platform for the environmental management system

2015 Accomplishments

O 100%; completed 2 corporate self audit and selected 3 outstanding environment management committees

⊗ 80%; completed the first-stage water resource strategy

100%; completed the 3-year deployment plan for environmental information platform

2016 Environmental Management Plan

- √ Continue promoting the monitoring of 97 energy and resource and environmental protection KPIs
- √ Complete the certification of new edition ISO 14001 and ISO
- √ Carry out tier-2 supervision and department performance appraisal of the management system
- √ Determine and promote environmental protection management operation rules for out-stations
- √ Plan the deployment of second-stage information platform for the environmental management system







Set up supply chain management capability

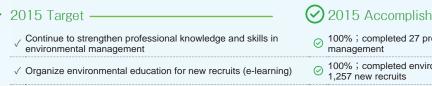
| \$ | 2015 Target ———— | 2015 Accomplishments — |
|-----------|--|--|
| | Propose supply chain sustainability management practices for benchmark enterprises | |
| | ✓ Propose CAL supply chain sustainability management strategy | 100%; completed supply chain management strategy, announced |
| | ✓ Propose CAL supply chain management assessment tool | |
| | Conduct study into supply chain environmental management information | |
| | Promote carbon management education and training in affiliated companies | |
| | ✓ Promote 2014 supplier greenhouse gas inventory | 100%; completed the greenhouse gas inventory for 9 suppliers, ⊘ and carried out comprehensive guiding operations for 2 companies in the group |

2016 Environmental Management Plan

- √ Issue supplier code of conduct
- √ Carry out supply chain environmental management investigation
- √ Promote supplier carbon management educational training
- √ Expand scope 3, GHG information inventory and improve data auality
- √ Continue to guide 2 affiliated companies to construct GHC management system



Promote employee awareness on environmental protection and sustainability





- 100%; completed environmental education training for a total of
- 100%; won the prize money from 2015 ROC Enterprise

 Environmental Protection Award, Environmental Protection Continue to Participate in external environmental protection Honor Award, and a score of 82 in DJSI environmental dimension assessments assessment (top 6% in the world)
- √ Continue to Strengthen ECO services and communications ompleted the calculation of carbon footprint of a beverage with
- Organize Environmental Protection Month and CSR promotion
- Organize e-learning on environmental policy for foreign employees and out-stations
- 100%; launched 12 environmental protection related videos, and
- 100%; carried out environmental protection educational activities for one season (May~July), issued 24 environmental protection promotional letters and held 3 lectures on environmental protection sustainability
- 50% : completed the planning of environmental education materials for foreign employees and out-stations

2016 Environmental Management Plan

- √ Conduct educational training (e-learning) for new recruits and foreign stations
- √ Continue to participate in external environmental protection assessments
- √ Continue to conduct promotional activities for environmental protection sustainability
- √ Issue and promote carbon footprint information for passenger/ freight flights
- √ Continue to promote intra-industry /cross-industry exchange









CAL Milestones in Environmental Management for the Past 5 Years



CAL Environmental Management System Standards

2009



- √ Global aviation fuel consumption
- √ Ground operations in Taiwan including CAL Park, maintenance facility, Taipei branch office (B1, 1st, 2nd and 9th floor), Songshan Park and Kaohsiung branch office

2012



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

2013



ISO 50001 2011

Energy Management System

- √ Aircraft/engine maintenance operations
- √ Flight operation management

Committee, CAL conducts regular and non-regular first stage and second stage self-audits based on the CAL Environmental Management Manual and related internal management procedure for Environmental Management. In addition, an international institute qualified for ISO 17021 certification is invited to perform third-party verification every year. CAL has also developed a

variety of proposals for improving energy and resource performance. In 2015, CAL had completed 86 energy resource improvement plans, including fuel conservation for aviation and ground vehicles, construction building air condition and energy optimization, water & paper saving and waste treatment, and environmental protection education. A total of 39,173 tonnes of greenhouse gas

was reduced, which is equivalent to over 500 million NTD saving in energy resources. In 2016, CAL will continue to promote 96 energy resource improvement plans, which is expected to reduce greenhouse gas emissions by 52,816 tonnes.

Cost (TWD) Saved of Environmental Management Committee and Special Project Team in 2015

| | Maintenance Facility | CAL Park | Kaohsiung Branch Office | Cargo Service | Carbon Management | Sum |
|---|----------------------|-----------|----------------------------|---------------|-------------------|-------------|
| Aviation Fuel | - | - | - | 20,370,896 | 478,670,000 | 499,040,896 |
| Electricity | 1,999,787 | 900,000 | 7,872 | - | - | 2,907,659 |
| Water | 35,490 | - | - | - | - | 35,490 |
| Gasoline | 329,971 | - | 15,040 | - | - | 345,011 |
| Diesel | 1,524,800 | 2,497,490 | - | - | - | 4,022,290 |
| Paper | - | - | 5,297 | - | - | 5,297 |
| Recycled Waste Aluminum Aircraft Units | - | - | - | 2,355,441 | - | 2,355,441 |
| Total | 3,890,048 | 3,397,490 | 28,209 | 22,726,337 | 478,670,000 | |

2015-2016 CAL Energy and Resource Improvement Program and Outcomes



86

Number of

Programs



2016 Target

Kg CO₂e/year

Total carbon reduction in 2016

52,816,562

96
umber of rograms

2015
Target

Total carbon reduction in 2015

11,892,982

Total carbon reduction in 2015

Outcome

36,354,133

Kg CO₂e/year

Kg CO₂e/year

2015

72

Number of

Programs

| | | | | | Number of programs |
|-----------------|---------------------|---------------------|--|------------------------|--------------------|
| A | Aviation Fuel | Savings | 16,500(774,784GJ) | tonnes | 0.0 |
| | Savings | Carbon reduction | 52,206,598 | KgCO ₂ e | 30 |
| | Vehicle Fuel | Savings | 5.9(257GJ) | tonnes | 2 |
| | Savings - Gasoline | Carbon reduction | 17,275 | KgCO ₂ e | |
| | Vehicle Fuel | Savings | 90(4,354 GJ) | tonnes | 2 |
| 5 00 | Savings - Diesel | Carbon reduction | 297,748 | KgCO ₂ e | |
| | Floatricity Cavings | Savings | 540,942 | kWh | 3 |
| 7 | Electricity Savings | Carbon reduction | 287,781 | KgCO ₂ e | 3 |
| | Water Savings | Savings | 1,300 | M^3 | 1 |
| | | Carbon reduction | 213.2 | KgCCO₂e | ' |
| | Paper Savings | Savings | 6,521,739 | Sheets | 1 |
| | Faper Savings | Carbon reduction | 6,947 | KgCO ₂ e | ' |
| | Other | Savings | Environmental protection sometime platform, environmental edupaper conservation, recyclin air container weight reduction | cation and g, green pr | promotion, |
| | | carbon reduction | - | KgCO ₂ e | 57 |

| 2015 Target | t | Number of programs | 2015 Outcome | | Number of programs |
|--|----------------------|--------------------|--|----------------------|--------------------|
| 2,750(129,130GJ) | tonnes | 00 | 10,586(497,082 GJ) | tonnes | 00 |
| 8,701,360 | Kg CO₂e | 30 | 33,494,487 | Kg CO₂e | 30 |
| 12.8(557 GJ) | tonnes | 3 | 12.2(531GJ) | tonnes | 3 |
| 36,893 | Kg CO₂e | 3 | 36,096 | Kg CO₂e | 3 |
| 94(4,548 GJ) | tonnes | 2 | 110(5,322GJ) | tonnes | 0 |
| 308,617 | Kg CO₂e | 2 | 3,187,308 | Kg CO₂e | 2 |
| 1,959,821 | kWh | 4 | 718,429 | kWh | 4 |
| 1,023,027 | Kg CO₂e | 4 | 382,204 | Kg CO₂e | 4 |
| 1,384 | M_3 | 0 | 13,802 | M_3 | 0 |
| 216 | Kg CO₂e | 2 | 2,263 | Kg CO₂e | 2 |
| 313,000 | Sheets | -1 | 21,489,783 | Sheets | 4 |
| 330 | Kg CO ₂ e | 1 | 22,890 | Kg CO ₂ e | 4 |
| Environmental protection service and information platform, environmental education and promotion, paper conservation, recycling, green procurement, air container weight reduction | | | Air container weight reduction services/product/education/pr information platform, toxic subwaste/material recycling | omotion/pro | ocurement/ |
| 1,822,539 | Kg CO₂e | 30 | 2,050,295 | Kg CO₂e | 30 |

7-2 Climate Change Governance

7-2-1International Participation

In responding to the gradually stricter carbon management requirements and the rising awareness of carbon reduction, it takes 4 years for CAL to integrate various plans and established a management system with the spirit of PDCA continual improvement. Carbon risk management operations were promoted and fulfilled by CAL in 4 aspects, namely Management, Execution, Action and Disclosure. However, due to the limitations such as international politics, domestic laws and technology, our domestic airlines' participation of domestic aviation industry in international carbon reduction

events is still challenging. For example, non-ICAO member is not allowed participate in GMBM event. For this reason, CAL actively participated in international associations and meetings to not only obtain first-hand international information, but also keep our government and related authorities updated with the latest information, assisting the government to come up with the strategies needed to realize sustainability for domestic aviation industry. In November 2015, CAL assisted Civil Aviation Authority

(CAA) to hold the "International Conference on Climate Change for Aviation Industry" and participated in the discussion of alternative fuel issues. CAL also participated in the "Workshop on Biofuel Development and Application in Aviation Industry" held by EPA, promoting the development of biofuel for aviation industry. As for the ground operation procedures, CAL not only fulfilled every energy-saving operations, but also planned to established renewable energy facilities, hoping to achieve the goal of low-carbon Park.

| Actively Participate in Domestic and International Climate Change Organizations and Initiative | | | | | | | | | | | |
|---|---|--|---|--|--|---|---|---|--|--|--|
| 2013~ | 2013~ | 2013~ | 2014~ | 2014~ | 2014 | 2014 | 2015 | 2016 | | | |
| EPA – Clean Development and Carbon Management Alliance | AAPA executive committee | IATA Air Cargo Carbon Footprint Working Group | Association of Atmosphere Protection in Taiwan | International Air Transport Association (IATA) Environment Committee | International Civil Aviation Organization (ICAO) | Civil Aeronautics Administration (CAA) | International Air Transport Association (IATA) | Flight Safety Foundation (FSF)-Taiwan | | | |
| Main Initiative | | | | | | | | | | | |
| Assist with the transformation to a low-carbon industry, create opportunities for carbon reduction, promote industry cooperation and take corporate sustainability. | Master aviation regulations in each country, support the exchange of information between members, provide channels for industry | The Air Cargo Carbon Footprint (ACCF) working group worked on carbon footprint calculation methods and information disclosure principle for the air. | Promote initiatives on atmospheric protection in Taiwan including the protection of the ozone | Assist the IATA executive committee with drafting of policies and strategies in environmental management | Planning of the global aviation industry's Global Market-based Measures (GMBM) for greenhouse gases. | Support the "Voluntary GHG reduction by local airlines" initiative in accordance with the ICAO | Assist the IATA executive committee with drafting of policies and strategies in environmental | The platform and functionality of foundation is utilized to promote communication and | | | |

Assist with the transformation to a low-carbon industry, create opportunities for carbon reduction, promote industry cooperation and take corporate sustainability responsibility into account. Role and Responding Practices of CAL As a member of the EPA Clean Development and Carbon Management Alliance, CAL actively shares carbon management experiences and opinions with the industry, government and academic sectors, helps mastering carbon management trends of the international aviation industry, assists with the transformation to a low carbon industry, and promotes industry cooperation.

Master aviation regulations in each country, support the exchange of information between members, provide channels for industry development and complaints Role and Responding Practices of CAL CAL was appointed to the executive committee of the Association of Asia Pacific Airlines (AAPA) and participated in meetings on aviation fuel efficiency improvement and bio-fuel development. The information was also provided to domestic competent authorities.

The Air Cargo Carbon Footprin (ACCF) working group worked on carbon footprint calculation methods and information disclosure principle for the air cargo industry. Role and Responding Practices of CAL CAL was one of the members of the IATA Air Cargo Carbon Footprint Working Group and participated in the discussion of technical affairs to produce RP1678 carbon footprint calculation guideline.

layer, prevention of the greenhouse effect, air quality improvements and promotion of international exchanges. Role and Responding Practices of CALAs one of the directors of the association CAI assists with the formulation and amendment of government policies and laws on atmosphere protection, and supports controls related to academic research technology development, and counseling and services of industry-governmentacademic exchange.

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.
Role and Responding Practices of CAL As an Environment Committee member, CAL takes an active role in discussions on environmental protection of international aviation and supports studies into related environmental issues.

industry's Global Marketbased Measures (GMBM) for greenhouse gases. Role and Responding Practices of CAL As a member 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. CAL took part in the ICAO's Global Aviation Dialogues (GLADs) meeting twice from 2015~2016.

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. Role and Responding Practices of CAL Consolidated the operating resources of the "Carbon Management Task Force" to evaluate operating scenarios, and develop and issue the "China Airlines Voluntary Greenhouse Gas Reduction Statement".

in environmental management and sustainable development of the global aviation industry as well as the monitoring and execution of related policies and proposals. Role and Responding Practices of CAL As a committee member, CAL takes an active role in discussions on environmental protection in international aviation and supports studies into related environmental issues

exchange between domestic aviation and environmental protection related industries and government. Role and Responding Practices of CALAs a convener in Flight Safety Foundation Technical Regulation Team to promote and establish international flight safety, CAL collected environmental protection related laws, and studied systems. To improve domestic laws and enhance the competitiveness of domestic industries, CAL also reported to related authorities suggestions in law amendment and response strategy.

Pacific Greenhouse Gases Measurement Project (PGGM)



- The data is automatically transmitted to the European research center by satellite after the aircraft lands. The data will be used by research institutions around the world for studies on global warming and climate change.
- The Environmental Protection Administration and National Central University have utilized CAL's aircraft equipped with IAGOS combined with FORMOSAT-3 to collect information from ground and sea weather stations. Such information was used to analyze air pollution source and route, acting as the reference for establishing air pollution control policies.
- As invited by the PGGM project, CAL continued to work with PGGM.
 IAGOS equipment will be installed on two A330 aircrafts of B-18317 and B-18316 in 2016 and 2017, respectively. The scope of PGGM operation will be expanded until the retirement of aircrafts in 2027.



Data Collection

- ⊙ IAGOS (In-service Aircraft for a Global Observing System) instrumentation is installed in the aircraft's electronics bay by CAL. Sampling ports that extend beyond the aircraft body collect atmospheric data such as water vapor, ozone, carbon monoxide and nitrogen oxides on every flight. Between the first flight from July 2012 to the end of 2015, a total of 2,190 flights were carried out by
- B-18806 aircraft with 276 being trans-Pacific (Taipei-Vancouver round-trip flights of 276 times, Taipei-Hawaii round-trip flights of 10 times and Taipei-Fairbanks round-trip n flights of 6 times). 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.



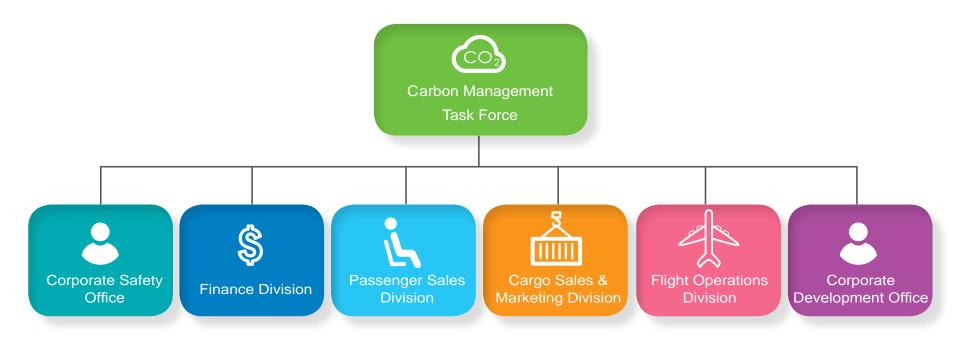
- The A340-300 passenger aircraft numbered B-18806 displays the text "The Official Airline for Climate Monitoring". The aircraft livery also features a flight attendant embracing planet Earth and calling on everyone to join in protecting the planet.
- Documentary film was recorded and played inside the aircraft as well as on platforms inside/outside of CAL to promote awareness in environmental protection.





7-2-2 Identify Risks and Seize Opportunities

In responding to the impact of climate change on the operation of CAL, we established Carbon Management Task Force, which is composed of Corporate Safety Office, Finance Division, Passenger Sales Division, Cargo Sales & Marketing Division, Flight Operations Division, and Corporate Development Office. This task force not only is the coordination and management platform of CAL for planning climate change strategies, but also is a platform to identify risk and opportunities for aviation industry under climate change. Through the collaboration of each member in the Team, it is hoped that measures can be implemented in advance to minimize any risk and seize opportunities.





understand international carbon reduction

developments and regulations



Carbon



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



Planning of European routes and flights. Purchase and study of new, fuel-efficient aircraft Mitigation

Climate

Change

Adaptation

Climate Change Risks and Opportunities

Carbon Risk



- √ Member states asked to "sign agreement on reduction of greenhouse gas emissions",
- √ Draw up the Global Market-based Measure (GMBM), expecting to reach international agreement and
- √ Pass aircraft CO₂ emission standard

CAL strategy

Management system

ECO fleet

Report

Corporate

Flight and ground fuel-savings

Greenhouse gas/carbon

footprint calculation

Emergency response

sustainability website International standard

External promotion

International dialogue on

environmental protection

sustainability index competition



- consensus in 2016 and implement it in 2020.

| | , | Enhance the capability of Corporate Sustainability Committee and Corporate Environmental |
|--------------|---|--|
| Dedicated | V | Committee |
| organization | , | Fulfill the functions of carbon management task force and fuel saving task force |

Fulfill the functions of carbon management task force and fuel saving task force Improve ISO 14001 environmental management system

Improve ISO 50001 energy management system

Fulfill second stage internal audit and promote third-party verification

Set and fulfill GHG voluntary reduction target

Promote GHG management strategies for group companies and supply chain

Strengthen Corporate Safety Management Systems (SMS) and other related systems

Review and fulfill emergency response system regularly

Continuously promote the four main fuel-saving initiatives: Personnel operations, aircraft

maintenance, aircraft weight, and aircraft fuel capacity Continuously develop new routes that encourage fuel saving and carbon reduction

Plan and perform control measures and carbon reduction programs

Plan and perform carbon offsets and carbon asset management

Introduction of a next-generation energy-saving fleets of B777-300 and A350-900

Calculate the carbon footprint and emissions of international routes

Continue to improve the management quality of ISO 14064-1 GHG inventory

✓ Carry out EU ETS declaration and follow the management operations

Participate in international or domestic workshop for establishing calculation tools or technical

Enhance the emergency response capability and operations during abnormal weather such as

typhoon or heavy precipitation. Conduct stakeholder communication, material issue and responding strategy identification regularly

to issue corporate sustainability report each year Regular disclosure of our company's energy-saving, carbon reduction disclosure practices and

carbon footprint information on the CAL Corporate Sustainability website Continue to participate in CDP climate change program and other important international

competitions. Actively respond to survey questionnaires every year.

As the convener in Flight Safety Foundation Technical Regulation Team, CAL promotes studies in aviation sustainability issues among government, academia and industry

Continue to participate in the Pacific Greenhouse Gases Measurement Project (PGGM) and expand

Continuously participate in the Clean Development and Carbon Management Alliance of the EPA

Continuously participate in the ITRI EV electric vehicle testing project

Support and participate in the Association of Atmosphere Protection in Taiwan

Participate in Center for Taiwan Sustainability Training and other related exchange platform

Member of the IATA Environmental Committee

Assist the IATA Air Cargo Carbon Footprint (ACCF) working group with the formulation and issuing of

Continuously support and participate in the Association of Asian Pacific Airlines (AAPA) environmental protection plan

Continue to participate in ICAO GMBM peripheral meetings

Continue to support and participate in dialogue on environmental protection between government aviation industry

Continue to promote intra-industry/cross-industry cooperation

International Air Transport Association (IATA)

√ Set 3-stage reduction target for aviation industry: 2009-2020: An average improvement in fuel efficiency of 1.5% per year 2020-2050 : Stabilize net aviation CO2 emissions (carbon-neutral growth) 2050: Total carbon emissions to be reduced to

50% of 2005 levels √ Develop "IATA Environmental Assessment (IEnvA) program" for the aviation industry

Execution

Management

European Union (EU)

- √ Incorporate civil aircraft flying to and from EU airports into "Emissions Trading System (EU



√ Some countries are planning to conduct "Carbon"

Emission Information Disclosure"



Republic of China (Taiwan)

√ Pass Greenhouse Gas Reduction and Management Act to gradually promote carbon reduction operation within various departments

Action

Disclosure

Other

- √ Some countries are planning to implement carbon tax or emission trading.
- √ Operation site and flight safety risks derived from climate change

7-2-3 Greenhouse Gas, Air Pollution, and Noise

Based on the inventory results from past years, aviation fuel was our main source of GHG emissions, accounting for over 99.6%; 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. Although Scope 1 emission was significantly affected by our business operation, fuel efficiency has shown substantially improvement under the expansion of our business operation, and Scope 2 emission was reduced for a consecutive 5 years as well. In compliance with the international trend of carbon disclosure, CAL has been invited to participate in CDP for several consecutive years to report carbon management strategy and performance, climate change risk identification and management procedure, and GHG inventory/inspection data every year, which makes CAL the only transport company in Taiwan to respond to CDP questionnaires.

CAL adopted 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 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. This measure has been extended to cargo flights since 2016. For more information, please refer to CAL sustainability website

Furthermore, we will extend GHG carbon management our its affiliated companies and supply chain enterprises. In 2014, CAL voluntarily launched the carbon management center-satellite system development operation". Carbon emission data from 11 affiliated companies and critical suppliers were included in the

first stage. In 2015, three lectures on GHG inventory, verifictaion and reduction were held to provide guidance and assessment for suppliers, building the capability in supply chain carbon management. In 2015, according to the 15 classification principle of GHG protocol, Scope 3 emissions were found to be 303,273.17 tonnes $\rm CO_2e$ including 280,684 GJ. We will continuously improve the Scope -3 calculation procedure in the future.

In addition to GHG, CAL adopted the method proposed by US EPA to calculate the NOx and Sox from passenger and freight flights respectively and conduct the related management in conjunction with energy efficiency measures. In terms of air pollution prevention from maintenance operations, CAL has switched from incineration to filtration for dealing with emissions. Our current fleet all satisfy the ICAO environmental protection requirements on aircraft noise (Annex 16). 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%.

NOx and SOx Emission during Flight

(tonnes)

| | | | | CAL | | | Mandarin Air | lines | Tigerair Taiwan |
|--|-----------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2014 | 2015 | 2015 |
| Passenger aircraft | SOx | 49.06 | 52.87 | 56.09 | 61.83 | 63.23 | 18.39 | 20.43 | 4.57 |
| Freight aircraft | SOx | 12.84 | 11.24 | 11.41 | 12.27 | 12.54 | - | - | - |
| Passenger aircraft emission efficiency | SOx / RTK | 1.4×10 ⁻⁸ | 1.4 ×10 ⁻⁸ | 1.5 ×10 ⁻⁸ | 1.5 ×10 ⁻⁸ | 1.5 ×10 ⁻⁸ | 1.1 ×10 ⁻⁷ | 1.1 ×10 ⁻⁷ | 3.5 ×10 ⁻⁸ |
| Freight aircraft emission efficiency | SOx / RTK | 2.6 x10 ⁻⁹ | 2.8 ×10 ⁻⁹ | 2.8 ×10 ⁻⁹ | 2.7 ×10 ⁻⁹ | 2.8 x10 ⁻⁹ | - | - | - |
| Passenger aircraft | NOx | 511.42 | 551.09 | 584.69 | 644.49 | 659.13 | 191.69 | 212.97 | 47.66 |
| Freight aircraft | NOx | 133.79 | 117.21 | 118.94 | 127.87 | 130.66 | - | - | - |
| Passenger aircraft emission efficiency | NOx / RTK | 1.4 ×10 ⁻⁷ | 1.5 ×10 ⁻⁷ | 1.5 ×10 ⁻⁷ | 1.6 ×10 ⁻⁷ | 1.6 x10 ⁻⁷ | 1.2 ×10 ⁻⁶ | 1.2 ×10 ⁻⁶ | 3.6 x10 ⁻⁷ |
| Freight aircraft emission efficiency | NOx / RTK | 2.7 ×10 ⁻⁸ | 2.9 ×10 ⁻⁸ | 2.9 ×10 ⁻⁸ | 2.8 ×10 ⁻⁸ | 2.9 ×10 ⁻⁸ | - | - | - |

Note 1 : 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). Note 2 : 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).

Note 3: LTO: The Landing/Take-off (flights)

Note 4: No Freight aircraft for Mandarin Airlines and Tigerair Taiwan

Main Sources of GHG Emissions at CAL

| | Sources of Emission | Analysis Method | Approach | Year | Types of GHG | Biofuel |
|---------|--|--|---|------|--|--|
| Scope 1 | ✓ Aviation fuel ✓ Petrol and diesel used by official vehicles/ engineering vehicles/ forklifts/fow trucks ✓ Refrigerant used to replenish vehicles/ air conditioners/drink dispensers ✓ Diesel used by emergency generators/boilers/ fire trucks ✓ Halon/CO₂/FM200/FE36 fire extinguishers ✓ GCB ✓ LPG and oxy-acetylene used during aircraft maintenance ✓ Natural gas used by restaurant and boiler | | Annual GHG inventory and external verification | 2008 | CO ₂ | 1% and 2% biofuel ^{Note} |
| Scope 2 | Quantitative analysis | | Annual GHG inventory and external verification | | N ₂ O CH ₄ HFCs SF ₆ | Based on the electricity structure published by Taiwan Power |
| Scope 3 | ✓ Purchased products and services ✓ Capital merchandise ✓ Up/down stream transportation and distribution ✓ Up/down stream rental assets | Quantitative analysis | Perform inventory and verification of "Outsourced employee shuttle vehicles", "Airport VIP room", and "Songshan Park Office rental" | NA | | NA |
| | ✓ Waste treatment/disposal ✓ Employees business trip or commuting to work ✓ GHG emission of affiliated companies | Quantitative analysis & Qualitative analysis | Calculate based on standards of GHG Protocol Scope 3 report | | NA | NA |

Note: Bureau of Energy, Ministry of Economic Affairs has postponed to implement biofuel policy since May 2014.

2015 Emission Self-Test for Air Pollution Prevention from Maintenance Operations

| Pollutant | Allowed concentration (ppm) | Actual reading (ppm) | Conversion (g/s) | Emission standard (g/s) | |
|-----------------|-----------------------------|----------------------|---------------------|-------------------------|--|
| Toluene | 100 | 2 | 0.2 | 50.5 | |
| p-Xylene | 100 | ND | ND | 50.5 | |
| 2-Chlorotoluene | 50 | 19 | 1.89 | 18 | |

Note: ND=Not Detected

Overall Energy and Climate Performance

0_803 Emission intensity from aviatio fuel in 2015

GHG Emission from Aviation Fuel

GHG Emissions from Aviation Fuel (tonne CO2e) Emission intensity (CO₂e tonnes/1000 RTK)

2012

2011



2013 Note 1: All of the data comes from CAL's aviation fuel consumption.

2014

2015

Note 2: Aviation fuel consumption data independently verified by DNV (2014), BSI (2011-2013, 2015)

Note 3: Aviation fuel emission intensity = GHG emission / Revenue Ton Kilometers

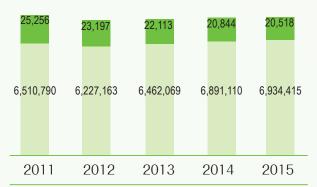
Note 4: Revenue Ton Kilometers (RTK): Total Passenger and Cargo Revenue Payload (Tonne) X Flying Distance (KM)



Scope 1&2 GHG Emission

Scope 1 GHG Emission (tonnes CO2e)

Scope 2 GHG Emission (tonnes CO₂e)



Note 1: All of the data comes from Mandarin Airlines and Tigerair Taiwan's aviation fuel consumption.

Note 2: Since Tigerair Taiwan started operation on September 26, 2014, only emission information in 2015 was collected.

Note 3: Emission intensity of Tigerair Taiwan for 2015 was 0.8 CO2e tonnes/1000 RTK.

400 Thousand Tons

of GHG emission from Aviation fuel for affiliated companies in 2015

GHG Emission from Aviation Fuel for Affiliated Companies







Note 1: Scope 1.2 data includes CAL Park, Songshan Park, maintenance facility, Taipei branch, Kaohsiung branch.

Note 2: The inventory data for CAL Park starts from March 26, 2010

374 Tons carbon reduction from ground operations in 2015

Electricity saved by ground operations

| | 2012 | 2013 | 2014 | 2015 |
|---|--------|--------|--------|--------|
| Electricity consumption (MWh) | 43,603 | 42,363 | 40,002 | 39,382 |
| Electricity savings (MWh) | 2,024 | 1,898 | 1,920 | 718 |
| Carbon reduction (tonnes CO ₂ e) | 1,239 | 1,010 | 1,021 | 374 |

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

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

Note 3: The scope of electricity saving and carbon reduction estimates include CAL Park, maintenance facility and Kaohsiung branch office



0.254

Aviation fuel density in 2015

Aviation Fuel Consumption Information

Aviation Fuel (tonne)

Aviation Fuel Density

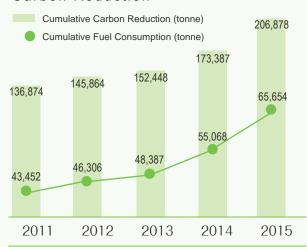


- Note 1: All of the data comes from CAL's aviation fuel consumption (Mandarin Airlines' aviation fuel consumption was 87,594 tonnes in 2014 and 93,149 tonnes in 2015; Tigerair Taiwan's fuel consumption was 35,451 tonnes in 2015)
- Note 2: Aviation fuel consumption data independently verified by DNV (2014), BSI (2010-2013, 2015)
- Note 3: Aviation fuel consumption intensity = Aviation fuel / Revenue Ton Kilometers
- Note 4 : Revenue Ton Kilometers (RTK) : Total Passenger and Cargo Revenue Payload (Tonne) X Flying Distance (KM)
- Note 5: Fuel conversion density (Tonne) = 3.78541(L) X 0.8/1000

207 Thousand Tons

cumulative aviation fuel saving and carbon reduction in 2015

Cumulative Aviation Fuel Saving and Carbon Reduction



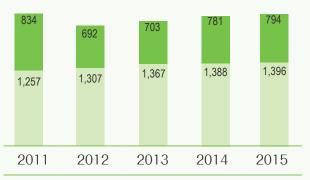
- Note 1: All of the data comes from CAL's aviation fuel consumption (Mandarin Airlines' aviation fuel consumption was 87,594 tonnes in 2014 and 93,149 tonnes in 2015; Tigerair Taiwan's fuel consumption was 35,451 tonnes in 2015)
- Note 2: Aviation fuel consumption data independently verified by DNV (2014), BSI (2010-2013, 2015)
- Note 3: Aviation fuel consumption intensity = Aviation fuel / Revenue Ton Kilometers
- Note 4 : Revenue Ton Kilometers (RTK) : Total Passenger and Cargo Revenue Payload (Tonne) X Flying Distance (KM)
- Note 5: Fuel conversion density (Tonne) = 3.78541(L) X 0.8/1000

2.19 Million Tons

aviation fuel consumption in 2015

Aviation Fuel Consumption by Aircraft Type

- Passenger aircraft fuel consumption (1000 tonnes)
- Freight aircraft fuel consumption (1000 tonnes)



- Note 1: Aviation fuel consumption data independently verified by DNV (2014), BSI (2010-2013, 2015)
- Note 2: Fuel conversion density (Tonne) = 3.78541(L) X 0.8/1000
- Note 3: Passenger/freight aircraft fuel consumption does not include fuel consumption from Mandarin Airlines' E90 aircraft (but include fuel consumption from CAL aircraft that are rented by Mandarin Airlines)

$366\,$ Tons cabon reduction from ground operation vehicle in 2015

Fuel saved by ground operation vehicle

| | 2012 | 2013 | 2014 | 2015 |
|---|------------------|------------------|------------------|------------------|
| Fuel consumption (KL) | 1,549(59,956 GJ) | 1,479(57,246 GJ) | 1,145(44,242 GJ) | 1,320 (46,022GJ) |
| Fuel saving(KL) | 209 (8,090 GJ) | 134(5,187 GJ) | 136(5,264 GJ) | 1,138 (5,341GJ) |
| Carbon reduction (tonnes CO ₂ e) | 537 | 351 | 357 | 366 |

- Note 1: Scope of vehicle fuel consumption includes CAL Park, maintenance facility, Kaohsiung branch office, Songshan Park and Taipei branch office
- Note 2: Fuel consumption for 2012 2014 includes petrol, 98%/99%/100% diesel and 2% biodiesel; fuel consumption for 2015 includes petrol, and 100% diesel





7-2-4 Energy Saving Performance and Reduction Goal

To follow the international trend of voluntary reduction and support Taiwan's national GHG reduction plan, CAL has issued the "China Airlines Voluntary Greenhouse Gases Emission Reduction Statement." and ground operation GHG voluntary reduction goals. In aviation operations, CAL will actively promote voluntary management before the launch of global carbon management system by ICAO. CAL has set 2009 as the basis year and work

actively in implementing the 3-phase targets of the IATA. The 3-phase targets include: 1.from 2009 to 2020, an average improvement of 1.5% in fuel efficiency every year; 2. Stabilize zero carbon growth after 2020 (Carbon Neutral Growth, CNG2020); 3. Total carbon emissions to be reduced to 50% of 2005 levels. As for the ground operation, the goal was to reduce 2020 carbon emissions to 38% of the basis year (2009) level

in 2015. In addition, annual energy saving and carbon reduction goals have been set since 2012 with energy and resource consumption included in our routine KPI monitoring and controls. Through supply chain counseling mechanism, the completeness of information scopes can be increasingly improved and the practical action can be employed in order to facilitate strategic goals and concrete value of our aviation industry GHG reduction.

2015 Energy Saving Performance





10,586 tonnes

Cumulative Aviation Fuel Savings



Electricity Saved by Ground Operations



138KL

(5,341GJ)

Ground Vehicle Fuel-Savings

GHG reduction target



Flight carbon reduction target:

1.5% Fuel efficiency

2009-2020: An average improvement in fuel efficiency of 1.5% per year

Carbon emissions growth

2020-2050: Stabilize net aviation CO₂ emissions (carbon-neutral growth)

50% Carbo

Carbon reduction

2050: Total carbon emissions to be reduced to 50% of 2005 levels

Achievements

√ According to the achievements in 2015, fuel efficiency of 0.25384 was obtained, which is 1.5% improvement comparing to that in 2014.

Actively participated in international associations and alliance meetings to keep updated with the newest practices and responding measures worldwide.



Ground (offices) GHG reduction target: 38 % Carbon reduction

Reduce 2020 GHG emissions to 38% of the basis year (2009) level

Achievements

√ The GHG emission from ground operation in 2015 was 25,577.94 tonnes CO₂e, which is 31% lower comparing to that in 2009.





7-2-5 Aviation Fuel Management

GHG emissions by CAL is substantially linked to the aviation fuel consumption, 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 2015, over 30 aviation fuel saving projects were carried out including route optimization, alternate airport optimization, and turning off $1 \sim 2$ engines while taxiing after landing. These projects saved 10,586 tonnes of fuel and reduced emissions by 33,494 tonnes $\rm CO_2e$ compared to 2014. For more information on aviation fuel saving measures, please refer to ECO-Flight page of the Corporate Sustainability Website.





7-2-6 Energy Conservation during Ground Operations

CAL implemented energy saving and carbon reduction measures in three areas: air-conditioning, lighting and vehicle fuel consumption. Our various electricity-saving measures reduced power consumption by nearly 718,429 MWh in 2015 and reduced GHG emissions by over 374 tonnes CO₂e. The Energy Use Intensity (EUI) of CAL Park, maintenance facilities and Kaohsiung branch offices are better than the average EUI calculated by the MOEA Energy Bureau for office buildings in Taiwan. CAL has so far converted nearly 50 of the various vehicles used in the maintenance facility from internal combustion to electric power (39 were self-made, 11 were purchased). This, along with the optimization of vehicle dispatching and many other measures, has made CAL to achieve fuel savings of over 15.287 KL in gasoline and 1,123.416 KL in diesel in 2015, reducing GHG emissions by 3,014 tonnes CO₂e.

| Environmental | _ | | Annual EUI | |
|----------------------------|---------------------------|-------|------------|-------|
| Management Committee | Region | 2013 | 2014 | 2015 |
| | CAL Park | 164.2 | 149.9 | 150.4 |
| CAL Park | Taipei Branch Office | 111.5 | 109.1 | 107.9 |
| | Song Shan Park | 96.9 | 88.8 | 94.1 |
| | Hangar 2 | 158.8 | 153.7 | 162.0 |
| Maintenance facilities | Hangar 3 | 177.3 | 172.9 | 163.8 |
| | Engine repair/maintenance | 116.9 | 110.6 | 104.7 |
| Kaohsiung Branch Office | Office | 91.6 | 85.3 | 83.6 |

- Note 1: The main reason for higher EUI in 2015 than that 2014 in CAL Park includes: higher average temperature in summer, relocation of System Operation Control Division from Hangar 3 to CAL Park, increase of new facilities and employees/employee training due to introduction of new aircrafts and increase of operation staffs and capability.
- Note 2: The main reason for higher EUI in 2015 than that 2014 in Songshan Park includes: higher average temperature in summer, Tigerair Taiwan offices moved in and increase of operation staffs and loading.
- Note 3: The main reason for higher EUI in 2015 than that 2014 in Hangar 2 includes: fleet expansion, increase of aircraft maintenance demand and increase of hangar usage.

Electricity saved by ground operations in 2015



- √ 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
- √ 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
- √ For the three Hangar, reduced ice storage during winter, reduced ice storage period, switched to smaller AC for the calibration of precision equipment



Lighting energy saving

- √ 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. the hangar 3 had 1013 T8 lamps replaced by T5 lamps.
- √ Portable power-intensive 300W halogen lights used in the maintenance facility replaced by energy-saving 100W LED lights
- √ The 1000W mercury lights in the maintenance facility were replaced by 320W LED lights
- √ Adopted energy-saving LED lighting in newly leased offices
- √ Replaced the 250W mercury lamps used on the façade with 60W LED lamps
- \surd Lighting control measures were employed for public areas, bathrooms, and hallways
- √ 24-hour lightings in the Park were switched from 26W lights to about 300 13W LEDs
- √ Changed the old power consuming lights in Songshan Park to
 IFDs



Vehicle fuel savings

- √ 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
- Consolidated flight crew vehicle dispatching with ride-sharing, a total of 6805 rides
- √ The on/off timing of boiler was determined precisely to avoid pipeline leakage



7-3 Green Operations

7-3-1 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, metal scrap, solvents, wooden pallet, plastics, paper, wires and cables, lighting equipment and food wastes. CAL is continuing to improve waste management in aviation operations by ensuring that waste is properly sorted and disposed of. Recycling in the environmental management committee office areas of the CAL Park, including cargo services and office operations, all come under the framework of the ISO

14001 environmental 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 external environmental costs. Taking maintenance facility as an example, recycling has accounted for 50% of the operation waste generated in 2015. Among such waste, 32% of them were fabric/cotton/cloth, 25% of them were lubricants, and 24% of them were waste metal/aluminum.



Waste Treatment and Production

(KG)

| Category (KG) | Operation requirement | Treatment Methods | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------------|---|--|--------|---------|---------|---------|---------|
| General Industrial /Municipal waste | Regular maintenance/daily use | 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). | 82,945 | 113,450 | 204,745 | 387,948 | 380,662 |
| Hazardous waste | Maintenance of aircraft and power generator | Qualified waste operators are contracted to regularly ship the waste overseas for treatment. Records are regularly submitted as required by law. | 21,100 | 19,070 | 18,398 | 17,673 | 12,728 |
| Batteries with cadmium | Emergency power generation for aircrafts and ground operation | 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). | 1,191 | 1,717 | 1,328 | 1,110 | 1,445 |

Note 1: The 2010 ~ 2013 statistics came from the maintenance facility

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

7-3-2 Water Resource

CAL sets the water saving target every year and continues to save water through "sourcing" and "conservation". Even though the summer of 2015 was quite hot and the number of new recruits had increased in the CAL Park, significant amount of water was saved through the implementation of various water-saving practices. In 2015, 13,802 M3 of water was saved as compared with that in 2014. According to Taiwan Water data, in 2015, the people of Taiwan had an average daily domestic water consumption of 0.326 M3. The water saving by CAL was therefore equivalent to the daily water consumption of 42,337 people.

For managing wastewater and domestic sewage, 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 domestic sewage produced from the CAL Park is directly transported to the wastewater treatment plant at Taoyuen International Airport. The Maintenance Facility, on the other hand, has two wastewater treatment plants designed for treating 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. To ensure compliance with water quality standards, CAL conducts discharge water quality testing on the two wastewater treatment plants every six months. In 2015, all wastewater discharge satisfied the regulatory requirements.



Water Conservation Educational Video



Water Consumption and Wastewater Recovery

| | 2012 | 2013 | 2014 | 2015 |
|-----------------------------|---------|---------|---------|---------|
| Water Consumption (M³) | 163,068 | 162,044 | 149,517 | 135,715 |
| Wastewater Recovery (Tonne) | 3,672 | 8,210 | 6,900 | 4,590 |
| Carbon Reduction (KG) | 602 | 1,281 | 1,070 | 711 |

- Note 1: Water consumption statistics include the CAL Park, Maintenance Facility and Songshan Park
- Note 2: 2012 carbon reduction = water saved (wastewater recycled) x 0.164 Kg CO₂e (Carbon reduction / each M3 of water saved. Based on data provided by Taiwan Water)
- Note 3: 2013 carbon reduction = water saved (wastewater recycled) x 0.156 Kg CO₂e (Carbon reduction / each M3 of water saved. Based on data provided by Taiwan Water)
- Note 4: 2014-2015 carbon reduction = water saved (wastewater recycled) x 0.155 Kg CO₂e (Carbon reduction / each M3 of water saved. Based on data provided by Taiwan Water)
- Note 5: Wastewater recycled statistics include the CAL Park and Maintenance Facility.
- Note 6: The CAL Park has rain water recycling system, however, its efficiency depends on the raining period distribution.

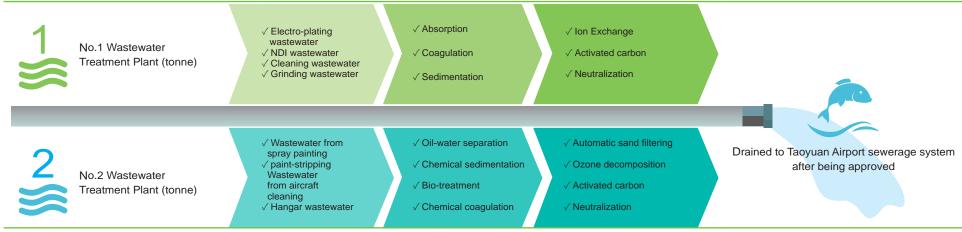
Wastewater Treatment and Monitoring at CAL

| Site | Wastewater characteristics | Discharge area | Wastewater treatment |
|-------------------------|------------------------------------|---|---|
| Maintenance facilities | Wastewater containing heavy metals | No.1 Wastewater Treatment Plant (processing capacity of 162 tonnes) | Drained to Taoyuan Airport sewerage system after |
| Maintenance racinities | Wastewater containing organics | No.2 Wastewater Treatment Plant (processing capacity of 144 tonnes) | being approved |
| CAL Park | | | Drained to Taoyuan Airport sewerage system after being approved |
| Songshan Park | Domestic sewage | No treatment necessary / Direct discharge | Drained to Taipei City sewerage system after being |
| Taipei Branch Office | Domestic Sewage | No treatment necessary / Direct discharge | approved |
| Kaohsiung Branch Office | | | Drained to Kaohsiung City sewerage system after being approved |

Maintenance Facility Wastewater Discharge

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|--------|--------|--------|--------|--------|--------|
| No. 1 Wastewater Treatment Plant (Tonne) | 9,658 | 12,504 | 12,663 | 12,695 | 11,274 | 9,577 |
| No. 2 Wastewater Treatment Plant (Tonne) | 9,388 | 10,131 | 11,281 | 10,018 | 6,842 | 8,867 |
| Total (Tonne) | 19,046 | 22,635 | 23,944 | 22,713 | 18,115 | 18,444 |

CAL Wastewater Treatment Process



Damage-free Inspection

Wastewater Monitoring Indicators

| | No. ′ | l Wastewater | Treatment Pl | ant | No. 2 | 2 Wastewater | Treatment Pl | ant | Discharge Standard |
|--|-------|--------------|--------------|------|-------|--------------|--------------|------|--|
| Primary Indicators | 2012 | 2013 | 2014 | 2015 | 2012 | 2013 | 2014 | 2015 | Amended on 1/22/2014 |
| Hydrogen Ion Concentration Index (pH) | 7.7 | 7.6 | 7.4 | 7.2 | 7.3 | 7.0 | 7.7 | 7.0 | 6.0-9.0 |
| Water Temperature (°C) | 21.6 | 21.4 | 20.0 | 25.6 | 20.6 | 20.4 | 17.9 | 25.2 | below 38°C (between May ~ September) below 35°C (between October ~ April of the following year) |
| Suspended Solids, SS (mg/L) | 1.4 | 4.2 | 2.0 | 1.1 | 2.5 | 3.3 | 3.7 | 9.6 | 30 |
| Chemical Oxygen Demand, COD (mg/L) | 24.7 | 7.8 | 29.6 | 4.7 | 21.6 | 24.8 | 50.1 | 19.4 | 100 |

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

7-3-3 Environmental Investment

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 2015, nearly TWD 208.213 million was spent on the procurement of eco-friendly equipment, project and green purchasing.

CAL Environmental Equipment and Green Procurement Investment List

(TWD 1,000)

| | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|--|---------|---------|---------|---------|---------|---------|
| Environmental equipment, maintaining operation project ¹ | 1,976 | 7,088 | 6,975 | 5,331 | 16,798 | 38,168 |
| Green procurement ² | 4,567 | 9,423 | 14,263 | 9,634 | 7,294 | 45,181 |
| Waste treatment | 3,732 | 2,266 | 2,268 | 2,608 | 2,417 | 13,291 |
| Noise prevention | 141,161 | 143,607 | 161,130 | 176,869 | 181,704 | 804,471 |
| Total investment | 151,436 | 162,384 | 184,636 | 194,442 | 208,213 | 901,111 |

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

Note 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).

7-3-4 Annual Environmental Incident

CAL viewed environmental requirements positively and actively, and is willing to make change for improvement. In May, 2015, Taoyuan EPA audited CAL's Maintenance Facility for operation procedures and equipment. Due to some operation procedure flaws, 4 penalty tickets were filed with a total fine of TWD 230,000. Nevertheless, the discharge quality of wastewater treatment plant in the Facility was in compliance with government's requirement.

The administration management of CAL has viewed this incident very seriously, and has taken necessary review and improvement measures immediately. Not only the problem raised by EPA has been reacted immediately, a special cross-unit task team was organized lead by

the Facility head to conduct review and inspection meeting at least twice a week. In addition, professional technicians were hired to carry out procedural inspection while external experts and consultants were also invited to hold 3 thorough inspection and review meetings. During the meeting, potential areas with environmental protection risk were also reviewed. Delegation team was organized to visit nearby electroplating plants in order to gain more experience so that key risk control measures and procedures may be introduced. Related measures have been evaluated by the responsible units and feedback to facility management procedures for improvement, which include hardware improvement and

installation of additional wastewater pipeline, ensuring that all wastewater discharged are safe and complied with the requirements. Monitoring devices were also installed inside/outside the facility to carry out water inspection either regularly or non-regularly. All the corrective and preventive measures have been completed by December 2015 and approved by EPA. After this incident, CAL has learned its lesson, and will continue to strengthen staff trainings, keep updated with government regulations, and invite experts/consultants for review and inspection, achieving the goal of zero penalty ticket.

| Туре | Penalty items listed by EPA | Corrective and preventive measures implemented by CAL |
|------------|---|---|
| | Failure in power supply of control box panel | √ Auditors from EPA arrived during control system failure. The equipment was stopped immediately for inspection (waste water in storage tank, not discharged) |
| | of the wastewater treatment facility, causing wastewater treatment facility unable to work | √ PLC of main control system was fixed by the vendor immediately and the operation was back to normal |
| 3 | | \checkmark Operational manual was amended to improve emergency response mechanism |
| | | √ False reporting |
| Wastewater | Scrubber wastewater not recorded, improper treatment procedures for wastewater containing alkaline and cadmium | √ Water Pollution Preventive Measure Proposal was re-modified/reported |
| | anamo ana odamam | ✓ Control procedures were amended to strengthen horizontal communication |
| | | √ Difference between understanding and determination |
| 1000 | Sludge from No.1 wastewater treatment plant was improperly stored and labeled | \checkmark Sludge container and labeling were corrected with the highest standard and reported to EPA |
| Ш | - | √ Toxic substances were monthly inspected and recorded to strengthen management capability |
| Waste | Waste The electroplating process and transportation for cyanides were not conformed with the content written in the proposal | √ Difference between understanding and determination |
| | | √ Waste Disposal Plan was amended and reported immediately |
| | | √ Control procedures were amended to strengthen horizontal communication |

7-4 Flying Towards the Green Journey

7-4-1 ECO Service

Under the rising awareness of climate change, CAL continued to combine the element of environmental protection with the offered customer services. 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". Considering customer and market acceptance levels, CAL will launch

the environmental protection-integrated 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. 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 and

software. Furthermore, learning from the experience of other international airline companies, CAL had tried to modify the format of the in-flight meal and applied it to 3 of its short destination flights in order to reduce the use of disposable kitchenware. In 2015, a total of 148,620 sets of kitchenware were reduced, which in turn saved water resource. For more ECO experience, please refer to the ECO Service page of the CAL Corporate Sustainability Website.

| | 3,272,068 people | CI Mobile 238,327 people | app 262,730 people | 230,484 sheets |
|------|--|---|--|--|
| | 2015 Number of passengers who used the self check-in kiosk | 2015 Passenger downloads of the CI Mobile app | 2015 Number of passengers who used the CAL App for e-Check-In | 2015 Number of shipments in 2014 that used the e-freight service |
| 2013 | 2,074,823 | 132,508 | 59,148 | 55,083 |
| 2014 | 3,163,414 | 120,884 | 129,064 | 94,548 |
| 2015 | 3,272,068 | 238,327 | 262,730 | 230,484 |

In today's information popularized modern world, CAL introduced a new generation of passenger-oriented, full-function service system. 2012 was the year 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 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. In 2015, a total of 262,730 passengers used the app for e-check-in, an increase of nearly 103% on 2014. This shows that passengers are increasingly willing to use the convenient ECO service offered by CAL.

7-4-3 Airport and In-Flight Services

Airport Services



up self check-in areas with common use self-service (CUSS) in place of conventional counters.

- ✓ Reduce paper use
- √ Reduce passenger boarding process and save time
- ✓ A total of 3,272,068 passengers in 2015



In 2009, the IATA announced that CAL had become the 22nd "e-Freight" airline in the world. More than 1511 freight agents have since received assistance in the implementation of paperless services. CAL aims to become totally e-Freight service in the future.

- √ Reduce cargo delivery time by 1.5 days
- / reduce the rate of documentation loss
- √ Penetration rate of 50.1% on January 2016
- Ranked 1st in Taiwan in the use of freight electronic bills of lading in 2015 (e-AWB)

In-Flight Services

CAL strives to offer not only environmental protection—based in-flight service, but also service with the best quality so that all passengers can enjoy delicious food under food safety. 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. An example is that in 2015, CAL has been working with Taoyuan government and venders to promote sweet persimmons from Fuxing District, Taoyuan. Sweet Persimmons were offered in the VIP lounge and Business cabin and were very much enjoyed by the passengers, which is a successful integration between social responsibility, environmental protection and business benefit.

In the promotion of environmental protection, CAL understands that passenger participation is the key to the successful expansion of ECO service. Therefore, promotion to passengers is quite important. CAL not only continued to carry out promotional work planed in 2014, but also incorporate several environmental protection related educational videos and short documentary films into the in-flight video system as well as adding environmental protection related remarks on the package of in-flight merchandises, hoping to raise passenger's awareness in environmental protection.

To expand the depth of ECO services, CAL 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. In 2015, CAL continued to work with ITRI supported by EPA's "Product Carbon Footprint Information Disclosure Service" Project to select a popular local beverage (Taiwan Beer) offered on the in-flight service for carbon footprint inventory and calculation. Carbon footprint related data, including its 3 stages of sales, usage and disposal, were provided by CAL and supply vendor to enrich domestic local product carbon footprint databank and enhance the supplier's carbon footprint processing capability. Achievements from this work were announced by EPA on November, 13, 2015 during the "2015 Product Carbon Footprint Calculation Platform Press Conference".

7-5 Environmental Charity Events

7-5-1 Coastal Cleanup

In response to the International Coastal Cleanup (ICC) event, CAL hosts the Jhu Wei Coastal cleanup every year since September 2011. Displaying their determination, the CAL volunteer team reaches out in community and environmental care to improve waterfront quality in the neighboring shores of Da Yuan area. The coastal cleanup activities are held on weekends, and pilots, maintenance crew, flight attendants, ground service staffs, information management employees and so forth sign up voluntarily. In addition, Mandarin Airlines and China Pacific Catering Services are invited to participate.



7-5-2 Promoting Environmental Protection and Sustainability

In response to governmental advocacies on climate change issues and sustainable development, CAL promotes the philosophy of environmental management and sustainable governance. In 2015, CAL actively supported major relevant activities organized by competent authorities, such as the EPA's 24th ROC Enterprise **Environmental Protection Award Observation and Seminar** by sharing and exchanging promotional experience in corporate environmental risk management, carbon reduction and education. CAL also co-organized the 2015 Aviation Industry International Exchange on Climate Change with the CAA to offer a platform and opportunity for domestic and international experts to exchange perspectives on carbon risk management and sustainable development and governance in the aviation industry. Assisting competent authorities in these events helped inspire the Taiwanese public and related industry in their awareness of environmental protection and response to climate change.





Social Vision and Mission

China Airlines upholds the philosophy of Commitment to Excellence and Reliability and contributes to building the community through a diversity of public services, aid to socially vulnerable groups, contribution to hometown through plowing community, cultivation of potential sports talents and nurturing of national talents, thereby creating the greatest value for customers, shareholders and employees. CAL vision for social welfare is caring for the disadvantaged, nurturing national talent, cultivating potential sport talents and promoting local Taiwan brand. Based on these visions, 6 missions are developed, including sports promotion, grassroots education, charity support, tourism promotion, giving hand aids, and love earth. On the basis of these 6 missions, CAL will continue to promote charity events as a way to contribute to society.



CAL invests every effort into social involvement by actively contributing our expertise and services. Since 2015, we have applied the London Benchmarking Group (LBG) model to assess the effectiveness of our social investment. Using the dimensions of Inputs, Outputs and Impacts, the impact of social investment is quantified to measure the value and impact of our social investment. According to the LBG model, quantifying social investment can facilitate the reasonable allocation of resources, avoid duplicate investment of resources and effectively integrate financial and non-financial information while satisfying the expectations of stakeholders, thereby creating a more effective societal contribution.

The major social investment from CAL focuses on the sport campaigns connecting with commercial initiatives and charitable forum sponsorship (54%). The sponsorship for philanthropy (39%) and community investment (8%) are second priority. Those activities were mainly through cash and product donation as well as volunteers. Flight ticket was major proportion which accounted for 68%, and then cash donation (25%). The effort we have made for a long time on charity campaign is positive effect not only for the environment and society, but also for the company operation including the revenue of flight revenue, the brand reputation and the media communication.

Types of Social Involvement

| Item | Content | Cost | Proportion (%) |
|------------------------|--|------------|----------------|
| Commercial Initiatives | √ Support charitable forums and artistic and cultural activities √ Support the international events participated by Taiwanese athletes | 23,452,427 | 54 |
| Charitable Events | ✓ Support domestic and internal disaster relief ✓ Sponsor various artistic and cultural activities | 16,839,415 | 39 |
| Community Investments | ✓ Hold the activities for the disadvantaged group in adjacent area ✓ Teach English in community school ✓ Give the monthly magazines for children to the elementary schools of Taoyuan city ✓ Hold CAL Employee Charity Day ✓ Conduct CAL park tour and coastal cleanup | 3,330,502 | 8 |

Social Involvement

| Item | Content | Cost | Proportion (%) |
|----------------------|---|------------|----------------|
| Product donations | Donation of flight ticket and in-flight products | 29,798,352 | 68% |
| Cash contributions | Cash input for various activities | 10,644,000 | 25% |
| Employee Volunteers | Volunteers labor input for tour, teaching, and coastal cleanup activity | 1,294,052 | 3% |
| Management Overheads | Management overheads for various activity input | 1,885,940 | 4% |

Social Involvement Effectiveness

| Er | nvironmental/Social Effe | ectiveness | Operational Effectiveness | | |
|--|---|---------------------------------------|--|--|--|
| Indicator | Data | | Indicator | Data | |
| CAL Employee Charity Day with Jeremy Lin | Around 200 participants | | Flight ticket revenue brought by sponsoring | TWD3,460,618 | |
| Aviation English teaching | 2,210 students of elementary schools to | participate | The number of sponsored flight ticket | 702 tickets | |
| Sharing Knowledge Platform charitable project for Children with Global Views Monthly | Around 16,000 students of elementary schools to participate | | The number of certificate of recognition | 475 certifications | |
| Nepal Earthquake Relief | Delivery assistance for relief supplies | | The number of sponsored flight tickets for various events | 1,802 tickets | |
| Tainan Earthquake Donation | TWD 100 million for donation | | Media Exposure | Pieces of news; 343 Number of times for browsing the events: 105,039; Fans of CAL fan page: 478,763 (As of May,2016) | |
| Tourism Promotion | US Rose Parade | Participated for consecutive 29 years | Dawn theme charter flight, Kumamoto theme charter flight, Mother's Day theme charter | 781 passengers | |
| Tourish Fromotion | Park Tour | 1,096 participants | flight, baseball theme charter flight | 701 passengers | |
| Charity Support | Warm Meal Delivery for Elderlies | 200 elderlies | | | |
| Earth Protection | Coastal Cleanup | 200 participants | | | |

8-1 Sports Activity

For many years, Taiwan's athletes have excelled in international sports events. In particularly, our ball game and track & field achievements cannot be ignored, and are paid international attention. As Taiwan's largest airlines, CAL supports our athletes in international sports events by providing the most sincere and warmest air transport services and reception for our Taiwan teams. In addition to being honored as the designated airlines for international competitions, CAL also sponsors sports events, integrates resources and actively participates in all major domestic and international sports events, and keeps to warmly and eagerly offer them professional air transport to promote the international visibility of Taiwan's stars. For example, we support our Chinese basketball star Jeremy Lin, world-class women's tennis player Hsieh Su-Wei, female tennis star Chang Kai-Chen, top male tennis player Lu Yen-Hsun, triathlon contestant Li Shiao-Yu and baseball star Chen Wei-Yin in the US shine in the international community.

CAL Employee Charity Day

On July 2, 2015, CAL collaborated with the Children Are Us Foundation in the long-term fundraising plan for Let's Go Meal Project, and invited NBA super star Jeremy Lin to help in the activities. The love and warmth of the staff are transformed into practical actions, and funds for meal boxes were raised for disadvantaged children in remote areas. In addition, during the activities, CAL employees donated a total of 3,721 receipts to the Children Are Us Foundation, and after the event, CAL delivered 600 meal boxes to children in remote areas to wish them a better future.





CAL sports sponsorships in the last three years

| 2013 | 2014 | 2015 |
|-------------------------------------|--|---|
| ✓ OEC Taipei Wta Challenger | ✓ Fubon LPGA Taiwan Championship | √ Taiwan, Japan and Korea International √ Taiwanese&Chinese American Athletics Tourment of San Francisco Bay Area |
| √ Sunrise LPAG Taiwan Championship | √ OEC Kaohsiung ATP Men's Challenge | Yangde Changchun Taiwan-Japan Friendship Taipei City Cup International Boxing Tournament Cup |
| ✓ OEC Kaohsiung ATP Men's Challenge | √ NIKE We Run Taipei for Women | ✓ Santaizi ATP Challenger ✓ Super Basketball Summer League |
| √ Asia Series | √ Taiwanese&Chinese American Athletics Tourment of San Francisco Bay Area | √ Shanghai - New Taipei City Dragon Boat √ OEC Kaohsiung ATP Men's Challenge Cultural Exchange |
| √ Formed the CAL cheerleading team | | √ Fubon LPGA Taiwan Championship |

8-2 Sharing Education

8-2-1 Volunteer Teaching

Since the corporate headquarters was established in Dayuan District of Taoyuan City in March 2010, CAL strives to fulfill corporate social responsibility by strengthening the community and contributing to the villages. The CAL Volunteer Club was formed in April 2011 to support socially vulnerable groups and instill spiritual contentment in employees. CAL employees are recruited for voluntary participation in activities, and charity events are organized from time to time to contribute to the society and community through practical actions. During winter and summer vacation, a total of 24 captains and flight attendants recruited by CAL visit nearby schools each month to teach aviation English and share aviation knowledge with the school children. In the beginning, aviation related knowledge and English were taught at Jhuwei Elementary School using interactive instruction, and in September 2013, the program was extended to Shi-Hai Elementary School.





CAL Aviation Education -- Shi-Hai Elementary School





CAL Aviation Education--Jhuwei Elementary School

2015 Volunteer Teaching Statistics

| | 3/12 | 4/16 | 5/14 | 6/11 | 9/17 | 10/15 | 11/19 | 12/17 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 6th Grade | 5th Grade | 4th Grade | 3rd Grade | 6th Grade | 5th Grade | 4th Grade | 3rd Grade |
| Number of CAL participants | 6 | 5 | 6 | 6 | 6 | 6 | 8 | 7 |
| Number of student participants from Shi-Hai Elementary School | 61 | 61 | 60 | 43 | 62 | 60 | 44 | 67 |
| Number of student participants from Jhu Wei Elementary School | 85 | 90 | 68 | 73 | 89 | 65 | 72 | 66 |

8-2-2 Love All Around

Through experience sharing, flight safety presentation, meals and checkpoints activities, CAL hopes to expand the horizons of children in remote areas and encourage them to learn a foreign language and increase their personal competitiveness. Many enthusiastic employees have adjusted their shifts and used personal vacation days to visit remote tribal villages in Taoyuan, Hsinchu, Maoli, Yilan and Kaohsiung to share their flight experience and aviation knowledge with aboriginal children who have never experienced flying.

Within a short time, the Love All Around Dream Flight was only a small group of 11 volunteers, and the group now requires 2 tour buses for transportation; from a group of flight attendants, the volunteers now include employees from Flight Division, Ground Services Division, Maintenance Facilities, Temporary Freighter Load Dept. and etc. The group includes CAL's most departments and has landed in 16 remote destinations in Taiwan.

Love All Around transforms the classroom into a flight cabin. Through seat allocation at the counter, boarding and in-flight safety demonstration, students in aboriginal villages role-play cabin activities. Children are encouraged to learn a foreign language through checkpoint games, English quizzes and knowledge of different countries through lively and creative teaching methods, and seeds of hope for their future are sown. Bringing the world to the remote villages successfully expands the children's horizons. Through shared lunches, the big brothers and sisters communicate their deep hope for the children. Likewise through sincere interactions with the children, the volunteers are spiritually fulfilled and their internal satisfaction is reflected in their attitude towards work and daily life. Because of everybody's full support, Love All Around team has the power to do the right thing and spread positive thoughts.

| Service T | arget | Photos | Service T | arget | Photos |
|--------------------------------|--|---------------|--------------------------------|---------------------------------------|---|
| Service Target | Nantou Shuangwen Junior High School | the design of | Service Target | Hsinchu Wu Feng Elementary School | STORIES OF THE |
| Date | January 12, 2015 | 建一块加工 | Date | September 16, 2015 | Shows month spino |
| No. of Volunteers/ Hours | 80volunteers/3.5hours | | No. of Volunteers/ Hours | 46 volunteers/3.5hours | |
| No. of Student Participants | 117 | | No. of Student Participants | 40 | W. C. S. C. |
| | | | | | |
| Service Target | Miaoli Nanhues Elementary School | | Service Target | Hsinchu Shing Le Elementary School | - |



| ervice Target | Miaoli Shi Tang Elementary School | | Service Target | Taitung Yongan Primary School and Ruey Yuar Elementary School | |
|------------------------------|--------------------------------------|--------------------------|--------------------------------|--|--|
| ate | May 14, 2015 | No. of Concession, which | Date | December 16, 2015 | The same of the sa |
| o. of olunteers/ ours | 59 volunteers/3.5hours | | No. of Volunteers/ Hours | 85 volunteers/3.5hours | Maria Car |
| o. of Student articipants | 87 | | No. of Student Participants | 167 | THE PARTY AND ADDRESS OF THE PARTY AND ADDRESS |
| | | | | | |

| Service Target | Nantou Tong-Lin Elementary School and Tong-Fu Junior High School | 10 |
|--------------------------------|---|-------------------------|
| Date | July 16, 2015 | Carlotte Control of the |
| No. of Volunteers/ Hours | 55 volunteers/3.5hours | BUILDE. |
| No. of Student Participants | 80 | The same of |
| | | |

Sei

Dat

No

Vol

Но

No

| | Service Target | Taitung Wan An Elementary School and Guang Yuan Elementary School |
|---|--------------------------------|--|
| ١ | Date | December 17, 2015 |
| | No. of Volunteers/ Hours | 85 volunteers/3.5hours |
| | No. of Student Participants | 133 |



8-2-3 Impartation of Aviation Knowledge to 8-2-4 CAL Park Tour Remote Schools

CAL employees of Maintenance Facilities go to remote schools to impart knowledge of aircraft repairs. Tau-Yuan Junior High School and Tao Yuan Elementary School, which receive long-term funding, are selected as the initial sites for the activities. In April 2015, led by Engine Maintenance Department's Manager Wang Yeu-Shann along with 2 inhouse GE representatives, the volunteers used their personal vacation time to participate in the activity. The content of the activity in Tau-Yuan Junior High School included the explanation of the basic working principles of the engine as well as the introduction of maintenance operation. Through the model aircraft assembly procedure with the maintenance work order format to teach the children the procedure for assembling the B737-800 model. Last, the volunteers simulated actual operation, and stamp qualification stamps for finishing the assembly process, and gave the completed model to the students as a reward. In the activity of Tao-Yuan Primary School, through explaining basic flight principles and making paper plane to broaden their horizons through sharing aviation knowledge and the pleasant interactional experience.

For elevating industry visibility and enforcing the responsibility of a good neighbor, CAL provides the application of CAL Park tour. In 2015, the visiting group was over 30. The CAL Park tour includes visiting the aircraft simulator classroom, pilot training department, flight attendant training cabin, museum, Maintenance Facilities, bartender classroom, beauty and etiquette classroom, evacuation training and swimming pool. Tours are conducted by CAL guides, and include explanations, demonstrations and experiential activities to help the public understand CAL crew trainings and show the professional services and rigorous trainings of CAL.





8-3 Charity Support

8-3-1 \$100 Cultivation Program

The Volunteer Club is currently promoting the CAL \$100 Cultivation Program, which is further divided into 2 subprograms: Care for the Children Program and Reading makes Wealth Program. More than 10 volunteers help to collect funding to help sponsor after-school tutoring for remote area students and underprivileged children to improve their reading skills and encourage them to keep reading. Each year, about 300 children benefit from the program. In addition, one of the funding recipients, San Guang Elementary School, has launched a joint teacherstudent farm and established an Internet channel for selling May Peaches to raise tribal family income and subsequently provide the students with a better living environment. During the peak season of May Peach, local farmers will come sell the peaches at CAL, and without fail, our generous employees contribute to thousands of boxes of peach sales each year.

| Program | Target | Donated Amount (TWD) * |
|-----------------------------|--|---------------------------|
| Care for the Children | √ Mu Xiang Preschool, Dayuan Township, Taoyuan City | 340,000 |
| | San Guang Elementary √ School, Fuxing Township, Taoyuan City | 293,800 |
| Reading Makes | Jeso Elementary School, Fuxing Township, Taoyuan City | 263,800 |
| Wealth | √ Kui-Hui Elementary School, Fuxing Township, Taoyuan City | 234,570 |
| | Ba-Lung Elementary School, Fuxing Township, Taoyuan City | 165,900 |

^{*:} Data collected from January 2013 to December 2015

8-3-2 Community and Senior Relations

CAL has kept richly cultivating and contributed to the community. In 2015, CAL held its 5th reunion event, and invited about 200 disadvantaged students from educational institutions such as Mu Xiang Children's Home, Huai De Children's Home and Taoyuan Jhuwei Elementary School to CAL corporate headquarters for a reunion dinner. A feast of flight meals and piping hot Buddha's Delight were served to the children by flight attendants and ground service staffs to welcome the New Year. In addition to the airline banquet, the children were also captivated by an exciting magic show, had a fun hands-on game in balloon folding, and performed in a talent show. Jhuwei Elementary School's string orchestra, Hou Tsuo Elementary School's ocarina, Shalun Elementary School's dance and Shi-Hai Elementary School's diabolo performances added a festive air to the event. Each January, CAL also hosts a community and senior relations event where seven cabin crew volunteers visit the Chang Qing Senior Care Center and Dayuan Senior Home in Dayuan Dist.. In addition to serving Chinese New Year's meals from China Pacific Catering Service, each senior resident also receives a gift of warm winter blanket, scarf and gloves. The flight attendants also bring a happy and warm time to the seniors by singing special oldies -- Evening Primrose, The Moon Represents My Heart, and the Taiwanese song Dark Sky.



8-3-3 Sharing Knowledge Platform for Elementary Schools

One of CAL's cores on corporate social responsibility is to take education rooting in children by enriching reading resources for children so that the foundation of learning can be built and the advanced learning is able to develop. Since 2014, CAL has collaborated with the Global Views Educational Foundation to join the charitable project of sharing knowledge platform which is a reading program of donating subscriptions of the Future Kids magazines from company to elementary schools of Taiwan. In April 2014, CAL donated one year of Future Kids subscriptions to 1st-3rd grade students in 12 elementary schools in Da Yuan Dist. in Taoyuan City. Since 2015, the donation has been expanded to include 37 schools in Bade, Luzhu and Longtan in Taoyuan City and benefitted as many as around 16,000 students. CAL is committed to practical actions in community outreach, contributing to villages and developing reading habits in children.



8-4 Tourism Promotion

8-4-1 US Rose Parade

CAL began participating in the US Rose Parade in 1987, and has been participating for 29 consecutive years. Based on the parade's theme each year, CAL displays Taiwan's features and has won international first prize for successive years, thus demonstrating the beauty of Taiwan on the international stage so that more people are aware of Taiwan and CAL. The 127th US Rose Parade on New Year's Day 2016 was held in Los Angeles. Our theme, Venture to the Majestic Taiwan, lauds the beauty of Taiwan, and won the first international prize for the 25th time.

2016

Venture to the majestic Taiwan



2013

Cycling through Paradise

2015

Inspiring Grace of Cloud Gate



2012

Spirit of Prosperity and Harmony



2014

Taiwan Dreams Rising



2011

Collaboration Builds Friendship and Winners



8-4-2 Liveried Aircraft

For many years, CAL Liveried Aircraft have aimed to market and promote local culture, and conveyed the message of Love Taiwan, Love the Earth through its liveried global flights. Over the years, 11 livery designs were launched, including the Boeing Dreamliner (2004), Butterfly Orchid (2005), Sweet Fruits (2006), Lavender (2006), 50th Anniversary logo on 5 aircraft (2010), SkyTeam on 2 aircraft (2011, 2012), PGGM special (2012), Love and Hug (2013), Taiwan Tourism (2013), Masalu! Taiwan (2014), Cloud Gate (2014), for a total of 16 liveried aircraft. In the future, with the introduction of A350 new aircraft, CAL will promote hold "Flying Ambassador of Taiwan" liveried aircraft project combining birds and unique features of Taiwan.



8-4-3 International Promotion of Local Tourism

As a part of the tourism industry, promoting Taiwan's tourism industry is a top priority for CAL. Through government tourism collaborations, practical actions and airline resources, CAL promotes and markets Taiwan's tourism to the world. From 2015 to the beginning of 2016, CAL proactively participated in domestic and international travel exhibitions, and continued to sponsor the Tourism Bureau, the Taiwan Visitors Association's Taiwan Lantern Festival and the Fulong Sand Sculpture Art Festival. Using a diversity of marketing approaches to develop international customer source, CAL helps to strengthen international tourism exchanges and supports Time for Taiwan through specific actions.

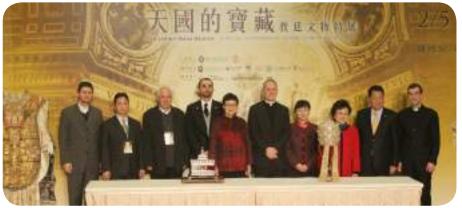




Taiwan Lantern Festival

8-4-4 Cultural Diplomacy Promotion

CAL spares no effort in promoting international cultural exchanges and has a long-standing cooperation with government and private resources to jointly sponsor domestic and international arts and sports events, further cultural exchanges and launch Taiwan's cultural capability. In recent years, CAL has collaborated with Ju Percussion Group, TED X TAPEI, Folk Songs 40, Taiwanese famous cellist, Chang Chen-Chieh, Kaohsiung Museum of Fine Arts, Juming Museum, Taipei Quyituan, Cloud Gate and other representative art groups or artists. In addition, CAL also provided transportation for the 2015 Special Exhibition of Artifacts from the Holy See, and was honored with the responsibility of transporting artifacts from the Osaka Museum of Oriental Ceramics to the Southern Branch of the National Palace Museum for its opening, which demonstrates domestic and international respect and recognition toward CAL.



Special Exhibition of Artifacts from the Holy See



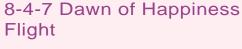
Founder Lin Hwai-Min with his Cloud Gate dancers boarding the Cloud Gate livery aircraft to perform in Singapore.

8-4-5 Mother's Day Flight

CAL has launched a limited Mother's Day flight offering a 3 days special trip. As a surprise for mothers, CAL printed their children's words of love on the headrest covers, giving mothers a very unique and different Mother's Day. In the limited flights, Beauty Mom flight attendants presented mothers with meals served in specially made special Shokado jewelry boxes. The meals were made with healthy and low-calorie local ingredients, and the menu included mushroom and chrysanthemum representing longevity, nutritious salmon caviar, Japanese plum noodles, and the beauty elixir--bird's nest soup. In addition, a variety of lovely gifts were prepared for each passenger.

8-4-6 Kumamon Theme Flight

CAL is the first Taiwan airlines with scheduled flights to Kumamoto. To celebrate the first Kaohsiung - Kumamoto flight, the well-rated theme flight is promoted in southern Taiwan. Following the Happy Break of Dawn Flight, Mother's Day Flight and the Aurora Flight, the special theme flight titled "Hail Kumamoto" was launched for the inaugural flight to Kumamoto, hometown of the mascot Kumamon, to promote Taiwan-Japan cultural exchange.



Together with passengers, the 2016 Dawn of Happiness Flight launched by CAL Group welcomed Taiwan's first light at the highest altitude on New Year's Day. Limited edition of Lucky Sky Grab Bags was sold amidst the ambience of melodious Gondola music and stunning sunrise. The flight number CI2016 has a unique significance. Departing from Taoyuan airport in the early morning of January 1, 2016, the flight flew along the eastern coastline of Hualien where passengers greeted the very first and highest view of sunrise in Taiwan and became the first to welcome the Year of the Monkey in the spectacular light of dawn. To the surprise and delight of the passengers, gondoliers were invited by CAL and sequestered among the passengers gradually broke into melodious singing at the moment of the sunrise.



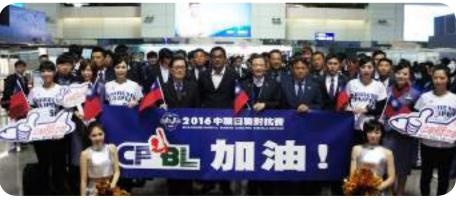




8-4-8 The Chinese Professional Baseball League Flight

The first baseball theme flight in Taiwan launched by CAL in March 2016 offered exclusive flights for CPBL players and fans to Nagoya, Japan. In the two professional matches between Taiwan and Japan, CAL ground service staffs dressed in baseball outfits with the number 56 on the back to symbolize the 56th Anniversary of CAL. From the moment of check-in and boarding the theme flight, the Taiwan players were cheered on with CAL's encouragement. The CAL cheerleading team put on a vibrant dance at the boarding gate to cheer on the players, and passengers holding commemorative baseball boarding pass, baseball-shaped lollipops and other souvenirs posed for photos with the bill-board poster of the 8-member team, including their captain Chen Chin-Feng. In the spirit of CAL enthusiasm, six flight attendants welcomed the players and passengers on board in their new tailored baseball outfits.





8-5 Rescue Mission

8-5-1 Nepal Earthquake Relief

On April 25, 2015, the strong earthquake in Nepal resulted in heavy casualties. CAL gave every effort into delivering relief supplies, and contributed to the reconstruction and international aid.



8-5-2 Tainan Earthquake Donations

The strong 6.4-magnitude earthquake in the early morning of February 6, 2016 in Taiwan resulted in severe disaster in the southern region. As an expression of deep concern and sympathy, CAL donated NT \$ 10 million towards disaster relief and emergency aid to give victims a warm Chinese New Year and speed up reconstruction. As a Taiwan corporation, the CAL Group upholds the spirit of corporate social responsibility and service plus. With the approaching Chinese New Year and cold front, CAL empathizes with the people during this time of disaster, and hopes to help victims ride out the storm.

8-6 Mandarin Airlines Charity

8-6-1 Assists in Incubation Program for Abandoned Blue-tailed Bee-eater Eggs

In enthusiastic response to environmental conservation activities, Mandarin Airlines participated in the Taipei City Zoo blue-tailed bee-eater egg incubation program by transporting these tiny VIP eggs from Kinmen to Taipei in the hope of breeding these rare birds in July 2015. The abandoned blue-tailed bee-eater eggs were safely and securely delivered from Kinmen to Taipei so that the Kinmen research team could immediately incubate these eggs in Taipei City Zoo for future research.





8-6-2 Send Love to Hualien

Moved by the lack of resources for schools in eastern Taiwan, Mandarin Airlines launched "Send Love to Hualien" charity event in July 2015. The revenue from the online auction ticket was donated to Hualien schools to help children pursue and finish their dreams. In October 2015, the donation was received by the first lady of Hualien County, Hsu Chen-Wei, at the WAWA Kitchen ceremony at Gangko Elementary School in Fengbin Township, Hualien County. We built the "WAWA Kitchen" for kids, and the bribe chef guided the kids to grow the vegetables and build the earth oven for learning the traditional skills and aboriginal food culture.





8-6-3 2015 A New Vista for Children Photography Exhibition

For three consecutive years (2013-2015), Mandarin Airlines has collaborated with charity platforms to co-sponsor the A New Vista for Children photography exhibition by providing free Taitung-Taipei flight for winning contestants to attend the exhibition opening and 3 days of tour in Taipei. When the camera becomes a new vista for children, it carries their attention and conveys their inner hopes and feelings.



8-6-4 Flight of Hope from Mandarin Airlines

Together with Social Affairs Bureau of the Taichung City Government, Mandarin Airlines held the Flight of Hope activity at the Cingcyuankang Airport on May 16, 2015 to help disadvantaged children fulfill their dream of flying. Mandarin Airlines arranged for these children who have never flown to role-play traveling abroad at the International Terminal, and gave them a tour of the aircraft cockpit.



8-6-5 Explore Taichung Liveried Aircraft Promoted the 2018 Taichung World Flora Exposition

To develop international tourism market in Taiwan and promote the 2018 Taichung World Flora Exposition, Mandarin Airlines and CAL Group jointly launched "Explore Taichung" liveried aircraft with the Taichung City Government in March 2016. As an ambassador of Taichung's tourism, the aircraft departed from Taichung Airport to major international cities to promote the beauty of Taichung and invited domestic and foreign tourists to discover Taichung's attractions. The ceremony was held at the Mandarin Airlines maintenance hangar in Taichung, and following the exciting 3D animation in opening show, the Flowers of Taichung was officially unveiled to the world.

8-6-6 Help Children Fulfill Their Dreams

To support Taitung Bin Mao Junior High School's promotion of a diversity of curriculum for drop-outs, Mandarin Airlines and pilots from Flight Operation Division jointly raised a total of NT\$80,000 in donations in May 2015. The donations were used to purchase materials for establishing a motorcycle repair maintenance classroom to buy repair material expense and providing outstanding low-income students with Taipei-Taitung tickets for participating in international invention exhibitions. Mao Ai-Ti, the only female Mandarin Airlines pilot and first officer Huang Wei-Chen also visited the school to share their experience with the students to build their vision and inspire them.





8-6-7 Warm Meal Delivery for Elderlies Living Alone

Mandarin Airlines continues to support the Nantou County Guoshing Township Life Reconstruction Association's meal preparation, delivery and visit elderlies living alone in remote areas. Through donating used clothing, toys and jewelry to the Taipei EPA year-end used furniture charity auction, employees fulfill both the philosophy of non-waste and environmental protection, and raised TWD70,000 in 2014 and TWD100,000 in 2015 for the Life Reconstruction Association.





8-7 Tigerair Taiwan Charity

8-7-1 Indigenous Children Nurturing Program

Kaohsiung Airport Flight Experiencing Activities

Since its founding, Tigerair Taiwan has consistently upheld the spirit of corporate social responsibility and hopes to contribute to society. Therefore, in July 2015, Tigerair Taiwan held a flight experiencing event at the Kaohsiung International Airport where teachers and students from Pingtung Majia Township Evergreen Lily Elementary School were invited on board for a glimpse of the new Airbus A320 of Tigerair Taiwan. Meanwile, flight attendants also arranged a tour of the aircraft and demonstrated cabin and flight safety. The children were full of excitement and hoped to fulfill their dream of flying one day.

Atayal Art Activities

Children in remote areas have less access to a creative art environment compared to urban children. Therefore, the nurturing program hopes to narrow the rural and urban gap and cultivate in the next generation's ability to appreciate art and culture so that children can be spiritually motivated and inspired and deeply influenced by the seeds of art in the process of learning and growing. It is hoped that through the diversity of activities promoted in the nurturing project, the children can become livelier and less limited, and become more interested and motivated in learning art. In May 2015, Tigerair Taiwan met with a group of Atayal school children for one day of fun tour in Taipei. The Tigerair Taiwan cabin crews became big Brothers and big Sisters to the children to play board games and have a feast with them. The event concluded with the children dressing up in traditional costumes and singing beautiful Atayal songs.





8-7-2 Corporate Animal Adoption

In September 2015, Tigerair Taiwan celebrated its 1st Anniversary at the Taipei City Zoo. The chair of Aviation Safety Council Shen-Chi, the director of Taipei International Airport Terminal, Ju Yaw-Guang. and the director of Taipei City Zoo, Chin Shih-Chien, were present to offer their congratulations, and together with other distinguished guests, witnessed the one year development of Taiwan's first low-cost carrier. Tigerair Taiwan Chief Executive Guan Hsu-He shared anecdotes with honored guests and the media, detailed many important moments and wished Tigerair Taiwan a happy one-year old birthday.



During the anniversary celebration, Tigerair Taiwan announced its participation in the Taipei City Zoo animal adoption program, and through such practical support of animal conservation, expressed its gratitude by contributing to society. According to Taipei City Zoo, today's wild tiger population is severely threatened by illegal hunting and habitat loss, and is facing a serious survival crisis. Therefore, tiger conservation is urgent and only by continually promoting tiger conservation can these beautiful creatures be saved. To this end, at its first anniversary, Tigerair Taiwan called its employees to become involve with wildlife conservation issues and join the rank of corporate adoption to create a better future environment. Moreover, through adopting a tiger, the public and the airlines passengers were invited to pay attention on tiger conservation and care about the survival of tigers.

During the adoption ceremony, Tigerair Taiwan Chief Executive, Guan Hsu, and Taipei City Zoo Director, Chin Shih-Chien, jointly signed a declaration of adoption. Both parties cut the Tigerair Taiwan anniversary cake to share with the guests.



8-7-3 Pink October

In response to International Breast Cancer Awareness events, Tigerair Taiwan supported the PURE Yoga fundraising courses. CAL Employees were recruited to participate in charitable courses and fundraising, and funds were raised and donated to the Taiwan Clinical Oncology Research Foundation. It is hoped that employees can become more aware of and concerned about breast cancer, and therefore more aware of their personal health and practice periodic screening, follow up on abnormality and seek early treatment.





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

| Material Aspect | Impact on CAL Sustainable Development | 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, and procurement unit | The Sustainability Committee is convened for three times every year. |
| Energy | Impact on operating costs from rising oil prices. | Carbon Management Task Force | Regular monitoring through the ISO 50001 energy management system. |
| Emission | 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 Committee, and Corporate Safety Office | Regular monitoring through the ISO 14001 environment management system. |
| Products and Services | Eco-friendly or green services can boost competitiveness. | Environment Committee, and procurement unit | Environmental Committee is convened periodically. |
| Compliance | The impact of violations on public opinion. | Legal & Insurance Division, Corporate Safety Office, and Tier-1 units | Through the ISO 4001 internal/external audit system. |
| Transport | Environmental burden from GHG emission and air pollutants. | Administration Division, and Environment Department of the Corporate Safety Office | Calculate Scope 3 emissions every year. |
| Environmental Grievance Mechanism | dentify and correct environmental issues in a timely manner to prevent situations from worsening or continuing to impact on the corporate image. | Corporate Safety Office and Environment Committee | 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 and Union | Labor/management meeting is held monthly. Each chapter's labor/management meeting is also held by chapter-self. |
| 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 OSH 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. |

| Material Aspect | Impact on CAL Sustainable Development | Management Responsibility | Management Review |
|--|--|---|---|
| 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. |
| 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 Assessment | Impact on investment and overall operations. | Human Resources Division and 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, and 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 politica contributions. |
| Anti-Competitive Behavior | May have a serious impact on company operations and financial performance. | Monitored by Tier-1 business units, and 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, and 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). Th 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 safe certification. In-flight Service Supply Division conducts random inspections of meals ar 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" ear 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, and 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, and Legal & Insurance Division provides related consultation services | The Legal & Insurance Division submits the statistics of related cases to the General A 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, and 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 Asp | ect | Indicator Description | Corresponding Section | Page | N/A | External Verification |
|---|--------|---|---|------|---|-----------------------|
| Analysis Organizational Profile Identified Material Aspects and Boundaries | G4-1* | A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability | Message from the Chairman and President | 3 | | V |
| Analysis | G4-2 | A description of key impacts, risks, and opportunities | 3-4 Risk Management | 40 | | V |
| Strategy and Analysis Organizational Profile Identified Material Aspects and Boundaries | G4-3* | The name of the organization | 1-1 About Us | 10 | | V |
| | G4-4* | The primary brands, products, and services | 1-1 About Us | 10 | | V |
| | G4-5* | The location of the organization's headquarters | 1-1 About Us | 10 | | V |
| | G4-6* | The number of countries, and names of countries where the organization operates | 1-1 About Us | 10 | • | V |
| | G4-7* | The nature of ownership and legal form. | 1-1 About Us | 10 | | V |
| | G4-8* | The markets served | 1-1 About Us | 10 | | V |
| Organizational | G4-9* | The scale of the organization | 1-1 About Us | 10 | | V |
| • | G4-10* | Total number of employees | 1-1 About Us | 10 | | V |
| | G4-11* | The percentage of total employees covered by collective bargaining agreements | 5-2 Employee Rights | 74 | | V |
| | G4-12* | The organization's supply chain. | 6-1 CAL Value Chain | 105 | • | V |
| | G4-13* | Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain | About this Report | 1 | • | V |
| | G4-14* | Whether and how the precautionary approach or principle is addressed by the organization | 3-4 Risk Management | 40 | • | V |
| | G4-15* | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. | 3-2 Sustainability Governance | 34 | | V |
| | G4-16* | Memberships of associations and national or international advocacy organizations | 1-1 About China Airlines | 10 | | V |
| | | a. All entities included in the organization's consolidated financial statements or equivalent documents | 2-1 Materiality Assessment Process | 20 | | V |
| | G4-17* | b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. | 2-1 Materiality Assessment Process | 20 | | V |
| • | G4-18* | a. The process for defining the report content and the Aspect Boundaries. | 2-1 Materiality Assessment Process | 20 | | V |
| and boundaries | G4-10 | b. How the organization has implemented the Reporting Principles for Defining Report Content. | 2-1 Materiality Assessment Process | 20 | | V |
| | G4-19* | All the material Aspects identified in the process for defining report content | 2-1 Materiality Assessment Process | 20 | | V |
| Identified | G4-20* | For each material Aspect, report the Aspect Boundary within the organization | 2-1 Materiality Assessment Process | 20 | No major change for the reporting period. | V |
| Material Aspects | G4-21* | For each material Aspect, report the Aspect Boundary outside the organization | 2-1 Materiality Assessment Process | 20 | Added Tigerair Taiwan | V |
| and Boundaries | G4-22* | The effect of any restatements of information provided in previous reports, and the reasons for such restatements | 2-1 Materiality Assessment Process | 20 | | V |
| | G4-23* | Significant changes from previous reporting periods in the Scope and Aspect Boundaries | 2-1 Materiality Assessment Process | 20 | | V |

| Material As | spect | Indicator Description | Corresponding Section | Page | N/A | External Verification |
|--|---------|---|-------------------------------|------|-----|--------------------------|
| | G4-24* | List of stakeholder groups engaged by the organization | 2-2 Stakeholder Communication | 25 | | V |
| | G4-25* | The basis for identification and selection of stakeholders with whom to engage | 2-2 Stakeholder Communication | 25 | | V |
| | G4-26* | The organization's approach to stakeholder engagement and frequency of engagement | 2-2 Stakeholder Communication | 25 | | V |
| | G4-27* | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns | 2-2 Stakeholder Communication | 25 | | V |
| takeholder ngagement eport Profile | G4-28* | Reporting period for information provided | About the Report | 1 | | V |
| | G4-29* | Date of most recent previous report | About the Report | 1 | | V |
| Report Profile | G4-30* | Reporting cycle | About the Report | 1 | | V |
| | G4-31* | The contact point for questions regarding the report | About the Report | 1 | | V |
| | | a. The "in accordance" option the organization has chosen | About the Report | 1 | | V |
| | G4-32* | b. The GRI Content Index for the chosen option | About the Report | 1 | | V |
| | | c. The reference to the External Assurance Report | About the Report | 1 | | V |
| | ••••• | a. The organization's policy and current practice with regard to seeking external assurance for the report | About the Report | 1 | | V |
| | 0.4.00* | b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided | About the Report | 1 | | V |
| | G4-33* | c. The relationship between the organization and the assurance providers | About the Report | 1 | | V |
| | | d. Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. | About the Report | 1 | | V |
| | G4-34* | The governance structure of the organization, including committees of the highest governance body | 3-1 Board Operation | 32 | | V |
| | G4-35 | The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees. | 3-2 Sustainability Governance | 34 | | V |
| | 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 body. | 3-2 Sustainability Governance | 34 | | V |
| | G4-37 | Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. | 3-2 Sustainability Governance | 34 | | V |
| | G4-38 | The composition of the highest governance body | 3-1 Board Operation | 32 | | V |
| | G4-39 | Whether the Chair of the highest governance body is also an executive officer | 3-1 Board Operation | 32 | | V |
| Governance | G4-40 | 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 Operation | 32 | | V |
| | G4-41 | Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, | 3-3 Regulatory Compliance | 37 | | V |
| | G4-42 | The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts. | 3-2 Sustainability Governance | 34 | | V |
| | G4-43 | The measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics | 3-1 Board Operation | 32 | | V |
| | G4-44 | a. The processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics | 3-2 Sustainability Governance | 34 | | V |
| | O+++ | b. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics | 3-2 Sustainability Governance | 34 | | V |

| Material As | pect | Indicator Description | Corresponding Section | Page | N/A | External Verification |
|----------------------|--------|---|-------------------------------|------|-----|--------------------------|
| | G4-45 | The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities | 3-2 Sustainability Governance | 34 | | V |
| | G4-45 | 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 | 3-2 Sustainability Governance | 34 | | V |
| | 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. | 3-2 Sustainability Governance | 34 | | V |
| | G4-47 | The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities. | 3-2 Sustainability Governance | 34 | | V |
| | 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 | 34 | | V |
| | G4-49 | The process for communicating critical concerns to the highest governance body | 3-2 Sustainability Governance | 34 | | V |
| Governance | G4-50 | The nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them | 3-2 Sustainability Governance | 34 | | V |
| | | a. The remuneration policies for the highest governance body and senior executives | 3-1 Board Operation | 32 | | V |
| | G4-51 | 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 Operation | 32 | | V |
| | G4-52 | The process for determining remuneration | 3-1 Board Operation | 32 | | V |
| | G4-53 | How stakeholders' views are sought and taken into account regarding remuneration | 3-1 Board Operation | 32 | | V |
| | G4-54 | The ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees | NA | NA | | V |
| | G4-55 | The ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees | NA | NA | | V |
| | G4-56* | The organization's values, principles, standards and norms of behavior | 3-2 Sustainability Governance | 34 | | V |
| Ethics and integrity | G4-57 | The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity | 3-3 Regulatory Compliance | 37 | | V |
| | G4-58 | the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity | 3-3 Regulatory Compliance | 37 | | V |

| | | Inte | ernal En | itity | | Externa | l Entity | (Value (| Chain) | | Exterr | nal Entity | (External | Stakeho | lder) |
|---------------------------|---|----------------|----------------------|-----------------|---|--------------------------------------|-----------------|--------------------|--------------------------|-------------------|---|------------|------------|-----------|--------|
| Category-Sub- category | Aspect | China Airlines | Mandarin Airlines | Tigerair Taiwan | Aerospace technology | Air transport support services | Ground services | In-flight catering | Warehouse & logistics | Leisure & tourism | Customer | Investor | Government | Community | Media |
| | Flight Safety | • | • | • | • | • | • | | | | • | • | • | | |
| | Food Safety | • | • | • | | | | • | | | • | • | | • | |
| Economic | Fleet Management and Planning | • | • | • | | | | | | | • | • | | | |
| | Economic Performance | • | • | • | | | | | | • | | • | • | | |
| | Market Presence | • | • | • | | | | | | | | • | | | |
| | Indirect Economic Impacts | • | • | • | | | | • | • | • | | | | • | |
| | Procurement Practices | • | • | • | _ | | | • | | | • | • | | | |
| | Energy | • | | • | | | | | | | | | | | |
| | Emissions | • | • | • | | • | | • | • | | | | | | •••••• |
| | Effluents and Waste | • | • | • | | | | • | | | | | • | • | • |
| Environmental | Products and Services | • | • | • | | | | | | • | • | | | | |
| | Compliance | • | • | • | *************************************** | • | •••••• | • | • | • | • | | ••••• | • | •••••• |
| | Transport | • | • | • | • | • | | • | • | | • | | | • | ••••• |
| | Overall | • | • | • | *************************************** | • | | • | • | | *************************************** | | •••••• | • | • |
| | Employment | • | • | • | | • | | | | | | | | | |
| | Labor/Management Relations | • | • | • | | | | | • | | | | | | • |
| Social- Labor | Occupational Health and Safety | • | • | • | | • | • | • | • | | | | | | • |
| Practices and | Training and Education | • | • | • | | • | | | | | | | | | |
| Decent Work | Diversity and Equal Opportunity | • | • | • | | | | | | | | | | | |
| | Equal Remuneration for Women and Men | • | • | • | | | • | | | | | | | | |
| | Labor Practices Grievance Mechanisms | • | • | • | | | | | | | | | | | |

| Category-Sub- category | | Inte | Internal Entity | | | Externa | l Entity | External Entity (Value Chain) | | | | nal Entity | / (External | Stakeho | lder) |
|----------------------------------|--|----------------|----------------------|-----------------|-------------------------|--------------------------------------|-----------------|-------------------------------|---|-------------------|---|------------|-------------|-----------|-------|
| | Aspect | China Airlines | Mandarin Airlines | Tigerair Taiwan | Aerospace technology | Air transport support services | Ground services | In-flight catering | Warehouse & logistics | Leisure & tourism | Customer | Investor | Government | Community | Media |
| | Investment | • | • | • | _ | | | | | | | | | | |
| | Non-discrimination | • | • | • | | • | | | ••••• | | | | | • | |
| | Freedom of Association and Collective Bargaining | • | • | • | | | | - | | | - | | | | |
| Social-Human Rights | Child Labor | • | | • | | • | | • | • | | • | | • | | • |
| 3 | Forced or Compulsory Labor | • | • | • | | • | • | | • | • | | | • | | |
| | Assessment | • | • | • | | | | | | | | | | | |
| | Human Rights Grievance Mechanisms | • | • | • | | • | • | •••••• | | ••••• | | | ••••• | | |
| | Anti-corruption | • | | • | | | | | | | | | | | |
| | Public Policy | • | | • | | • | | • | • | • | *************************************** | | • | | • |
| Social-Society | Anti-competitive Behavior | • | • | • | • | | | | • | • | | | | | |
| | Compliance | • | | | | | | | | | | | | | |
| | Grievance Mechanisms for Impacts on Society | • | • | • | | • | | | *************************************** | ••••• | | | •••• | • | |
| | Customer Health and Safety | • | • | • | | | | • | | | • | | | | |
| Social-Product Responsibility | Product and Service Labeling | • | • | • | | | | • | | • | • | | | | |
| | Marketing Communications | • | • | • | | | | • | | • | • | | | | |
| | Compliance | • | | | | | | • | | | | | | | |

| Aspect | Indicator Description | Corresponding Section | Page | External Verification |
|-----------------------|---|-------------------------------|------|--------------------------|
| Economic | | | | |
| | G4-EC1 Direct economic value generated and distributed | 3-5 Industry Overview | 42 | V |
| Economic Performance | G4-EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change | 7-2 Climate Change Governance | 120 | V |
| Economic Fenomiance | G4-EC3 Coverage of the organization's defined benefit plan obligations | 5-3 Recruitment and Retention | 82 | V |
| | G4-EC4 Financial assistance received from government | No major financial assistance | | V |
| Market Presence | G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | 5-3 Recruitment and Retention | 82 | V |
| | G4-EC6 Proportion of senior management hired from the local community at significant locations of operation | 5-3 Recruitment and Retention | 82 | V |
| Indirect Economic | G4-EC7 Development and impact of infrastructure investments and services supported | NA | | V |
| Impacts | G4-EC8 Significant indirect economic impacts, including the extent of impacts | NA | | V |
| Procurement Practices | G4-EC9 Proportion of spending on local suppliers at significant locations of operation | 6-3 Local Procurement | 110 | V |
| Environmental | | | | |
| | G4-EN3 Energy consumption within the organization | 7-2 Climate Change Governance | 120 | V |
| | G4-EN4 Energy consumption outside of the organization | 7-2 Climate Change Governance | 120 | V |
| Energy | G4-EN5 Energy intensity | 7-2 Climate Change Governance | 120 | V |
| | G4-EN6 Reduction of energy consumption | 7-2 Climate Change Governance | 120 | V |
| | G4-EN7 Reductions in energy requirements of products and services | 7-2 Climate Change Governance | 120 | V |
| Water | G4-EN8 Total water withdrawal by source | 7-3 Green Operations | 131 | V |
| vvater | G4-EN9 Water sources significantly affected by withdrawal of water | 7-3 Green Operations | 131 | V |
| | G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1) | 7-2 Climate Change Governance | 120 | V |
| Emissions | G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2) | 7-2 Climate Change Governance | 120 | V |
| LINIOSIONIS | G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3) | 7-2 Climate Change Governance | 120 | V |
| | G4-EN18 Greenhouse gas (GHG) emissions intensity | 7-2 Climate Change Governance | 120 | V |

| Aspect | Indicator Description | Corresponding Section | Page | External Verification |
|---------------------------------------|--|---|-------|--------------------------|
| Environmental | | | | |
| | G4-EN19 Reduction of greenhouse gas (GHG) emissions | 7-2 Climate Change Governance | 120 | V |
| Emissions | G4-EN20 Emissions of ozone-depleting substances (ODS) | Not disclosed | • | V |
| | G4-EN21 NOX, SOX, and other significant air emissions | 7-2 Climate Change Governance | 120 | V |
| | G4-EN22 Total water discharge by quality and destination | 7-3 Green Operations | 131 | V |
| | G4-EN23 Total weight of waste by type and disposal method | 7-3 Green Operations | 131 | V |
| Effluents and Waste | G4-EN24 Total number and volume of significant spills | No significant spills | ••••• | V |
| | G4-EN25 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | 7-3 Green Operations | 131 | V |
| Products and Services | G4-EN27 Extent of impact mitigation of environmental impacts of products and services | 7-4 Flying Towards the Green Journey | 136 | V |
| Compliance | G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | 7-3 Green Operations | 131 | V |
| Transport | G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce | 7-2 Climate Change Governance | 120 | V |
| Overall | G4-EN31 Total environmental protection expenditures and investments by type | 7-3 Green Operations | 131 | V |
| Supplier Environmental | G4-EN32 Percentage of new suppliers that were screened using environmental criteria | 6-2 Sustainable Supply Chain Management | 107 | V |
| Assessment | G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken | 6-2 Sustainable Supply Chain Management | 107 | V |
| Environmental Grievance Mechanisms | G4-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanism | Inquire environmental issues through "Environment@china-airlines.com" | | V |
| Social-Labor Practi | es and Decent Work | | | |
| | G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region | 5-3 Recruitment and Retention | 82 | V |
| Employment | G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significations of operation | nt 5-3 Recruitment and Retention | 82 | V |
| | G4-LA3 Return to work and retention rates after parental leave, by gender | 5-3 Recruitment and Retention | 82 | V |

| Aspect | | Indicator Description | Corresponding Section | Page | External Verification |
|--|---------|--|--|------|--------------------------|
| Labor/Management Relations | G4-LA4 | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements | 5-3 Recruitment and Retention | 82 | V |
| | 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 programs | 5-5 Healthy and Safe Workplace | 98 | ٧ |
| Occupational Health and | G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender | 5-5 Healthy and Safe Workplace | 98 | V |
| Safety | G4-LA7 | Workers with high incidence or high risk of diseases related to their occupation | 5-5 Healthy and Safe Workplace | 98 | V |
| | G4-LA8 | Health and safety topics covered in formal agreements with trade unions | 5-2 Employee Rights | 74 | V |
| | G4-LA9 | Average hours of training per year per employee by gender, and by employee category | 5-4 Employee Development and Training | 89 | V |
| Training and Education | G4-LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 5-4 Employee Development and Training | 89 | V |
| | G4-LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | 5-4 Employee Development and Training | 89 | V |
| Diversity and Equal Opportunity | G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | 5-3 Recruitment and Retention | 82 | V |
| Equal Remuneration for Women and Men | G4-LA13 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation | 5-3 Recruitment and Retention | 82 | V |
| Supplier Assessment for | G4-LA14 | Percentage of new suppliers that were screened using labor practices criteria | 6-2 Sustainable Supply Chain Management | 107 | V |
| Labor Practices | G4-LA15 | Significant actual and potential negative impacts for labor practices in the supply chain and actions taken | 6-2 Sustainable Supply Chain Management | 107 | V |
| Labor Practices Grievance Mechanisms | G4-LA16 | Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms | 5-3 Recruitment and Retention | 82 | V |
| Social-Human Righ | ts | | | | |
| In | G4-HR1 | Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | Not disclosed | | V |
| Investment | G4-HR2 | Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | Not disclosed | | V |
| Non-discrimination | G4-HR3 | Total number of incidents of discrimination and corrective actions taken | Not disclosed | | V |
| Freedom of Association 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 | 6-2 Sustainable Supply Chain Management | 107 | V |

| Social-Human Ri | ghts | | | | |
|---|---------|--|--|------|--------------------------|
| Aspect | | Indicator Description | Corresponding Section | Page | External Verification |
| Child Labor | G4-HR5 | Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor | 6-2 Sustainable Supply Chain Management | 107 | V |
| Forced or Compulsory Labor | G4-HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | Not disclosed | | V |
| Security Practices | G4-HR7 | Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations | Not disclosed | | V |
| Indigenous Rights | G4-HR8 | Total number of incidents of violations involving rights of indigenous peoples and actions taken | No such things happened | | V |
| Assessment | G4-HR9 | Total number and percentage of operations that have been subject to human rights reviews or impact assessments | 0% | | V |
| Supplier Human Rights | G4-HR10 | Percentage of new suppliers that were screened using human rights criteria | 6-2 Sustainable Supply Chain Management | 107 | V |
| Assessment | G4-HR11 | Significant actual and potential negative human rights impacts in the supply chain and actions taken | 6-2 Sustainable Supply Chain Management | 107 | V |
| Human Rights Grievance Mechanisms | G4-HR12 | Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms | Not disclosed | | V |
| Social-Society | | | | | |
| Local Communities | G4-SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | No such things happened | | V |
| Local Communities | G4-SO2 | Operations with significant actual or potential negative impacts on local communities | No such things happened | | V |
| | G4-SO3 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified | 3-3 Regulatory Compliance | 37 | V |
| Anti-corruption | G4-SO4 | Communication and training on anti-corruption policies and procedures | 3-3 Regulatory Compliance | 37 | V |
| | G4-SO5 | Confirmed incidents of corruption and actions taken | No such things happened | | V |
| Public Policy | G4-SO6 | Total value of political contributions by country and recipient/beneficiary | No such things happened | | V |
| Anti-competitive Behavior | G4-S07 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | 3-3 Regulatory Compliance | 37 | V |
| Compliance | G4-SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | 3-3 Regulatory Compliance | 37 | V |
| Supplier Assessment for | G4-SO9 | Percentage of new suppliers that were screened using criteria for impacts on society | 6-2 Sustainable Supply Chain Management | 107 | V |
| Impacts on Society | G4-SO10 | Significant actual and potential negative impacts on society in the supply chain and actions taken | 6-2 Sustainable Supply Chain Management | 107 | V |
| Grievance Mechanisms for Impacts on Society | G4-SO11 | Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms | In 2015, there were 32 administrative fines amounting to TWD 6.84 million. | | V |

| 1 | 68 |
|---|--------|
| | 5 |
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| Aspect | | Indicator Description | Corresponding Section | Page | External Verification |
|---------------------|--------------|---|--|----------|-----------------------|
| Social-Product Re | sponsibility | | | | |
| Customer Health and | G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | 4-2 Customer Service 4-3 Flight Safety | 51 59 | V |
| Safety | G4-PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes | No such things happened | | V |
| Product and Service | G4-PR3 | Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements | Enforced in accordance with CA and IATA regulations. All checked luggage and cargo has significant information labeled based on their type and method of transportation. | | V |
| Labeling | G4-PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | No such things happened | | V |
| | G4-PR5 | Results of surveys measuring customer satisfaction | 4-2 Customer Service | 51 | V |
| Marketing | G4-PR6 | Sale of banned or disputed products | No such things happened | | V |
| Communications | G4-PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes | No such things happened | | V |
| Customer Privacy | G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | INo such things happened | | V |
| Compliance | G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | No such things happened | | V |

Independent Third-Party Assurance reports



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY ACTIVITIES IN THE CHINA AIRLINES CO., LTD's CORPORATE SOCIAL RESPONSIBILITY REPORT OF 2015

NATURE AND SCOPE OF THE ASSURANCE VERMICATION.

905 Tainum Ltd. It previouslies inflemed to all 9030; was commissioned by Clinia Administ Ca., Ltd. It are in other interest in an CAU, to combine an inclinamental assumence of the Cooperated Social Responsibility Report (presentation information and CAU Report agreed as 2005. The acceptance the assumence, based on the SRS Seatment Report Agricultural meditodologic, installed the level, and obtain a commission group to the SRS Seatment Report Agricultural meditodologic, installed the level, and obtain a commission group tables contained in this report.

The information in the CAL, a CSR Report of 2015 and its presentation are the respectability of the superiorization of the SSR has not been probed in the preparation of any of the material included in the CAL ISSR Report of 2015.

Our responsibility is to express an opinion of the text, dairs, graphs and obtainments within the scope of exacution set out before with the transfer to inform all GALs analyticates.

The 905 Group has developed a set of protocols for the Assurance of Systematitis Reports based on current best process guitance provided in the Cabbai Reporting introduc development as as GRH Sustainability. Reporting Guistaines and the AA 1990 Assurance Standard 2009. Twee protocols follow differing options for Assurance depending the reporting fragrang and capabilities of this Reporting Organization.

This report his been assured using our protocols for

- evaluation of content versicity or a high level of scruliny for CAL and moderate level of scruliny for satisfactors; just versions, and applicable aquest boundaries auticide of the organization noweed by this record.
- evaluation of the report content and suspenting management systems against the AA1000 Accountedity Physician (2000);
- evaluation of the report against the GPE Electronicity Reporting Contentions (Set 2010) for Code Option.

The equipment comprised a contribution of pre-size whose exercit, conviews with removal argentite stants. OSFs presenting manches and the serior rearrangement. Soon manufactor and record review and velocities with external bodies analysis attended extension resource. Following state at each prescription undependently audited through a except in fact not been observed post to source up part of this assumpting process.

STATEMENT OF INDEPENDENCE AND COMPETENCE.

The SSSI Stoup of pursparies is the early leader in respective, tending and verifulation operating in procedition (AO coordination and personaling positions localizing management systems and service coordination; quality, environments, social and order admits anothing and leading continuements, social and contain shiftly operations are cooperations of the area of the containing and containing

The exponents and man man assembled bound on their belowindge, experience and qualifications for the configurant, and compared authors registered entries 50 2000s, 50 2012; SO 3000s, SA200, DCC, CARS, CROS, CRO

VERIFICATION ASSURANCE OFFICIA

On the basis of the methodology, desolded sort for the flatters upon performed, we are untarine that the information and data methodology, desolded sort if a William and provides a flat and bearing representation of CAL, a CRF Report of 2015 verified is accounte, reliable and provides a flat and bearined representation of CAL, auditorially additions in 0.1011 bits to 1.011 bits for it.

The sequence trains is of the operior that the report pair be used by the Reporting Organization's State-indices. We believe that the organization has crosen or apprepriets level of assertance or the stage in their reporting. The report is the Third to be assumed by an independent assumance team and CAL has taken a back deep by clients the report to institution against tools ORI OR patients and the AR1000 Assertance standard. This shows a client-port professor in their institution papers.

In sign opinion, the contents of the report most the requirements of GR/ Go Core Opinio and AA/1000 Assumance Standard (1006) Type (), High level seasoners.

AA1080 ACCOUNTABILITY PRINCIPLES CONCLUZIONS, PINCESCS AND RECOMMENSATIONS

CAL has demonstrated a good commitment to saliarholde inclinates and saliarholdes engagement. A remay of engagement efforts each as survey and construmination to employees, customers, treation, suppliers, media, sect often statisticates are implemented to underpin the organization's undentunding of mill-sholder process. For 6,4xx reporting, CAL may proactively possible having more direct multi-ways involvement of statisticities dainy black engagement.

Klateriality

CAL has exactative effective processes for determining leaves that are relateral to the business. Formal entering that shortfilled systematics and those issues that are marked in and, they are time require a return or equal and the region arbitraries and proofs to those establishmen investigations.

Responsiveness.

The report includes coverage given to abstracted engagement and charmels for assistancible feedback. Full-line reporting would be will firm recove reporting on the results of statements from the report.

CLOSAL REPORTING SITUATIVE REPORTING GUIDELINES CONCLUSIONS, PROBINGS AND RECORDISMONDATIONS.

The report, CAL's COP Report of 2015, is selectually in three with the COP CA Core Cation. The restoral appears and the foundation within and outside of the reportsharm are properly defined in accordance with CAP's.
Reporting Physioplas for Oxiding Report Content. Discharges at interface facilities and sold in a set book whiles, and stakeholder engagement. CA-17 to CA-27, are scenarily located in content tacks and report. Note the foundation of the content tacks and report. Note the foundation of the content tack is not specified to address COP goods, and tapped as exconnected Charleson in filter specifies address black to address COP goods and as specific actions and stakeholder freedback, may be further enhanced in the next report. Dissilated disclosures on PRCs are encounted in National Section.

Spin

For and on behalf of SQS Talwar Ltd.



Device Yang, Chief Operating Officer Taipel, Tahven 37 May, 2016 WWW 505 COM



CHEST COLUMN





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