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CHAPTER

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中華航空

CHINA AIRLINES



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About the Report

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China Airlines (hereinafter referred to as "CAL") publishes corporate sustainability reports and discloses related information on its CSR website on a regular basis to maintain good and smooth communications with all stakeholders. The coronavirus (COVID-19) delivered a massive blow to the global airline industry in 2020. Following its commitment to corporate sustainability, CAL nevertheless continued to support sustainability oriented environmental, social, and economic / governance activities. While the ongoing pandemic keeps recovery in passenger transport slow, airlines are depending on cargo transport to shoulder operational burdens. Flying into a new era in cargo transport, CAL cargo aircrafts are carrying cargoes across its global network despite the pandemic.



Cover Story

CAL has introduced the Boeing 777 Freighter since 2020 which is expected to be the new force of CAL's cargo fleet. We used it as the main visual theme and high-altitude clouds as the background to recreate the well-known colors of the Company. We used image processing to create a sense of speed that signifies our passage over the woes of the pandemic in 2020 and embrace of opportunities for recovery in 2021.

In 2018, CAL introduced the sustainability logo that highlighted "Sustainability We Care". We placed the slogan on the back cover this year as a strong signal that CAL tries to

differentiate itself by sustainability to demonstrate the brand's commitment to sustainability despite the pandemic. The overall visual style is a change from the illustration approach in the past. We reverted to using photographs throughout the report and adopted a realistic and refreshing style for the photographs so that the reader can view CAL's performance in all areas as they read the information. The style also helps us project a professional image for air transportation.



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Reporting Principles & Standard Disclosures GRI 102-54

The Report is prepared in accordance with the International IR Framework published by the International Integrated Reporting Council (IIRC), the GRI Standards Core Option published by the Global Sustainability Standards Board, the sustainability metrics published by the Sustainability Accounting Standards Board, and the United Nations (UN) Global Compact. The [GRI Content Index](#), [SASB Comparison Table](#), and [UN Global Compact Comparison Table](#) are described in the appendix.

Report Period & Boundary GRI 102-45, 102-50

• Report Period

The Report discloses CAL's information from January 1, 2020 to December 31, 2020. Some material information up to April 30, 2021 is also reported.

• Report Boundary

The Report discloses all information on CAL. Considering commercial correlation between CAL and its subsidiaries and the financial materiality (Note), Mandarin Airlines and Tigerair Taiwan are also disclosed in some index in the Report.

Note: China Airlines, Mandarin Airlines, and Tigerair Taiwan account for the 96% of the consolidated revenue.

Guarantee of Truthful Reporting GRI 102-56

• Internal Audit

All data and information disclosed in the Report are provided by the responsible departments of CAL, proofread and examined by the Executive Secretary (Corporate Development Office), Corporate Sustainability Committee, submitted to the Chairman for review and approval, and then reported to the Board of Directors according to CAL Corporate Social Responsibility and Sustainable Development Best Practice Principles.

• External Assurance

The Report has been verified by KPMG Taiwan in accordance with the GRI standards and the limited assurance of ISAE 3000. The truthfulness of the Report is guaranteed. Please refer to the appendix for the [Independent Limited Assurance Report](#).

• Data Quality Management

Financial data in the Report and data relating to ISO quality, information security, occupational safety and health, environmental and energy management, and greenhouse gas emissions have been certified or verified by independent third parties.



CSR Website

Financial Data	Deloitte Taiwan
ISO 9001 Quality Management System	DNV GL
ISO 27001 Information Security Management System	SGS
ISO 45001 Occupational Health and Safety Management System	SGS
TOSHMS Taiwan Occupational Safety and Health Management System	SGS
ISO 14001 Environmental Management System	DNV GL
ISO 50001 Energy Management System	DNV GL
ISO 14064-1 Greenhouse Gas Emissions	DNV GL

Publication History GRI 102-51, 102-52

This Report is published in both Chinese and English every year and available on the CAL's CSR website. The dates of release are as follows:

First edition release date	August 2014
Previous edition release date	June 2020
Current edition release date	June 2021
Next edition release date	June 2022

Feedback GRI 102-1, 102-53

If you have any suggestions or questions about the Report, please contact:

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0-2

Letter from Management

GRI102-14

Global Environmental Challenges

2020 is a year the world will not soon forget. The COVID-19 pandemic has changed the way we live. Border control and strict quarantine requirements have hit the global airline industry hard. The pandemic started spreading in 2020 at the beginning of the Chinese New Year. CAL, from the head office to outstations, responded quickly and rescheduled passenger and cargo flights. Countermeasures, including taking turns to work from home and stockpiling medical supplies, were put in place to protect the health and safety of first line employees and help travelers return home. Passenger and cargo transport capacity was allocated to transport medical supplies to their destinations. While leading airlines around the world started downsizing and implementing pay cuts and layoffs and some declared bankruptcy, CAL and the union displayed a harmonious employer-employee relationship. The work groups also showed perseverance as a team. CAL affiliated enterprises supported each other, and worked together to meet the challenges. As a result, CAL managed to remain standing after a difficult year.

Opportunity amid Adversity

The passenger and cargo transport demand showed clear polarization in 2020. For CAL, passenger transport dropped by 78% while cargo transport skyrocketed by 79% for the year. However, in contrast to the tens of billions of US dollars in losses suffered by the global airline industry as a whole, CAL took advantage of its mid-sized operation, geographical environment, and the world's largest 747-400F cargo fleet to turn the adversity to an opportunity. CAL has the world's largest 747-400F cargo fleets. CAL cargo services devised counterstrategies soon after the pandemic started. The team made full use of the cargo transport capacity provided by 18 747-400F aircrafts, and scheduled flights and allocated space as needed. The team also promoted customized cargo charters, and tried to expand in express delivery, e-commerce shipping, and temperature controlled goods. Meanwhile, passenger belly capacity was enhanced, and passenger cabins were repurposed to transport cargo. Since the second quarter, CAL flew more than 1,000 all-cargo passenger flights per month on average to meet the demand. Given the pandemic, most cargoes carried by CAL were medical relief, personal protective equipment and other emergency supplies, and e-commerce goods. CAL cargo services was a winner of Air Cargo World's Air Cargo Excellence Awards. The team often receives positive customer feedback for its professional services and air transport quality. CAL has plenty of experience in transporting special cargoes such as precious relics and delicate instruments. CAL also assists in delivering a large number of made-in-Taiwan flu vaccines to around the world every year. CAL is the only IATA CEIV Pharma airline in Taiwan. The company has been expanding the air cargo transport network by adding all-cargo destinations, including Nagoya in Japan, Delhi and Mumbai

Chairman
Su-chien Hsieh



President
Shing-hwang Kao



in India, and Columbus in the United States. Flights are also added to increase capacity to Hanoi and Ho Chi Minh City in Vietnam, Penang in Malaysia, and Singapore. These additions make a more extensive air cargo transport network. Meanwhile, CAL is paying close attention to post-pandemic developments in the global cargo transport industry. With hubs in Taiwan, CAL continues to focus on transfer opportunities in Asia Pacific and target Oceania routes.

Sustainability Philosophy

CAL remains committed to environmental protection, and continues to support climate related financial disclosures. The company also invests in sustainability oriented environmental, social, and economic / governance activities, and takes action to incorporate sustainability into the corporate culture. "Safety, governance, fleet and network, products and services, group business, and brand awareness" are the six directions in which CAL develops sustainability strategies. Following the guide for business action on the SDGs, CAL has set short-, medium-, and long-term goals for tasks forces in six areas: "foundation for sustainable development, trust value, talent value, collaborative value, environmental value, and social value". These goals are designed to help CAL achieve sustainability. Looking back on 2020, CAL received a Reporting Award from the Global Corporate Sustainability Awards (GCSA) for the second time. The company also won the Taiwan Corporate Sustainability Awards (TCSA) for the seventh consecutive year. Meanwhile, CAL was included in the Dow Jones Sustainability Indices (DJSI) and the FTSE4 Good Emerging Index for the fifth consecutive year in 2020. In addition, CAL was recognized in the Silver Class in the latest S&P Global Sustainability Yearbook.

Looking Back and Moving Forward

As the global pandemic continued, CAL purchased a new 777F cargo fleet in 2020, followed by new narrow-body passenger A321neo in 2021. Standing at the beginning of another sixty years, CAL is ready with an efficient cargo and passenger fleet posed to take off into success. Like its logo, CAL is a red plum flower that blooms more beautifully in adversity. CAL of tomorrow will be better than today.

S. C. Hsieh S. H. Kao

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2020 Key Performance and External Affirmation



5th Time selected for DJSI Emerging Markets Index

The only Taiwanese airline selected for DJSI Emerging Markets for five consecutive years and ranked in 3rd place among the world's airlines.



5th Time selected for FTSE4Good Emerging Index

Selected in the FTSE4Good Emerging Index for five consecutive years.



Top 6% - 20% of TWSE/TPEX listed companies

Selected as the top 6% - 20% of the excellent corporation award in the sixth Corporate Governance Review.



2nd Time in GCSA Award

Awarded in the GCSA Reporting Award for the second year.



7th Time in TCSA Award

Awarded in the Taiwan Corporate Sustainability Award for seven consecutive years along with four TCSA awards.

Economic / Governance



4th Time selected for Taiwan EMP 99 Index and Taiwan HC100 Index

Selected in the Taiwan Employment Creation 99 Index and the Taiwan High Compensation 100 Index for four consecutive years.



1st airline to conduct sustainability audits

Taiwan's first airline to perform sustainability audits.



3rd Time received highest scores in supply chain management criteria of DJSI

Granted the highest scores in supply chain management criteria of DJSI for three consecutive years.



ISMS and PIMS introduced to certify core information systems

The Company began implementing annual reevaluation of the core Information Security Management System (ISMS) and certification of the Privacy Information Management System in 2020 to ensure that the management system can effectively operate and control risks. The Company also obtained credit card transaction system data security certification in 2020 to ensure the security of the Company's credit card transaction environment and protect passenger rights.



9th passed IOSA Certification

CAL has successfully passed the IATA Operational Safety Audit (IOSA) of the International Air Transport Association (IATA).



Hosted aviation security seminar

CAL, China Aviation Development Foundation, and CAA of MOTC co-organized an aviation security risk management seminar in 2020.

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Environmental



5th Time selected in DJSI, and got highest scores in environmental reporting and policies, management systems, and climate strategies

Five consecutive times selected in DJSI emerging markets index and got highest score in environmental reporting and policies, management systems, and climate strategies of DJSI in 2020.



7th Time in TCSA Climate Leadership Award

Awarded in TCSA Climate Leadership Award for seven consecutive years since 2014.



1st Taiwanese airlines to publish TCFD disclosures

First airline in Taiwan to publish climate related financial disclosures (TCFD).



Buying Power – Special Environmental Sustainability Award

Worked with Zen Zhou to develop "CAL Foldable Platinum Silicone Cups", which was rewarded a special prize in the environmental sustainability category and a first prize in the procurement category of the Buying Power Awards by SMEA of Taiwan MOEA.



1st Airlines in Taiwan to receive Carbon Label and Carbon Reduction Label

Mandarin Airlines of CAL group passed the 3rd party carbon footprint verification again, and became the first airlines to receive the Taiwan EPA "carbon label" and "carbon reduction label" with over 30% carbon reduction.

Social



Over 2,200 cases of medical supplies
Over 1,200 passengers

Participated in international relief efforts in 2020, and organized charter transport for medical supplies. A total of 10 flights carried 2,278 cases of supplies weighing a total of 73,343kg. Helped transporting expats in regions more affected by the coronavirus back to Taiwan. A total of 9 charter flights benefited 1,224 people.



99.43% union participation

99.43% of employees participating in labor unions.



Over 7.16 million in charity contributions

Invested TWD 7,162,191 in charity activities throughout 2020.



Over 3,400 students

From 2014 to now, CAL's Love All Around team has visited more than 15 cities and counties, 27 villages and towns, and 56 elementary schools as well as social welfare organizations in Taiwan to help 3,447 students.



550 senior citizens

Provided care for 550 disadvantaged senior citizens at four events throughout 2020.



45,000 students

Sponsored book programs for 102 schools throughout Taiwan to help approximately 45,000 students.



4th Time in TCSA Social Inclusion Award

Awarded in TCSA Social Inclusion Award for four consecutive years.

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07.22

Dynasty, the CAL magazine, won the APEX Awards for Publication Excellence for the fifth time in 2020, and received another Design & Layout Award.



11.18

Received the Taiwan Corporate Sustainability Awards (TCSA) for the seventh consecutive year and the Global Corporate Sustainability Awards (GCSA) for the second consecutive year.



12.17

Received a special prize in the environmental sustainability category and a first prize in the procurement category of the 2020 Buying Power Social and Innovative Products and Services Awards by SMEA of Taiwan MOEA.



Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

11.13

Selected as a constituent stock of the Dow Jones Sustainability (DJSI) Emerging Markets Indices for the fifth consecutive year.



12.10

CAL's brand promotional video, "What Travel Brings You", received a bronze award at the CLIO Awards and a honorable mention at the New York Festivals.



12.28

Received the 2020 Air Cargo Executive of the Year Award.

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COVID-19 Special Column

The ongoing pandemic is putting the airline industry on the brink of survival. Airlines around the world have been cutting pays, laying off employees, and downsizing their businesses. More than 40 airlines have declared bankruptcy so far. Close to 5 million people face the risk of losing their jobs in the global airline industry. (Refer to [1-1-2 Analysis of Business Environment in the Aviation Industry](#)) The demand for passenger air transport remains low amid uncertainty in the pandemic and the lack of traveler confidence, and IATA keeps adjusting the demand forecast downward. In contrast, the demand for air cargo transport is rising against the pandemic and becoming the lifeline of recovery. While the global airline industry fights for survival, CAL delivers an impressive performance through cargo services, and eases the impact of the pandemic on the company as a whole. Like a red plum flower, CAL blooms despite the coronavirus induced shock waves. (Refer to [1-1-1 Business Overview](#))

The “National Team of the Sky” Flying on for You — Bringing Expats Home on Charters and Transporting Medical Relief

Refer to
2-5 Society

Many Taiwanese expats were unable to return at the beginning of the COVID-19 pandemic. CAL, as the “National Team of the Sky”, remained committed to its role and assisted in arranging multiple charters. The company also played a key role in transporting medical relief, personal protective equipment and other emergency supplies during the pandemic. CAL supported the government's “Taiwan can help” campaign, and donated face masks to countries severely affected by the coronavirus. CAL completed many missions at the behest of the government in the process.



April 2020: CAL Transported Medical Supplies



March 2020: CAL Wuhan Charter
Carried Expats Home for Quarantine

Source: MNA

Preemptive Protective Measures — Safeguarding Public Health and Safety

Ensuring the health and safety of passengers throughout the travel journey is top priority for airlines. Airport and aircraft cleaning and disinfection have become more stringent than ever before. These measures will also continue in order to restore traveler confidence in air travel. CAL implemented preemptive protective measures, and followed the health authority's instructions in enforcing health management procedures. In addition to complying fully with the CDC's guidelines and creating a COVID-19 information services section to safeguard public health and safety, CAL has taken enhanced measures to provide a safe, relaxing and comfortable journey.



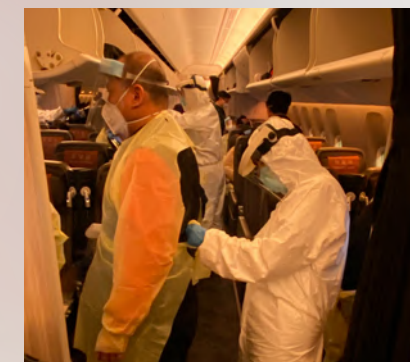
COVID-19
Information
Services



Enhanced
Measures Against
COVID-19



Enhanced Aircraft Cleaning and Disinfection



Aircraft Safety Protection and Health Monitoring
Measures

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Building Momentum for Reopening of Cargo / Passenger Transport — Combination Strategies

At present, the key factors in the recovery of the airline industry are control of the coronavirus and consumer confidence. The demand for international passenger transport is subject to constantly changing travel restrictions, and growth of passenger air transport is limited by entry restrictions. Compared to long haul international travel, recovery of domestic or regional air travel may take place sooner. CAL continues to follow developments in the pandemic and the effects of border control policies. In addition to enforcing air travel safety measures, CAL combines several strategies to meet operational challenges. These strategies include gaining access to relief programs, maintaining financial stability, creating flexibility in passenger route allocation, increasing cargo route revenues, and optimizing fleet size.

Refer to

1-6 CAL's Sustainability Value

2-1 Trust



December 2020: CAL Introduced New 777F cargo aircrafts

COVID-19
Special Column



Taking off with hope at every departure.

Bringing home memories at every arrival.

With fortitude, we will meet again in the sky
when the pandemic ends.

