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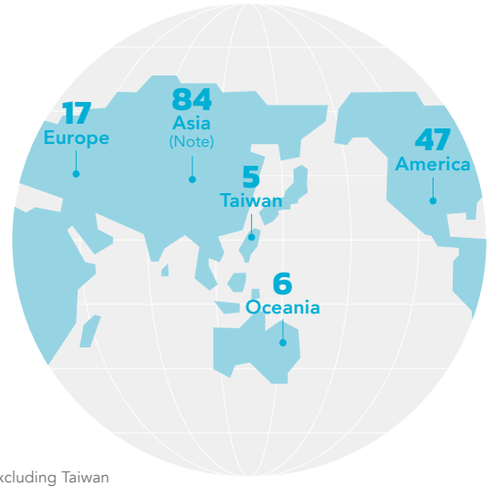
1-1 About China Airlines

1-1-1 Business Overview

GRI 102-2, 102-3, 102-4, 102-6, 102-7

China Airlines (2610) is the largest airline in Taiwan. Based in Taiwan Taoyuan International Airport, CAL mainly provides international passenger and cargo air transport services. CAL has two subsidiary airlines: Mandarin Airlines (serving domestic and regional markets) and Tigerair Taiwan (offering a low-cost business model). With a multi-brand strategy, members of the CAL Group share resources and complement one another's strengths and weaknesses to provide a variety of options for customers based on an established network. For more information on the business development of the fleet and route network, refer to CAL's Annual Report. Through codeshare agreements with other airlines, the CAL Group offered flights to / from 29 countries and 159 destinations worldwide, and Tigerair Taiwan served 22 destinations and 29 routes in 2020.

Number of Destinations



Note: Excluding Taiwan

Destinations (including the CAL Group and code-shared routes)

Country	29	Destination	159

Note 1: Statistics as of December 31, 2020.
Note 2: The latest destinations please refer to the website.

Passenger Load (including the CAL Group)

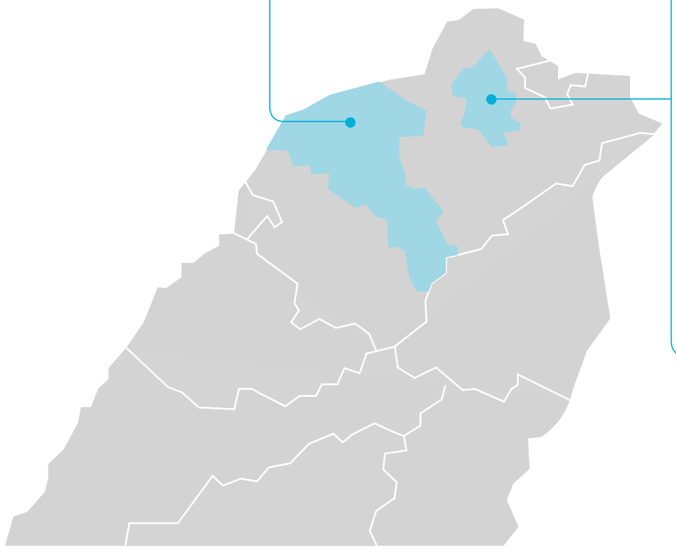
China	38.5%	Hong Kong	46.9%	Northeast Asia	61.9%
Southeast Asia	52.4%	Oceania	60.5%	Americas	54.3%
Europe	56.8%				

China Airlines

TWD 54.2 billion Capital
9.9 Years Average Fleet Age
11,390 Employees
84 Fleet Size
Taoyuan Headquarters — No.1, Hangzhan S. Rd., Dayuan Dist., Taoyuan City

Mandarin Airlines

TWD 2 billion Capital
5.2 Years Average Fleet Age
951 Employees
13 Fleet Size
Taipei Headquarters — No.3, Alley 123, Ln. 405, Dunhua N. Rd., Songshan Dist., Taipei City



Tigerair Taiwan

TWD 2.8 billion Capital
5.7 Years Average Fleet Age
728 Employees
11 Fleet Size
Taipei Headquarters — No.3, Alley 123, Ln. 405, Dunhua N. Rd., Songshan Dist., Taipei City

Note: For the latest operating fleet size and age, please refer to the CAL website.

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CAL Group's Operational Achievements GRI 201-1

Countries across the world have implemented border controls, strict quarantine measures, and general restrictions in response to the impact of the COVID-19 pandemic in 2020. The number of passengers fell sharply and a significant number of flights was canceled. Due to the imbalance in supply and demand caused by the significant decrease in cargo capacity as a result of canceled passenger flights, CAL adapted to market changes by making full use of the 18 Boeing 747-400F cargo aircrafts and passenger aircraft belly capacity to increase revenue from cargo services.The consolidated operating revenue in 2020 amounted to TWD 115.25 billion including TWD 25.704 billion in passenger services, TWD 81.918 billion in cargo services, and TWD 7.628 billion in other revenues. The consolidated net profit amounted to TWD 2.184 billion and the consolidated net loss before tax amounted to TWD 654 million. The net profit attributable to the parent company amounted to TWD 140 million. Please refer to the financial performance in the Appendix for more information.

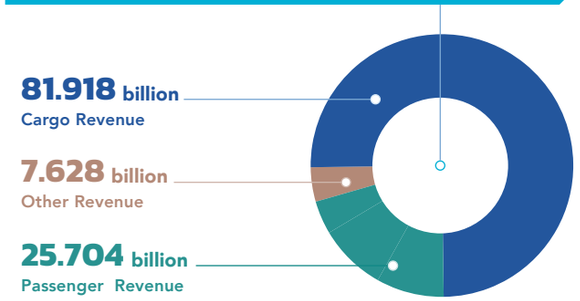
Operational Achievements

(Unit: TWD)

115.25 billion Consolidated Operating Revenue

654 million Pretax Loss

140 million Attributable to the Parent Company Net Profit



Consolidated Financial Statement

(Unit: TWD billion)

Item	2017	2018	2019	2020
Passenger Revenue	102.22	108.35	111.41	25.704
Cargo Revenue	43.33	49.85	43.79	81.918
Other Revenue	10.57	12.52	13.24	7.628
Consolidated Operating Revenue	156.12	170.71	168.44	115.25
Pretax Profit	3.52	3.08	-0.097	-0.654

Individual Financial Statement

(Unit: TWD billion)

Item	2017	2018	2019	2020
Operating Revenue	139.82	150.26	146.37	106.327
Operating Cost	121.85	137.62	135.01	95.19
Operating Expense	10.61	10.80	11.28	6.252
Income Tax Expense (Interest)	0.88	0.53	0.01	0.031
Salary Expenses	15.18	15.01	14.48	12.892
An Analysis of Employee Benefits Expense by Function	21.22	21.55	21.97	18.931
Post-employment Benefits	1.24	1.69	1.62	1.587

2020 Performance of International Passenger and Cargo Transport

Routes	Company	Number of Departures (Flight)	Passenger Transport					Cargo Transport				
			Passengers (Person)	Market Share (%)	Revenue Passenger Kilometers (RPK)	Available Seat Kilometers (ASK)	Passenger Load Factor (%)	Tonnage (Metric ton)	Market Share (%)	Freight Revenue Ton Kilometers (FRTK)	Freight Available Ton Kilometers (FATK)	Freight Load Factor (%)
International		45,030	2,259,563	43.6	7,917,306,253	14,406,859,540	55.0	1,538,770	68.0	6,386,281,321	8,970,650,170	71.2
		1,838	125,557	2.4	118,389,820	244,969,398	48.3	9,468	0.4	3,354,034	10,163,746	33.0
		3,262	345,045	6.7	606,005,445	1,037,051,426	58.4	4,046	0.2	7,670,561	11,977,768	64.0
	CAL Group	50,130	2,730,165	52.7	8,641,701,518	15,688,880,364	55.1	1,552,284	68.6	6,397,305,916	8,992,791,684	71.1

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Routes	Company	Number of Departures (Flight)	Passenger Transport					Cargo Transport				
			Passengers (Person)	Market Share (%)	Revenue Passenger Kilometers (RPK)	Available Seat Kilometers (ASK)	Passenger Load Factor (%)	Tonnage (Metric ton)	Market Share (%)	Freight Revenue Ton Kilometers (FRTK)	Freight Available Ton Kilometers (FATK)	Freight Load Factor (%)
Domestic		26,379	1,728,809	34.3	724,398,680	969,062,493	74.8	12,022	28.6	1,518,672	11,059,615	13.7
Global	CAL Group	76,509	4,458,974	43.6	9,366,100,198	16,657,942,857	56.2	1,564,306	67.8	6,398,824,588	9,003,851,299	71.1

Source: "Civil Air Transport Statistics (Table 18 Overview of Global Passenger and Cargo Transport on Global Routes by Domestic Airlines)" by CAA of MOTC.

1-1-2 Analysis of Business Environment in the Aviation Industry

The airline industry connects the flow of people and the flow of goods around the world. There is a close correlation between growth and outlook of the global economy and growth of the airline industry. According to a report published by the International Air Transport Association (IATA) in November 2020, the civil air transport industry was severely impacted by the COVID-19 pandemic, and airlines worldwide expected the number of passengers to fall to 1.795 billion and the freight tonnage to fall to 54.2 million tons in 2020. As many as 46 million people could be at risk of losing their jobs in the airline industry. Close to US$536 billion in production value evaporated in the process. The total loss was projected at US$118.5 billion. Recovery of passenger transport to pre-pandemic level would be unlikely until after 2024. Hence, CAL performs the "Analysis of Business Environment in the Aviation Industry", and inspects regularly long term operational opportunities and risks to lay a solid foundation for sustainability. CAL also incorporates material issues relevant to its stakeholders into the CAL sustainable development strategies.

Global Airline Industry	2019	2020 Forecast	2020 Compared to 2019	
Production Value (US$100mn)	8,760	3,400	-5,360	-61.2%
Contribution to Global GDP (%)	1.0%	0.4%		-0.6ppt
Direct Job Opportunities (10,000 persons)	1,130	650	-480	-42.5%
Indirect Job Opportunities (10,000 persons)	7,770	3,650	-4,120	-53.0%
Job Opportunities in Aviation (10,000 persons)	8,900	4,300	-4,600	-51.7%
Passengers (persons)	45.43	17.95	-27.48	-60.5%
RPK (1,000bn km)	8.68	2.92	-5.76	-66.3%
Passenger Revenue (US$100mn)	6,120	1,910	-4,210	-68.8%
Freight Ton (10,000 ton)	6,130	5,420	-710	-11.6%
FRTK (100mn km)	2,540	2,250	-290	-11.4%
Freight Revenue (US$100mn)	1,024	1,177	+153	+14.9%
After-tax Earnings (US$100mn)	264	-1,185	-1,449	-5.48%

Source: IATA and AAPA.

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Business Opportunities

Focusing on Air Cargo Opportunities

As the COVID-19 spreads, the demand for medical and protective equipment is skyrocketing, and in turn drives the demand for stay-at-home economy and remote working / learning related products. It also creates opportunities in e-commerce and 5G. The demand for cargo services can be expected to hold steady the upward trend. It is generally agreed in the airline industry that the COVID-19 vaccine will become an opportunity to turn the air travel business around, and "pharmaceutical cold chain transport opportunities" will be a new area of interest. In response to upcoming market changes, airlines are actively strengthening their cargo operations. In addition to repurposing passenger aircrafts for cargo transport, domestic airlines are changing some passenger aircraft orders to 777F cargo aircrafts. CAL already has a large 747-400F cargo fleet with 18 aircrafts, and is going to bring in another 6 777F cargo aircrafts to increase its share of the cargo market.

Post-pandemic Reshuffling of the Airline Market

The top priorities for airlines in a pandemic are "fighting for survival against the virus", "giving full support to develop cargo services", and "building momentum for reopening". Consensus in the private sector does not expect the economy to return to the pre-pandemic level until 2024. Meanwhile, the pandemic has triggered a large wave of bankruptcies in the airline industry. The ongoing spread of the coronavirus is putting 5 million people in the global airline industry at risk of losing their jobs. Many airlines are trying to survive by cutting pays and implementing unpaid leaves, early retirement offers, and layoffs as they face dangerously low cash flows. Domestic airlines are modifying their business strategies and shifting resources to cargo services for optimal passenger-cargo allocation.

Taking Advantage of Geographic Location as a Hub

Taiwan is well situated as an air cargo hub in Asia Pacific. Cargo traffic through the Taoyuan International Airport over the last 10 years shows that on average a total of 2.1 million tons of cargo go through the airport every year. In particular, the 10-year high appeared in 2018 at 2.32 million tons. Except where it was affected by the US-China trade war in 2019, the import / export cargo volume has been consistent in the last 10 years. The import / export cargo volume is generally between 470,000 and 600,000 tons per year and the entrepot volume between 950,000 and 1.13 million tons per year. The ratio of import / export to entrepot volume per year is approximately 1:1:2, which suggests entrepot is a market where Taiwanese airlines actively compete with each other. CAL expects to continue to focus its resources on the Taoyuan International Airport (cargo over passenger) in order to ensure Taiwan's position as a competitive air cargo hub.

Fleet Renewal for Enhanced Operational Efficiency

CAL continues to complete sustainability oriented fleet renewal. For cargo aircrafts, 777F cargo aircrafts were brought in late 2020 as planned. According to the passenger fleet renewal plan, CAL intends to start introducing A321neo passenger aircrafts into the fleet to replace Boeing 737-800 passenger aircrafts in 2021. CAL is also considering introducing new regional wide-body passenger aircrafts to replace the A330-300 and 747-400 fleet. Furthermore, to provide better in-flight services and satisfy the demand for consistent travel products and to follow the direction of "less contact and going virtual" for in-flight entertainment in the post-pandemic era, CAL is campaigning for portable in-flight wireless streaming entertainment upgrade be installed in 737-800 cabins. CAL expects to start allowing travelers to use "their own mobile smart devices" onboard to connect to the in-flight system and enjoy in-flight entertainment in 2021. Moreover, there are plans to install the latest cabin seats and HD personal entertainment system on the A321neo narrow-body passenger aircrafts to be introduced in late 2021. These aircrafts will be equipped with the fastest wifi service in the business to provide a more entertaining, safe, and comfortable journey.

Business Risks

COVID-19 Creates an Uncertain Outlook for the Global Airline Industry

An IATA forecast sees pandemic losses sustained by the global airline industry reaching US$157.2 billion across 2020 and 2021. Global passenger air traffic will not return to the pre-pandemic level until 2024. It is estimated that revenue passenger kilometers (RPKs) fell by 66.3% and passenger revenue fell by 68.8% in 2020, while freight revenue ton kilometers (FRTKs) fell by 11.4% but cargo revenue rose by 14.9% in the same year. While COVID-19 vaccine research is starting to look promising and some countries have started vaccinating their populations, how long the vaccines can stay effective in the human body remains to be seen. The airline industry still faces massive challenges. According to an IATA forecast, RPKs will increase by 50.4% in 2021 (down by 49.4% compared to 2019) and passenger revenue by 50.3% (down by 53.1% compared to 2019); and FRTKs will increase by 12.9% (on par with 2019) and cargo revenue by 18.8% (up by 36.5% compared to 2019). IATA expects most airlines to remain cash negative until Q4 2021.

A Different Airline Industry in the New Post-pandemic Norm

Increased costs of fighting the virus means smaller profit margins. Hence, the airline industry will have to face structural changes. Before the pandemic, "business travelers" and "transfer opportunities" were the target markets for traditional airlines. The pandemic has had an impact on economics and trade, the employment market, and consumer confidence. Many companies are adopting a remote work model. As disposable income falls, both business travelers and leisure travelers will start to re-evaluate whether flying is still essential. Meanwhile, airlines face challenges in the form of cost reduction, demand for working capital, allocation of idle passenger capacity, air traffic rights, slot time, crew training, and aircraft airworthiness.

Boeing 737 MAX Returning to the Sky

After being grounded for nearly two years after two fatal crashes, Boeing 737 MAX was deemed to have met the safety standards and cleared by the civil aviation authority to return to the sky. American airlines were first to use Boeing 737 MAX to fly commercial flights again on December 29, 2020. According to statistics, Boeing 737 MAX caused Boeing to lose approximately US$20 billion (TWD 559.7 billion). Some companies encountered engine issues during the aircraft's return to the sky. Given the passenger transport demand swept away by COVID-19, the future remains unknown with challenges such as regaining traveler confidence, cutting production, laying off employees, delaying deliveries, and financial burdens.

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1-2 Sustainability Vision and Strategy

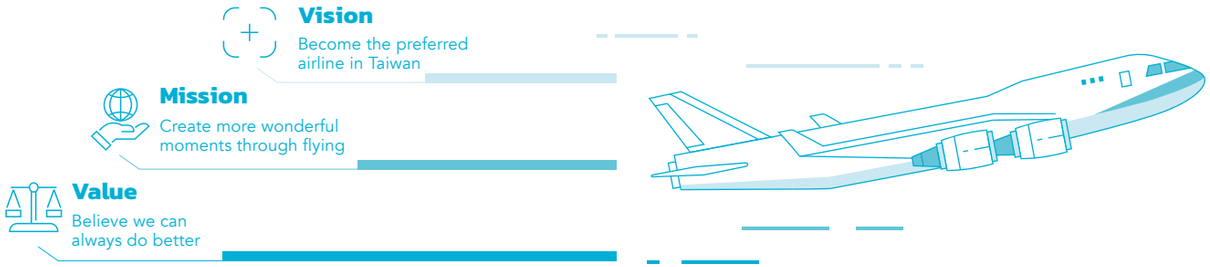
1-2-1 CAL's Sustainability Vision

The 17 UN's SDGs formally launched by CAL in 2016 follow the SDG Compass and related sustainability reports of the International Civil Aviation Organization (ICAO), the Air Transportation Action Group (ATAG), and the international transportation industry. CAL chose to focus on 9 SDGs that established the direction of CAL's sustainability efforts. This is a way for CAL to achieve sustainability and promise to create stakeholder value.

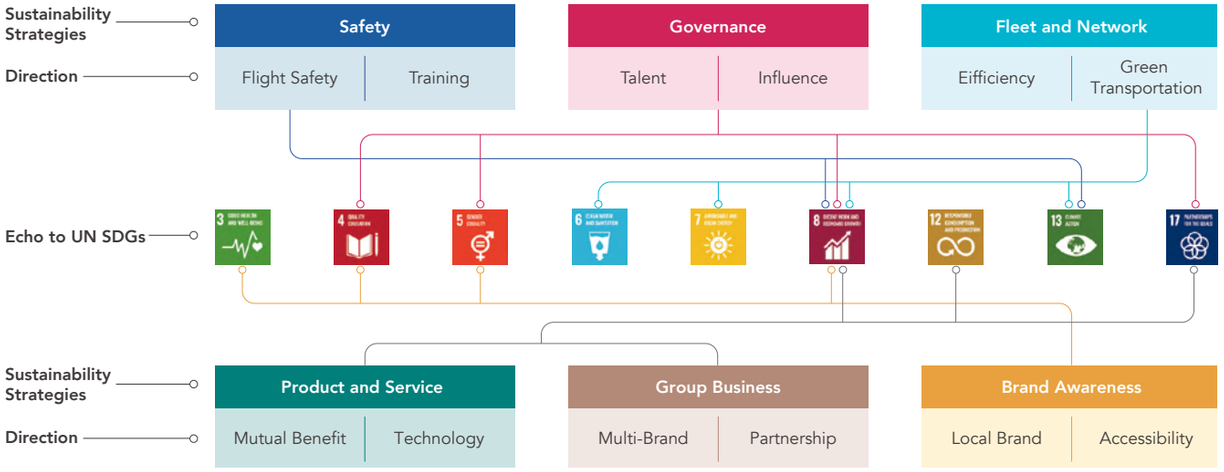
9 Sustainable Development Goals Focused from CAL

1-2-2 Sustainability Strategy

CAL aims to "Become the preferred airline in Taiwan" and embraces the mission to "Create more wonderful moments through flying". We adopted "Safety" and "Governance" as the basis for sustainable development and incorporated our main strategies of "Fleet and Network", "Products and Services", and "Group Business" to continue to enhance CAL's "Brand Awareness" in the minds of customers. We initiated three action plans to enhance the brand image including "Smart Resilience: resilient operations to combat extreme weather and changes in the business environment", "Localized Global Operations: taking Taiwan's local culture to the world", and "Youth Innovation: connect with the innovative generation with youthful thinking". The action plans reflect our lasting commitment to environmental, social, and economic / governance. The six sustainability strategies also support the UN's SDGs and we establish implementation strategies to create a strategic framework for sustainable development.



Sustainability Strategy Framework



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1-3 Governance Framework

GRI 102-5, 102-10, 102-18

Board of Directors

As the highest governing organization at CAL, the Board of Directors is responsible for supervising, resolving on crucial issues, and guiding management, in addition to formulating and complying with policies and rules, in accordance with both laws and regulations, and with the powers granted by the shareholders' meetings. The composition of the Board of Directors is diverse; it is based on talent, regardless of gender, nationality, or race. A total of eleven directors have been elected to the 21st term Board of Directors, including three independent directors, two of whom are female, with good qualities and expertise or experience in management of international companies. The tenure of the 21st term Board of Directors is three years (from June 27, 2018 to June 26, 2021). CAL convenes Board meetings at least five times every year and may convene extraordinary meetings for important or urgent business needs. Moreover, the China Aviation Development Foundation appointed Shing-Hwang Kao as CAL director of the Board on March 11, 2021; therefore, the number of directors of the 21st Board increased to 12 directors with effect from the aforesaid date.

As of 2020, shareholders holding more than 5% of CAL's shares are as follows:

Major Shareholder	Contributions to Taiwan	Percentage of Shares Held
China Aviation Development Foundation	Striving for the development of Taiwan's aviation business, national traffic construction, research, and event promotion	34.45%
National Development Fund, Executive Yuan	Accelerating industrial innovation, economic transformation, and national development	9.59%

Note: For experience / education, concurrent posts, expertise, field of experience, compliance of independence, and the operations of the Board of Directors, please refer to the CAL's Annual Report.

Functional Committees of the Board

The Board of Directors has three functional committees: the Remuneration Committee, Audit Committee, and Risk Management Committee. These help the Board of Directors with its supervision and guidance when meetings are convened; in accordance with the respective organizational regulations adopted by the Board of Directors, these committees exercise the powers granted them by law to review and discuss relevant issues, then regularly submit their conclusions and recommendations to the Board of Directors for resolution. Based on the powers specified in the CAL's Remuneration Committee Charter, the Remuneration Committee periodically reviews performance evaluations and remuneration policies, systems, standards, and structures for directors and managerial officers.

Functional Committees

Audit Committee

Frequency of Meetings: At least once every quarter

Composed of all independent directors and is responsible for helping the Board of Directors perform its duties, including supervision of fair presentation of CAL's financial statements, selection (dismissal), independence and performance of CPAs, implementation of internal controls, and compliance with corporate laws and regulations, as well as other statutory tasks.

Remuneration Committee

Frequency of Meetings: At least twice every year

The committee regularly reviews the overall benefit and compensation policy for directors and executives. It also conducts board performance evaluation once a year. In addition, it has a qualified external independent institution or external expert team conduct the evaluation once every three years (last time being in 2020). CAL increases the long term value of the management team to the company through performance evaluation and remuneration systems. The approach creates a sound corporate governance system, and helps CAL achieve sustainability goals.

CAL's Remuneration Committee Charter

Note: Please refer to the CAL's Annual Report for director and executive remuneration.

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Risk Management Committee

Frequency of Meetings: Once every quarter

Responsible for helping the Board of Directors review the establishment, implementation, and countermeasures of CAL's overall strategy for risk management in terms of finance, economy, and flight safety.

General Audit Office

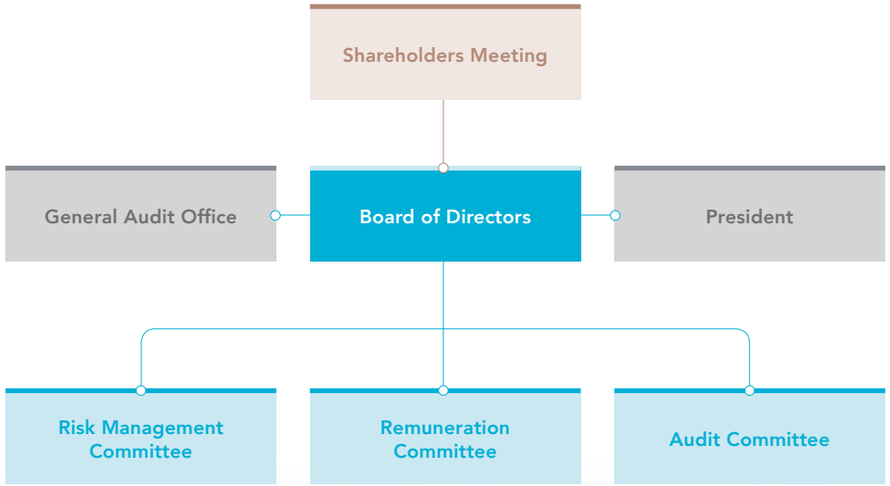
To enforce corporate sustainability, the General Audit Office is responsible for auditing the corporate governance system to prevent fraudulent activities and corruption. The results of audits are continually followed and required to be corrected by the given time limit. The audited cases in 2020 are summarized below by category. All of the cases have been corrected and reported to the General Audit Office for approval.

Audited Cases in 2020

Type of Cases	Number of Cases Audited	Number of Comments	Number of Corrections
Head Office	17	116	116
Branch	13	81	81
Subsidiary	12	73	73
Transaction in Derivative Products	12	None, all complying with regulations	-
Procedures for Lending Funds and Making Endorsements / Guarantees	4	None, all complying with regulations	-

Every year, the General Audit Office compiles an "overall evaluation" based on self assessments performed by individual departments and improvement of errors and irregularities identified in the annual audits. The overall evaluation is used to verify the effectiveness of the internal control system, and provides the basis for the "Declaration of the Internal Control System", which will be submitted to the board of directors for review. The General Audit Office has also established a whistle-blowing mechanism to report fraudulent activities and unethical conduct. If it is found that an employee of CAL or its affiliates is misusing his / her position to take bribes or behave in violation of his / her duties for the purpose of obtaining unlawful benefits for himself / herself or others, thereby causing losses to CAL's property or reputation, an employee or an external partner (e.g., a supplier) is encouraged to report this matter through the management mechanism or through the independent mailbox (auditor@china-airlines.com) published on the website (Stakeholder Contact-Business Conduct) and in the Annual Report (Corporate Governance Report-Corporate Governance).

Corporate Governance Framework



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1-4 Sustainability Management Structure

1-4-1 Corporate Sustainability Committee

Under the challenging and rapid changing environment with the growing trend regarding sustainability, CAL followed the international trend of sustainability and referred to the experience from the benchmarking companies based on its mission and sense of duty for the sustainable development of the Company to establish its Corporate Sustainability Committee in 2014, the highest governing body of sustainability promotion, and set the Corporate Social Responsibility and Sustainable Development Best Practice Principles. The Corporate Sustainability Committee comprises six task forces which are responsible for setting and implementing sustainable development goals to enforce the sustainable development. It also presents the CSR performance to the Board of Directors once every year to continue to strengthen the connection between the Corporate Sustainability Committee and the Board of Directors and improve sustainability actions.

Corporate Sustainability Committee

Highest Level (Chairman, Directors) — **Board of Directors**

Second Level (President) — **Corporate Sustainability Committee**

Executive Secretary Corporate Development Office

- Report the progress and performance to the board of directors, once a year (Risk Management Committee, a functional Committee of the Board, resolves on the risk and opportunities related to sustainability)
- Convene the meeting, at least twice a year
- Report the progress of each task force, once every quarter

	Corporate Governance	Cooperation	Trust	Environment	Society	Human Resources
Managments In Charge (Senior Vice Presidence)						
Coordinating Divisions	Corporate Development Office	Maintenance Division	Data Protection & Quality Management Office	Corporate Safety Office	Corporate Communication Office	Human Resources Division
Support Divisions	• Finance Division • General Audit Office • Legal & Insurance Division • Corporate Safety Office	• Finance Division • Administration Division • Ground Services Division • Inflight Supply Chain & Marketing Division	• Passenger Sales & Marketing Division • Cargo Sales, Marketing & Services Division • Cabin Crew Division • Ground Services Division • Inflight Supply Chain & Marketing Division • Corporate Safety Office • Flight Operations Division • System Operation Control Division • Maintenance Division • Information Management Division	• Environmental Committee (Please refer to Chapter 2-4 Corporate Environmental Committee Organization)	• Volunteers Club	• Corporate Development Office • Occupational Safety & Health Department • Maintenance Division

Corporate Social Responsibility and Sustainable Development Best Practice Principles

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1-5 Materiality Analysis and Stakeholder Engagement

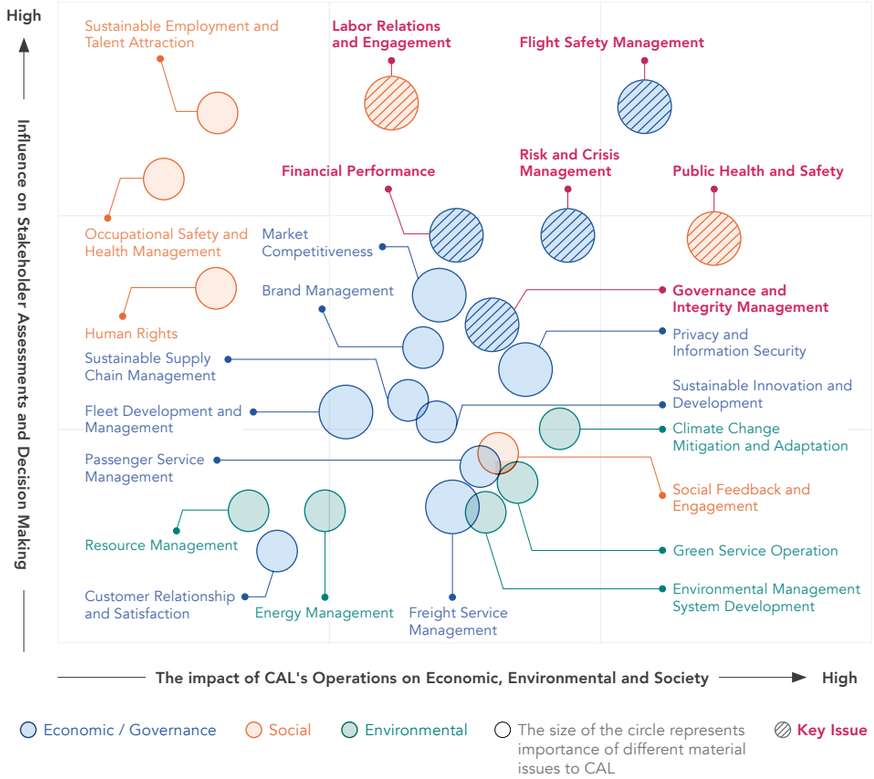
Step 1	**Stakeholder Identification**	CAL identified eight stakeholders, namely employee, customer, investor, government, partner, community, media, and association in accordance with the five principles set in AA1000 Stakeholder Engagement Standard (SES). However, the focus turned to internal investigation in 2020 due to the pandemic. Members of the CAL Corporate Sustainability Committee conducted the overall evaluation of material issues in and outside CAL.
Step 2	**Review and Identification**	Based on the results of the 2019 materiality analysis, and after reviewing the effects of the coronavirus on sustainability and the airline industry and emerging trends in 2020, CAL identified 24 material issues, including the newly added issue Public Health and Safety.
Step 3	**Evaluation and Prioritization**	Once the material issues were established, CAL proceeded to conduct a biennial materiality survey. The previous survey took place in early 2019, when 307 questionnaires were completed. The next materiality survey was scheduled for early 2021, but, given the massive impact of the pandemic on the airline industry in 2020, the questionnaires were completed instead by 43 members of an internal sustainability team. The adjustment was intended to avoid distortion of materiality. The 43 members of the sustainability team assessed the importance of different material issues to CAL, the influence on stakeholder assessment and decision making, and the impact of CAL's operations on economic, environmental and society. Scores were tallied separately in the three aspects. CAL then ranked the issues based on the result from the 43 valid questionnaires returned, and generated the 2020 materiality matrix.
Step 4	**Validation and Response**	The results of the CAL material issues investigation were ultimately resolved by the Corporate Sustainability Committee, the highest governing organization of corporate sustainability, in 2020. The material issues relevant to the stakeholders are disclosed in the Report and on CAL's CSR website. CSR Website

1-5-1 Materiality Analysis

GRI 102-46, 102-47, 103-1

CAL identified eight stakeholders in accordance with the five major principles defined in the AA1000 Stakeholder Engagement Standard (SES), then established the following procedures for materiality analysis based on the reporting principles of the GRI Standards (stakeholder inclusiveness, sustainability context, materiality and completeness) to identify material issues of stakeholders' primary concern. Different channels of communication are also established to respond to stakeholders' needs and expectations.

2020 China Airlines Materiality Matrix



Note 1 : COVID-19 has sent shock waves throughout the globe, and the airline industry is also severely affected. Stakeholders will be paying more attention to how we respond to the pandemic. Therefore, "public health and safety" is added as a new topic this year. Employee feedback in the company also indicates that it is a vital issue to CAL.

Note 2 : CAL identified, assessed, and adjusted the rankings of material issues in terms of the three aspects according to the GRI Standards. On the x-axis was the impact of CAL's operations on economic, environmental, and social; on the y-axis was the influence on stakeholder assessment and decision making; and on the z-axis was the importance of different material issues to CAL. Following the rankings in the materiality analysis, CAL listed 6 key issues, 13 important issues, and 5 issues of concern. The 24 material issues were put on the materiality matrix with key issues labeled in red.

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Importance of and Changes in Material Issues for 2020

Rankings of Material Issues	Material Issues	Category	Changes in the Ranking of the Level of Concern	Importance to CAL
1	Public Health and Safety	☆	*New*	As COVID-19 spread across the globe, public health and safety measures against the virus before, during, and after transportation are attracting a lot of attention. All passengers, ground crew, air crew and other service personnel must be equipped with adequate protective equipment and measures and correct knowledge of the virus in order to work together to keep the virus at bay
2	Flight Safety Management	☆	▼	Zero flight safety accidents form the basis for creating sustainable customer value
3	Risk and Crisis Management	☆	—	Risk management plays a key role in our sustainable development. Faced with ever-increasing categories of risk, CAL is committed to reducing risks and improving our resilience to crises
4	Financial Performance	☆	▲	The pursuit of profit through operating and financial performance is the foundation of our stable operations
5	Labor Relations and Engagement	☆	—	Maintaining harmonious labor-management relations is a priority for Company. CAL is committed to strengthening diversified communication with employees and creating an equal and friendly work environment
6	Governance and Integrity Management	☆	▼	A robust corporate governance framework and sound ethical corporate management are fundamental to corporate sustainability
7	Market Competitiveness	⚠	▲	Faced with an ever-changing aviation industry and the emergence of new airlines, CAL optimizes our route network, develops potential markets and customers, and makes good use of group resources to stay competitive
8	Privacy and Information Security	⚠	▼	With the popularization of information systems, and in order to comply with domestic and foreign information security laws and regulations, CAL continuously improves our information security governance system and protection capabilities, and prioritizes information security control in daily business operations. The protection of personal data and customer privacy is closely tied to our reputation and customer trust
9	Brand Management	⚠	▼	Brand management provides a direction for execution. Increased brand awareness can lead to identification with a brand, trust, loyalty, and ultimately a driver of consumer decision making that form a positive cycle
10	Climate Change Mitigation and Adaptation	⚠	▼	As global climate change and energy consumption become ever-more pressing concerns, CAL fully fulfills our environmental protection responsibilities and obligations by actively participating in and responding to environmental protection initiatives at home and abroad and reducing environmental impacts. CAL implements continuous improvement in order to be constantly enhancing climate risk and opportunity identification, quantification, and management while strengthening our carbon management and climate resilience
11	Passenger Service Management	⚠	▼	CAL aims to provide quality products and services, to meet passengers' needs and become the preferred airlines in Taiwan
12	Fleet Development and Management	⚠	▼	CAL continuously strengthens fleet quality and introduces environmentally-friendly models, to build an efficient worldwide air transport network and provide more comfortable and safer travel experiences for passengers

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Rankings of Material Issues	Material Issues	Category	Changes in the Ranking of the Level of Concern	Importance to CAL
13	Sustainable Employment and Talent Attraction	⚠	▲	CAL establishes a sound training system and structure to attract and train aviation professionals; we value the development of employee competency in order to promote sustainable employment
14	Occupational Safety and Health Management	⚠	▼	CAL aims to provide a safe and healthy workplace, promote a variety of health promotion activities, and reduce both occupational accident rates and construction risks to improve employee cohesion
15	Sustainable Innovation and Development	⚠	▲	We continue to innovate in products and services, and provide value creation capabilities to meet customer demand for technological services
16	Freight Service Management	⚠	▲	We optimize freight services through price differentiation and special cargo delivery, in order to provide quality freight services for customers
17	Sustainable Supply Chain Management	⚠	▼	CAL strengthens sustainable value for the overall supply chain by managing our upstream and downstream suppliers
18	Green Service Operation	⚠	▲	With the increased awareness of green consumption, CAL reduces waste and derived processing costs by promoting green consumption and optimizing service processes while investing to improve service efficiency
19	Human Rights	⚠	▼	We ensure the completeness of our human rights policies, in order to comply with international trends in human rights and to protect human rights
20	Social Feedback and Engagement	🔍	▲	CAL gives back to society, to create social value as part of our commitment to corporate sustainability
21	Environmental Management System Development	🔍	▼	We use a lifecycle model to monitor every process in our organization, construct a complete corporate environmental management system, and improve our environmental governance policy and quality of risk management. We are also committed to improving operational efficiency
22	Energy Management	🔍	▼	We continue to move toward low-carbon operations by focusing on energy conservation and energy efficiency management
23	Customer Relationship and Satisfaction	🔍	▼	Customer trust and satisfaction are the most important driving force for CAL's continued growth. Providing professional service is our commitment to customers
24	Resource Management	🔍	▼	"Cost effective, improved efficiency, and zero waste" is followed as a rule. We monitor the operational environment and processes at all stations at all times in order to keep optimizing the corporate environment and energy management and ensure effective allocation and utilization of resources

Economic / Governance · Social · Environmental ☆ Key Issues ⚠ Important Issues 🔍 Issues of Concern ***New*** New Issue ▲ Rise ▼ Decline — Constant

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Material Issues Corresponded to GRI Standards

Material Issues (Sorted by the level of concern for each ESG aspects)	Corresponding to GRI Topic-Specific Standards	Boundary						Corresponding Chapter / Section
		Internal (Note)			External			
		CAL	Mandarin Airlines	Tigerair Taiwan	Government	Customers	Partner	
● Flight Safety Management	GRI 404 Training and Education	●	●	●	○	○		2-1 Trust
● Risk and Crisis Management	GRI 102 General Disclosures: 1. Organizational Profile 2. Strategy	●			○			0-1 About the Report 0-2 Letter from Management 3-2 Risk Management
● Financial Performance	GRI 201 Economic Performance	●	●	●	○	○	▲	1-1 About China Airlines Appendix Financial Performance
● Governance and Integrity ● Market Competitiveness	GRI 102 General Disclosures: 3. Ethics and integrity 4. Governance GRI 205 Anti-corruption GRI 206 Anti-competitive Behavior	●			●	○	▲	1-3 Governance Framework 3-1 Ethical corporate management Appendix GRI Content Index
	GRI 415 Public Policy	●			●			
● Privacy and Information Security	GRI 418 Customer Privacy	●			●	●		2-1-4 Information Security Management 2-1-5 Privacy Management
● Brand Management	GRI 102 General Disclosures: 1. Organizational Profile	●			○	○	○	1-2 Sustainability Vision and Strategy 2-1 Trust 2-4 Environment 2-5 Society
● Passenger Service Management	-	●			○	○	○	2-1 Trust
● Fleet Development and Management	GRI 102 General Disclosures: 1. Organizational Profile 2. Strategy	●			○			1-1 About China Airlines
● Sustainable Innovation and Development	-	●			○	○	○	2-1 Trust
● Freight Service Management	-	●			○	○	○	2-1 Trust
● Sustainable Supply Chain Management	GRI 204 Procurement Practices GRI 308 Supplier Environmental Assessment GRI 414 Supplier Social Assessment	●					▲	2-3 Cooperation
● Customer Relationship and Satisfaction	GRI 102 General Disclosures	●			●	○	▲	2-1-2 Passenger Service Appendix Customer Satisfaction Table in 2020

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Material Issues (Sorted by the level of concern for each ESG aspects)	Corresponding to GRI Topic-Specific Standards	Boundary						Corresponding Chapter / Section
		Internal (Note)			External			
		CAL	Mandarin Airlines	Tigerair Taiwan	Government	Customers	Partner	
● Public Health and Safety	GRI 403 Occupational Health and Safety	●	●	●	○	●	○	COVID-19 Special Column
● Labor Relations and Engagement	GRI 401 Employment GRI 402 Labor / Management Relations	●	●	●	○	○		2-2 Human Resources
	GRI 407 Freedom of Association and Collective Bargaining	●	●		○			2-3 Cooperation
● Sustainable Employment and Talent Attraction	GRI 202 Market Presence	●	●	●		●		2-2 Human Resources
	GRI 404 Training and Education	●	●	●		○		
	GRI 405 Diversity and Equal Opportunity	●	●	●				
	GRI 406 Non-discrimination GRI 408 Child Labor GRI 409 Forced or Compulsory Labor	●	●	●	●			2-2 Human Resources Appendix GRI Content Index
● Occupational Safety and Health Management	GRI 403 Occupational Health and Safety	●	●	●	○			2-2 Human Resources
● Human Rights	GRI 412 Human Rights Assessment	●						2-2 Human Resources
● Social Feedback and Engagement	GRI 201 Economic Performance	●	●	●	○	●		2-5 Society
● Climate Change Mitigation and Adaptation	GRI 305 Emissions	●	●	●	○	○	▲	2-4 Environment Appendix GRI Content Index
● Green Service Operations	-	●	●		○	○	▲	
● Environmental Management System Development	GRI 307 Environmental Compliance	●	●	●	●	○	▲	
● Energy Management	GRI 302 Energy	●			●	○	▲	
● Resource Management	GRI 306 Waste	●			●	○	▲	
	GRI 303 Water and Effluents	●			●	○	▲	
	GRI 301 Materials	●			●	○		

● Direct Influence ○ Indirect Influence ▲ Business Influence

Note: The boundary of the Report mainly focuses on CAL. Only some related performance data of Mandarin Airlines and Tigerair Taiwan are disclosed.

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1-5-2 Stakeholder Engagement

GRI 102-40, 102-42, 102-43, 102-44

CAL identified eight major stakeholders including Employees, customers, investors, government, partners (suppliers and contractors), community, media and associations (including aviation organizations). To understand our stakeholders' needs and expectations, we have established relevant, unimpeded communication channels and platforms based on stakeholders' attributes and needs. We also report to the Board of Directors in the first quarter of each year, to disclose details of communications with stakeholders, including key points and frequency of communication.

- 1 Daily
- 31 Monthly
- 60 Every 2 month
- 90 Every 3 month
- 6M Every 6 month
- 1/2Y Half a year
- 1Y Every year
- 3Y Every 3 year
- On demand
- — As needed
- R Regular

Note: Public health and safety was the issue that attracted most attention from the world and CAL in 2020. It is also one of the most important material issues in the 2020 CAL report. Hence, the issue has been added besides issues of concern to highlight a key area of engagement between CAL and its stakeholders.

Employees

We view our employees as our most valuable assets. CAL has improved and optimized working conditions and the working environment to establish a safe and growing workplace. CAL is dedicated to maintaining harmonious labor-management relations through unimpeded communication channels, thus creating a win-win situation

Topics of Concern
- Public Health and Safety
- Flight Safety Management
- Risk and Crisis Management
- Labor Relations and Engagement

Communication Channel and Frequency
- 60 / 90 1. Labor-management meetings
- 2. Labor unions
- 3. Employee suggestion boxes
- 4. Employee feedback website
- 5. China Airlines newsletter
- 6. China Airlines Retirees Portal

Key Points of Communication
- Employment and retention of employees
- Employee development, rights and interests, healthy and safe workplace

Communication Results
The employee satisfaction survey is carried out once every two years. In 2019, the employee satisfaction rate was 6.4 (score out of 10)

Given COVID-19 is an extraordinary circumstance, the survey is postponed to 2022 to avoid distortion

Corresponding Chapter Section
2-2 Human Resources

Highlight of Communication Results
Given the impact of COVID-19 in 2020, CAL and the union engaged in negotiations, and both agreed to meet the challenges together. The two sides reached a consensus to cut pay and hours between May and July and to reduce full pay by 25% for Level 1 managers, 20% for Levels 2 and 3 managers, and 15% for other regular employees. The goal was to avoid layoffs by cutting pay and hours

Customers

Customers are our main source of revenue. CAL listens to customers and protects their rights and interests in order to meet customers' expectations

Topics of Concern
- Public Health and Safety
- Flight Safety Management
- Passenger Services Management
- Privacy and Information Security

Communication Channel and Frequency
- 1. Customer satisfaction survey
- 1Y 2. Global business meetings
- 1/2Y 3. Taiwan business meetings
- — 4. Discussions with travel agencies
- 5. CAL's website, CSR website, Facebook / Instagram, e-mail, and text message
- 6. Customer service hotline
- — 7. Corporate customer visits

Key Points of Communication
- Customer Relations Management
- Protecting customers' rights and interests: privacy, food safety, and in- light drinking water quality
- Providing an integrated flight update platform during COVID-19

Communication Results
- Passenger satisfaction rate was 88.6%
- Cargo satisfaction rate was 88.5%
- Maintenance factory satisfaction rate was 8.57 (score out of 10)

Corresponding Chapter Section
2-1 Trust

Highlight of Communication Results
CAL provides on its website the "COVID-19 Information Services" to give travelers an integrated information platform

COVID-19 Information Services

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Investors

Regardless of amount, all investors are contributors to CAL. CAL treats all investors equally, and makes the information available to each investor as consistent as possible

Topics of Concern
- Public Health and Safety
- Financial Performance
- Flight Safety Management
- Risk and Crisis Management

Communication Channel and Frequency
- 1Y 1. Shareholders meeting
- 3Y 3. Road shows
- 2. Shareholder's hotline / mailbox
- 4. Interviews

Key Points of Communication
- Operating results
- Flight safety and passenger transport
- Risk management model

Communication Results
Continues to announce and respond with operation-related results according to laws, regulations, and investors' demand

Corresponding Chapter Section
1-3 Governance Framework 2-1 Trust

Highlight of Communication Results
- CAL held the 2020 shareholders meeting on June 23. During the meeting, shareholders raised questions and made suggestions regarding the reasonableness of director remuneration for 2019, plans for the new fleet, and the company's manpower allocation and countermeasures against the impact of COVID-19. All questions were answered and clarified by the chairman or designated staff. Please refer to the 2020 shareholders meeting minutes for details
- CAL was invited to road shows hosted by securities dealers on August 26 and December 1 in 2020. CAL presented an overview of the company's business and the impact of COVID-19 and the company's countermeasures. Please refer to the first and the second road show presentations in 2020 for details

Government

CAL is Taiwan's largest civilian airline. Supervised by the Ministry of Transportation and Communications, the China Aviation Development Foundation is the largest shareholder of CAL and has influence on CAL's operations

Topics of Concern
- Public Health and Safety
- Risk and Crisis Management
- Flight Safety Management
- Climate Change Mitigation and Adaptation

Communication Channel and Frequency
- 1. Missives
- 5. Organization of or participation in business seminars and audits
- 2. Visits
- 3. Participation in projects
- 6. Participation in initiatives
- 4. Participation in public hearings, seminars, or negotiation forums
- 7. Audits

Key Points of Communication
- Communication and implementation of relevant laws and regulations
- Sharing of important industry information
- Supporting campaigns for business development, establishment, and research activities in civil aviation

Communication Results
- Selected as the top 6%-20% of the excellent corporation award in the sixth Corporate Governance Review
- Selected for the Taiwan High Compensation 100 Index and the Taiwan Employment Creation 99 Index
- Discussed flight safety issues and exchanged information in through seminars to improve flight safety

Corresponding Chapter Section
1-3 Governance Framework 2-1 Trust 2-4 Environment

Highlight of Communication Results
- In 2020, CAL, CADF, and CAA of MOTC co-organized the Aviation Security Risk Management Seminar
- In 2020, CAL co-organized two flight safety management conferences cohosted by CADF and CAA of MOTC
- Attended three CAA meetings on review of carbon offsetting and reduction plans and training
- Participated in the EPA Carbon Label Program.
- CAL received both carbon label and carbon reduction label
- Completed ICAO CORSIA monitoring, reporting and verification (MRV)

Partners (Suppliers and Contractors)

Service provided by suppliers and contractors is one of the key factors for CAL to provide services that satisfy customers

Topics of Concern
- Public Health and Safety
- Financial Performance
- Flight Safety Management
- Governance and Business Integrity

Communication Channel and Frequency
- 1. Telephone
- 4. Business visits
- 2. E-mail
- 6M 5. Site inspections
- 3. Coordination meetings

Key Points of Communication
- Sustainable Supply Chain Management

Communication Results
The score of sustainability risk surveys averaged 88.59 in 2020, higher than CAL's target. In addition, a general supplier meeting was held at the end of the year

Corresponding Chapter Section
2-1 Trust 2-3 Cooperation

Highlight of Communication Results
A general supplier meeting was held in December 2020. A total of 44 representatives of 33 suppliers attended the event. It served to raise sustainability awareness and knowledge among suppliers, and helped suppliers gain a better standing of CAL's sustainability philosophy

A General Supplier Meeting was Held in December 2020

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Community

Social support is the key to our success. As an economic entity in society, CAL continuously contributes to the economy while fulfilling our corporate social responsibilities

Topics of Concern

- Public Health and Safety
- Flight Safety Management
- Governance and Business Integrity
- Brand Management

Communication Channel and Frequency

1. Charity events
2. Community activities
3. News releases
4. Online mailbox

Key Points of Communication

- Support for social development
- Assumption of social responsibility
- Creating a Sustainable Society

Communication Results

A total of 355,459 individuals benefited in 2020

Corresponding Chapter Section

2-1 Trust 2-2 Human Resources

Highlight of Communication Results

Responding to international relief efforts during the pandemic, CAL organized charter transport for medical supplies, and transported 2,278 cases weighing a total of 73,343kg Furthermore, CAL helped transporting expats in regions more affected by the COVID-19 back to Taiwan. A total of 9 charter flights benefited 1,224 people

Media

Media reports and comments on CAL affect CAL's reputation and image

Topics of Concern

- Public Health and Safety
- Labor Relations and Engagement
- Flight Safety Management
- Passenger Services Management

Communication Channel and Frequency

1. News releases
2. Press conferences
3. Interviews
4. Active communication of industry information

Key Points of Communication

Collection of issues of stakeholders' concern and promotion of transparent communication

Communication Results

Released 118 announcements (including press releases, statements, revenue reports, and news announcements) in 2020

Corresponding Chapter Section

2-1 Trust 2-2 Human Resources

Highlight of Communication Results

CAL was first to implement health measures and create a designated section to make public announcements at the beginning of the pandemic. Other airlines and government agencies followed and also created designated sections later

Associations (including Aviation Organizations)

CAL participates in association, international organization, and aviation alliance meetings and seminars, to exchange opinions and get an early grasp on changes to aviation- related laws and regulations, thus ensuring compliance of our business activities

Topics of Concern

- Public Health and Safety
- Safety and Health Management
- Labor Relations and Engagement
- Governance and Busines Integrity

Communication Channel and Frequency

1. Participation in project meetings
2. Participation in work seminars
3. Organizing or participating in summits, executive summits, committees, and coordination meetings
4. Participation in government - convened meetings
5. Telephone, e-mail, and exchange platforms

Key Points of Communication

- Collection of trends at home and abroad and promotion of business operations
- Coordination of business relationships and promotion of mutual benefits
- Improvement of flight safety through discussions on safety issues,information exchange, and sharing security management experience

Communication Results

In 2020, CAL participated in meetings and projects, including 26 project meetings on environmental issues, organized by international organizations and aviation alliances such as IATA,SkyTeam, AAPA, and TAA to strengthen cooperation with airlines at home and abroad

Corresponding Chapter Section

2-1 Trust 2-4 Environment

Highlight of Communication Results

- Stayed in close contact with aviation alliances on flight safety and health topics during the COVID-19 pandemic in order to ensure effective safety management and health measures
- Engaged TAA on September 3, 2020 in the request for MOTC to extend airline relief programs and received positive support
- Worked with relevant member airlines within selected aviation organizations, such as AAPA and SkyTeam in reaching consensus on reducing monthly membership fees in response to the COVID-19

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1-5-3 Initiatives and Memberships

GRI 102-12, 102-13

CAL actively participates in business development, corporate sustainability, environmental and other specialized initiatives and organizations in the airline industry. Despite the COVID-19 pandemic, CAL invested TWD 33.25 million to participate in initiatives (95% or TWD 31.59 million in business development for the airline industry and the other 5% or TWD 1.66 million in corporate sustainability, and environmental and other specialized initiatives) in 2020. The total amount invested fell by TWD 23 million compared to 2019. The decrease is primarily attributed to external organizations and associations reducing membership fees in response to the coronavirus' massive impact on revenue in the airline industry.

External Initiatives

2017 – 2020 — united for wildlife

Buckingham Palace Declaration

At the 73rd IATA Annual General Meeting in June 2017, CAL signed the Buckingham Palace Declaration against illegal wildlife trafficking. CAL has worked with 61 or more other airlines to stamp out the transport of illegal wildlife in conformity with the UN's SDGs.

2016 – 2020 — Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

The Dow Jones SustainabilityIndices (DJSI)

Since 2015, CAL has taken the initiative to respond to the Dow Jones Sustainability Indices (DJSI) questionnaire, disclosing our management objectives, strategies and practices in terms of the environment, society, and the economy / governance. In 2020, CAL was selected for the DJSI Emerging Markets for the fifth consecutive year and ranked third among the world's airlines. CAL was the only airline in Taiwan that was selected for the index.

2012 – 2020 — IAGOS

Pacific Greenhouse Gases Measurement (PGGM)

Since 2012, CAL has participated 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 conducted by science agencies around the world. As of December 31, 2020, CAL has collected high-altitude gas data from 12,810 flights.

2012 – 2020 — CDP DISCLOSURE INSIGHT ACTION

Carbon Disclosure Project CDP

Aside from being Taiwan's first service provider to independently review greenhouse gas emissions generated from its operations, CAL also stands as Taiwan's first carrier to respond to the CDP questionnaire. Since 2012, CAL has conducted greenhouse gas inventory training and surveys of greenhouse gas emissions for its affiliates on a regular basis and disclosed its climate governance, strategies, risk and opportunity management, indicators and goals, greenhouse gas emissions, and reduction management and performance. CAL is recognized as a benchmark enterprise. In the future, CAL will review and improve carbon management strategies through participation and feedback. In 2021, CAL received a management level from CDP for climate risk management in 2020.

2008 – 2020 — 60+ EARTH HOUR

Earth Hour

CAL started supporting the event in 2008, and extended participation to CAL value chain partners in 2020. In addition to taking real action, CAL uses advertising to call attention to the effects of global warming and climate change.

2018 – 2020 — TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Task Force on Climate-Related Financial Disclosures (TCFD)

CAL became Taiwan's first airline to publicly sign and adopt the Task Force on Climate-Related Financial Disclosures (TCFD) in 2018. CAL works actively to make TCFD part of the company's management system. In 2019, CAL assisted in completing translation of TCFD to Traditional Chinese, and participated in several industry / government / academic campaigns to promote it. In January 2021, CAL went on to publish an independent TCFD. Results of management internalization are presented through press releases and social media.

Memberships

Airline Development

AAPA

AAPA ASSOCIATION OF ASIA PACIFIC AIRLINES

Association of Asia Pacific Airlines (AAPA)

Founding Member

Role and Participation

As a founding member of the AAPA, CAL worked with member airlines, leveraging the AAPA platform on advocacy related to the aviation industry in the Asia Pacific region.

Contributions and Benefits

- Participating in the global aviation industry's discussions regarding ICAO CORSIA, environmental protection, improvements in sustainable fuel efficiency, development of biofuels, consumer rights, and competent authorities' latest regulations.
- In 2020, AAPA worked with international aviation organizations to urge governments to adopt standard health measures against the coronavirus and make preparations for reopening industries.

SkyTeam

SKYTEAM

SkyTeam

Alliance Board and Executive Board Member

Role and Participation

CAL became the fifteenth member of SkyTeam on September 28, 2011, and was the first airline in Taiwan that joined one of the global airline alliance.

Contributions and Benefits

- SkyTeam helps CAL expand its global network. Cooperation with other member airlines enables CAL to connect Taiwan and major destinations around the world.
- In response to traveler's expectation related to hygiene and safety on air travel triggered by the COVID-19 pandemic in 2020, CAL participated in SkyCare & Protect. A joint effort with all SkyTeam members on collective health measures to keep travel safe.

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IATA

International Air Transport Association (IATA)

Member of Sustainability and Environment Advisory Council, Cargo Advisory Council, CSR Working Group, CORSIA Working Group, and Air Cargo Carbon Footprint, and observer of IAAC (Industry Affairs Advisory Council).

Role and Participation

CAL kept in close touch with IATA headquarters and IATA North Asia and participated in meetings, industry committees and task forces; and served as a member of Sustainability and Environment Advisory Council, was involved in environmental discussions relevant to international civil aviation, and supports research and studies of related environmental subjects.

Contributions and Benefits

- Assisting the Executive Committee under IATA plan, supervise and implement the policies and strategies for environmental management and sustainable development of the global aviation industry.
- Participating in the making of technical specifications of ICAO CORSIA and policies pertaining to sustainable aviation fuels and promoting industry training.
- Keeping updated with progress of international carbon control and sustainable aviation fuels and providing information for national legislation.

FSFT

Flight Safety Foundation - Taiwan (FSFT)

Managing Director, Technical Regulation Committee - Convener, Educational Training Committee - Convener

Role and Participation

CAL serves as the managing director and the conveners of the FSFT's Technical Regulation and Educational Training Team, to participate in governance decision-making, establish government-industry-university-institute cooperation mechanism to promote international regulations studying, strategic research and engagement related to international aviation safety and environmental sustainability.

Contributions and Benefits

CAL is responsible for promoting and establishing mechanisms for collecting and studying laws and regulations, educational promotion related to international aviation safety and environmental sustainability, and for giving advice on amendments or countermeasures for improving national legislation and aviation industry competitiveness.

Corporate Sustainability

TAA

Taipei Airlines Association (TAA)

Director

Role and Participation

CAL is one of the founding members of TAA. Established in March 1990, TAA acts as an advisor and coordinator who connects the government and the industry. CAL participates in annual general meetings, as well as director, supervisory board meetings. CAL also participate in regular activities organized by TAA, including but not limited to government meetings, implementation of government policies etc.

Contributions and Benefits

- Listing the airline industry's needs during the pandemic to urge TAA to lobby for more relief programs.
- Participating in regulatory forums and helped TAA get involved in 3 Ministry of Labor workshops. Making recommendations for future regulatory reviews.
- Helped TAA devise plans to develop a healthier airline industry in 2020, and proposed system and regulatory reform.

AAPT

Association of Atmosphere Protection in Taiwan (AAPT)

Executive Director

Role and Participation

CAL participates in the decision-making of organizational management, and promote the strategic engagement of the government-industry-university-institute in response to the issues of global atmospheric protection and climate change.

Contributions and Benefits

CAL helped facilitate the communication between the industry, the government, and the academia about policies, laws, academic research, technology research and development, counseling, and services pertaining to atmosphere protection in Taiwan.

CCS

Center for Corporate Sustainability (CCS)

Advisory Director

Role and Participation

CAL acted as one of the advisory directors. CAL participated in CCS training and operation, and, depending on CCS training topics, served as a speaker to promote the company's sustainability efforts. CAL also participated in a series of training courses on corporate sustainable competitiveness and seminars on the corporate sustainability report and related issues organized by CCS to improve its knowledge of industrial practice and latest trends.

Contributions and Benefits

The Advisory Council is the highest decision-making organization of the Center for Corporate Sustainability. Becoming a member and acting as a director of the Center for Corporate Sustainability allowed CAL to be aware of latest laws and regulations, policy review, technical regulations, and standards for sustainability and to have influence.

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1-6 CAL's Sustainability Value

COVID-19
Special Column

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

In 2020, countries implemented lockdown and quarantine measures that caused a large number of passenger flight cancellations and in turn a sharp decline in revenue. In addition to working closely with the health authority to implement health management procedures, CAL adopted a combination of operational counterstrategies:

Calling for Relief Programs

The government announced a new bill that provided relief measures applicable to aviation industries. The measures included reduced stopover and landing fees, health supply allowances and subsidies, and guaranteed loans. CAL continued to apply for these measures to ease the burden on the business.

Maintaining Financial Stability

CAL executed adjustments of the administrative management and sales budgets, and cut nonurgent capital expenditures to keep tight control of cash flows. CAL also implemented flexible leaves to allocate human resources and save on labor costs. CAL had been accessing lines of credit since February 2020 in order to ensure ready access to cash.

Making Passenger Flight Changes as Needed

Depending on the quarantine and border measures in different countries, CAL changed and combined flights while continuing flights to key destinations. New and resuming flights were postponed to summer 2021. Capacity was allocated as needed to carry cargo and mail in the belly of passenger aircrafts as a means to increase revenue.

Increasing Revenue from Cargo Flights

CAL started carrying cargo on some passenger flights again in March 2020 in support of transport of global relief and medical emergency supplies. Capacity of cargo flights was raised and utilized fully to carry more and increase unit revenues from cargo.

Optimizing Fleet Size

747-400 passenger aircrafts were retired early due to the coronavirus in order to lower the operating costs further and achieve a better fleet size. The number of aircrafts was 12% smaller and the number of seats 11% smaller compared to 2019. The fleet size was modified as needed with ongoing replacement of old aircrafts with new ones to achieve optimized operations. CAL tried to reinvigorate aircraft assets by leasing out one previously stored 747-400F aircraft to generate cash inflows. In addition, CAL continues with end-of-life 737-800 aircraft sales and A330-300 sale-leasebacks.

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1-6-1 Business Model and Value Creation

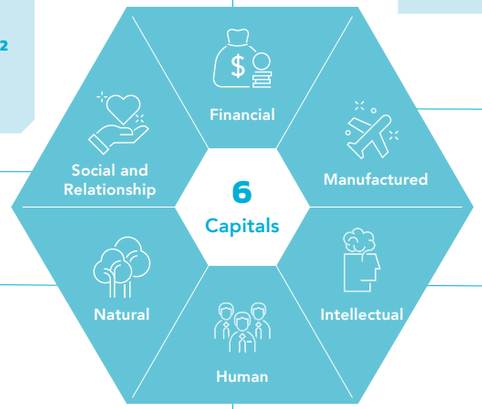
Capitals Input

(Unit: TWD million)

- Charitable activity expense **2.1**
- Community activity expense **1.8**
- Brand management expense **3.3**
- Customer service management cost **2,074.0**
- Industry-academia partnership cost **4.2**
- Supplier ESG management expense **0.3**

Capital **54,209.8**

- Depreciation / amortization expense **28,187.9**
- Aircraft equipment maintenance or procurement expense **4,991.0**
- Infrastructure construction or maintenance expense **11,966.8**



Environmental protection expense **10.2**

- Employment expense **0.7**
- Employee benefits cost **261.4**
- Employee training cost **158.1**
- Middle or top management training cost **0**

- Product R & D funds **124.7**
- Investment in process improvement or system research and development **35**
- Investment in patents **0.017**
- Research and development employee training **0.08**

Business Model

Fleet and Network
- Focusing on target markets / customers
- Optimizing fleet size
- Making passenger flight changes as needed
- Maintaining partnerships with alliance members and code share partners

Product and Services
- Strengthening cabin cleaning and disinfection
- Simplifying the sales process for products
- Digitalized in-flight services
- Strengthening baggage health and safety measures
- Increasing revenue from cargo flights

Group Business
- Optimizing group multi-brands to satisfy different markets and passengers' demand
- Striving for more airport usable land from the government

Governance
- Enhancing employee professional competence and career goal development
- Maintaining financial stability

Safety
- Ensuring flight safety and sustainability performance

Brand Awareness
- Smart resilience
- Localized global operations
- Youth innovation

Objectives & Performance

Trust | Human Resources | Cooperation | Environment | Society | Corporate Governance

Correction

Correction of Data on Page 17 of the 2019 CSR Report

(Unit: TWD million)

- Customer service management cost: 6,952.5
- Capital: 54,209.8
- Depreciation / amortization expense: 29,564.6

Six Sustainability Strategies

Governance — Root sustainable concept in value chain to make positive influence
Safety — Embed the safety culture into products and services
Brand Awareness — Promote local brand and transportation friendly
Fleet and Network — Promote highly efficient fleets and network to forward environmental friendliness
Product and Services — Create sustainable services with sustainable value and technology
Group Business — Spread sustainability to group business to improve cooperation and sustainable development

Business Model
Six Sustainability Strategies
Action Plan

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Value Creation

	Output	Outcome	Corresponding Chapter
Financial	Operating revenue: TWD 106,327 million	Revenue reduced by 27% compared to 2019, the EBITA rate decreased by 0.06% compared to 2019	• 1-1 About China Airlines (P.14)
Manufactured	• Punctuality rate of high-level repair and maintenance service 100% • Number of incidents causing casualties or flight crashes: 0 • Number of existing destinations (including new ones): 77 passenger destinations / 36 cargo destinations • Number of passengers / cargo worldwide: 8,038 (million passenger-kilometers) / 6,365 (million ton-kilometers)	• Achieved the target punctuality rate of high-level repair and maintenance service (100%) • Promote a safety culture based on the spirit of "safety awareness, full participation, active management, and implementation" to achieve zero safety incidents • No new passenger / cargo destinations in 2020 • Compared to 2019, global passenger transport decreased by 81.1% while cargo transport increased by 18.68%	• 1-1 About China Airlines (P.14) • 2-1 Trust (P.40)
Intellectual	• Revenue / number of passengers (seats) created by improved products or services: 7,809 • Number of cost-saving patents: 92 • Number of patents obtained: 1 • Number of R&D employees trained: 159	• Improved quality of cabin equipment and optimized quality of audio-visual programs and system stability on A330 • A321neo cabin and equipment design • The "portable onboard wireless streaming media" provided by the 738 fleet • Manpower saved 23.8 man-month / year • Saved TWD 6 million in cost • CAL's intellectual property rights were continuously maintained • The skills of information employees were enhanced in response to the development of or updates to information systems	• 2-1 Trust (P.40) • 2-2 Human Resources (P.59)
Human	• Number of new employees: 208 • New hire / recruitment retention rate in 2020: 51.92% • Retention rate of employees hired before 2020: 99.05% • Employee turnover: 6.83% • Total number of employee training hours: 34 • Total number of middle or top management training hours: Not implemented due to COVID-19	• Cost of employment decreased by 8.4% compared to 2019 • Compared to 2019, the retention rate of employees hired before 2020 increased by 2.47% • Compared to 2019, the voluntary turnover dropped by 102 persons • Related training was organized based on the needs of business operations • Middle or top management training: Not implemented due to COVID-19	• 2-2 Human Resources (P.59)
Natural	• Electricity consumption: 34,522.647 kWh • Carbon reduction: 5,808,373.976 tons • Waste reduction: 1,936,675 kg • Water consumption: 126.77 thousand tons • Number and percentage of green buildings: 2 / 66.67% • Solar photo voltaic investment: Power generated: 117,000 kWh	• Electricity saved through a sound energy management system: 254,407 kWh • Carbon emission reductions achieved through various carbon reduction measures: 48,888 tons • Waste reduction achieved through improved waste management: 107,023 kg • Water saved through continuous water management: 3,164 tons • Elevator power recycled with power regeneration system: 1,177 kWh • Power saved in 2020: 117,000 kWh	• 2-4 Environment (P.82)
Social and Relationship	• Number of charitable activities: 6 • Number of beneficiaries: 25,398 • Number of community activities: 34 • Number of participants: 650 • Number of sponsorships: 11 • Result of brand promotion: TWD 0.7 million • Passenger transport customer satisfaction rate: 88.6 • Number of passenger transport customer complaints: 729 • Freight customer satisfaction rate: 88.6 • Number of cargo customer complaints: 1 • Number of industry-academia partnerships: 22 • Number of industry-academia partnership projects: 5 • Number of participants: 110 • Coverage of sustainable supply chain management: 81.1% • Number / proportion of suppliers under sustainability audit: 26.15%	• Actively use existing resources, take part in charity events, support transportation improvements in remote areas, provide disadvantaged groups with equal benefits and opportunities in society, and create prosperity and happiness with society • CAL has always been committed to enhancing the internationalization of local education. We use our knowledge and skills in the aviation industry, visits by college students at the Company, and education by volunteers in remote areas to help young students learn about corporate culture and facilitate diverse development of children's education in remote areas. • CAL faced the challenges of the COVID-19 pandemic and used its aviation resources to transport medical supplies. We also supported the revitalization of tourism activities in Taiwan and supported athletes to improve the visibility of local brands. We generated operating profits of TWD 2,373,333 in the process. • CAL responded to the issues during the epidemic and engaged different groups in our communication campaigns to improve brand image and communicate the professionalism and trustworthiness of the brand. We developed three brand image short videos including the "National Air Team", "Let love overcome all the distances", and the "Stay Home GIF video". The promotional activities have supported our employees, inspired cohesion, and motivated people as we used this opportunity to improve our brand image. • Compared to 2019, the overall passenger satisfaction rate increased by 0.8 points • The COVID-19 pandemic has affected the balance of supply and demand and cargo services in the air cargo transportation market. Customer satisfaction for cargo services declined slightly as they were confronted with freight and cargo services that were different from what they had experienced. • Cargo services in various stations have been affected due to the impact of the epidemic on manpower resources and we could not meet customer expectations. • The purpose of industry-academia partnerships was to develop national aviation professionals • The coverage of sustainable supply chain management reduces 9.96% in 2021 compared to 2020 • The number / proportion of suppliers under sustainability audit in 2021 is the same as 2020	• 2-1 Trust (P.40) • 2-2 Human Resources (P.59) • 2-3 Cooperation (P.76) • 2-5 Society (P.106)

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1-6-2 True Value of China Airlines

In order to embrace mutual prosperity along with our stakeholders and endeavoring to create sustainable value for all stakeholders, CAL has integrated six forms of capital (financial, natural, manufactured, intellectual, human, and social) to its corporate vision and strategy, introducing the concepts of true value to monetize the environmental and of social externality's costs and benefits. This true value is viewed as an important reference point for corporate sustainability, and it helps all stakeholders understand the Company's sustainability performance.

Procedures for Assessing True Value

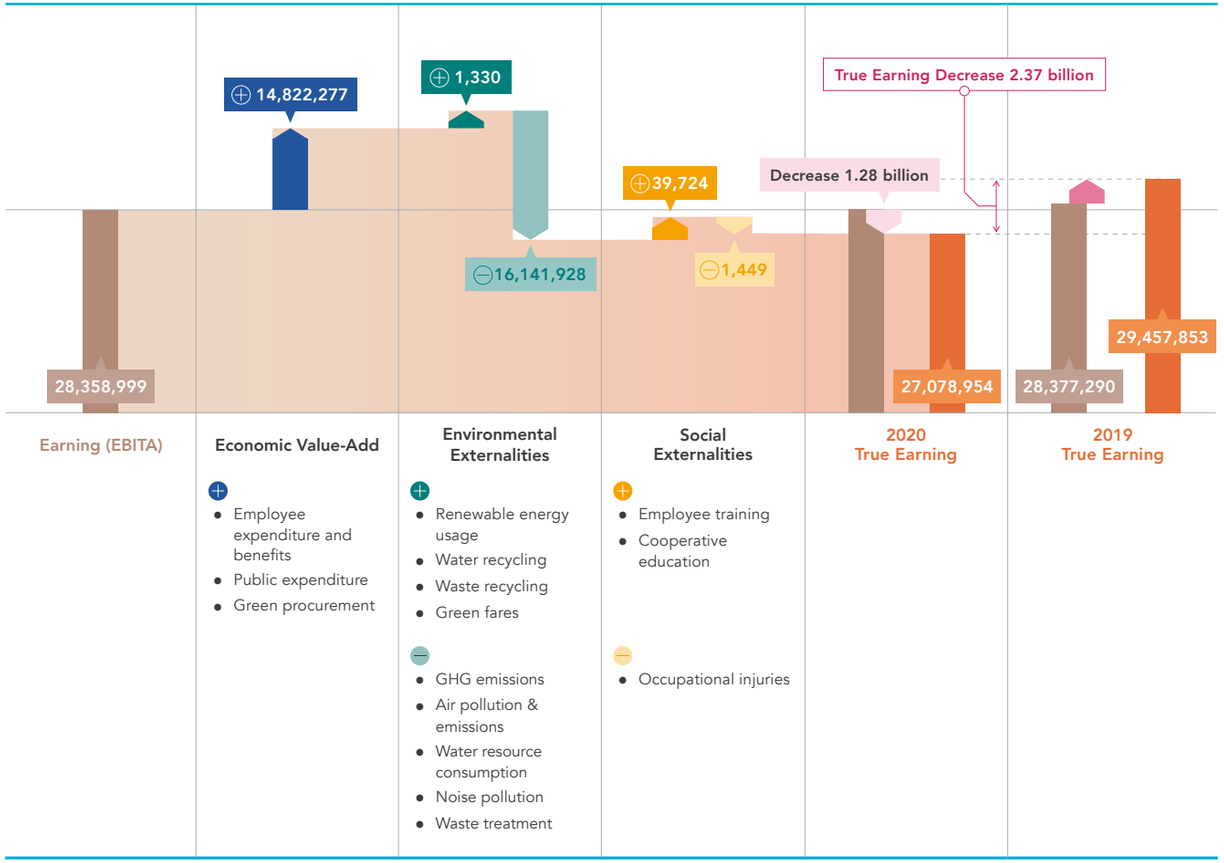
1. Create the Impact Map
2. Set the Scope
3. Identify Impact Factors of Material Externalities
4. Collect Internal Data
5. Calculate Environmental and Social Externalities
6. Monetize External Costs and Benefits

True Value

According to the results, CAL's traditional financial performance (EBITA) was reduced by 0.06% to TWD 28.35 billion in 2020 compared to 2019 due to the impact of the COVID-19 pandemic. The true earnings generated in economic, environmental, and social aspects came to around TWD 27.07 billion in 2020, reflecting a decrease of TWD 1.28 billion and TWD 2.37 billion compared to EBITA and true earnings in 2019 respectively due to the positive benefits created by the respective increases of 15% and 8% in "Renewable energy usage" and "Green fares." In line with the characteristics of the aviation industry, "Greenhouse gas (GHG) emissions" and "Noise pollution" were the main sources of external costs. The negative benefits of GHG emissions and noise pollution were reduced by 2% and 34% respectively in 2020 from 2019, showing CAL's active engagement in environmental sustainability initiatives such as "GHG reduction," "Noise pollution," "Renewable energy usage," and "Green fares." In CAL's true earnings in 2020, environmental external costs totaled TWD 16.1 billion, and positive benefits created by additional economic value and social externalities totaled TWD 14.8 billion.

True Value of China Airlines

(Unit: TWD thousand)



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1-7 Achieving Sustainable Development Goals

Sustainable Development Goals for Six Value Task Forces

Task Force Corresponding SDGs	Corresponding Material Issues	2020 Objectives	Illustration of Progress	Key Results and Performance	Plan for Improvement	Short-term Goals (2023)	Medium-term Goals (2025)	Long-term Goals (2030)
Corporate Governance	● Governance and Integrity Management ● Risk and Crisis Management ● Financial Performance ● Brand Management ● Fleet Development and Management	Achieving 100% of sustainability tasks for the year and establishing the employee awareness improvement plan		1. Provided employee CSR awareness training 2. Conducted one sustainability vision training session for the affiliates to raise CSR awareness A total of 5,140 people received the training	Providing ongoing employee CSR training	Achieving 100% of sustainability tasks for the year and carrying out the employee awareness improvement plan	Regularly reporting progress on CSR tasks to the Corporate Sustainability Committee and holding at least two CSR training sessions for affiliates	Disclosing sustainable development of airline transport affiliates
		Implementing operating mechanisms for SDGs		1. Reviewed SDGs for each task force on a rolling basis 2. The Corporate Sustainability Committee reviewed the progress of each task force every year 3. The task forces delivered status reports on a quarterly basis	Enforcing operating mechanisms for SDGs on an ongoing basis	Implementing operating mechanisms for SDGs	Assisting industry partners in building up capacity for sustainable development	Supporting global sustainability initiatives to expand the industry influence
Society	● Social Feedback and Engagement	Increasing proportion of sponsorship for charity events		38% sponsorships in 2020 involved charities as part of the commitment to the wellbeing of local disadvantaged groups and to supporting better transportation in rural areas	Combining industry resources to opportunities for disadvantaged groups or rural residents to ride the plane or learn about aviation equipment and related knowledge	Planning long-term charity projects	Developing opportunities for students to receive international education	Improving the quality of education in underdeveloped areas / developing countries
		Organizing at least one long-term social welfare project		The COVID-19 pandemic this year affected the overall aviation market. Due to operational and pandemic prevention considerations, this project could not be implemented. In response to international support initiatives for the global pandemic, CAL supported the central government and used its core resources to provide multiple flights for the transportation medical supplies and charter flights for the repatriation of citizens living in regions more affected by the coronavirus	Investing business resources and taking advantage of CAL's business strengths to help local brands gain international exposure	Regularly participating in charity activities that improve the international visibility of Taiwan	Promoting economic growth and employment assistance in underdeveloped areas / developing countries; and improving social well-being	Enhancing the benefits of sponsorships

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Trust	• Public Health and Safety • Flight Safety Management • Passenger Service Management • Freight Service Management • Privacy and Information Security • Sustainable Innovation and Development • Market Competitiveness • Customer Relationship and Satisfaction	Implementing personal data management systems in accordance with GDPR and personal data protection laws		1. Created a personal information management system 2. Conducted personal data inventory and personal data risk assessments 3. Encouraged all employees to complete personal data training 4. Created a personal information audit system 5. Organized a personal data management review meeting	Planning the introduction of international standards into personal data protection	Implementing personal data management systems, in accordance with GDPR and personal data protection laws	Receiving ISO27701 Privacy Information Management certification in the collection, processing, and use of personal data in the Passenger Service Management Procedure (including Taiwan and EU headquarters)	Maintaining validity of ISO27701 Privacy Information Management certificate, and keeping a score of 90 or higher in the DJSI personal data protection criteria
		Increasing the Cargo customer satisfaction rate to 88%		The Cargo service customer satisfaction was 88.5% in 2020	Continuing to update and upgrade the Cargo system	Cargo service customer satisfaction		
						88%	89%	90%
		Introducing robotic process automation (RPA) to optimize internal operating procedures and customer service mechanisms; installing Chat Bots		1. Introduced robotic process automation and related applications 2. Organized general RPA training courses 3. Installed a customer service bot to answer questions	1. Promoting installation of RPA applications in CAL sales departments to increase depth and width of application services 2. Securing development of core business application systems and infrastructures, and launching innovative application services as needed	Continuing to secure development of core business application systems and launch innovative application services as needed in order to increase revenue and reduce costs for the company and enable more efficient routines	Promoting smart airports: Establishing a smart airport at Terminal 3 of Taiwan Taoyuan International Airport; and improving customer satisfaction through digital innovation initiatives	Promoting smart tourism: Achieving horizontal and vertical integration of tourism-related industries to provide a one-stop smart travel eco-system
		Continuously participating in aviation organizations and increasing influence		To reduce the infection risk at gatherings, aviation associations suspended all meetings this year	Continuing participation in aviation associations to increase CAL's influence in these associations	Performing aviation data study and analysis for future release	Publishing aviation study results to improve aviation industry technical capacity	Developing innovation initiatives with other airlines to drive innovation momentum
		Strengthening the promotion of just culture		CAL completed the triennial all-hands safety management system (SMS) training, and conducted an all-hands safety culture questionnaire. A total of 11,403 people completed the training	The results of the 2020 all-hands safety culture questionnaire will be provide a basis for the 2021 safety culture campaign.	Enhancing the SMS performance review mechanisms	Strengthening the safety culture	Continuously enhancing SMS
Human Resources	• Labor Relations and Engagement • Human Rights • Sustainable Employment and Talent Attraction • Occupational Safety and Health Management	Organizing eight insider sharing sessions to provide an opportunity for internal cross disciplinary networking		Completed eight insider sharing sessions (on topics including cargo / passenger transport, international alliances, aviation administration, and ground services). A total of 755 people attended the events	Continuing to hold the events and explore different topics	Organizing eight insider sharing sessions to provide an opportunity for internal cross disciplinary networking	Completing the establishment of all internal online training materials in various professional fields	Application to Taiwan's aviation talent development
		Establishing CAL's aviation management talent pool		Completed building talent pools for different levels of management (including a master talent pool, management training courses, and advanced management courses), and modifying related training mechanisms to develop talent for the company over the long term and lay the foundation for passing on knowledge and experience	Working with trends in the airline industry and the demand for talen management, and optimizing aviation management talent training mechanisms	Optimizing CAL's aviation management talent training mechanisms	Establishing the optimal learning path for CAL's aviation management talent pool	Promoting Taiwan's aviation talent development
		Percentage of female manager reaching 24.5%		The percentage of female managers has risen to 27.24% in 2020	Reviewing the percentage of female managers and making it part of the hiring plan	The percentage of female managers reaching		
						24.75%	25%	27%

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Cooperation	• **Sustainable Supply Chain Management**	Maintain SAQ Score at 85 points		1. No high risk suppliers were identified in the 2020 sustainability self assessment questionnaire 2. The average annual score was 88.59 in 2020	Continuing to follow up and provide assistance in order to keep raising sustainability scores	Maintain SAQ Score at		
						86 points	87 points	89 points
		Optimize risk management for sustainable supply chain, implement SAQ, and audit 30% of critical tier-1 suppliers by 2020		1. Met the target of auditing 30% of the key first-tier suppliers (i.e. 26 companies) in 2020 2. Completed auditing all 19 high risk suppliers in 2020	Continuing to meet the audit target in the next phase according to plan, and expanding the scope of risk questionnaires	Optimize risk management for sustainable supply chain, implement the SAQ, and audit 70% of critical tier-1 suppliers and 50% of critical tier-2 suppliers by 2023	Optimize risk management for sustainable supply chain, implement the SAQ, and audit 100% of critical tier-1 suppliers and 100% of critical tier-2 suppliers by 2025	Providing supply chain training, improving assistance mechanisms, and implementing ongoing SAQs
Environment	• **Climate Change Mitigation and Adaptation** • **Green Service Operations** • **Environmental Management System Development** • **Energy Management** • **Resource Management**	Improving annual aviation fuel efficiency by 1.5% (flight operations)		Staying a leader among Asia Pacific airlines with fuel efficiency at 0.2586 tons per 1,000 RTK	Continuing to implement the IATA four-pillar strategy to reduce carbon emissions (technology, operational efficiency, infrastructures, and economic measures)	Improving annual aviation fuel efficiency by 1.5% and achieving CORSIA carbon-neutral growth from 2020 (CNG2020)		
		Reducing carbon emissions from ground operations by 38% as compared with 2009		Reduced carbon emissions from ground operations by 39% compared to 2009	Utilizing energy management systems in ongoing energy saving and carbon reduction activities	Carbon emission reduction compared to 2009		
						41% (ground operations)	44% (ground operations)	50% (ground operations)
		Implementing TCFD (Taskforce on climate-related financial disclosure) evaluation and disclosure		Released climate-related financial disclosures	Continuing to strengthening climate risk and opportunity management procedures	Strengthening decision-making mechanisms to integrate climate-related financial disclosure (TCFD) information	Implementing and optimizing internal carbon pricing	Facilitating Taiwan's sustainable aviation fuel strategy
		Reducing general waste (non- recyclable) by 2% compared with 2018		Reduced domestic waste by 16.7% in 2020 (excluding a 16.38% reduction due to operations)	Refining plastic reduction and leftover food management	Reducing general waste production from ground operations in relation to 2018		
						5%	7%	12%
		Industrial waste recycling ratio reaching 40%		Recycled and reused up to 51% of industrial waste in 2020	Assessing items available for recycling and reuse on an ongoing basis	Achieving a recycling and reuse rate of industrial waste		
						43%	45%	50%
		Reducing water consumption from ground operations by 1.5% compared with 2018		Reduced water consumption from ground operations by 15% in 2020 compared to 2018	Continuing to add more recycled water sources and water conservation campaigns	Reducing water consumption from ground operations in relation to 2018		
						3.6%	5%	7%
		Reducing paper consumption by 5% compared with 2018		Reduced paper consumption by 32% in 2020 compared to 2018	Reiterating the procedure for requesting copy paper and reminders	Reduced paper consumption in relation to 2018		
						14%	20%	30%
		Embargoing illegal wildlife species and prohibiting use of illegal species as food ingredients		Continued with the promise and practice of embargoing transport of endangered species and prohibiting the use of illegal species as food ingredients	Continued with the promise and practice of embargoing transport of endangered species and prohibiting the use of illegal species as food ingredients	Embargoing illegal wildlife species and prohibiting use of illegal species as food ingredients		

Goal Exceeded Goal Attained Goal Not Attained

Note 1: The importance of material issues to CAL may correspond to more than one task force; and the table lists only most relevant task force.

Note 2: Material issues shown in red bold type are also key issues.