

2-3 Cooperation



HIGHLIGHTS



6th time annual supplier conference

Taiwan's first airline to hold an annual supplier conference for six consecutive years.



1st airline to conduct sustainability audits

Taiwan's first airline to perform sustainability audits.



62% critical tier 1 suppliers completed audits

CAL continues to promote sustainable supply chain policies and risk management measures and has completed audits for 62% of critical tier 1 suppliers by 2021.

Management Approach GRI 103-1, 103-2, 103-3

Topic of Concern

- Sustainable Supply Chain Management

Importance of Material Issues

CAL's vision of "becoming the preferred airline in Taiwan" has firmly established it in Taiwan and around the world. We are committed to the pursuit of sustainable development. We understand that truly sustainable development and value can only be achieved through collaboration with our business partners. Thus, we have formulated the sustainable supply chain management policy, according to international standards and guidelines such as the United Nations Global Compact (UNGC), International Labour Organization (ILO), and ISO 26000:2010 Guidance on Social Responsibility. The sustainable supply chain management policy is applicable to the suppliers and contractors of CAL and its subsidiaries and joint ventures. Hence, we urge that the principles of sustainable development be implemented as part of our overall supply chain management to jointly fulfill our corporate social responsibility.

Commitment and Long-term Goals

• Commitment

To achieve supply chain sustainability, CAL has committed itself to the development and continuous improvement in the three dimensions of governance, society, and the environment.

• We are committed to

1. Conducting risk and impact assessments to ensure supply chain sustainability and establish fair, transparent mechanisms for supplier management.
2. Selecting economic and acceptable products and services by considering their environmental and social effects.
3. Adhering to ethical business standards by eliminating leakages, vested interests, and corruption.

• We require all suppliers and contractors to

1. Strictly abide by local and international laws and regulations.
2. Implement quality control systems that ensure the quality and safety of products or services provided.
3. Establish information security mechanisms that prevent the misuse of confidential and sensitive information.
4. Comply with local and international human rights and labor standards, and not follow child labor and discriminatory practices.
5. Provide a safe working environment and secure workplace over health and safety issues.



- 2-1 Trust
- 2-2 Human Resources
- 2-3 Cooperation
- 2-4 Environment
- 2-5 Society

6. Discontinue forced labor and guarantee freedom of association as well as proper working conditions and pay.
7. Reduce the negative impact of products and services on the environment and society in accordance with sustainability-related regulations.

• Long-term Goals



2023

1. Maintain SAQ Score at 87 points
2. 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

2025

1. Maintain SAQ score at 87 points
2. Expand the scope of supply chain management, implement SAQ audits, audit 100% of critical tier 1 and tier 2 suppliers by 2025

2030

1. Maintain SAQ score at 89 points
2. Provide supply chain training, improve assistance mechanisms, and continuously implement a SAQ

📍 Unit in Charge

Corporate Sustainability Committee — Supply Chain Task Force (in charge of aviation supplies, jet fuel, in-flight catering, and service procurement as well as general affairs)

📍 Management Mechanisms

- The meeting of Corporate Sustainability Committee, at least twice a year
- Supply Chain Task Force reports to Corporate Sustainability Committee, every quarter

- Expand the SAQ to cover the critical tier 2 suppliers

📍 Grievance Mechanism

CAL's suppliers access information on grievance mechanisms through the QR code below. Grievances will be handled by our dedicated personnel immediately.

- **General Products: Administration Division** — E-Mail: tpeuo@china-airlines.com
- **Aviation Parts: Engineering Division** — E-Mail: AOG_DESK@email.china-airlines.com
- **E-shopping / Duty free: In-flight Service Supply Division** — E-Mail: e-shopping@china-airlines.com



Stakeholder Contact

📍 Objectives and Plans

KPI	2021			2022 Objectives
	Objectives	Performance	Achievement	
Convene Annual Supplier Conference	One session	Held in Taipei on December 29, 2021	100%	One session
Conduct SAQ	Response rate at least 71%	Response rate over 71%	100%	Response rate at least 72%
Critical Supplier SAQ Score	86 points	87 points	100%	87 points
Implement Procurement Staff Training	Three sessions	Three sessions to be held in July respectively	100%	Three sessions

2-3-1 CAL Value Chain GRI 102-9

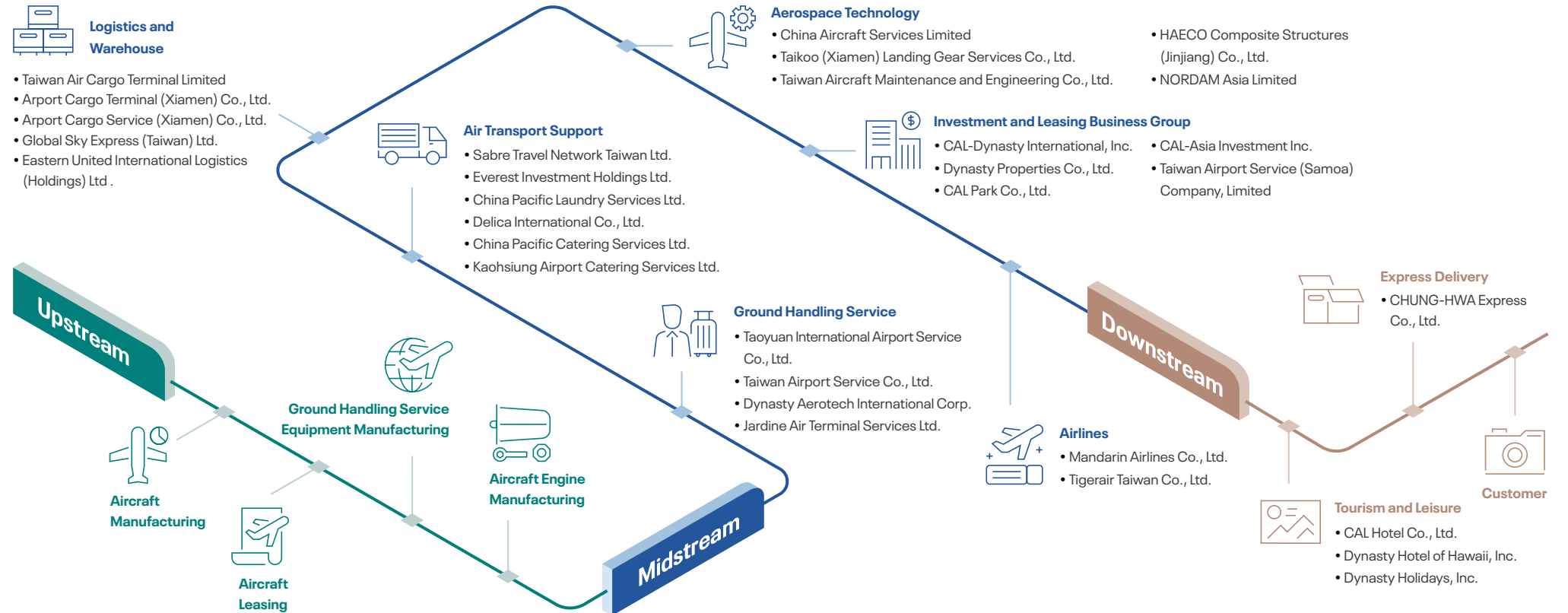
Compared with other industries, the aviation industry is unique in respect of safety concerns. As of the end of 2021, the CAL Group had established 31 affiliated companies in business sectors including air transport, ground handling service, tourism, aerospace technology, air transport support, and logistics and warehousing. By integrating their strengths, the Group will optimize its overall quality of service, competitiveness, and value chain.

- 2-1 Trust
- 2-2 Human Resources
- 2-3 Cooperation
- 2-4 Environment
- 2-5 Society

Material Procurement Types

Category (No. of Tier 1 Suppliers / Critical Tier 1 Suppliers)	Aviation Materials Aircraft Parts (534 / 19)	Aviation Fuel Fuel Required for Flight (19 / 5)	In-Flight Catering In-Flight Meals Offered to Passengers (31 / 6)	Ground Handling Service Airport Manpower (4 / 1)	General Products Goods Required for Overall Operations (120 / 7)
Description	Aviation materials are keys to flight safety. Therefore, aviation materials must have certificates of qualification, and their airworthiness must be confirmed by related units / divisions / departments.	Fuel is vital for flight and its cost of procurement forms one contributor to operating costs.	In-flight catering stands as one of CAL's crucial quality services. CAL provides passengers with a complete in-flight experience based on the needs of long-haul and short-haul passengers and nationality requirements.	CAL provides excellent airport services, and improves passengers' satisfaction throughout the journey with the help of its ground staff and agents.	General products refer to basic supplies required for business operations to improve operational efficiency and quality.
Critical Supplier's Definition	Irreplaceable suppliers and yearly accumulated procurement amount is over certain percentage.	Irreplaceable suppliers or the procurement amount is accounted for over certain jet fuel cost in whole year.	Suppliers offer long-haul service. (including the China Pacific Catering Services at Taipei Station)	Irreplaceable suppliers, exclusive ground handling agent which is not affiliated with airlines, and yearly flights handling by the suppliers are accounted for over certain total flights of CAL.	Irreplaceable suppliers or yearly accumulated procurement amount is over certain number.

Note: Material procurement types are defined by the volume of procurement.



Contents

Preface

1 Sustainability Management

2 Value Creation

- 2-1 Trust
- 2-2 Human Resources
- 2-3 Cooperation
- 2-4 Environment
- 2-5 Society

3 Corporate Governance

ESG Data and Appendix

2-3-2 Sustainable Supply Chain Management

GRI 204-1, 308-2, 407-1, 414-2


CAL has implemented sustainable supply chain management since 2014 and later established the Supply Chain Task Force to be in charge of sustainable supply chain management covering aviation supplies, jet fuel, in-flight catering, and service procurement as well as general affairs. In addition to setting the long-term sustainable development goals in accordance with the UN's Sustainable Development Goals (SDGs), CAL has formulated the "[Sustainable Supply Chain Management Policy Statement](#)" and "[Supplier Code of Conduct](#)" in accordance with international standards, including the Global Reporting Initiative (GRI), ISO 26000, United Nations Global Compact (UNGC), and International Labour Organization (ILO). CAL also established risk review mechanisms to perform audits, held the supplier conferences for facilitating negotiations, and reported the results to the Corporate Sustainability Committee for review every quarter.



Supplier Code of Conduct

2021 Achievements

1. Performance of Supply Chain Sustainability



Use of Sustainable Aviation Fuel to Protect The Environment

Compared to narrow-body aircrafts of the previous generation, the two A321neo aircrafts delivered to CAL in 2021 reduce fuel consumption by 15-20%, noise by 75%, and NOx emissions by 50%. When the two new A321neo aircrafts were delivered to Taiwan, CAL made arrangements to use sustainable aviation fuels, as it did for A350 aircrafts. Sustainable aviation fuels reduce carbon emissions by 8% when compared with traditional fuel. CAL takes real actions to save fuel and reduce carbon emissions to support its commitment to net zero emissions by 2050, reduce greenhouse gas emissions, and protect the environment. After the new A321neo aircrafts arrive in Taiwan and preparation and certification are completed, they will be used for flights to Northeast Asia, Southeast Asia, and China to strengthen CAL's regional flight network.

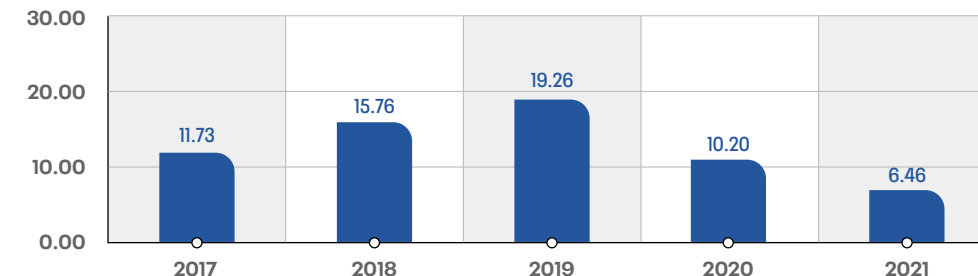
Green Procurement

CAL continues to purchase new energy-efficient passenger and cargo aircrafts including 777F and A321neo, use new light-weight baggage cabinets, and reduce the weight of cabin and service items. We also gradually increase the purchase of low-carbon/electric vehicles, prioritize the purchase of hybrid vehicles for company vehicles, and replace traditional ground service vehicles to reduce fuel consumption and carbon emissions. We use energy-efficient lighting equipment, install variable

frequency equipment, and replace equipment with high energy consumption. In addition, CAL also prioritizes the use of local ingredients to reduce the carbon footprint of food ingredients during transport. The value of CAL's green procurement in 2021 was affected by the COVID-19 pandemic, reduced number of flights, and a lower demand for hybrid vehicles compared to previous years, and the amount fell by 36.71% compared to 2020. However, CAL remains committed to promoting green procurement and will take real actions to reduce the impact on the environment.

Amount of Green Procurement

(Unit: TWD million)



Note: Green procurement includes Category I, II, and III products prescribed in the Regulations for Priority Procurement of Eco-Products (dated January 15, 2001).

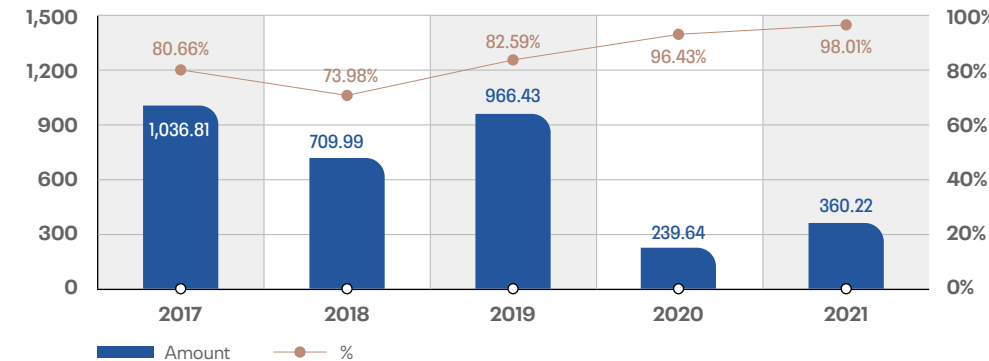
Local Procurement

Except for certain aviation equipment, parts, and operations that are subject to international standards, CAL has managed to source parts from local suppliers (Taiwan, Penghu, Kinmen, and Matsu) to support the local economy. For instance, we use local agricultural products from Taiwan for the welcome drink for business class passengers. It reduces the carbon footprint and also helps protect the environment. The value of local procurement in 2021 rose by 53.37% compared to 2020 and the percentage of local suppliers remained 98%. CAL has remained committed to local procurement despite the impact of the pandemic.

Amount of Local Procurement

(TWD million)

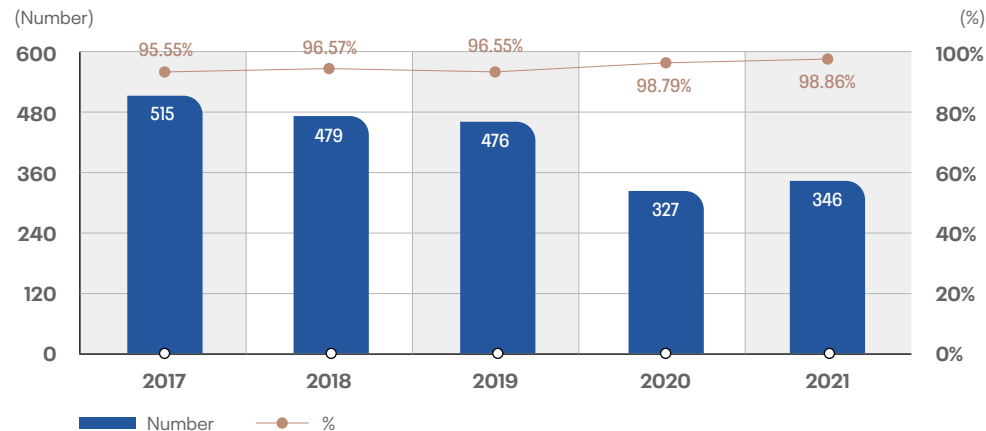
(%)





- Contents
- Preface
- 1 Sustainability Management
- 2 Value Creation
 - 2-1 Trust
 - 2-2 Human Resources
 - 2-3 Cooperation
 - 2-4 Environment
 - 2-5 Society
- 3 Corporate Governance
- ESG Data and Appendix

Number of Local Suppliers



Note 1: The statistics include the Administration Division and the maintenance park and exclude the independent procurement of the fleet, In-flight Supply Chain & Marketing Division, and the Ground Services Division.

Note 2: Aircraft parts are not included. They are subject to special certification.

2. Risk Assessment of Supply Chain Sustainability

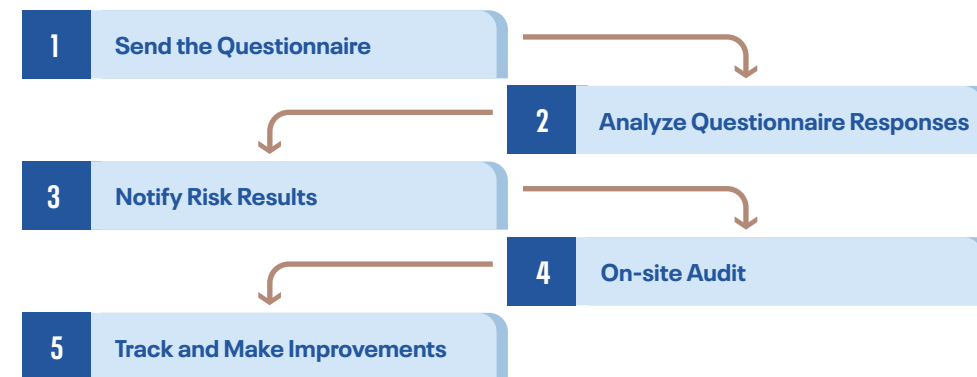
To strictly control supply chain sustainability risk, CAL has conducted a survey for supply chain sustainability risk and formulated our Sustainability Assessment Questionnaire (SAQ) since 2015 based on international initiatives and evaluations such as the GRI Standards, ILO, UNGC, Dow Jones Sustainability Index (DJSI), CDP, and the Universal Declaration of Human Rights. CAL also established a sustainable supply chain management system to improve the accuracy of the results of the SAQ in 2017, the functions of which include specifying the definition of critical suppliers, conducting the Sustainability Assessment Questionnaire (hereinafter SAQ), formulating regulations for review and designing relevant forms, setting different goals for short-term, mid-term, and long-term reviews, and improving the follow-up tracking mechanism. CAL continued to strengthen supply chain management in 2021. CAL identified supplier risks at the beginning of the year, conducted due diligence in the middle of the year, and reviewed the improvements at the end of the year. Supplier training was also organized to fully control suppliers with high risks, and on-site audits were conducted further to reduce supply chain sustainability risks.

As for the SAQ, China Airlines surveyed a total of 38 critical tier 1 suppliers in 2021, which accounted for 61.78% of the total purchase amount of the tier 1 suppliers, and the questionnaire response rate was 71.05%. In addition, China Airlines also investigated 3 critical tier 2 suppliers. The recovery rate was 66.67%. According to the results of the SAQ, the average score of the suppliers in 2021 was 88.17. The average scores in the four dimensions (please refer to the note) were between 79 and 94 points, showing that most of the suppliers have incorporated the concept of sustainability into these four dimensions. Due to the impact of the pandemic from 2020 to 2021, the environmental

score fell and CAL will continue to promote environmental sustainability practices and concepts in the annual supplier conference.

Note: "Governance" includes ethics and regulatory compliance. "Environment" refers to environmental protection. "Society" includes human rights and labor conditions, and occupational safety and health. "General" includes quality and safety and information security.

Procedure of Identifying Risk of Supply Chain Sustainability



Supply Chain Sustainability Risk Assessment Implementation Status

Suppliers	2020	2021
Tier 1 Suppliers	904	708
Critical Tier 1 Suppliers (Share of Total Procurement Spent %)	63 (66%)	38 (62%)
Critical Non-tier 1 Suppliers	2	3
Risk Assessment of Supply Chain Sustainability	2020	2021
Tier 1 Suppliers Assessed Annually	63	38
Critical Non-tier 1 Suppliers Assessed Annually	2	3
Tier 1 Suppliers Assessed in the Last 3 Years (Percentage of Total Tier 1 Suppliers)	103 (11.39%)	162 (22.88%)
Critical Non-tier 1 Suppliers Assessed in the Last 3 YYears (Percentage of Total Critical Non-tier 1 Suppliers)	2 (100%)	3 (100%)
Suppliers with High Sustainability Risk	2020	2021
Number of Tier 1 Suppliers Classified as High-risk (Percentage of Total Tier 1 Suppliers)	2 (0.22%)	0 (0%)
Number of Critical Non-tier 1 Suppliers Classified as High-risk	0	0



Contents

Preface

1 Sustainability Management

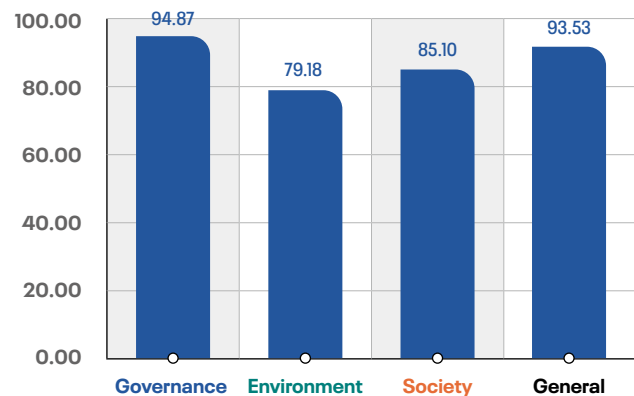
2 Value Creation

- 2-1 Trust
- 2-2 Human Resources
- 2-3 Cooperation
- 2-4 Environment
- 2-5 Society

3 Corporate Governance

ESG Data and Appendix

2021 Risk Survey of Supply Chain Sustainability (Unit: Score)



Overall Performance of Supply Chain Sustainability

- In 2021, the score of supply chain sustainability risk assessment was 88.17 points.
- **Governance:** The score (94.87) was an increase compared to the previous year (93.92) and has been the highest score overall. It shows that critical suppliers generally have internal management mechanisms.
- **Environment:** The score (79.18) was a decrease compared to the previous year (84.91). CAL will continue to work hard on advocacy for the environment and follow up on the performance of suppliers in terms of environmental protection.
- **Society:** Although the score (85.10) was an improvement compared to the previous year (84.06), there remains room for improvement. This area will still be the focus of our support for suppliers.
- **General:** The score (93.53) was higher compared to the previous year (91.46), and the second highest score overall. We will continue our requirements and regularly review suppliers to ensure that they have set up quality management and information security systems.

Improvements to Be Made

- **Governance:** We will continue to require suppliers to implement ethical and legal regulations and improve their governance.

- **Environment:** We will provide CAL environmental sustainability practices as reference for suppliers. We will also continue to provide training for suppliers to strengthen their understanding of environmental issues and encourage them to develop environmental management policies. We will also review and advise suppliers that have high environmental risks.
- **Society:** Suppliers have performed relatively poor in terms of occupational safety and health and CAL will closely follow up and provide assistance.
- **General:** We will continue to require suppliers to improve quality management and information security.

Improvement Action

CAL will continuously assess the risks to its suppliers using SAQ to review the performance of suppliers in other areas. We will also expand the scope of risk survey to identify suppliers with high risk with greater accuracy. With the existing audit system, CAL will seek to understand suppliers' real problems and provide guidance for them to take corrective measures. CAL will also keep communicating information on sustainable development and the impact of the pandemic to suppliers and provide training to enhance supply chain sustainability.

3. Sustainable Supply Chain Audit

According to the SAQ analysis results, there were no overall high-risk suppliers in 2021 but 3 critical tier 1 suppliers exhibited high environmental and social risks, 1 critical tier 1 supplier exhibited high governance risks, 3 critical tier 1 suppliers exhibited high environmental risks, and 1 critical tier 1 supplier exhibited high social risks. According to CAL's follow-up audits of the SAQ analysis for 2022, there were no suppliers with overall high risks. To learn more about the implementation status of sustainable practices of our supply chain partners, CAL has set up different audit plans for sustainable supply chain management. As of 2021, we have completed audits for 62% of critical tier 1 suppliers. CAL's audits are conducted on-site, in written format, or by correspondence. The method is determined based on the supplier's location, characteristics, and border control measures in response to COVID-19. The audit survey in 2021 showed that suppliers require

improvements such as the establishment of an environmental management system, classification and recycling for recyclable waste, monitoring suppliers' environmental performance, and providing regular training on environmental management and regulations for employees. After CAL requested follow-up and training, half of the critical tier 1 suppliers have made significant improvements in environmental management. No critical tier 1 suppliers have terminated the partnership in 2021. CAL will continue to enhance support, follow-up, and requests for improvements for these environmental and social issues.

Supply Chain Sustainability Audit Implementation Status

Critical Suppliers (Tier 1 and Non-tier 1) Assessed (Percentage of Total Critical Suppliers)	2020	2021
Annually	26.15%	78.04%
At Least Once Every 3 Years	44.62%	21.96%
Total	70.77%	100%
Suppliers with High Sustainability Risk Assessed (Percentage of Total Suppliers with High Sustainability Risk)	2020	2021
Annually	100%	0% (No high-risk suppliers this year)
At Least Once Every 3 Years	0%	0%
Total	100%	0%
High Sustainability Risk Suppliers with Identified Gaps with Corrective Action Plans That Have Improved Their ESG Performance	100%	0% (No high-risk suppliers this year)

Contents

Preface

1 Sustainability Management

2 Value Creation

- 2-1 Trust
- 2-2 Human Resources
- 2-3 Cooperation
- 2-4 Environment
- 2-5 Society

3 Corporate Governance

ESG Data and Appendix

4. Assisting Suppliers Reduce Risks

Convene Annual Supplier Conference

CAL convened the sixth annual sustainable supplier conference with 34 domestic suppliers (40 partners) on December 29, 2021. In the conference, experts shared the global trends of sustainable development and supply chain management. CAL elaborated on how it promoted the sustainable supply chain for the year and its future goals and plans for sustainable supply chain. CAL also explained its targets and plans for the sustainable value chain. CAL explained the correct concepts for work to supply chain partners through workshops and interactions. CAL will also place more emphasis on the environmental dimension and social dimension based on the result of the SAQ of the year and focus on improvements in future supplier conferences.



In Alignment with the Global Trend, Continuing Education and Training Courses on Sustainability

CAL will continue to provide training on sustainability for procurement personnel to enhance their knowledge of sustainability. This has been one of CAL's important goals for sustainability each year. In 2021, relevant procurement personnel continued to participate in training on the sustainable supply chain to better understand the standards, management practices, and current conditions in the international supply chain, and how to respond to the impact of the COVID-19 pandemic on the global supply chain. We also focused on sustainability management to ensure that procurement personnel obtain the latest information on sustainability and adjust work plans for the sustainability of the supply chain. CAL will continue to invite external experts to provide education and practical training courses on sustainability audits for all procurement personnel so that future procurement can be conducted in accordance with CAL's sustainable supply chain management policies and operations of the management system.

Future Plans

CAL continuously obtains information on the sustainability management status of supply chain partners through questionnaires every year, and work on all aspects of sustainable supply chain management to meet the short-term and medium-term goals of completing the risk assessment of tier 2 suppliers by 2023 and reviewing all tier 1 suppliers by 2025.

CAL will require its procurement personnel to attend three sustainability courses or seminars organized by external entities. For external entities, CAL will continue to provide suppliers with sustainability training to help their procurement personnel learn more about sustainability.

In terms of the goals for 2022, CAL seeks to communicate with suppliers in the suppliers conference and discuss concrete measures taken by CAL such as green building, use of water resources, and eco services for environmental protection and carbon reduction. We will continue to help suppliers understand sustainability requirements for ESG. CAL will build on the results in 2021 to strengthen suppliers' governance and focus on the impact caused by the pandemic on its sustainable supply chain. We will also communicate with suppliers on-site, in writing, by correspondence, or with other diverse methods.