

03 Corporate Governance

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★ Highlights



9th time selected for FTSE4Good Index Series

Selected in the FTSE4Good Index Series for ninth consecutive year



3rd time to be selected for the MSCI Index

Has been selected as a constituent stock of the MSCI Global Standard Indexes since 2022



6th time in GCSA Award

CAL is awarded the GCSA Award for Sustainability Reporting for a 6th time, receiving the Gold Class Award in 2024



11th received TCSA Award

Honored with the Taiwan Corporate Sustainability Award for 11 consecutive years, and has also won the Best Annual Report (Service Industry) in the Sustainability Reporting category for three years in a row



6th time selected for FTSE4Good TIP Taiwan ESG Index

Selected in the FTSE4Good TIP Taiwan ESG Index for the 6th time



8th time selected for the Sustainability Yearbook

CAL achieved the second highest score in ESG among global airlines in 2024, making it the only Taiwanese airline to be selected eight times in the Sustainability Yearbook. In 2025, it was honored as a top 5% airline in the Sustainability Yearbook



tWA- long-term credit rating upgraded by Taiwan Ratings

CAL has demonstrated stable operational performance post-pandemic. Given the continued strong demand for passenger services and the growth in the air cargo market driven by global e-commerce and electronic product demand, it is expected to sustain overall operational cash flow and enhance the company's profitability. In October 2024, Taiwan Ratings Corp. announced an upgrade of CAL's long-term credit rating to "tWA-" and maintained the short-term credit rating at "tWA-2," with a "stable" outlook



Top 21%-35% of TWSE/TPEX listed companies

Selected as the top 21%-35% of the excellent corporation award in the 10th Corporate Governance Review



8th time selected for Taiwan EMP 99 Index and Taiwan HC100 Index

Selected in the Taiwan Employment Creation 99 Index and the Taiwan High Compensation 100 Index for eighth consecutive year

3.1 Governance Framework

Board of Directors

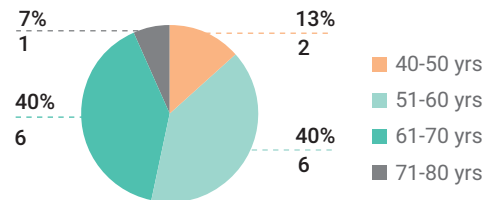
GRI 2-9.2-10.2-11.
2-15.2-17.2-19.2-20

As the highest governing organization at CAL, the Board of Directors is responsible for supervising and resolving crucial issues, guiding management, and formulating and complying with policies and rules in accordance with laws and regulations and with the powers granted by the shareholders' meetings.

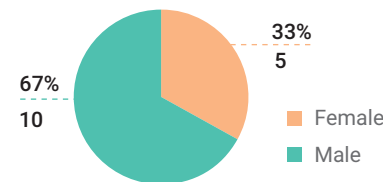
1. Director Nomination and Selection

The composition of the Board of Directors is diverse. According to Article 198-1 of CAL Act, candidates for directors are nominated by the shareholders. The selection is merit-based and does not discriminate based on gender, nationality, or race, and directors have good qualities and expertise or experience in the management of international companies. CAL also considers the views of the China Aviation Development Foundation and the government. A total of 15 directors have been elected to the 23rd Board of Directors, including five independent directors. The term of office for directors is three years (from May 30, 2024, to May 29, 2027). There are five female directors, comprising 33% of the board. The list for reappointment is based on performance evaluations and the directors' specific expertise. The board of directors meets at least five times a year and may convene additional meetings as needed for important or urgent business.

Director Age



Gender Ratio of Board Members



Shareholders with at least 5% of CAL's shares as of March 2025 are listed below:

Major Shareholders	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	30.69%
National Development Fund, Executive Yuan	Accelerating industrial innovation, economic transformation, and national development	8.54%

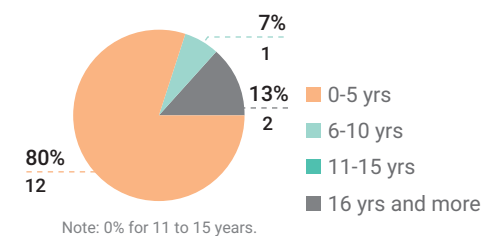
Note: The China Aviation Development Foundation and National Development Fund of the Executive Yuan are also institutional directors of CAL.

2. Board Composition and Operation

CAL values the independence of directors. The Chairman and President are not the same individual or have relations such as spouses or relatives within the first degree of kinship. Directors also do not have relations within the second degree of kinship. To facilitate the objective performance of independent directors, CAL's Articles of Incorporation stipulate that independent director may not serve more than three consecutive terms to ensure that independence is not reduced by extended association. There were no cases where the independent directors served for more than nine years. The average term of office of the directors is 4.6 years.

The independent directors possess the independence as stipulated by the competent authorities. In accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," they do not concurrently serve as independent directors for more than three other companies. Additionally, all directors do not concurrently serve as directors for more than two other listed companies. For detailed information on concurrent positions, please refer to CAL's 2024 Annual Report, page 22-25. To ensure the effective implementation of board independence, CAL also evaluates the independence of external directors, setting its board independence target to be 80% of the total seats. The current independence ratio stands at 86.67%, which exceeds the target.

Term of Office for Directors



CAL reports deficiencies identified by domestic and international regulators, as well as internal and external audits, along with related improvements and major business issues, to the Board of Directors for timely responses. CAL has also established clear rules to prevent conflicts of interest, requiring directors to uphold discipline. Directors must disclose relevant interests during meetings and recuse themselves from related discussions and voting, and may not vote on behalf of others. The Board meets as needed, with at least one meeting held each quarter. According to CAL's "Rules of Procedure for Board of Directors Meetings" a quorum of over half the directors is required to open a meeting.

3. Board Diversity

For experience/education, concurrent posts, expertise, field of experience, compliance of independence, and the operations of the Board of Directors, please refer page 26-28 of the 2024 CAL Annual Report. Each year, CAL organizes an annual training program for its directors based on CAL's characteristics and industry needs. The topics include corporate governance, ethical business practices and corporate social responsibility, risk management, corporate sustainability, and information security. In 2024, each

director completed a total of 6 hours of training in accordance with the "Guidelines for the Implementation of Director Training for Listed Companies." This included a 3-hour course on "Establishing a Friendly Workplace under the Labor Standards Act - Latest and Unlawful Infringement Cases" and a 3-hour course on "Corporate Information Security Posture under Digital Resilience."

✓ indicates the director has the capability ○ indicates the director has some capability ♂ Male ♀ Female

Name	Title	Independence (Note 1)	Employee Status	Nationality	Gender	Age				Industrial Experience (Note 2)	Professional Background								Professional Competence			
						40-50	51-60	61-70	71-80		Airlines	Transport	Professional Services and Marketing	Financial and Finance	Engineering	Construction and Real Estate	Banking, Insurance and Real Estate	Business and Supply	Information Technology	Metal and Machinery	Law	Accounting
Kao, Shing-Hwang	Chairman	Other Non-Executive Director	-	R.O.C.	♂	-	-	✓	-	Industry	✓	✓	✓	○	-	-	✓	○	○	-	○	✓
Chen, Chih-Yuan	Director	Independent Director	-	R.O.C.	♂	-	-	✓	-	Industry	-	✓	✓	○	-	✓	✓	○	-	-	-	✓
Ting, Kwang-Hung	Director		-	R.O.C.	♂	-	✓	-	-	Industry	-	-	✓	✓	✓	✓	-	-	-	-	○	✓
Chen, Ta-Chun	Director		-	R.O.C.	♂	-	-	✓	-	Industry	-	-	✓	○	-	-	✓	-	-	○	-	-
Chen, Maun-Jen	Director		-	R.O.C.	♂	-	-	-	✓	Industry	-	-	✓	-	○	-	✓	✓	✓	-	-	✓
Su, Pei-Hsien	Director		✓	R.O.C.	♀	✓	-	-	-	Industry	✓	✓	-	-	-	-	-	-	-	-	-	○
Huang, Huei-Jen	Director		✓	R.O.C.	♀	✓	-	-	-	Industry	✓	✓	-	-	-	-	-	-	-	✓	-	○
Huang, Shih-Hui	Director	Other Non-Executive Director	✓	R.O.C.	♀	-	✓	-	-	Industry	✓	✓	✓	○	-	-	✓	○	-	-	○	○
Wei,Chien-Hung	Director	Independent Director	-	R.O.C.	♂	-	-	✓	-	Industry	-	✓	✓	-	✓	○	-	✓	-	-	-	✓
Shon, Zheng-Yi	Director		-	R.O.C.	♂	-	✓	-	-	Industry	✓	✓	○	○	-	-	○	○	-	-	○	✓
Lin, Kuo-Chang	Independent Director		-	R.O.C.	♂	-	✓	-	-	Industry	-	-	✓	-	-	-	-	-	-	✓	-	-
Huang, Hsieh-Hsing	Independent Director		-	R.O.C.	♂	-	-	✓	-	Finance	-	-	✓	✓	-	○	-	-	-	-	✓	✓
Chang, Hsieh Gen-Sen	Independent Director		-	R.O.C.	♀	-	-	✓	-	Finance	-	-	✓	✓	-	-	-	-	-	-	✓	✓
Hwang, Yih-Ray	Independent Director		-	R.O.C.	♂	-	✓	-	-	Finance	-	-	✓	✓	-	✓	-	-	-	-	✓	✓
Lin, Yu-Fen	Independent Director	-	R.O.C.	♀	-	✓	-	-	Industry	-	-	✓	-	-	-	-	✓	-	✓	-	✓	

Note 1: The Board of Directors of CAL adopts the one-track system. The independent status of external directors adopts the following criteria. It must satisfy at least 4 items in following 9 items, and at least 2 items in the first 3 items:

- ① The director must not have been employed by the company in an executive capacity within the last year.
- ② The director must not accept or have a "Family Member who accepts any payments from the company or any parent or subsidiary of the company in excess of \$60,000 during the current fiscal year", other than those permitted by SEC Rule 4200 Definitions.
- ③ The director must not be a "Family Member of an individual who is employed by the company or by any parent or subsidiary of the company as an executive officer".
- ④ The director must not be (and must not be affiliated with a company that is) an adviser or consultant to the company or a member of the company's senior management.

- ⑤ The director must not be affiliated with a significant customer or supplier of the company.
- ⑥ The director must have no personal services contract(s) with the company or a member of the company's senior management.
- ⑦ The director must not be affiliated with a not-for-profit entity that receives significant contributions from the company.
- ⑧ The director must not have been a partner or employee of the company's outside auditor during the past year.
- ⑨ The director must not have any other conflict of interest that the board itself determines to mean they cannot be considered independent.
- ⑩ In addition, pursuant to Article 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, the Company's independent director may not concurrently serve as an independent director of more than three other public companies.

Note 2: Categorized according to the Global Industry Classification Standard (GICS) Level 1.

Functional Committees of the Board

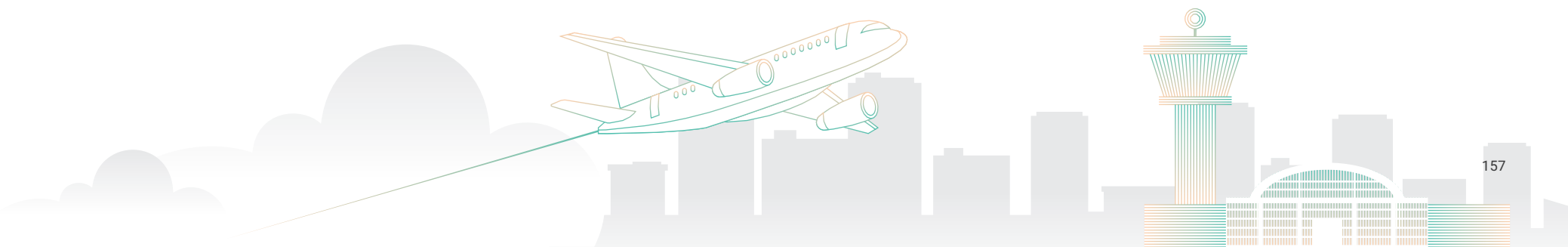
The Board of Directors has three functional committees including the Audit Committee, Remuneration Committee, and Sustainability & Risk Management Committee. They help the Board of Directors with its supervision and guidance and convene meetings in accordance with the respective organizational regulations 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		Remuneration Committee	Sustainability & Risk Management Committee	
Members	Huang, Hsieh-Hsing Lin, Kuo-Chang Chang Hsieh, Gen-Sen Huang, Yi-Jui Lin, Yu-Fen	Independent Director Independent Director Independent Director Independent Director Independent Director	Hsieh-Hsing Huang, Convener (Independent Director) Chang Hsieh, Gen-Sen, Independent Director Chun-Hui Ho, Committee Member (new appointment on January 10, 2024)	Huang, Yi-Jui Huang, Hsieh-Hsing Lin, Yu-Fen Kwang-Hung Ting Chih-Yuan Chen Kuo-Yuan Liang	Independent Director Independent Director Independent Director Director Director Consultant
Meeting Frequency	At least once per quarter		At least twice per year	Once per quarter	
Functions	The Committee is 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.		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 appoints a qualified external independent institution or external expert team conduct the evaluation once every three years (last time being in 2023). 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. Note: Refer to the CAL Annual Report and the Remuneration Committee Charter for information on director and executive remuneration.	This committee assists the Board of Directors in reviewing CAL's overall risk management strategies in finance, economics, flight safety, personal data, and information security, as well as the formulation, execution results, and response measures. It also reviews the formulation and execution outcomes of sustainable development policies, systems, or related management guidelines and specific implementation plans.	

Note: The Company has not yet appointed a remuneration consultant independent of the Board of Directors and executives.



The performance evaluations and remuneration of directors and managerial officers shall be based on prevailing rates of the industry, as well as their individual achievements, the Company's overall performance, and the reasonableness of future risks. The Company's business performance and future risks also encompass the economic, environmental, and human rights impact on topics of concern to different stakeholders. Directors are paid transportation allowances but not director remuneration. The remuneration system for the Chairman, President, and executives (senior vice presidents) is based on the Company's current systems, including the hiring and salary standards, salary adjustments for promotions, performance evaluation (including ESG sustainable development and cost control items), and accounting standards for severance pay. According to Article 18 of the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration of the Chairman in accordance with the Company's regulations for the remuneration for managerial officers based on the Chairman's participation in the operations of the Company. The President's

remuneration is based on the Company's remuneration standards for the President. The bonus and employee's remuneration are determined by the Company's overall performance and the existing operation regulations. The remuneration paid to managerial officers is determined based on factors such as their responsibility, position, number of years of service, personal abilities, and experience as well as the Company's remuneration standards for the position, and prevailing rates in the market. The Company has not yet set clawback mechanisms in the remuneration system of the Chairman, President, and executives.

General Audit Office

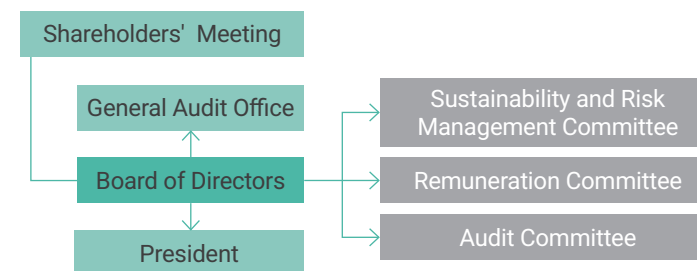
To enforce corporate sustainability, the General Audit Office is responsible for auditing the corporate governance system to prevent fraudulent activities and corruption. The results of audits are continually followed and required to be corrected by the given time limit. The audited cases in 2024 are summarized below by category. All of the cases have been reported to the General Audit Office.

Functional Committees

Type of Cases	Number of Cases Audited	Number of Comments	Number of Corrections
Head Office	12	76	76
Branch	22	133	133
Subsidiary	9	51	51
Transaction in Derivative Products	12	None, full compliance with regulations	-
Procedures for Lending Funds and Making Endorsements/Guarantees	4	None, full compliance with regulations	-
Subsidiary Supervision and Management Operations	1	1	1
Management of the Financial Statement Preparation Process	1	None, full compliance with regulations	-
Management Operations of the Board of Directors and Audit Committee Meetings	1	None, full compliance with regulations	-
Acquisition or Disposal of Assets Operations	1	None, full compliance with regulations	-
Information Security Inspection Operations	1	5	5
Regulatory Compliance Procedures	1	None, full compliance with regulations	-
Management Operations of the Compensation Committee	1	None, full compliance with regulations	-
Management of Related Party Transactions	1	None, full compliance 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 "Internal Control Statement", 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 Diagram



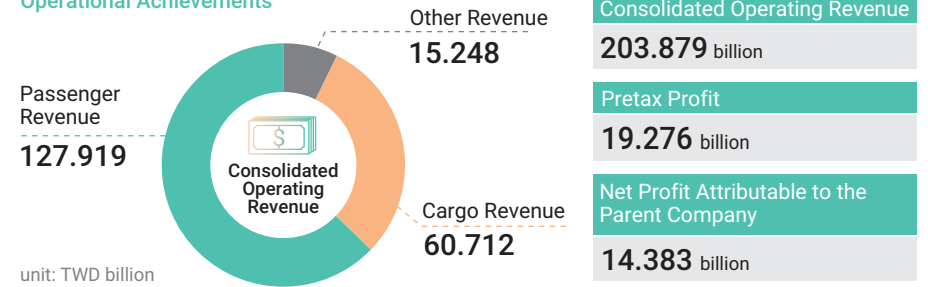
3.2 Operational Achievements

GRI 201-1

3.2.1 CAL Group Operational Achievement

In 2024, the global aviation industry experienced an environment of both recovery and challenges. CAL demonstrated robust operational resilience despite the industry facing multiple influencing factors, such as geopolitical conflicts (the Russia-Ukraine war, the Israel-Palestine conflict), oil price fluctuations, supply chain bottlenecks, and rising labor costs. CAL actively responded to market changes, striving to enhance operational efficiency and profitability, achieving significant progress in both passenger and cargo markets. Global air passenger traffic rebounded strongly in 2024, providing growth momentum for CAL. In terms of cargo, driven by the booming development of cross-border e-commerce and limited sea freight capacity, CAL fully seized market opportunities by actively expanding passenger and cargo route networks and optimizing belly cargo capacity in passenger aircraft, achieving significant growth in both passenger and cargo revenue. Additionally, CAL continues its fleet renewal program by introducing new aircraft such as the A321neo and 777F, and has ordered 18 Boeing 787-9 and 6 Boeing 787-10 aircraft. The plan includes gradually phasing out the 737-800, A330-300 passenger aircraft, and 747-400F freighters. In 2024, CAL announced the procurement of 10 Airbus A350-1000 aircraft, 10 Boeing 777-9 aircraft, and 4 Boeing 777-8F freighters, with deliveries expected to begin in 2029. These aircraft will be deployed on long-haul passenger and cargo routes to North America and Europe. Through fleet optimization and renewal, flexible adjustment of passenger and cargo flights, and strategic planning of the overall operational network, CAL provides more competitive products and services to meet passenger needs, actively seizing passenger and cargo business opportunities. In 2024, the consolidated operating revenue was TWD 203.879 billion (with passenger revenue of TWD 127.919 billion, cargo revenue of TWD 60.712 billion, and other revenue of TWD 15.248 billion). The consolidated operating profit was TWD 18.202 billion, the consolidated profit before tax was TWD 19.276 billion, and the net profit attributable to the parent company after tax was TWD 14.383 billion. For detailed information, [refer to the appendix on financial performance](#)

Operational Achievements



Consolidated Financial Statement

(Unit: TWD billion)





Item	2021	2022	2023	2024
Passenger Revenue	6.06	25.48	115.72	127.92
Cargo Revenue	124.54	116.25	57.15	60.71
Other Revenue	8.24	8.99	11.95	15.25
Consolidated Operating Revenue	138.84	150.72	184.82	203.88
Consolidated Pretax Profit	11.13	2.66	9.31	19.28

Individual Financial Statement

(Unit: TWD billion)

Item	2021	2022	2023	2024
Operating Revenue	132.14	141.07	161.68	175.18
Operating Cost	106.23	128.09	144.04	149.90
Operating Expense	6.59	7.06	11.04	12.50
Income Tax Expense (Benefit)	2.59	1.03	1.24	2.70
Total Salary Expenses	16.19	14.49	16.84	21.37
Total Employee Benefits	22.60	20.47	24.46	30.50
Total Pension	1.53	1.47	1.48	1.54

2024 Performance of International Passenger and Cargo Transport

Routes	Company	Number of Departures (Flights)	Passenger Transport					Cargo Transport				
			Passengers (Persons)	Market Share (%)	Revenue Passenger Kilometers (RPK)	Available Seat Kilometer (ASK)	Passenger Load Factor (%)	Tonnage (Metric Ton)	Market Share (%)	Freight Revenue Ton Kilometers (FRTK)	Freight Available Tonne Kilometers (FATK)	Freight Load Factor (%)
International		66,593	11,155,236	35.1	36,985,273,931	47,007,257,822	78.7	1,180,786	55.3	5,282,850,350	7,728,177,711	68.4
		2,292	313,219	1.0	287,528,684	371,675,970	77.4	10,950	0.5	2,831,793	8,581,191	33.0
		18,716	2,903,383	9.1	5,563,418,339	6,430,274,190	86.5	30,380	1.4	59,360,124	125,033,109	47.5
	CAL Group	87,601	14,371,838	45.2	42,836,220,954	53,809,207,982	79.6	1,222,116	57.2	5,345,042,267	7,861,792,011	68.0
Domestic		32,169	2,044,143	39.3	868,397,598	1,072,380,934	81.0	17,692	36.8	1,858,383	11,929,527	15.6
Global	CAL Group	119,770	16,415,981	44.4	43,704,618,552	54,881,588,916	79.6	1,239,808	56.8	5,346,900,650	7,873,721,538	67.9

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

3.2.2 Analysis of Operational Environment Risks and Opportunities

The aviation industry connects the global flow of both people and logistics, and its development is closely linked to global economic growth and prosperity. According to a report released by the International Air Transport Association (IATA) in December 2024, the global aviation market in 2024 is estimated to have reached 4.893 billion passengers, with industry revenue rebounding to nearly US\$1.19 trillion. Passenger volume is expected to surpass pre-pandemic levels, indicating strong recovery momentum in the aviation industry. However, the report also highlights that while the industry is experiencing recovery, it faces multiple challenges and risks, including aircraft delivery delays due to supply chain issues, an aging global fleet leading to increased maintenance costs, wage increases due to labor shortages, and rising costs in all non-fuel areas. CAL has continued to review the risks and opportunities in the business environment and regularly reviews medium and long-term business opportunities and risks. We also focus on material topics of concern to stakeholders and implement the Sustainable Development Strategy to fulfill the Sustainable Development Goals (SDGs) through real actions.

Item	2023	2024 Forecast	2024 Compared to 2023	
Production Value (US\$ trillion)	1.13	1.19	+0.067	+5.96%
Contribution to Global GDP (%)	1.1%	1.1%	+0 ppt	
Passengers (100 million persons)	44.39	48.93	+4.54	+10.23%
RPK (trillion km)	8.172	9.091	+0.919	+11.25%
Passenger Revenue (US\$100mn)	6,460	6,780	+320	+4.95%
CTK (100mn km)	2,460	2,750	+290	+11.79%
Cargo Revenue (US\$100mn)	1,390	1,490	+100	+7.19%
Fuel Expense (US\$100mn)	-2,690	-2,610	+80	-2.97%
Non-fuel Expenses (US\$100mn)	-5,780	-6,430	-650	+11.25%
Net Profit (US\$100mn)	352	315	-37	-10.51%

Source: International Air Transport Association (IATA)

Business Opportunities

Demand for International Travel Remains Robust

Global economic activity has continued to heat up post-pandemic, with a significant increase in the desire of travelers to go abroad, leading to a marked rise in demand for air passenger services. Airlines are actively responding to market demand by not only restoring existing route services but also actively opening new routes to expand their market presence. According to a report released by IATA in December 2024, the global passenger market is expected to experience strong growth in 2025, with the most significant growth occurring in the Asia-Pacific region. This region will become a key driver of global aviation industry development. The main reasons for this growth include economic development, improved living standards, and favorable demographic trends. In 2023, over one-third of trips had the Asia-Pacific as their origin or destination. It is estimated that by 2043, nearly half (46%) of trips will be to and from the Asia-Pacific. Taiwan is in a more favorable position in terms of air passenger transportation recovery, as the demand for Southeast Asia-North America transshipment has increased significantly after the pandemic, but the recovery of long-haul routes from China and Hong Kong airports has been slow, which has resulted in a spillover of connecting flights from neighboring Taoyuan Airport. As a national airline operator, CAL continues to actively plan for future market changes by expanding its passenger services. This includes a fleet renewal program to replace older aircraft with new-generation passenger planes, enhancing overall operational efficiency and aggressively seizing business opportunities.

Taking Advantage of Geographic Location as a Hub

Taiwan is strategically located as a key hub in the Asia-Pacific region, which is advantageous for developing passenger and cargo transit services. According to Taoyuan International Airport statistics, the number of transit passengers in 2024 exceeded 6.91 million. Among these, nearly 80% were passengers transiting between North America and Southeast Asia, indicating that airlines have successfully positioned themselves in the transit market. Taoyuan International Airport is gradually transforming into a major hub in East Asia. To provide enhanced services, Taoyuan Airport continues to invest resources in upgrading its software and hardware facilities to meet the needs of passengers and cargo. According to the second edition of the Taiwan Taoyuan International Airport Area Master Plan (the third edition will be approved in 2025), Taoyuan Airport is aligning with the government's "Asia-Pacific Operations Center - Air Transport Hub Plan" by planning the construction of the third terminal (2015-2026), the third runway (2025-2030), and the west satellite concourse (2028-2035). Additionally, a new aircraft maintenance area (2028-2029) and a new cargo area (2025-2034) are planned to meet future aviation traffic demands, continuously improve operational efficiency and international competitiveness, attract transit passengers, and create transshipment cargo opportunities, moving towards the goal of becoming an East Asian aviation hub airport. (Taoyuan International Airport aims to increase passenger traffic to 82 million passengers and increase cargo volume to 4.02 million tons by 2040)

New Generation of Fleet in Place to Enhance Operational Efficiency

CAL continues the fleet renewal programs to ensure sustainable development. The next-generation aircrafts offer advantages in terms of aircraft design, fuel economy, operating performance, and product acceptability, which significantly reduces the cost and support CAL's plans to attain net zero carbon emissions by 2050. By 2025, the Company plans to have a fleet of 10 Boeing 777F aircraft, gradually replacing the 747-400F freighters. The passenger aircraft replacement plan began at the end of 2021 with the introduction of the new-generation Airbus A321neo to replace the Boeing 737-800 aircraft. The Company has also ordered 18 Boeing 787-9 and 6 Boeing 787-10 aircraft to replace the A330-300 fleet. Additionally, in 2024, the Company announced the procurement of 10 Airbus A350-1000 aircraft, 10 Boeing 777-9 aircraft, and 4 Boeing 777-8F freighters. The new fleet is expected to be delivered starting in 2029, positioning the Company to embrace the new era with fuel-efficient, high-performance, and environmentally friendly aircraft.

In an effort to capture passenger business opportunities, the Company introduced a new fleet of A321neo aircraft in 2021, which featured a wide range of new hardware and software equipment, an upgraded fully lie-flat deluxe business class, the latest personal video system with the largest screen, high-speed in-flight Wi-Fi and free text messaging, among other services. The 787 aircraft to be introduced in the future are flagship new-generation products. The new fleet will feature the latest cabin seating equipment, equipped with high-definition personal in-flight entertainment systems and onboard internet, aiming to provide passengers with a superior and comfortable journey. The existing A350 fleet is already planned for cabin upgrades, expected to be operational starting in 2027, offering a consistent flight experience across the fleet with up-to-date cabin facilities. CAL won the APEX Five Star Global Airline in 2024 from the Airline Passenger Experience Association (APEX) for the 9th consecutive year. Through its global network, CAL promotes Taiwan's cultural and creative strength and lifestyle aesthetics on the international stage, and continues to optimize its services to make every flight a home away from home, and to make every journey a wonderful, reassuring, comfortable, and enjoyable experience.



Operational Challenges

Variability in the Global Economy

Challenges such as slowing economic growth, labor shortages, and geopolitical conflicts continue to affect the strength of global economic and trade growth and the performance of air transportation, and the global aviation industry needs to cope with multiple changes.

IATA estimates that in 2024, the overall passenger volume will increase by 11.2% year-on-year, reaching 4.893 billion passengers (107% of pre-pandemic levels), with passenger revenue increasing by 5.0% year-on-year to US\$678 billion. Cargo revenue is expected to increase by 7% year-on-year, reaching US\$149 billion. Looking ahead to 2025, the aviation industry will need to remain flexible in a dynamic and changing environment. In line with policy adjustments and economic trends in various countries, the aviation industry will need to proactively adjust its capacity, expand its scale of operations, refine its business and revenue management, and enhance its service quality, in order to ensure that the industry can continue to develop in a stable manner.

Labor Shortage and Delivery Delays in the Aviation Industry

Since 2023, the airline industry has continued to face the twin dilemmas of labor shortages and delays in aircraft delivery, which have had a significant impact on the overall industry. According to statistics from Oxford Economics, since the outbreak of the pandemic in 2019, the global aviation industry has lost over 23 million jobs, a 21% decrease compared to pre-pandemic levels. This highlights the severe extent of the labor shortage, which limits airlines' ability to meet travel demand. The shortage of key positions such as airport service personnel, pilots, and flight attendants has hindered operational efficiency, thereby affecting passengers' flight experience. In 2024, CAL actively recruited nearly one hundred aviation professionals and flexibly planned manpower allocation based on flight conditions and operational needs to effectively respond to changes in the travel market and lay a solid foundation for the new aircraft introduction plan. At the same time, aircraft delivery delays have further exacerbated the difficulties faced by airlines. These delays, caused by a weakened supply chain during the industry's freeze due to the pandemic or other technical challenges, have made it difficult for airlines to realize their original expansion plans. In response, CAL adopted a series of measures, including lease increases, lease extensions and deferred retirement of old aircraft, to maintain stable operations.

SAF Supply Scarce and Expensive

The IATA report indicates that to achieve the 2050 net-zero commitment, the global aviation industry in 2024 used Sustainable Aviation Fuels (SAF) at a price 3.1 times that of conventional fuel, increasing fuel costs by US\$1.7 billion. Additionally, the Carbon Offset and Reduction Scheme for International Aviation (CORSIA) estimates that in 2025, the proportion of SAF usage will rise to 0.6%, increasing fuel costs by US\$3.8 billion, with CORSIA projecting an additional cost increase of US\$1 billion. This demonstrates the growing cost pressures on the aviation industry in terms of carbon reduction. In response to this challenge, CAL follows the carbon reduction strategy goals of the International Air Transport Association (IATA) and is actively formulating a 2050 net-zero strategy and a concrete roadmap, demonstrating our proactive efforts in addressing climate change.

3.3 Risk Management

3.3.1 Risk Management Mechanisms

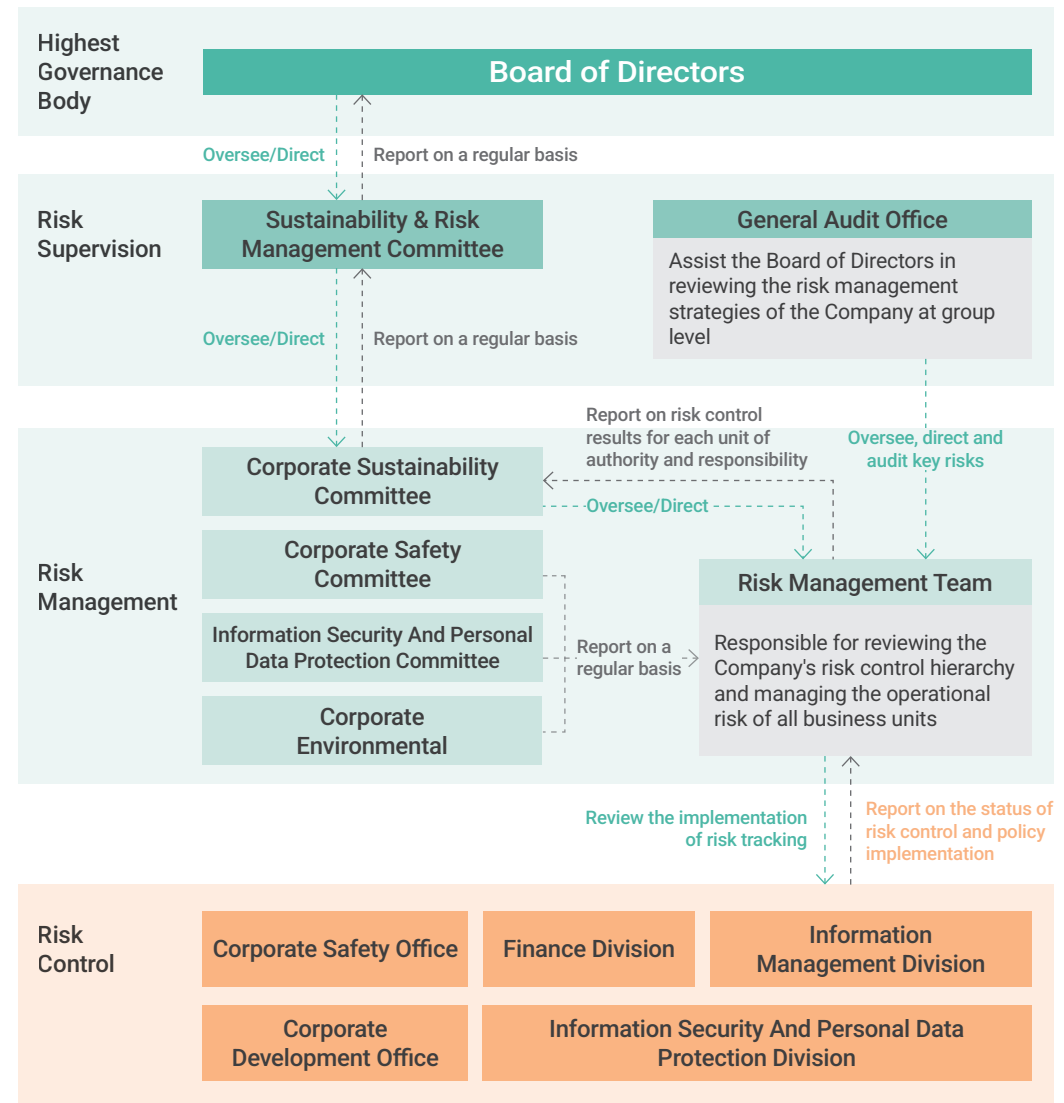
Risk Governance and Organizational Structure

CAL regularly reviews its risk management governance, structure, and processes, adopting a three lines of defense model: the first line (Operational risk ownership) manages day-to-day risks; the second line (Risk management and compliance oversight) sets standards and monitors compliance; and the third line (independent audit unit) audits and provides recommendations to ensure alignment with the Company's risk appetite and objectives. This structure clearly defines responsibilities and ensures systematic and structured risk management.

CAL has established a Sustainability & Risk Management Committee under the Board of Directors, which meets regularly. On November 8, 2024, the Board approved updated risk management policies and procedures. The Committee assists the Board in quarterly reviews of risk strategies, implementation outcomes, and response measures, and ensures responsible units manage major risks accordingly. The Auditor General, as the highest risk audit authority, supports the Board in reviewing the formulation and implementation of risk strategies, and ensures responsible units manage their assigned risks. The independent audit unit (third line of defense) closely monitors all aspects of risk management and provides advice. Major risks are audited annually based on their materiality and the effectiveness of response measures. Established in 2023, the Risk Management Team operates independently from business units. It promotes the risk management framework and conducts quarterly reviews of risk tracking progress. Designated supervisors are responsible for formulating and implementing risk response plans. The Senior Vice President of Flight Operations, as head of the Risk Management Team, serves as the chief risk officer (second line of defense), overseeing the implementation of risk management policies across all business units. Results from each operational risk owner (first line of defense) are regularly reported to the Corporate Sustainability Committee, chaired by the President.

The Board of Directors serves as the highest governing body for risk management. The Sustainability & Risk Management Committee, composed of independent and non-executive directors, directly oversees both traditional risks (e.g., safety, business, financial, information security, and personal data) and mid- to long-term strategic risks. Environmental and emerging risks are managed through the Corporate Sustainability Committee and its Risk Management Team.

CAL Risk Governance and Management Chart



Enterprise Risk Management Framework and Procedures

CAL's risk management framework is primarily based on Enterprise Risk Management (ERM) principles, with reference to ISO 31000 guidelines, to ensure the accurate identification, measurement, supervision, and control of risks. CAL adopts a multi-level structure to manage overall risks while emphasizing inter-risk correlations to reduce potential impacts and support sustainable operations. Risk management follows the principle of materiality, identifying both traditional and mid- to long-term strategic risks. CAL assesses the potential impact of risk events and formulates contingency plans through four key steps: event identification, risk analysis, risk assessment, and risk control. These are regularly reviewed at quarterly meetings of the Board's Sustainability & Risk Management Committee and the Corporate Sustainability Committee. Materiality analysis results are integrated into the risk management mechanism, ensuring that the interconnections between traditional risks, strategic risks, and sustainability issues are addressed. This process helps incorporate potential impacts on the economy, environment, and people (including human rights) into enterprise risk identification and control. In 2024, CAL identified two key sustainability risks: the aging of fleet aircraft and the leakage of confidential information. These issues are being closely monitored through defined management objectives, action plans, and mitigation measures.

Refer to Section 2.1.2 on Passenger Service / Refer to Section 2.1.6 on Privacy Management

CAL has established an effective internal control system and audit mechanism in accordance with the Regulations Governing the Establishment of Internal Control Systems by Public Companies. After each unit drafts its internal control framework, the Information Security & Personal Data Protection Division consolidates and submits it to the Board of Directors for approval and implementation. The General Audit Office then prepares detailed internal audit procedures, which are also approved by the Board and serve as the basis for conducting audits.

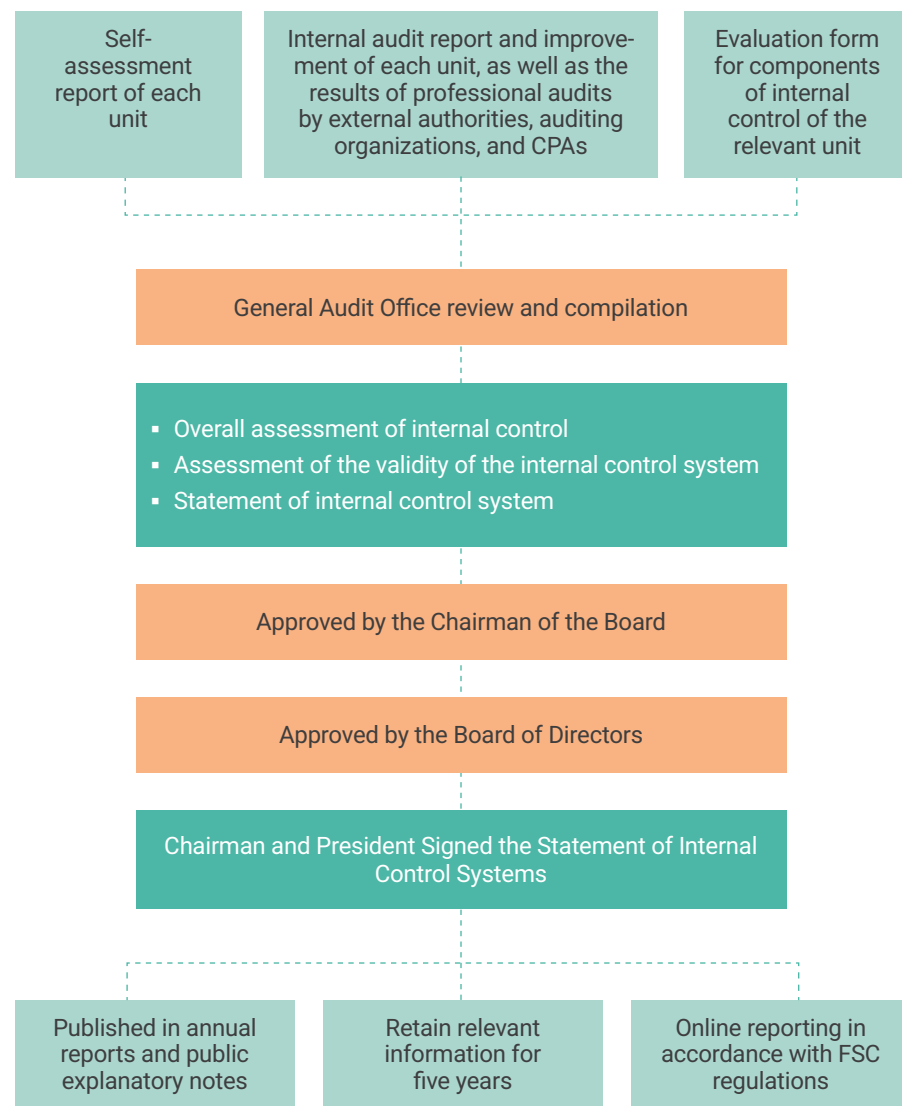
Internal audits are designed to assist the Board and management in identifying deficiencies, evaluating operational effectiveness and efficiency, and recommending timely improvements to ensure the continuous effectiveness of internal controls. The internal control system is structured around five components: control environment, risk assessment, control activities, information and communication, and monitoring.

To assess system effectiveness, an annual audit plan is developed, covering routine audits, annual audits, audits required by the Financial Supervisory Commission, special audits, Board reports, subsidiary oversight, supervisory tasks, inventory checks, internal control declarations, and the management of the official website's Auditor mailbox. All evaluations follow the Internal Audit Implementation Rules and are reported to management and the Board to drive timely improvements. This process upholds integrity management, mitigates risks to acceptable levels, and helps prevent fraud and corruption.

CAL Risk Management Model/Procedures



Internal Control System and Internal Audit Flowchart



3.3.2 Risk Identification and Countermeasures

Based on the characteristics of the aviation industry and considering the operating environment and daily operation characteristics, the impact of risk events on the Company's operation is not uniform in terms of area, degree and timing, which is both extensive and time-consuming. CAL conducts quarterly Sustainability & Risk Management Committee meetings to supervise the departments in charge of risk management policies, risk appetite level, and the progress of implementation and improvement of risk control, and conducts semi-annual risk health checks to evaluate and control the various financial risks by means of standardized methods. Financial risks are assessed in a standardized manner and introduced into the sensitivity analysis and stress testing mechanism. Every three to five years, we regularly collect industry information such as "internal and external forecasts on market trends and competitor dynamics" and conduct SWOT analyses to identify the sources of risks faced by the enterprise's operations, which are categorized into mid-term/long-term strategic risks and short-term traditional risks, and are monitored and controlled through the existing "Business Strategy Management" and the "Annual Business Plan/Operational Risk Management" mechanisms.

2024 Financial Risk Assessment, Sensitivity Analysis, and Stress Test Operations

CAL has established the "AC-031 Financial Risk Management Procedures" and conducts a review and assessment of financial risk levels and stress tests every six months to effectively manage risks. The key highlights of the related operations for 2024 are as follows:

- Financial risks were identified and categorized in accordance with "AC-031 Financial Risk Control Practice", and corresponding measures were formulated.
- The primary and secondary indicators of financial risk were assessed to be "very low."
- Sensitivity analysis and stress testing: Financial risk could be effectively managed in a conservative scenario.
- The Company's financial risks are all at the very low-risk level. In the future, CAL will dynamically adjust its short-, medium-, and long-term financial planning and hedging positions in response to the needs of its operational development and changes in the fund-raising market environment in order to continue to manage its financial risks.

CAL's Risk Management Operations in 2024

The Sustainability & Risk Management Committee reports quarterly to the Board of Directors on risk management operations. The following summarizes the Company's key risk exposures identified in 2024—based on likelihood and impact—and the corresponding mitigation measures taken.

- Risks were identified and categorized in accordance with the "Risk Management Procedures" and corresponding measures were formulated.
- In 2024, no items remained classified as high risk. Although aviation and aerospace supply chain challenges were initially assessed as high risk, the implementation of mitigation measures—including aircraft lease extensions, additional leases, and the introduction of new aircraft—effectively reduced the risk level to medium.
- Four Emerging Risks and Countermeasures
 - ① **Economic slowdown:** In accordance with market and industry trends, we reviewed and adjusted our passenger and cargo pricing strategies on a rolling basis.
 - ② **Geopolitical disputes:** Shipping routes were adjusted prudently based on developments in global conflicts and the geopolitical landscape.
 - ③ **Stabilization of passenger and cargo markets:** CAL resumed and increased flight frequencies in line with demand, maintained a high-fare strategy to optimize revenue, and closely monitored trans-Pacific cargo market dynamics to adjust capacity flexibly.
 - ④ **Aviation and Aerospace Supply Chain Challenges:** In light of continued delivery delays, CAL maintains passenger aircraft capacity through lease extensions, additional leases, and new introductions, while simultaneously integrating passenger and cargo aircraft capacity and optimizing capacity utilization.

CAL has established an emerging risk identification process, completed a risk matrix for emerging risks, regularly conducted risk assessment and develop countermeasures to mitigate the impact of emerging risks in the aviation industry.

Risk Management Analysis



Traditional Risks

Traditional risks refer to short-term risk incidents that have an impact on business operations for less than one year and can be solved in a short period of time. Traditional risks are divided into safety, operational, financial, personal information, and information security, and are managed with the goals of mitigating risks, strengthening resilience to crises, protecting stakeholders’ interests, and enhancing corporate sustainability.

1. Safety and Security Risk Management

Safety is the cornerstone of aviation. CAL upholds rigorous flight safety standards through its Safety Management System (SMS) and risk management procedures. The Corporate Safety Office regularly assesses internal and external risks across flight operations, maintenance, cabin services, and ground handling, implementing corrective actions as needed. [Refer to 2.1 Trust](#)

2. Business Operational Risk Management

The aviation industry operates in a rapidly changing environment, with significant political, economic, and other internal and external events greatly impacting CAL's operations. The Corporate Development Office analyzes potential events that may affect the Company's operations and proposes specific response plans to mitigate the impact on our strategic execution direction and annual business plan. For instance, when CAL undertakes the preparation for deploying a new terminal, relevant departments must adhere to operational procedures, conduct risk assessments, and incorporate risk standards into the development of products and services to ensure that new terminal operations comply with civil aviation regulations and Company standards. [Refer to 3.2.2 Analysis of Risks and Opportunities in the Business Environment](#)

3. Financial Risk Management

An unexpected turn of events in the economic and financial world, both at home and abroad, can affect a company's operating results. In particular, interest rates, exchange rates, inflation, and fuel represent the principal costs for airlines; these costs are very sensitive to trends in the international economy and can become quite volatile. Therefore, the Finance Division employs financial hedging instruments to confine the major costs listed above to preset limits and to monitor financial risks on a regular basis. The Division is also responsible for developing relevant strategies and measures to fulfill the objectives of finance-related risk management.

➤ Refer to 3.2.2 Analysis of Risks and Opportunities in the Business Environment

4. Information Security and Personal Data Risk Management

CAL's Information Security & Personal Data Protection Division is a dedicated management unit for information security and personal information protection. It is headed by the Data Protection Officer (DPO) and the Chief Information Security Officer (CISO), who are in charge of the promotion of information security policies and resource allocation, and who lead the independent information security and personal information teams to adopt management measures that meet the international standards in order to implement information security and personal information protection. In order to strengthen the information security framework planning and management system, we continue to improve the multi-level defense depth, staff education and training, social engineering drills, and emergency response drills, to enhance the awareness of employees on information security, and to establish compliance with laws, regulations, and international information security standards to reduce the overall risk of information security.

➤ Refer to 2.1.5 Information Security Management

In order to identify the risks associated with the handling of personal information, CAL has established operating procedures to appropriately categorize and regularly review various personal information files as the basis for planning a risk control mechanism. In addition, CAL has established the "Personal Data Breach Response Management Procedures" for personal information incidents, which provides a contingency plan for incidents in which the rights of the subject are damaged due to the inappropriate access to, or disclosure of, or unauthorized use of, personal information. Contingency drills are held annually to ensure the validity of the contingency mechanism and to familiarize all personnel with the contingency procedures.

➤ Refer to 2.1.6 Privacy Management

Mid-term/Long-term Strategic Risks

Mid-term/long-term strategic risks refer to risk incidents that have a strategic or structural impact on business operations for more than one year, and which cannot be solved in a short period of time. CAL reviews and analyzes its market position and collects industry information, such as internal and external forecasts on market trends and competitor dynamics, every three to five years, then conducts SWOT analysis, and accordingly develops the company vision, mission, and mid-term/long-term strategies.

1. Environmental Risk Management

CAL recognizes the critical impact of climate issues on aviation. Beyond supporting ICAO, IATA, and Civil Aviation Administration initiatives for voluntary carbon reduction with three major milestones, we established a TCFD inter-unit working group in 2019 and manage climate risks and opportunities through our Corporate Sustainability and Environmental Committees. In 2022, we published the "Forest and Biodiversity Conservation Commitment," signed by leadership. In 2023, we adopted tools like the Biodiversity Risk Analysis Tool, TNFD, Natural Capital Protocol, and Science-Based Targets to assess and manage biodiversity impacts and risks across our operations and supply chain, setting additional biodiversity conservation goals. In 2024, we further integrated natural and climate issues into TCFD reporting, submitting key results annually to the Board for proactive risk management, carbon practices, and climate resilience.

➤ Refer to 2.3.2 Climate Change Mitigation and Adaptation

2. Emerging Risk Management

Emerging risks are those not yet fully realized or widely recognized, characterized by high uncertainty and evolving due to technological, regulatory, social, or environmental changes. These risks can significantly impact CAL's operations, finances, or reputation. Although not fully manifested, their potential effects may already be present and long-term. Therefore, CAL must regularly assess, monitor, and address emerging risks to avoid threats to operations and safety. Key characteristics of emerging risks are: (1) the risk is new, emerging, (2) The potential impact of the risk is long-term and may be unknown, possibly already affecting CAL, (3) potential to cause significant impact that could severely disrupt operations, (4) external origin, arising from outside the Company, (5) specific to CAL, not uniformly affecting the entire industry, (6) require public disclosure.

The World Economic Forum (WEF) publishes the Global Risks Report every January, outlining key global risks across five categories: economic, environmental, geopolitical, societal, and technological. In response to the rapid advancement of emerging technologies—such as misleading results caused by AI hallucinations—and growing protectionism and trade tensions driven by new government policies (including sanctions, tariffs, and investment reviews), the potential impact on businesses is rising. CAL has incorporated these identified emerging risks into its group-wide risk management framework, conducting regular reviews and establishing appropriate countermeasures.

Emerging Risk Management Mechanisms

Risk Identification	Analysis and Evaluation	Risk Management	Risk Report
<p>Identify potential risks that may impact the organization's objectives, which are the responsibility of the operational risk ownership (first line of defense).</p> <p>Identify emerging or previously unaddressed risks that are growing in significance but lack sufficient knowledge or preparedness.</p>	<p>Assess the likelihood and impact of risks, and determine their priority, to be monitored and evaluated by Risk Management and Compliance Oversight (the second line of defense).</p> <p>The potential impact of risk analysis is significant and could severely affect the operations of CAL. The risk is classified as external, caused by events outside the Company. The assessment of the risk's impact is specific to CAL, rather than applicable to the entire industry.</p>	<p>Develop and implement strategies to reduce or eliminate the impact of risks. This process is executed by the operational risk ownership (first line of defense) and supervised by risk management and compliance oversight (second line of defense).</p>	<p>Regularly report on risk management activities and results, and disclose them publicly to ensure transparency and continuous improvement. This process is overseen by an independent audit unit (the third line of defense) and is supervised by the Corporate Sustainability Committee - Risk Management Group for medium- and long-term strategic risks.</p>

Emerging Risk Management Mechanisms

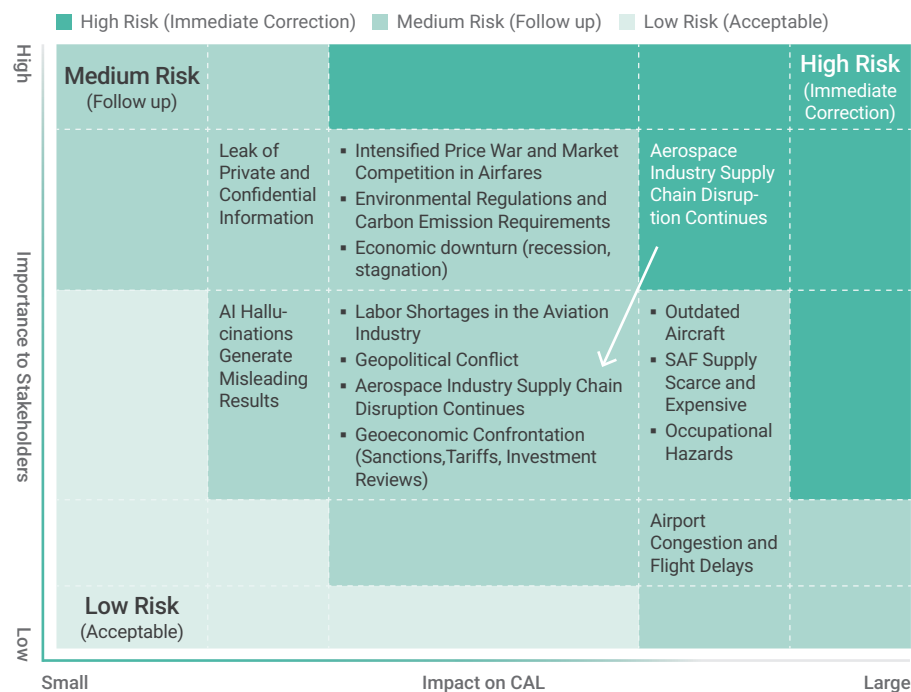
Name of the emerging risk	Description	Impact	Mitigating actions
Economic Geoeconomic Confrontation (Sanctions, Tariffs, Investment Reviews)	<ul style="list-style-type: none"> The escalation of protectionism due to tariffs may lead to a decline in global trade, accelerating a broader decoupling between the United States and China and their respective allies. The expansion of global geo-economic fragmentation will impact all economies. The risks began to gradually manifest after Trump took office, and their significance is notably increasing. Ultimately, emerging markets may be the most severely affected. While signs of risks have already emerged since Donald Trump's second inauguration, the overall impact has not yet truly materialized, leaving us facing unprecedented potential threats. As such risks have not been effectively addressed in the past, many countries are still exhibiting inadequacies in their response and management, particularly in emerging markets. If faced with such impacts in the future, the consequences may be even more profound and harder to predict. 	<ul style="list-style-type: none"> Taiwan is an export-oriented economy and is highly sensitive to changes in the global economy. High inflation, tightened monetary policies, decline in end-user demand, inventory adjustments in the industry chain, reduced demand, and an influx of belly capacity in passenger aircrafts on the market may result in a decline in cargo volume and prices. If geoeconomic confrontation leads to an economic slowdown, both business and leisure travel demand may decrease, potentially impacting air passenger transport demand. 	<ul style="list-style-type: none"> Monitor changes in the supply chain and seize opportunities for overseas factory setups, personnel, and logistics. CAL added cargo flights to Europe and the Americas and pursued business opportunities for high-price charter flights and medium to long-term customized services to expand competitive advantages and consolidate Taiwan's position as a hub. CAL expanded potential destinations in Southeast Asia for passenger services and added routes to Southeast Asia that connect to Europe and the Americas to target passengers on transfer flights. Maintain operational flexibility and continue strategic planning in line with the next phase of supply chain shifts. Utilize existing freighters in conjunction with passenger aircraft belly capacity to build an efficient cargo and passenger network as supply chains become increasingly fragmented.
Technology AI Hallucinations Generate Misleading Results	<p>As artificial intelligence has continued to develop rapidly, it has been accompanied by the rise of the phenomenon of "AI hallucination." AI systems, in the absence of real data support, may generate fictitious or erroneous information on their own, potentially providing responses that seem reasonable, but are actually incorrect. This has profound implications for digital data management and decision-making processes, impacting the online ecosystem. For example, the generation of false information or</p>	<ul style="list-style-type: none"> Airline Website or Mobile App Vulnerability: As AI technology continues to develop, airline websites and mobile apps are an increasingly important way for customers to book tickets and manage flights. If these systems have vulnerabilities or security weaknesses, it could lead to customers receiving incorrect flight information or cause panic and disrupt normal operations due to false emergency notifications, resulting in a crisis of confidence for CAL. 	<ul style="list-style-type: none"> CAL focuses on the advanced strengthening of information security framework planning and management system, and continue to refine the multi-level defense depth, staff education and training, social engineering drills and emergency response drills to enhance the information security awareness of our employees. Combine AI technology with human oversight to ensure the system's safety and reliability.

Technology	AI Hallucinations Generate Misleading Results	misleading content through automation may impact social stability and public trust. Furthermore, while the application of AI to the Internet of Things (IoT) has made data processing and transmission more efficient, it has also introduced new challenges in digital management. Balancing innovative development with data privacy protection has become an even more vital issue. As technology continues to evolve, the significance of these challenges will only grow.	<ul style="list-style-type: none"> ▪ Generation of misleading information by AI customer service: Directly impacts customer experience and brand trust. For example, during itinerary changes, ticket inquiries, or delay notifications, incorrect information may prevent passengers from receiving timely and accurate guidance, leading to unnecessary inconvenience and customer complaints. Furthermore, if the smart customer service system is unable to accurately identify complex customer needs, it may trigger a chain reaction of information errors, further increasing the costs and risks associated with subsequent manual handling. 	<ul style="list-style-type: none"> ▪ Establish an effective information verification mechanism to quickly verify information on the internet and media, promptly clarifying any false information to prevent damage to CAL's brand image and impact on business operations. ▪ Disseminate accurate information through official channels to remind stakeholders to be cautious of phishing websites and phishing emails, and to avoid clicking on links or opening attachments from unknown sources.

Risk Identification Results

Following the risk management process and conducting a risk assessment, CAL has identified "protectionism and trade risks (sanctions, tariffs, investment reviews) sparked by new leadership policy" and "continued aerospace industry supply chain disruptions" as high-risk items for 2024. The responsible departments have implemented corresponding countermeasures, reducing the risk level to a tolerable moderate risk. The Corporate Sustainability Committee will continue to monitor these risks.

➤ see 3.3.2 Risk Identification and Countermeasures



3.4 Compliance with Laws and Regulations

GRI 2-23.2-24.2-25.2-27.205-2.206-1

Internal Regulations and Code of Conduct

Regulatory compliance and integrity are the foundation of CAL's business. CAL builds its integrity culture and values through internal codes and conduct guidelines. The Board, all employees, and business partners follow these codes and complete related training. CAL has established comprehensive governance policies, which has been approved by the Board of Directors, including the Code of Corporate Governance, the Board Directors Code of Ethical Conduct, Executive Code of Ethical Conduct, the Procedure for Handling Material Inside Information, the Ethical Corporate Management Best Practice Principles, and the Procedures for Ethical Management and Guidelines for Conduct.

CAL strictly complies with laws and adheres to six key principles: protecting shareholder rights, strengthening Board functions, following Board procedures (including conflict of interest avoidance), respecting stakeholder rights, and enhancing transparency. In accordance with Article 9 of CAL's internal "Procedures and Guidelines for Ethical Management," CAL upholds political neutrality and has never made political donations.

To ensure directors and employees uphold integrity and anti-corruption standards, CAL implemented the Board's Code of Ethical Conduct along with anti-corruption and anti-bribery training starting in 2021 (see 2021 sustainability report 3.3 regulatory compliance) and promoted it to new directors. Since 2017, CAL launched a three-year employee awareness program, updated the Group Code of Conduct (including anti-bribery, anti-corruption, and the use of reporting channels, etc.), and completed related training by 2020, with ongoing training for new hires. Training details since 2017 are disclosed in the Legal Compliance section of each year's Sustainability Report. In 2024, 685 new employees completed training with a 100% completion rate (Notes 1, 2). Employees who violate the China Airlines Group Code of Conduct will be subject to disciplinary action in accordance with relevant regulations, with impacts on performance evaluation, bonuses, and salary adjustments as applicable. In 2024, no

incidents of corruption, bribery, privacy breaches, conflicts of interest, money laundering, or insider trading were reported.

Since 2018, CAL has promoted the Code of Conduct to affiliates, conducting ESG and sustainability training in 2020 and 2023 with 5,140 and 7,829 participants respectively, meeting its 2025 goal of providing over two ESG trainings to affiliates. In 2023, CAL shared updates on AI applications in information security and personal data regulations, and in 2024, CAL provided IPO compliance guidance to support affiliates' business operations, with ongoing promotion and training. Supplier compliance is also a priority, with 100% of contracted suppliers in 2024 required to sign and implement the Supplier Code of Conduct, which includes legal compliance and anti-corruption measures.

Note 1: Trainees include separated employees.

Note 2: Only applicable to CAL.

Antitrust

In recent years, CAL has continuously strengthened the promotion of compliance with the Fair Trade Act and antitrust regulations. By using major international antitrust cases as examples, CAL reminds management and all sales personnel to remain vigilant. Since 2013, frontline sales unit supervisors have been required to complete an Antitrust Audit Checklist, which is included as an item for random checks by the audit department. In 2020, CAL held an in-person educational training on "Compliance with the Fair Trade Act," inviting officials from the Fair Trade Commission to present the concepts of compliance with the Fair Trade Act to colleagues at the headquarters, branches, and affiliated companies. Additionally, since 2021, we have conducted E-learning on antitrust compliance for personnel of the passenger units; for personnel of the cargo units, the Cargo Division instructed all stations across all lines to promote the idea of not negotiating with or inappropriately collaborating with competitors to avoid the risk of breaking the law. In 2022, Stellex Law Firm was appointed to produce antitrust compliance training materials and organized in-person and online training for all passenger and cargo service employees of the Company (including outstations). We uploaded the Antitrust Audit Checklist for trainees to fill out for future reference. In 2023, during the business conference in the Americas, CAL conducted an antitrust compliance course, taught in person by local professional lawyers to station managers. Similarly, at the beginning of 2024, a course was held during the business conference in Europe, completing antitrust compliance education and training for station managers in the two major operational regions.

In accordance with quality documentation standards, CAL's Passenger Sales & Marketing Division is required to conduct an annual Antitrust Compliance Training course. This mandatory course must be completed by relevant personnel from all branch offices and the headquarters' business units. The training aims to regularly establish and reinforce antitrust compliance awareness among business colleagues. From 2021 to 2024, CAL had no antitrust violations or penalties.

List of Standards Documents

Item	Regulating Object(s)	Purpose
Code of Corporate Governance	CAL and its subsidiaries	To establish a sound corporate governance system and an effective corporate governance framework
Ethical Corporate Management Best Practice Principles	Directors, managers, employees, and appointees of CAL and those having substantial control	To strengthen CAL's corporate culture that values business integrity and to improve the business environment for sustainable development
Procedures for Ethical Management and Guidelines for Conduct	Directors, managers, employees, and appointees of CAL and its subsidiary companies and organizations and those having substantial control	To implement the policy of business integrity, to actively prevent fraudulent conduct, and to regulate matters that should be taken care of by employees when performing business
China Airlines Ltd. Procedure for Handling Material Inside Information	Directors, managers, and employees of CAL and those knowing CAL's material inside information due to their identity, occupation or control	To avoid improper disclosure of information and to ensure the consistency and correctness of information published by CAL
Board Directors Code of Ethical Conduct	All directors	To regulate the ethics and conduct of directors when performing their duties in pursuit of CAL's maximum benefits and sustainable development
Executive Code of Ethical Conduct	CAL's representative (Chairman) and managers (including President, Senior Vice President and equivalents, head of Finance Division, head of Accounting Division, and officers managing affairs and having the right to sign on behalf of the Company)	To guide executives to follow the ethics and conduct and to help stakeholders better understand the Company's code of ethics
Employee Code of Conduct	All employees	To guide employees to follow the codes of conduct covering anti-corruption in the workplace
CAL Code of Conduct	Employees and suppliers of the Company and its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company	To guide the CAL Group to follow related laws and regulations and shape a corporate culture that creates sustainable value for stakeholders
Supplier Code of Conduct	All suppliers and contractors	To achieve the goal of sustainable supply chain management, so as to increase the sustainability of a large number of suppliers