03 Corporate Governance

Highlights

Selected for the FTSE4Good Index Series for the 10th consecutive year

CAL has been included in the FTSE4Good Index Series for ten consecutive years and has also been selected as a constituent of the Taiwan ESG Index seven times.

9th time included in the S&P Global Sustainability Yearbook

CAL achieved the highest CSA score among global airlines in 2025. In 2026, it was selected for the Sustainability Yearbook for the ninth time and received Top 1% recognition for the second time, making it the only airline in Taiwan to achieve this distinction.

4th time selected for the MSCI Index

Since 2022, CAL has been selected as a constituent of the MSCI Global Standard Index for the fourth time.

2nd time receiving the Taiwan Top 10 Sustainability Model Enterprises Award

In 2025, CAL received the TAISE “Taiwan Top 10 Sustainability Model Enterprises Award” for the second time. It has also received the Taiwan Corporate Sustainability Awards for 12 consecutive years, the Global Corporate Sustainability Award – Sustainability Reporting for seven consecutive years, and the Best Sustainability Report (Service Industry) award for four consecutive years.

2nd time awarded Gold in the ESG Transportation Sustainability Award

With a well-established ESG governance framework and concrete sustainability practices, CAL has been awarded the ESG Transportation Sustainability Award – Gold for two consecutive terms and is the only recipient recognized for “Innovation Advancement.”

Long-term credit rating maintained at “twA-”

Benefiting from the continued recovery in passenger market demand and the robust growth of the AI industry driving strong cargo performance, CAL’s operational results have been outstanding. This is expected to continue supporting overall operating cash flow and enhancing profitability. Taiwan Ratings announced in October 2025 that CAL’s long-term credit rating remains at “twA-,” the short-term credit rating at “twA-2,” with a stable outlook.

Top 6%–20% in Corporate Governance Evaluation

CAL was ranked among the top 6%–20% of companies in the 12th Corporate Governance Evaluation.

3.1 Governance Framework

GRI 2-9, 2-10, 2-11, 2-15, 2-17, 2-19, 2-20

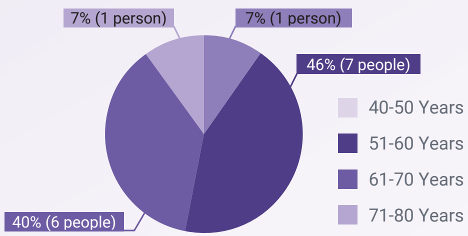
Board of Directors

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.

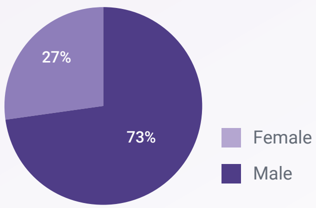
1.Director Nomination and Selection

The composition of the Board of Directors is diverse. According to Article 198-1 of the Company 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. The Company 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 four female directors, comprising 27% 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 of Board Members



Shareholders with at least 5% of CAL's shares as of March 2026 are listed below:

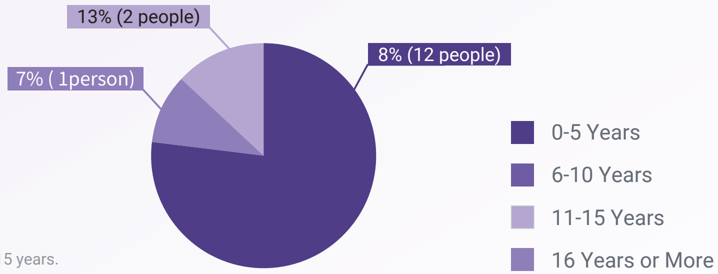
Major Shareholders	Contributions to Taiwan	Percentage of Shares Held
China Aviation Development Foundation	Striving for the development of Taiwan's aviation business, national traffic construction, research, and event promotion	30.52%
National Development Fund, Executive Yuan	Accelerating industrial innovation, economic transformation, and national development	8.50%

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 5.5 years.

Term of Office for Directors



Note: 0% for 11 to 15 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. For detailed information on concurrent positions, please refer to the CAL 2025 Annual Report, pages 19-21. To ensure the effective implementation of directors' independence, CAL also conducts assessments of directors' external independence. The target for directors meeting external independence criteria is set at 80% of total seats. In 2026, the proportion of directors meeting external independence reached 100%, exceeding the target.

CAL deficiencies identified by regulators at home and abroad and in internal/external audit reports and their corresponding improvements, and major issues concerning operation and business were reported to the Board of Directors for timely responses. Additionally, CAL has established clear regulations on the avoidance of conflicts of interests for directors who shall uphold a high level of discipline. When the resolutions listed by the Board of Directors have an interest in themselves or the legal person they represent, they shall explain the important content of their interest in the current board meeting, and withdraw from the discussion and voting, and do not exercise voting rights on behalf of other directors. The Board of Directors convenes meetings as needed for business purposes, with at least one meeting held each quarter. According to the Company's "Rules for Board Meetings," a quorum of more than half of the directors must be present to declare the meeting open For details on the key resolutions of the Board of Directors, please refer to pages 95–98 of the 2025 Annual Report.

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 to pages 22-24 of the 2025 CAL Annual Report. CAL organizes annual continuing education courses for its board members based on the company's characteristics and industry requirements. The topics cover corporate governance, ethical management and corporate social responsibility, risk management, corporate sustainability, and information security. In 2025, each director completed a total of 6 hours of continuing education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies," consisting of a 3-hour course on "Current Global Economic Conditions and the Effects of Trump's New Policies" and a 3-hour course on "Sustainable Risk Management and Disclosure Development Trends (Including Anti-Corruption)."

✓ indicates the director has the capability ○ indicates the director has some capability

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

- The director must not have been employed by the company in an executive capacity within the last year.
- 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.
- 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".
- 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.
- The director must not be affiliated with a significant customer or supplier of the company.
- The director must have no personal services contract(s) with the company or a member of the company's senior management.
- The director must not be affiliated with a not-for-profit entity that receives significant contributions from the company.
- The director must not have been a partner or employee of the company's outside auditor during the past year.
- The director must not have any other conflict of interest that the board itself determines to mean they cannot be considered independent.

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: Classification is based on the Global Industry Classification Standard (GICS) Level 1. For the educational background and concurrent positions held by board members, please refer to CAL's 2025 Annual Report, p. 12-17.

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.

The members of the Sustainability & Risk Management Committee possess diverse and complementary professional backgrounds and practical experience, enabling the Board of Directors to effectively oversee and make decisions regarding sustainability and climate-related risks and opportunities. Independent Directors Hwang Yih-Ray, Lin Yu-fen, and Lin Kuo-chang possess expertise in financial accounting and legal matters, as well as practical experience in sustainability management and corporate governance and management; from the perspectives of governance, legal compliance, and risk control, they are able to assist in assessing the impact of sustainability and climate issue on the company's operations and finances. Director Ting Kwang-Hung and Director Chen Chih-yuan possess abilities in commercial judgment, leadership and decision-making, business management, crisis handling, sustainability management, and international market insight; from the perspective of business strategy and industry practice, they are able to evaluate the impact of sustainability- and climate-related risks and opportunities on the company's long term development and competitiveness. Through the integration of the aforementioned professional expertise, the committee is able to comprehensively oversee CAL's governance and response measures related to sustainability and climate issues.

Functional Committees

	Audit Committee	Remuneration Committee	Sustainability & Risk Management Committee
Members	Huang,Hsieh-Hsing, Independent Director Lin, Kuo-Chang, Indepedent Director Chang Hsieh, Gen-Sen, Independent Director Hwang Yih-Ray, Independent Director Lin, Yu-Fen, Independent Director	Hsieh-Hsing Huang, Convener (Independent Director) Chang Hsieh, Gen-Sen, Independent Director Ho Chun-Hui, Member	Hwang, Yih-Ray, Independent Director Lin, Kuo-Chang, Indepedent Director Lin, Yu-Fen, Independent Director Ting, Kwang-Hung, Director Chen, Chih-Yuan, Director
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 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.
Nomination and Selection Procedures	The entire body of independent directors shall be composed of no fewer than three members, with at least one member possessing accounting or financial expertise. The appointment shall be finalized by resolution of the Board of Directors.	The members of the Committee shall be appointed by resolution of the Board of Directors, and the number of members shall be three to five. More than half of the members shall be Independent Directors, and one of them shall serve as convener. The remaining members are served by Independent Directors or external professionals with qualifications set forth in Article 5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" and meet the independence requirements set forth in Article 6.	More than half of the members must be independent directors. Three independent directors are recommended to serve, while the remaining two committee members are appointed from among directors with extensive financial management experience. The final appointments are approved by the Board of Directors.

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 CAL's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration of the Chairman in accordance with CAL's regulations for the remuneration for managerial officers based on the Chairman's participation in the operations of CAL. 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

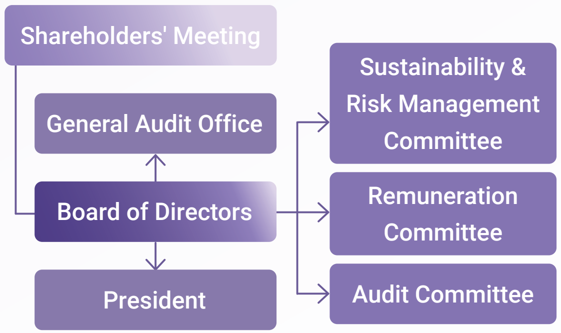
To enforce corporate sustainability, the General Audit Office is responsible for auditing the corporate governance system to prevent fraudulent activities and corruption. The results of audits are continually followed and required to be corrected by the given time limit. The audited cases in 2025 are summarized below by category. All of the cases have been reported to the General Audit Office.

Audited Cases in 2025

Type of Cases	Number of Cases Audited	Number of Comments	Number of Corrections
Head Office	15	92	92
Branch	37	208	208
Subsidiary	10	70	70
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	None, full compliance with regulations	-
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	-
Sustainability Information Management Procedures	1	3	3

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 Achievements

In 2025, the global economy remained resilient amid volatility. Although the United States' Reciprocal Tariff policies introduced uncertainty to the trade environment, the easing of global inflation and the shift toward accommodative monetary policies by major economies effectively boosted domestic consumption and intercontinental travel demand in advanced economies. CAL monitors market trends and expands long-haul services to Europe and the United States, catering to both business and leisure travel demand, thereby maintaining high passenger load factors and revenue performance. In the cargo sector, the innovative application and development of AI servers and high-performance computing products have driven demand for the transportation of high-value electronic components. Additionally, companies' advance stocking in response to tariff changes has further boosted export momentum in cargo transport. CAL has leveraged a dual passenger and cargo strategy to transform challenges into growth momentum during a critical period of global economic and trade changes, achieving dual growth in both passenger and cargo operations. In addition, CAL continues to implement its fleet renewal program by introducing new aircraft such as the A321neo and 777F, and has ordered 18 Boeing 787-9 passenger aircraft, 6 Boeing 787-10 passenger aircraft, 10 Airbus A350-1000 passenger aircraft, 10 Boeing 777-9 passenger aircraft, and 4 Boeing 777-8F freighters. CAL plans to gradually retire its 737-800, A330-300 passenger aircraft, and 747-400F freighters. In 2025, CAL converted options for 5 A350-1000s, 5 777-9s, and 4 777-8Fs into firm orders. These aircraft will be deployed on long-haul passenger and cargo routes to North America and Europe. Through fleet optimization and renewal, CAL flexibly adjusts passenger and cargo flight operations and strategically arranges the overall network to offer more competitive products and services that meet passenger needs, actively capturing passenger and cargo business opportunities.

Consolidated Financial Data

In 2025, CAL's consolidated operating revenue totaled TWD209.139 billion, comprising passenger revenue of TWD124.908 billion, cargo revenue of TWD66.831 billion, and other revenue of TWD17.400 billion. Consolidated operating profit reached TWD20.836 billion, consolidated Pretax profit was TWD20.059 billion, and net income attributable to Shareholders of the Parent company after tax amounted to TWD14.700 billion. Refer to ESG appendix - Financial Performance

Operational Achievements

(Unit: TWD100 million)

Item	2021	2022	2023	2024	2025
Passenger Revenue	60.64	254.81	1,157.23	1,279.19	1,249.08
Cargo Revenue	1,245.41	1,162.5	571.46	607.12	668.31
Other Revenue	82.36	89.91	119.48	152.48	174.00
Consolidated Operating Revenue	1,388.41	1,507.22	1,848.17	2,038.79	2,091.39
Consolidated Pretax Profit	111.27	26.61	93.05	192.76	200.59

Parent Company-Only Financial Data

(Unit: TWD100 million)

Item	2021	2022	2023	2024	2025
Operating revenue	1,321.4	1,410.7	1,616.76	1,751.82	1,789.54
Operating Cost	1,062.3	1,280.89	1,440.4	1,498.99	1,506.38
Operating Expense	65.9	70.63	110.41	125.03	128.52
Income Tax Expense (Benefit)	25.94	10.29	12.37	27.04	28.39
Total Salary Expenses	161.88	144.94	168.37	213.73	221.10
Total Employee Benefits	225.96	204.65	244.58	304.98	310.20
Total Pension	15.27	14.66	14.76	15.39	14.22

2025 CAL Group Passenger and Cargo Operations Performance

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(FATK)	Freight Available Tonne Kilometers(FATK)	Freight Load Factor (%)
International		68,884	11,419,585	34.31	37,062,786,539	47,242,956,331	78.45	1,266,861	54.37	5,669,980,574	8,462,118,015	67.00
		2,266	334,159	1.00	281,597,555	357,601,290	78.75	10,132	0.43	2,396,352	8,302,281	28.86
		19,790	3,108,756	9.34	5,922,093,794	6,802,087,761	87.06	33,431	1.43	64,641,036	132,262,818	48.87
	CAL Group	**90,940**	**14,862,500**	**44.66**	**43,266,477,888**	**54,402,645,382**	**79.53**	**1,310,424**	**56.24**	**5,737,017,962**	**8,602,683,114**	**66.69**
Domestic		33,245	2,102,743	39.85	892,734,884	1,092,361,402	81.73	19,019	37.32	2,100,781	13,869,789	15.15
Global	**CAL Group**	**124,185**	**16,965,243**	**44.00**	**44,159,212,772**	**55,495,006,784**	**79.57**	**1,329,443**	**55.83**	**5,739,118,743**	**8,616,552,903**	**66.61**

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 Risks and Opportunities in the Business Environment

According to the International Air Transport Association (IATA) report of December 2025, the global aviation market is projected to carry 4.982 billion passengers, representing a 4.36% year-over-year increase. In the long term, the revenue passenger kilometers (RPK) has consistently outpaced overall economic performance, averaging approximately 2.3 times the global GDP growth rate. However, from 2024 to 2026, this trend has slowed, with growth declining to about 1.5 times the GDP growth rate. This phenomenon is primarily attributed to ongoing capacity constraints caused by supply chain issues, including aircraft delivery delays, maintenance backlogs, and labor shortages, which limit airlines' ability to expand operations in response to demand. At the same time, airlines face risks related to decarbonization transitions, limited sustainable aviation fuel (SAF) supply, tightening environmental regulations, and increasing capital expenditure pressures, all of which pose long-term challenges to overall operational resilience and cost structures. 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.

Global Airline Industry	2024	2025 Forecast	2025 Compared to 2024	
Passengers (100 million persons)	47.74	49.82	2.08	4.36%
RPK (trillion km)	9.039	9.505	0.466	5.16%
Passenger Revenue (US$100mn)	6,870	7,160	290	4.22%
CTK (100mn km)	2,738	2,823	85	3.10%
Cargo Revenue (US$100mn)	1,510	1,550	40	2.65%
Fuel Expense (US$100mn)	-2,610	-2,530	80	-3.07%
Non-fuel Expenses (US$100mn)	-6,450	-6,890	-440	6.82%
Net Profit (US$100mn)	283	395	112	39.58%

Source: International Air Transport Association (IATA)

Business Opportunities

Demand for International Travel Remains Robust

As global economic activity continues to thrive, the public's willingness to travel has transformed into sustained long-term consumer behavior, driving a significant increase in air passenger demand. Airlines worldwide actively optimize their global route networks. In addition to strengthening operations on existing core routes, they strategically develop new destinations to comprehensively expand their market presence. According to the latest analysis by the International Air Transport Association (IATA), the global passenger market demonstrated strong growth momentum in 2025, with the Asia-Pacific region serving as the key driver of the global aviation industry's development. Taiwan is in a relatively advantageous position in the recovery of air passenger traffic. Transit demand between Southeast Asia and North America has surged significantly; however, the slow recovery of long-haul routes at airports in China and Hong Kong has resulted in spillover benefits of transit passenger flow to the nearby 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 transfer services. According to statistics from Taoyuan Airport, the number of transfer passengers in 2025 reached approximately 6.69 million, representing a 25.8% increase compared to 2019. This demonstrates the successful efforts of airlines in actively expanding the transfer market, with Taoyuan Airport gradually becoming 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, Taoyuan Airport is aligning with the government's "Taoyuan International Airport Conceptual Plan II" 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 Fleet in Coming into Place

To implement sustainable development, CAL continues to advance its fleet renewal program. The new-generation fleet offers advantages in aircraft design, fuel efficiency, and operational effectiveness, significantly optimizing cost structure and serving as a major contributor toward achieving net-zero carbon emissions by 2050. By 2025, CAL had completed the delivery of 10 Boeing 777F aircraft and will gradually phase out the Boeing 747-400F freighters based on market demand. 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 fleet. CAL also ordered 18 Boeing 787-9 and 6 Boeing 787-10 aircraft to replace the A330-300 fleet. Additionally, in 2024, CAL announced the procurement of 10 Airbus A350-1000, 10 Boeing 777-9 passenger aircraft, and 4 Boeing 777-8F freighters. The new fleet is expected to begin delivery in 2029. In 2025, CAL converted options for 5 A350-1000, 5 777-9, and 4 777-8F aircraft into firm orders. Moving forward, CAL will embrace a new generation of aircraft characterized by fuel efficiency, high performance, and environmental sustainability.

The 787 aircraft soon to be introduced are flagship new-generation products. The 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 2025 from the Airline Passenger Experience Association (APEX) for the 10th 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

Uncertain Economic Outlook

The global economic outlook remains highly uncertain, with the aviation industry facing dual challenges from geopolitical instability and changes in trade tariff policies. In this dynamic environment, the industry must maintain flexibility and adjust capacity in response to shifts in national policies and economic trends. CAL closely monitors the potential impact of economic downturn risks on passenger demand and responds precisely by improving fleet utilization. In the cargo sector, in response to the cancellation of small cargo tariff exemptions and ongoing trade tensions, CAL has developed network adjustment strategies to flexibly allocate capacity to Southeast Asian and European markets, while focusing on high-value cargo such as AI and semiconductors to maintain stable profitability momentum.

Supply Chain Capacity Bottlenecks Remain Severe

The pressure caused by supply chain disruptions and certification bottlenecks has evolved into a structural issue. Aircraft manufacturers have had order backlogs exceeding ten years, and supply chain problems are not expected to be resolved until 2034. Airlines have been forced to adjust their fleet planning and investment schedules, making originally planned expansion projects difficult to realize. This has compelled airlines to rely on older, less efficient aircraft, increasing operating costs, stagnating improvements in fuel efficiency, and delaying fleet renewal. In addition to bottlenecks in aircraft and engine manufacturing, the high degree of customization in cabin seats has complicated design and supply chain composition. Coupled with stringent certification requirements, this has significantly extended manufacturing and certification timelines. In response to external pressures, CAL has demonstrated proactive operational resilience by actively adjusting its fleet planning to protect passenger rights and implementing multiple countermeasures. First, CAL precisely controlled the delivery schedule of the Boeing 787 new aircraft and proactively initiated backup plans to reinforce the A321neo and A350 fleets. Second, through new leases and aircraft purchases, CAL has ensured a stable transition in retiring older aircraft while supplementing capacity to maintain steady operations.

SAF Supply Scarce and Expensive

The IATA report indicates that the aviation industry is at a crossroads in energy transition; however, the limited supply and high cost of Sustainable Aviation Fuels (SAF) remain significant challenges. According to the latest data from IATA, the production of SAF in 2025 is expected to meet only 0.6% of the global fuel demand, with prices 2 to 5 times higher than conventional fuel, resulting in an additional industry cost of US$3.6 billion. Under the dual pressures of slowing capacity growth and insufficient policy incentives, advancing the carbon reduction mission remains a formidable challenge. 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 re-examines its risk management governance structure, risk management components and operations, and risk management processes, including a three line of defense model consisting of an operational risk ownership unit (first line of defense), a risk management and compliance oversight unit (second line of defense), and an independent audit unit (third line of defense). The first line of defense is responsible for managing and controlling risks in day-to-day operations, the second line of defense is responsible for setting control standards and monitoring compliance, and the third line of defense is responsible for auditing and providing recommendations to ensure that the policy compliance and implementation process is in line with the management's chosen performance objectives and risk tolerance. Through the aforementioned three lines of defense, the responsibilities for risk management are clearly defined to ensure that risk management is promoted in a more systematic and structured manner.

CAL has established a dedicated Sustainability and Risk Management Committee under the Board of Directors, which convenes regularly. The Sustainability and Risk Management Committee assists the Board quarterly in reviewing the formulation, implementation outcomes, and response measures of the company's risk management strategies. It also requires the responsible units to manage each major category of risk. The Auditor General is the highest risk auditor to assist the Board of Directors in reviewing the Company's risk management strategies, implementation results, and countermeasures, and to require each unit to be responsible for the control of each major type of risk, and the independent audit unit (third line of defense) closely monitors or even assists in advising on all the processes of risk management. Audits of the main risks are carried out annually, depending on their significance and the status of the response. The Risk Management Committee is independent of the business units and is responsible for the promotion of risk management processes and quarterly review of risk tracking implementation status. The responsible supervisor is responsible for the preparation of risk response measures and the actual implementation of risk items. The senior vice president of flight operations, who is the head of the Risk Management Committee, is the highest risk management responsible person (second line of defense), who integrates and supervises all business units in the implementation of the risk management policy promotion of all aspects, and regularly reports to the Corporate Sustainability Committee (chaired by the President) on the results of the control of the different operational risk responsible units (first line of defense).

The Board of Directors serves as the highest governance body for risk management. The Sustainability and Risk Management Committee is composed of directors and independent directors, with an independent director serving as convener and more than half of the members being independent directors. In addition to directly overseeing traditional risks—including safety, operational, financial, cybersecurity, and personal data protection risks—as well as medium- and long-term strategic risks through the Sustainability and Risk Management Committee, CAL also supervises medium- and long-term strategic risks (including environmental and emerging risks) through the Corporate Sustainability Committee's Risk Management Team.

Enterprise Risk Management Framework and Procedures

CAL's risk management framework mainly makes reference to Enterprise Risk Management (ERM) in order to establish and identify, accurately measure, effectively supervise and strictly control risk management mechanisms, and makes reference to the ISO 31000 guidelines and spirit of risk management, and continues to manage and control CAL's overall risks through a multi-level organization, as well as emphasizing possible correlations among risks to reduce impacts and seek sustainable operations. CAL's enterprise risk management is based on the principle of materiality, and identifies traditional risks and mid-term/long-term strategic risks. CAL analyzes and evaluates the impact of risk events on the Company and develops contingency plans in accordance with the four major steps of "event identification, risk analysis, risk assessment, and risk control", and follows and reviews them on a regular basis through the quarterly meetings of the Board of Directors' Sustainability and Risk Management Committee and the Corporate Sustainability Committee. CAL integrates the results of materiality analysis with its risk management mechanism, and considers the relationship between traditional risks, medium- and long-term strategic risks, and the results of materiality analysis on sustainability issues to ensure that the impacts and potential risks to the economy, environment and people (including human rights) are included in the corporate risk management and identification process.

In 2025, CAL identified three keysustainability risks:

1. rising costs of low-carbon transition, (related to the materiality assessment of Fleet Development and Innovation, driven by increasingly stringent regulations and decarbonization requirements, resulting in increased operating costs)

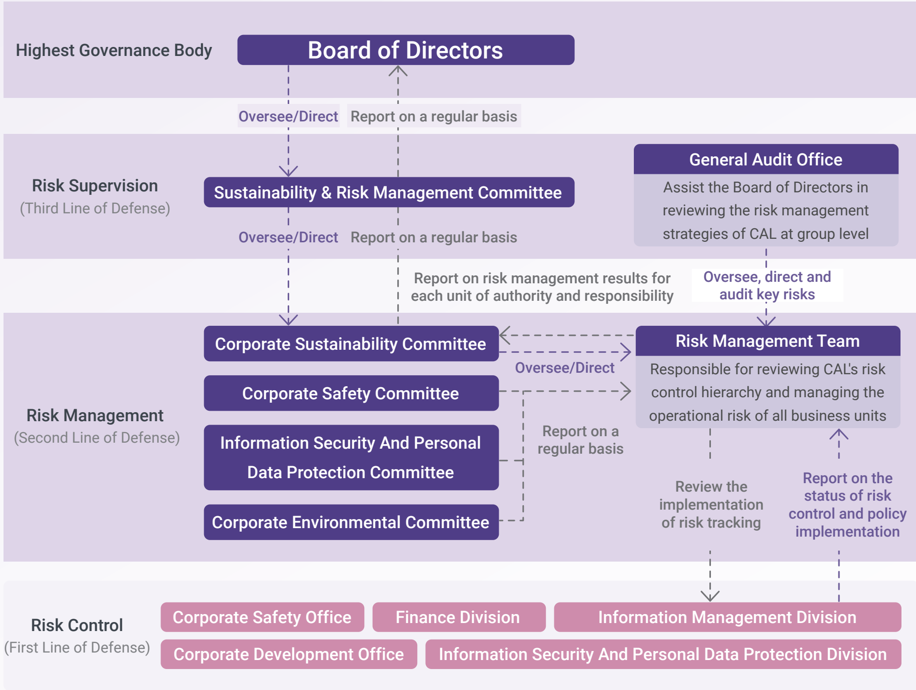
2. inadequate maintenance quality and safetymanagement, (related to the materiality assessment of Flight Safety Management, representing a critical operational risk affecting personnel safety and operational performance)

3. improper customer information management and cybersecurity protection. (related to the materiality assessment of Information Security, posing significant operational and compliance risks to data protection and system stability)

The results of the materiality assessment are integrated into CAL's risk management process, and these risks are rigorously monitored and managed through established objectives, action plans, and corresponding mitigation measures.

Refer to 2.1 Trust, 2.1.5 Information Security Management, 2.3 Environment

CAL Risk Management Model/Procedures

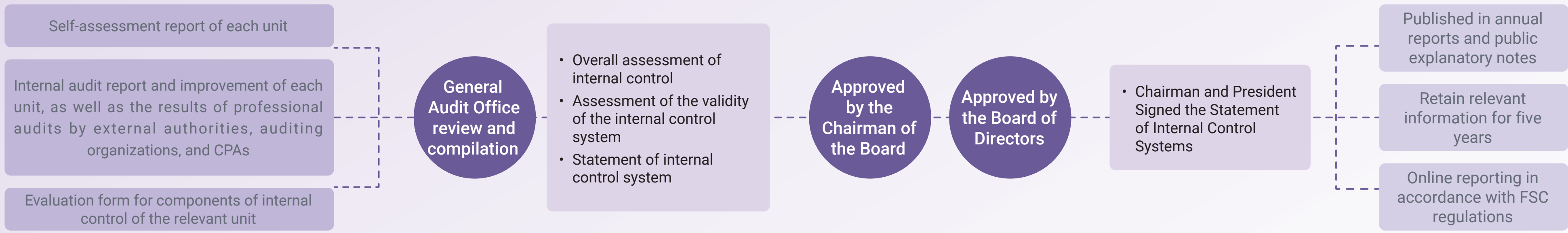


Risk Control — Risk Analysis and Assessment

In addition, CAL has established an effective internal control system and internal audit mechanism in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies." After each responsible unit formulates the internal control system, the Information Security And Personal Data Protection Division compiles and submits it to the Board of Directors for approval and implementation. The General Audit Office then formulates detailed internal audit implementation rules, which are submitted to the Board of Directors for approval and serve as the basis for executing internal audit activities. The purpose of internal audits is to assist the Board of Directors and management in examining and reviewing deficiencies in internal systems and assessing the effectiveness and efficiency of operations. This serves as a basis for reviewing and revising internal controls and providing timely improvement suggestions to ensure the continuous and effective implementation of the internal control system. The internal control system is divided into five components: control environment, risk assessment, control activities, information and communication, and monitoring activities. To evaluate the internal control system and its effectiveness, an annual audit plan is developed each year. This plan includes routine audits, annual audits, audits required by the Financial Supervisory Commission, special audits, Board of Directors business reports, subsidiary supervision, supervisory matters, inventory checks, internal control system statement operations, and management of the official website Auditor mailbox. The internal audit unit conducts evaluations according to the "Internal Audit Implementation Rules" and reports and communicates the evaluation results to the appropriate management levels and the Board of Directors for timely improvements. This ensures the implementation of integrity management, reduces related risks to an acceptable level, and prevents fraud and corruption.

Each unit independently evaluates its internal audit reports and improvement status, as well as the professional review results from external regulatory authorities, audit institutions, and certified public accountants. The General Audit Office conducts a comprehensive review and consolidates the overall assessment of internal controls, including the effectiveness evaluation of the internal control system. The Internal Control System Statement is approved by the Chairman, resolved by the Board of Directors, and signed by the Chairman and the President. It is published in the annual report and prospectus. Relevant materials are retained for five years for reference and are filed online in accordance with the Financial Supervisory Commission's regulations. Related units complete the internal control element assessment forms and internal control system and internal audit flowcharts.

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 and 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.

CAL's Risk Management Operations in 2025

The Sustainability and Risk Committee reports to the Board of Directors on risk management operations each quarter. A summary of the identified risk exposures for the year 2025 (considering the likelihood of occurrence and impact) and the key mitigation actions taken by CAL is as follows:

- Risks were identified and categorized in accordance with the "Risk Management Procedures" and corresponding measures were formulated.
- The number of higher-risk items in 2025 was zero. Among the risk items, aerospace supply chain difficulties were evaluated as higher-risk items, but improvement measures through aircraft lease extension, additional leases, and introduction of new aircraft have been formulated and implemented, and therefore, the risk items have been downgraded to medium-risk items.
- We have selected four operating risks as follows to review the possible impacts and their countermeasures:

I. Global Economic Outlook (Economic Outlook Uncertainty): CAL continuously reviews and adjusts passenger and cargo pricing strategies in response to market dynamics and industry development trends.

II. Geopolitical Tensions Affecting Routes between Asia and Europe: CAL prudently adjusted flight routes in accordance with the development of the conflict and the international situation.

III. US Reciprocal Tariff Policy (Increasing Uncertainty in Passenger and Cargo Transport): CAL continues to resume flights and increase flight frequencies based on market demand while maintaining a high-fare strategy to maximize revenue. Additionally, CAL monitors transpacific air cargo market demand and flexibly adjusts capacity in response to supply chain shifts.

IV. Challenges in the aviation and aerospace supply chain, with no improvement in delivery delays: The Company maintains passenger aircraft capacity through lease extensions, additional leases, and new introductions, while simultaneously integrating passenger and cargo aircraft capacity and optimizing capacity utilization.

Risk Management Analysis

Level of Risk	Mid-term/Long-term Strategic Risks Mid-term/Long-term Strategic or Structural Risks/More than One Year	Short-term Traditional Risks Short-term Business or Operational Impact/Less than One Year

Business Strategy Management

- Collect industry information, such as internal and external forecasts on market trends and competitor dynamics, every three to five years to conduct SWOT analysis
- Develop the Company vision, mission, and mid-term/long-term strategies, based on the results of SWOT analysis

Change to Strategic Risks — Ongoing Impact a Year Later

Release from Control — Zero Impact a Year Later

Annual Business Plan/Operational Risk Management(Reported to Sustainability & Risk Management Committee)

Risk Identification	Review internal and external environments and identify regular risk incidents that may have short-term impacts on business operations
Risk Analysis	Analyze the impact of risk incidents on business operations in terms of Importance to Stakeholders (impact on society and economy/aviation industry; correlation with CAL or relevant departments) and Impact on CAL (impact on finances, operations, or sales; possibility of violations or fines; impact on corporate brand or reputation)
Risk Assessment	Create an operational risk matrix based on two risk analysis aspects, to assess degree of risk appetite for each incident
Risk Control	Develop countermeasures to mitigate impact of high-risk incidents on business operations

Traditional Risks

Traditional risks refer to short-term risk incidents that have an impact on business operations for less than one year. 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.

Safety and Security Risk Management

Safety is the foundation of the aviation industry. Customer trust can only be earned by having an outstanding record of flight safety. Based on the Safety Management System (SMS) and the procedures for safety risk management, the Corporate Safety Office reviews and evaluates internal and external operational risks with respect to flight operations, maintenance, cabin services, and ground operations, then proposes corrective measures. Refer to 2.1 Trust

Business Operational Risk Management

The Corporate Development Office analyzes potential events that may affect CAL'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

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

Information Security and Personal Data Risk Management

In accordance with international standards, CAL has strengthened information security and personal data protection by implementing classification management, response mechanisms, and regular drills to reduce risks and enhance overall protection capabilities.

Refer to 2.1.5 Information Security Management, 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.

Environmental Risk Management

CAL recognizes the direct impact and importance of the climate issue on the aviation industry. In addition to supporting and responding to the initiatives of the International Civil Aviation Organization (ICAO), the International Air Transport Association (IATA), and the Civil Aviation Administration to promote voluntary carbon reduction by setting up three major milestones for corporate flight and ground operations, we established an inter-unit working group for the TCFD in 2019, and managed climate-related risks and opportunities through our Corporate Sustainability Committee and Environmental Committee. In 2022, we formulated and published the "Forest and Biodiversity Conservation Commitment" signed by the Chairman and the President, and in 2023, we further utilized tools such as the Biodiversity Risk Analysis Tool, the TNFD, the Natural Capital Protocol, and the Natural Target Network based on Science, to identify the impacts, dependencies, risks, and opportunities on biodiversity of our own and upstream and downstream operations, and to develop a response strategy and corresponding management targets and indicators. In addition, we have set two additional objectives for the sustainable development of biodiversity conservation. In 2024, we further integrated considerations of natural and climate-related issues into the scope of TCFD. In 2025, we also aligned with the government's regulatory roadmap by incorporating IFRS sustainability disclosure compliance into our operations. Key outcomes are reported annually to the Board of Directors for oversight and governance, enabling proactive risk management and opportunity identification, while strengthening our carbon management practices and enhancing climate resilience.

Refer to 2.3.2 Nature & Climate Change Mitigation and Adaptation

Emerging Risk Management

Emerging risks are those that have not yet fully manifested or been widely recognized. Due to their high level of uncertainty, they may change over time or as a result of technological, regulatory, social, or environmental factors, significantly impacting the operations, finances, or reputation of CAL. Although emerging risks have not yet fully manifested, their potential impact could be significant. Therefore, the airline must regularly assess, monitor, and address these risks; otherwise, the inability to respond promptly to emergencies may threaten the operations and safety of the airline. Emerging risks have the following characteristics

I. the risk is new or its significance is increasing markedly
II. the potential impact of the risk is long-term and may be unknown, possibly already affecting CAL,
III. the potential impact of the risk is significant and could severely affect the Company's operations
IV. the risk is external, caused by events outside the Company
V. the risk has a specific impact on the Company, rather than affecting the entire industry uniformly
VI. the risk should be publicly disclosed

The Global Risks Report published by the World Economic Forum (WEF) every January divides risks into five categories of critical risks, namely economic, environmental, geopolitical, social, and technological risks. New risk categories arising from the rapid development of emerging technologies, climate, demographic changes, information security, and cyber attacks have increased, along with gradually increasing likelihoods of such risk incidents. Therefore, CAL has incorporated these identified emerging risks within the scope of risk management, reviews emerging risks on a regular basis, and develops countermeasures.

Emerging Risk Management Mechanisms

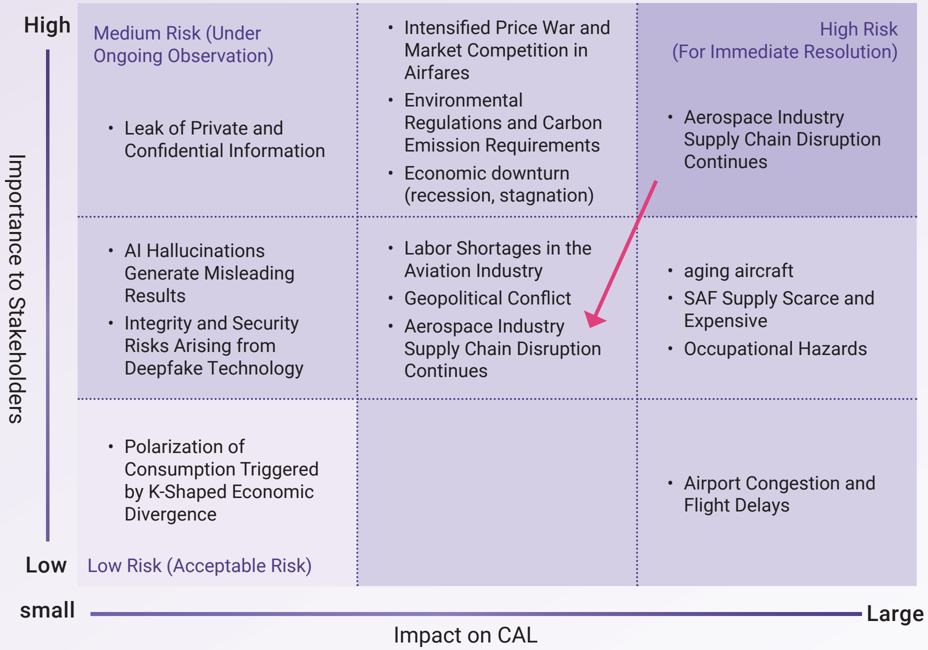
Risk Identification	Analysis and Evaluation	Risk Management	Risk Report
• Identify potential risks that may impact the organization's objectives, which are the responsibility of the operational risk management unit (first line of defense). • Identify new risks or ones of significantly increasing importance, the potential impact of which is long-term or has already begun to manifest.	• 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). • 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.	Develop and implement strategies to reduce or eliminate the impact of risks. This process is executed by the operational risk responsibility unit (first line of defense) and supervised by risk management and compliance oversight (second line of defense).	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.

Emerging Risk Identification Results

Category	Name and Description of Emerging Risk	Impact	Mitigating actions
Technological	**Integrity and Security Risks Arising from Deepfake Technology** With the advancement of generative AI technology, deepfake techniques have become capable of highly realistic synthesis of images, audio, and video. Cybercriminals use this technology to commit identity theft, fraud, or to disseminate highly realistic misinformation. This technology is not only used in business email compromise (BEC) to deceive financial remittances but can also be employed to forge instructions from senior executives or official company statements. It poses significant challenges to corporate reputation, social trust, and legal compliance. The level of threat is rapidly escalating in tandem with advancements in AI technology.	• Executive Impersonation and Financial Fraud (CEO Fraud): Criminals may use deepfake technology to fabricate the voices or video images of CAL's senior executives, requesting employees during online meetings or phone calls to make urgent fund transfers, provide confidential customer information, or change contract accounts, resulting in significant financial losses. • Brand Reputation and Crisis Management Pressure: In the event that fabricated videos of aviation safety incidents, inappropriate conduct by cabin crew, or false official announcements of layoffs or bankruptcy appear on social media, their high visual realism can easily trigger public panic, stock price fluctuations, and a surge in ticket cancellations. Even after subsequent clarifications, the negative impact on CAL's brand is difficult to fully recover.	• We focus 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. • 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.
Economic	**Polarization of Consumption Triggered by K-Shaped Economic Divergence** The global economy in the post-pandemic era and under a high inflation environment has exhibited a "K-shaped" development trend. High-asset groups and the technology and digital industries have benefited from asset inflation and technological dividends, resulting in continued wealth growth. However, low- to middle-income groups and traditional manufacturing sectors have been severely affected by rising prices, monetary tightening, and declining real wages, leading to reduced purchasing power. Consequently, the consumption capacity of the middle class has contracted, and market demand has shifted toward both extreme high-end and extreme low-cost segments, increasing the difficulty and uncertainty of corporate business planning.	• Polarization of Passenger Demand: With increasing wealth disparity, demand for premium business class and luxury travel remains strong and price inelastic; however, economy class passengers, who constitute the majority of traffic, have become significantly more price sensitive, affecting CAL's ability to optimize revenue balance across different cabin configurations. • Changes in the Air Cargo Market Structure: Demand for air freight of high-end electronic products, semiconductors, and luxury goods remains stable; however, demand for general consumer goods may weaken due to reduced purchasing power, impacting the overall air cargo revenue structure.	• Promoting Product Differentiation and Precision Marketing: CAL enhances premium cabin services and digitalized personalized experiences to increase loyalty among high-yield customer segments. For price-sensitive customers, CAL offers more flexible options through dynamic pricing and ancillary revenues such as baggage fees and seat selection surcharges. • Fleet Optimization: CAL evaluates cabin reconfiguration plans based on market demand trends; introduces new-generation aircraft with high fuel efficiency to reduce operating costs and provide hardware that meets modern environmental standards and comfort requirements. • Monitor changes in the supply chain and seize opportunities for overseas factory setups, personnel, and logistics. • Utilize existing freighters in conjunction with passenger aircraft belly capacity to build an efficient cargo and passenger network as supply chains become increasingly fragmented.

Risk Identification Results

Following the risk management process and conducting a risk assessment, CAL has identified "continued aerospace industry supply chain disruptions" as high-risk items for 2025. 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. Refer to 3.3.2 Risk Identification and Countermeasures



3-4 Regulatory Compliance

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 basis of business management. CAL shapes its corporate culture and values through the formulation of internal regulations and codes of conduct that emphasize business integrity. The Board of Directors, employees, and business partners have completed related training programs in accordance with the code of conduct and commitments. 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, Sustainable Development Best Practice Principles, the Ethical Corporate Management Best Practice Principles,and the Procedures for Ethical Management and Guidelines for Conduct. CAL fully complies with related laws and regulations and is committed to six major principles: protecting shareholders' rights and interests, strengthening Board of Directors functions, adhering to regulations concerning the Board, adopting decision-making procedures of the Board (including avoidance of conflicts of interests), respecting stakeholders' rights and interests, and enhancing information transparency. In accordance with Article 9 of the Procedures for Ethical Management and Guidelines for Conduct, CAL takes a politically neutral stance and has never provided political donations.

In addition, to ensure that CAL's Board of Directors and all employees comply with integrity-related conduct, including anti-corruption, CAL has established the Board of Directors Code of Ethical Conduct and the Employee Workplace Code of Conduct. Since 2017, CAL has implemented a three-year awareness enhancement program, introduced the China Airlines Group Code of Conduct, including on anti-bribery, anti-corruption, and the use of reporting channels, and conducted related training, completing all sessions by 2020. Training for new employees has continued thereafter to ensure 100% participation across all locations and employee categories (training details since 2017 are available in the respective years' Corporate Social Responsibility/ESG Report regulatory compliance sections). In 2025, CAL provided training to 698 new employees, maintaining a total completion rate of 100% (Notes 1, 2). Furthermore, if a CAL employee violates the China Airlines Group Code of Conduct, disciplinary action will be taken in accordance with relevant employee reward and punishment regulations and incorporated into the performance evaluation system. Depending on the circumstances, annual bonuses and salary increases may be withheld in accordance with established policies. In 2025, CAL employees had no incidents of corruption/bribery, customer privacy violations, conflicts of interest, money laundering, or insider trading (no fines or numbers of convictions related to corruption or bribery were recorded, both being zero.) In 2025, CAL arranged for directors to participate in the continuing education course "Sustainable Risk Management and Disclosure Development Trends (Including Anti-Corruption)," achieving an 80% attendance rate. Additionally, new directors received orientation on the "China Airlines Board of Directors Code of Ethical Conduct," with a attendance rate of 100%.

CAL continues to promote a code of conduct to its affiliated enterprises, and in 2020 and 2023, conducted training on this code and corporate sustainability vision education to enhance ESG awareness. These trainings were conducted for 5,140 and 7,829 participants, respectively, achieving CAL's short-term sustainability goal of providing more than two ESG training sessions for affiliated enterprises by 2025. Additionally, in 2023, CAL communicated the use of AI in information security and key points of personal data law amendments. In 2024, CAL communicated the conditions and regulatory compliance for initial public offerings, providing operational management references for affiliated enterprises. The Company will continue to promote related training in the future. Recognizing that suppliers are also important partners, CAL required that in 2025, 100% of contracted suppliers sign and effectively implement the Supplier Code of Conduct, which includes compliance with laws and anti-corruption principles.

Note 1:Trainees include separated employees.
Note 2:Only applicable to CAL.

Antitrust

In recent years, CAL has continuously strengthened education regarding compliance with the Fair Trade Act and antitrust regulations. By using major international antitrust cases as examples, the Company 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 invited the Fair Trade Commission to conduct training on regulatory compliance with the Fair Trade Act. In 2021, CAL intensified its efforts to educate employees in both passenger and cargo units to refrain from engaging in negotiations or collusive behavior with competitors. In 2022, Stellex Law Firm was appointed to produce training materials and organized in-person and online training for all passenger and cargo service employees of CAL (including worldwide branch offices), and uploaded the Antitrust Audit Checklist for future reference. In 2023 and 2024, CAL conducted antitrust compliance courses during business meetings in the Americas and Europe regions. These courses were directly taught by local attorneys, completing antitrust compliance training for overseas branches in the two major operational regions. In 2025, CAL cooperated with the Fair Trade Commission to hold a G2B Direct Shuttle Enterprise Regulatory Compliance Seminar, with the section chief from the competent authority attending in person to provide guidance.

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 2025, 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	Implementing an integrity management policy and actively preventing dishonest conduct, CAL has established specific guidelines for its personnel to observe when performing their duties.
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 representative (Chairman of the Board) and Managerial Officers (including the President, Vice Presidents and equivalent positions, heads of the Finance Department, heads of the Accounting Department, and other executives authorized to manage company affairs and sign on behalf of the company).	To guide executives to follow the ethics and conduct and to help stakeholders better understand CAL'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
Group 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
Sustainable Development Best Practice Principles	CAL and its subsidiaries	To fulfill corporate social responsibility and achieve the objectives of sustainable development, CAL has established this Principles to manage its economic, environmental, and social risks and impacts, and to enhance its sustainable competitiveness.