

China Airlines

Climate-Related Financial Disclosure

Report

January 2022

Table of Contents

Chapter 1. Preface	6
Chapter 2. Governance	8
I. The Board's supervision of climate-related risks and opportunities.....	8
II. The management's duties when assessing and managing climate-related risks and opportunities	9
III. Operation personnel's duties when assessing and managing climate-related risks and opportunities	9
Chapter 3. Strategy	11
I. Short-, medium-, and long-term climate-related risks and opportunities identification results	11
II. Impact of climate-related risks and opportunities on business, strategies, and finances	13
III. CAL's strategic resilience in the face of different climate-related scenarios (including 2°C or lower scenarios).....	16
Chapter 4. Risk Management	18
I. Procedures for identifying and assessing climate-related risks.....	18
II. Procedures for managing climate-related risks.....	19
III. Procedures for identifying, assessing, and managing climate-related risks and integrated management measures.....	20
IV. Five core strategies for climate-related risks	20
Chapter 5. Metrics and Targets	21
I. Metrics for assessing climate-related risks and opportunities based on strategy and risk management procedures	21
II. Direct and indirect GHG emissions and related risk information	21
III. Targets and progress status	22

Tables

Table 3-1. Climate Change Financial Impact Assessment	14
Table 3-2. CAL Climate-related Scenarios.....	17
Table 5-1. Climate Risk Metrics	21
Table 5-2. GHG Emissions	21
Table 5-3. Targets and Progress Status	23
Table 5-4. Climate Risk Management Strategy and Operations.....	23

Figures

Figure 2-1. Management System Diagram	8
Figure 3-1. Impact of the 1.5°C Scenario on Operations	11
Figure 3-2. Impact of the 2°C Scenario on Operations	12
Figure 3-3. Impact of the 3°C Scenario on Operations	12
Figure 3-4. Risk/Opportunity Matrix	13
Figure 3-5. Statistics on Annual Delayed Takeoff Time Caused by Extreme Weather at Every Station	14
Figure 3-6. Potential Impact of Rising Sea Levels for All Stations in the 2°C Scenario	15
Figure 3-7. 2021 Climate-related Scenarios	16
Figure 4-1. Identification Procedures for Climate Risks and Opportunities	18
Figure 4-2. Climate Risk/Opportunity Assessment Procedures	19
Figure 4-3. Five Core Strategies for Climate-related Risks	20

Contact Information for the Report:

Environment Department, Corporate Safety Office

E-mail: environment@china-airlines.com

Address: No.1, Hangzhan S. Rd., Dayuan Dist., Taoyuan City

China Airlines Concern for Climate Change website:

<https://calec.china-airlines.com/csr/environment/manage-climate.html>

Abstract

I. Summary of the content corresponding to the TCFD framework

Governance	Strategy	Risk management	Metrics and targets
<p>a) The Board's oversight of climate-related risks and opportunities</p> <p>CAL status</p> <ul style="list-style-type: none"> A Climate-Related Financial Report is reported every year to the Risk Committee of the Board to review and determine management strategies for risks and opportunities 	<p>a) Identify the organization's short-, medium-, and long-term climate-related risks and opportunities</p> <p>CAL status:</p> <ul style="list-style-type: none"> First two significant risk-related issues: <ul style="list-style-type: none"> ✓ Offsetting costs of CORSIA carbon credits ✓ Possible international requirements to utilize 2% sustainable aviation fuel (SAF) 	<p>a) Procedures for identifying and assessing organization's climate-related risks</p> <p>CAL status</p> <ul style="list-style-type: none"> Establishing procedures for assessing climate-related risks and opportunities and information flow The Corporate Sustainability and Environmental Committees regularly review management strategies and KPI Performance 	<p>a) The organization evaluates metrics used to assess climate-related risks and opportunities according to their strategy and risk management processes</p> <p>CAL status</p> <ul style="list-style-type: none"> Set the net zero emissions by 2050 target Set short-, medium-, and long-term targets for ground and flight operations based on the aforementioned targets
<p>b) The responsibilities of management to assess and manage climate-related risks and opportunities</p> <p>CAL status</p> <ul style="list-style-type: none"> The TCFD Task Force implements rolling summaries of 	<p>b) Impact of climate-related risks and opportunities on the organization's business, strategy, and finances</p> <p>CAL status:</p> <p>The interdepartmental TCFD Task Force collaborates to identify</p>	<p>b) Organizational procedures for managing climate-related risks</p> <p>CAL status:</p> <ul style="list-style-type: none"> Internal operating procedures and standards for assessing risk-related impact have been established Decision-making models for addressing climate-related risks and opportunities have been established for all departments 	<p>b) Disclosure of Scope 1, 2, and 3 of GHG emissions and related risks</p> <p>CAL status:</p> <p>Emissions in 2020 (Unit: Tons CO₂e)</p> <p>Category 1: 5,791,814.21 tons</p> <p>Category 2: 17,572 tons</p> <p>Categories 3-6: 3,109,822 tons</p>

Governance	Strategy	Risk management	Metrics and targets
<p>the international status and national development trends to review the Company's operating risks and opportunities</p> <ul style="list-style-type: none"> • The management and performance of risks and opportunities are reviewed quarterly by the Corporate Environmental Committee and every 6 months by the Sustainability Committee, and reported to the Board annually • The Carbon Management Task Force reports response strategies for carbon-related risks and opportunities to the President and Chairman every 6 months • Issues regarding climate and environmental 	<p>climate-related risks and opportunities, assess their financial impact, and establish response measures</p>	<ul style="list-style-type: none"> • Yearly execution of ISO 14001/50001/14064-1, CORSIA, EU ETS third-party verification and GHG MRV operations • Annual surveys for environmental/energy related risks and management performance for the CAL Group and outstations 	<p>(Substantial identification and compilation of categories 1-6 are based on ISO 14064-1:2018 and GHG Protocol; the third-party verification was commissioned to and performed by a TAF-ISO 14065 certified company)</p>

Governance	Strategy	Risk management	Metrics and targets
<p>protection are included in regular administrative meetings</p>			
<p>N/A</p>	<p>c) The organization's strategic resilience considers varying climate-related scenarios (including 2°C or lower scenarios)</p> <p>CAL status:</p> <p>IPCC AR6 reports have been disclosed for the following scenarios</p> <ul style="list-style-type: none"> • 1.5°C Scenario (Beyond 2°C, B2DS) • 2°C Scenario (2°C Scenario, 2DS) • 3°C Scenario 	<p>c) Identify, assess, and manage climate-related risk processes and integrate with the organization's overall risk management mechanisms</p> <p>CAL status:</p> <ul style="list-style-type: none"> • The TCFD and Carbon Management Task Forces compile domestic/foreign regulations and issues related to the environment and energy to identify relevant risks and opportunities • The Corporate Sustainability Committee and Environmental Committee regularly review management performance and propose improvement measures • Every 6 months, the Carbon Management Task Force reports management data and the performance of operations for carbon-related risks and opportunities to the President and Chairman • Environmental/energy/carbon management issues are included into executive reports 	<p>c) The organization's targets utilized when managing climate-related risks and opportunities as well as achievement progress</p> <p>CAL status:</p> <ul style="list-style-type: none"> • Climate-related performance metrics and quantitative targets have been established, which will be regularly tracked, reviewed, and disclosed in the sustainability report ✓ Operational adjustments: Continue to enhance emergency response systems in response to extreme weather; complete and continue the improvement of TCFD operating mechanisms; implement Corporate

Governance	Strategy	Risk management	Metrics and targets
			<p>Governance 3.0 and operations in response to international carbon control mechanisms; continue to improve corporate climate-resilience</p> <p>✓ Mitigation operations: Short-, medium-, and long-term carbon reduction targets and response strategies, including measures to achieve net zero emissions by 2050, have been established for air and ground operations; the Environmental Committee regularly reviews and improves operating performance</p>

Chapter 1. Preface

Net zero emissions by 2050 has become a common global goal. Maintaining the rising temperature of the earth below 1.5°C is a challenge that all global citizens must strive for. As the nation's flag carrier, CAL has upheld its duties to assist the government to promote achieving this goal, and has actively faced potential risks and challenges throughout the net zero transformation process.

International attention towards climate change related issues continues to increase year by year. For instance, the International Air Transport Association (IATA) has proposed three carbon reduction goals (including improving fuel efficiency by an average of 1.5% per year, maintaining carbon neutral growth from 2020, and achieving net zero emissions by 2050) and a four-pillar strategy (improved technology, effective operations, efficient infrastructure, and economic measures) for the global aviation industry. The International Civil Aviation Organization (ICAO) has promoted CORSIA, a carbon offsetting mechanism implemented to achieve the goal of carbon neutral growth in 2020 (CNG2020). In addition, both the EU Green Deal and European Climate Law are promoting targets such as "net zero emissions by 2050" and "55% net emissions reduction target by 2030" in coordination with the European Commission "Fit for 55" package, which includes 12 measures announced in July 2021, to ensure that these targets are achieved. The government of Taiwan is also actively revising the Greenhouse Gas Reduction and Management Act to transform it into a Climate Change Response Act that encompasses the goal of "net zero emissions by 2050" and carbon pricing systems.

Furthermore, domestic/foreign investors and institutions are paying more attention to corporate ESG (environmental, social, and corporate governance) performance, making it one of the most prominent areas of investment. In order to assist governments and investors with more transparent and accurate corporate information, the US Sustainability Accounting Standards Board (SASB) proposed the Sustainability Accounting Standards and standardized the structure for corporate ESG reports. Subsequently, Taiwan Financial Supervisory Commission announced the Corporate Governance 3.0 - Sustainable Development Roadmap on August 25, 2020, requesting publicly traded companies to improve information disclosure in sustainability reports

by referencing the Task Force on Climate-Related Financial Disclosures (TCFD) and SASB Standards.

CAL has considered the aforementioned aviation carbon reduction targets and strategies, international disclosure requirements of ESG, and regulatory trends of supervisory agencies in combination with enterprise financial and operational planning as well as technical viability. The structural guidelines of the TCFD and SASB Standards have been referenced since 2019 in terms of GHG emissions metrics for the aviation industry to analyze the transformation and physical risks and opportunities that CAL may face. The following key points have been proposed to address both positive and negative impacts, in order to steadily and gradually enhance CAL's climate-related management capabilities, operational resilience, and sustainable competitiveness:

- (I) Comply with the TCFD framework and SASB Standards, identify climate-related risks and opportunities, include strategic, financial planning and risk management mechanisms, identify financial impacts and review capital utilization, enhance CAL's resilience in terms of climate risk response, and meet domestic and foreign regulatory requirements of information disclosure.
- (II) Establish a currency-based quantification method for corporate response to climate-related risks and opportunities, understand and grasp the impact of climate change towards CAL's current and future operational conditions and cash flow.
- (III) Utilize the TCFD's guidance in the four major aspects of governance, strategy, risk management, and metrics; continue to enhance internal/external communication and negotiation capabilities.

Chapter 2. Governance

I. The Board's supervision of climate-related risks and opportunities

CAL completes a Climate-Related Financial Report in compliance with the TCFD framework every year. A TCFD Task Force and a committee of external experts jointly inspect operations and report their results before submitting their findings to the Company's management for review, as well as to the Risk Committee under the Board to conduct supervision of various risk management strategies and review decision-making operations.

CAL climate governance system is as shown in Figure 2-1.

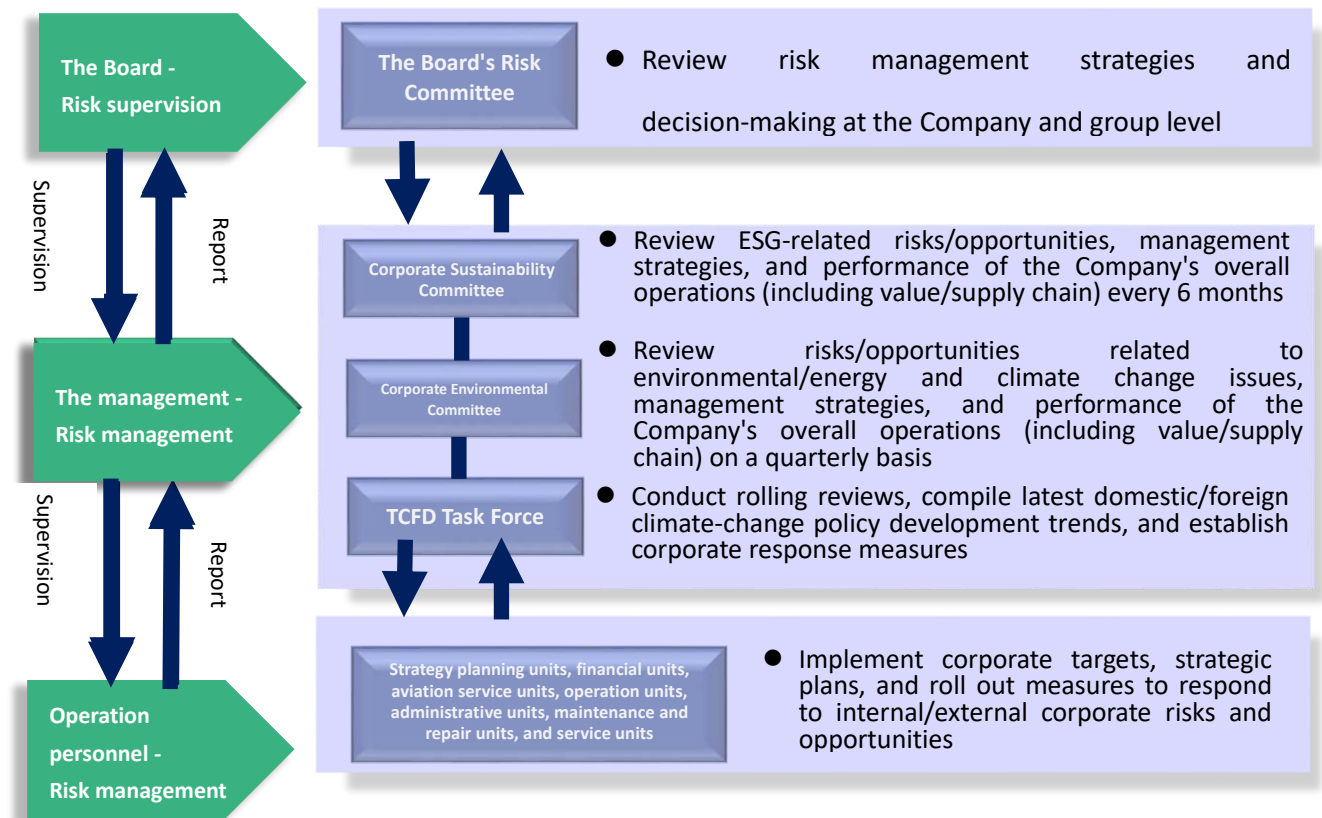


Figure 2-1. Management System Diagram

II. The management's duties when assessing and managing climate-related risks and opportunities

The TCFD Task Force works together in a cross-departmental collaboration model, performs rolling reviews and compiles international/domestic development trends, analyzes potential issues that may be affected by climate change, and complies with the following management procedures to review, evaluate, and manage climate governance:

1. The TCFD Task Force performs rolling reviews and compiles international and domestic development trends, identifies potential risk and opportunities, plans response strategies, operating targets, and implements reviews to improve performance.
2. The Corporate Environmental Committee performs quarterly reviews of risks and opportunities related to environmental/energy and climate change issues, management strategies, performance, and improvement of the Company's overall operations (including value/supply chain).
3. The Sustainability Committee reviews ESG-related risks and opportunities, management strategies, performance, and reports findings to the Board for overall operations every 6 months.
4. The Carbon Management Task Force reports management data and the performance of carbon-related risks and opportunities to the President and Chairman every 6 months.
5. Special issues are reported to decision-makers through the regular risk and emergency response mechanism and management coordination platform (such as executive meetings).

III. Operation personnel's duties when assessing and managing climate-related risks and opportunities

Strategy planning, operations, and financial units must comply with the overall operation targets of the Company's response to climate change and implement various response plans, roll out measures to face internal/external risks and opportunities, as well as report special issues to decision-makers through the regular risk and emergency response

mechanism and management coordination platform (such as executive meetings).

Chapter 3. Strategy

(Actual and potential impacts of climate-related risks and opportunities on business, strategies, and financial planning)

I. Short-, medium-, and long-term climate-related risks and opportunities identification results

1. Assessment of the impact on business operations

CAL has considered operating environments under 1.5°C, 2°C, and 3°C climate scenarios based on scientific information disclosed by the IPCC AR6. The degree of impact to operations and occurrence probability of climate issues on the Company's profit and loss, capital expenditure, and cash flow were analyzed through qualitative and quantitative evaluations; relevant results have been included as a basis for corporate risk review and decision-making operations. Results based on these scenarios are as shown in Figure 3-1, 3-2, and 3-3.

Analysis of Risk/Opportunity Issues Related to the 1.5°C Scenario

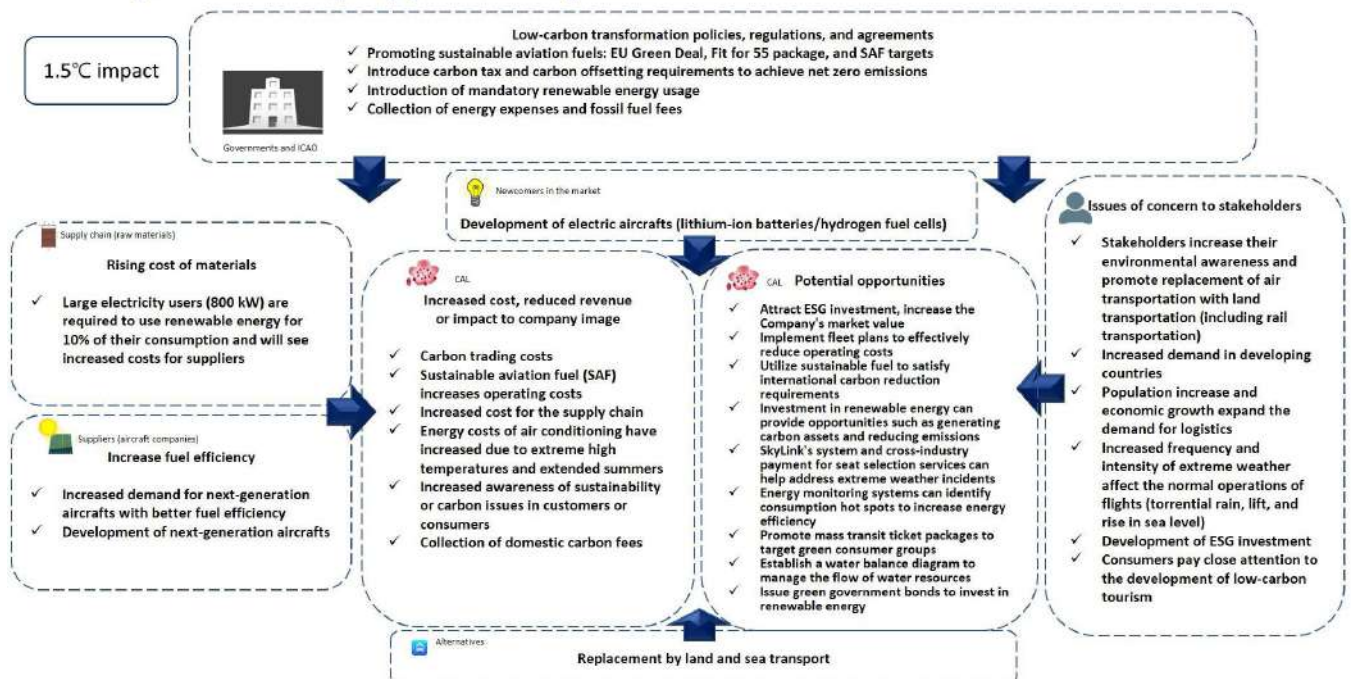


Figure 3-1. Impact of the 1.5°C Scenario on Operations

Analysis of Risk/Opportunity Issues Related to the 2°C Scenario

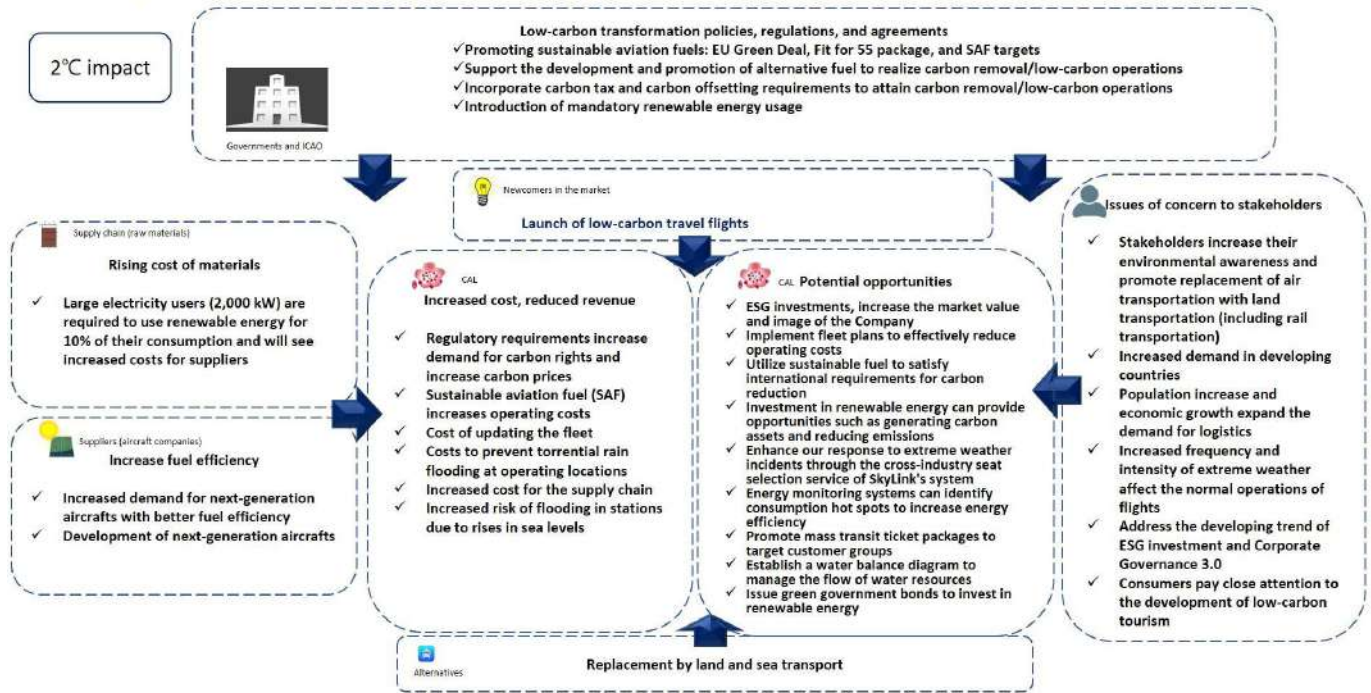


Figure 3-2. Impact of the 2°C Scenario on Operations

Analysis of Risk/Opportunity Issues Related to the 3°C Scenario

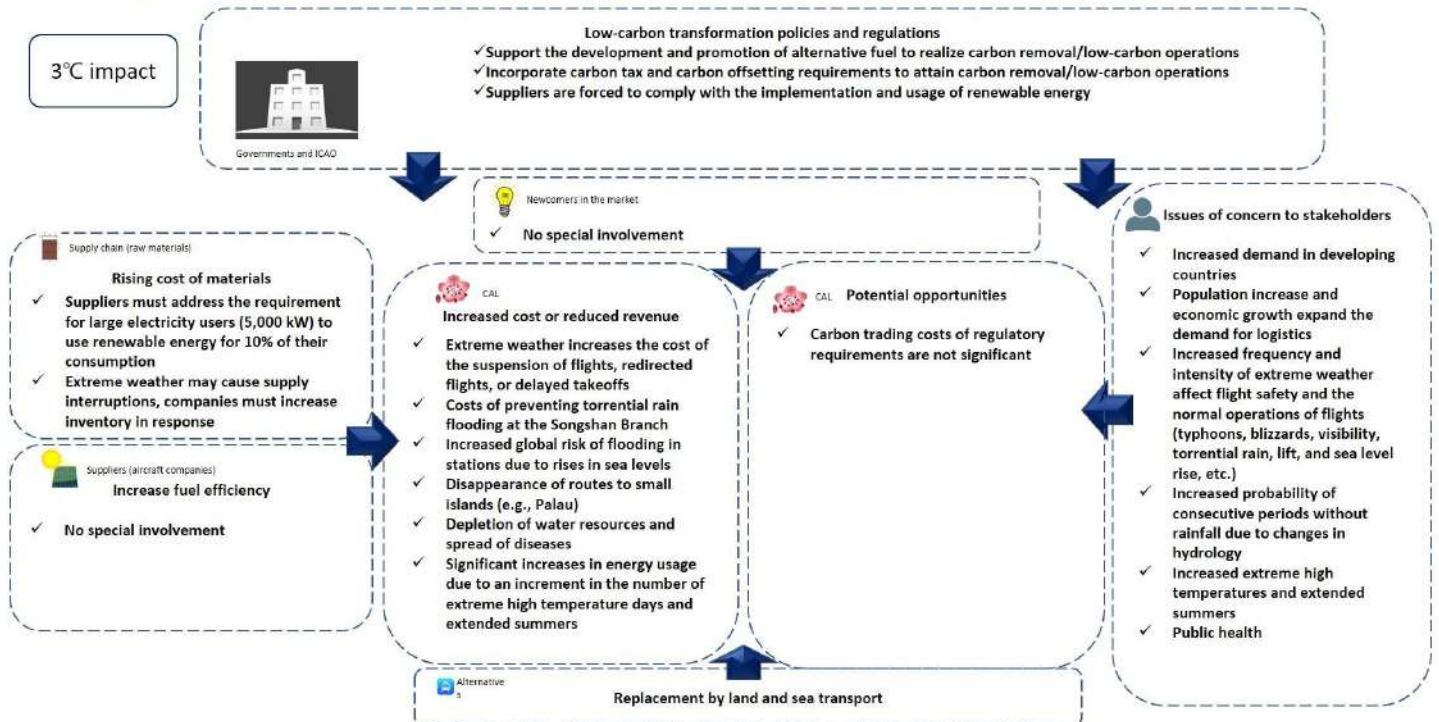


Figure 3-3. Impact of the 3°C Scenario on Operations

2. Risk/opportunity matrix

CAL has completed a risk/opportunity matrix based on its established climate risk/opportunity identification processes as shown in Figure 3-4. The light green areas represent low risk/opportunity, light yellow areas represent medium risk/opportunity; gold areas represent high risk/opportunity; green bubbles represent opportunity, light brown bubbles represent transformation risks, and orange bubbles represent physical risks.

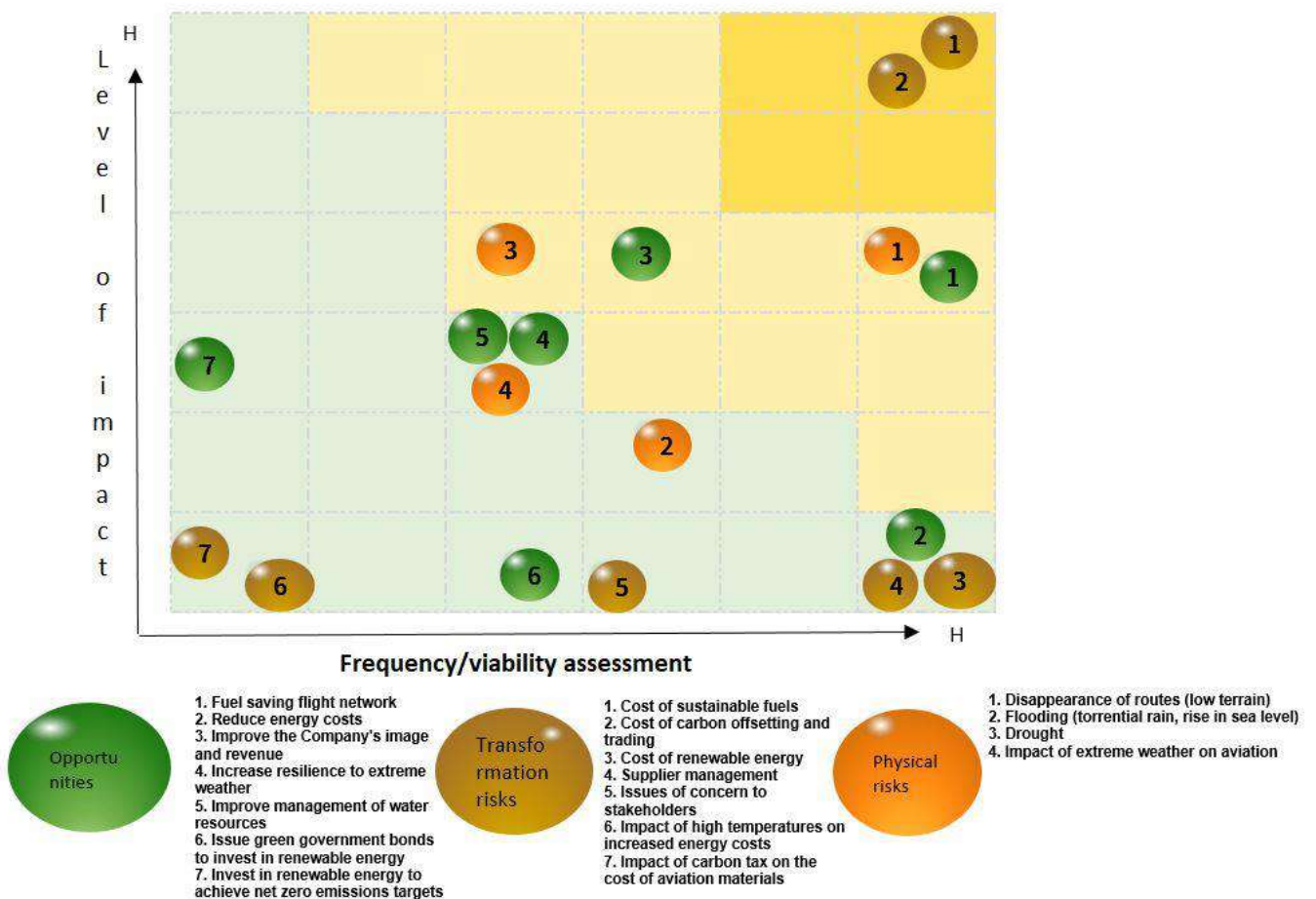


Figure 3-4. Risk/Opportunity Matrix

II. Impact of climate-related risks and opportunities on business, strategies, and finances

1. Financial impact assessment

Results of the current evaluation related to financial impact assessment towards an increase or decrease in revenue, cost/expenditures, profit and loss, and cash flow are as shown in Table 3-1. The impact assessment of financial quantification on operating income has been reported to the Risk Committee under the Board.

Table 3-1. Climate Change Financial Impact Assessment

Risk/opportunity issues	Revenue	Cost/expenditures	Profit and loss	Cash flow
Cost of carbon offsetting and trading		+	-	-
Adding sustainable aviation fuel		+	-	-
Usage of renewable energy		+	-	-
Disappearance of routes to low-terrain stations	-		-	-
Response to extreme weather events		+	-	-
Promotion of land-based mass transit ticket packages	+		+	+

* Cash flow: + represents incoming cash flow; - represents outgoing cash flow

2. Physical risks that require long-term monitoring

CAL has established response mechanisms for extreme weather events such as typhoons and blizzards. While the impact of these events remains in the low-risk area, the growing intensity of future extreme climate events due to global warming has become a risk included for long-term monitoring.

(1) Delays caused by extreme weather

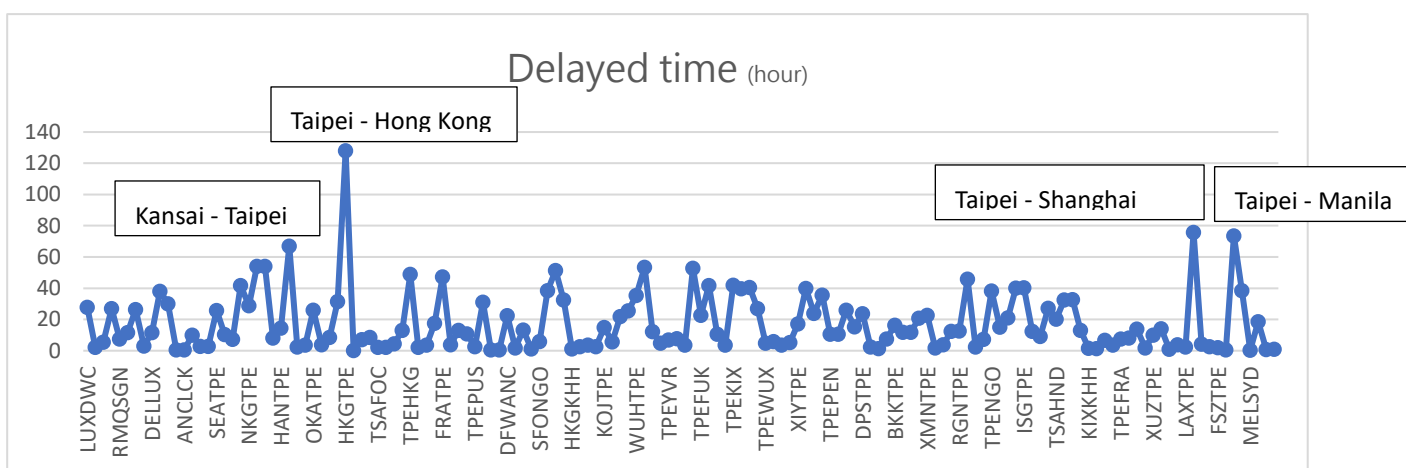


Figure 3-5. Statistics on Annual Delayed Takeoff Time Caused by Extreme Weather at Every Station

(2) Risks at all stations due to rising sea levels

The IPCC AR6 assessment report estimates that current global sea levels have

risen approximately 20cm compared to 1900; in 2100, average sea level will increase by 30cm to 1 meter or more due to an increased concentration of CO2 in the atmosphere. CAL's current operations utilize software released by the US Climate Central Research Institute to evaluate rising sea levels, and has assessed the impact of rises in sea levels at primary airport stations if the global average temperature increases by 2°C. Those with a 30% or lower risk of runway flooding are considered low risk, 30-70% are considered medium risk, and above 70% are high risk.

Based on current analysis methods, there are currently 20 stations that fall into the high-risk area as shown in Figure 2-12. Although the risk of these results occurring within 10 years is relatively low, the IPCC AR6 report warns that under the SSP2-4.5 climate scenario from 2041 to 2060, temperatures may rise by 2°C and as such, it has been listed as an issue for long-term monitoring.

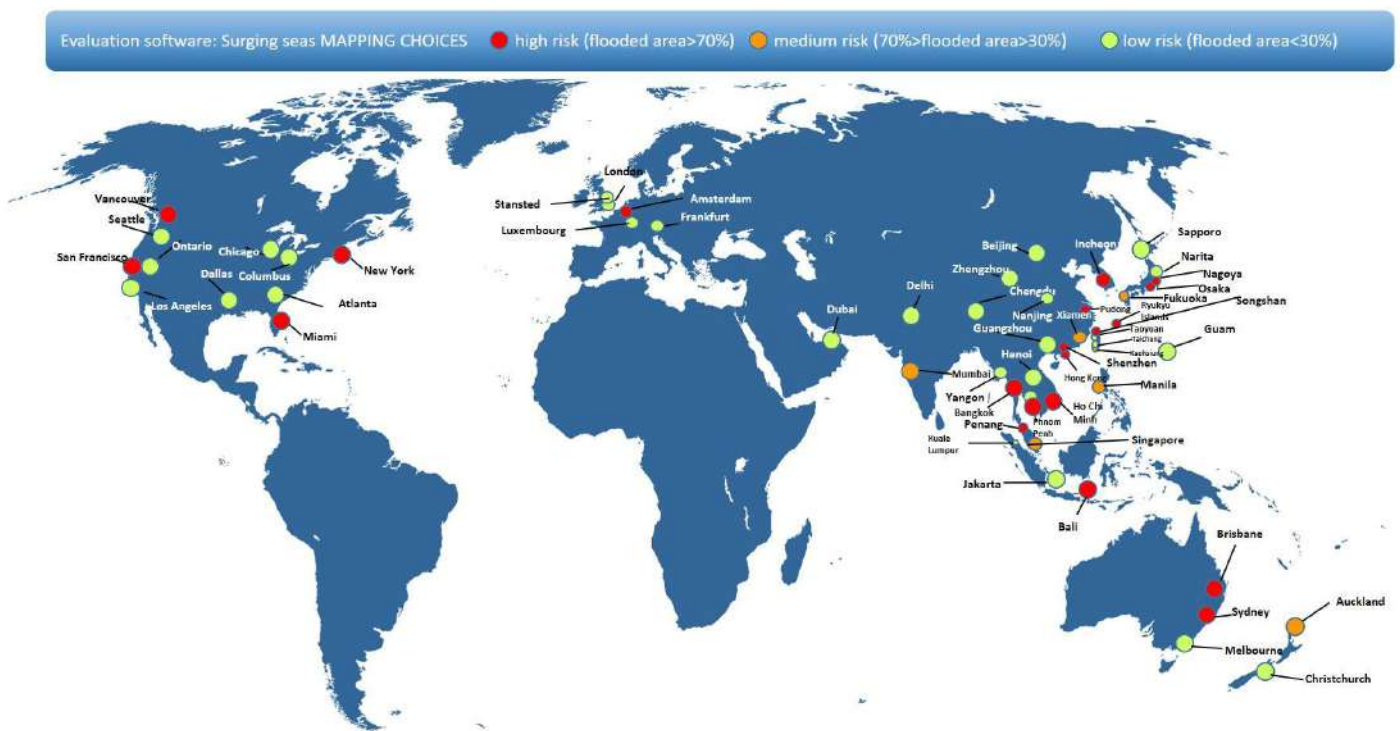


Figure 3-6. Potential Impact of Rising Sea Levels for All Stations in the 2°C Scenario

III. CAL's strategic resilience in the face of different climate-related scenarios (including 2°C or lower scenarios)

1. Climate-related scenarios

CAL has referenced IPCC's latest AR6 report and adjusted the original analysis of 2°C and 4°C scenarios to 1.5°C, 2°C, and 3°C scenarios as shown in Figure 3-7.

The 6th assessment report (AR6) utilizes finer "shared social-economic pathways" (SSP) that combine qualitative social-economic conditions such as population, human development, economy, lifestyle, policies and institutes, technology, environment and natural resources into an integrated assessment model. These basic elements and motivating factors are used to generate 5 scenarios from negative to high carbon emissions such as SSP1-1.9, SSP1-2.6, SSP2-4.5, SSP2-7.0, and SSP5-8.5.

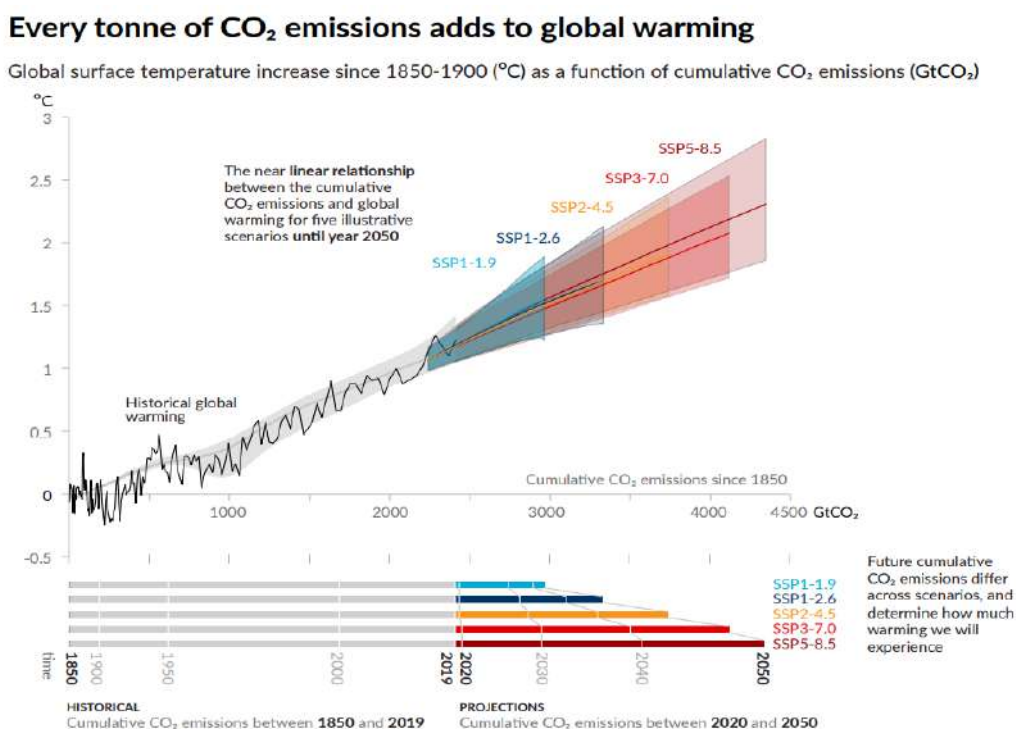


Figure 3-7. 2021 Climate-related Scenarios

2. Climate-related scenarios of individual periods differing from IPCC scenarios

CAL has referenced the United Nation's scientific report IPCC AR6 to analyze scenarios of potential temperature increases in individual periods and differing scenarios (see Table 3-2).

Table 3-2. CAL Climate-related Scenarios

Scenario year IPCC scenarios	2022-2023	2024-2025	2026-2030	2031-2040	2041-2050
SSP1-1.9 (B2DS)	1.5°C	1.5°C	1.5°C	1.5°C	1.5°C
SSP2-4.5 (2DS)	1.5°C	1.5°C	1.5°C	1.5°C	2°C
SSP5-8.5	1.5°C	1.5°C	1.5°C	2°C	3°C

Chapter 4. Risk Management

(Identify, assess, and manage climate-related risks)

I. Procedures for identifying and assessing climate-related risks

CAL conducts cross-departmental interviews and discussions based on TCFD guidelines to identify climate-related risks and opportunities; quantitative financial analysis is performed to review current measures and response plans to comprehensively identify the potential transformation risks, physical risks, and opportunities the Company may face. The relevant identification procedures are as shown in Figure 4-1.

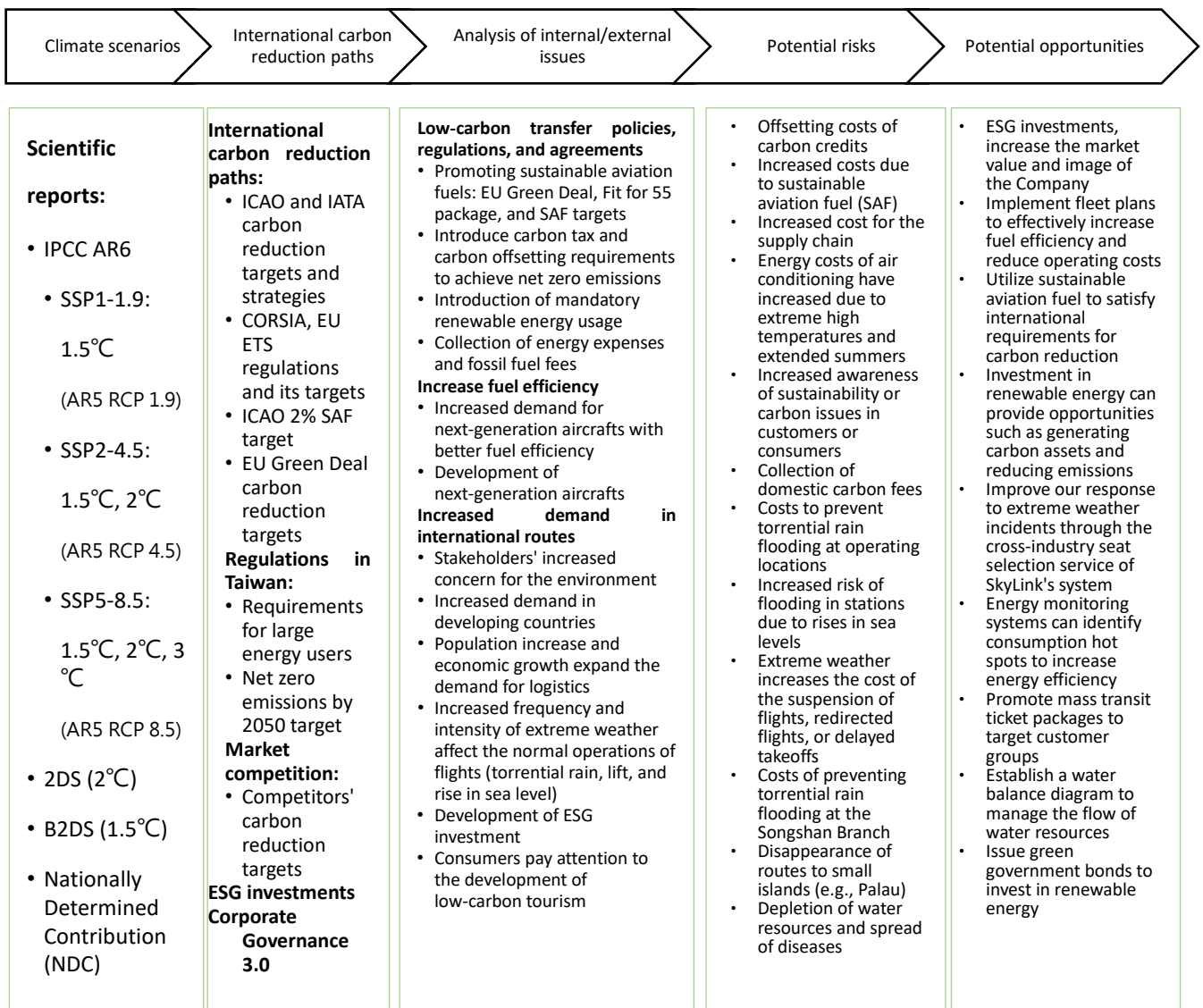


Figure 4-1. Identification Procedures for Climate Risks and Opportunities

II. Procedures for managing climate-related risks

Based on the impact of climate change towards the Company's overall operations, CAL has identified key units and operation facilities based on TCFD guidelines and the Guidelines for the Analysis of Climate-Related Risks and Opportunities V2.0, which were released by Japan's Ministry of the Environment. These include the energy necessary for providing transportation services, the electricity and fuel demand of aircraft, and air-conditioning facilities, among others. CAL assessed the potential impact and degree of impact of climate change on these facilities to establish a tracking, management, and continuous improvement mechanism for improvement strategies and implementation results. The identification and assessment procedures are as shown in Figure 4-2.

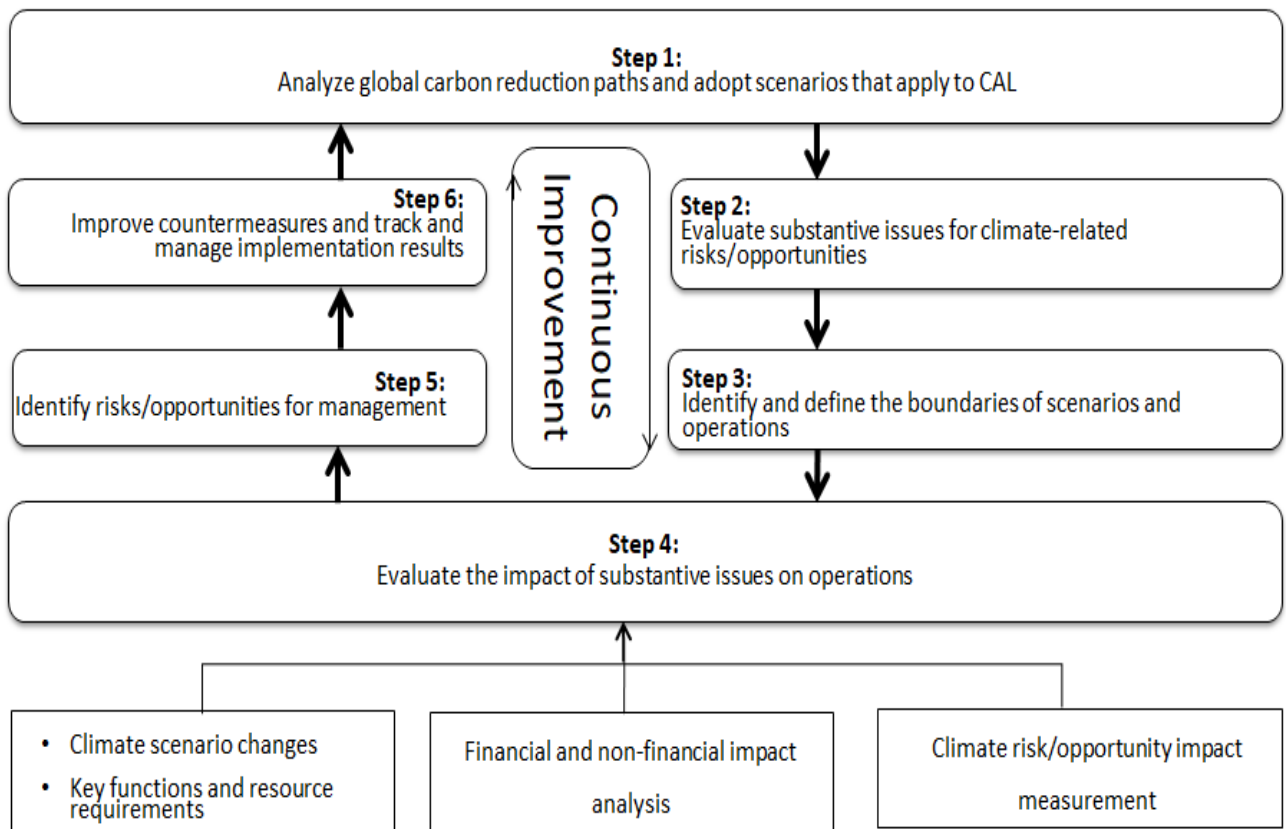


Figure 4-2. Climate Risk/Opportunity Assessment Procedures

III. Procedures for identifying, assessing, and managing climate-related risks and integrated management measures

CAL employs the TCFD and the Carbon Management Task Force to regularly compile both international and domestic environmental protection and carbon reduction regulations to identify risks and opportunities, review, and propose improvement measures. Every 6 months, management data and the operation performance of carbon-related risks and opportunities are reported to the President and Chairman, while major environmental/energy/carbon management issues are included in regular executive reports to continually improve and implement various management and operating procedures. Integration of the corporate value chain and environmental risk management mechanisms extends the depth and detection of climate risks/opportunities to enhance our climate change response and increase the competitiveness of our low-carbon services.

IV. Five core strategies for climate-related risks

Taking into account the "net zero emissions by 2050" target, as well as requirements for international and domestic carbon reduction trends, and based on the organization's identification operations in current and previous years, CAL established a carbon reduction strategy and operational path as shown in Figure 4-3.



Figure 4-3. Five Core Strategies for Climate-related Risks

Chapter 5. Metrics and Targets

(Metrics and targets used to assess and manage climate-related risks and opportunities)

I. Metrics for assessing climate-related risks and opportunities based on strategy and risk management procedures

CAL has cited GRI 302-3 and 305-4 to establish performance tracking metrics while implementing the disclosure metrics of Sustainability Accounting Standards, mainly including aviation fuel usage and fuel efficiency performance. Relevant metrics for year 2019 and 2020 are as shown in the following table (5-1), general performance has been disclosed in the annual [CSR report](#).

Table 5-1. Climate Risk Metrics

Item	2019	2020	2020 Compared to 2019
Fuel use (ton)	2,230,971	1,829,328	-401,643
CO ₂ emissions (ton CO ₂ e)	7,059,083	5,787,751	-1,271,332
Transport volume (1000 RTK)	9,072,762	7,075,331	-1,997,430
Fuel efficiency (fuel/1000 RTK)	0.2459	0.2586	0.0126
Carbon emission intensity (ton CO ₂ /1000 RTK)	0.7781	0.8180	0.0399

II. Direct and indirect GHG emissions and related risk information

CAL has introduced a complete ISO 14064-1:2018 GHG inventory and management mechanism, and established a Carbon Management Task Force under the framework of the Corporate Environmental Committee to comprehensively manage the carbon risk issues of corporate operations and manage compliance with international carbon control schemes based on the [structure of carbon management](#). CAL's year 2019 and 2020 GHG emissions are shown in the table below (Table 5-2).

Table 5-2. GHG Emissions

(Unit: tons CO₂e)

Scope of GHG		2019	2020	Related risks
Scope 1 (category 1)	Aviation	7,059,083	5,787,751	Risks of international carbon reduction pressure and increased carbon offsetting costs
	Ground	6,376	4,063	Risks of carbon reduction agreements with green

				airport partners
Scope 2 (category 2)	18,169	17,572		Risks of mandatory renewable energy usage
Scope 3 (categories 3-6)	1,607,690	3,109,822		Risks of brand customer requirements and supplier management

III. Targets and progress status

CAL has referenced and cited strategic recommendations from ICAO and IATA, benchmark practices of the international aviation industry, and its accumulated experience in carbon reduction operations for short-term carbon reduction targets and related operations, and announced the aviation industry's first voluntary GHG reduction statement in collaboration with the Civil Aeronautics Administration, setting short-, medium-, and long-term reduction targets and actively promoting self-management operations. Further adjustments and rolling corrections have been made in coordination with the ICAO's global carbon control mechanism (CORSIA) and IATA global industry targets to achieve short-, medium-, and long-term targets. In 2021, CAL partnered with IATA and AAPA to establish and promote the "net zero emissions by 2050" target.

To achieve the carbon reduction target in the first stage in the aviation industry—increasing fuel efficiency by 1.5% per year—CAL has continually improved the performance of aviation fuel efficiency and established four major fuel-saving strategies and many general measures in the areas of "fleet renewal," "aircraft weight reduction," "flight optimization," and "O&M improvement." However, due to the severe impact of the pandemic on flights and scheduling in 2020, although total aviation fuel consumption decreased by 2.4% compared to 2019, the total number of flights shrank by 38% in 2020 and the performance of revenue ton kilometer (RTK) dropped by 22%. The overall fuel efficiency was 0.2586 tons/1,000 RTK, which failed to meet the 2020 target (0.2349 tons/1,000 RTK). On the other hand, the short-term carbon reduction target for ground operations (38% reduction in 2020 compared to 2009) has been achieved and a new short-term (2023) carbon reduction target was set for 2021. Targets and their progress status are as shown in Table 5-3, climate-related risk management strategies and operations are as shown in Table 5-4.

Table 5-3. Targets and Progress Status

2020 Objectives	Key performance results	Plan for improvement	Short-term targets (2023)	Medium-term targets (2025)	Long-term targets (2030)	2050 targets
Improve annual aviation fuel efficiency by 1.5% (flight operations)	Maintain leading position among Asia Pacific airlines with fuel efficiency at 0.2586 tons per 1,000 RTK	Continue to implement the IATA four-pillar strategy to reduce carbon emissions (technology improvement, operational efficiency, infrastructural efficiency, and economic measures)	Implement an annual aviation fuel efficiency increase of 1.5% and 2020 carbon-neutral growth in line with CORSIA			Net zero emissions
A 38% reduction in carbon emissions from ground operations compared to 2009	A 39% reduction in carbon emissions from ground operations compared to 2009	Utilizing energy management systems in ongoing energy saving and carbon reduction activities	A reduction in carbon emissions from ground operations compared to 2009			
			41%	44%	50%	
Implement TCFD management and disclosure operations	Publish climate-related financial disclosure reports	Continue to strengthen climate risk and opportunity management procedures	Enhance the integration of decision-making mechanisms with climate-related financial information	Implement and optimize internal carbon pricing operations	Formulate a sustainable aviation fuel strategy for Taiwan	

Table 5-4. Climate Risk Management Strategy and Operations

	Response item	Target and specific actions
Governance	Strengthen climate governance	Continue to submit a Climate-Related Financial Report to the Board
	Enhance management supervision and cross-departmental operations	1. Implement corporate governance and green finance, and introduce TCFD and SASB Standards and requirements. 2. Implement continuous management of short-, medium-, and long-term ESG results.

	Response item	Target and specific actions
		<p>3. Expand the voluntary carbon offsetting project – CAL ECO TRAVEL.</p> <p>4. Promote diversified channels of customer communication for environmental protection.</p>
Strategy	Enhance TCFD capabilities	<p>1. Increase the comprehensiveness of quantified financial information.</p> <p>2. Establish a cross-unit information platform.</p>
	Climate response strategies and management	<p>1. Incorporate climate risks and opportunities into the Company's general plans and strategies, and implement relevant response operations.</p> <p>2. Review overall operating performance in business units and assess the future operating outlook on a quarterly basis.</p>
	Participate in important engagements	<p>1. Participate in the operation of international and Taiwan's important climate policy engagement platforms, keep abreast of policy development trends, and get hold of the right to speak.</p> <p>2. Promote industry, government, and academia collaboration to develop a domestic sustainable aviation fuel development strategy.</p>
Risk management	Strengthen the existing enterprise risk management mechanism	Combine the CAL value chain and the environmental risk management mechanism, strengthen the detection of climate risks and opportunities as well as management, and enhance the capability of continued operations in response to extreme weather.
	Strengthen the existing enterprise risk management mechanism	Incorporate climate factors into the existing enterprise risk management mechanism to strengthen climate risk / opportunity detection, response, and control capabilities in all units.
	Respond to international carbon transformation risks	<p>1. Participate in the carbon offsetting and reduction plans of the international aviation industry.</p> <p>2. Conduct EU ETS, UK ETS, and CORSIA MRV operations.</p> <p>3. Research and implement carbon rights/credit transaction system operations.</p> <p>4. Establish procedures for financial quantification and data collection to further enhance analysis of flight data on suspended flights, redirected flights, and delays due to climate impact; effectively use system operation control management data in statistical analysis to identify the stations affected by extreme weather to enhance adaptive resilience.</p> <p>5. Review and set countermeasures for the development of the EU Fit for 55 package.</p> <p>6. Grasp the development of EU and global SAF mandatory policies, and review countermeasures.</p>

	Response item	Target and specific actions
	Implement carbon reduction and energy transformation	<ol style="list-style-type: none"> 1. Install dedicated meters to monitor electricity usage of high energy consumption equipment and continually plan to replace this equipment when necessary. 2. Assess plans for additional solar energy facilities. 3. Maintain operations of energy management systems and monitor their effectiveness.
Metrics and targets	Continuously optimize GHG inventory	Conduct an annual inventory of the organization's internal/external GHG emissions for Scope 1 (category 1), Scope 2 (category 2), and Scope 3 (categories 3-6) to monitor information on GHG emissions.
	Implement carbon emission reduction targets and KPIs	Implement short-, medium-, and long-term carbon emission reduction targets and establish around 60 KPIs in environmental protection and carbon emission reduction each year; review the outcomes of implementation at the meeting of the Corporate Environmental Committee convened by the President quarterly.
	Attain flight carbon reduction objectives	<ol style="list-style-type: none"> 1. Continue to promote plans for fleet renewal, aircraft weight reduction, flight optimization, and O&M improvement. 2. Implement fleet plans in accordance with medium and long-term business growth. 3. Continue to improve aviation fuel economy, increase loading rate, and focus on the development of new technologies and low-carbon aircrafts for purchase appropriately. 4. Promote plans to utilize SAF
	Increase fuel efficiency	<ol style="list-style-type: none"> 1. Continue to promote aviation fuel-saving operations and increase fuel efficiency by 1.5% annually. 2. Optimize network planning and fleet scale in response to the pandemic and international development trends.