

China Airlines Ltd.

Operational Procedures for Endorsements/Guarantees

Amended and approved by the Shareholders' Meeting on June 25, 2019

- Article 1 Purpose:
These Procedures governing endorsements and guarantees were formulated to meet business needs.
- Article 2 Scope of Application
1. Any company which has a business relationship with the Company.
 2. Any company in which the Company directly or indirectly holds more than 50% of the voting shares.
 3. Any company that directly and indirectly holds more than 50% of the voting shares in the Company.
 4. Companies in which the Company holds, directly and indirectly, 90% or more of the voting shares can provide endorsements or guarantees for each other.
 5. In cases where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding paragraphs. However, the Company shall not take on any liability related to the endorsements/guarantees of other shareholders.
- Article 3 Types of Endorsements/Guarantees
The term "endorsements/guarantees" as used in the Procedures refers to the following:
1. Financing endorsements/guarantees, including bill discount financing, endorsements or guarantees made to meet the financing needs of another company, and issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
 2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
 3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the preceding two Paragraphs.
 4. Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall be subject to these Procedures.
- Article 4 Ceilings on the Amount of Endorsements or Guarantees
1. The total amount of endorsements or guarantees that the Company provides shall not exceed 50% of the net value of the Company based on its latest financial statements. The total value of endorsements/guarantees made by the Company and its subsidiaries shall not exceed 50% of the net value of the Company based on its latest financial statements.
 2. The amount of endorsements or guarantees that the Company provides for any individual enterprise shall not exceed 20% of the net value of the Company based on its latest financial statements. The amount of endorsements or guarantees made by the Company and its subsidiaries to an individual enterprise shall not exceed 20% of the net value of the Company

based on its latest financial statements. However, when providing endorsements/guarantees to a company due to a business relationship, the amount of endorsements or guarantees that the Company provides for any individual enterprise shall not exceed the total amount of the business transactions between that enterprise and the Company over the previous year.

3. Should the Company provide endorsements/guarantees to a subsidiary to meet the financing needs of the Company and the Company has already reported this liability, it shall not be calculated towards the Company's total amount of endorsements or guarantees.
4. For companies in which the Company holds, directly or indirectly, 90% or more of the voting shares the amount of endorsements/guarantees shall not exceed 10% of the net value of the Company based on its latest financial statements and must be approved by resolution of the Board of Directors before implementation. This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
5. For any company in which the Company directly or indirectly holds more than 50% of the voting shares, in addition to providing proper justification for the Board of Directors to approve, the endorsement/guarantee ratio shall not exceed the Company's shareholding ratio.

Article 5 Endorsement/Guarantee Procedure

1. When making an endorsement or guarantee, the unit handling the process shall first ensure that the endorsement/guarantee counterparty, type of endorsement/guarantee, and total amount meet the conditions set out in Articles 2, 3, and 4
2. After completing the below assessment procedures, and said assessments are reviewed and signed off by the Finance Division, the unit handling the endorsement/guarantee process shall report to the Board of Directors and implement after approval by the Board. However, due to their time-sensitive nature, unless otherwise stated within these Procedures, if the total amount of one endorsement/guarantee is less than 10% of the Company's total net value based on the most recent financial statement certified or examined by a certified public accountant (the calculation shall be based on the net value recorded in the latest financial statement that has been certified or approved by a certified public accountant), the Company's Chairman may first authorize the endorsement/guarantee, then report to the next Board of Directors Meeting for ratification.
 - (1) The necessity of and reasonableness of endorsements/ guarantees.
 - (2) Content of the credit status and risk assessment of the endorsement/guarantee counterparty shall include the counterparty's business, financial condition, debt-repayment ability and credit, earning power, and purpose of the endorsement/guarantee.
 - (3) The impact on the Company's business operations, financial condition, and shareholder equity.
 - (4) Whether collateral must be obtained and appraisal of the value thereof.
3. The unit handling the endorsement/guarantee shall record the endorsement/guarantee counterparty, the amount, the date of passage by the Board of Directors or of authorization by the Chairman, the date the endorsement/guarantee is made, the assessment made per the previous paragraph, description of collateral and its appraisal report, along with the

terms and date for discharge of liability and provide to the Finance Division to establish a memorandum.

4. When the endorsement/guarantee counterparty returns the funds or for some other reason the liability is reduced or discharged, the unit handling the process shall provide the relevant information to the Finance Division so it can be recorded in the endorsement/guarantee memorandum.
5. The Company's internal auditors shall audit the Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. In the case of material violation, the Audit Committee shall be notified in writing.
6. Should circumstances change and the endorsement/guarantee counterparty no longer fulfill the requirements outlined in these Procedures or exceed the prescribed limit, the unit handling the endorsement/guarantee process shall formulate an improvement plan and provide the relevant plan to Audit Committee and follow said plan to make the necessary corrections.

Article 6 Information Reporting Standards and Procedures

1. The Company shall publically announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
2. If the balance of funds lent by the Company meets any of the following circumstances, it shall be announced and reported within two days commencing immediately from the date of occurrence of the fact (date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement guarantee, whichever date is earlier):
 - (1) The balance of endorsements/guarantees made by the Company and its subsidiaries reaches or exceeds 50% of the net worth of the Company specified in its latest financial statement.
 - (2) The balance of endorsements/guarantees to any single enterprise by the Company and its subsidiaries reaches or exceeds 20% of the net worth of the Company specified in its latest financial statement.
 - (3) Where the Company and its subsidiaries endorsed a single enterprise reaching a balance of NT\$10 million or more, and guaranteed the endorsement, adopted the equity method for the investment book value, and the balance of the fund loan and total balance exceeds 30% of the net value of the company's most recent financial statements.
 - (4) The increase of endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and is 5% or more of the net worth of the Company specified in its latest financial statement.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the Subparagraph 4 of the above Paragraph.

Article 7 Control Procedures for Endorsements/Guarantees Provided by Subsidiaries

1. Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own Operational Procedures for Endorsements/Guarantees in compliance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".
2. Company subsidiaries shall compile a list of endorsements/guarantees

provided to others over the previous month on or before the 3rd day of each month and send it to the to the Finance Division.

3. To ensure strict risk management, for subsidiaries whose net worth is lower than half of its paid in capital based on the previous year's financial report, each year the Company must assess the necessity, reasonableness, and risk of its endorsements/guarantees. If the subsidiary has no par value or a par value other than NT\$10 per share, the paid-in capital calculation shall be the sum of the share capital plus paid-in capital in excess of par.
4. The internal auditors of the Company's subsidiaries shall audit these Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. In the case of material violation, the Company's auditing division shall be notified in writing which will in turn provide the written materials to the Company's Audit Committee.
5. The Company's internal auditors, when performing annual reviews of subsidiaries, shall gain an understanding of the subsidiaries' implementation of the Operational Procedures for Endorsements/Guarantees. If any material breach discovered, the auditors shall continue to track the progress of improvements and provide a follow up report to the Chairman.

Article 8 Procedures for Use and Custody of Corporate Chops

1. The Company shall use the chop registered with the Ministry of Economic Affairs for the exclusive use for endorsement and/or guarantee. The chop shall be under the safekeeping of special personnel whose appointment or change must be approved by the Board of Directors.
2. All use of chops in the processing of endorsements/guarantees or issuance of negotiable instruments shall follow the Operating Procedures Governing the Management of Official Seals promulgated by the Administration Division.

Article 9 Other Considerations

1. When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by a person authorized by the Board of Directors.
2. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in the financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.
3. When the Company makes endorsements/guarantees to others, the opinions of the independent directors should be taken into full consideration. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors meeting.
4. Where it is necessary for the Company to exceed the limit of endorsements/guarantees defined herein to meet operational needs in accordance with the Procedures, it shall be subject to approval of the Board of Directors and joint guarantees made by a majority of the directors towards the potential loss of the excess, and the Procedures shall be amended subject to ratification of the Shareholders' Meeting. If the Shareholders' Meeting disapproves it, the excess shall be discharged within a given time limit. The Board of Directors meeting referred to previously in this paragraph shall take into full consideration each independent director's opinion and include independent directors' opinions specifically expressing assent or dissent and

- their reasons for dissent into the minutes of the Board of Directors meeting.
5. Should the counterparty fail to comply with the Regulations or the endorsement/guarantee amount exceeds set limits due to unexpected changes, the Company shall formulate a plan to correct the situation and provide this plan to the Audit Committee.

Article 10 Penalties

If any Company managers or relevant personnel are in breach of these Procedures and/or of any related laws and regulations, penalties shall be incurred in accordance with Company Rewards and Punishments regulations proportional to the gravity of the breach.

Article 11 Implementation and Revision

1. The establishment or revision of this operating procedure shall be approved by more than one-half of all members of the Audit Committee, and shall be submitted to the Board of Directors for resolution, and shall be submitted to the shareholders' meeting for approval after the approval of the Board of Directors. If a director expresses objection and has a record or written statement the Company shall report its objection to the shareholders meeting for discussion. If it is not approved by more than one-half of the Audit Committee members, then it must be approved by more than two-thirds of the entire Board of Directors. The decision shall be recorded in meeting minutes.
2. The entire members of the Audit Committee or the Board of Directors referred to in the aforementioned shall be calculated based on the number of actual serving Directors.

Article 12

These Procedures were adopted on May 25, 1990 and the 11st revision was made on June 25, 2019. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.