

China Airlines Co., Ltd.

Sustainable Development Best Practice Principles

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Chapter I General Principles

Article 1

To fulfill its corporate social responsibility initiatives and to promote economic, environmental and social advancement for purposes of sustainable development, China Airlines Co., Ltd. (hereafter referred to as “the Company”) refers to the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and international sustainable development governance trends to institute the Corporate Social Responsibility and Sustainable Development Best Practice Principles (hereafter referred to as “the Principles”) in order to manage the Company’s economic, environmental and social risks and impact, and elevate its sustainable competitiveness.

Article 2

The Principles applies to the Company's entire business activities, mainly including daily operations, risk management, corporate merger and corporate split, etc.

The Company actively fulfills its sustainable development in the course of its business operations so as to follow international sustainable development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as a responsible corporate citizen, to make use of environmental and energy resources sustainable and to enhance competitive edges built on sustainable development.

Article 3

In fulfilling the sustainable development initiatives, while pursuing sustainable operations and profits, the Company shall give due consideration to the rights and interests of stakeholders and incorporates the environment, society and corporate sustainable governance factors in corporate operation policies to apply into implementation, so as to concurrently take care of sustainable operation and profit making.

The Company shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.

Article 4

To implement sustainable development initiatives, the Company follows the principles below, and promotes sustainable supply chain management and facilitates the communication with stakeholders:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance disclosure of sustainable development information

Article 5

The Company takes into consideration the correlation between the development of domestic and international sustainable development principles as well as sustainable development trends and corporate core business operations, and the effect of the Company's overall operating activities on stakeholders, in establishing its policies, systems and relevant management strategies for sustainable development programs, which shall be approved by the board of directors and then reported to the shareholder meeting. When a shareholder proposes a motion involving sustainable development, the Company's board of directors may review and consider including it in the shareholder meeting agenda.

Chapter II Exercise Corporate Governance

Article 6

The Company follows the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and relevant ethical standards, so as to enhance corporate governance and achieve sustainable development.

Article 7

The directors of the Company shall exercise the due care of good administrators to urge the Company to perform its sustainable development initiatives, achieve sustainable development, review the results of the implementation thereof from time to time and continually make adjustments, so as to ensure thorough implementation of its sustainable development policies.

The board of directors of the Company shall fully consider the interest of stakeholders and include the following matters in its goal for implementation of sustainable development initiatives:

1. Propose missions or visions of sustainable development, and formulate policies, systems, or relevant management guidelines of sustainable development.
2. Incorporate sustainable development into the Company's business operations and development directions, and review ratify concrete initiatives promotional plans of sustainable development.

3. Ensure the accuracy and timeliness of the disclosure of sustainable development information. The management in executive-level positions handles the economic, environmental and social issues resulting from the business operations of the Company, and reports the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8

The Company organizes education and training on the implementation of sustainable development initiatives on a regular basis if needed, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9

For the purpose of managing sustainable development initiatives, the Company establishes the Corporate Sustainability Committee. The working groups of corporate governance, cooperation, environment, society, and human resources are set up under the Corporate Sustainability Committee to be in charge of proposing and enforcing sustainable development policies, systems, management guidelines and concrete promotion plans, and to report on the same to the board of directors on a periodic basis.

The Company shall adopt reasonable remuneration policies, to ensure that the remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

The employee performance evaluation system of the Company should be combined with sustainable development policies, and a clear and effective incentive and discipline system should be established.

Article 10

The Company identifies the stakeholders of the Company and establishes a designated section for stakeholders on the Company's website based on respect for the rights and interests of stakeholders; understands reasonable expectations and demands of stakeholders through proper communication with them, and adequately responds to the important sustainable development issues which they are concerned about.

Chapter III Foster a Sustainable Environment

Article 11

The Company follows relevant environmental laws, regulations and relevant international standards to properly protect the natural environment and eco-diversity, and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12

The Company endeavors to utilize energy more efficiently, and uses renewable materials which have a low impact on the environment and ecology based the principle of flight safety, so as to improve sustainability of natural resources.

Article 13

The Company shall establish proper environment and energy management systems based on the characteristics of its industry. Such systems shall include the following tasks:

1. Setting up appropriate management concepts and policies.
2. Collecting sufficient and up-to-date information to evaluate the impact of the Company's operations on the natural environment.
3. Establishing measureable goals, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
4. Adopting enforcement measures such as concrete plans and action plans, and examining the results of their operation on a regular basis.
5. Positively disclosing environment and energy related management information.
6. Supporting the initiatives of international environmental protection and climate change.

Article 14

The Company's Environment Dept. of Corporate Safety Office is the dedicated unit for environmental and energy management for drafting, promoting, and maintaining the environmental protection and energy management system and concrete action plans, and holds environmental education courses for the Company's managerial officers and other employees on a periodic basis.

Article 15

The Company takes into account the effect of business operations on ecological efficiency, promotes and advocates the concept of sustainable operations, and conducts research and development, procurement, production, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from its business operations:

1. Reduce the consumption of resources and energy required for services and business operations.
2. Mitigate climate change and reduce greenhouse gas emissions.
3. Reduce emissions of pollutants, toxins and waste, dispose of waste properly, and enhance recycling.
4. Maximize sustainability of renewable resources.
5. Increase service efficiency and enhance ecological effects.

Article 16

To improve water use efficiency, the Company shall properly and sustainably use water resources,

and establish relevant management measures.

The Company constructs and improves environmental protection treatment facilities to avoid polluting water, air and land, and uses its best efforts to reduce the adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

Article 17

The Company shall assess the current and future potential risks and opportunities that climate change may present to company and to adopt related measures.

The Company adopts standards and guidelines generally used in Taiwan and abroad to enforce greenhouse gas inventory and verification, and to make disclosures thereof, the scope of which shall include the following:

1. Direct greenhouse gas emissions: emissions from operations which are owned or controlled by the Company.
2. Indirect greenhouse gas emissions: generated by the input of energy use such as electricity, heat, or steam.
3. Other indirect emissions: emissions from the company's activities that are not indirect emissions from energy sources, but from sources owned or controlled by other companies.

The Company compiles statistic on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The companies' carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of their business operations on climate change.

Chapter IV Preserve Public Welfare

Article 18

The Company complies with relevant labor laws and regulations, and the International Bill of Human Rights, with respect to rights, such as gender equality, the right to work, prohibition of discrimination, etc.

The Company, to fulfill its responsibility to protect human rights, adopts relevant management policies and processes, including:

1. Presenting a corporate policy or statement on human rights.
2. Evaluating the impact of the Company's business operations and internal management on human rights, and adopting corresponding handling processes.
3. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.
4. In the event of any infringement of human rights, the Company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The Company complies with the internationally recognized human rights of labor, including the freedom of association, the rights of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor and eliminating recruitment and employment discrimination, and ensures that its human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age and marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation and promotion opportunities.

The Company provides an effective and appropriate grievance mechanism with respect to matters adversely impacting rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient and unobstructed. The Company shall respond to any employee's grievance in an appropriate manner.

Article 19

The Company provides information for its employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the Companies have business operations.

Article 20

The Company shall provide safe and healthful work environments for its employees, including necessary health and first-aid facilities, and endeavors to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company organizes training on safety and health for its employees on a regular basis.

Article 21

The Company shall create an environment conducive to the development of its employees' careers and establishing effective training programs to foster career skills.

The Company shall establish and implement reasonable employee benefit policy (including remuneration, leave and other welfare etc.) and appropriately reflects the corporate business performance or achievements in the employee remuneration policy, to motivate and reward employees for good performance, so as to achieve the objective of sustainable operations.

Article 22

The Company establishes a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Company's operations, management and decisions.

The Company respects the employee representatives' rights to bargain for the working conditions, and provides the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee

representatives.

The Company, by a reasonable means, informs employees of any operation changes that might have material impacts and establishes counseling measures.

Article 22-1

The Company sells and provides its products or services to its customers or consumers in a fair and reasonable way, including entering into contracts with fair terms, duty of care and fiduciary duty, truthfulness in advertising and soliciting, appropriateness of the products or services provided, notification and disclosure, commensuration between compensation and performance, protection for consumer right to complaints, professionalism of the salespersons, and establishing the relevant strategies and specific measures for implementation.

Article 23

The Company takes responsibility for its products and services, and takes marketing and ethics seriously. In the process of research and development, procurement, production, operations and services, the Company ensures the transparency and safety of its products and services. It further establishes and discloses policies on consumer rights and interests and enforces them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health and safety of consumers.

Article 24

The Company ensures the quality of its products and services by following the laws and regulations of the government and relevant standards of its industry.

In relation to the customers' health, safety, privacy and being marketing and labeling its products and services, the Company shall follow relevant laws, regulations and international standards and shall not deceive, mislead or commit fraud or engage in any other acts which would betray customers' trust or damage customers' rights and interests.

Article 25

The Company evaluates and manages all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers, society and the environment.

The Company provides a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with the laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 26

The Company assesses the impact its procurement has on society as well as the environment of the

community that it is procuring from, and cooperates with its suppliers to jointly implement the corporate social responsibility and sustainable development initiatives.

The Company shall establish the supplier management policy and request its suppliers to comply with the related regulations in relation to environment protection, occupational safety and health or labor rights. Prior to engaging in commercial dealing, the Company shall assess whether there is any record or potential risk of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility and sustainable development policies. When the Company enters into a contract with any of major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27

The Company evaluates the impact of its business operations on the local community, and adequately employs the personnel from the location of the business operations, to enhance community acceptance.

The Company is advised to, through equity investment, commercial activities, donations, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, or to participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

Chapter V Enhance Disclosure of Sustainable Development Information

Article 28

The Company discloses information according to relevant laws and regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and fully discloses relevant and reliable information relating to its sustainable development initiatives to improve information transparency.

Relevant information relating to sustainable development which the Company discloses includes:

1. The sustainable development policies resolved by the board of directors, and the relevant systems, management guidelines and concrete promotion plans promoted by the management in executive-level positions.
2. The risk and impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
3. Goal and measures for realizing the sustainable development initiatives established by the Company, and performance in implementation.
4. Major stakeholders and their concerns.

5. Disclosure of the information on major suppliers' management and performance with respect to major environmental and social issues.
6. Other information relating to sustainable development initiatives.

Article 29

The Company adopts internationally widely recognized standards or guidelines when producing sustainability reports, to disclose the status of its promotion of the corporate sustainable development. It also obtains a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. The policy, system, management guidelines and concrete promotion plans for implementing sustainable development initiatives.
2. Major stakeholders and their concerns.
3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
4. Future improvements and goals.

Chapter VI Supplementary Provisions

Article 30

The Company all times monitors the development of domestic and foreign sustainable development standards and the change of the business environment, so as to examine and improve its established sustainable development framework and to obtain better results from the implementation of the corporate sustainable development policies.

Article 31

The Principles shall come into full force by the resolution adopted by the Board of Directors. The same procedure applies to any amendment thereto.