



# Corporate Social Responsibility Report 2011

# Notes to the Report

---

## Basis of Preparation

The report is prepared in accordance with the *Guidelines for National Enterprises on Fulfilling Corporate Social Responsibility* (released by the State-owned Assets Supervision and Administration Commission of the State Council), the *Notice on Strengthening the Fulfillment of Corporate Social Responsibility by Listed Companies* and *Guidelines of the Shanghai Stock Exchange on Disclosure of Environment Information for Listed Companies* (released by the Shanghai Stock Exchange), the *Sustainability Reporting Guidelines* (G3.1) of the Global Reporting Initiative (GRI), the *Guideline on Compilation of Corporate Social Responsibility Reports for Chinese Enterprises* (CASS-CSR2.0), and additional guidelines for the aviation service industry.

## Reporting Period

The reporting period is from January 1 to December 31, 2011, with data supplements from previous years for reference.

## Publishing of the Report

This is the fourth annual CSR report published by Air China Limited.

## Sources of Data

All financial data cited in this report are from the audited annual reports of Air China Limited, while other data come from the formal internal documents and relevant statistics of Air China Limited.

## Scope of the Report

The report is primarily about Air China Limited, and also covers its branches, business management units, management support departments, Air China Cargo Co., Ltd., and Shenzhen Airlines Co., Ltd.

## Abbreviations Used

In this report, “we”, “the Company” or “Air China” refers to Air China Limited, while “Air China Group” refers to Air China Limited and its wholly-owned and controlled subsidiaries.

## Accessibility of the Report

The report is presented in Chinese and English languages; where inconsistency arises with regard to the understanding of the two texts, the Chinese version shall prevail. The report is published in both print and online versions.

The online version can be accessed on the Company’s website ([www.airchina.com.cn](http://www.airchina.com.cn)).

If you want to acquire a print version or put forward suggestions and/or comments on the report, please contact us:

Contact person: Rao Xinyu (Board Secretary)

Mailing address: 30 Tianzhu Road, Tianzhu Airport Industrial Zone, Beijing, China

Tel: 86-10-61462777

Fax: 86-10-61462805

E-mail: [raoxinyu@airchina.com](mailto:raoxinyu@airchina.com)

The world  
is smaller  
because of us

### Economic Responsibility

Maintaining profitability and continuing our leadership position in the industry; promoting the development of regional economies; and advancing the integration of different economies.

### Safety Responsibility

Making sure that every departure and arrival are safe and secure.

### Passenger Responsibility

We fly tens of millions of passengers to various destinations, striving to satisfy their needs.

### Environmental Responsibility

Flying in an environmentally responsible manner, we bring you closer to nature as we carry you across the world.

### Employee Responsibility

Sincerity and affection are the hallmark of the relationship between our employees as we move together into the future.

### Social Responsibility

We are always there for you wherever you are and whenever you need us.

# CONTENTS

## 1

**Chairman's Message** 4

**1. About Us** 6

**1.1. Company overview** 7

**1.2. Corporate strategy** 12

1.2.1. Environment of development 12

1.2.2. Strategic goals and priorities 13

**1.3. Corporate governance** 13

1.3.1. Governance structure 13

1.3.2. Legality and compliance 14

1.3.3. Business ethics 14

**1.4. CSR management** 14

1.4.1. CSR values 14

1.4.2. CSR management mechanism 15

1.4.3. Stakeholder communication 16

1.4.4. CSR comprehensive performance 17

## 2

**2. Creating Economic Value** 18

**2.1. Building a global network** 20

2.1.1. Building up domestic hubs 20

2.1.2. Developing international  
and domestic routes in  
a balanced manner 21

**2.2. Promoting industrialization** 22

**2.3. Optimizing business operation** 23

2.3.1. Improving operating efficiency 23

2.3.2. Maintaining an advantage  
in cost efficiency 23

2.3.3. Improving the sustainability of  
supply chain 23

|                            |  |                                |  |   |  |
|----------------------------|--|--------------------------------|--|---|--|
| 3                          | <b>3. Safe and Sustainable Development</b>                             | <b>24</b>                      | 6  | <b>6. Promoting Employee Development</b>            | <b>44</b>                              |
|                            | 3.1. Improvement of safety management system                           | 26                             |  | 6.1. Guaranteeing employee's rights and interests   | 46                                     |
|                            | 3.1.1. Safety management mechanism                                     | 26                             |  | 6.1.1. Remuneration and benefits                    | 46                                     |
|                            | 3.1.2. Application of new technologies                                 | 26                             |  | 6.1.2. Contributing ideas together                  | 47                                     |
|                            | 3.1.3. Responding to emergencies                                       | 26                             |  | 6.2. Caring for each other's needs                  | 47                                     |
|                            | 3.2. Strengthening professional competence                             | 27                             |  | 6.2.1. Open and honest communication                | 47                                     |
|                            | 3.3. Developing reliable fleet   | 28                             |  | 6.2.2. Recreational activities                      | 48                                     |
|                            | 3.3.1. Optimizing fleet structure                                      | 28                             |  | 6.2.3. Caring about our employees' life             | 49                                     |
|                            | 3.3.2. Improving aircraft maintenance and repair standards             | 28                             |  | 6.3. Promoting employee development                 | 50                                     |
|                            |  |                                |  |   | 6.3.1. Approach to talents cultivation |
| 4                          | <b>4. Improvement of Passenger Experience</b>                          | <b>30</b>                      |  | 6.3.2. Career development passage                   | 51                                     |
|                            | 4.1. Listening to the customer's voice                                 | 33                             | 7  | <b>6.4. Improving occupational health</b>           | <b>51</b>                              |
|                            | 4.2. Standardizing service management                                  | 33                             |  | 6.4.1. Improving working conditions                 | 51                                     |
|                            | 4.3. Creating comfortable flights                                      | 35                             |  | 6.4.2. Strengthening counseling services            | 51                                     |
|                            | 4.3.1. Providing convenient booking and ticketing services             | 35                             |  | <b>7. Contributing to Social Harmony</b>            | <b>52</b>                              |
|                            | 4.3.2. Realizing smooth check-in and boarding                          | 36                             |  | 7.1. Guaranteeing special flights                   | 54                                     |
| 4.3.3. Enjoying the flight | 37   | 7.1.1. Supporting major events |  | 54  |  |
| 5                          | <b>5. Pursuing a Low-carbon and Environmentally Sustainable Future</b> | <b>38</b>                      |  | 7.1.2. Giving priority to emergency rescue missions | 54                                     |
|                            | 5.1. Optimizing environmental management                               | 39                             | 7.2. Emphasizing children's development    | 55  |  |
|                            | 5.2. Actively responding to climate change                             | 40                             | 7.2.1. Supporting educational undertakings | 55  |  |
|                            | 5.3. Promoting energy-efficient development                            | 41                             | 7.2.2. Concern for children's health       | 56  |  |
|                            | 5.3.1. Conserving aviation fuel  | 41                             | 7.3. Assisting the underprivileged         | 56  |  |
|                            | 5.3.2. Lowering vehicle fuel consumption                               | 43                             | 7.4. Launching volunteer activities        | 56  |  |
|                            | 5.3.3. Conserving water and electricity on the ground                  | 43                             | <b>2012 Outlook</b>                        | <b>58</b>   |  |
|                            | 5.4. Mitigating environmental impact                                   | 43                             | <b>GRI Index</b>                           | <b>60</b>   |  |
|                            |  |                                | <b>Third Party Audit</b>                   | <b>67</b>   |  |

## Chairman's Message



We at Air China are committed to honoring our social responsibilities and serving the needs of our society. In 2011, Air China continued this dedication and achieved exceptional performance by adhering to a policy of prudent operation and sustainable development, and by continuing to expand the growth of CSR concepts in the Company's operation and management. Currently an important carrier in China's aviation market, Air China is moving forward with the goal of becoming an internationally competitive large network airline. The Company recorded 1.386 million safe flying hours in 2011, transporting 69.692 million passengers and 1.426 million tons of cargoes and mail. In this way, Air China has helped make safe, smooth and convenient air travel an increasingly popular means of transportation for the general public while encouraging commerce and spurring the development of regional economies.

Air China attaches great importance to its values. Translating what we believe into actions, we have deepened our understanding of how Air China's social responsibility may contribute to continued sustainable development of society as a whole. Likewise, we regard responsibility towards our world as one of the most important factors in realizing our own sustainable development. We have continued to honor our commitment in economic, social and environmental arenas, leading to further enhancement of our core competencies in terms of strategic planning, resource allocation, systematic innovation, internationalized operation and harmonious development. Embracing both opportunities and challenges, we have further developed our value creating capacity and laid a solid foundation for sustainable and harmonious development in the future.

Air China has a long history of upholding the philosophy of "safe and sustainable development", seen through the promotion, construction and application of safety management systems, and the comprehensive raising of the overall standard of safety management. In 2011, Air China achieved excellent results in terms of safety, witnessing regular improvement on various safety indices.

Satisfying customer needs and improving customer experience are of fundamental importance to us. We attach strategic importance to our services. As a result, our Customer Service Management (CSM) system was the first in the world to have passed the audit of the British Standards Institution (BSI), in addition to the Four-Star Service Accreditation from SKYTRAX, a world recognized brand associated with quality analysis for the air transport industry worldwide. We have been introducing new wide-body aircraft that are safer and more environmentally friendly, comfortable, and energy efficient. Air China is also the first Chinese airlines to offer in-flight Wi-Fi service on some of its routes. Through continuous innovation and improvement, we offer passengers with comprehensive, high-quality and individualized services.

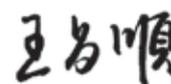
We always pay special attention to protecting the interests of all stakeholders by maintaining sound business operations and strengthening the Company's ability in value creation. In 2011, Air China registered a 19.98% year-on-year growth in operating revenue, realized a profit of RMB7.477 billion, and handed over to the state RMB7.509 billion of taxes and fund contributions, actively contributing to the development of China's national economy and aviation industry. We respect the rights of our shareholders and attach great importance to their interest. Since Air China went public, we have distributed RMB3.189 billion of dividends to our shareholders.

We wish to make our own contributions to the development of a low-carbon economy and the improvement of our environment. Fuel efficiency at Air China is constantly improving. In 2008, Air China was the first among Chinese airlines to establish an environmental management system. Following this, in 2010, Air China started the first "Green Flights" initiative to advocate energy conservation, emissions reduction and green travel. In 2011, Air China successfully conducted the first test flight with biomass fuel in China, crossing a milestone in the development of energy conservation and environmental protection in the aviation industry.

We have been actively fulfilling our responsibilities as a corporate citizen, carrying out flight missions to difficult and dangerous places in situations of urgent need. During floods in Sri Lanka, the earthquake in Japan and the evacuations from Libya and Egypt, Air China has taken the interests of the whole into account, acting promptly and carrying out flight missions in an outstanding manner. Air China has long been enthusiastic in promoting undertakings for the public welfare, such as supporting educational development, helping underprivileged groups, carrying out volunteer activities and promoting the harmonious development of enterprises and the society.

People are put first with Air China. Regarding our employees as our most valuable asset, we are committed to their well-being and cherish the work of each and every one of them. We are continuously improving the working conditions for our employees and providing them with opportunities for training and development. We are convinced that the past, present and future progress and excellent performance of Air China have been and will continue to be the results of the diligent work by our staff.

Today Air China is at a new starting point. In 2012, as we continue to make progress with our CSR and sustainability endeavors, we will face more development opportunities and with them more challenges and risks. We will continue to foster the awareness of corporate social responsibility, strengthen the creation of shared values, and expand our commitment to the economic, environmental and social requirements and standards of stakeholders. We will also continue to emphasize strategic development and make improvements in safety, profitability, service, management and talent. Meeting these high standards will be the constant momentum that allows us to achieve the sustainable development of Air China and make new contributions to the building of a harmonious society.



Wang Changshun  
Chairman

Air China Limited  
March 2012

# 1 About Us



## 1.1. Company overview

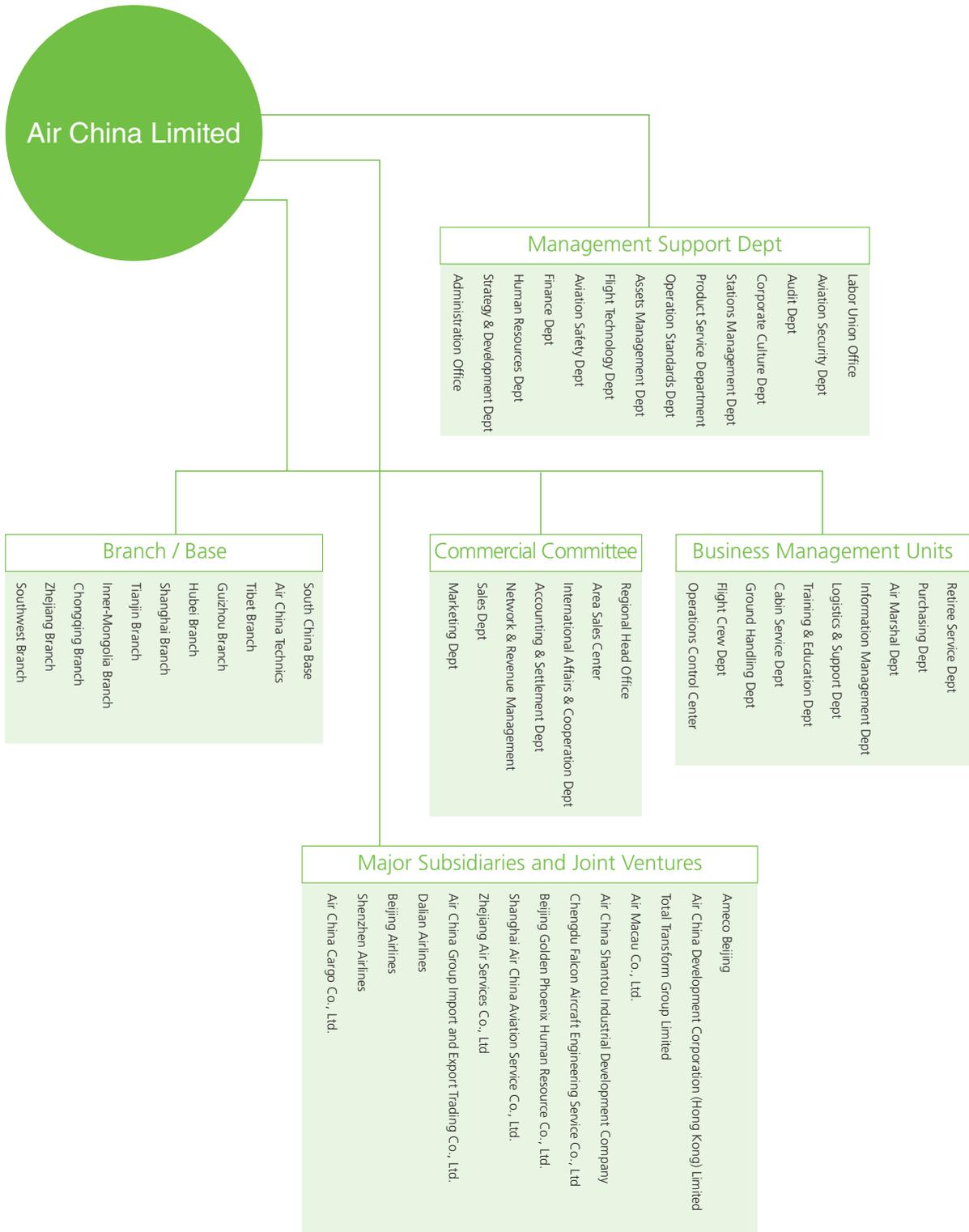
Air China Limited (hereinafter “Air China” or “the Company”) was founded in 1988, its predecessor being known as Air China International. In October 2002, Air China International absorbed the air transportation resources of China National Aviation Company and China Southwest Airlines to form a new entity. On September 30, 2004, Air China Limited was founded in Beijing. The Company was then listed both in Hong Kong (stock code: 0753) and London (trading code: AIRC) on December 15 of the same year, before floating in the domestic A-shares market (stock code: 601111) on August 8, 2006. As of December 31, 2011, Air China had a market capitalization of RMB74 billion, ranking first among all listed aviation companies globally.

In the lead among domestic airlines in both passenger and cargo transportation and other related services, Air China is also a member of Star Alliance, the world’s largest airline alliance, and the only Chinese civil aviation enterprise that is listed among The World’s 500 Most Influential Brands. As the only domestic national flag carrier, Air China provides exclusive flight services to the government, top-ranking foreign officials and visitors to China as well as emergency flight services.

### 2011 Honors and Brand Influence

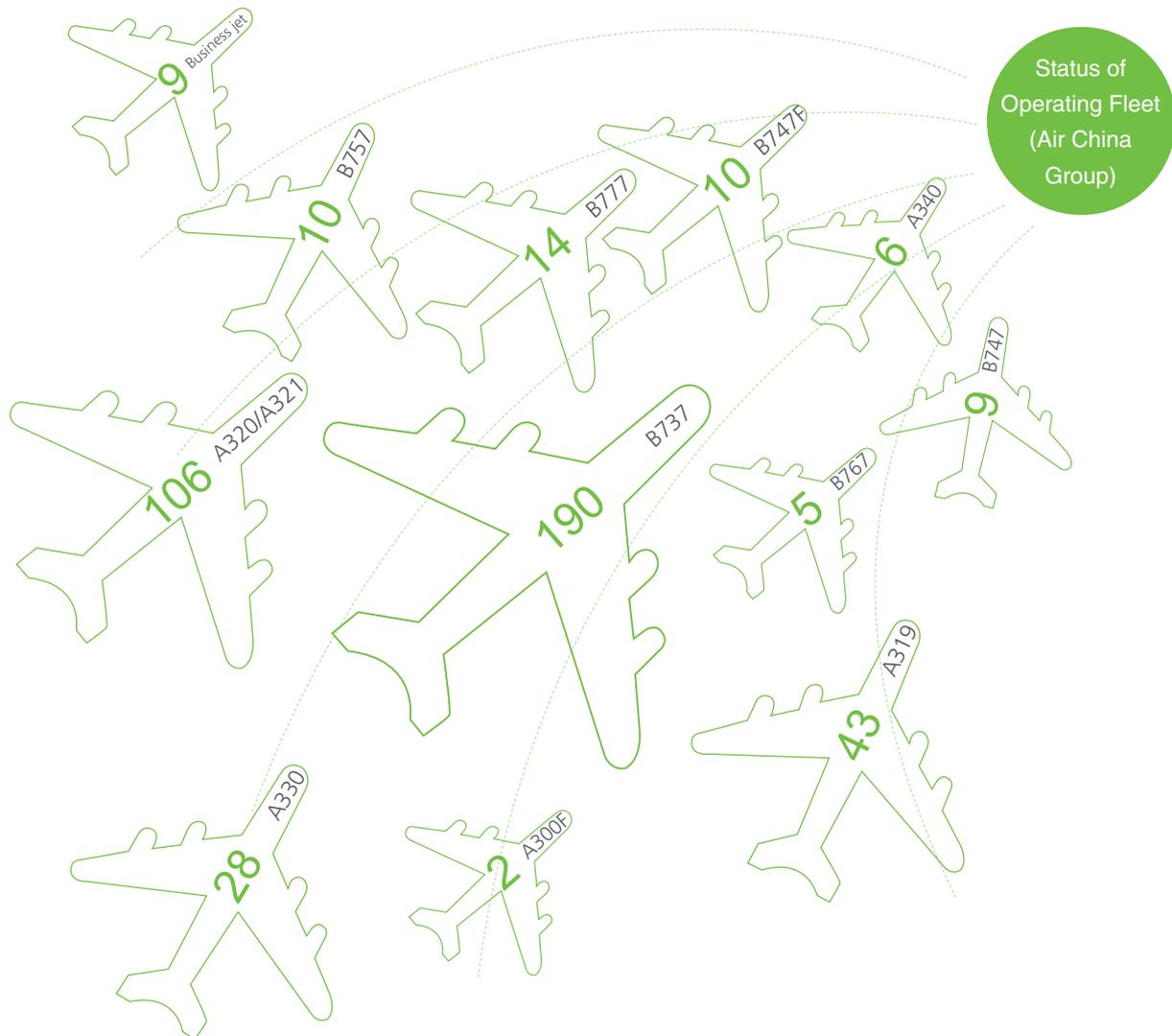
- Air China won the title of “2010 Best World Airline” in the “2010 Survey of Tourism and Consumption Reputation” sponsored by travel.china.com and supported by the Education Branch of China Tourism Association.
- Air China was granted the honor of “China’s World-Famous National Name Card” at the 5th China Brands Festival.
- Air China won the “TTG Best Chinese Airline” award for the fourth year in a row at the awarding ceremony of TTG China Travel Awards 2011.
- Air China ranked 24th, the highest for all Chinese airliners, by the World Brand Lab in their 2011 (8th) “China’s 500 Most Valuable Brands”.
- For five consecutive years, Air China has been the only Chinese airline that entered “The World’s 500 Most Influential Brands”, ranking 345th in 2011.
- Air China won first prize in the “2011 Annual Grand Awards for Chinese Brands (Aviation Category)”, the sixth in a row awarded; and was also given the special prize of “2011 Grand Awards for Chinese Culture Brands”.

## Organizational Structure



## Fleet and Routes

As of December 31, 2011, Air China Group had 432 aircraft, the majority of which were Boeing and Airbus.

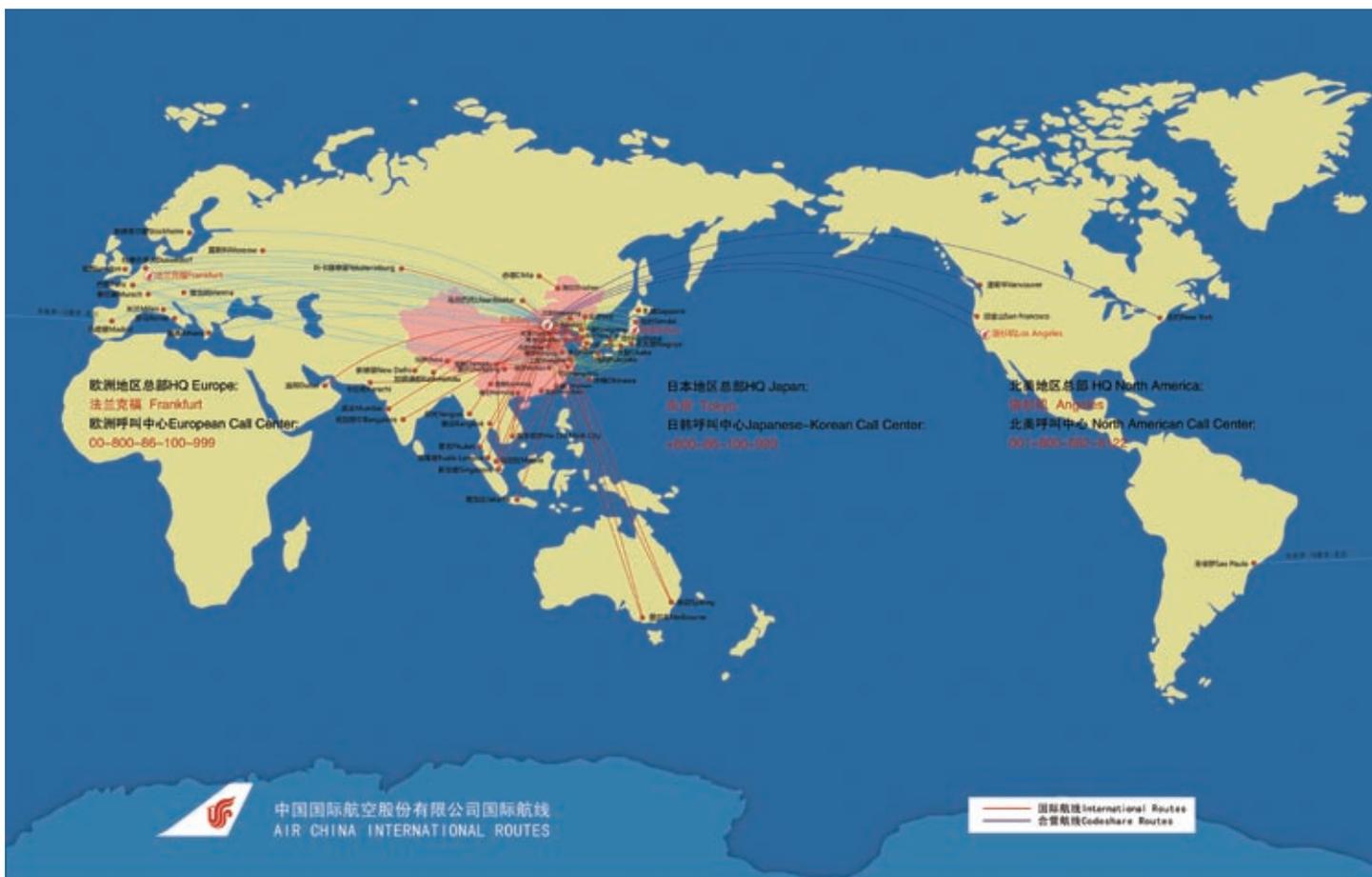


As of December 31, 2011, Air China operated 282 passenger routes, including 71 international, 14 regional and 197 domestic, connecting 143 cities (43 international, 4 regional and 96 domestic) in 30 countries or regions worldwide.

AIR CHINA DOMESTIC & REGIONAL, TAIWAN ROUTES



## AIR CHINA INTERNATIONAL ROUTES



www.airchina.com  
 服务热线 Service Hotline : 95583



## 1.2. Corporate strategy

### ©1.2.1. Environment of development

|   | Challenges  | Opportunities  |
|---|---|--|
| World economic and social development trends    | <ul style="list-style-type: none"> <li>The international political situation is complex and ever-changing, the international financial crisis has a profound reach, and the world's economic growth has slowed down.</li> <li>Some regions have adopted energy-conserving and emission-reducing policies, and the price of crude oil is on the rise. These have limited the room for development of airlines in developing countries.</li> <li>Hazardous weather conditions are now routinely seen in some regions, and the number of natural disasters has been on the rise.</li> </ul>  | <ul style="list-style-type: none"> <li>Peace, development and cooperation remain the themes for our time. All EU member countries are now tourist destinations for Chinese people.</li> <li>With the progress of economic globalization, the "Open Skies" initiative will be furthered, ushering air transport liberalization into a new development stage.</li> </ul>   |
| Economic and social development trends in China | <ul style="list-style-type: none"> <li>Variations in macro-economic control, trend of monetary policy, raise of interest rate and floatation of exchange rate have posed great cost control challenges to the aviation industry.</li> <li>Resource and environmental constraints on the growth of the domestic economy are becoming more pronounced. Uncertainties stemming from natural disasters, public security incidents and other events are increasing and impacting the continuous and stable growth of the civil aviation industry.</li> <li>The rapid development of high-speed railway networks poses a great challenge to short- and medium-range domestic routes.</li> </ul> | <ul style="list-style-type: none"> <li>China continues to have a solid basis for economic development. The increase of Chinese people's income and changes in the structure of consumption also provide a solid basis for aviation needs.</li> <li>The comprehensive implementation of China's overall strategy for regional development will further optimize the allocation of civil aviation resources.</li> <li>The layout and pattern of urbanization are steadily maturing.</li> <li>Civil aviation-related industries are developing fast. The scale of the tourism market is growing. The total volume of import and export trade is increasing rapidly. The average growth rate of express delivery service is more than 20% every year.</li> </ul> |
| Development trends of the aviation industry     | <ul style="list-style-type: none"> <li>The aviation industry has its own bottlenecks in terms of air space, slots, transport capability and talent pool.</li> <li>The aviation industry has a low ROI rate, and is susceptible to impacts from economic recessions, regional political turbulence, natural disasters, and industry cycles.</li> <li>Aircraft and system safety are under increasing pressure.</li> <li>Passengers have high expectations for flight punctuality and service quality.</li> </ul>   | <ul style="list-style-type: none"> <li>Air transportation has obvious advantages in terms of international or long-distance travel and situations involving emergency rescue transportation or to places where ground transportation is inconvenient. Airports are gaining increasingly prominent roles as composite hubs.</li> <li>The strategy of building China into a strong aviation power is leading to many opportunities.</li> <li>The "Twelfth Five-Year" Transportation Development Plan emphasizes "the integration of various means of transportation." The combination of urban rail and expressway networks with airport resources results in a variety of means for high speed transportation.</li> </ul>                                     |

### ◎1.2.2. Strategic goals and priorities

With “building a great power of civil aviation” as our responsibility and mission, and “becoming a large network carrier and realizing sustainable development” as our strategic direction, Air China is now at a historic turning point in improving its international competitiveness. The integration of corporate social responsibility into our development strategy will serve as the guidelines for realizing our long-term development and our corporate mission. Responsibility management will be the basis to improve our capabilities in strategic planning, resource allocation, systematic innovations, internationalization and harmonious development.



## 1.3. Corporate governance

### ◎1.3.1. Governance structure

Air China fully abides by all domestic and international rules, laws and regulations governing listed companies, establishes and improves the structure of corporate governance, and has established a modern system of corporate governance. The Shareholders’ Meeting, the Board of Directors, the Board of Supervisors and the management of Air China all fulfill their duties and responsibilities in strict accordance with the *Articles of Association* and more than 20 other regulations, each performing and fulfilling their own various roles and functions. The Shareholders’ Meetings are convened in a regular and standardized manner; the Board of Directors and its specialized committees play their due roles; and the Board of Supervisors correctly fulfills its duties. The Company has all the necessary supervising and regulatory mechanisms for the power of management.

In 2011, the Board of Directors approved the *Provisions on Administration of External Guarantees (Interim)*, *Regulations on Administration of Insider Information* and *Regulations on the Work of Board Secretary*, in a bid to improve corporate governance, increase transparency of information and realize long-term return for shareholders.



### ◎ 1.3.2. Legality and compliance

Legality and compliance are the foundation for Air China's sustainable development. As an airline with a globalized operation, the Company requires its employees to abide by international and local laws and regulations and operate in good faith.

#### ● Internal control management

The Company is dedicated to establishing a standardized system that meets internal control management requirements. This system will, by referring to internal control guiding documents, direct the relevant business units to conduct internal control management in accordance with process requirements, so as to ensure effective internal control management. In 2011, the Company re-standardized the internal control management processes of 9 major business categories, completed business process descriptions, flow charts and risk matrices and identified key control points. As a result, all business units are now fulfilling their respective control responsibilities in accordance with the management process.

#### ● Administration of connected transactions

The Company standardizes connected transactions in accordance with the regulations on decision-making for connected transactions, guaranteeing that connected transactions are impartial, fair, honest and credible. At the same time the Company is strengthening control over the risks of connected transactions, signing framework agreements for connected transactions and modifying and declaring the upper limits of connected transactions in accordance with the listing regulations and in a timely manner, so as to prevent the risks of connected transactions and establish the trusted image of a listed company.

#### ● Anti-monopoly

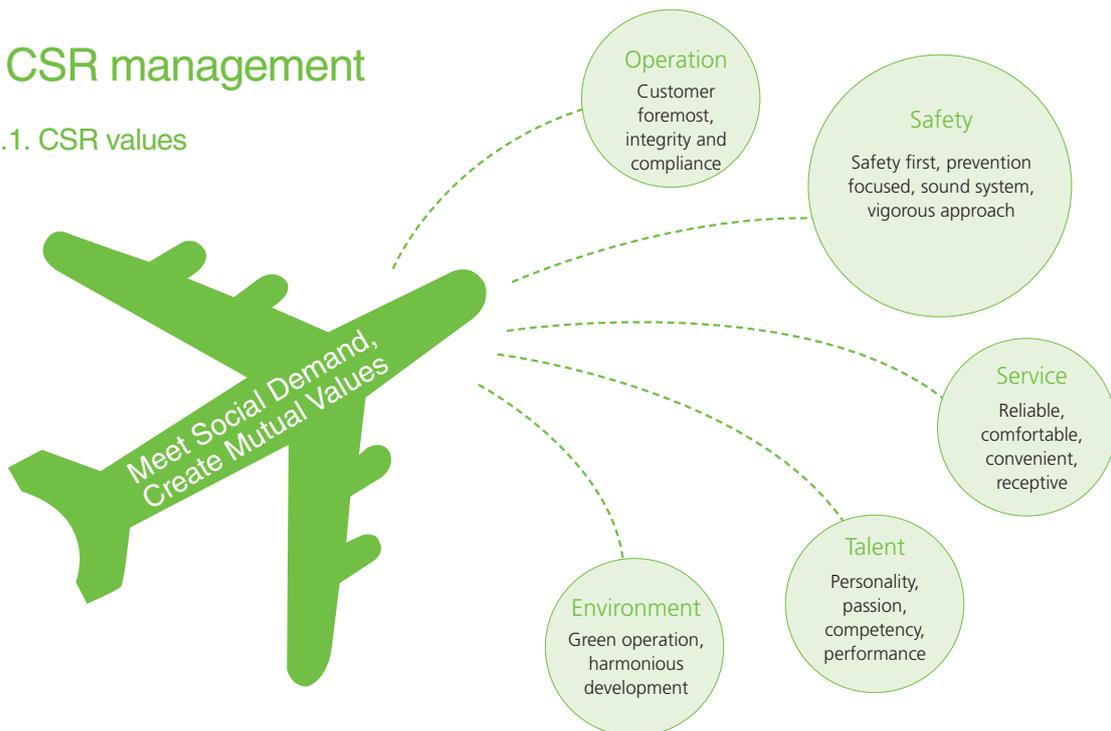
The Company adheres to fair operating practices, and has stepped up research into the management and control of legal risks under Anti-Monopoly law. In 2011, the Company expanded the implementation force for the *Training Manual of Air China Limited on Anti-monopoly Law*, in an effort to meticulously avoid monopoly practices and avoid relevant risks. At the same time, the Company has strengthened assessments of foreign investments, tender offers, assets transactions and cooperative projects, and declared those projects to the appropriate government departments according to relevant law.

### ◎ 1.3.3. Business ethics

Air China advocates a high standard of business ethics. All company staff, whether senior managers or grassroots employees, are responsible for their own behavior and for maintaining the corporate image of Air China. Air China carries out various trainings and educational activities to help its employees accurately understand the Company's policies and regulations, so as to ensure an ethical operation. The Company prevents and controls operational and corruption risks from the source, and has furthered the construction of a disciplinary and preventive system, which has now taken initial shape. In addition, Air China has also carried out pilot projects for process tracking, efficiency supervision and special corrective actions in order to prevent and control corruption risks.

## 1.4. CSR management

### ◎ 1.4.1. CSR values



### ◎ 1.4.2. CSR management mechanism

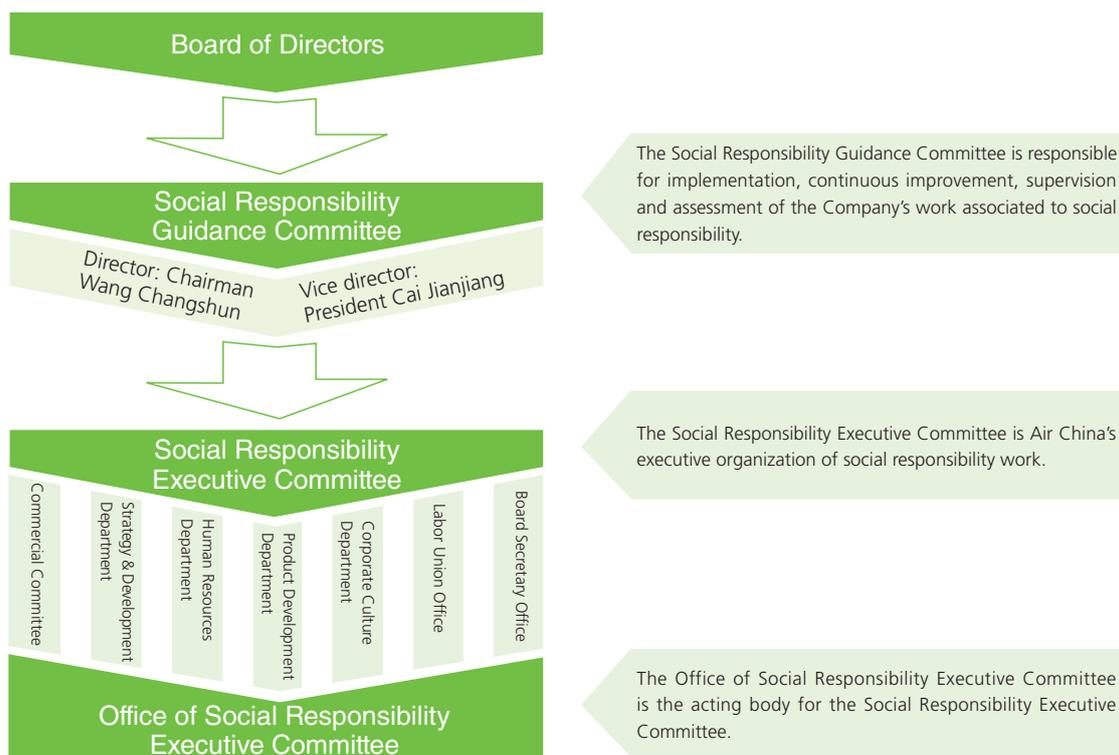
In 2009, the Company formulated a CSR Management Work Plan, aiming to gradually establish a comprehensive CSR management system within 3 to 5 years:

- First phase: Establish the CSR management system of Air China
- Second phase: Improve the mechanism for the stakeholder participation and the CSR daily management system
- Third phase: Implement the CSR supervision, appraisal and evaluation mechanism

As of 2011, Air China has completed the following CSR management-related work:

- Establishment of a CSR management organization, carrying out of relevant CSR training, strengthening of CSR culture building, and guiding the employees to cultivate the concept of fulfilling CSR.
- Identification of CSR goals in parallel with advanced international airlines.
- Gradual establishment of an Air China mechanism for the stakeholder participation, clarification of the responsibilities and steps of collecting and compiling report information, and further improvement of the information quality of Air China's CSR report.
- Hiring of supervisors for Air China's CSR program.

#### CSR Management Structure



### © 1.4.3. Stakeholder communication

| Stakeholders                                 | Communication Approaches   | Expectations and Concerns  | Responses from Air China  |
|--|--|--|---|
| Governments/Domestic and Overseas Regulators | Meetings and information disclosures                                 | Abide by relevant laws and regulations<br>Operate in a legal, compliance and orderly manner                    | Anti-monopoly<br>Anti-corruption<br>Connected transaction management<br>Flying safety |
| Investors/Shareholders                       | Information disclosures<br>Shareholder meetings<br>Investor meetings | Achieve standardized corporate governance<br>Safeguard investors'/shareholders' interests                      | Economic indicators<br>Structure of corporate governance                              |
| Media  | Press conferences<br>Media interviews                                | Important events for the Company<br>Future plans<br>Public image and influence                                 | Special flight missions<br>Charity and public activities                              |
| Customers                                    | Customer satisfaction surveys<br>Complaint handling                  | Provide quality services<br>Higher customer satisfaction   | Service management<br>Ground handling services<br>In-flight services                  |
| Employees                                    | Labor union<br>Workers congress                                      | Sound career development<br>Salary, benefits and compensation<br>Protection of employees' rights and interests | Care for employees  |
| Supply Chain/Partners                        | Day-to-day business communications<br>Partner meetings               | Fair competition and honest operation  | Supplier management<br>Anti-corruption  |
| Community                                    | Public welfare and charity activities<br>Volunteer activities        | Promoting the economic growth of the community<br>Support public welfare undertaking                           | Drive the growth of local economy through local procurement<br>Charity and public     |
| Peers  | Industry forums<br>Industry conferences                              | Pay attention to industry developments and trends<br>Maintain a fair order for the market                      | Anti-monopoly<br>Hub network<br>Integration of resources                              |

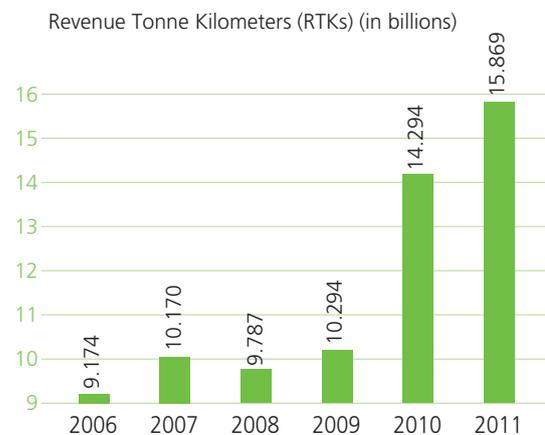
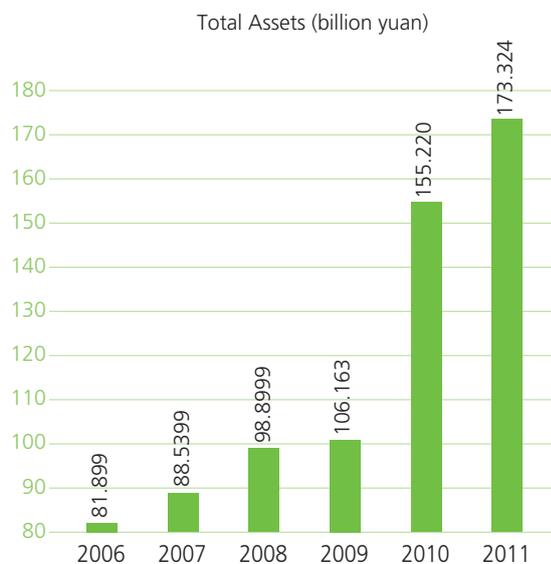
### © 1.4.4. CSR comprehensive performance

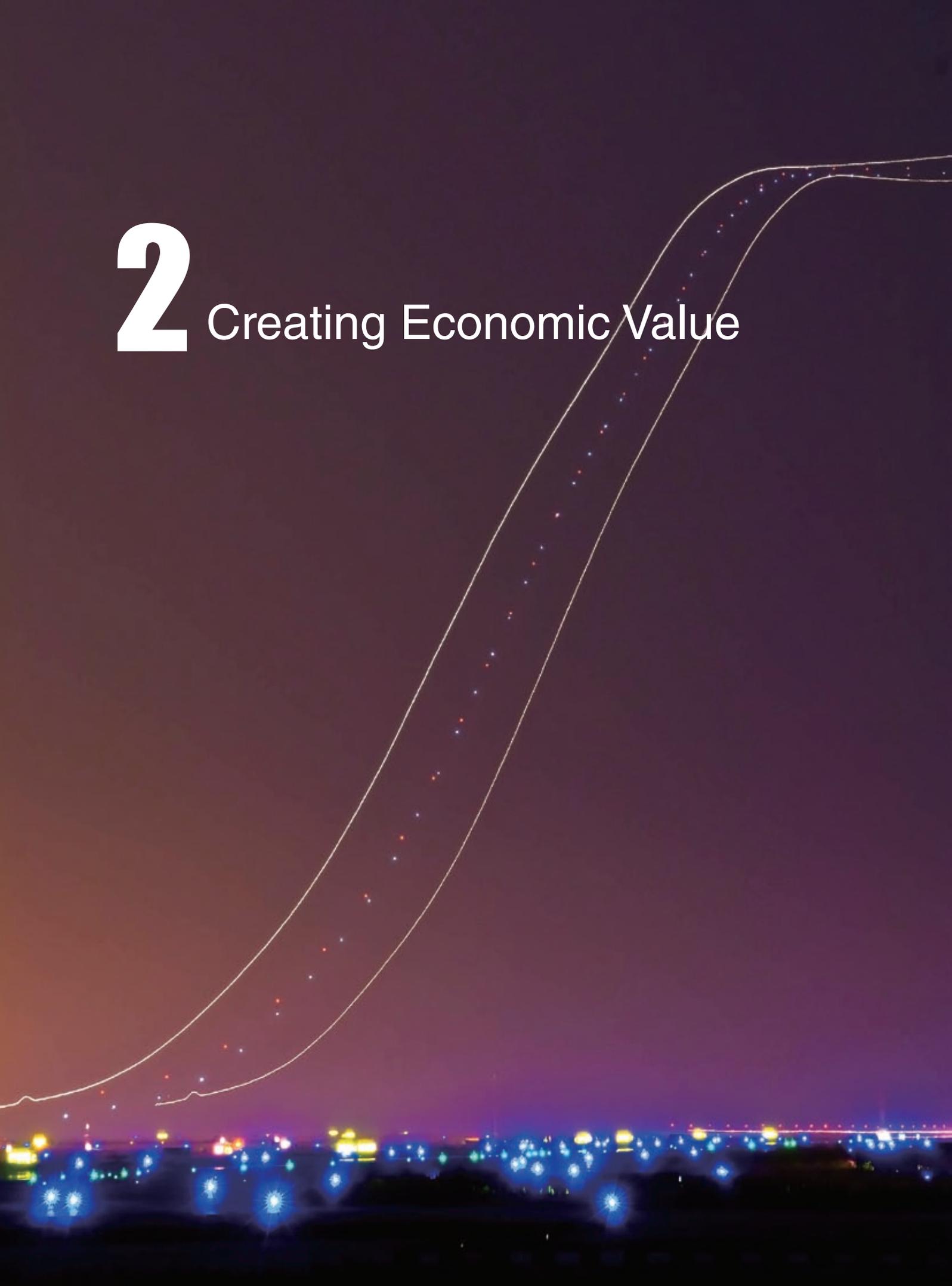
Air China is concerned about the impact of our decision-making and operations on our economy, environment and society and uses a comprehensive set of economic, environmental and social values as a measure of our corporate sustainability. By establishing such a series of comprehensive indicators Air China is able to measure and monitor our progress in responding to the requirements of stakeholders, so as to identify problems and challenges in a timely manner and to continuously improve the administrative mechanism of assuming responsibilities.

In accordance with the per-share social contribution formula of the Shanghai Stock Exchange, Air China's per-share social contribution totaled RMB2.235 in 2011.

| Item  | 2006    | 2007    | 2008    | 2009     | 2010    | 2011    |
|---|---------|---------|---------|----------|---------|---------|
| Net assets (billion yuan)   | 32.014  | 30.683  | 20.288  | 23.961   | 41.699  | 46.738  |
| Net Equity per share attributable to owners of the company (yuan) | 2.53    | 2.57    | 1.67    | 2.02     | 3.58    | 3.84    |
| Operating revenue (billion yuan)                                  | 43.411  | 49.49   | 52.97   | 51.095   | 80.963  | 97.139  |
| Tax payable (billion yuan)  | 2.943   | 3.321   | 2.505   | 3.345    | 6.5     | 7.509   |
| Total number of employees   | 34,895  | 35,803  | 32,764  | 39,984   | 52,108  | 54,912  |
| Total number of aircraft in service                               | 225     | 234     | 256     | 274      | 393     | 432     |
| Passenger carried (in millions)                                   | 33.9712 | 37.2562 | 36.1364 | 41.27871 | 60.0062 | 69.6917 |
| Cargo and mail carried (million tons)                             | 1.0194  | 1.1039  | 0.9801  | 0.9740   | 1.3473  | 1.4261  |

(Statistical scope: Air China Group)



A night cityscape with a glowing S-curve graphic overlaid on the sky. The city lights are visible at the bottom, and the S-curve is formed by two white lines with a trail of small, colorful dots (red, blue, green) in the center. The background is a dark purple and blue sky.

# 2 Creating Economic Value

In this era of economic globalization, air transportation is the best means by which regional economies are integrated into the global economy, as well as serving as an important foundation for the rise of economic hub cities. Air transportation can help improve the regional investment environment, optimize regional economic structure, drive industrial upgrades, promote the development of tourism and foreign trade, increase regional employments, and strengthen political, economic and cultural ties among various regions and ethnic groups.

Proud to be China's national flag carrier, Air China continues innovating its development patterns. While offering customers a range of travel options, we are building momentum for the development of the regional economy and improving the competitiveness of individual cities. Air China continues to promote sustainable development, and with it continues to create economic value for the stakeholders.

In 2011, Air China proceeded from the overall development of the aviation industry to several further steps. Among these were improving its hub network and market layout, optimizing production and organizational patterns, strengthening marketing efforts, and tightening cost control. In this way, the Company has achieved rapid development and generated industry-leading profits.

## 2011 CSR Highlights

| Subjects   | Major Initiatives   |
|--|---|
| More travel options for passengers               | <ul style="list-style-type: none"> <li>Striving to develop a domestic hub network to offer passengers with more travel, transit and connecting options. In 2011, Air China carried 4.5 million passengers through the Beijing Composite Hub.</li> </ul>   |
| Facilitating the development of regional economy | <ul style="list-style-type: none"> <li>Establishing Beijing Airlines and Dalian Airlines and investing in Tibet Airlines to drive the development of regional economies.</li> <li>Adding routes to second- and third-tier cities, opening new routes in underdeveloped regions and improving connection between trunk route flights and branch route flights to facilitate local economic development.</li> </ul> |
| Supply chain management                          | <ul style="list-style-type: none"> <li>Initiating a green supply chain management system and compiling the <i>Code of Air China for Supplier CSR and Environmental Behaviors</i>.</li> </ul>  |

## 2.1. Building a global network

An airline's worldwide service network is an important vehicle for realizing the globalization of production, circulation, investment and consumption, as well as being a bridge that connects different people around the world. Air China is dedicated to developing itself into a world-class large network airline. This is not only out of the need to continuously improve Air China's competitiveness and influence, but also in order to serve the needs of individual passengers and of international economic and trade development as a whole.

### ◎2.1.1. Building up domestic hubs

Air China is developing a diamond-shaped network including the Beijing Composite Hub, Chengdu Regional Hub, Shanghai International Gateway and Shenzhen Special Economic Zone. This offers a highly efficient approach and is an ideal platform for those regions to participate in international competitions and further integrate themselves into the world's economy.

As the base airlines of Beijing Capital International Airport, Air China strives to develop Beijing into a composite hub connecting Europe, North America and Northeast Asia, so as to promote the economic development of the North China Region. In 2011, the Company increased international routes departing from Beijing and assigned 173 aircraft at Beijing Capital International Airport, thereby offering passengers with more transit and travel options. Air China transported 4.5 million passengers through the Beijing Capital International Airport in the same year.

Air China offers through check-in service to save passengers the trouble of retrieving and re-checking baggage when transferring between flights. This through check-in service was offered to 1.73 million passengers in 2011. Using Stockholm as an experiment, Air China also has begun to implement our through check-in service for international routes flying to or from Beijing.

#### Case

### Mutual Development of Air China and Beijing's Shunyi District

Shunyi District, known as Beijing's Airport Economic Zone, is one of the six high-end industrial zones in Beijing. Beijing Capital International Airport is driving the development of Shunyi and in much the same way is propelling the expansion of industries across the whole district and becoming an "engine" for the economic development of the whole region. As a major industry of Beijing's Shunyi District, the airport economy contributes 85% of the District's GDP.

Air China has been the number one taxpayer in Beijing's Shunyi District for many years, and has made its due contributions in increasing the District's employment rate. In 2011, Air China, received the title of "Top 100 Enterprise in Regional Economy" from the People's Government of Beijing's Shunyi District, and the Company's contributions will continue forwarding the goal of "building an airport economic zone and constructing a world-class airport town."

Chengdu is the best gateway for expanding access between China and countries in South Asia and the Middle East, as well as the most ideal transit point between South China and Northwest China. Air China is rapidly expanding the construction of the Chengdu Regional Hub, which is promoting the improvement of the regional investment environment, the adjustment of industrial structure and the upgrade of industries. This in turn drives the development of trade, tourism, new- and high-tech, logistics and other sectors. So far, Air China has 88 aircraft operated by its Southwest, Chongqing, Guizhou and Tibet branches in the Southwest China Region.

By adding more routes and flights and improving connections between domestic and international flights Air China is strengthening its Shanghai International Gateway. Priorities are given to long-range international routes departing from the Shanghai Pudong International Airport and routes to and from Japan and South Korea. The development of the East China Region is promoted as a result.

Following increased investment in Shenzhen Airlines, Air China is further increasing business collaboration to expand its market influence in the South China Region, playing an even larger role in the Region's economic development.

#### Case

### Intercity express routes

We are leveraging our advantages in routes network, opening in succession intercity express routes between Beijing and Shanghai, Shenzhen, Guangzhou and Chengdu. Air China has set up exclusive service zones in the airport terminals with intercity express routes, effectively reducing the time needed by passengers to go through checking-in and boarding procedures. Passengers of intercity express routes enjoy the through check-in service, sending their baggage directly onward to their final destination. Passengers of intercity express routes can also waive the transit formalities, boarding the next flight upon arrival and changing their flight plans whenever a flight is available.

### ©2.1.2. Developing international and domestic routes in a balanced manner

In 2011, Air China added 28 new international and domestic routes, including 8 international ones such as direct flights between Beijing and Milan. In addition, we have scheduled a second daily flight between Beijing and Los Angeles. Forty percent of Air China routes are to international destinations, accounting for about 50% of market share in terms of international routes operated by Chinese airlines. In 2011, Air China had regular flights to and from 143 cities in 30 countries or regions, transporting 8.3465 million international and domestic passengers. It is also the largest air carrier between China and Europe.

Air China stresses the importance of smooth transfers between international and domestic routes, aiming to establish a transit and connecting network that provides smooth and convenient flights to passengers. In order to get closer to passengers, the Company has established 185 sales organizations, including 91 overseas offices.



Legend: In 2011 Air China opened a route to Dusseldorf

As an important step of its internationalization strategy, joining an airlines alliance is a strategic choice for Air China in order to improve the core competitiveness of its air transportation business. Air China joined the largest airline alliance – Star Alliance – and together with 27 member airlines shares hardware and software resources, route networks and 990 VIP lounges across the globe. This enables us to fly passengers to 1,290 destinations in 189 countries. In 2011, the contribution from the Star Alliance increased 6.9% year on year. Air China also cooperates with United Airlines, Lufthansa Airlines and All Nippon Airways to provide “seamless” travel service to passengers.

#### Case

#### Air China connects with Frankfurt

Air China is the first Chinese airline to have routes to Germany. In 2011, Air China opened a direct route to Dusseldorf, the third such route after Frankfurt and Munich. The number of Air China flights between China and Germany therefore increased to 30 a week. This has not only facilitates future Air China’s routes between Germany and other European countries, but also offers more travel options for both Chinese and German passengers, promoting the business and cultural exchanges between China and Germany as a result.



Legend: The Star Alliance Headquarters and Air China European Headquarters are located in Frankfurt. The International Terminal at the Frankfurt Airport also makes broadcasts in Chinese

Air China also pays attention to emerging cities and regions with underdeveloped transportation while adding new routes, playing a key role in promoting the economic and social development in those regions. In 2011, Air China opened 20 domestic routes to Yiwu, Shigatse, Fuyang, Bayan Nur, Manzhouli and other cities.

### Case

#### Direct routes to Tibet

Air China's fleet and crews are able to take off and land at high-altitude and ultra-high-altitude airports, and have opened routes to Qamdo, Ngari, Shigatse, Nyingchi in Tibet. Since 1965, Air China has guaranteed 46 years of safe flying to Tibet, and in recent years ended a 43-year history of no flights at night. In case of sudden and severe illnesses and emergencies, the night flights of Air China will provide another life guarantee for people living on the Tibet plateau, where there are relatively scarce medical resources. In addition, the Tibet routes of Air China has vigorously promoted the development of local tourism and the unity of various ethnic groups in China.

- Established the Beijing Airlines, a joint venture of Air China and Beijing Municipal Government, aiming to boost the business of chartered flights and meet the increasing demands for chartered flights in Beijing.
- Invested in the Tibet Airlines to improve Air China's competitiveness in Tibet region.

#### ◎ Air cargo transportation

In 2011, the new Air China Cargo came into being. A joint venture of Air China and Cathay Pacific, the new Air China Cargo has a larger fleet and a new operation and management pattern for air cargo transportation business. In line with the development trend of air cargo transportation, Air China Cargo opened new routes from the West China Region to Europe and America, as well as to India and other emerging markets, as part of the process of developing itself into an international-caliber professional air cargo airlines.

#### ◎ Aircraft maintenance

Air China strives to foster an aircraft maintenance business of outstanding reputation and international competitiveness. Air China Technics consists of 10 maintenance bases and 4 affiliated enterprises, including 88 domestic maintenance stations and 73 overseas maintenance stations. A global maintenance network is taking shape, enabling Air China technicians and engineers to provide maintenance and repair of various levels to most Boeing and Airbus aircraft models owned by more than 80 airlines around the world. In 2011, Air China initiated the integration of aircraft maintenance and repair resources, gradually improving the organizational structure in this regard and establishing a comprehensive operation and support system.

#### ◎ Ground handling services

Air China's Ground Handling Department is the largest and most competent ground handling services organization in China. It is the first such organization in China to adopt self services for checking-in, baggage checking and to allocate some landing areas in terminal, and also the first to use the centralized stowage planning, and to receive the certification of IATA Safety Audit Programme for Ground Operations (ISAGO). In addition, Air China's Ground Handling Department also received the certifications of IATA Operational Safety Audit (IOSA), ISO9000 and IATA Airport Handling Manual (AHM) 804.

## 2.2. Promoting industrialization

Along with realizing the growth of its core business, Air China actively optimizes strategic layout to realize the support of related businesses to core business, increases the Company's profit sources, and strengthens its risk resistance capability.

#### ◎ Air passenger transportation

In 2011, Air China gave full play to the advantages and characteristics of investment enterprises, stepped up their strategic coordination in market layout, resources layout and cost management. We desire to increase returns on cooperation and investment, improve the coverage of Air China services, and offer convenient and economic air services to the general public.

- Continue to promote business cooperation with Shenzhen Airlines, Air Macau and Shandong Airlines, and step up resources sharing and business interaction among various airlines.
- Established the Dalian Airlines, a joint venture of Air China and Dalian Municipal Government, aiming to promote the development of the air transportation market in Northeast China and form a regional route network with Dalian as a hub.

## 2.3. Optimizing business operation

Air China meticulously organizes business operation, continuously improves the utilization rate of resources, steadily raises the level of resource allocation, and pursues the maximization of overall performance.

### ◎2.3.1. Improving operating efficiency

Air China continuously improves the utilization rate of our flights, fleet, crews, operations, assets and other core resources, promotes the optimization of aircraft models and route structure, and improves the consistency between flight schedules and market demand so as to guarantee a smooth operation. In 2011, Air China put wide-body Boeing 777-300ER aircraft into operation for the Beijing-Frankfurt route, greatly improving the operating efficiency and offering passengers with environmentally friendly, comfortable and safe flights.

### ◎2.3.2. Maintaining an advantage in cost efficiency

Air China continues to tighten control over costs, with its ton-kilometer cost led the industry in 2011.

- Optimizing fleet structure to control structural costs;
- Adopting various fuel-conservation measures to reduce fuel Consumption per ton-kilometer;
- Establishing a zero-inventory monitor and communication mechanism for key aircraft components and repairable spare parts;
- Stepping up cooperation with investment enterprises and implementing joint procurement to reduce expenditures in aircraft maintenance and repair;
- Strengthening financing activities to reduce cost of capital.

### ◎2.3.3. Improving the sustainability of supply chain

Air China enhances cooperation with suppliers and strives to establish a stable, economic and reliable supply chain, so as to provide a solid foundation for the Company's sustainable development.

In 2011, Air China initiated a green supply chain management system, formulated the *Code of Air China for Supplier CSR and Environmental Behaviors* (hereinafter referred to as the *Code of Behaviors*), expressing the Company's intention to have honest and credible business behaviors and to seek sustainable development with suppliers abiding by similar code of behaviors. The *Code of Behaviors* also specifies the criteria of Air China in selecting suppliers and monitoring and tracking their CSR and environmental behavior. In 2011, Air China had its computer server and uniform suppliers fill in and submit the *Code of Behaviors and Self-examination Questionnaire for Air China Suppliers*, implementing the *Code of Behaviors* in the procurement of computer servers.

Air China also signs long-term framework agreements with local suppliers, and uses centralized procurement to select local suppliers for the year, so as to support the growth of small and medium enterprises in local areas. In addition, local suppliers enjoy the priority as long as they meet the procurement criteria.

# 3

## Safe and Sustainable Development

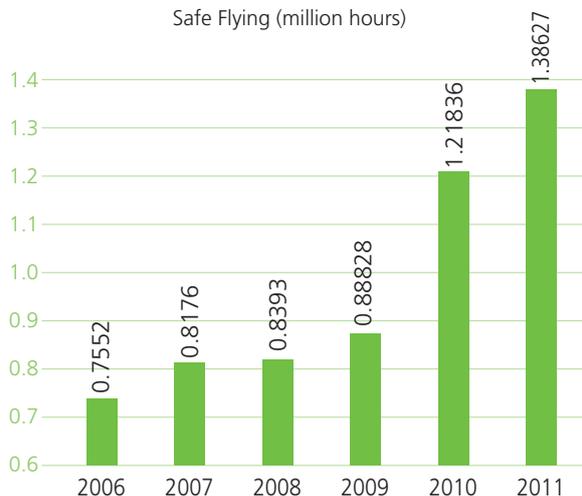


Being the basis and guarantee for every departure and landing, safety is the lifeline of airlines, as well as the most important criterion by which customers choose airlines. Only with a steady safety record can an airline maximize performance and make due contributions to economic development and social stability.

Upholding the principle of "giving priority to safety and prevention, and implementing comprehensive control", Air China realizes a sustainable and safe development through continuous hazard identification and risk management.

Air China comprehensively applies a safety management system, stringently implements safety responsibilities, and strengthens the capacity of risk prevention and guarantees of safety. We pay great attention to innovations in operation technologies and management, step up efforts in cultivating the employees' safety capacity and improve the capacity for aircraft maintenance and repair. In 2011, Air China maintained an excellent safety performance record, with the flight incident rate per 10,000 hours being 0.031.

Safe Flying (million hours)



Number of Flights (million)



## 2011 CSR Highlights

| Subjects                                     | Major Initiatives  |
|--|--|
| A better management system                   | <ul style="list-style-type: none"> <li>Highlighting "prevention first" and fully implementing an aviation safety management system centered on risk management to effectively prevent operational risks.</li> <li>Launching the four modules of Safety Operation Control (SOC) system to significantly improve the ability of controlling production and operation.</li> <li>Having a strong emergency response capacity, Air China was the first Chinese airline to take off from Japan after the 2011 earthquake.</li> <li>Air China is the first Chinese airline to introduce the Automatic Dependent Surveillance-Broadcast (ADS-B) system to facilitate operational management.</li> <li>Passing the IATA Operational Safety Audit (IOSA) with zero problems identified.</li> </ul> |
| Higher professional and technical competence | <ul style="list-style-type: none"> <li>Implementing safety responsibilities for a series of key positions, including flying crews, maintenance team, operational control and ground handling services; the position of aircraft captain in particular.</li> <li>Introducing new aircraft model simulators to step up training for pilots.</li> </ul>   |
| A more reliable fleet                        | <ul style="list-style-type: none"> <li>Continuously introducing new aircraft and retiring old aircraft. In 2011, the average age of fleet was 6.77 years.</li> </ul>   |

## 3.1. Improvement of safety management system

Air China fully promotes the construction of an Aviation Safety Management System centered on risk management, strengthens the Company's self-diagnosis and self-improvement abilities, increases the scientific and standardized factors of safety management and heightens the systematized degree of safety work, so as to improve the level of safety management.

### ◎3.1.1. Safety management mechanism

Air China takes risk management as an important means to implement the "prevention first" safety work policy. In 2011, Air China sorted out key work processes, including production and operation, identified potential hazard sources, and developed risk control measures in advance. Safety data have been collected from multiple channels for analysis and the study of safety laws. Meanwhile, standardized risk analysis and evaluation system has been established to cope with the changes in the Company's organizational structure, newly introduced aircraft and newly opened routes. To implement the safety responsibility system, Air China set up a safety performance index system covering operational results, safety operation process and safety management process. Besides, the Company also strengthened safety supervision over its subsidiaries and stepped up exchanges over safety management with investment enterprises.

### ◎3.1.2. Application of new technologies

Air China has stepped up the popularization and application of new technologies in safety management. In 2011, the Company launched the four modules of Safety Operation Control (SOC) system. As a result, the flight crew resources are now under unified allocation, improving the daily utilization rate of flight crews, the load of aircraft, and the stability of flights, realizing the localized management of computerized flight plans, significantly improving the ability of controlling production and operation. The Company has also improved the wireless Quick Access Recorder (QAR) to expand the application of QAR data, with emphasis being put on analyzing the data from high-altitude airports, complicated airports, new routes and new airports; promoted the implementation of Performance-based Navigation (PBN) and the application of Required Navigation Performance (RNP), making flying safer.

### Case

#### Improving the level of dynamic flight monitoring

Air China is the first Chinese airline to introduce the Automatic Dependent Surveillance-Broadcast (ADS-B) system to facilitate operational management. The ADS-B system can receive flight information within a 300km radius of Beijing Capital International Airport. This improves the real-time information of Air China flights in Beijing area to be within the accuracy of a second, indicating that the dynamic monitoring level of Air China flights has come to a new level. In 2011, with concerted efforts from other relevant bodies, Air China successfully commissioned the ADS-B system on Chengdu-Lhasa route, effectively exploring the possibility of adding more flights to this route.

### ◎3.1.3. Responding to emergencies

Air China responded to emergencies effectively in 2011. In the wake of the earthquake and tsunami in Japan, we closely monitored changes of operation conditions in airports and air routes, prepared flight crews, developed several contingency plans, adjusted flight routes in a timely manner, and became the first Chinese airline to take off again from Japan after the 2011 earthquake. Even when Mother Nature interrupted by means of the volcanic eruptions in Iceland, Russia and Chile, and when tropical storms influenced flights elsewhere, Air China guaranteed the normal operation of flights through contingency plans and increased aircraft checks and information releases.

## 3.2. Strengthening professional competence

In 2011, Air China carried out qualification examinations and competence assessments for professionals, covering key positions such as flight crew, aircraft maintenance and repair, and operational control, always striving to implement pertinent technical training to bring the best people to the right positions and ensure flying safely.

The Company established a special work group for “training aircraft captains on responsibilities and assessing their competence”, and completed a competence assessment for all aircraft captains. Pertinent trainings and special seminars have been carried out to address key problems. New aircraft model simulators have also been introduced to step up pilot training, which totalled 162,500 hours, 46 hours for each pilot on average. As a result, the flying quality is consistently improving.

### Case

#### Safety training for crew members enters the 3D era

In 2011, Air China conducted 3D interactive trainings on B777 and A330 aircraft for crew members. These 3D interactive trainings can transcend the operational limits and simulate various scenarios, especially disastrous ones that cannot be replicated in reality, such as smog, fire, loss of pressure aircraft emitting smoke and emergency evacuation. Crew members can practice these emergency tasks in an interactive 3D mode, improving their awareness and ability to deal with emergencies.



### 3.3. Developing reliable fleet

Aircraft being the means by which we fly, their maintenance and repair is central to flying safety. Air China Group has a young fleet that is of excellent performance and rational structure, with an average age of aircraft being 6.77 years. Air China Group also has an aircraft maintenance team boasting the highest level of skills in China's civil aviation industry, as well as China's largest comprehensive civil aircraft maintenance and repair enterprise, and, as such, maintains an excellent safety record.

#### ◎3.3.1. Optimizing fleet structure

Air China continuously introduces new aircraft and demobilizes old aircraft in a timely manner, in order to keep the fleet young. In 2011, Air China Group introduced 58 new aircraft, including 4 advanced B777-300ER, 19 B737-800, 5 A330 and 23 A320 series; and demobilized 19 old aircraft, including the B757-200 and B737-300 series. The fleet structure has been optimized as a result.

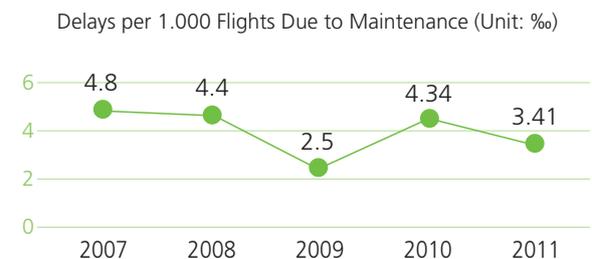
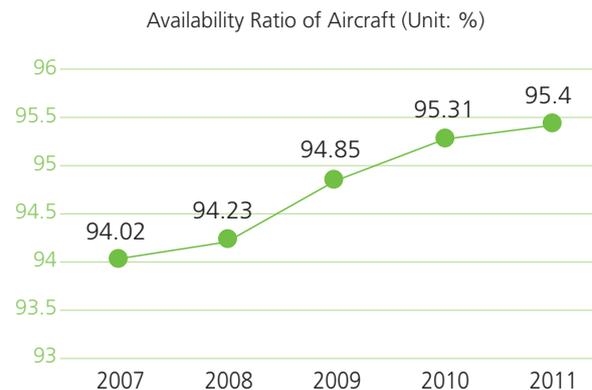
#### ◎3.3.2. Improving aircraft maintenance and repair standards

Air China attaches great importance to the maintenance and repair of aircraft in an effort to ensure the airworthiness of its fleet. With a comprehensive maintenance network and an army of licensed aircraft maintenance staff, Air China is able to provide maintenance and repair services (including regular maintenance, overhaul, engine repair, parts repair, measurements and detection) to most Boeing and Airbus aircraft.



Legend: Repairing the aircraft

In 2011, the Company furthered the application of aircraft health systems, improved the monitoring and assessment standards for system operation, increased regular inspection and supervision standards, and took preventive and corrective measures to address frequently occurring problems, leading to the improved efficiency of failure monitoring capacity and maintenance and repair. In addition, the Company invested a great deal to refit aircraft systems to improve the aircraft's safety margin and inherent reliability; increasing the monitoring of repeated failures and strengthening the ability for aircraft maintenance and repair.







# 4

## Improvement of Passenger Experience

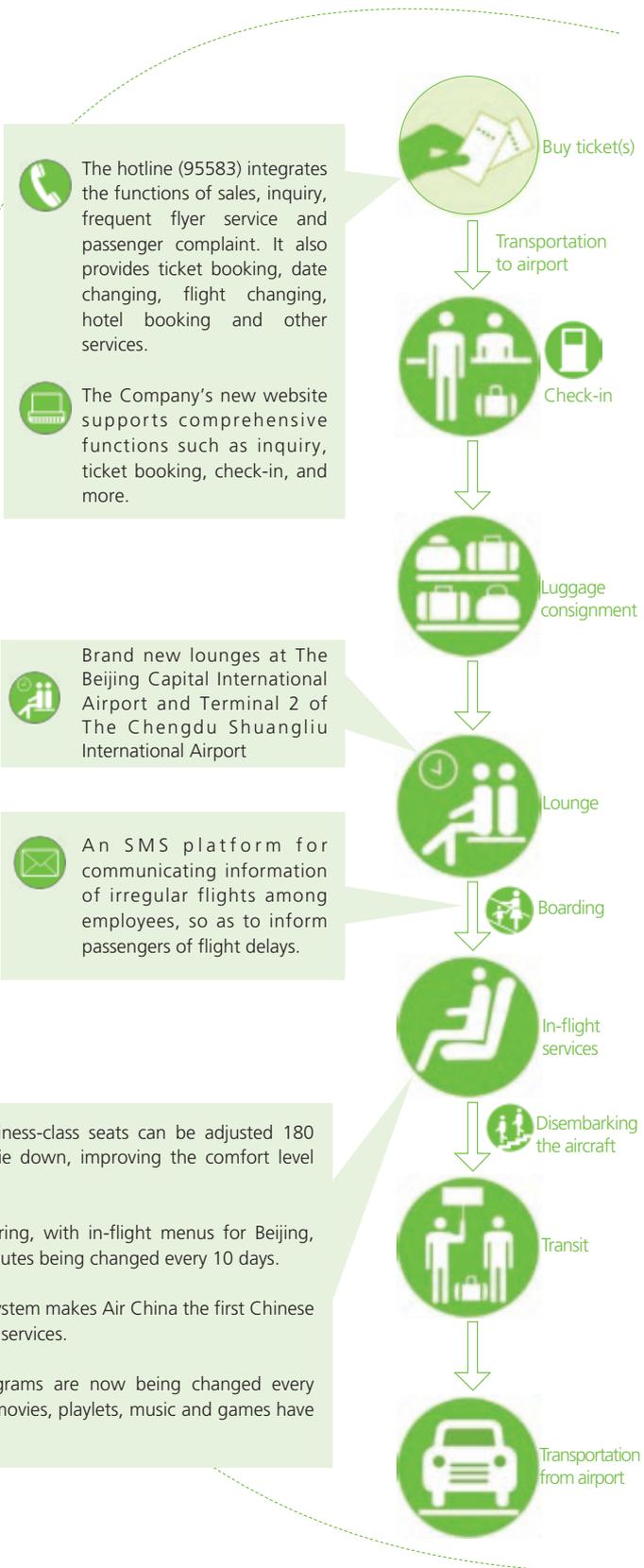
Civil aviation incorporates characteristics of high-speed and a globalized network. This reflects the general public's values in terms of time, efficiency and service quality. Passenger service is an important factor for an airline to win out in competition. With the development of the economy and improvement of people's living standards, passengers are having higher and higher requirements on services, and a tendency towards desiring personalization is being seen.

Service is one of the core areas of competence for Air China. Our singular ability to provide exceptional service originates from our advocacy of service that "comes from the heart" which in turn narrows the gap between the carrier and the customers, so rendering a unique and unforgettable customer experience.

Air China values the opinions of passengers. We regularly improve our services in accordance with passenger needs, hone our service standards to be in line with those of world-class airlines, and optimize service processes. In order to provide services that are satisfactory to as many passengers as possible, the Company also regularly makes innovations in its products and services, expands the scope of its service and improves its hardware facilities.



# 2011 CSR Highlights



- Some of the first- and business-class seats can be adjusted 180 degrees for passengers to lie down, improving the comfort level consequently.
- Innovations in in-flight catering, with in-flight menus for Beijing, Shanghai and Guangzhou routes being changed every 10 days.
- New-generation in-flight E system makes Air China the first Chinese airline to have in-flight Wi-Fi services.
- In-flight entertainment programs are now being changed every month, and the number of movies, playlets, music and games have been doubled.

## 4.1. Listening to the customer's voice

Air China attaches great importance to how passengers feel, and listens to each individual customer's concerns through means such as phone calls, interviews and thank-you meetings. The Company also improves areas of weakness according to the findings of customer satisfaction surveys. In 2011, 187,000 customer satisfaction questionnaires were filled out, averaging a customer satisfaction of 82.28 points, 1.45 points higher than that of previous year. And in the same year the Company handled 15,592 customer complaints, registering a complaint handling rate of 100%.

Through communicating with passengers the Company established a passenger database. In 2011, the database added the "Passengers' Service Concerns" item, recording 6,661 pieces

of information regarding Platinum Card and high-segment passengers. Air China has a stringent access authority system for the database to ensure passenger information remains confidential.

Air China Cargo regularly conducts surveys on service quality, collecting the comments of cargo owners on the Company's products and services and handling complaints through the customer service center. In 2011, Air China Cargo registered a customer satisfaction of 92.3 points and a complaint responding rate of 100%.

### Case

#### Actively responding to flight delays

Flight delays are quite inconvenient for passengers. In addition to reducing the number of flight delays caused by us, we are striving to promptly provide our passengers with authentic and accurate information. In 2011, the Company established command centers at our Beijing Headquarters and Southwest Branch to communicate irregular flight information to our employees through text messages so that they can inform passengers of flight delays in a timely manner. On December 5 and 6, Air China canceled 553 flights due to heavy fog in Beijing, and the Company sent 27,555 text messages to passengers.

To cope with long-time flight delays, Air China has initiated warning and contingency plans for massive delays, added ground handling service staff, and set up service stands for irregular flights to help passengers change flights or get ticket refunds. In addition, Air China also provides food and beverage and hotel rooms for passengers of delayed Air China flights. In 2011, Air China spent RMB24.2289 million in compensating passengers for flight delays.

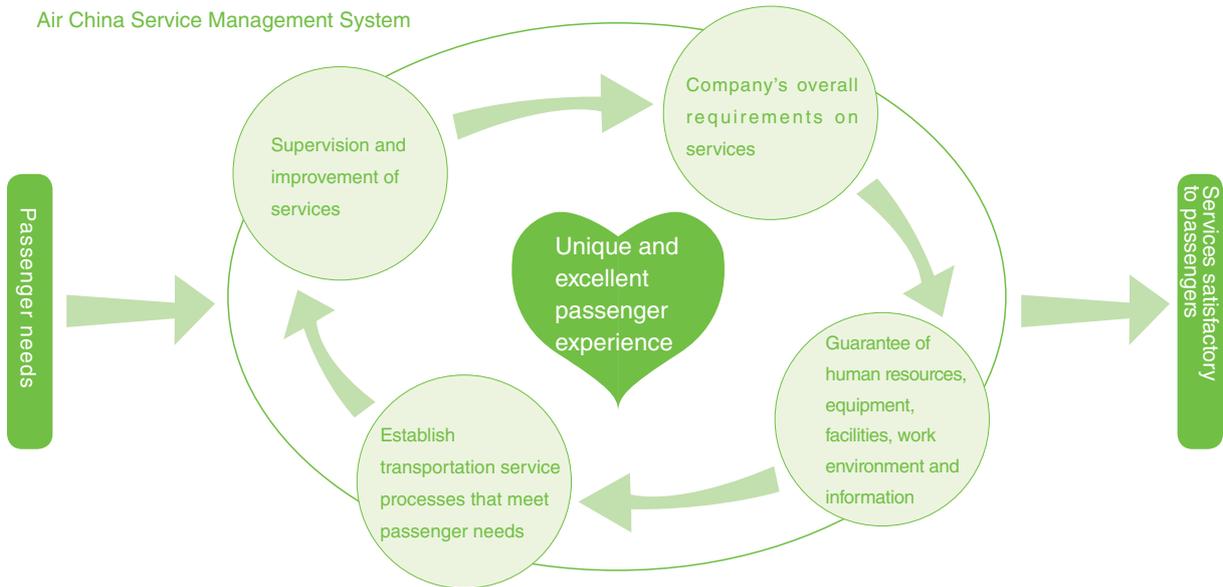
In 2011, Air China improved the consultation mechanism for operation control centers to promote cooperation between hub control centers and operation control centers. Through our efforts, the Company's on-time performance rate improved 1.9 percentage points year-on-year, and the overall time of flight delays shortened by 9%, and the number of flights delayed for more than 4 hours was reduced by 27% in 2011.

## 4.2. Standardizing service management

Air China standardizes and unifies its services to provide passengers with comfortable flight experience. In 2011, the Company established a company-wide Customer Service Management (CSM) system on the basis of ISO9001 Quality Management System and in line with the characteristics of air transportation and the transportation service processes of Air China. The CSM system has been audited by the British Standard Institution and

received an ISO9001 certification. The Company has initially set up an integrated service control pattern to gradually realize the standardization and uniformity of services. With a high sense of responsibility and enthusiasm, Air China staff pay great attention to show additional care for the needs of special passengers, such as the elderly, children and sick passengers.

### Air China Service Management System



Legend: Air China received four-star certification from SKYTRAX on June 22, 2011

#### Case

#### Conscientiously transporting a passenger with multiple fractures

The Ground Handling Department of Air China's Southwest Branch once served a passenger with multiple broken bones. Considering the passenger's special needs, Air China's Southwest Group Services Department conscientiously coordinated with the relevant departments of The Chengdu Shuangliu International Airport to provide the passenger with a manual safety check, simplification of the baggage checking formalities and arranged for prioritized boarding. Due to its seamless service and conscientious work, the Department was highly commended by the passenger and his family.

#### Case

#### Standardizing service hotline

In 2011, Air China opened a hotline (95583) which integrates several hotline services, including 24/7 ticket booking, rescheduling, flight changes and hotel booking. The hotline provides passengers with information, considerate services and better solutions to problems. Air China's international hotlines include 0018002808122 for North America and 80086100999 for Europe, Japan and South Korea. As of 2011, the Company's telephone system covered 20 countries around the world, offering services in 8 languages.



Legend: Ground handling staff buckles up a passenger with multiple fractures

### 4.3. Creating comfortable flights

紫金 紫宸  
AIR CHINA 中国国际航空公司  
中国国际航空公司监制  
PRINTED UNDER THE SUPERVISION OF AIR CHINA

| 贵宾姓名 VIP NAME   |                   |  |            |  |   |  |                          |
|---|-------------------|--|------------|--|---|--|--------------------------|
| 目的地<br>DESTINATION  | 承办人<br>UNDERTAKER | 座位等级<br>CLASS  | 日期<br>DATE | 时间<br>TIME   | 用餐方式<br>FORM OF MEAL  | 贵宾用餐种类<br>VARIETY MEAL   | 有效日期<br>NOT VALID BEFORE |
| <ul style="list-style-type: none"> <li>Providing routes to destinations around the world</li> <li>Providing through service for combined air and ground transportation</li> <li>Ticket booking service through phone calls, websites and ticketing offices</li> </ul> |                   | <ul style="list-style-type: none"> <li>Multiple ways to check-in</li> <li>Convenient luggage consignment</li> <li>Improved lounge environment</li> </ul> |            | <ul style="list-style-type: none"> <li>diligent services for passengers of delayed flights</li> <li>Putting passengers on earliest possible flights</li> </ul> | <ul style="list-style-type: none"> <li>Providing excellent in-flight environment</li> <li>Developing entertainment products and services</li> <li>Improving meal quality to satisfy passengers</li> </ul> | <ul style="list-style-type: none"> <li>Providing convenient transit service</li> </ul> | 凭此票入内<br>VALID WITHIN    |
| 复 印 无 效   |                   |  |            |  |   |  |                          |
| 填开单位<br>ISSUED BY   |                   |  |            | 填开日期<br>ISSUED DATE  |   |  |                          |
| 查询网站: WWW.AIRCHINA.COM.CN   |                   |  |            | 查询电话: 95583  |   | 敬请您在现场<br>WELCOME  |                          |

This may look like a normal air ticket. But to Air China staff, it is not just a common air ticket (due to the popularization of E-tickets, many passengers do not use such tickets), but a service agreement by Air China. To fulfill this agreement, Air China staff are standing by with full dedication. Our goal is to transport passengers to their destinations in a safe, timely and comfortable way.

#### ◎4.3.1. Providing convenient booking and ticketing services

Air China optimizes the means of booking and ticketing in order to provide more options for passengers. In 2011, the Company's website underwent a facelift. The new website offers comprehensive services, including inquiry, ticket booking and checking in, in addition to brand-new functions such as automatic calculation of international air fares and simplified payment steps. After buying a ticket online, passengers can check in at airport terminals with their ID cards. The Company also improved its mobile ticketing system and launched new client software for smart phones. Passengers can buy an air ticket within minutes by sending messages or logging on the mobile ticketing software. To cater for the needs of Mongolian passengers, Mongolian-language service counters have been set up in Air China's North China Marketing & Sales Center Hohhot Office.

#### Case

##### Combined air and ground transportation service

Combined air and ground transportation service was launched simultaneously in Chengdu, Guangzhou and Shanghai in 2011. Passengers only need to make a phone call to buy both air and bus tickets, and then board the aircraft and bus with their ID cards. A one-stop solution for air and ground transportation has now become available for travelers.

Case

### My flight, my way

With support from Sina microblog platform and Air China e-payment platform, Air China launched the "microblog flight" to the Xi'an 2011 World Horticulture Expo on July 1, 2011. Passengers who bought their air tickets through the microblog platform voted for Boeing 737-800 and "Golden Phoenix" crew to fly this flight. This was the first flight tailor-made according to the characteristics of microblogs, and it has brought passengers a brand-new experience in buying tickets.

### ©4.3.2. Realizing smooth check-in and boarding

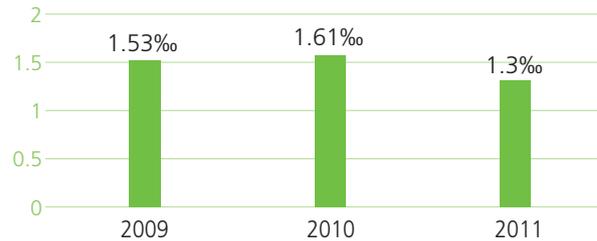
In order to provide passengers with a smooth travel experience, Air China has introduced advanced equipment, provided comfortable lounges, and increased communication with airports and other relevant parties to reduce passengers' waiting time.

#### ● Popularizing self-service

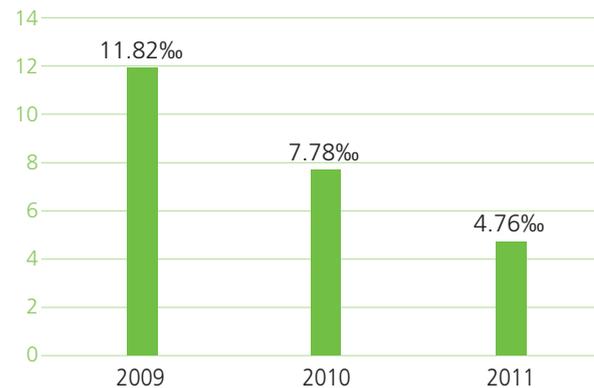
Air China is increasing the number of CUSS facilities at airports and arranges for ground handling service staff to teach passengers how to use them. As of end of 2011, the company has installed CUSS facilities at 24 domestic and 5 overseas air terminals, and activated online check-in (WEBCKI) system at 67 domestic and 24 overseas air terminals. In 2011, the number of passengers using self-service machines at the Beijing Capital International Airport reached 5.294 million, up by 14.2% year on year.

In the past, passengers had to go to a different counter for baggage check in which took a longer time. In 2011, Air China launched the Electronic Miscellaneous Document (EMD) for overweight baggage, which was the first in China's aviation industry. With the application of EMD, Air China passengers can save time in paying for overweight baggage.

Baggage Irregularity Rate (Domestic Routes)



Baggage Irregularity Rate (International Routes)



#### ● Improving lounges

Air China has stepped up efforts to improve lounges. Since 2011, the Company has established brand-new lounges at the Beijing International Airport and Terminal 2 of The Chengdu Shuangliu International Airport. These new lounges have seen significant changes in overall design and upholstery. In addition, Air China has launched a brand-new "Salad Bar" and late-night snack service in the International Lounge at Terminal 3 of The Beijing Capital International Airport.

### ©4.3.3. Enjoying the flight

#### ● Comfortable seats

In accordance with opinions put forward by passengers, in 2011 Air China modified its criteria for selecting seats for economy-class cabins and refitted the cabins of 13 A330-200 aircraft so that some of the first- and business-class seats can be adjusted for passengers to lie down. In addition, the Company also further raised the cleaning standards for aircraft cabins and bathrooms based on flying routes and duration, aircraft models and cabins, and shortened the replacement cycle of seat covers, carpets and other cabin facilities.



Legend: A German flight attendant talks to a German passenger in their mother tongue on Air China's China-Germany route

#### ● Diverse dining options

Air China regularly tests all food and maintains high sanitary standards to ensure the safety of in-flight meals. In 2011, 100% of Air China's in-flight meals passed their safety tests.

To further meet passengers' requirements for in-flight meals, we decided to shorten the menu rotation period, changing the in-flight menus for the Beijing, Shanghai and Guangzhou routes every 10 days. Food varieties have also been increased, and French chateau wines and Chinese teas are offered in first- and business-class cabins on domestic trunk routes. "Menus recommended by well-known restaurants", "menus with ethnic characteristics" and "menus with national characteristics" are also offered on Beijing, Shanghai and Guangzhou routes. We have also begun a pilot project "Dine on Demand" which is offered to first- and business-class passengers of CA931 and CA937 flights to meet the individualized meal requirements of our passengers. In addition, we also provide a diabetes meal, vegetarian meal, baby meal, low-fat meal and other special meals to accommodate the different needs of our passengers.



Legend: A flight attendant and chef display "Chef's Recommendation for the Day" to passengers on CA1301 flight under the theme "Golden Phoenix Spreads Wings: Cuisine on Air China Boeing 777-300ER Flight"

#### ● Varied entertainment options

Air China has also been enriching our in-flight entertainment options, where we now offer 26 different newspapers and 23 different magazines covering a variety of contents. More options have also been added to the in-flight entertainment system, with programs now being changed every month instead of every three months as in the past, and the number of movies, music and games have been doubled.

Air China has made in-flight entertainment an opportunity for innovation. In 2011, the Company installed new-generation in-flight E systems on its aircraft and opened in-flight Wi-Fi services, so passengers can access the in-flight network system via portable equipment with Wi-Fi function. Air China has also become the first Chinese airline to equip the in-flight portable entertainment equipment "Happy Pad" in the first- and business-class cabins of its domestic routes. All these have allowed a richer and more personalized experience while flying.



Legend: Renovated cabin entertainment system with touch AVOD equipment

# 5

## Pursuing a Low-carbon and Environmentally Sustainable Future

Environmental stewardship is among the great challenges faced by our world today. Solving the variety of problems we face requires the dedication and unremitting efforts of each and every one of us. The aviation industry is actively responding to climate change by working to reach global consensus on emissions reduction, stabilization of carbon emissions and bringing about a fully sustainable development.

Air China has a longstanding commitment to environmental sustainability. We uphold the philosophy of “green operation and sustainable development” by practicing a development approach that focus on low-carbon outputs and resource conservation in order to establish an increasingly environmental-friendly airline.

Air China actively responds to environmental challenges by advocating improved utilization rates of resources and energy, and making commitments to continuously raising energy efficiency, lowering emissions and conserving resources.

## 2011 CSR Highlights

| Subjects                      | Major Initiatives  |
|-------------------------------|--|
| Application of bio-fuels      | <ul style="list-style-type: none"> <li>Using a Boeing 747-400 aircraft in service to conduct China’s first test flight using bio-fuel. The test flight proved to be a success.</li> </ul>  |
| Conservation of aviation fuel | <ul style="list-style-type: none"> <li>Adopting new technologies and equipment to conserve aviation fuel. Our fuel consumption per ton-kilometer is consistently declining.</li> <li>Selection of optimal air routes and using X routes during flight, saving about 350 flight hours year-on-year</li> </ul> |
| Conservation of vehicle fuel  | <ul style="list-style-type: none"> <li>Continuous application of fuel conservation measures for ground vehicles, saving about 245,000 liters of fuel.</li> </ul>   |

### 5.1. Optimizing environmental management

Air China has established a multi-functional cooperation system to manage environmental affairs. This includes a multi-level energy conservation and emissions reduction management system, conducting comprehensive assessments for environmental impacts arising from production and operation, monitoring energy use, and carrying out appraisals of our energy conservation efforts. In addition, we have also held various training and publicity activities to continuously improve the environmental awareness of Air China employees.

In 2011, Air China initiated the compilation of management regulations for energy conservation and emissions reduction, developed a comprehensive energy statistics and management module, implemented the breakdown of energy-conservation assessment indexes, and followed up the status of energy conservation efforts.

Comprehensive Energy Consumption (Unit: ton of standard coal/10K yuan)



## 5.2. Actively responding to climate change

Air China supports the development of a “green civil aviation industry”, and through extensive communication and cooperation in exploring ways to address environmental problems is the best means. On October 28, 2011, the Company successfully conducted the first test flight on biomass fuel in China, an event that will promote the global production and use of bio-fuels.



Legend: Air China conducts a test flight using bio-fuel at the Beijing Capital International Airport, in joint efforts with PetroChina, Boeing, and Honeywell UOP

### Link

The bio-fuel used in Air China’s test flight was made from *Jatropha curcas*, which has the advantage of not being a grain grown for human consumption or using farmland to be grown. While developing aviation bio-fuels, biodiversity is also taken into consideration to promote the development of regional economy and to create jobs. Airlines, aircraft manufacturers, engine manufacturers, oil companies and other industries are working together to promote the sustainable development and industrialization of biomass aviation fuel.

## Air China's Roadmap for Responding to Climate Change

2008

- The first Chinese airline to establish an environmental affairs management system

2009

- Implementation of a self-developed database management system for energy conservation and emissions reduction

2010

- The first Chinese airline to launch "green flights", advocating energy conservation and emissions reduction
- Initiation of project for conducting a test flight using bio-fuel

2011

- The Company became a member of the International Biomass Aviation Fuel Organization
- Successful test flight on bio-fuel

Future

- Cross ocean test flight and manned test flight on bio-fuel
- Popularization of bio-fuel

CO<sub>2</sub> emission RTK (kg/tonne-kilometer)



## 5.3. Promoting energy-efficient development

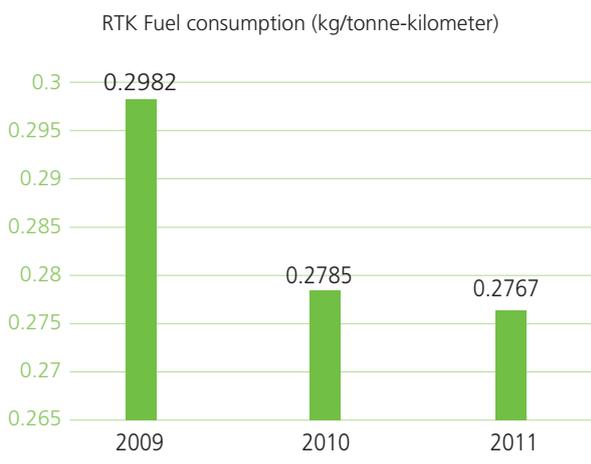
Energy use is a major part in an airlines' operating cost and its emission of green house gases. Air China therefore is using innovative technology, equipment and processes to understand the best way to conserve energy and reduce emissions through the operation.

### ©5.3.1. Conserving aviation fuel

Aviation fuel accounts for more than 98% of all energy consumed by Air China. We incorporate meticulous management, introduction of new technologies, fleet upgrades and improvement of the utilization rate of fuel all in an effort for increasing the sustainable use of our resources. Air China also makes the additional effort of updating its energy conservation policies and fuel conservation plans for all departments using the IATA fuel conservation plan.

• Air China continuously implements fuel conservation measures

| Type of Measure   | 2011 Major Initiatives  | Progress and Results   |
|---|---|--|
| Computerized flight plan  | <ul style="list-style-type: none"> <li>Systematic dispatches and computerized fuel plans were being used on 140 routes.</li> </ul>  | <ul style="list-style-type: none"> <li>Computerized flight plans are 100% adopted in all but Kunming airport, saving nearly 960 tons of fuel more than the previous year.</li> </ul>   |
| Stepping up monitoring of aircraft performance                            | <ul style="list-style-type: none"> <li>Diversifying and improving the monitoring, analysis and computation of flying performance.</li> <li>Strengthening the monitoring of heavyweight and long-range aircraft.</li> <li>Active attempts to apply aircraft health management systems to improve the performance monitoring efficiency.</li> </ul> | <ul style="list-style-type: none"> <li>A savings of nearly 200 tons of fuel.</li> </ul>  |
| Strengthening management of aircraft weight                               | <ul style="list-style-type: none"> <li>Monitoring the changes in aircraft weights and establishing aircraft weight dossiers.</li> <li>Stepping up the renovation of cabin layout.</li> </ul>  | <ul style="list-style-type: none"> <li>A savings of nearly 530 tons of fuel.</li> </ul>  |
| Redispatch  | <ul style="list-style-type: none"> <li>Monitoring the application status of redispatch plans and making timely adjustments.</li> <li>Conducting redispatch analysis for newly introduced aircraft models, newly developed routes and newly added routes.</li> </ul>   | <ul style="list-style-type: none"> <li>30 redispatch plans have been added, covering 12 routes; redispatch plans have been applied to all intercontinental routes (except Beijing-Moscow route); a savings of about 3,200 tons of fuel compared to the previous year.</li> </ul> |
| Use of X routes   | <ul style="list-style-type: none"> <li>Optimizing the selection of routes, building new X routes and investigating the use of X routes.</li> </ul>  | <ul style="list-style-type: none"> <li>A saving of about 350 flying hours compared to the previous year.</li> </ul>  |
| APU fuel conservation, speeding up the adoption of bridge-borne equipment | <ul style="list-style-type: none"> <li>Improving the data analysis used by bridge-borne equipment in Beijing, Shanghai and Guangzhou airports.</li> <li>Establishing a quarterly joint inspection mechanism for the bridge-borne equipment used at Terminal 3 of The Beijing Capital International Airport.</li> </ul>                            | <ul style="list-style-type: none"> <li>Saving 120,000 hours of APU ground use time and about 1,200 tons of fuel compared to the previous year.</li> </ul>  |



### ◎5.3.2. Lowering vehicle fuel consumption

Air China implements fuel use plans for ground vehicles, increases the management of ground vehicles, forbids the unplanned driving of vehicles, and works to reduce long-distance dispatch of vehicles due to mismatch between ground vehicles and aircraft. We also implement a designated refueling system for ground vehicles to reduce fuel waste arising out of unnecessary driving to the refueling depot. As a result, about 245,000 liters of fuel have been saved in 2011.

**Case**

#### Vehicle fuel conservation measures adopted by Beijing crew

Our Beijing crew has stepped up measures and assessment of vehicle fuel consumption in identifying and addressing the root causes of vehicle fuel overconsumption. They also dispatch vehicles in a reasonable manner, reducing the average driving distance of single assignments by 3.5% year on year. In 2011, the average fuel consumption of Beijing crew vehicles has been lowered to 18.48 liters/100km, down by 1.3% year on year.

### ◎5.3.3. Conserving water and electricity on the ground

Air China implements controls to prevent any “wastes and leakages” from energy use in buildings by using energy-conserving and environmentally sustainable construction materials and by the popularization of energy conservation goals.

- The Mongolian Branch uses an internal circulation method to test the hangar fire pump, saving 10 tons of water each time.
- Between 2008 and 2011, the Southwest Branch conducted energy-saving renovations for 1,046 air conditioners in the high-energy-consumption equipment zone, with an electricity savings of more than 20%.

## 5.4. Mitigating environmental impact

Air China also strives to minimize impact on the environment by strengthening our recycling program. Air China has established a stringent system for recycling and disposing of waste oil, making use of waste and sedimentary fuel. In 2011, around 50 tons of waste and sedimentary fuel was recycled.

While building new hangars, Air China constructs international-standard sewage treatment plants and other supporting facilities. In addition, the Company also treats waste water generated from the maintenance and cleaning of aircraft to make sure that discharged sewage are up to appropriate standards.

The Company is also strengthening efforts to monitor and eliminate engine problems, and has set up a dedicated airfield engine testing area to reduce noise pollution.

# 6

## Promoting Employee Development



Employees are the creators and builders of all Air China accomplishments, as well as the very momentum that drives the Company's development forward. The employees' efforts and dedication are part of every service we provide to passengers, and the employees' individual achievements and sense of occupational satisfaction contribute deeply to the Company's success.

Air China puts people first. Guided by ideals of "virtue, passion, competence and performance" we seek out the best in each person. Moreover, honesty and warmth are the ideals that guide our relationships with each other.

Air China searches, applies and cultivates talents in a meticulous, logical and comprehensive manner. The Company has continued the reform of our remuneration and benefits system to favor the grassroots level employees, and has stepped up communications and exchanges; we provide occupational development platforms for employees to present themselves and realize their own aspirations; and we regularly improve working environments for the sake of our employees' well-being, both body and mind.

## 2011 CSR Highlights

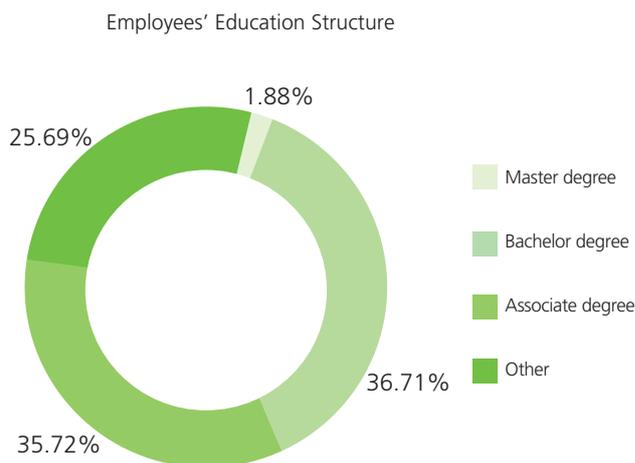
| Subjects                  | Major Initiatives  |
|---------------------------|--|
| Remuneration and benefits | <ul style="list-style-type: none"> <li>Implementing the reform of remuneration and benefits system to favor the grassroots level employees.</li> <li>Full implementation of the enterprise annuity system, covering 93% of employees.</li> </ul>   |
| Mutual care               | <ul style="list-style-type: none"> <li>Strengthening communications and interchanges with frontline employees and paying attention to their mental health.</li> <li>Spending RMB384,000 to establish a mutual fund for employees facing financial difficulties.</li> </ul>   |
| Training and development  | <ul style="list-style-type: none"> <li>The use of questionnaires and group interviews of 83% our employees to better understand training needs.</li> <li>Developing and enriching learning maps for employees in various sectors; identifying the employees' learning and development paths.</li> <li>Initiating a system to turn dispatched workers into direct employees, promoting the harmony and stability of staff teams.</li> </ul> |
| Health and safety         | <ul style="list-style-type: none"> <li>Ensuring a simple and straightforward process for flight crews and ground handling services staff to seek medical help.</li> </ul>  |

## 6.1. Guaranteeing employee's rights and interests

Air China strictly abides by all relevant laws and regulations both at home and abroad, pays attention to employee's immediate concerns, and safeguards the legal rights of all of our employees. The Company adopts a diversified employment policy to eliminate ethnic, race and gender discrimination as well as forced and child labor. In 2011, the Company launched the official Air China recruitment website, providing a highly efficient online platform for hiring people of exceptional talent. The employees' labor contract signing rate is 100%, all of them are under the protection of group negotiation, and the local employment rate is 67.32%.

### ◎6.1.1. Remuneration and benefits

Air China has gradually established a permanent incentive mechanism to attract and retain talent, as well as a job ranking system based on job values and a compensation system that supports the Company's development strategy. In 2011, the Company began adjusting the compensation methods, attaching importance to the fairness of system design, paying attention to the interests of grassroots level employees, and favoring key technical positions and grassroots level positions. A multi-level retirement benefits system has been established and an enterprise annuity system has been fully implemented, covering 93% of employees in 2011. According to Chinese laws and regulations, Air China pays the endowment for medical, unemployment, maternity and employment injury insurance, as well as for a housing fund and supplementary medical care. Insurance benefits for employees in Hong Kong, Macau, Taiwan and overseas branches follow local laws and regulations.



| Index                                   | Data   |
|---|--------|
| Total number of employees <sup>1</sup>  | 40,202 |
| Percentage of female employees          | 43.06% |
| Percentage of male employees            | 56.94% |
| Percentage of female senior managers    | 10.99% |
| Percentage of ethnic minority employees | 4.51%  |
| Percentage of foreign employees         | 2.4%   |
| Employee turnover rate <sup>2</sup>     | 3.15%  |

1. Including the employees of Air China and Air China Cargo

2. Employee turnover rate: the total number of employees who have quitted Air China in 2011 divided by the total number of Air China employees as of December 31, 2011.

### ©6.1.2. Contributing ideas together

Through the workers congress, Air China employees democratically participate in the managing of the company and decision making. Important matters in relation to employees' immediate interests are all approved first by the workers congress. In 2011, employee representatives actively participated in discussing a variety of pressing and difficult issues related to company development and put forward constructive and feasible suggestions.

The Company has established various levels of labor unions which cover 100% of its employees. On behalf of employees, the representatives of labor unions at various levels have negotiated with the Company on the issues of remuneration, work time, breaks and leave, work safety and hygiene, occupational training, insurance and welfare, all to safeguard the employees' legitimate rights and interests.

## 6.2. Caring for each other's needs

At Air China we respect our employees' thoughts and aspirations. The Company cares about the employees' work and life, strives to cultivate a harmonious environment in which people get on well and inspire one another, in a spirit of respect and mutual aid.

### ©6.2.1. Open and honest communication

Air China attaches great importance to internal communication and cultural integration. The Company insists upon regular and effective communication consisting fundamentally of paying attention to the employee's concerns and listening to employees' suggestions in order to develop a harmonious work environment that improves the employees' sense of belonging and workplace cohesion. In 2011, the Company's managers at various levels participated in extensive dialogue with grassroots employees, in a bid to "learn about grassroots workers, make friends, conduct surveys and solve problems"; the company managers also communicated with employees via e-mails and microblogging services, which are favored by young employees.

#### Case

### A cordial dialogue between a normal employee and Mr. Fan Cheng, Vice-President of Air China Limited

On August 11, 2011, Mr. Fan Cheng, Vice-President of Air China Limited, had an open conversation with Mr. Niu, an ordinary employee of Air China.

**Mr. Niu:**

Hello, Mr. Fan. If there is a day when every ordinary employee could come to this beautiful building of Air China and greets you as freely as I do now, the corporate culture of Air China will surely become one full of life.

**Vice-President Fan Cheng:**

Hello, Mr. Niu.

Thank you for your e-mail. I really appreciate your cordial and candid words... Let's work together to build a more advanced corporate culture at Air China.

**Mr. Niu:**

I am impressed by your efficiency in replying to my e-mail. Thank you very much for attaching such importance to my suggestion...!

**Vice-President Fan Cheng:**

OK. I will ask the relevant departments to act on your suggestions.

### ©6.2.2. Recreational activities

Air China encourages its employees' hobbies by organizing various employee activity groups and hosting different kinds of cultural and sports activities. In 2011, the Company organized a photography exhibition, calligraphy exhibition, literary exchanges, basketball matches, football matches and other activities. Some Air China employees participated in a successful theatrical evening party "The Ode of Labor" sponsored by the All-China Federation of Trade Unions, the Capital Staff Festival of Arts and Culture, and the Beijing International Marathon.



Legend: Air China staff participates in the CCTV "Heart to Heart" disaster-relief show



Legend: Air China Zhejiang Branch's long walk activity



Legend: Air China's mountain-climbing activity on the Double Ninth Festival

### ©6.2.3. Caring about our employees' life

Air China cares about each of our employees' lives, creating an atmosphere like a big family.

Air China cares about young employees in particular. In 2011, the Company started preparing for the construction of dormitories for single employees in Beijing, and gradually providing a living security for young employees. Activities are also conducted for younger employees in order to facilitate building long lasting relationships.

Air China cares about employees facing financial difficulty and providing financial help for their children to go to college. In 2011, the Company established a mutual fund for financially difficult employees and spent RMB384,000 in this regard. For 11 consecutive years, Air China's Southwest Branch has donated air tickets to the children of financially hard-pressed employees to help cover their travel expenses when going to colleges in other provinces. As of 2011, 303 free air tickets totaling more than RMB480,000 have been given.

Air China is strengthening a mutual-help and security mechanism for employee interests. The Third Female Employees Mutual-help and Mutual-benefit Fund and the Air China Employees Mutual-help and Mutual-benefit Fund were initiated in 2009 and 2010 respectively. In 2011, subsidies totaling RMB630,000 have been handed out to 63 employees who had serious illness.

Air China cares about the well-being of retired employees. At times the Company's managers visit retired employees and help them solve living problems, and in 2011 the Company raised the subsidy standards for retired employees to improve their living quality.

#### Case

#### Air China "Three Sendings" System

Air China has implemented a system of "Three Sendings", namely, "sending our best wishes", "sending our greetings" and "sending hot weather advisory".

"Sending best wishes": sends the Company's best wishes to employees on their birthdays, wedding days and maternity days;

"Sending greetings": sends greetings to employees on important holidays, to elderly individuals, to injured and sick employees, to financially pressed employees, and to the employees who've faced deaths in the family;

"Sending hot weather advisory": sending subsidies and an advisory to every employee and also to frontline staff collectively on days of high temperature.

#### Case

#### Ameco Kindergarten

In recent years, the limited capacity and high expenses of kindergartens have been great problems facing parents. But these problems are not known to the employees of Ameco. They only need to fill out an application to have their children enrolled by the Ameco Kindergarten. One parent whose child was enrolled in September of this year wrote a letter of acknowledgement saying, "As an employee of Ameco, I am grateful that the Company has such a nice kindergarten to help solve employees' problem in such a people-oriented perspective!"

## 6.3. Promoting employee development

Air China is dedicated to building a personnel management system that is in line with production patterns and is competitive. The Company cultivates its employees' professional skills and improves their comprehensive value through systematic trainings and international exchanges and guides the employees' development by providing them with career development passages. In 2011, Air China invested RMB624.4 million in employee training.

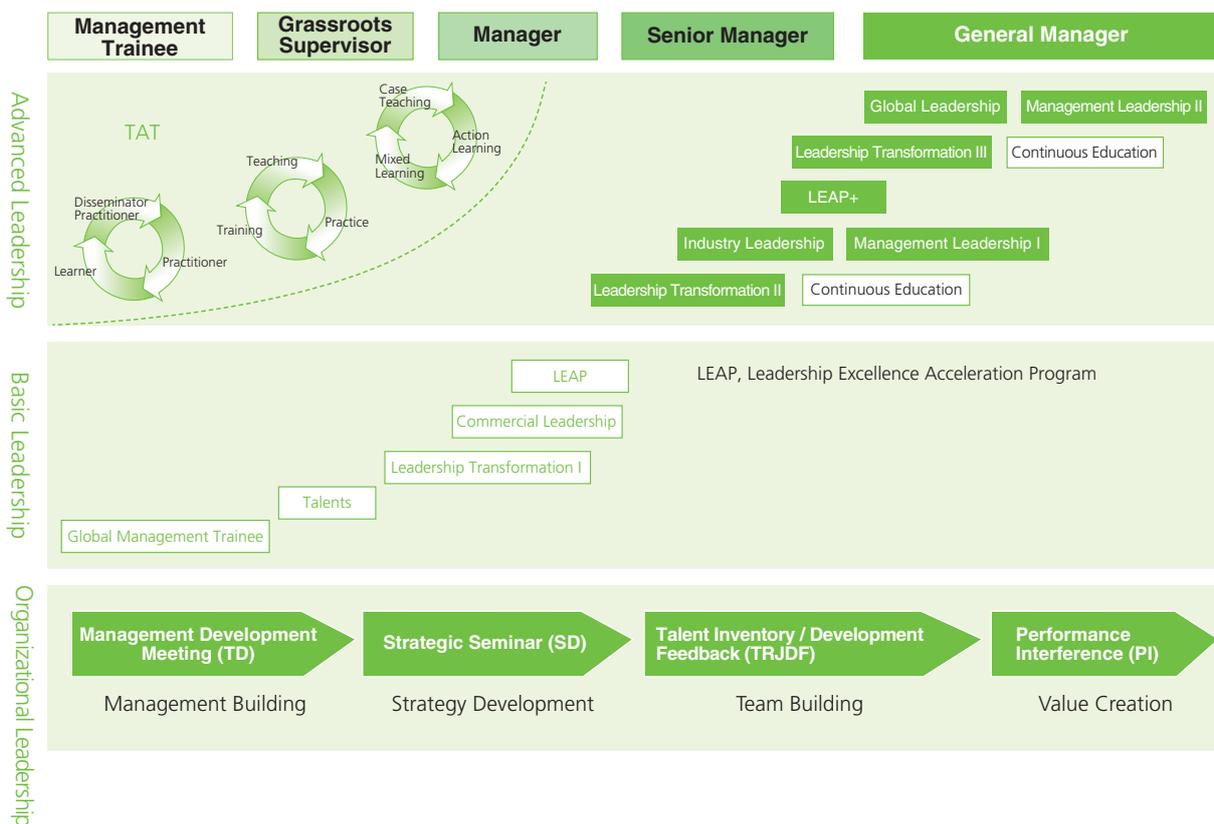
To effectively help its employees identify their individual learning and development paths and help managers understand the requirements for cultivating employees, in 2011 Air China developed 6 learning maps, including the aircraft maintenance and repair, operational control and human resources sectors. These learning maps specify the basic knowledge, skills and qualifications required by employees at various levels, as well as plans for improving the employees' competence.

### ◎6.3.1. Approach to talents cultivation

In 2011, Air China carried out the "Air China provides a growth environment for young people, and young people contributes to the development of Air China" activity to actively guide the growth and development of its young employees, inspire their enthusiasm and bring about the mutual development for both the employees and the Company.

In order to make trainings more pertinent to the employees' needs, in 2011 the Company formed a special work group to survey the training needs of Air China's various departments. Questionnaires and group interviews were used, covering 83% of our employees.

Air China Leadership Learning Map



### ◎6.3.2. Career development passage

Employees' career development is important to Air China, and so we carry out a number of assessments of employee qualifications, competence and performance. The Company also provides the best employees with promotion opportunities and career development passages through the practices of open employment, two-way selection, and selecting only those that are best qualified. In 2011, Air China implemented the self-developed performance management system for employee assessment, the results of which were used as the basis for selecting, promoting and cultivating employees.

The Company has established various professional qualification models as the standard for identifying and cultivating talent. The qualification models have been well applied in selecting full-time and part-time teachers, turning dispatched workers into direct employees, and recruiting flight attendants.

In 2011, the Company initiated a system to turn dispatched workers into direct employees; as a result, 140 dispatched workers in 9 branches became Air China's direct employees. This has provided a career development passage for the highest quality dispatched workers and helped establish and improve the comprehensive incentive mechanism for retaining and promoting dispatched workers.

## 6.4. Improving occupational health

Civil aviation workers face their own particular type of challenges while on the job and so it is important to us at Air China to look after our employees' occupational health. Every year, the Company organizes health examinations for all employees and gynecological examinations for female employees. In addition, Air China has also established an employee health archive for the dynamic management of its employees' health. To guarantee the health of its employees, Air China has also organized sabbatical holidays for some employees, provided vaccinations to air crew members flying to epidemic-stricken areas, and in general streamlined the process for flight crews and ground handling service staff to seek medical help. In 2011, 97.92% of Air China employees took physical examinations.

### ◎6.4.1. Improving working conditions

Air China distributes safety equipment to its employees. In Air China's Northern Maintenance and Repair Base, the Company has leather fatigue dresses tailored for frontline workers working during the winter. Taking into full consideration the potential influence of chemicals and other factors related to work during aircraft maintenance and repair, the Company has installed ventilation and filtering systems as well as other facilities in hangars, has increased the number of maintenance vehicles and ladder assemblies at airfields, and provides medical kits. Mobile homes, air-conditioned vehicles and other auxiliary equipment are also provided to ensure that the employees can relax well during their breaks.

Air China is working to strengthen connections between fixed domestic flights so as to shorten the working periods of flight attendants; arranges for flight attendants to work on international routes in a balanced manner; and provides free apartments to facilitate the lives of aircrew members.

### ◎6.4.2. Strengthening counseling services

Among the many skills of aircrew members and ground handling service workers must call upon every day is the patience necessary for regular face-to-face communication with a large number of passengers, and sometimes the need to pacify angry passengers. Air China works to cultivate our employees' communication skills, strengthen our employees' quality of mind and ability for responding to emergencies. In addition, the Company conducts regular counseling and stress reduction trainings for its employees, teaching means of mitigating on-the-job stress. In addition, Air China uses various media such as *Cabin Window* magazine, "Home of Workers" facilities and other means to popularize beneficial health care practices.

# 7

## Contributing to Social Harmony



Responsibility for and serving of the general public are the starting points and the very means by which an enterprise can accomplish sustainable development. As part of the society, an enterprise needs to actively undertake actions with responsibility and with the good of all in mind.

Air China is China's only national flag carrier, has a worldwide operational network, and a fast and highly efficient staff. We are always there for you wherever you are and whenever you need us.

One way Air China serves society and the general public is by providing disaster relief and emergency rescue flights. The Company also attaches great importance to public welfare projects and uses its own resources to contribute to the development of society. In 2011, Air China donated altogether RMB2.843 million to charitable undertakings.

## 2011 CSR Highlights

| Subjects                    | Major Initiatives  |
|-----------------------------|--|
| Guaranteeing major events   | <ul style="list-style-type: none"> <li>• Successful completion of air transportation and chartered flight tasks at special times.</li> </ul>   |
| Emergency rescue operations | <ul style="list-style-type: none"> <li>• Transportation of humanitarian relief materials donated by China to flood-stricken areas in Sri Lanka.</li> <li>• Air China was the only Chinese airlines to evacuate Chinese citizens direct from Libya, and received the "Group Award for Outstanding Contributions in Emergency Evacuation" from the CAAC.</li> <li>• Transportation of disaster-relief materials to earthquake-hit areas in Japan.</li> </ul> |
| Care for children           | <ul style="list-style-type: none"> <li>• Donating to the "Chinese Children Special Insurance Fund" for the third year in a row; regular support of special charity projects that cover medical insurance for children with serious illness.</li> </ul>   |

## 7.1. Guaranteeing special flights

Air China has lived up to public expectations by providing flights and various disaster relief and emergency rescue services during natural disasters of various kinds, such as volcanic ash disruptions and snow or rain storms, and won widespread acclaim from the general public.

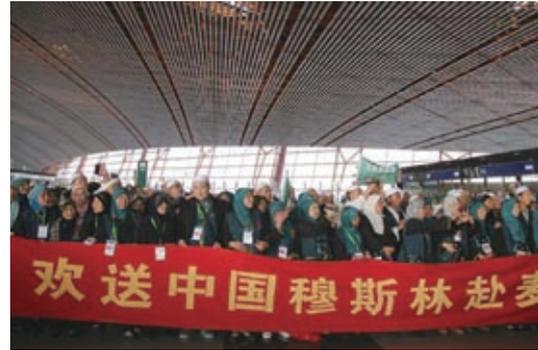
### ◎7.1.1. Supporting major events

Understanding the high volume of passengers and the large number of flights during holidays and important events, Air China made preparations in order to ensure normal flying conditions during the two Conferences (i.e. the National People's Congress and the Chinese Political Consultative Conference), the Spring Festival Travel period, the World University Games period and other special periods during 2011. The company also successfully carried out important chartered flights, guaranteeing the participation of the Central Government Delegation in the 60th anniversary of the peaceful liberation of Tibet.

#### Case

### Providing professional air transportation for the World University Games

In 2011, the Shenzhen Airlines acted as the exclusive carrier for the 26th World University Games, contributing exceptional colors to the Universiade. Facing many different passenger groups, large numbers of a variety of baggage and the overlapping of the Universiade period with summer vacation, Shenzhen Airlines established a Special Universiade Committee to oversee the dispatching of flights, resources allocation, hotel accommodation, catering and ceremonial services. Altogether 875 flights were dispatched for Universiade purposes in 19 cities, transporting delegations from 51 countries and shipping more than 10,000 pieces of baggage without any human mistake or complaint. The catering sector achieved "zero shortage of catering", "zero accident" and "zero complaint", showcasing the elegant manner and personal manner of Shenzhen towards the participants of the 26th World University Games.



Legend: Air China successfully provided 54 chartered flights for religious pilgrims traveling to Saudi Arabia in 2011

### ◎7.1.2. Giving priority to emergency rescue missions

At critical moments when the country is in need, Air China is always prepared. Operating with efficiency and excellence over the years we have completed many emergency rescue chartered flights.

- In January 2011 when Sri Lanka suffered a severe flood, Air China Cargo transported humanitarian relief materials donated by China to flood-stricken areas. By activating the emergency guarantee plan for major transportation missions, Air China Cargo mobilized flying, operation, aircraft maintenance & repair, transportation capacity and service departments to work together in a highly efficient manner. As a result, blankets, food, water-purifying equipment and other urgently needed materials were smoothly delivered to the disaster-hit areas.



Legend: Loading humanitarian relief materials donated by China on a flight to Sri Lanka

- In February 2011 when the tensions in Egypt and Libya jeopardized the safety of Chinese citizens in Libya, the Chinese government decided to proceed with evacuations. During the evacuation, Air China dispatched 28 aircraft and evacuated 8,754 Chinese citizens. As the only Chinese airline to have evacuated Chinese citizens directly from Libya, Air China put in the largest carrying capacity, evacuated the largest number of national citizens and flew to the largest number of destinations among airlines involved in evacuation operations, and, as such, received the “Group Award for Outstanding Contributions in Emergency Evacuation” from the CAAC.



Legend: Air China evacuating Chinese citizens from Libya

- In March 2011 when Japan was hit by a severe earthquake and tsunami, Air China Cargo participated in the disaster-relief activities. Several Air China cargo flights carrying bottled water, rubber gloves, mobile latrines, sports shoes and other urgently needed materials were dispatched to Japan.

## 7.2. Emphasizing children's development

Children are our motherland's future and tomorrow's hope. Air China is dedicated to providing various forms of help to children in economically disadvantaged areas and to disabled and ill children across the country, emphasizing their physical and mental needs.

### ◎7.2.1. Supporting educational undertakings

Air China's branches have extended help to children in disadvantaged areas:

- Air China's Southwest Branch carried out a poverty-alleviation activity called “Air China's Sincere Help to Qingsong Village” to students of Jiancha Primary School in Qingsong Village, Shuangliu County, donating 215 writing implements and sports goods worth over RMB13,000.
- Air China's Southwest Branch donated 500 volumes of *Sichuan Province's Guidance for Disaster Prevention, First Aid and Emergency Shelter* that were worth RMB12,500.
- The Regular Inspection Shop of Air China's Tianjin Maintenance Base carried out a series of activities under the theme “kindling hope and helping students with love.” Students from neighboring schools were organized to visit the Memorial Park for Martyrs of Jinchaji Region and the Tomb of Doctor Bethune as well as donating RMB6,400 to cover the tuition of some economically disadvantaged students.
- Air China's Hangzhou Maintenance Base donated a large quantity of clothes and shoes to primary school students in Wentuo Township, Dege County, Tibetan Autonomous Prefecture of Garze, Sichuan Province.
- Air China's Zhejiang Branch visited students facing financial hardships, bringing each of them various products for use in school and in daily life as well as RMB1,000 in cash.

### ◎7.2.2. Concern for children's health

Air China and the China Children and Teenagers' Fund co-sponsored the "Chinese Children's Insurance Special Fund" to popularize special charity projects that cover medical insurance for children and teenagers with serious illnesses nationwide. As a result, systematic guarantee was extended to children and teenagers in case of serious illnesses. Air China has donated to the fund for the past three years since the fund first began on September 1 2009. In 2011 alone, Air China together with caring passengers donated about RMB987,400 in this regard.



Legend: Air China Care Insurance Card. In August 2011, Air China, passengers and other caring people donated serious illness insurance for 40,828 orphans in Sichuan province, covering 12 different serious illnesses for children and teenagers.

The Cabin Service Department "Lark" of Air China's Inner Mongolia Branch, a national "Youth Civilization Unit Project" unit, has been dedicated to public welfare undertakings for more than a dozen years. Flight crew members of Air China's Inner Mongolia Branch have donated money and materials to and visited patients in the Deaf Children Rehabilitation Center. Air China's Zhejiang Branch participated in volunteer service for the 8th China National Games of Disabled Persons. Air China volunteers paired up with mentally retarded children in Hangzhou Yanglingzi School, and donated color pens, toys and sports goods to them, adding color to their lives.

## 7.3. Assisting the underprivileged

Air China is dedicated to using the particular advantages of its own resources to spread love and improve the living conditions of disadvantaged groups.

- Air China's Southwest Branch visited members of the nursing home of Sanxing Town, Shuangliu County, bringing them living necessities.
- For five consecutive years, Air China's Inner Mongolia Branch has given free medical consultation to people in old revolutionary base areas, establishing temporary physical examination centers to provide medical examinations and medicine for sick people. Altogether 360 persons have been served in this fashion.

## 7.4. Launching volunteer activities

Air China encourages its employees to participate in volunteer activities of various kinds and in 2009 formed a volunteer association to professionalize and standardize volunteer activities. In addition, Air China participates in the nationwide "Volunteer Service Day" initiative, actively participating in environmental and public welfare activities and work to improve education in poorer areas.



Legend: Air China Inner Mongolia Branch's tree-planting activity



## 2012 Outlook

| Field of Responsibility                                      | Major Measures   |
|--|--|
| Creating Economic Value                                      | <ul style="list-style-type: none"> <li>• Continue to consolidate the advantages of our hub network and expand the coverage of the network. Optimize the allocation of resources and logically plan out our transportation capacity.</li> <li>• Strengthen international and domestic links as well as business linkages between passenger transportation and cargo transportation. Deepen the cooperation between Shenzhen Airlines and other holding or affiliated aviation enterprises.</li> <li>• Improve the marketing &amp; sales capability of passenger and cargo business, maximizing their marginal contributions.</li> <li>• Handle structural cost management well, optimizing cost structure and improving cost efficiency.</li> </ul> |
| Safe and Sustainable Development                             | <ul style="list-style-type: none"> <li>• Improve safety system construction, bring forward innovative safety management measures, strengthen the evaluation and supervision of the safety assessment.</li> <li>• Increase system application and technology innovations.</li> <li>• Broaden the closed-loop management of safety work, covering all links of the process, from ex ante preparations to ex post reviews, from individuals to organizations, and from local components to the entire system.</li> </ul>  |
| Improvement of Passenger Experience                          | <ul style="list-style-type: none"> <li>• Strengthen the building of service teams, and fully improve employees' services.</li> <li>• Use service quality and brand development to improve the customer service system and promote the formulation of practical standards.</li> <li>• Establish product design structure, strengthen product development capability and continually seek to improve passenger experience.</li> </ul>  |
| Pursuing a Low-carbon and Environmentally Sustainable Future | <ul style="list-style-type: none"> <li>• Continuously improve energy-conserving and environmentally friendly standards and relevant supervisory and technical support systems.</li> <li>• Continue to foster the awareness of energy conservation and emissions reduction, and promote an environmentally minded company culture.</li> <li>• Step up the research and application of energy conservation and emissions reduction technologies and related management measures.</li> <li>• Actively respond to the implementation of a carbon emissions trading system by the European Union.</li> </ul>  |
| Promoting Employee Development                               | <ul style="list-style-type: none"> <li>• Strengthen employee team building, optimize the pattern of organizational management, guide the development of each employee.</li> <li>• Establish platforms for communication, interaction and exchange.</li> <li>• Promote mutual concern, establish a fund for financially hard-pressed employees and for employees' cultural development.</li> </ul>  |
| Contributing to Social Harmony                               | <ul style="list-style-type: none"> <li>• Coming to others' needs in times of crisis, helping the underprivileged and caring for disadvantaged groups.</li> <li>• Carrying out special flight missions for important events and emergencies.</li> <li>• Supporting scientific, educational, cultural, health and other public welfare undertakings.</li> </ul>  |



## GRI Index

|                           | GRI Contents  | Pages              |
|---------------------------|---|--------------------|
| 1. Strategy and Analysis  | 1.1 Statement from the top decision-maker of the organization (Such as President, Chairman or equivalent executive) on the relevance of sustainability to the organization and its strategy                                   | P4-5               |
|                           | 1.2 Description of key impacts, risks and opportunities   | P1, P12            |
| 2. Organizational Profile | 2.1 Organization name   | P7                 |
|                           | 2.2 Major brands, products and/or services  | P7, P9             |
|                           | 2.3 Operational structure of the organization (including main departments, the operating company, subsidiaries and joint ventures)  | P6                 |
|                           | 2.4 Location of Headquarters  | P7                 |
|                           | 2.5 The number of countries where the organization operates, names of countries where organization has main businesses, names of countries which are particularly relevant to the sustainable development described in report | P10-11             |
|                           | 2.6 Nature of ownership and legal form  | P6                 |
|                           | 2.7 Markets served by the organization (including regional markets, trades served, types of beneficiaries)  | P20-22             |
|                           | 2.8 Scale of the organization   | P6                 |
|                           | 2.9 Significant changes in size, structure or ownership of the organization during the reporting period   | P8                 |
|                           | 2.10 Awards received in the reporting period  | P6                 |
| 3. Report Parameters      | 3.1 Reporting period (financial year or calendar year)  | inside front cover |
|                           | 3.2 Date of the previous report (if any)  | inside front cover |
|                           | 3.3 Reporting cycle (such as annual, bi-annual)   | inside front cover |
|                           | 3.4 Contact information for inquiries concerning report content   | inside front cover |
|                           | 3.5 Process of defining report content  | inside front cover |
|                           | 3.6 Limits of the report (such as by nation, department, subsidiaries, leased facilities, joint ventures, and suppliers)  | inside front cover |
|                           | 3.7 Other limits to the scope and range of the report   | inside front cover |

|   | GRI Contents   | Pages              |
|---|--|--------------------|
|   | 3.8 Basis for the report on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations  | inside front cover |
|   | 3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report  | inside front cover |
|   | 3.10 Explanation of the effect of and reasons for any restating of information provided in earlier reports (such as merger/acquisition, base year/year period changes, business nature, measurement method)  | inside front cover |
|   | 3.11 Significant changes from the previous report in the scope, boundary, or measurement methods applied in the report   | inside front cover |
|   | 3.12 Table identifying the location of the Standard Disclosure in the report   | P60-67             |
|   | 3.13 The organization listed in the authentication report accompanying the sustainability report which provides policy and current practice for seeking external authentication. If not listed, explain the scope and basis of any external authentication provided, and also explain the relationship between the reporting organization and the authentication provider(s) | P68-69             |
| 4. Governance, Commitments and Engagement | 4.1 Governance structure of the organization, including special committees under the highest governance body, such as committees for developing strategies or for organization and supervision   | P13                |
|   | 4.2 Indicate whether Chairman of the Board is also an executive officer (if so, please explain his/her function in the organizational management and reasons for such an arrangement)  | P13                |
|   | 4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members  | not involved       |
|   | 4.4 Mechanism for shareholders and employees to provide recommendations or direction for the highest governance body   | P13                |
|   | 4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including retirement arrangement), and the organization's performance (including social and environmental)   | P16, P51           |
|   | 4.6 Procedures for avoiding conflicts of interest within the highest governance body   | P13                |
|   | 4.7 Process for determining the qualifications and expertise of the members of the highest governance body, including considerations for gender and other diversified factors  | P14                |
|   | 4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation  | P14                |

|                         | GRI Contents   | Pages                        |
|-------------------------|--|------------------------------|
|                         | 4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles | P13-14                       |
|                         | 4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance  | P17                          |
|                         | 4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization   | P14                          |
|                         | 4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses  | P41                          |
|                         | 4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations  | P7                           |
|                         | 4.14 List of stakeholder groups engaged by the organization  | P16                          |
|                         | 4.15 Basis for identification and selection of stakeholders with whom to engage  | P15-16                       |
|                         | 4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group  | P15                          |
|                         | 4.17 Key topics and concerns that have been raised by stakeholders during their engagement, and how the organization has responded to those key topics and concerns, including through its reporting   | P17, P33                     |
| 5. Economic Performance | EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments   | P17, P28, P33, P45, P50, P55 |
|                         | EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change   | P39                          |
|                         | EC3 Coverage of the organization's defined benefit plan obligations  | P46                          |
|                         | EC4 Significant financial assistance received from government  | not involved                 |
|                         | EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation  | not involved                 |
|                         | EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation   | P19, P23                     |
|                         | EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation   | P46                          |
|                         | EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement  | P55-56                       |
|                         | EC9 Understanding and describing significant indirect economic impacts, including the extent of the impacts  | P20-33                       |

|                | GRI Contents  | Pages             |
|----------------|---|-------------------|
| 6. Environment | EN1 Materials used by weight or volume  | P39               |
|                | EN2 Percentage of recyclable materials used   | P43               |
|                | EN3 Direct energy consumption by primary source   | P39               |
|                | EN4 Indirect energy consumption by primary source   | P43               |
|                | EN5 Energy saved due to conservation and efficiency improvements  | P40-42            |
|                | EN6 Initiatives to provide energy-efficient or recyclable energy based products and services, and reductions in energy requirements as a result of these initiatives          | P40-41            |
|                | EN7 Initiatives to reduce indirect energy consumption and reductions achieved   | P43               |
|                | EN8 Total water withdrawal by source  | not involved      |
|                | EN9 Water sources significantly affected by withdrawal of water   | no such incidents |
|                | EN10 Percentage and total volume of water that can be recycled and reused   | P43               |
|                | EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas                        | no such incidents |
|                | EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | not involved      |
|                | EN13 Habitats protected or restored   | no such incidents |
|                | EN14 Strategies, current actions, and future plans for managing impacts on biodiversity   | P39-41            |
|                | EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations by level of extinction risk                         | no such incidents |
|                | EN16 Total direct and indirect greenhouse gas emissions by weight   | P41               |
|                | EN17 Other relevant indirect greenhouse gas emissions by weight   | not involved      |
|                | EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved   | P40-42            |
|                | EN19 Emissions of ozone-depleting substances by weight  | not involved      |
|                | EN20 NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight   | not involved      |

|                                    | GRI Contents  | Pages             |
|------------------------------------|---|-------------------|
|                                    | EN21 Total water discharge by quality and destination   | not involved      |
|                                    | EN22 Total weight of waste by type and disposal method  | P43               |
|                                    | EN23 Total number and volume of significant spills  | no such incidents |
|                                    | EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the <i>Basel Convention Annex I, II, III, and VIII</i> , and percentage of transported waste shipped internationally | not involved      |
|                                    | EN25 Location, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff                                  | no such incidents |
|                                    | EN26 Initiatives to mitigate environmental impacts of products and services, and the extent of impact mitigation  | P42               |
|                                    | EN27 Percentage of products sold and their packaging materials that can be reclaimed by category  | P43               |
|                                    | EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations   | no such incidents |
|                                    | EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce   | P39, P41          |
|                                    | EN30 Total environmental protection expenditures and investments by type  | not involved      |
| 7. Labor practices and decent work | LA1 Total workforce by employment type, employment contract, and region   | P46               |
|                                    | LA2 Total number and rate of employee turnover by age group, gender, and region   | P46               |
|                                    | LA3 Benefits provided for full-time employees that are not provided for temporary or part-time employees, by major operations   | P46, P51          |
|                                    | LA4 Percentage of employees covered by collective bargaining agreements   | P46               |
|                                    | LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements  | P46               |
|                                    | LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs                                      | P51               |
|                                    | LA7 Rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender   | not involved      |
|                                    | LA8 Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases   | P51               |

|                        | GRI Contents  | Pages             |
|------------------------|---|-------------------|
|                        | LA9 Health and safety topics covered in formal agreements with trade unions   | P51               |
|                        | LA10 Average hours of training per year per employee by gender and by employee category   | P50               |
|                        | LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings                          | P50               |
|                        | LA12 Percentage of employees receiving regular performance and career development reviews   | P50-51            |
|                        | LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity          | P46               |
|                        | LA14 Ratio of basic salary of men to women by employee category   | P46               |
|                        | LA15 Return to work and retention rates after parental leave, by gender.  | not involved      |
| <b>8. Human Rights</b> | HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening                                | not involved      |
|                        | HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken   | P22               |
|                        | HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained   | P46               |
|                        | HR4 Total number of incidents of discrimination and actions taken   | P51               |
|                        | HR5 Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk, and actions taken to support these rights      | P22               |
|                        | HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor                               | P22               |
|                        | HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor | P22               |
|                        | HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations                        | P50               |
|                        | HR9 Total number of incidents of violations involving rights of indigenous people and actions taken   | no such incidents |
|                        | HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.  | no such incidents |
|                        | HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.  | no such incidents |

|                            | GRI Contents  | Pages             |
|----------------------------|---|-------------------|
| 9. Society                 | SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs  | P22-23            |
|                            | SO2 Percentage and total number of business units analyzed for risks related to corruption  | P14               |
|                            | SO3 Percentage of employees trained in organization's anti-corruption policies and procedures   | P14               |
|                            | SO4 Actions taken in response to incidents of corruption  | P14               |
|                            | SO5 Public policy positions and participation in public policy development and lobbying   | P54-55            |
|                            | SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country   | no such incidents |
|                            | SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes  | P14               |
|                            | SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations   | no such incidents |
|                            | SO9 Operations with significant potential or actual negative impacts on local communities   | P43               |
|                            | SO10 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities  | P43               |
| 10. Product Responsibility | PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | P33               |
|                            | PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes           | P25, P28          |
|                            | PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements  | P33, P35          |
|                            | PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes   | P33               |
|                            | PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction  | P33-37            |
|                            | PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship   | P20, P35-36       |
|                            | PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes           | no such incidents |
|                            | PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer privacy and losses of customer data  | no such incidents |
|                            | PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services  | no such incidents |

## Third Party Audit



BUREAU VERITAS  
Certification



#### Objectivity

The information and data presented in the report is objective, reliable and traceable. The secretariat of AIR CHINA directors board has implemented relevant procedures to collect, analyse, check and compile information in all domains covered by the report.

#### Completeness

The Report has reasonable framework and discloses AIR CHINA sustainability strategy, underlying management systems, actions and performance in the eight areas of corporate governance, CSR management, safety, service quality, environment, economics, employee care, social accountability covering AIR CHINA head-office and domestic branches.

#### Materiality

AIR CHINA identified and discloses some core indicators of environment, society and economy in accordance with GRI, Shanghai Stock Exchange requirements and SASAC's state-owned enterprises to fulfill their social responsibility guidance.

#### Clarity

The report content is concise, clear, and appropriately explaining technical terms and definitions. It discloses some key CSR data for 3-5 past years, so it is easy for readers to understand and make decisions.

#### Appropriateness

The report focuses on aviation safety and customer service, reflecting the characteristics of the air transport sector. The report content and layout is suitable and reflects Air China's corporate culture and social responsibility values.

#### Key areas for ongoing development

Based on the assurance work conducted, the following opportunities for improvement have been identified for AIR CHINA:

In order to improve completeness and objectivity of the report, AIR CHINA should consider to establishing CSR quantitative indicators system on the basis of the existing operation, such as disclosure of the total energy consumption, GHG emissions, and solid waste emissions and delay rate data.

According to ISO26000 international standards requirements, it is better for company to perfect the systematic social responsibility management, and establish internal verification procedure to improve CSR data accuracy continuously.

#### Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Society and Environmental management with almost 160 years history in providing independent assurance services. No member of the assurance team has a business relationship with AIR CHINA. We have conducted this verification independently, and there has been no conflict of interest.

Fabien JOLY DE BRESILLON  
Director For Greater China Region  
Bureau Veritas Certification  
2012-3-26

May Huang  
Assurance Team Leader  
Bureau Veritas Certification  
2012-3-26

