

The World Is Smaller Because of Us

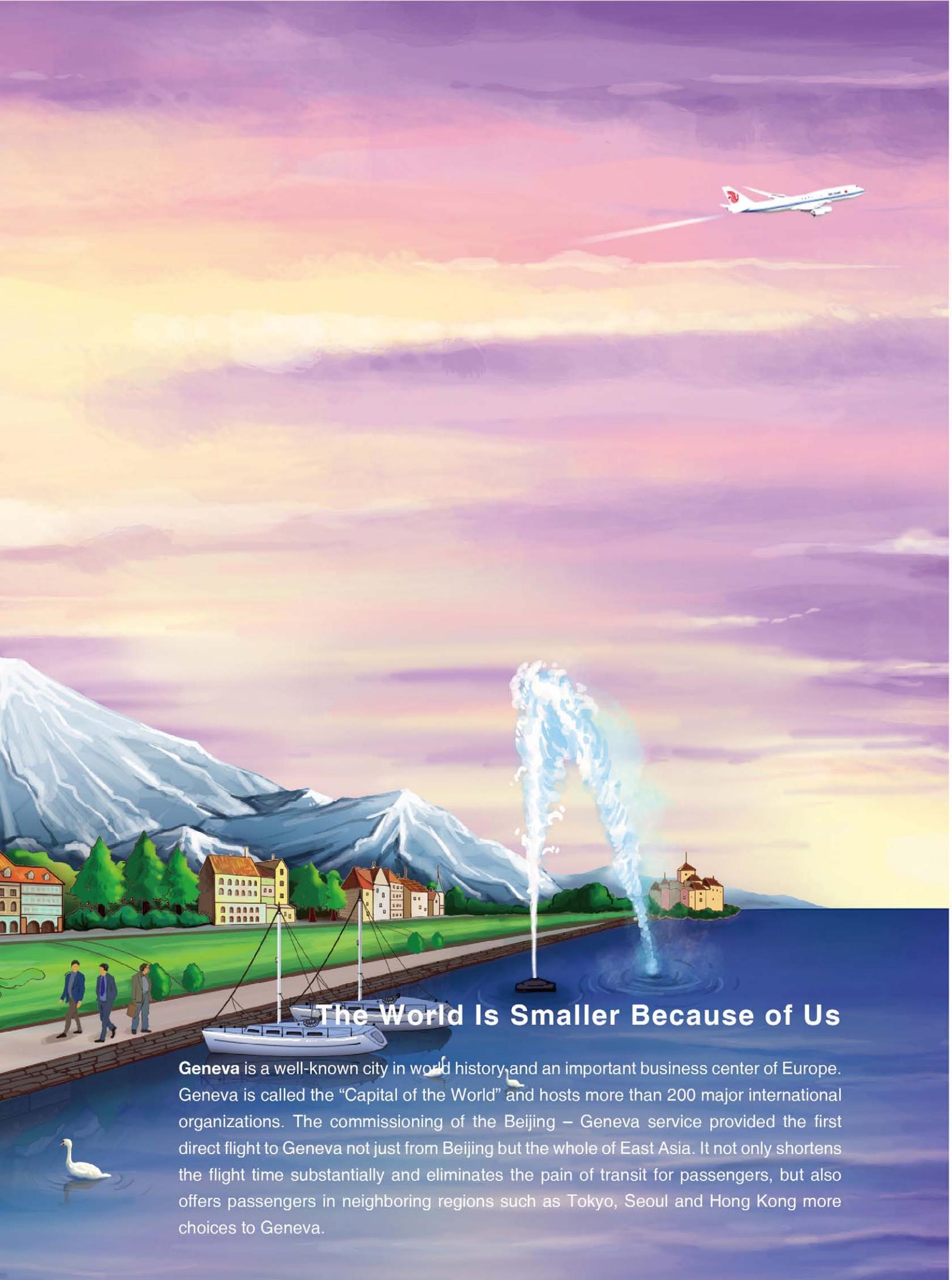


Air China
Corporate Social Responsibility Report 2013



A STAR ALLIANCE MEMBER 





The World Is Smaller Because of Us

Geneva is a well-known city in world history and an important business center of Europe. Geneva is called the “Capital of the World” and hosts more than 200 major international organizations. The commissioning of the Beijing – Geneva service provided the first direct flight to Geneva not just from Beijing but the whole of East Asia. It not only shortens the flight time substantially and eliminates the pain of transit for passengers, but also offers passengers in neighboring regions such as Tokyo, Seoul and Hong Kong more choices to Geneva.





The World Is Smaller Because of Us

Daocheng is located in the south of the Tibetan Autonomous Prefecture of Garze of Sichuan province, or the southeastern part of the Tibetan plateau. The Aden Nature Reserve in Daocheng is a well-known snow mountain tourism spot. The Daocheng Yading Airport is located at an altitude of 4,410 meters, and is the world's highest civilian airport. Air China's Chengdu – Daocheng service provides a convenient air passage for many tourists, and will quickly promote the tourism industry in the Kangba Tibetan area, thus powering the local economic development.

Notes to the Report

Basis of Preparation

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

Time Frame

The time frame is from January 1 to December 31, 2013, with data supplements from previous years for reference.

Reporting Cycle

This is the sixth 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 official 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, and main subsidiaries including Air China Cargo Co., Ltd. and Shenzhen Airlines Co., Ltd.

Abbreviations

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 released in Chinese and English; where discrepancy arises with regard to the understanding of the two texts, the Chinese version shall prevail. Electronic copies of the report are available on the Company’s website (www.airchina.com) in both Chinese and English.

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

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Economic responsibility

Maintain our industry-leading profitability;
Cooperate with partners across the value chain;
Promote regional economic development; and
Facilitate integration of different economies.

Safety responsibility

Make sure that every trip, from departure to arrival, is safe and secure.

Customer responsibility

We care about you throughout the flight, respect your wishes and work hard to fulfill them.

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 our employee relationship as we move together into the future.

Social responsibility

We are always there for you wherever you are and whenever you need us. You will see our sincerity and sense of responsibility.



The world is smaller
because of us



Notes to the Report 06

CHAIRMAN'S MESSAGE 10

1. ABOUT US 12

- 12 COMPANY OVERVIEW
- 13 ORGANIZATIONAL STRUCTURE
- 14 ROUTES AND FLEET
- 16 CORPORATE GOVERNANCE AND RISK PREVENTION
- 16 MAJOR HONORS

2. CSR MANAGEMENT 18

- 18 CSR CONCEPTS
- 18 SUSTAINABLE DEVELOPMENT STRATEGY
- 19 CSR MANAGEMENT MECHANISM
- 20 IDENTIFICATION OF MATERIAL CSR ISSUES
- 22 STAKEHOLDER ENGAGEMENT
- 23 OVERALL CSR PERFORMANCE

3. CREATING ECONOMIC VALUE 24

- 25 PROMOTING ECONOMIC GROWTH
- 28 BETTER MANAGEMENT
- 29 JOINING HANDS WITH PARTNERS

4. ENSURING OPERATIONAL SAFETY 30

5. PROVIDING QUALITY SERVICE 38

6. GREEN DEVELOPMENT 46

7. BUILDING A...

Contents

STRATEGY

ISSUES

OPERATIONAL INTEGRATION
EFFORTS TO STRENGTHEN EFFICIENCY LEADERSHIP
AND COOPERATION WITH OUR VALUE CHAIN PARTNERS

- 31 INCREASING PRECISION IN SAFETY MANAGEMENT
- 35 IMPROVED SKILLS OF OUR FLIGHT CREW
- 36 SAFER OPERATION OF FACILITIES
- 37 ENHANCING PASSENGERS' SAFETY AWARENESS

- 39 BUILDING A STRONG SERVICE PLATFORM
- 41 FOCUS ON CUSTOMER NEEDS
- 43 ENTERING THE AGE OF MOBILE INTERNET
- 44 MORE CARING AT AIR CHINA

- 47 EXCELLENT MANAGEMENT SYSTEM
- 48 BUILDING A GREEN FLEET
- 49 LOWERING ENERGY CONSUMPTION THROUGH SCIENTIFIC MANAGEMENT
- 50 OVERALL ENERGY CONSERVATION DEVELOPMENT

HAPPY HOME **52**

- 53 UNITING THE DEVOTION OF ALL
- 55 ATTRACTING A DIVERSIFIED POOL OF TALENT
- 56 CARING AND AID FOR EMPLOYEES

8. A FORCE FOR HARMONY **58**

- 59 SUPPORT FOR SPECIAL FLIGHT OPERATION
- 60 CARING ABOUT CHILDREN'S DEVELOPMENT
- 62 ENJOYING CHARITY AND PUBLIC WELFARE
- 65 UNDERTAKING VOLUNTEER WORK

9. 2014 OUTLOOK **66**

10. REPORT INDEX **67**

11. Third Party Audit **70**

Chairman's Message



As China's only flag-carrier, we have always regarded fulfilling social responsibility and enhancing the harmonious development of enterprise and society as our key endeavor. The global economy struggled to recover and China's economic growth slowed in 2013. The global air passenger market continued to grow while the air cargo market was relatively weak. While proactively reacting to the challenges and pressure arising from the evolving global industry competition, market structure and business models, we were fully committed to fulfilling our social responsibility, focusing more on the overall improvement in safety, service and efficiency level, participating more in social welfare work, caring more about our customers and staff. Together with our stakeholders, we achieved great progress in creating, contributing and sharing values.

We endeavor to maintain a proactive and steady operation, strengthen our core competitiveness, and elevating our capacity to create social and economic values. Following the strategic goal of "becoming a large network airline with global competitiveness", we provide support and assurance to the exchange and co-operation of different regions in China and among different countries, and promote regional economic development and convergence. We unleashed the competitive advantages of our hub network, optimized our fleet structure, and enhanced cooperation with external partners and coordination with our branches and subsidiaries, thus steadily increase our yield management. For the whole of 2013, we achieved a net profit of RMB3.319 billion attributable to our shareholders and paid RMB4.33 billion of taxes and civil aviation funds to the national and local governments.

The top priority of an airline is to ensure the safety of all passengers and cargo. We are forever committed to our safety ideas, and are continuously strengthening the foundation of our safety management, meticulously controlling the risks in our operations, enhancing the monitoring of our work process, improving the safety skills of our staff and raising the reliability of our equipment's operations. As our output continued to grow rapidly in 2013, our safety quality had continued to improve and our safety indicators stood at relatively high historical levels. For the full year, we achieved 1,569,000 hours of safe flight.

We are concerned about our customers' needs and strive to improve their experience by bringing them new and better products and improving our service quality. In 2013, we stepped up efforts to improve the service management system, upgraded our customer relations management system, and implemented the global flight manager project. We strengthened the construction of information system in the customer service area, and became the first domestic carrier to offer Internet access on our flights through global satellite communications.

We cherish and care about each and every of our staff, and closely link staff development to our corporate values. We focus on staff training and career development to raise our employee's satisfaction and stimulate their ambition and motivation. We have improved our staff medical security and helped them deal with the serious risks that they may face. We have continued to provide psychological health counseling and service to promote a harmonious corporate culture, thus building a warm and big family in Air China.

As an enterprise that highly values environmental protection, Air China has always maintained its green

operation ideas, and has been awarded the title of "China's top 10 green responsibility enterprise". We have incorporated environmental management into our cost advantage strategy, and have adopted such measures as improving environmental management system, promoting fleet upgrade, implementing optimization and selection of routes, and reducing jet fuel consumption and emission to continuously improve our energy efficiency, reduce emission and conserve resources.

We actively fulfill our social responsibility as a central government-owned enterprise. In 2013, we completed satisfactorily such work as transportation and logistic support for the Third Plenum of the 18th National Congress of the Communist Party of China as well as the delivery of earthquake relief supplies for Sichuan Ya'an and Pakistan. We also contributed to society with a range of social welfare activities.

In 2014, in the face of new trends, new opportunities and new challenges, we will pursue our corporate strategy in the spirit of reform and innovation, concentrate our mind and force, make use of our advantages, and strive to be an excellent corporate citizen. At the new starting point of fulfilling social responsibility, we will work with all related stakeholders to create a new chapter for the scientific development of Air China.



Cai Jianjiang
Chairman, Air China Limited

About Us

Stock Code

Shanghai Stock Exchange

601111

Hong Kong Stock Exchange

00753

London Stock Exchange

AIRC



Company Overview

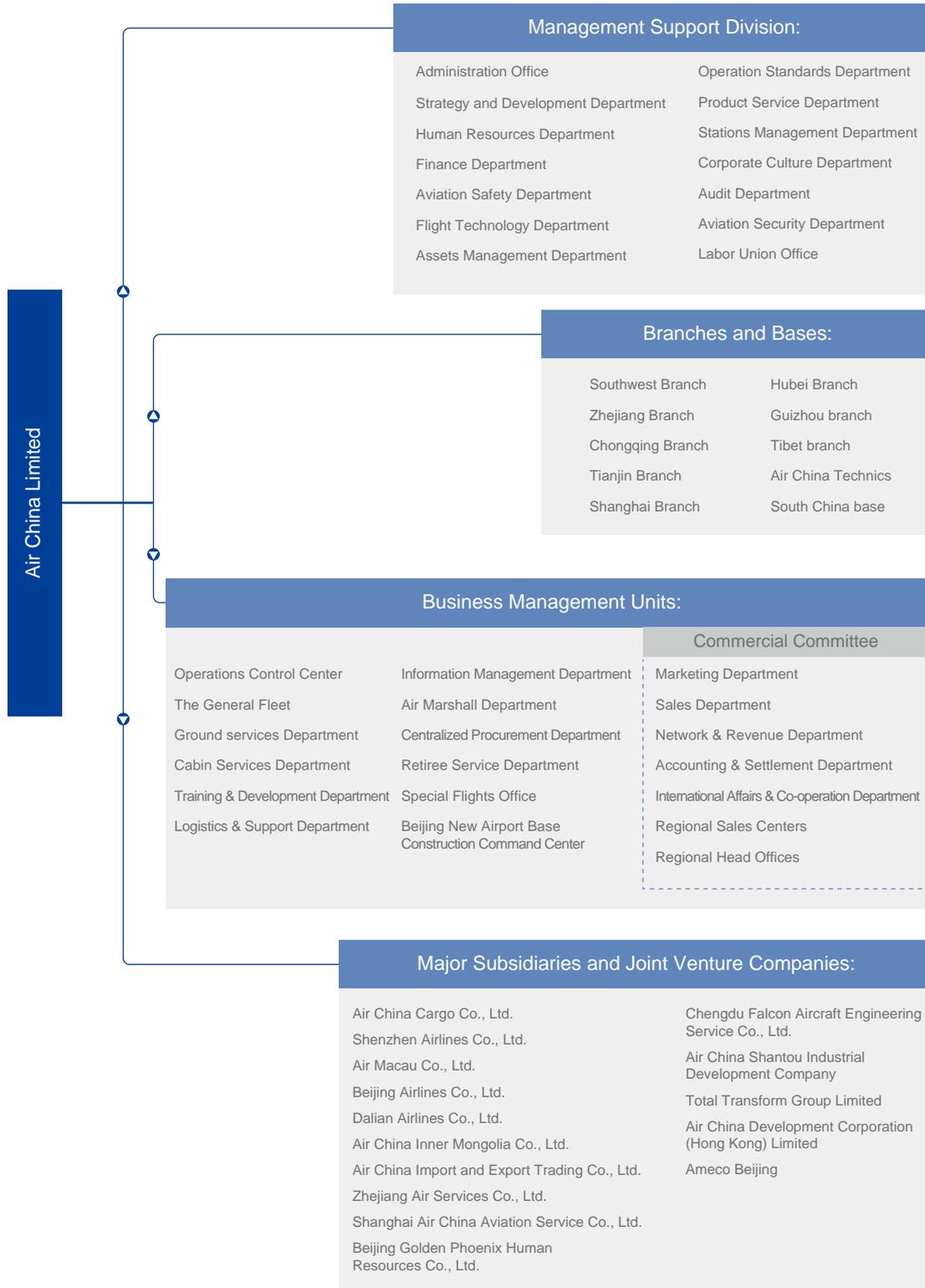
Air China Limited was founded in 1988, its predecessor being known as Air China International. In October 2002, Air China International integrated the air transportation resources of China National Aviation Company and China Southwest Airlines to form a new entity. On September 30, 2004, Air China Limited was founded in Beijing. The Company was then listed both in Hong Kong (stock code: 00753) 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 18, 2006.

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

In 2013, the Air China Group carried 77,676,900 passengers and 1,456,800 tons of cargo and mail, and its RTKs (revenue ton kilometers) reached 17.651 billion. It recorded RMB97.628 billion in business revenues, with a net profit of RMB3.319 billion attributable to shareholders, ranking top among aviation companies in terms of business performance.

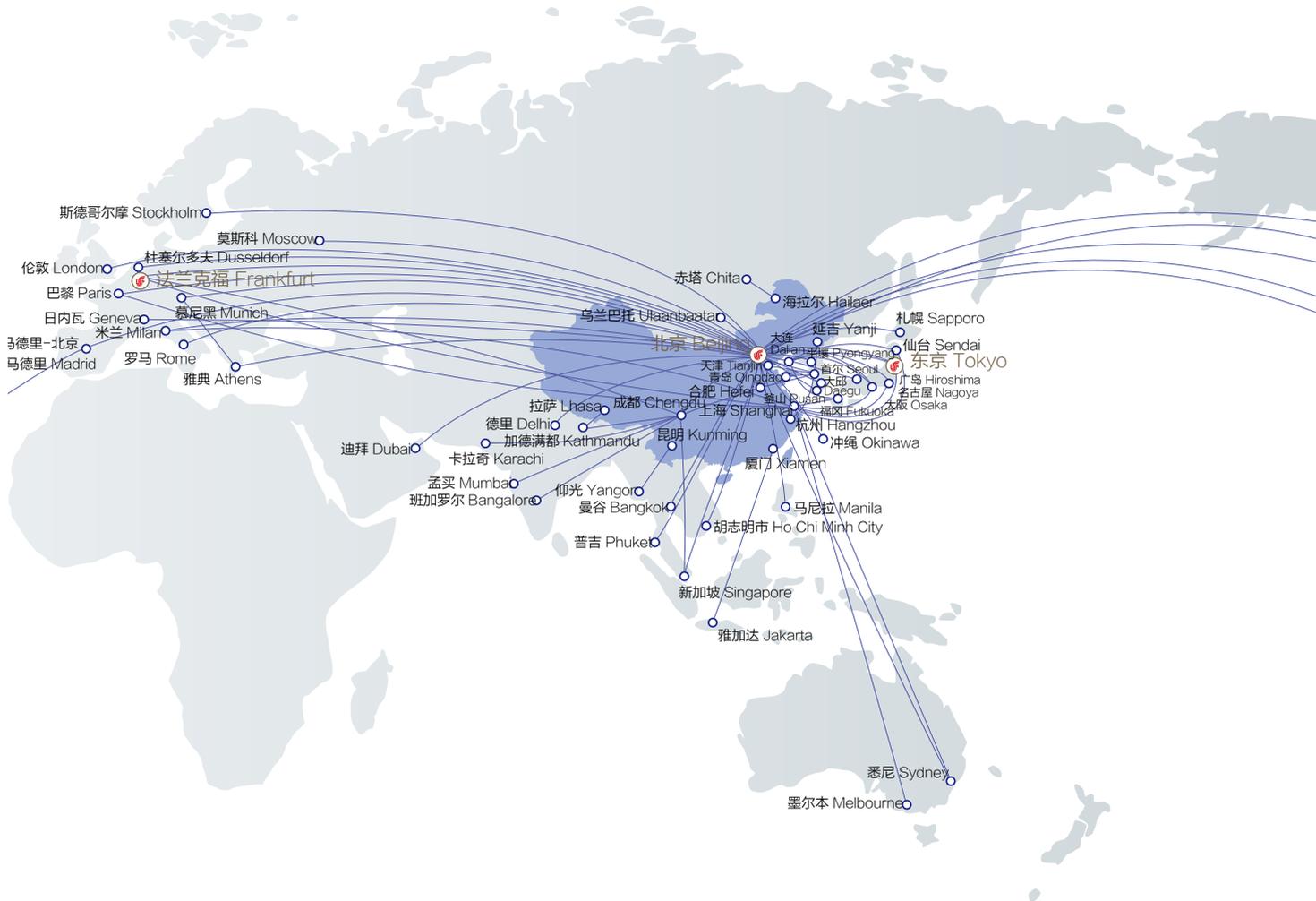


Organizational Structure



Routes and Fleet

As of December 31, 2013, Air China operated 298 passenger routes, including 71 international, 15 regional and 212 domestic routes. The company's network covered 154 cities in 31 countries and regions globally, including 47 international, three regional and 104 domestic cities.



	Sub-total	Average age		Sub-total	Average age	
Airbus	232	5.03		Freighters	9	15.56
A319	40	8.68		B747F	7	17.85
A320/A321	146	3.96		B757F	1	15.10
A330	41	4.02		B777F	1	0.04
A340	5	15.46		Business jets	11	2.80
Boeing	245	7.40				
B737	203	6.70				
B747	8	17.05				
B757	7	19.55				
B767	1	13.54				
B777	26	6.19				
				Grand total	497	6.33

Details of Air China Group fleet (including Air China Cargo, Shenzhen Airlines, Dalian Airlines, Inner Mongolia Airlines, Beijing Airlines and Air Macau)

Corporate Governance and Risk Prevention

We believe that the long-term success of a company can only be achieved on the basis of sound corporate governance, careful risk prevention and full respect of business ethics. Therefore, we are continuously improving our corporate governance and working to set up a standardized internal control system and develop ourselves into a professional team driven by integrity and dedication.

Corporate Governance

The foundation of corporate governance is the establishment and perfection of systems. In 2013, Air China adopted *Board Diversity Policy for Air China Limited*, amended *Air China Limited Inside Information Management Regulations* and *Air China Limited Use and Management of Proceeds Regulations*. By adopting and amending governance regulations, we further improve our regulatory system and strengthen the foundation of corporate governance.



Major Honors

April
2013

Air China received the title of "China's Top 10 Green Responsibility Enterprises" at the fifth China Green Development Forum.

Air China was honored with the "TTG Best Chinese Airline" award for the sixth consecutive year.

Air China was awarded "Outstanding Partner of Peace Tour" by the Beijing Peace Tour Cultural Exchange Center at the 10th anniversary ceremony cum International Peace Artists Exhibition hosted by the Foreign Ministry, Ministry of Culture and Beijing municipal government.

June
2013

Shenzhen Airlines won "China's Best Regional Airline Award" issued by the aviation research organization Skytrax.

Air China was again named one of "China's 500 Most Valuable Brands", appearing in the 24th place in the 2013 (tenth) edition of the ranking published by the World Brand Lab, the highest among all Chinese civil aviation companies.

Internal Control

For Air China, internal control is a systemic and long-term effort. It is not only a requirement by the external regulators of listed companies and the guarantee for companies to meet their business targets and strategic goals, but also the foundation for the prudent operation and sustainable development of companies. In 2013, Air China adopted a medium-to long-term plan for internal control development, completed the top-level design for the construction of the company's internal control system, and built a general framework of the internal control process of the corporate headquarters, six branch companies and three subsidiaries. We have expanded our internal control process to the entire company, updated part of the internal control process, incorporated the implementation of internal control construction and self-appraisal into the company's performance evaluation system, segregated the construction of internal control and the appraisal of internal controls, and maintained the independence of internal control appraisals, thus building a solid foundation for the long-term implementation of the company's internal control construction.

Business Ethics

We have consistently followed a high standard of business ethics. While endeavoring to uphold a sound corporate image, we have contributed our part to the building of a fair, orderly and harmonious social atmosphere. In 2013, Air China fully implemented *The Code of Employee Conduct* to guide the employees to follow the rules of the company in their work, and ensure that the business behaviors and daily activities of employees are consistent with the requirements of the company.

We have continued with the campaign of combating corruption and promoting integrity. In 2013, we implemented *The Work Plan for the Building of Integrity Culture (2012-2015)*, built an education network on integrity culture, and developed an education and training program on integrity culture. We organized, via such platforms as in-house Air China magazine and the professional media of the aviation industry, various forms of anti-corruption and integrity promotion campaigns, which all produced good results in integrity education. We adopted the advanced experience in internal control construction to launch an integrity risk prevention work, compiled a *Management Handbook on Integrity Risk Prevention*, built an integrity risk prevention system with clear responsibilities, timely advance warning and specific procedures, thus creating a reasonably complete risk prevention network and management control system.

September
2013

In the 2013 *Business Travel* magazine readers survey, Air China was honored with "Best Chinese Airline" award.

At the 2013 China Travel and Meeting Industry Awards ceremony jointly organized by the authoritative travel media *Travel Weekly* magazine and *Events* magazine, Air China was awarded "Airline for MICE Support of the Year".

Air China won the "Top 500 Asian Brands Award" at the eighth Asia Brand Ceremony held in Hong Kong, ranking the first among civil aviation companies in China.

December
2013

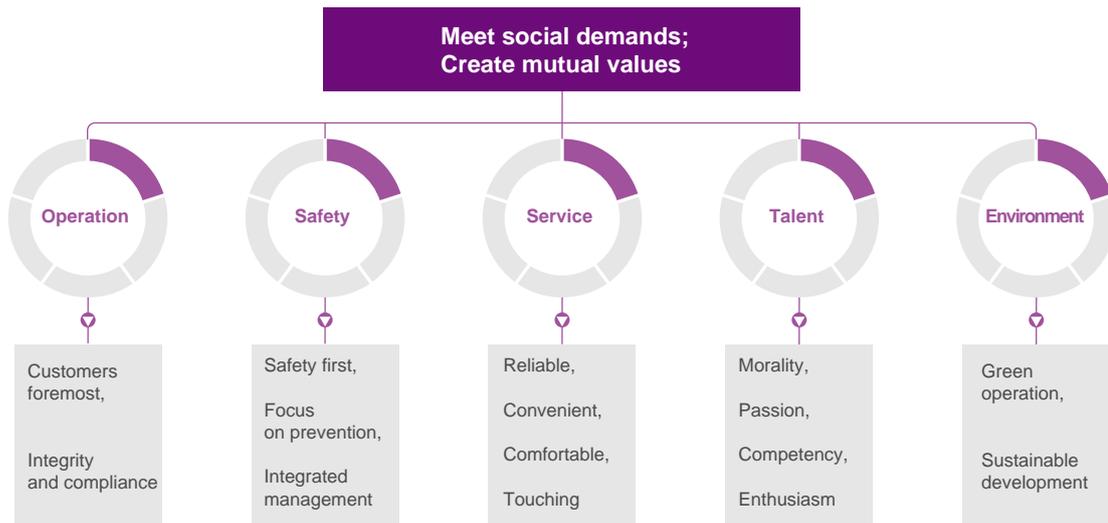
In 2013, with a brand value of RMB76.568 billion, Air China was named one of "the World's 500 Most Influential Brands" for the seventh consecutive year, ranking 326th, up five places over 2012. It is the only Chinese airline that was included on the list.

At the Travel Weekly Award Ceremony organized by the Beijing newspaper *Global Times* Air China won "The Most Popular Domestic Airline for Chinese Families" for the fifth year in a row.

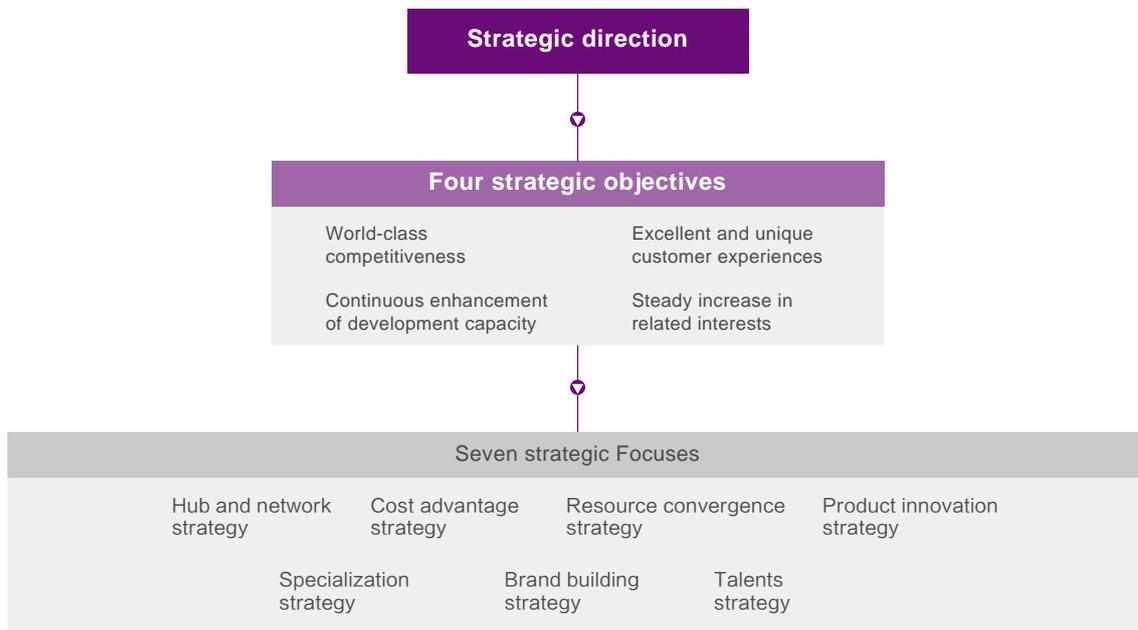
CSR Management

Corporate social responsibility (CSR) has always played a central role in Air China's strategic development. By continuously advancing CSR management, we have translated our commitment to CSR into strategic objectives and formulated a sustainable development strategy to promote harmonious development of the Company and society.

CSR Concepts

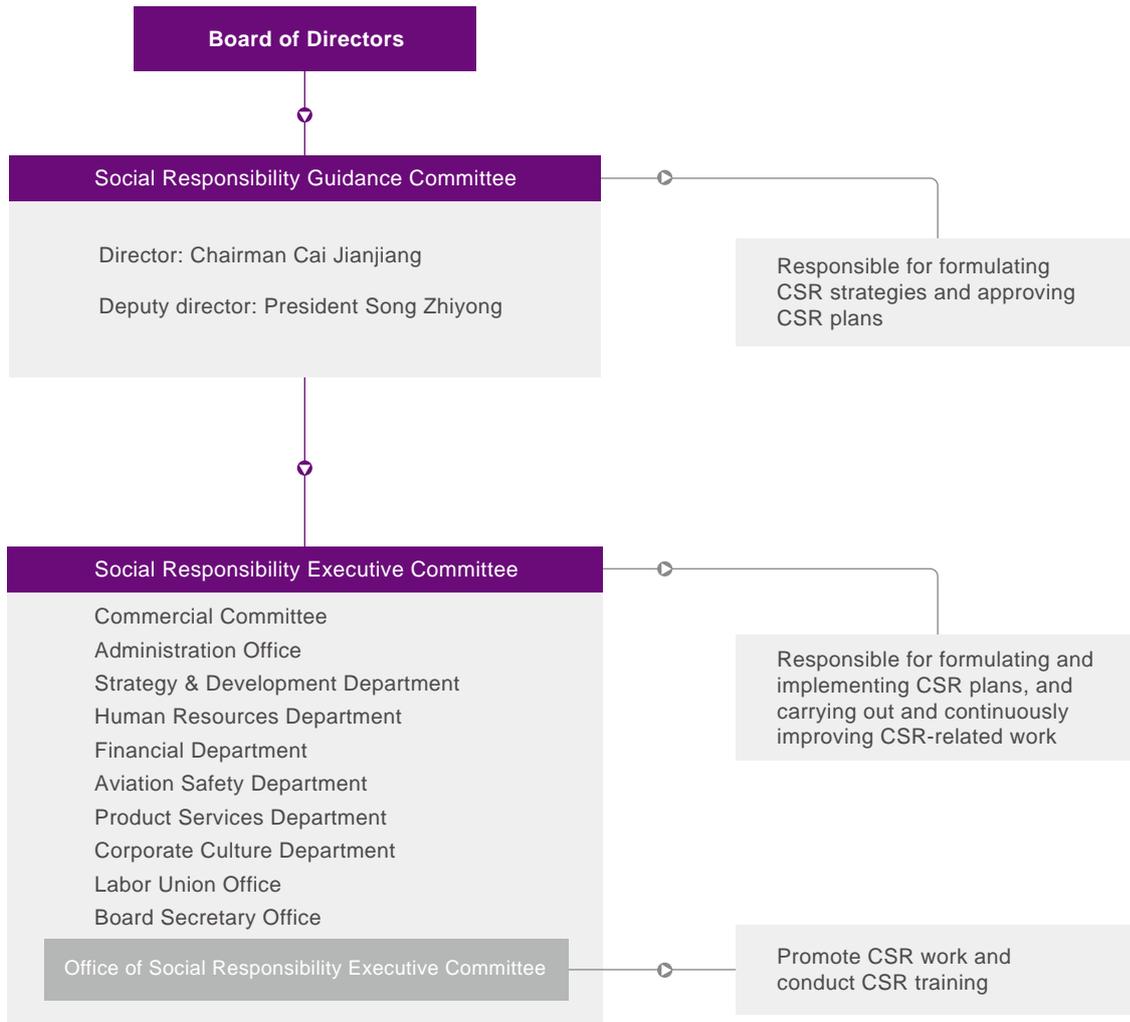


Sustainable Development Strategy



CSR Management Mechanism

CSR Management Structure



Air China CSR management plan

Continuously develop and improve the overall CSR management system of Air China:

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

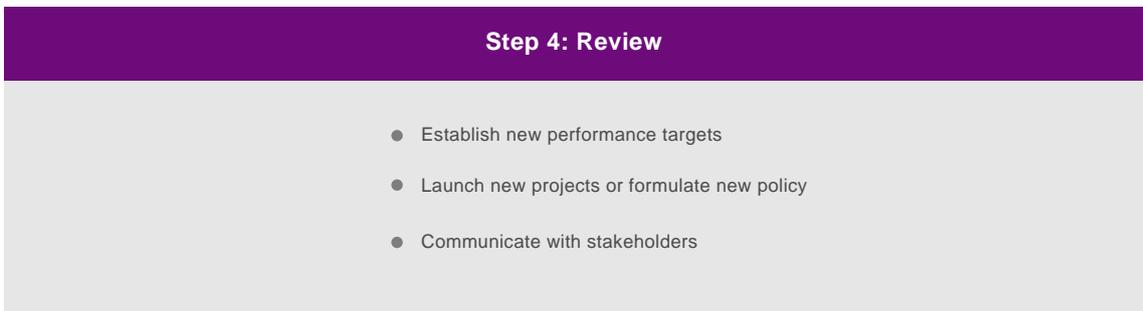
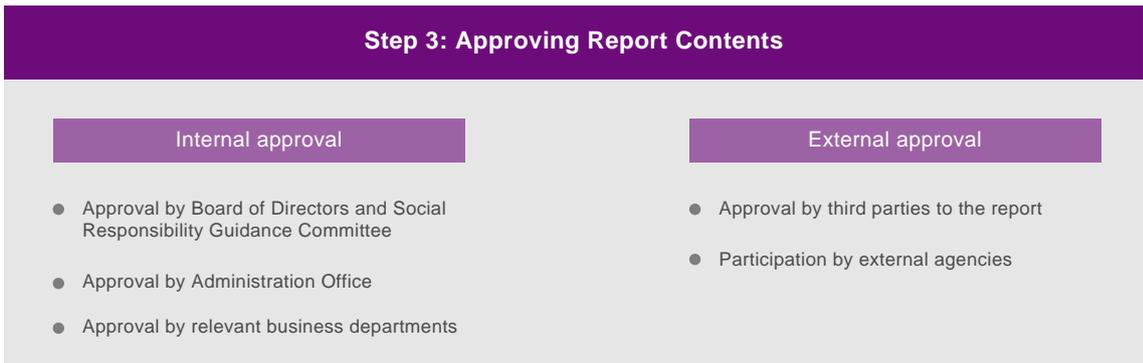
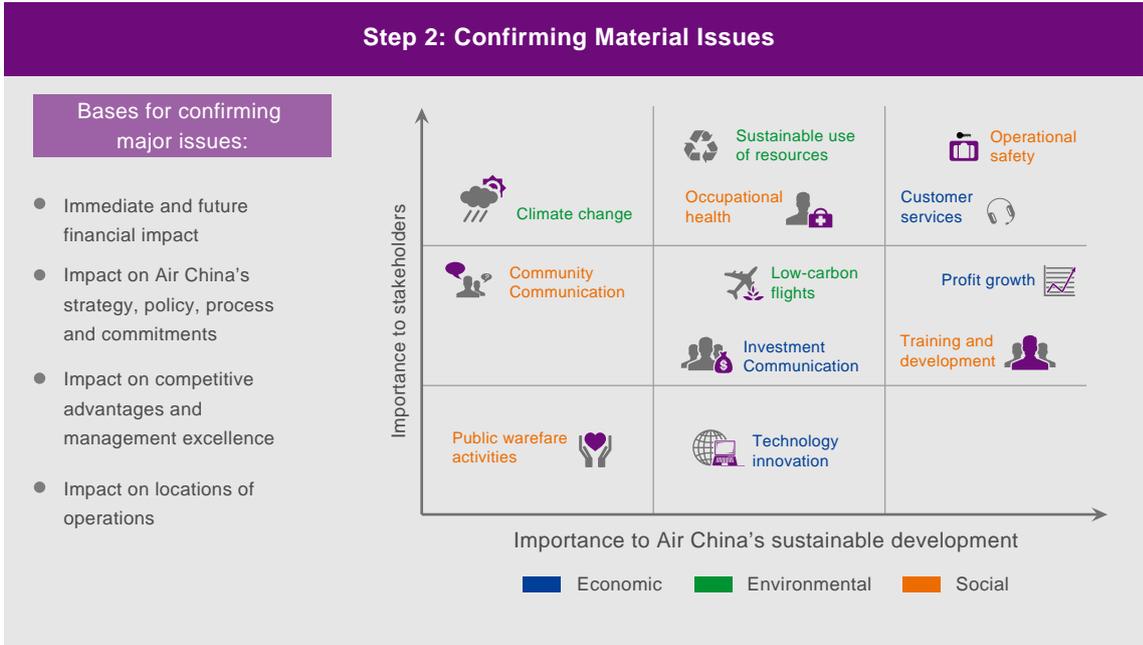
CSR management advancement in 2013

- Carried out relevant CSR training and provided guidance to employees to enhance their CSR awareness
- Improved Air China's mechanisms for stakeholder participation
- Improved the data collection system for CSR reporting
- Hired supervisors for Air China's CSR programs

Identification of Material CSR Issues

With sustainable development in the background, Air China engages the participation of its stakeholders under the principles of practicality and completeness to identify material issues by following the four steps of “identifying relevant issues, confirming material issues, approving report contents and reviewing”.





Stakeholder Engagement

Stakeholder engagement is essential for Air China's sustainable development. Through various channels of dialog with stakeholders, we have tried to understand stakeholders' expectation of Air China, and communicated with all parties about Air China's development and operation to facilitate continuous improvement of our CSR work.

Stakeholders	Communication	Expectations and focus of attention	Response from Air China
Government/Domestic and overseas regulatory authorities	<ul style="list-style-type: none"> ● Work meetings and debriefing ● Information disclosure ● Cooperation with local government 	<ul style="list-style-type: none"> ● Integrity compliance and orderly operations ● Support for important and major events ● Zero accident affecting safety of operations ● Good corporate image ● Energy conservation, emissions reduction and environmental protection 	<ul style="list-style-type: none"> ● Strengthen efforts on flight safety ● Work on energy conservation and emissions reduction ● Integrity education and promotion of business ethics in operations ● Regulation and control of related transactions
Investors/Shareholders	<ul style="list-style-type: none"> ● Information disclosure ● Shareholders' meetings ● Investors' meetings 	<ul style="list-style-type: none"> ● Standardized corporate governance ● Protection of investor and shareholder rights and interests ● Sustainable profitability 	<ul style="list-style-type: none"> ● Improve the internal control system of the Company ● Strengthen business management
Customers	<ul style="list-style-type: none"> ● Customer satisfaction surveys ● Complaint handling ● Call centers ● New media 	<ul style="list-style-type: none"> ● Safe and on-time flights ● All-round and high-quality services 	<ul style="list-style-type: none"> ● Products and services development and management ● Ground and in-flight services ● Website and mobile services
Employees	<ul style="list-style-type: none"> ● Employee satisfaction surveys ● Internal BBS, magazines, emails and mobile journals ● Employee representatives meetings ● Labor union, teams and shift-groups 	<ul style="list-style-type: none"> ● Focus on the Company's development strategy ● Participation in the company's management and operation ● Sound career development path ● Compensation benefits ● Protection of rights and interests 	<ul style="list-style-type: none"> ● Efforts to address employees' concerns during development ● Enhancement of employee training ● Care for employees
Partners/Suppliers	<ul style="list-style-type: none"> ● Day-to-day business interactions ● Partners meetings 	<ul style="list-style-type: none"> ● Honesty and integrity in business operations ● Transparency in procurement ● Common development 	<ul style="list-style-type: none"> ● Supplier management ● Anti-corruption campaigns
Peers	<ul style="list-style-type: none"> ● Industry forums ● Industry conferences 	<ul style="list-style-type: none"> ● Attention to industry development and trends ● Maintenance of fair market order 	<ul style="list-style-type: none"> ● Leader in the application of advanced technologies ● Leader in industry development ● Hub and network development ● Resource integration

Stakeholders	Communication	Expectations and focus of attention	Response from Air China
Community	<ul style="list-style-type: none"> Public welfare and charity activities Volunteer work 	<ul style="list-style-type: none"> Promote economic growth of the communities Support public welfare events 	<ul style="list-style-type: none"> Localized procurement Engage in public welfare and charity activities
Media	<ul style="list-style-type: none"> Press release Media calls and visits Official new media platform 	<ul style="list-style-type: none"> Important events of the company Public image and influence Future planning 	<ul style="list-style-type: none"> Support special flight missions Public welfare and charity activities

Overall CSR Performance

Air China cares very much about the impact of its decisions and operations on the economy, environment and society and takes its ability to create overall value as a critical measurement of the Company's capacity for sustainable development. We evaluate and monitor the progress and results of the Company's response to stakeholders' demands and its effort to create comprehensive values against a set of pre-established performance indicators, so that we can identify problems and challenges in a timely manner and constantly improve the accountability management system of Air China.

In 2013, Air China's social contribution per share, as calculated by the formula of the Shanghai Stock Exchange, was RMB1.842, a decrease of 20.33% from the previous year. The decrease in per share social contribution was mainly because of the RMB 1.592 billion decline in profit attributable to shareholders from the previous year, resulting in lower earnings per share and enterprise income tax. The revision of business tax to value-added tax also led to a decline in turnover tax paid.

Item	2009	2010	2011	2012	2013
Total assets (RMB million)	106,163	155,220	173,324	185,711	205,362
Operating revenue (RMB million)	51,095	80,963	97,139	99,841	97,628
Total profit (RMB million)	5,315	15,025	10,122	7,038	4,583
Tax payable (RMB million)	3,345	6,500	7,509	5,513	4,330
Overall energy consumption per RMB1,000 of income (TCE/RMB1,000)	9.038	7.579	6.732	6.871	7.462
Total number of employees	39,984	52,108	54,912	59,328	64,854
Total number of aircraft in service	274	393	432	461	497
RTK (million ton-kilometers)	10,294	14,294	15,869	16,574	17,651
Number of passengers carried (1,000 persons)	41,278.7	60,006.2	69,691.7	72,415.8	77,676.9
Cargo and mail carried (1,000 tons)	974	1,347.3	1,426.1	1,460.9	1,456.8

Scope of the above data is for Air China Group as a whole



Creating Economic Value

Civil aviation is an important form of modern passenger and cargo transport, especially for the transport of long-range passengers. It plays a significant role in facilitating the movements of goods and people among regions and countries, and contributes to global economic convergence and international interactions. The civil aviation industry can create relatively high value-added, promoting regional economic development and industrial upgrading. Air China's continued promotion of sustainable development strategy in its commercial operations has satisfied passengers' travel needs and created relatively high economic value.

In 2013, Air China achieved turnover of RMB97.628 billion and profit attributable to shareholders of RMB3.319 billion, maintaining its industry leading position in terms of profitability. During 2009-2013, Air China Group's net profit, net asset, and total annual dividend were as follows:

Item	2009	2010	2011	2012	2013
Profit attributable to shareholders (RMB million)	5,029	12,208	7,477	4,948	3,319
Net equity (RMB million)	23,912	41,653	46,738	50,579	53,043
Total annual dividend (RMB million)	--	1,524	1,521	777	593*

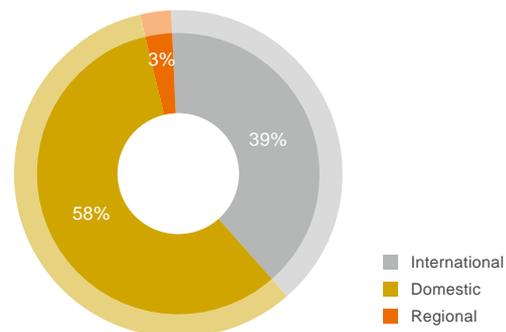
* To be approved by the General Meeting of Shareholders

Promoting Economic Integration

Hub network operations can offer passengers more choices in destinations and time of flight, thus effectively increasing traffic volume and improving an airline's operating efficiency and revenue. To a very large extent, network carriers and hub airports decide the competitive advantages and international status of a country's civil aviation industry value chain. Air China endeavors to become a network carrier and works hard to create international and regional hubs. In 2013, Air China's international transit revenue increased 1.9% year-on-year, with the number of weekly connecting originations and destinations rising to 5,000 from 4,200.

In 2013, China's passenger aviation market continued to grow rapidly. In particular, growth of Europe- and America-bound passengers has been very steady. We took advantage of this positive development and flexibly adjusted our transport capability resources by increasing international long-haul capacity with the launch of seven new international routes, three of which destined to the US and Europe. We also increased frequencies in many domestic and international routes and expanded our operating capacity.

RPK (revenue passenger kilometers) Distribution



Developing International-class Passenger Hub

Our long-term goal is to build the Beijing Capital Airport into a major international hub. Currently, Air China Group has taken up 45% of the time slots at the Beijing Capital Airport (domestic airlines share only, not including foreign carriers) with 135 destinations. With the launch of such new international routes as Beijing to Geneva/Houston/Chingmai and Siem Reap, the route network of the Beijing Hub has continued to expand and the commercial value of the hub has increased steadily.

By adopting such measures as optimizing our flight banks, shortening flight connecting time, improving the connection quality of transit flights, and expanding the scope of checked-through baggage service for our domestic and international transit passengers, we have continuously enhanced the transit service quality of the Beijing Hub.

Launch of Beijing – Geneva Route

A well-known city in world history and an important business center of Europe, Geneva is called the “Capital of the World” and hosts more than 200 major international organizations. The commissioning of the Beijing – Geneva service provided the first direct flight to Geneva not just from Beijing but the whole of East Asia. It not only shortens the flight time substantially and eliminates the pain of transit for passengers, but also offers passengers in neighboring regions such as Tokyo, Seoul and Hong Kong more choices to Geneva.

Launch of Beijing – Houston Route

As the fourth largest city in the US and the economic center of the South-Central region, Houston is the main gateway and transport hub to other cities in the American South-Central region. The commissioning of the Beijing – Houston service provided the first direct flight between Beijing and the American South-Central region, offering Houston and its neighboring areas great convenience for traveling to China and other Asian countries.

Enhancing the Impact of Regional Hub Network

The rapid development of the civil aviation industry not only improves the functions of the cities but also greatly changes the economic development of traditional regions. Increasingly, this is evident in the win-win relationship in the co-operation between aviation and local economies.

In 2013, the Chengdu Regional Hub launched its first inter-continental route to Frankfurt, thus offering a more convenient European connection to Chengdu's local passengers and passengers in Western China transiting through Chengdu. We have also explored the potential of the Xinjiang and Tibet markets, and launched new services from Chengdu to Aksu and Daocheng, thus contributing to the economic development and national unity in the western region. This has also expanded Chengdu's destinations to 68.



Maiden voyage of Chengdu – Frankfurt flight by Air China Southwest Branch

Launch of Chengdu – Daocheng Route

Daocheng is located in the south of the Tibetan Autonomous Prefecture of Garze of Sichuan province, or the southeastern part of the Tibetan plateau. The Aden Nature Reserve in Daocheng is a well-known snow mountain tourism spot. The Daocheng Yading Airport is located at an altitude of 4,410 meters, and is the world's highest civilian airport. Air China's Chengdu – Daocheng service provides a convenient air passage for many tourists, and will quickly promote the tourism industry in the Kangba Tibetan area, thus powering the local economic development.

Launch of Chengdu – Aksu Route

Aksu is located in the mid-western area of Xinjiang Uygur Autonomous Region, and is a key connecting point between north and south Xinjiang as well as east and west of the region. Full of natural resources, this cradle of the Qiuci and Duolang civilizations is also known as "the South China of the West" and offers great potential for development. Air China's Chengdu – Aksu service will help connect the border regions to the central areas, and help promote the social and economic development of the border regions.

The construction of the Shanghai International Gateway is focused on the optimization of transport capacity, by replacing the A340 aircraft with the A330s in such long-haul routes as Shanghai – Frankfurt and Shanghai – Paris routes, thus lifting the quality of the service and lowering operating costs. Further, we actively promoted code-share co-operation with Shanghai's Juneyao Airlines with 154 flights now under code-share, which greatly supported the effort to build Shanghai into an international gateway hub.

Through Shenzhen Airlines, Air China Group has further strengthened our market position in the Pearl River delta region, with Shenzhen as the core. In 2013, Shenzhen Airlines (including Kunming Airlines) carried 23.832 million passengers and 278,400 tons of cargo and mail, and its RTKs reached 3.522 billion.

Accelerating Growth of Cargo Network

As of December 31, 2013, Air China Cargo Co., Ltd. had nine freighters, including seven Boeing 747-400 freighters, one Boeing 777 freighter and one Boeing 757 freighter, and operated 14 cargo routes, including two domestic, 11 international and one regional, flying to 17 cities in seven countries and regions.

In 2013, the cargo market remained sluggish. Air China Cargo combined its fleet adjustment with the optimization of cargo routes and launched the Shanghai – Zhengzhou – Amsterdam route followed by the Shanghai – Chongqing – Frankfurt route. This enhances Air China Cargo's route network originating from the Shanghai hub, builds new express channels for cargo shipment between China and Europe, and further boosts the industrial development in western China. In the management of its bellyhold space, Air China Cargo rides on the long-haul routes to Europe and the United States newly introduced by Air China and launched very competitive high value-added products and transit products.



Better Management to Strengthen Efficiency Leadership

We pay attention to overall development and strengthen our management innovation in order to improve our advantage in revenue leadership. In all segments of our operating activities, we look for and strengthen our revenue growth via various channels, thus creating better social and environmental benefits while running our businesses prudently.

Studies of Customer Needs Increase Revenue

We promote the more scientific fare management method and actively push for fare reform. Our dynamic adjustment of the first and business cabins fares in the domestic market has helped maintain our revenue at leading position in the industry. We continued to improve our channel mix and raised our direct sales percentage by 4.9ppts, with revenue from e-commerce, corporate customers and frequent flyers rising 35.8%, 11.9% and 5.8%, respectively.

We studied our customers' needs and continued to build our customer relationship management system, bringing the marketing-and-sales management, major customers and frequent flyers modules on line to target selected customer groups with precision sales and marketing. Based on the demand of many major customers, we launched special products such as dedicated upgrade products, tailor-made frequent flyer products, the "Huiyue" plan for developing major customers, and the "SME (small- to medium-sized enterprises) Loyalty Plan" rewards program. In 2013, the "Air China Holiday" platform was brought on line to promote our "Ticket+Hotel" package.

Tighter Management Lowers Costs and Raises Efficiency

Air China focuses on increasing the efficiency and economics of its fleet as well as sustainable profit, and strictly follows the cost advantage strategy in all areas of its operating activities.

In 2013, we introduced 55 new aircraft and retired 19 old ones. The fleet's operating efficiency therefore increased steadily while aircraft maintenance costs were substantially reduced. We made good use of the cost advantage of the long-haul fleet and maximize the utilization of the wide-body aircraft. By rationally matching our fleet with our markets and routes, we effectively reduced our structural costs.

In addition, we implemented a number of measures to lower costs and improve efficiency, and discovered new efficiency growth sources:

- Through such measures as the management of fuel conservation, enhancement of aircraft performance, optimization of flight time, and the control of flight altitude, we saved 7,105 tons of jet fuel and 1,527 hours of flight time, lifting our load by 35,045 tons
- We revised our average passenger weight standard by lowering the domestic and international adult passengers' standard weight by 3kg and that of infants and children by 2kg. Since the adoption of the new standards, based on the number of passengers carried by the company, we increased our loading by 23,558 tons and contributed RMB23.42 million in revenue
- By lowering the interest cost of our short-term debts and the transaction fees payable to financial institutions, we saved RMB24 million from our costs

Joining Hands with Our Value Chain Partners

We pay attention to sharing our success with our partners and creating more value for all stakeholders. After years of exploration, we have synchronized our co-operation with other companies within the Air China Group, members of the Star Alliance and other partners, and have continued to optimize our resource allocation and strengthened our multilateral cooperation. This has made it easier for passengers to travel and allow all stakeholders to share the value created.

Co-ordinated Moves with Other Air China Group Companies

Air China has fully coordinated with other companies within our group in building up our fleet. In 2013, we joined forces with Shenzhen Airlines in buying 100 narrow-body Airbus planes and reduced our purchasing costs. We worked with Air China Cargo to sign a basket agreement on retiring certain Boeing aircraft. This allows Air China Cargo to gradually bring in eight Boeing 777F that are more fuel-efficient and gradually retire seven Boeing 747-400F, thus making the Air China Cargo fleet more economical. We also sold five Boeing 737-800 aircraft to Shandong Airlines to fill the gap in its fleet development.

In terms of joint purchases, the Air China Group joint purchasing project has been going on for three years and has achieved remarkable synergy effect. In 2013, the Air China Group's four joint purchasing projects in the hotel and transport areas have been effective in reducing purchasing costs.

In terms of sales coordination, the Air China Group has strengthened the share of flight slot resources among its members. We have pooled air traffic rights with Shenzhen Airlines and Shandong Airlines, and have enhanced the coordinated management mechanism for the "PhoenixMiles" frequent flyer program.

Co-operations with Peer Partners

We pay special attention to strengthening and consolidating our multilateral co-operations. In 2013, Air China expanded the code-share co-operation with United Airlines, SAS, Virgin Atlantic and Alitalia, among others. We supported the launch of new routes and the expansion of route networks. For the whole year, the Star Alliance contributed RMB2.6 billion of revenue, representing an increase of 2.4%.

Strengthened Supplier-Partners Management

In 2013, we strengthened our regulation and management of our supplier-partners by revising *The Air China Limited Supplier Management Procedures* and adopting *The Suppliers' Anti-business Corruption Commitments*, thus improving our purchasing system and supplier management regulations. From 2013, all suppliers on Air China's purchasing list must sign that commitment.

In our supplier management regulation (CA/OP-PU-CA-003) we specify that "voluntarily shouldering environmental and social responsibilities" is a necessary condition in our inspection and qualification approval procedure of suppliers, and have implemented this in our purchase of fuel and oil, aircraft supplies, equipment, and information technology. We emphasize localized purchases, and have begun to develop domestic materials for aircraft interior decoration products. We have completed the prototypes of domestically produced seat fabric, carpets and division curtains to ensure that such products can match the quality of imported ones.

Case Study: Including Environmental Protection in the Criteria of Selecting Co-operating Partners

In the 2013 Air China Business Trip package project, we required hotels to supply proof of their environmental protection responsibility. The hotels that we have chosen as our partners, from the InterContinental Hotel Group and Accor Group, all have "green and engage" certifications. They undertake not to waste water resources and pollute the environment by avoiding multiple washing and the random use of detergents, thus fulfilling their environmental protection responsibility.



AIR CHINA

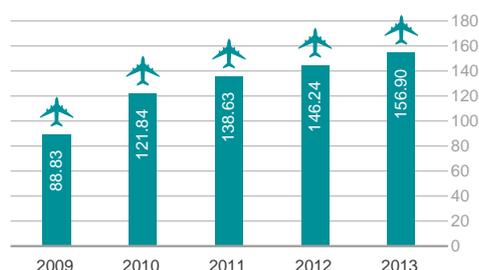
Ensuring Operational Safety

Safety is the foundation of an airline's existence and development. Without it, there is nothing. Following the safety management idea of "safety first, focus on prevention and integrated management", we are forever pursuing higher levels of aviation safety. Through proactive and effective co-operation with the government, airport terminals, passengers and other related parties, we strive to further cement the foundation for safety operations, enhance the safety skills of our employees, and increase the reliability of our equipment.

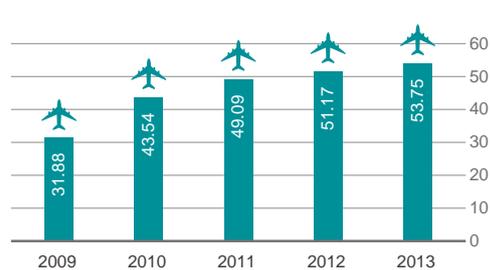


In 2013, Air China achieved safe flights of 1.569 million hours with 537,500 takeoffs and landings, thus maintaining a steady safety record. There were no safety-related incidents that showed we were responsible, and our safety quality has continued to improve.

Air China Number of Hours of Safe Flights (in 10,000 hours)



Air China Number of Safe Flights (in 10,000 flights)



Increasing Precision in Safety Management

Ensuring safety in its operations is the top priority of Air China, and we proactively face up to the complex operating and business environments before us. We focus on safety operations and the control of major risks, take strict actions against any irregular behavior, strengthen our control over the operating procedures, and fully ensure that all safety-related work is fully implemented.

Deepening the Application of the Safety Management System

We continuously and consistently implement our “safe development, scientific development” concept, vigorously promote the application of our safety management system (SMS) that has risk control as its core, and keep improving the forward-looking ability of our risk identification work and the effectiveness of our controls.

Building a Safety Quality Review System

In 2013, Air China deepened its use of risk management and took further steps to prevent, control and alert the key risks in its operations, constructing very early on a safety quality assessment (SQA) system that takes risk management as its core. We have established a risk alert system at three (department/position, operating divisions and corporate) levels, and carried out quantitative assessments on our safety operation risks, thus making our risk prevention even more timely and effective.

Key risks for the company	Alert status for the company	Sources of risks	Company alert status	Departmental alert status			
				Department 1	Department 2	Department 3	Department 4
Controlled crash landing	●	Improper placement, control or use of tools or equipment	●	●	●	●	
Conflicts in the air	●		●	●	●	●	
Injury of air crew	●	Use of vehicles/equipment with malfunctions or potential risks	●	●	●	●	
Hard landing	●		●	●	●	●	
Veering off the runway	●	Illegal or improper operation of aircraft, vehicles or equipment	●	●	●	●	
Tailstrike	●		●	●	●	●	
Mid-air engine stall	●	Improper operation of braking installations or illegal loading	●	●	●	●	
Aircraft scratch	●		●	●	●	●	
Dangerous goods leakage/fire	●		●	●	●	●	
Runway incursion	●		●	●	●	●	

Illustration of Safety Quality Review System

Enhancing Risk Prevention/Control at New Routes

In 2013, Air China launched several long-haul or complicated routes such as the Beijing – Houston and Chengdu – Daocheng (highest altitude airport in the world) services, while new types of aircraft were deployed in certain routes such as New York. Air China took into account the special features of these aircraft types, routes and airports, and did its utmost to face the new challenge, implementing a full range of risk analysis and prevention. Our carefully created three-dimensional simulated virtual reality vision provides an intuitive, visual flying environment, and our *Route Flying Guide* provides full details about the flight path and the airports so that the flight crew can come to grips with the special features and key issues of the flight path. This moves the safety checks upfront and realizes the goal of preventive safety management.



Handbook of Flight Path Flying Guide

Dealing with Bad Weather Proactively

As the “greenhouse effect” becomes increasingly obvious, the climate has become more complex and volatile, while bad weather conditions such as snowstorms and severe cold have become more frequent. To deal more effectively with this increasingly complex operating environment and bad weather, Air China has combined historical non-safety data with typical case studies of the Company and of the industry, and has comprehensively examined the key risk prevention measures for flying under bad weather, compiled guidance materials for risk prevention, systemically managed and controlled operational risks, and rolled out risk prevention training for all employees so that we are better able to deal with the safety risks brought about by bad weather.



Clearing snow to ensure flight safety

Case Study: 48 Years of Safe Flights at Tianjin Branch

The Tianjin branch has firmly established the “sustained safety, system safety, region safety” idea and fully exerted the effects of the safety management system. It has strictly enforced the safety responsibility system, constantly enhanced the system’s capability to deal with safety issues, and continuously improved its safety quality. Up to the end of 2013, it has accumulated 1.127 million hours of safety flights.



Forty-eight years of safe flying at Tianjin branch

Sustained Rollout of Inspection and Examination

We take into account the special features of our operations and integrate the inspection and examination process into the daily routine management of operational safety. At the front line, we carry out on a sustained basis regular inspection and self-checks of such key areas as our operating sites, pre-flight checks, aircraft maintenance, apron operations, as well as key departments and key personnel. We devised improvement measures in such areas as improving our handbooks and procedures, detailing the key control links, and strengthening the attitude of our employees, thereby effectively addressing potential risks to our safety and enhancing our safety foundation.

Case Study: Ensuring Ground Safety

Air China's ground services department provides the biggest ground handling operation in the Chinese aviation industry by virtue of having the largest number and types of ground service equipment, providing services to the largest number of flights, and having the largest number of employees. We have more than 5,800 employees with 1,002 vehicles that encompass ordinary cars and 15 types of special aviation ground service equipment such as pushback tractors, ferry buses, platform trucks and conveyor belt loaders. Every day, we operate more than 13,000 vehicle-trips at the Beijing Capital Airport. Through such channels as organizational management, accountability, monitoring and inspection, risk management, education and training, as well as safety culture, the ground services department has earnestly strengthened the control and management of four crucial functions: in stowage, loading, apron operations and air transport of dangerous goods. We have established full-time and part-time apron inspection teams who work two shifts from 6:00 in the morning through mid-night to carry out site inspections, with more frequent checks during holiday periods. In 2013, they inspected nearly 100,000 flights at the Beijing Capital Airport.

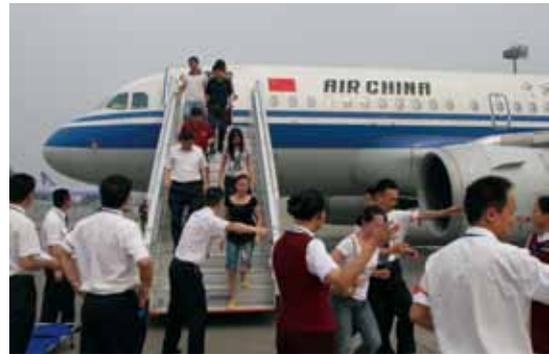


Air China Ground services

Emergency Safety Management

Air China may face emergency cases on a daily basis, and needs to strengthen its emergency management capability, enable its employees to be more familiar with the handling of emergency situations, improve its ability to respond to emergency and special situations, and co-ordinate such departments as the flight crew, cabin services, operations control and ground services.

In 2013, Air China launched its emergency response mechanism several times during its operations to deal with bad weather and other emergency situations. These moves firmly supported the flight crew's decisions in the air, and ensured the safe operations of long-haul international routes.



Emergency Safety Drill



We proactively make use of the operations co-ordination functions of the Operations Command Center. This includes issuing advance weather warning, arranging operational conferences, preparing handling plans, and implementing the operational decisions. We have also strengthened our information exchange and coordinated actions with the aviation regulator and the airport management committee.

Strengthening the Emergency Response Capability

The command center has established a communications system for airport conference calls and launched a mobile communications platform for our station, thus enabling on-time communications with the station with regard to flight operations.

The center has also included de-icing information in the emergency response system to show in real time such data as de-icing requirements, status of de-icing vehicles and aircraft de-icing completion status.

Aviation Security Management

In the face of complex aviation security situations, we have sustained our internal and external controls and constantly improved our security work. We have strengthened our system construction and formally issued our *Aviation Security Management System (SeMS) Handbook*. We staged two general emergency drills, organized several desktop emergency drills, and effectively examined our aviation security plans, trained our emergency staff teams, and increased our capability in emergency response. We successfully handled several illegal disruptions to our flights triggered by false threats and ensured our aviation security. We also improved our aviation security capability by optimizing the dispatch of our security personnel and improving the system for their training.

Improved Skills of Our Flight Crew

Pilots directly control the flight and landing of the aircraft, and their professional quality and operating skills are therefore of fundamental importance to the safety of flights. Air China has consistently regarded the management of pilots as the most fundamental and core element of flight safety, and securely built a safety defense for passengers.



In 2013, Air China strengthened its process management and completed the full year training program. The number of participants training for a different type of aircraft increased by 14% from the 2012 level. Based on our flight quality review and analysis using QAR data, we rolled out targeted training for 3,189 pilots. We also hosted the ninth Air China Group pilots skills competition, effectively improved the flight quality of our crew.

We continued to build our cabin service training system, focusing on four types of cabin crews – auxiliary members, highly skilled members, front-line operating member and new members. There were a total of 1,501 training sessions of various skills for 456,291 men-hours.



Safer Operation of Facilities

Air transport is the safest means of transportation today not only because of its advanced facilities and equipment but also the wide use of high and new technologies. Air China gives full play to the overall role and systematic effects of new equipment and technologies to improve its safety margin and to ensure that no mistakes are made in its safety work.

Aircraft Replacement

Air China replaces its old aircraft on a timely basis and proactively introduces new equipment to ensure a reliable and safe operation. In 2013, the average age of its fleet was reduced to 6.33 years.

Focus on Maintenance

Aircraft maintenance is a critical element that ensures safe flights. In 2013, Air China continued to improve its engine life-cycle management system, Aircraft Health Management (AHM) system, Aircraft Maintenance Analysis (AIRMAN) software system and Flight Equipment Management System (SAP), and was able to substantially raise the aircraft trouble-shooting rate. The ratio of flight delays of more than two hours caused by mechanical problems has steadily declined over the years, thus greatly enhanced the punctuality of our flights.

Average fleet age (Unit: years)



 <p>Engine Risk Management</p>	<p>We inaugurated the use of risk management in China to conduct a full process risk assessment on the crucial systems of many types of engines. This allowed us to build a risk source database, prepare and implement targeted preventive measures.</p>
 <p>Engine Borescope Management</p>	<p>We attempted to establish a bicyclic whole process management and control mode for our engines in order to strengthen our engine borescope management.</p>
 <p>Comprehensive Management of Cabin Service and Maintenance</p>	<p>We have completed the second stage of the construction of our cabin service and maintenance system, and achieved the comprehensive management of flight equipment used in cabin service, engineering management, maintenance plan, maintenance cost and maintenance output control.</p>

Application of New Technologies



Upgrade of ADS-B Monitoring System

We launched the dual real-time signal overlap flight monitoring system based on aircraft flight positions and weather radar echoes for the Beijing Capital Airport region. The upgraded ADS-B (automatic dependent surveillance-broadcast) monitoring system is now more intuitive and can show precisely the location relationship between the aircraft and weather phenomenon. This is another major step of improvement since we pioneered the use of this technology in the civil aviation monitoring area in China, and greatly enhanced our capability in monitoring long-haul flights under complex weather conditions.



Launch of "Flight Optimization Application" Project

To reduce the workload of the flight crew and achieve the automatic upload of wind direction, wind speed and temperature data at each waypoint required by the flight management computer for the cruise phase of the flight, this project allows the flight management computer to perform mixed calculations of actual external data and weather forecasts data, thus helping improve flight safety and efficiency. Air China is one of the first airlines in the world to employ this technology.

Enhancing Passengers' Safety Awareness

Safety depends on all of us. Air China gets passengers involved in its safety management efforts, raise their safety awareness and make our flights even safer.

Case Study: "Blue Voyage" Cabin Crew Team Launches "Bumping Prevention" Campaign

Flights over a high plateau are more prone to bumpy rides that may injure passengers, and our "Blue Voyage" cabin crew team has launched a unique "bumping prevention" propaganda campaign. They have prepared a pamphlet featuring a "What Causes Bumping" cartoon, using interesting pictures and simple words to explain how bumping occurs during a flight and what passengers should do when the flight becomes bumpy. Following their explanation, passengers understand more about bumpy flights and know more about relevant aviation information and ways to protect themselves, which help put their hearts at ease when they take to the sky.





Providing Quality Service

Service quality is the core competitiveness of airlines. We strive to provide customers with reliable, convenient, delightful and touching services so that they can enjoy a comfortable travel experience. We pay close attention to every customer's experience, value every customer's needs, proactively respond to customer feedback, serve with our heart, and change for our customers.

In 2013, Air China rebranded its frequent flyer program as "PhoenixMiles", thus allowing member airlines of Air China Group to operate their frequent flyer programs on the same platform. Our global flight manager project operates on the on-line service of our customer relations management (CRM) system and offers a full range of services to our customers. We also offered the first flight with Internet access service through global satellite communications, becoming the first Chinese airline to offer such service.

Building a Strong Service Platform

We proactively change our service concepts in the face of varying customer needs, constantly improve our service system and management basis, and accelerate the innovation and convergence of our services and information technology. Targeting “simple, smooth and flexible”, we strive for optimized procedures and standardized services, and pursue sustained improvement in our service quality.

Improving Our Service System

After putting our CSM (customer service management system) online in 2012, we have continued to build up our CSM to ensure that service standards are followed during the whole service process. By applying the convergence of management and information technology throughout the entire service process, we aim to achieve efficient transmission of customer identification and service needs, a complete and unified service standard, visible optimization of service process, a standard and high quality presentation of service, a closed loop in service improvement, and a smooth and complete customer feedback system.

Fine Application of CSM

In 2013, we constructed a CSM service standard vault to provide support for the speedy enquiry of service standards. We deepened the “big service system” concept, and promoted the practicality and precision of service standards.

CSM Supports New Project Operations

In 2013, we developed our flight manager project on our CSM platform, and realized a complete management chain for serving premium customers by incorporating the four modes of order management, customer management, product management and rules engine. This has laid the foundation for serving our customers even better.

CSM Promotes the Buildup of Overall Linkage

In 2013, we proactively promoted inter-departmental synchronized linkage. In the area of catering, we formed a working group with the catering company to raise the standard of food and drinks, and introduced external catering experts to guide our work at the same time. In the area of in-flight entertainment, we set up a regular joint conference system with our suppliers, and invited media experts to guide us throughout the whole process, thus strengthening our joint innovation capability with partners.

Improving our Evaluation and Supervision System

Targeting improved service process management, we have improved our evaluation and supervision system that encompasses customer satisfaction evaluation, service specific inspection, service reform and key tasks advancement, with vigorous checks on fulfillment. We launched a project on product and service quality improvement based on customer preference and brand value.

Offering Better Services Together

We endeavor to become an air travel service aggregator to systematically raise customers' travel experience. We therefore work with many companies to serve not just customers' needs but also to create more economic and social value for our partners.

“PhoenixMiles” Frequent Flyer Program

On January 1, 2013, Air China rebranded its frequent flyer program as “PhoenixMiles.” This allowed the Company and members of the Air China Group – Shenzhen Airlines, Air Macau, Shandong Airlines, Beijing Airlines and Dalian Airlines – to operate on the same frequent flyer platform, while passengers could also accumulate mileage when flying with Air China Group companies.

Link: Frequent Flyer Program

Airlines' frequent flyer programs are regarded as the most successful marketing innovation in the history of civil aviation. Passengers who meet the requirements of frequent flyer programs can apply to become an airline member and accumulate mileage upon flying with the airline. The accumulated mileage can be exchanged for various awards. In 1994, Air China launched its own frequent flyer program and the relevant PhoenixMiles card, becoming the first Chinese airline to launch a frequent flyer program.

Payment: Mileage and Cash

We offer a range of convenient services to our Air China member passengers, who can choose this newly created “mileage + cash” payment method to purchase or exchange for more services:

- Domestic VIP service at Capital Airport terminal three
- Airport guide service
- Limousine service
- Port entry guided service and limousine service at Capital Airport CIP district
- Five-star hotel accommodation



Mileage + Cash Service

Seamless Air-ground Connection

The advantage of “One Through Ticket” is to offer passengers a seamless transfer between their flights and their bus, air and rail connections. This supplements the flight network of the cities in the environs of the destination city, and gives passengers even more choices in their journeys.

Overseas Individual Travels

We launched jointly with Canada’s British Columbia tourism agency a carefully designed overseas individual travel arrangement that is free from the traditional constraints of a group tour.



An overseas individual tour arrangement jointly launched with Canada’s British Columbia tourism agency

Special Shopping Discounts

We have joined forces with the Roermond Outlet to launch a special shopping discount campaign for Air China passengers so that they can enjoy the pleasure of shopping at an outlet full of global luxury brands in addition to their business and sight-seeing activities.



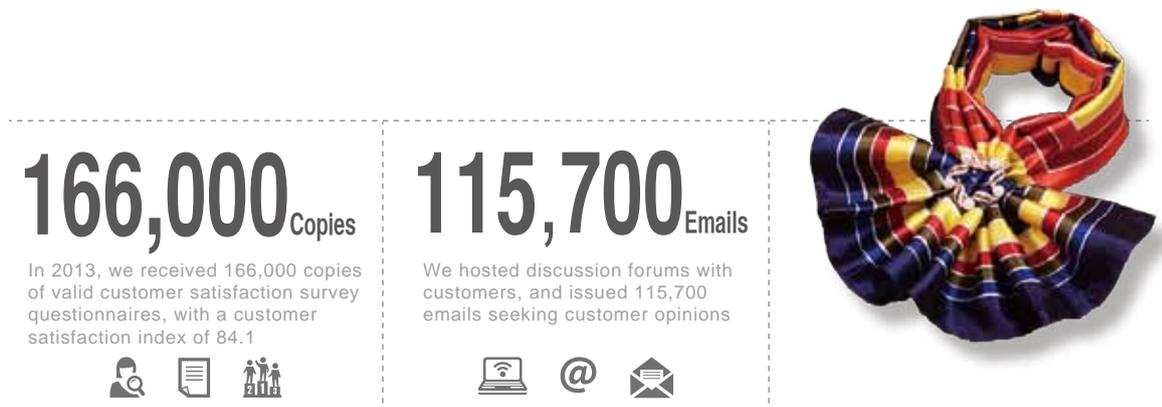
Focus on Customer Needs

In 2013, we listened to our customers' voices in a more frank manner and focused on solving the prominent problems in our service progress. We won customer understanding through our timely communications, and we repaid their trust with sincere services.

Listening to Customers' Voices

By way of distributing services questionnaires to passengers on our aircraft, Air China collects first hand information on customer demand and work incessantly to improve our service quality. In 2013, we collected a total of 166,000 valid questionnaires on customer satisfaction. According to a third party survey, our customer satisfaction index was 84.1, a considerable improvement over the 2012 result. We organized discussion forums with customers and issued 115,700 emails seeking customer feedback. This allowed us to timely grasp customer opinions and provided solid bases for our work on improving services.

Air China has consolidated its customer complaint hotline service with its 95583 service and strengthened the back office. This markedly improved the efficiency and satisfaction of customer complaints handling, with a 100% customer complaints handling rate. In 2013, our customer feedback management system handled nearly 8,000 cases of customer complaints based on the principles of unified acknowledgement, unified referral, unified handling, unified compensation standards and unified replies.



Sincerity for Goodwill

In the aviation industry, flight delays have always been a major factor hindering service improvement. In particular, widespread flight delays usually result in many passengers stranded at airports and a sharp rise in complaints.

In 2013, we took many measures to deal with flight delays caused by many different factors. When widespread flight delays occurred, various Air China branches and Operations Control Center would follow the joint duty requirement of local aviation regulators and dispatch their employees to go on duty at the aviation regulators' offices. They would co-ordinate flight operations, release timely information on flight delays, and prepare for ensuring customer services. We also sent out advance notice on flight delays or cancelations through our website, call centers, short messages, telephone or the Air China "Little Secretary" service so that passengers would have sufficient time to revise their journeys or change their mode of transport.

In the case of widespread flight delays, we'd establish separate service counters within the restricted zone and set up a rebooking service to quickly protect passengers' services after their flight delays and divert passengers.

Case Study: Opening the Operations Control Center

In July 2013, during the season of frequent storms not seen for many years, more than a dozen media including the Chinese Central Television and China National Radio were invited into the core of Air China's operational command to feel, together with the key executives of such departments as operations, services and ground units, the true Air China operating under an emergency situation. We hoped to use this opportunity to enhance the media's understanding of airline operations, and through them, to call upon the public's understanding, so that we can work together for a peaceful and harmonious journey.



Interactive Exchanges with Passengers

Air China has a wide range of exchanges with our customers to understand their needs and expectations. We hosted the "Experience Our Aircraft Seats 2013" event and invited almost 300 people including our "PhoenixMiles" members and industry experts to get a first-hand experience of our business class and economy class seats. Based on their own experiences both on-site and past, they provided us with numerous constructive ideas.



Experience our seats on site

Entering the Age of Mobile Internet

With enhanced capability in mobile Internet and cloud-based services, we have tackled the technological hurdles in the client end of B2C (for customers) and B2E (for employees) services. Our Apps now allow customers to request and confirm services, and enable employees to communicate and co-ordinate with each other unhindered under mobile conditions, fulfilling everything “at their fingers and upon their voices”.

Quick and Easy Journeys

We pay attention to raising customer service quality through new technology – our enhanced efficiency brings them quicker and smoother experience.

- We have redesigned the booking process on our website to improve our customers' web experience
- We have launched a flight schedule enquiry service based on micro-blogs to enable customers to rebook non-voluntarily changed flights
- We have enabled 7x24 support through our micro-blog, online customer service on our official website and the “Aliwangwang” instant communicator
- We have completed the “QR Code Simplified Passenger Autonomous Registration” project and launched the “PhoenixMiles” Zhiyinhui mobile apps
- We have commissioned the self-serviced printing of international itineraries
- We have trialed overseas bag-dropping service in London and Stockholm; and
- We have begun to automate the process for the management and approval of refunds, enabling the on-line processing of B2C domestic refund and the same-day approval of B2B international tickets on our domestic website.



Air China Mobile

Air China's members can get comprehensive account services simple and quick: book their tickets any time, any where, make payment securely, and check in to their flights.

Log-in interface of Air China mobile terminals

Safeguarding Customer Information

We vigorously protect our customers' information and privacy, and carefully screen any risk of leaking customer information, thus eliminating the possibility of loss due to leaked customer information.

- We conduct leakage screening and tests on our websites that provide customer services and store customer data, and will immediately amend any security gaps
- We have registered an account at the www.wooyun.org security leaks platform, and are constantly watching out for revelations about our website's securities issues so that we can fix them as soon as possible; and
- We educate our customers on data security to enhance their ideas about privacy protection

A Pleasant Flight

We provide a variety of in-flight entertainment to our customers to give them a pleasant journey.

In-flight Entertainment

In 2013, Air China set up a special task force to strengthen our in-flight entertainment. We renewed 35 movies, 296 pieces of music, 49 books, updated our information program twice a week, added magazines and picture books, conducted an on-line test of dedicated customer terminals, and screened Hollywood-copyrighted movies.

Internet in the Cloud

On the Beijing – Chengdu flight CA4108 undertaken by the B-6525 aircraft on July 3, 2013, Air China successfully enabled the first in-flight Internet connection by a Chinese airline via Inmarsat satellites. Journeys in the air are no longer information silos. Passengers can now connect to the Internet via their mobile devices and enjoy Hollywood movies, listen to music, read the latest electronic books, buy fashion products and transmit emails.



The first Internet-enabled flight through global satellite communications for Chinese civil aviation

More Caring at Air China

Improving Air China's service quality and customer satisfaction is the strategic focus of enhancing our service capability. We aim to cover our cabins and ground facilities with heart-felt services so that customers can always enjoy quick and easy services that are as warm and comfortable as if they were at home, whether it is before the flight, during or after.

Building Comfortable Cabins

To enhance customers' comfort level inside the cabin, Air China has accelerated the refitting of the interiors of its cabins. We completed on our own the first upgrade of the first class cabin for a Boeing 737-800 and the upgrade of several A321s. We also refitted our entire B777-200 fleet with new cabins, entertainment systems and new electronic systems, and refreshed the interior decorations of the cabins, making the cabins' internal layouts more rational.



Quality Ground Services

Expanding International – Domestic Baggage Check-through Service

We do our utmost to provide passengers with more convenient, swift and comfortable transit services. In 2013, we expanded our international to domestic baggage check-through service to 19 more routes to 15 cities in nine countries. Passengers can now enjoy one-stop service without having to collect their bags in Beijing and can transit easily.



International – domestic baggage check-through

Care for Special Passengers

With an ever-increasing number of unaccompanied children, Air China has set up a special “Love Inn Team”. During the summer, team members were so busy helping children carry their bags and accompanying them between the check-in counters and the gates that they often forgot to eat and drink. To ensure that these little unaccompanied passengers could quickly and safely get on board and enjoy a great flight, team members would forever show them a kind and amiable smiling face.



Unaccompanied traveling

Premium Lounges

In 2013, Air China built self-managed lounges at the Beijing, Wuhan, Guiyang, Dalian, Chongqing and Shanghai airports with a total area of 7,200 square meters. At the Guangzhou Baiyun Airport, we built an exclusive check-in area for VIP passengers, thus effectively improving our service quality in serving premium passengers.



A premium lounge

Case Study: Wheelchair Passenger Touched by Sincerity

Before the flight from Beijing to a certain destination, the chief purser received a special passenger notice with the advice that a passenger with leg disability was traveling alone. Immediately, the chief purser called on her team to make preparations to provide him with special care. Upon landing, the chief purser realized that the destination airport was under-developed and was not equipped with lifts. She instructed the male flight attendant to carry the passenger on his back. With the help of the whole team, the passenger was safely transferred to the ground.



Green Development

Air China has always upheld the concept of "green operations and sustainable development". We maintain a keen concern over the global climate change and greenhouse gas emission, earnestly carry out the various policies and measures on energy conservation and emission reduction issued by government regulators, and actively encourage the development of sustainable alternative fuel for the aviation industry. By introducing and developing advanced energy-saving technologies, and adopting various measures to reduce the negative impact of our operations on the environment, we strive to constantly improve energy efficiency, reduce environmental pollution and conserve resources.

We have built a relatively complete system of energy management and consumption statistics, which provides us with standardized statistics and monitoring of group-wide energy consumption. We have continued to introduce new and more environmentally friendly aircraft to replace the older aircraft that consume more energy. We have adopted and developed new energy conservation technology to improve our fleet's energy efficiency. Since 2004, by continuously reducing energy consumption in all areas of our operations through scientific management, we have raised our fuel efficiency by 16.7%. Through all kinds of promotion campaigns, we have raised our employees' energy conservation awareness. In 2013, we were awarded the "China Top 10 Green Responsibility Enterprise" title.

Excellent Management System

Air China has established a management system for environmental matters to handle all kinds of environmental protection, energy saving and emissions reduction work in a sustainable and effective manner. Compared with 2009, Air China Group's fuel consumption per TKM has fallen by 5%.

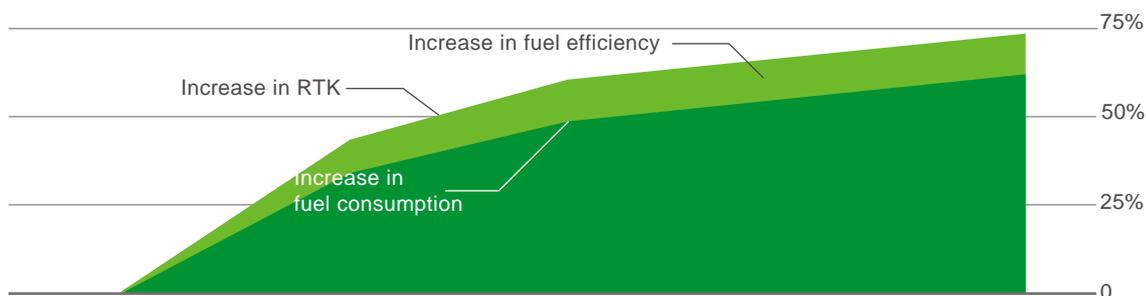
- Air China has set up an environmental affairs department to handle all relevant issues across the company; we have also set up a Fuel Conservation Management Committee to manage our measures in conserving fuel and raising our fuel efficiency. The main energy consumption departments have their own part-time energy management staff responsible for compiling energy consumption data and managing energy conservation and emission reduction
- Air China's energy and environment monitoring system is monitoring and collecting standardized data of our Group's energy consumption. While improving efficiency, this has also laid a solid foundation for the detailed management of energy consumption
- We earnestly follow the requirements on energy conservation and emission reduction set by the government regulators. We have set up an assessment and analysis system on our energy conservation indicators, and are monitoring our energy conservation effort on a monthly basis

Air China Group Energy Consumption Indicators 2009-2013

Indicators	Unit	2009	2010	2011	2012	2013
Total energy consumption	10,000 tons coal equivalent	444.8	583.7	654.0	686.2	728.5
Aviation kerosene	10,000 tons	299.7	392.6	440.5	462.1	490.7
Electricity	10,000 KWH	6,426	9,142	9,515	10,866	11,748
Gasoline	Tons	1,587	1,925	2,038	2,013	1,948
Diesel	Tons	5,607	6,486	6,730	6,427	6,676
Water	10,000 tons	211	251	292	261	287
Fuel consumption per TKM	KG/TKM	0.2982	0.2826	0.2822	0.2836	0.2832

Data includes Shenzhen Airlines from 2010 and Dalian Airlines from 2012

Increase in Air China Group fuel efficiency 2009-2013



Note: 2013 RTK was 73% higher than the 2009 level, but fuel consumption growth was only 64%

Building a Green Fleet

Fuel efficiency directly impacts an airline's operating costs and the total volume of its total greenhouse gas emission. By upgrading its fleet, using new equipment and new technologies, Air China has continued to raise its fuel efficiency and build a green fleet.

Fleet Upgrade

Choosing an energy-efficient aircraft is the key to conserve energy and reduce emission. Air China has continued to introduce new models to replace aging aircraft with high fuel consumption and poor performance. At the end of 2013, the average age of Air China Group's fleet was 6.33 years. Going forward, Air China will continue to invest in new fleet and remodel existing aircraft in an effort to raise the fleet's overall fuel efficiency.

Link:

On April 1, 2013, Air China deployed its brand new B777-300ER on the Beijing – New York route, replacing the B747 that had been used for 20 years. From 2014, we will use this environmentally friendly model that is low-noise and low-fuel consumption on all US destinations (New York, Los Angeles, Houston and San Francisco) from Beijing, in line with the green flight philosophy that Air China advocates.

Improving Engine Performance

As the power source of flying, the engine is one of the crucial elements in conserving energy and reducing emissions in the aviation industry. Air China adopts world-leading technologies and materials to improve engine performance and reduce fuel consumption. In 2013, Air China invested RMB48 million in the energy conservation upgrade of its engines. We used advanced materials to remodel the compressor blades and fuel nozzles for six Trent700 engines, thus raising the fuel efficiency of the A330 fleet. We also replaced four PW4077D engines that had been in use for more than 10 years, thus reducing the maintenance cost of the B772 fleet and raising its fuel efficiency.

Light-weight Seats

Fuel consumption is very closely associated with flying weight. Lowering unladen weight is therefore an important means of reducing fuel consumption. In 2013, Air China purchased a new type of lightweight seats. Compared with the traditional seats using aluminum alloy, the structural design of this kind of seats has been optimized by the use of new technology, and their chassis are made of composite materials rather metal. This reduces the weight of a chair to 10.65 kg from 12.05 kg. Using an Airbus 320 as an example, this reduces its weight by 210 kg.

Winglet Installation

According to data from aircraft manufacturers, winglets can effectively reduce the consumption of fuel and the emission of waste gases, as well as takeoff noise. In 2013, Air China invested RMB40.7 million to install winglets on 6 Boeing 737-800 aircraft. In 2014, we'll install winglets on the 14 B737-800 to be introduced.



Lowering Energy Consumption Through Scientific Management

Fuel consumption efficiency is Air China's goal. Taking into account of our actual situation, we have strengthened our daily operational management and targeted management control and aircraft maintenance in our energy conservation and emissions reduction work.

Operational Control

Air China has strengthened the management of its operational control and adopted various measures to reduce fuel consumption in different stages of the flight.



● Planning Stage: Shortening the Flight Path by Going Straight and Eliminating Curves

Air China chooses the most optimal flight paths based on the air space adjustments and route diversion policies of different countries. We push for the use of temporary routes, shorten our flight distance by going straight and eliminating curves, thus reducing the flight time and fuel consumption. In 2013, we reduced a total of 948 hours in our flight time, saved 3,128 tons of fuel, and reduced carbon emission by 10,137 tons.

● Release Phase: Optimizing the Flight Path

In addition to the flight path, the direction and speed of high-altitude wind also have a major impact on the flight. As the biggest carrier in the China – European aviation market, Air China will optimize its flight path in accordance to the characteristics of the route in order to save flight time and fuel. On the European routes, before a flight takes off, the crew will calculate a route with the best flying time and least consumption of fuel based on the high-altitude wind and weather condition of the day. For Europe-bound flights, we'll try our best to take the high latitude routes and avoid upwind flying. For return flights, we'll try to use the Westerlies and fly downwind as much as possible.

In 2013, by optimizing its flight paths, Air China saved 274 hours and 904 tons of fuel in its US and European long-haul flights, reducing carbon emission by 2,848 tons.

● Flight Stage: Application of FMC Flight Optimization

In 2013, Air China led the whole of Asia in launching a fully automatic application of FMC-based air-ground command system, whereby the pilots can obtain real time data on high-altitude wind and temperature at each waypoint using the flight management computer onboard. This allows them to calculate such parameters as the most optimal flight level, locus, fuel consumption and flight time under the current conditions. This breaks the previous constraints whereby it was only possible to upload screen data and print out instructions from the ground to the aircraft. As a result, the deviation of input data from the standards is greatly reduced, thus lowering fuel consumption.

Based on our calculations, the use of FMC flight optimization will save Air China 4,500 tons of fuel and reduce carbon emission by 14,175 tons each year.

● Analysis Stage: QAR System

Air China uses the QAR Application Analysis System to record the actual flight path and data in order to optimize the flight parameters in its flight plans. This allows it to look for the most optimal flight path, flight level, and amount of fuel to be carried, choose a rational route, estimate accurately the gains from the direct flight, and monitoring trend in aircraft performance changes. In 2013, Air China successfully uses QAR to monitor more than 1,100 flights on a daily basis. This enabled it to managed the entire flight operation in great details, improve safety level and operational quality, thus enhancing fuel management standard.

QAR or quick access recorder is an equipment to record flight data of an aircraft, covering most of the parameters in flight operations and quality control/monitor.

Aircraft Maintenance

Air China strictly manages and controls every detail in its maintenance work to implement its fuel conservation measures.

Re-Painting

After flying for a long time, the surface paint of an aircraft will crack or even fall off under severe conditions, or the aircraft may be covered by dust or fuel. This increases flight resistance and adds to fuel consumption and air pollution. A repainting can effectively reduce flight resistance and lower fuel consumption, reduce air pollution, as well as protect the aircraft skin from corrosion and reduce maintenance costs. In 2013, Air China repainted 6 aircraft. We will repaint 19 aircraft in 2014.



Repainting an aircraft

Engine Washing

During its operations, an engine will gather numerous polluting particles inside. This is one of the reasons its performance declines and fuel consumption increases. We have an engine-washing program supported by a washing assessment system. When we detect a decline in engine performance and accumulation of pollutants, we will conduct a timely engine wash to ensure high engine performance, reduce fuel consumption and extend the engine's life on the wings.

Overall Energy Conservation Development

Air China endeavors to reduce the negative impact of its operations on the environment, explore for ways to reduce environmental burden and achieve sustainable development.

Recycling Resources

In an effort to increase our recycling rate, Air China has established a dedicated team to strengthen the management of recycling control on 13 items. Using the aircraft headphones as an example, Air China has established a strict system for the disinfection, arrangement, twinning and repackaging of headphones. In 2013, we recycled more than 10 million headphones, with a recycling rate of more than 70%.

Energy Conservation on the Ground

Air China strictly follows energy conservation standards in the design and construction of its facilities. In the newly built Tianjin Eastern district Operations Support project, the on-site business office energy conservation rate reached as much as 65%, while the canteen, special vehicles garage and operational warehouse achieved conservation rate of 50%. The Southwest Branch changed the design of its operations control business areas, using LED lights in its lighting system, and saved 60% of energy.

Air China has conducted a comprehensive review of its offices, staff quarters and hotels to avoid unnecessary wastage of water, electricity and gas, thus reducing energy wastage. Air China Cargo led the way with contractual energy management and renovated the air-conditioning and lighting facilities of its office buildings. It was able to save 257,000 kWh of electricity in 2013, demonstrating the benefits of energy conservation for buildings.

We have strengthened energy conservation management at its flight training base by implementing a designated activation system. In the summer, the flight building and the apartment building are air-conditioned 24 hours a day, but other buildings are air-conditioned only during office hours. We also renovated the apartment building's lighting system by installation sound-controlled switches. This saves about 20,000 kWh of electricity and reduced energy consumption at the flight training base.

Energy Conservation Promotion Cases

To enhance employees' environment protection awareness, Air China has launched many kinds of promotion and training activities for energy conservation. In 2013, in response to the suggestions of the national energy conservation promotion week, we launched a series of activities under the theme of "Blue sky low-carbon voyages, Green Air China dreams". Our promotional themes advocated the energy conservation idea of a low-carbon office. We also held a promotional activity under the theme of "Low-carbon environmental protection, Fly Green", and advocated that passengers follow garbage classification, reduce their use of disposable cups, and curtail the use of electricity, in order to conserve energy.

Case Study: One-hour Lights Off on National Low Carbon Day

On National Low Carbon Day, Air China's Beijing office buildings turned off their lights for an hour to call upon employees to take real action to contribute to the company's energy conservation work. Low carbon life and green office work are small steps but can firmly implant the energy conservation philosophy in employees' minds if sustained over the long term. By turning off its lights in Beijing for an hour, Air China managed to save about 2,000 kWh of electricity.

Case Study: International In-flight Magazines Printed on FSC-certified Recycle Paper

Air China's enhancement of cabin service quality follows the theme of "green voyages 10,000 meters high in the sky". From May 2013, our inflight magazines *China Charm*, *Wings of China* and *In-flight Entertainments Guide* took the lead and adopted recycled paper certified by the international FSC (Forest Stewardship Council) system for printing. This not only fits our environmental protection philosophy but is also a first for Chinese in-flight magazines.

The image shows two Air China pilots in their dark blue uniforms and peaked caps, standing in front of the tail of an airplane. They are both smiling and holding large bouquets of flowers. The pilot on the left is holding a bouquet with pink lilies and red flowers, while the pilot on the right is holding a bouquet wrapped in orange paper with a purple ribbon. The background shows the white tail of the airplane with the red Air China logo. The sky is clear and blue.

Building A Happy Home

Employees are Air China's creators and builders; they are the intrinsic motivation of the company's development. Guided by the concept of "serving and satisfying both customers and employees", we cherish each of our employees, respect them and care about their needs. We support their development, and closely link their development with Air China's values, and in the process build a warm and harmonious big family.

In 2013, we organized a “Public Opinion Direct” employee survey, which showed that employees’ satisfaction rate with the company had risen to 3.8 points from 3.6 in 2012 (the maximum being five points). At the same time as we continued to provide them with high-quality training, we were also keen to expand their development paths. In 2013, we were even more concerned with the physical and mental health of our staff – not only did we provide them with a full range of psychological health service, we also began to implement a comprehensive medical insurance program for our employees, thus helping them face easily problems at work and in their daily lives.

Uniting the Devotion of All

We can provide satisfactory services to our customers only if our employees are happy. We pay attention to our employees’ real needs, care about their physical and mental health, and support them as they face the challenges of work and life so that they can grow and development with the company. We aim to increase the happiness index of our employees and raise their satisfaction with the company.

"Public Opinion Direct"

We are serious about listening to the voice of our employees. The 2013 “Public Opinion Direct” survey covered 22 grass-root units and 33,752 employees for a participation rate of 98.6%. Included in this survey was a comprehensive assessment of the work styles of our cadres and an appraisal of the actual reforms carried out following the 2012 “Harmony Thermometer” survey. We also simplified and optimized some of the survey questions, and increased the weightings of such topics as corporate culture and performance management.

The survey gave rise to such reports as the *Comprehensive Report on “Public Opinion Direct” Survey* and *Special Report and Analysis on The Mass Line and Style-building* that gave an overall view on the company and its key grass-root units, as well as the company-specific *Special Report on Corporate Culture* and *Special Report on Performance Management*. They allowed Air China to have a comprehensive and in-depth understating of our employees’ thinking and demands.

Comprehensive Medical Insurance Plan

We pay attention to increasing our employees’ welfare coverage. As required by government regulations, we pay for five types of insurance (retirement, medical, unemployment, occupational health and child-bearing) coverage and a housing fund for our employees as well as an annuity plan. In 2013, we further established the “Employees’ Comprehensive Medical Insurance Plan” after a detailed analysis of the various key risks that our employees may face. By combining several types of insurance coverage so that they complement and supplement each other, we have built a fully covered insurance system that effectively meets our employees’ actual needs. This eliminates the worries of our employees and their families, increases their medical coverage level, and improves and optimizes employee welfare.



To ensure that employees are fully aware of the medical coverage that they are entitled to, we reach out to them through such channels as the Intranet, internal publications, mobile newspapers as well as local meetings. We also distribute different types of employee handbooks.



Forum on Comprehensive Medical Insurance Plan

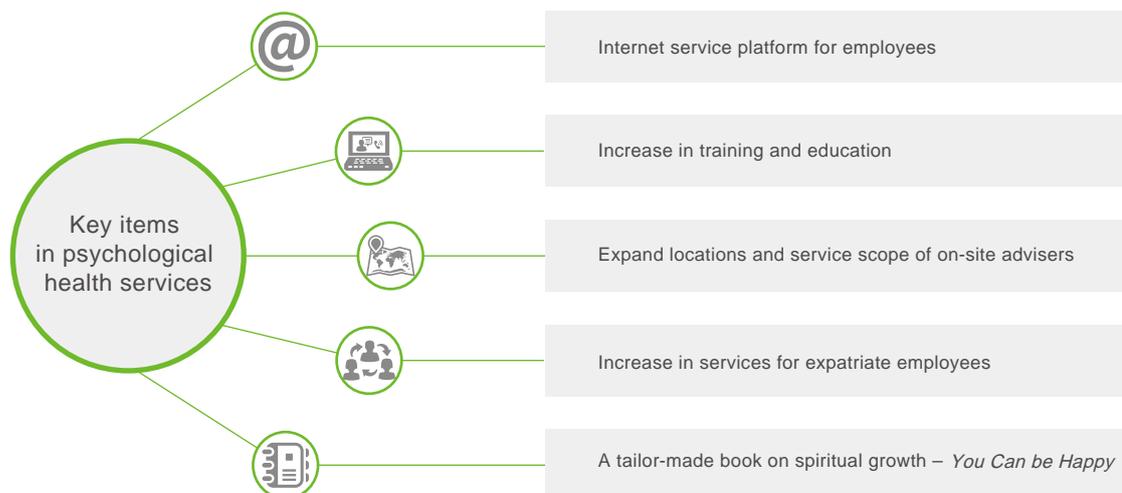


Employees' Handbook on Comprehensive Medical Insurance Plan

Employees' Health and Safety

We pay attention to employees' occupational health and safety, and arrange for them to have a medical check-up annually, with different check-up items according to their age, sex and position. We maintain health files on all flight crew and manage their health conditions dynamically. We supply our employees with all necessary protection equipment and gears and educate them about occupational health issues, thus protecting their health and safety.

Under the guidance of "serving and satisfying both customers and employees", we provide a comprehensive psychological health service through 7x24 advisory services, Internet platform, on-site advisers, team leader training, special topics seminars, risk intervention, education and promotion, and project management. These eight mechanisms serve to relieve employees of their psychological pressure and help them deal with problems that they face at work and in life.



Key items in psychological health services in 2013

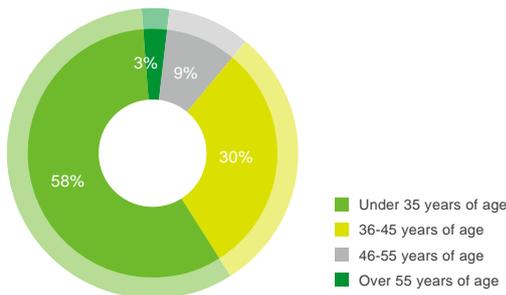
In 2013, we received 1,270 telephone calls on our staff hotlines, which result in 753 advisory cases. We completed 30 sessions of one-on-one counseling, hosted 48 seminars, provided various psychological health training to more than 1,400 employees, registered 2,886 employee lock-ins on our network platform, distributed more than 1,000 copies of handbooks to employees and circulated 12 issues of the "Happy-Heart Plan" monthly publication through our internal email system.

Attracting a Diversified Pool of Talent

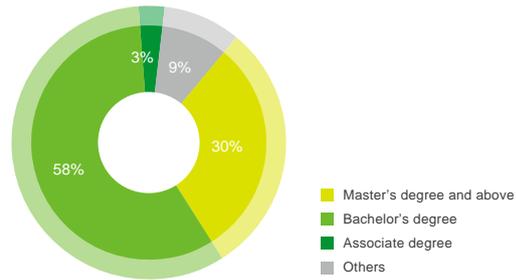
Air China is an inclusive community. We strictly comply with the Labor Law and other relevant laws and regulations, and absolutely ban child labor and forced labor. In the areas of hiring, compensation, promotions and retirement, we treat every employee fairly and equitably irrespective of their nationality, skin color, gender, religion and cultural background.

At the end of 2013, Air China including Air China Cargo, Shenzhen Airlines, Beijing Airlines and Dalian Airlines had a total workforce of 63,241 people, including 25,941 female employees, 1,174 foreign employees and 2,993 ethnic minority employees. Among the 336 senior executives, 45 of them were female, accounting for 13.4% of the total.

Distribution of employees' age 2013



Employee education attainment 2013



Recruitment

Air China evaluates, chooses, employs and trains its employees on the four basic criteria of morality, passion, capability and performance, thus enabling the exchange, co-operation and communication in our increasingly diverse workforce. By implementing a systematic recruitment process, we offered more than 3,600 positions to society, relieving to a certain extent the employment pressure on last year's graduates.

We sign employment contracts with our employees according to the law and properly management our employment contracts. We monitor and urge labor supply companies to sign employment contracts according to the law with all employees that they dispatch to work for us. We ensure that 100% of our employees have employment contracts, and we protect all legitimate rights of various types of employees.

Since Air China established the collective bargaining system in 2003, the labor union has negotiated and signed on behalf of all employees a "collective contract" with the company's representative, and four such contracts have been signed so far. From the third contract, a "Dedicated Agreement on Special Interest Protection for Female Employees" has been added to the "collective contract", thus better protecting the legitimate and special interests of female employees. In 2013, the collective contract and the collective bargaining agreement covered all employees who had signed employment contracts with Air China.

Training and Development

By adhering to the "professional, international, informational, and systematic" development concept, Air China strives to explore the training mechanism suitable for employees of different business units and various cultural backgrounds. This sets the stage for them to demonstrate their talents and broadens their development opportunities. In 2013, Air China offered a total of 221,027.5 hours of training to 91,534 attendees.

Air China maps out a training guide to each employee, setting out clearly the various training opportunities that we offer at different stages of career development and different levels of capability or quality. This includes the knowledge, skills and qualities that employees need to have in reserve before they are promoted to more senior positions.

In 2013, Operational Control's "Employee education and human resources matching" project designed the education requirements at different stages of an employee's career in accordance with his promotions. After an employee has fulfilled certain employment conditions, the company will provide him with relevant education opportunities. After he has completed such education and acquired the relevant capability, the company will help in his promotion and development. We protect the education opportunity of our employees, and supply them with education channels and basis for standards assessment.

Recognizing Employee Contribution

By upholding the principle of "value for position, value for personal ability, and value for performance", Air China has established a scientific system for job classification based on values and a remuneration system that is aligned to corporate development, supports corporate strategy and reflects the value of individual talent.

In 2013, we strengthened the selection of excellent employees assigned to us by labor supply companies. Through open assessments and a selection process, we picked the excellent employees on the assignment system and transferred them to our direct employment system. This broadened employees' career development path, and worked to enable the co-development of the company and employees.

Caring and Aid for Employees

Air China advocates an active and healthy philosophy of work and life, providing a variety of recreational and sports activities to help employees balance work and private life, cultivating in them a healthy, optimistic and harmonious work ethics. At the same time, Air China is concerned with and helps employees facing difficulties. We offer them assistance in facing the challenges in work and life, thus lifting their happiness index.

Caring for Employees' Families

Air China cares about employees facing hardship, and offers them aids. In 2013, Air China launched the fourth round of Employees' Mutual Aid and Mutual Benefits Fund, which attracted 21,724 participants and collected RMB1.3 million, an increase of 15% from the third round. The fund provided RMB440,000 in financial assistance to 44 employees. We further launched the fifth round of Female Civil Aviation Employees Mutual Aid Fund which attracted 10,585 participants. It applied for RMB220,000 in financial assistance from the civil aviation regulator and the fund for 22 sick female employees. We also worked with Samsung Air China Life Insurance to donate electric wheelchairs to 11 employees to solve the difficulties that they and their families face.

Air China strives to build the bond of trust and tolerance between employees and their families. In August 2013, we arranged for nearly 100 employees' children to attend the "I'll Decide My Future" children's summer activity at EECity. This allowed the children to experience various kinds of occupations through role playing so that they will better understand the special characteristics of their parents' work and be more understanding.

A variety of Cultural and Sports Activities

In 2013, Air China hosted a variety of cultural and sports activities to our employees, offering them better health and enriching their life after work.

“Sing to the Glory of Air China, Be Calm and Aggressive”

The Air China Choir successfully completed the rehearsal and recording of three songs “Sing to the Glory of Air China, Be Calm and Aggressive” during the year, and distributed 2,000 copies of recommended songs to various grass-root units. This encouraged the grass-root teams and employees to sing inspirational songs, stimulating their sense of pride and belonging.

“The Most Beautiful Air China Employee” Literary Creation

We solicited more than 210 pieces of poems, proses, micro-fictions and portraits from our employees, telling their beautiful stories working together against all odds to achieve better performance for Air China.

“I Grow with Air China” Essay Contest

We completed and published the collection “Growth”, selected from the best articles submitted to the “I Grow with Air China essay contest. We also organized an exchange program for our creative members centering on poems with “Happiness” as their theme.

“Air China Time and Space” Documentary Photography

More than 200 employees from over 20 units submitted in excess of 500 photographs centered around the theme of performance breakthrough. These photographs capture the exciting moments when our employees faithfully carry out their duties, aggressively contribute their utmost to achieve performance breakthrough for the company.

Employees Walk for Health

We designed and contracted for 50,000 pieces each of pedometers and T-shirts and distributed them to employees to encourage them to take part in walking exercises for their own health. On September 14, we arranged for 1,300 Beijing employees to participate in the 20km hiking competition, the fourth Beijing International Mountain Walking Festival held at Mentougou district. The company also designated October as the month of “Healthy Walk” and hosted the “Air China Goes Forward, Employees Walk for Health” walking competition. More than 500 employees from the 17 units in Beijing and the company’s senior executives participated in the competition.



Air China’s special cultural and sports activities in 2013



A Force for Harmony

Positive value creation is the foundation of building a harmonious society. As China's only flag-carrying airline, it is our honor to serve the crucial events and to carry out dangerous and challenging transport tasks in emergencies. We work with governments, other enterprises and non-profit organizations in all kinds of public welfare programs, making even more sustained contributions to society, creating a better future with our positive actions.

ASTR ALLIANCE MEMBER



In 2013, Air China undertook various special flights to ensure the transport of rescue materials for the Sichuan Ya'an and Pakistan earthquakes. We actively launched public welfare activities and built several welfare bases. We were particularly concerned about children's healthy growth, and raised RMB1,252,349.92 for the Chinese Children Insurance Fund. We also paid RMB4.33 billion in taxes to the central and local governments during 2013.

Support for Special Flight Operation

Civil aviation can provide timely and convenient transport to remote locations or when disaster strikes, and is a key component of public transport system and emergency rescue system. In 2013, the company made advanced preparation and arrangement for the Spring Festival transportation surge, the annual National People's Congress and Chinese People's Political Consultative Conference meetings and the third Central Committee plenum of the 18th Congress of the Chinese Communist Party. During the Spring Festival, we flew a total of 48,600 hours in 14,158 flights. We undertook 20 special charter flights for state and party leaders, as well as 83 flights for government-dispatched personnel. After the earthquakes in Ya'an and Pakistan, Air China responded immediately to carry out rescue missions.

Case Study: Air China Charter Flights for Cadres Supporting Tibet and Qinghai

On July 31, 2013, Air China undertook charter flights of 270 cadres to Lhasa and 80 cadres to Xining. These cadres from central government agencies and central state-owned enterprises had been arranged by the Central Organization Department of the Chinese Communist Party and the Human Resources and Social Security of the State Council. Air China made detailed preparations for every stage of the mission and successfully completed the task.

Case Study: Charters for Religious Pilgrimages

The Hajj is one of the five pillars of Islam and a major foreign related religious activity for Islam in China. In 2013, Air China successfully completed its Hajj charters that involved 10 Islamic minorities in more than 20 provinces. We conducted 48 charter flights for 7,107 passengers.

"This trip realized my long-cherished wish," Ai Shaohua from Dongxiang county of Linxia prefecture said excitedly.

Case Study: Air China Fully Safeguarded the Transport of Rescue Materials for the Sichuan Ya'an Earthquake

At 08:02 on April 20, 2013, Ya'an in Sichuan was struck by an earthquake with a magnitude of seven. Air China responded immediately by transporting rescue materials to the disaster areas. During the next month, we undertook 75 flights of rescue materials for the Ya'an earthquake, carrying 24,514 pieces of goods weighing 182,276 kgs.

"Today's earthquake led to our flight cancelation. Fortunately, we met Wang Dan who was enthusiastic, meticulous and patient. She worked tirelessly and incessantly to help us passengers. Thank you! With the whole-hearted commitment and professional quality of Air China's ground services employees, I'm sure we will survive this rescue operation in flying color.

-- Letter of compliment from Passenger Mr Zhao

Case Study: Air China Undertakes Transport Duty in Chinese Government's International Humanitarian Rescue Operation for Pakistan

An earthquake of 7.7 magnitude struck Pakistan at 19:29 on September 24, 2013, causing serious casualties and damage. China supplied rescue materials in its humanitarian assistance to Pakistan, and Air China undertook the charter cargo transport services. The mission was completed in flying colors through the highly effective co-ordination among various departments.

Caring about Children's Development

Children are the hope and future of our country. Their healthy growth is the key to our prospects and the realization of the China Dream. Air China is greatly concerned about the healthy development of children – we carry out all kinds of activities to show our concern and instill our love in children's heart. We aim to give them a good education, knowledge, happiness and hope.

Promoting Science Education

Leveraging on our industry advantages and our business features in our caring for children activities, we propagate aviation knowledge to the children and enhance their awareness of aviation safety.

Case Study: Propagation of Civil Aviation Knowledge

On December 1, 2013, Air China joined hands with Boeing to hold a lecture at the China Science and Technology Museum entitled "Let Your Dreams Fly – Boeing Aviation Science Education Auditorium – Air China Special". Air China's Boeing 737 senior pilots and chief purser instructors taught the children general aviation knowledge and cultivated their awareness of flight safety, thus helping them appreciate the fun of flying. In turn, this triggered their thirst for aviation knowledge and their desire for exploring aviation studies.

"I was very excited that the pilot and the chief purser gave us a lecture today. The pilot is the occupation that I admire most – I think they are very grand and mysterious. The air stewardesses were elegant and charming. Today's lecture allowed me to understand more about piloting and flying in a plane, and made me more interested in flying!"

-- Zhang Xinyue, student at Primary School Affiliated with Renmin University of China

Case Study: Flight with a Safety Class

Onboard CA851 from Beijing to London Gatwick on July 22, 2013, the Golden Phoenix Team of Air China's cabin crew management department one launched the flight with a safety theme. Under the title of "Activating the concept of safety responsibility, sharing Air China's blue sky voyage", more than 40 students and teachers participating in the first "Junior UN Summer Camp" eagerly participated in class and wrote down their feelings. They thanked the crew team for bringing them a safety themed flight with positive energy and creativity and for enriching their knowledge about flight safety.

Case Study: The Most Beautiful Summer Camp "Teacher"

The Langfang Hongde Home in Hebei province is a charity that serves poor and out-of-school children. In August 2013, Langfang Hongde Home hosted 77 summer camps for children from poor families across the country. Twenty-six employees from the third division of our cabin service department in the Tianjin branch participated in the summer camps. They gave the children lectures on such topics as daily etiquette, history stories, positive state of mind, hard working and aircraft knowledge, making the children keenly interested.



Caring About Children's Education

By organizing public welfare events of all kinds of themes, Air China broadens children's vision and enables them to harvest the sun.

Case Study: "Walking China" Public Welfare Activities

The Communist Youth League sub-branch at Air China Chengdu ticketing office participated in a public welfare activity entitled "Send a postcard at leisure, let Qinghai children walk across China". The members chose all kinds of postcards to share the beautiful natural wonders of the country with far-away children with they travel, sending them their encouraging and blessings. With their eyes and pens, they brought the Qinghai children along to walk across China, let them feel the wonderful country, and pass on positive energy to the children.

Case Study: The "Shenzhen Airlines Babies Concert" Caring Activity

To show their care of the underprivileged groups and to draw society's attention to autistic children, Shenzhen Airlines hosted the "Dreams Set Sail – Shenzhen Airlines Babies' Concert 2013" on the June 1 Children's Festival. Guests from the Shenzhen Disabled Persons Federation and Shenzhen Autism Society as well as Shenzhen Airlines employees watched a fabulous performance by the Shenzhen Babies Art Troupe.

"Every year during the Children's Festival, because of my child's special characters, he cannot have the joy of a normal child. I'm deeply grateful to Shenzhen Airlines for organizing this event. My child was deeply enchanted and happy, and as his mother I was greatly pleased. I hope my child can grow up just like Shenzhen Airlines' babies, happy and confident."

-- Mother of an autistic child

Fund-raising for Children's Fund

We have always cared about children's lives, especially those of orphans, sick children and poor children, offering them aids where we can. We organize family visits, provide poverty relief, and raise funds and material goods for them.

Just before the June 1 Children's Festival, we joined hands with China Children and Teenagers' Fund to launch a series of events entitled "Carrying Dreams and Launching Hopes, Join Air China and Help the Orphans". Through donations made on our Internet ticketing channels, fund-raising on special themed flights, and micro-public welfare platforms, we raised funds for the "Orphans Security Campaign" and brought our blessings and hope to them.

Case Study: Transparent On-line Operation of Children's Insurance Fund

In 2013, we continued to work on the China Special Fund for Children's Insurance, the charity project that we jointly launched with the China Children and Teenagers' Foundation to promote critical illness insurance for teenagers and children. To ensure a transparent operation, we also publicize on the Internet the amount of money that we have raised and how we have used the money.

We raise money for the fund through various channels. There is a donation platform on the aircraft, or passengers can donate while they buy tickets through our official website www.airchina.com.cn. Donation details can be transmitted to the foundation in real time, with confirmation sent to the passenger by email. This is convenient for passengers and allows us to promote children's welfare on a sustainable basis.

Item	Sources of Donation	Amount of Donation (RMB) 2013
1	Direct donations	500,000.00
2	Passengers appeal through on-line booking	345,494.00
	- June coupon campaign	44,965.00
	- August coupon campaign	44,311.00
	- Routine booking donations	256,218.00
3	Onboard appeal for passengers' small changes	354,577.92
	- Children's Festival themed flights campaign	30,600.00
	- Thanksgiving themed flights campaign	4,370.00
	- Routine passengers donations	319,607.92
4	Frequent flyers email appeal	47,908.00
	- June 1 email appeal	6,375.00
	- September 1 email appeal	28,763.00
	- New Year email appeal	12,770.00
5	Houston micro-public welfare campaign	4,370.00
	Total amount	1,252,349.92

Air China will increase its support for "Orphans Security Campaign" in future by opening more channels for raising funds in the air and on the ground. We aim to give orphans more practical aids so that orphans across the country can enjoy health coverage.

-- Fan Cheng, secretary of Chinese Communist Party Air China Committee

Enjoying Charity and Public Welfare

Loving and giving are forever the most outstanding features of humanity. Through its global public welfare donations, Air China has extended its charity work overseas, built a number of public welfare bases, and identified targets for long term aid, so that we can warm every corner with our loving heart.

Global Public Welfare Donations

In today's world, caring about charity and public welfare is a global value. We actively participate in public welfare donations around the world, developed responsibility procurement through Hotel Dieu, sponsored charity basketball match, and donated to Philippine disaster areas hit by typhoons.

Case Study: Sponsoring Charity Basketball Match

As the principal sponsor, Air China participated in the charity basketball match organized by Yao Foundation and played by the Chinese National Basketball Team and current American National Basketball Association players at the Beijing MasterCard Center on July 1, 2013. The entire box office proceeds were used to support the Hope primary schools, including supplying the hardware and software support for basketball sport to students in the Ya'an area. This will allow more youngsters in poor areas to participate in the sport of basketball, enjoy the fun of sports and feel the spirit of sportsmanship, so that they can build their self-confidence and team spirit, thus helping the development of their physical and mental health.

Case Study: Responsibility Procurement Through Hospices Civils de Beaune

Beaune of France is a world-renowned wine region, and its Hotel Dieu (now part of Hospices Civils de Beaune) founded in 1443 had been a heaven for countless poor and sick. The hospices have top quality vineyards that produce great wines. The wine auction, held in Beaune every year, is a major event for the French wine industry as well as the philanthropy circle. All proceeds from this longest lasting wine auction in the world are used in the free medical and hospice services at Hospices Civils de Beaune.

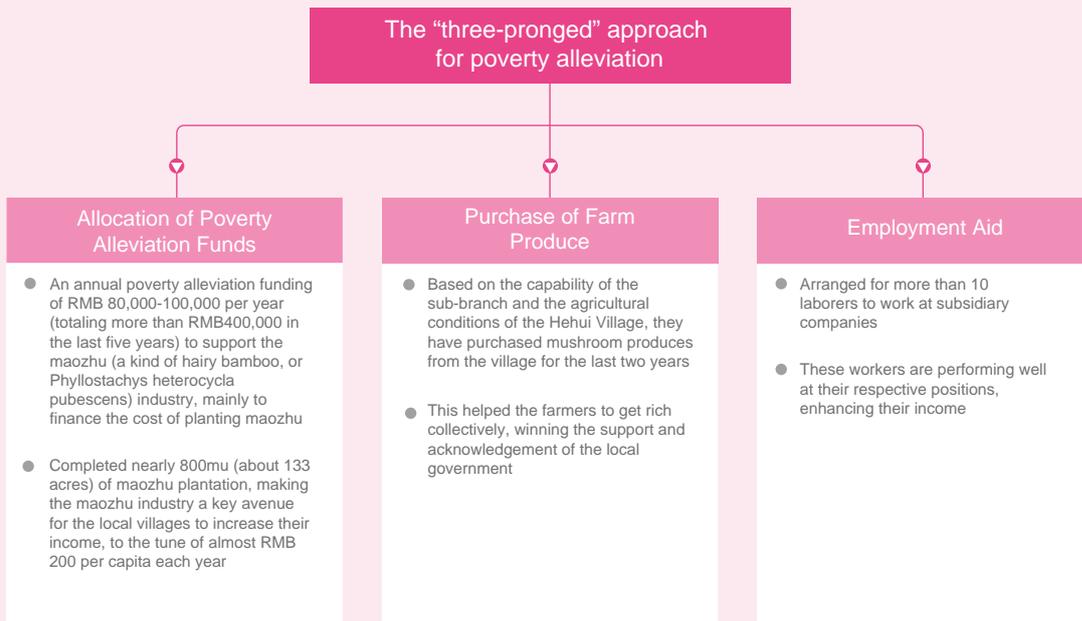
Air China grieves at the sustained and incessant care and sympathy that the people of Beaune show to the weak. From 2011, we've participated in the auction for three consecutive years, the first airline in the world to buy this philanthropic wine in a systematic and order manner, demonstrating Air China's devotion to the needy.

Building Public Welfare Bases

Building on the foundation of our original public welfare bases, Air China has added new targets for long-term support and improved the scope and mechanism of our public welfare aid. In a bid to transform "blood transfusion" into "blood production", we are helping our aid targets to lift their own development capability.

Case Study: Zhejiang Branch – Three-pronged Approach to Alleviate Poverty

Zhejiang branch office pays close attention to twinning in its poverty alleviation work. Its key executives will lead a team to conduct a field trip every year at Hehu Village in Qingyuan County so that they are fully aware of the actual situation and can apply their three-pronged approach to alleviate poverty.



Case Study: Southwest Branch – Alleviating Tibetans’ Poverty

Air China Southwest branch office dedicates itself to alleviating poverty at Batang County in Sichuan province, and has asked the Batang County Poverty Alleviation and Immigration Bureau to select two poor Tibetan families on Guohang Road of Diwu Village as their aid targets. The branch has signed an aid agreement with the bureau and the village government so that the money is actually used on the poor peasants in the Tibetan areas. This will help the poor Tibetan peasants to start their own businesses and improve their lives.

Case Study: Chongqing Branch Helps Build Infrastructure at Poor Counties

As a member of Chongqing’s Education Commission Poverty Alleviation Group, Air China Chongqing branch has linked up with Tianxing Village in Wuxi County for dedicated aid. Over the years, the company has helped the village through donations of money and supplies as well as visits. In recent years, Wuxi County has begun to develop tourism as its main business. Air China has lent its support by using its advertising platform to promote Wuxi’s tourism attractions, thus contributing to its development. Further, the branch has raised another RMB300,000 in poverty alleviation aid to finance road construction in Tianxing Village, providing another impetus to the village’s economic development.

Case Study: Shenzhen Airlines – Base for “Help the Disabled to Realize Their Dreams”

Just before the National “Help the Disabled Day”, Shenzhen Airlines invited employee representatives from Shenzhen Canyou Group for a visit and exchange, thus launching the “Help the Disabled to Realize Their Dreams” campaign. With the help of Air China volunteers, Canyou Group employees visited the Shenzhen cabin crew training center, the simulated aircraft cabin (where they experienced the facilities inside a cabin), and witnessed at close range aircraft landings and takeoffs at the Shenzhen Baoan International Airport. To better serve their social responsibilities, Shenzhen Airlines has set up a “Shenzhen Airlines Volunteers Fulfillment Base” to establish a long-term co-operation mechanism to help the disabled and repay society.



“Shenzhen Airlines’ services for the disabled rank number one in the industry. They really think from our point of view, and make our trip more convenient and more comfortable.”

- An employee of Canyou Group

Undertaking Volunteer Work

Carrying out and promoting volunteer services are well engrained in Air China's tradition. In 2013, Air China's Communist Youth League committee and its subordinate units worked hard to propagate the volunteer service ideas of "Dedication, Friendship, Mutual Assistance and Advancement" and carried out a wide range of volunteer work. For the whole year, 1,500 young volunteers participated in various volunteer activities. Because of the industry's special characteristics, during the peak operating periods such as the Spring Festival and the golden weeks, as well as during special weather conditions which led to flight delays, Air China's volunteers joined the front line and provided assistance to passengers. The Golden Phoenix Team of Air China's cabin services department was chosen by the Propaganda Department of the Beijing Communist Party committee and the Capital Spiritual Civilization Office as the "model unit for the capital's "Learn from Lei Feng" volunteer services".

Case Study: Launching Environmental Activity

To strengthen their environmental protection awareness, be closer to nature, and to ignite the competitiveness of team work, the Communist Youth League committee of Air China's Hubei branch organized an environmental protection activity entitled "Beautiful Air China Hubei Protects Green Mountains and Blue Waters". Almost 30 League members participated in the activity and volunteered their contribution.



Case Study: "Respect and Love the Elders" Activity

When the weather warmed and spring flowers blossomed, Communist Youth League volunteers from the cabin department of Chongqing branch returned to Huixing Nursing Home in Yuebei district to present their "Be Happy and Healthy Together" activity dedicated to the elders.



Case Study: Active Volunteers Right By Us

On March 13, 2013, volunteers from the Air China Wuhan sales department made their appearance at the Wuhan subway station to present their "Learn Lei Feng's spirit, Establish new trend for Hubei, Air China's young volunteers are pioneers" activity. To promote Lei Feng's spirit of helping others, the volunteers put on the "Air China volunteers" ribbon and helped the elders up and down the stairs or carried bags for passengers. Through this activity, we made people understand the meaning of "everybody helps me, I help everybody" – starting from little things surrounding us, we can make our youth complete.

2014 Outlook

Economy	We will enhance our flight operations quality and improve the company's overall efficiency. Together, Air China, Air China Cargo and Shenzhen Airlines plan to complete 1.716 million flying hours and carry 85.525 million passengers, with its RTKs and RFTKs reaching 20.07 billion and 5.59 billion respectively.
	We will enhance our marketing organization capability, strengthen the value of our core hub, optimize our route network structure, and accelerate the transformation of our marketing model towards one guided by customer value. We plan to commission such new international routes as Beijing – Hawaii, Beijing – Washington D.C., Beijing – Vienna – Barcelona, Beijing – Vladivostok and Shanghai – Munich.
	We will gradually promote synergies among Air China Group companies in the three major areas of strategy, marketing and sales, and common service platform. We will also push for the consolidation of our cabin service system and the transformation of Air China Cargo. To optimize our strategic cost structure, we will build a process costing management system based on operating costs.
Safety	We strive to prevent any flight accident, any major accident on the ground or any major aircraft maintenance accident, and we will do our utmost to foil any hijacking or bombing attempt provided that the safety of passengers and the aircraft is secured.
	We will start building an operational assessment system with risk prevention and control at its core in order to improve our alert and risk prevention capability.
	We will strictly enforce unified standards for aviation safety errors and flight quality control, and strengthen the safety monitor of our branches and subsidiaries.
Service	We will implement our "Love to serve, know how to serve, and be wholehearted in serving" concept and strengthen our service management to effectively improve customer experience; and we will further consolidate the foundation for the development of our services through improved institutions and mechanisms.
	We aim to improve customer experience and increase their satisfaction by focusing on seamless service throughout the whole process.
	We will promote product innovation and cultivate flagship products to build up our service brand.
	By focusing on building teamwork, higher personnel quality, and improved employee capability, we aim to build an excellent atmosphere for our service culture.
Environmental protection	We will continue to advance the development of a strict and effective system and institution for environmental management.
	We will strengthen the mechanisms for energy supervision and control and refine performance appraisal for energy conservation and emissions reduction endeavors.
	We will continue to step up the research and application of energy conservation and emissions reduction technologies and management measures.
	We will work to enhance employees' environmental awareness and cultivate an environmentally friendly corporate culture.
Employees	We will deepen our "Happy employees" program and serve our employees from multiple angles.
	We will build a smooth channel of communication between the management and employees and establish a platform for exchanges and interactions.
	We will continue to make progress in the implementation of our cohesion program, improve our comprehensive medical coverage for employees, and strengthen our long-term working mechanism for serving and satisfying both customers and employees.
	We will develop our training system in both its depth and scope, and will refine our leadership training program.
Society	We will continue to carry out special flight operations for major events and emergency events.
	We will continue to broaden our public welfare endeavors.
	We will provide better support to the education and development of children and expand the buildup of our volunteer teams.

Report Index

Contents	GRI Index	CASS-CSR Index
Cover		
Notes to the Report		P1.3
Notes to the Report /Basis of Preparation	3.5	P1.5
Notes to the Report /Time Frame	3.1	P1.1
Notes to the Report /Reporting Cycle	3.2/3.3	
Notes to the Report /Sources of Data	3.10/3.11	P1.4/P1.6
Notes to the Report /Scope of the Report	3.6/3.7	P1.2
Notes to the Report /Abbreviations		
Notes/Accessibility of the Report	2.4/3.4	P1.7/P1.8
CSR Framework	1.2/4.8	P3.1/G1.1/G1.2
Chairman's Message	1.1/1.2/4.8/4.9/4.11	P2.1/P2.2/G1.3
About Us		
Company Overview	2.1/2.2/2.4/4.13	P4.1/P4.2/P4.3/4.4
Organizational Structure	2.3/2.5/2.8/2.9	P4.3/P4.4/P4.5
Routes and Fleet	2.2/2.5	P4.3
Corporate Governance and Risk Prevention /Corporate Governance	2.6/4.9	P4.5/P4.6
Corporate Governance and Risk Prevention /Internal Control	4.6/4.9/4.11	G3.2
Corporate Governance and Risk Prevention /Business Ethics	4.7/4.8/4.9/SO2/SO3/SO4/SO7	M3.5/M3.6/M3.7/S1.1/S1.2/S1.3
Major Honors	2.10	P5.3/G4.3
CSR Management		
CSR Concepts	4.8	G1.1
Sustainable Development Strategy	1.2	G1.3
CSR Management Mechanism	4.15	G2.1/G2.2/G2.3/G2.4/G5.2/G6.2
Identification of Material CSR Issues	4.10/4.11/4.12	G5.2/G5.4
Stakeholder Engagement	4.4/4.14/4.15/4.17	G3.3/G5.1/M1.1
Overall CSR Performance	EC1	P5.2/S1.6/S1.8
Creating Economic Value		
Promoting Economic Integration	EC1	M1.1/M1.2/M1.3
Promoting Economic Integration/ Developing International-class Passenger Hub	EC8/EC9	S1.5/S1.8/S1.9
Promoting Economic Integration/Enhancing the Impact of Regional Hub Network	EC8/EC9	S1.5
Promoting Economic Integration/ Accelerating Growth of Cargo Network	EC8/EC9	S1.5
Better Management to Strengthen Efficiency Leadership		

Better Management to Strengthen Efficiency Leadership/ Studies of Customer Needs Increase Revenue		
Better Management to Strengthen Efficiency Leadership/ Tighter Management Lowers Costs and Raises Efficiency	EC9/SO1	M1.2/M1.3/M1.4
Joining Hands with Our Value Chain Partners		
Joining Hands with Our Value Chain Partners/ Co-ordinated Moves with Other Air China Group Companies	EC9/SO1	M1.2/M1.3/M1.4/LOM2.11
Joining Hands with Our Value Chain Partners/ Co-operations with Peer Partners	SO1	M3.2
Joining Hands with Our Value Chain Partners/ Strengthened Supplier-Partners Management	PR6	M3.1/M3.3/S3.5/E1.7
Joining Hands with Our Value Chain Partners/ Strengthened Supplier-Partners Management	HR6/HR7	M3.1/M3.3/S3.5/E1.7
Ensuring Operational Safety		
Increasing Precision in Safety Management		
Increasing Precision in Safety Management/Deepening the Application of the Safety Management System	PR2	LOS3.1
Increasing Precision in Safety Management/ Sustained Rollout of Inspection and Examination		S3.3
Increasing Precision in Safety Management/ Emergency Safety Management		S3.2/S3.5
Increasing Precision in Safety Management/ Aviation Security Management		S3.2/S3.3/S3.5
Improved Skills of Our Flight Crew		S3.3/S3.4
Safer Operation of Facilities		
Safer Operation of Facilities/Aircraft Replacement	PR1	LOM2.11
Safer Operation of Facilities/Focus on Maintenance	PR1	S3.5
Safer Operation of Facilities/Application of New Technologies	PR1	S3.5
Enhancing Passengers' Safety Awareness		LOM2.10
Providing Quality Service		
Building a Strong Service Platform		
Building a Solid Service Platform/Improving Our Service System	PR6/PR8	M2.1/M2.3/LOM2.5
Building a Solid Service Platform/ Offering Better Services Together	PR1/PR6	M2.2/LOM2.12/M3.2
Focus on Customer Needs		
Focus on Customer Needs/Listening to Customers' Voices	PR5/PR6	M2.13/M2.14/M2.16
Focus on Customer Needs/Sincerity for Goodwill	PR1/PR3/PR5	LOM2.6/LOM2.7/M2.15/M2.18
Focus on Customer Needs/Interactive Exchanges With Passengers		
Entering the Age of Mobile Internet		
Entering the Age of Mobile Internet/Quick and Easy Journeys	PR1/PR6	M2.2/LOM2.10/LOM2.12
Entering the Age of Mobile Internet/Safeguarding Customer Information	PR8	M2.3/M2.4
Entering the Age of Mobile Internet/A Pleasant Flight	PR1/PR6	M2.2/LOM2.10/LOM2.12
More Caring at Air China		
More Caring at Air China/Building Comfortable Cabins	PR1/PR6	M2.2/LOM2.10/LOM2.12
More Caring at Air China/Quality Ground Services	PR1	LOM2.12
More Caring at Air China/Care for Special Passengers		LOM2.8

Green Development		
Excellent Management System	EN1/EN3/EN5/EN6/EN16/EN18	E1.1/E2.1/LOE2.2/E3.1/E3.2
Building a Green Fleet	EN6/EN7/EN18	LOE1.4/LOE1.6/E2.1/LOE3.4
Lowering Energy Consumption Through Scientific Management	EN6	E1.1
Lowering Energy Consumption Through Scientific Management/Operational Control	EN5/EN6/EN7	LOE1.6/E2.3
Lowering Energy Consumption Through Scientific Management/Aircraft Maintenance	EN5/EN6/EN7	E1.1/LOE1.6/E2.3
Overall Energy Conservation Development		
Overall Energy Conservation Development /Recycling Resources	EN2/EN26/EN27	CE2.3/E2.4/E2.5
Overall Energy Conservation Development /Energy Conservation on the Ground	EN5/EN7	E2.6/E2.8/E2.10
Overall Energy Conservation Development /Energy Conservation Promotion Cases	EN26	E1.1/E1.2/E1.3
Building a Happy Home		
Uniting the Devotion of All		
Uniting the Devotion of All/ "Public Opinion Direct"	LA4/LA5	S2.7/S2.8/S.2.24/S2.25
Uniting the Devotion of All/Comprehensive Medical Insurance Plan	LA8/LA9	S2.7/S2.17/S.2.19/S2.20
Uniting the Devotion of All/Employees' Health and Safety	LA8/LA10	S2.16/S2.17/S2.18/S2.19
Attracting a Diversified Pool of Talent	LA1/LA13	S2.1/S2.2/S2.3/S2.14
Attracting a Diversified Pool of Talent/Recruitment	LA3/LA4/LA9	S1.8/S1.9/S2.2/S2.3/S2.4/S2.12
Attracting a Diversified Pool of Talent /Training and Development	LA10/LA11	S2.21/S2.23
Attracting a Diversified Pool of Talent/ Recognizing EmployeeContribution	LA11	S2.23
Caring and Aid for Employees		
Caring and Aid for Employees/Caring for Employee' Families	LA8	S2.26/S2.27
Caring and Aid for Employees/A Variety of Cultural and Sports Activities		S2.28
A Force for Harmony		
Support for Special Flight Operation	SO1	S4.1
Caring about Children's Development		
Caring about Children's Development/ Promoting Science Education	EC1/SO1	S4.2
Caring about Children's Development/ Caring About Children's Education	EC1/SO1	S4.2
Caring about Children's Development/Fund-raising for Children's Fund	EC1/EC3	S4.7/S4.8
Enjoying Charity and Public Welfare		
Enjoying Charity and Public Welfare/Global Public Welfare Donations	EC1/SO1	S4.12
Enjoying Charity and Public Welfare/Building Public Welfare Bases	EC1/SO1	S4.7/S4.9
Undertaking Volunteer Work		S4.10/S4.12
2014 Outlook	4.8	(A1)
Third-party Evaluation	3.13	(A2)
Report Index	3.12	(A3)
Back cover	2.1	

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INDEPENDENT ASSURANCE STATEMENT

Introduction and objectives of work

BUREAU VERITAS has been engaged by AIR CHINA LIMITED (hereafter referred to as "AIR CHINA ") to conduct an independent assurance to 2013 CORPORATE SOCIAL RESPONSIBILITY REPORT (hereafter referred to as "the Report") of AIR CHINA . This Assurance Statement applies to the related information included within the scope of work described below.

This information and its presentation in the report are the sole responsibility of the management of AIR CHINA. Bureau Veritas was not involved in the drafting of the Report. Our sole responsibility was to provide independent assurance on its content.

Scope of work

- Data and information included in the report for the report period from 2013.1.1 to 2013.12.31;
- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analyse and review the information reported;
- The assessment team visited AIR CHINA head-quarters (located in No.30 Tianzhu Road, Tianzhu Airport Economic Development Zone, Beijing City) and relative functional departments, BV did not visit other site and its stakeholders.

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined assurance period;
- Positional statements (statements of beliefs, goals, future intention and future commitment);
- Much of the operating financial data in this Report is taken from AIR CHINA Annual Reporting and accounts, which is separately audited by an external auditor and therefore excluded from the scope of the Bureau Veritas assurance.

Methodology

As part of its independent assurance, Bureau Veritas undertook the following activities:

- Interviews with relevant personnel of AIR CHINA;
- Review of documentary evidence produced by AIR CHINA;
- Audit of sampled CSR performance data;
- Assessment of data and information systems for collection, aggregation, analysis and review.

Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Assurance of Sustainability Reports, based on current best practice in independent assurance.

For this assignment, we have used the verification rules and instructions IASE3000, AA1000 and GRI G4. The work was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a reasonable basis for our conclusions.



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Our findings

On the basis of our methodology and the activities described above, it is our opinion that:

- The revised information included in the report are objective, reliable and free from material mistake or misstatement;
- During the process of assurance engagement, BV also identified some improvement opportunities to be included in the "Key areas for ongoing development".

Objectivity

The information and data presented in the report is objective and reliable. AIR CHINA relative functional dept. have implemented relevant procedures to collect, analyse and compile CSR information. Through on-site verification, the evidence provided by Air China is reliable and traceable.

Completeness

The Report covered CSR key issues of air transport sector. It focus on "ensure safe operation", "provide quality service" and "green development", and also disclosure corporate social responsibility management, economic responsibility, employee care and community development which issues other stakeholders concerned.

Materiality

According to CSR requirements of SASAC and Shanghai Stock Exchange, AIR CHINA identified and disclosed key information on environment, social and economic, keep compliance with the principle of triple bottom line.

Responsiveness

The report adopted simple, clear language and quantitative data, answered to key questions which stakeholder concerned, especially key issues of aviation safety, passenger service quality, environmental protection etc. So the report has general responsiveness.

Key areas for ongoing development

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

This is the sixth CSR report of AIR CHINA. With the company's business development, the report scope is gradually expanded. In order to make easy for readers to evaluate and make decision, it is better to integrate data performance system and unify data statistical scope to improve report comparability.

In order to improve report's responsiveness, the company considers adding service performance data, anti-monopoly actions, greenhouse gas emission according to GRI (G4) standard requirements.

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Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Society responsibility and Environmental management with almost 180 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
2014-03-10

May Huang
Assurance Team Leader
Bureau Veritas Certification
2014-03-10





A STAR ALLIANCE MEMBER 