



A STAR ALLIANCE MEMBER 

A landscape at the bottom of the page shows a green grassy field with a few trees in the distance under a blue sky with white clouds.

Corporate Social Responsibility Report 2009

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Chairman's Message

In 2009, the air transportation industry was sluggish due to the global economic crisis. Despite the difficult situation, Air China actively balanced strategic expansion and dealing with the crisis, and fulfilled the social and environmental responsibilities while improving operating revenue. Leading the industry in operational performance, we also recorded the best operation safety in our history. With the quality of services continuously improving, we made progress in energy saving and emission reduction, increased value for employees and stakeholders, and satisfactorily achieved our responsibilities to the community.

Air China built a philosophy of social responsibility emphasizing "meet social demand, create mutual values" and established a specialized social responsibility organization in 2009. Air China also constructed a system for social responsibility management and improved the mechanism for stakeholder engagement. Meanwhile, we started integrating the system with our operation management system to collectively enhance the level of company's management and increase the impact as a responsible corporate.

Air China is committed to the principle of continuous safety, setting aviation safety and security as top priorities. In 2009, Air China cemented the foundation for the safety management through the establishment of the new safety management system, and improved the safety management level through the introduction of advanced technologies. With a better guarantee capacity, the reliability and operating efficiency of our fleets were boosted. The company completed 319 thousand flights for 2009, clocking 888 thousand safe flying hours.

Air China sticks to the prudent and stable operation, carrying out strategies that aim for sustainable development. Responding to the changes in domestic and international markets in 2009, we proactively optimized our resource allocation and moved towards higher operational efficiency. We allocated



more resources to markets where we had built an advantage and solidified our position in major hubs. We also implemented customized marketing management based on varied demands. In addition, we strengthened cost management and exploited potential for further cost reduction to maintain the cost advantage. We achieved the profit of RMB5.029 billion in 2009, with strong profitability over peers.

Providing passengers with safe, convenient, comfortable and customized services has always been our commitment. To improve service quality in 2009, Air China launched a plan to build a full-process service system to align our services with standards. Our e-commerce development efforts, newly launched express flights, and transit service improvement resulted in greater convenience and swiftness for passengers. In addition, Air China also started establishing a service quality appraisal system combining passenger satisfaction survey with internal and external supervision and assessment, intended to obtain feedback from customers and support the company in improving service and increasing passenger satisfaction.

Chairman's Message

Air China adheres to the "People First" principle, viewing talent retention strategy as the foundation for development. The company always lawfully handles employment issues in a fair manner, safeguarding employees' interests and rights. It saves no efforts in building a sound corporate culture and creating a favorable working environment to boost employees' cohesion. It also offers employees diverse trainings and prepares them for future career development, ultimately achieving the value growth of the company and employees.

Air China also responded to the call for "energy saving, emission reduction, and scientific development" in 2009, improving the management mechanism and pushing forward "green operation" throughout the organization. The measures, like fleet restructuring, route optimization, and aircraft weight downsizing, helped cut fuel consumption and reduce greenhouse gas emission. The company paid attention to recycling of waste generated both in flight and on ground to facilitate resource reuse. Conservation promotion throughout the company was also effective in mitigating energy consumption.

In addition, Air China pays attention to and supports public welfare and community building. Air China cares for the younger generation and never hesitates to share the burden and worries for the society and contribute to the development of the country when in need. In 2009, the company participated as one of the sponsors in the China Children Insurance Foundation Program, distributing raised funds to help children in poverty-stricken areas. Air China also founded a youth volunteer association to participate in community activities.

Looking ahead, Air China has much to achieve in social responsibility in 2010. We will make efforts to perform our social responsibility while improving our competitiveness. We believe that we will achieve a balance between our development and the community as well as the environment, and we would like to contribute more to the development of the national economy and the society at large.



Kong Dong
Chairman, Air China Limited
April 2010

Air China and the Corporate Social Responsibility Strategy



Part One Air China and the Corporate Social Responsibility Strategy

I. About the Report

Scope of the report

The report is primarily about Air China Limited, partially covering its domestic and overseas branches and subsidiaries.

Reporting period

From January 1, 2009 to December 31, 2009

Date of previous report

The company released the first corporate social responsibility report in April 2009.

Reporting cycle

It is an annual report released in Chinese and English.

Contact approach

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Process for defining report content

The report is prepared with reference to the *Sustainability Reporting Guidelines of Global Reporting Initiative (2006 edition)*.

Significant changes

This is the second corporate social responsibility report of Air China.

New contents included in the report are the description of Air China's philosophy of corporate social responsibility, the procedures of social responsibility implementation, recognition of stakeholders, and report evaluation.

Data in the report

The report mainly includes figures for 2009, partially covering data from previous years. Unless otherwise specified, all data in the report are in Renminbi (RMB).

Part One Air China and the Corporate Social Responsibility Strategy

II. About Air China

(As of December 31, 2009)

Company name	Air China Limited
Registration date	September 30, 2004
Headquarter location	No. 30, Tianzhu Road, Tianzhu Airport Industrial Zone, Beijing, China
Ownership	Stock Limited Corporation
Total shares	12.251 billion shares
Total assets	RMB106.163 billion
Operating revenue	RMB51.095 billion
Employees	39,984
Website	www.airchina.com.cn

Air China Limited (hereinafter “Air China” or “the Company”) was founded in 1988, and its predecessor was known as Air China International.

In October 2002, Air China International absorbed 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 then listed both in Hong Kong (trading code: 0753) and London (trading code: AIRC) on December 15 of the same year, before floating in the domestic A-shares market (trading code: 601111) on August 8, 2006. As of December 31, 2009, Air China had a market capitalization of RMB99.7 billion, ranking the first among all listed aviation companies globally.

Leading domestic airlines in both passenger and freight transportation and other related services, Air China is a member of Star Alliance, the world’s largest airline alliance, and the only Chinese civil aviation enterprise which is listed among The World 500 Most Influential Brands.

As the only domestic airline which carries the national flag, Air China has been providing exclusive flight services to the government, important customers and top-rank foreign officials visiting China as well as emergency flight services. For years, our quality service has won us trust and honors from the government.

In 2009, Air China and Air China Cargo Co., Ltd. (“Air China Cargo”) had 262 aircrafts, mainly Boeing and Airbus types, and regular flights serving 32 countries and regions, including 63 overseas cities, 90 domestic cities and three regions. Through cooperation with Star Alliance members and other airlines, we have successfully expanded our services to 1,077 destinations in 175 countries.

Part One Air China and the Corporate Social Responsibility Strategy

Tab. 2.1 Fleets

Purpose	Type	Number
Passenger aircraft	A319	33
	A320 series	33
	A330	20
	A340	6
	B737 series	119
	B747 series	10
	B757	13
	B767	6
	B777	10
Freighter	B747 freighter	9
	TU204	1
Business jet	A318	1
	G450	1
Total		262

Note: The figures reflect the combination of Air China and Air China Cargo's fleets



Part One Air China and the Corporate Social Responsibility Strategy

Fig. 2.1 International Routes



Fig. 2.2 Domestic Routes



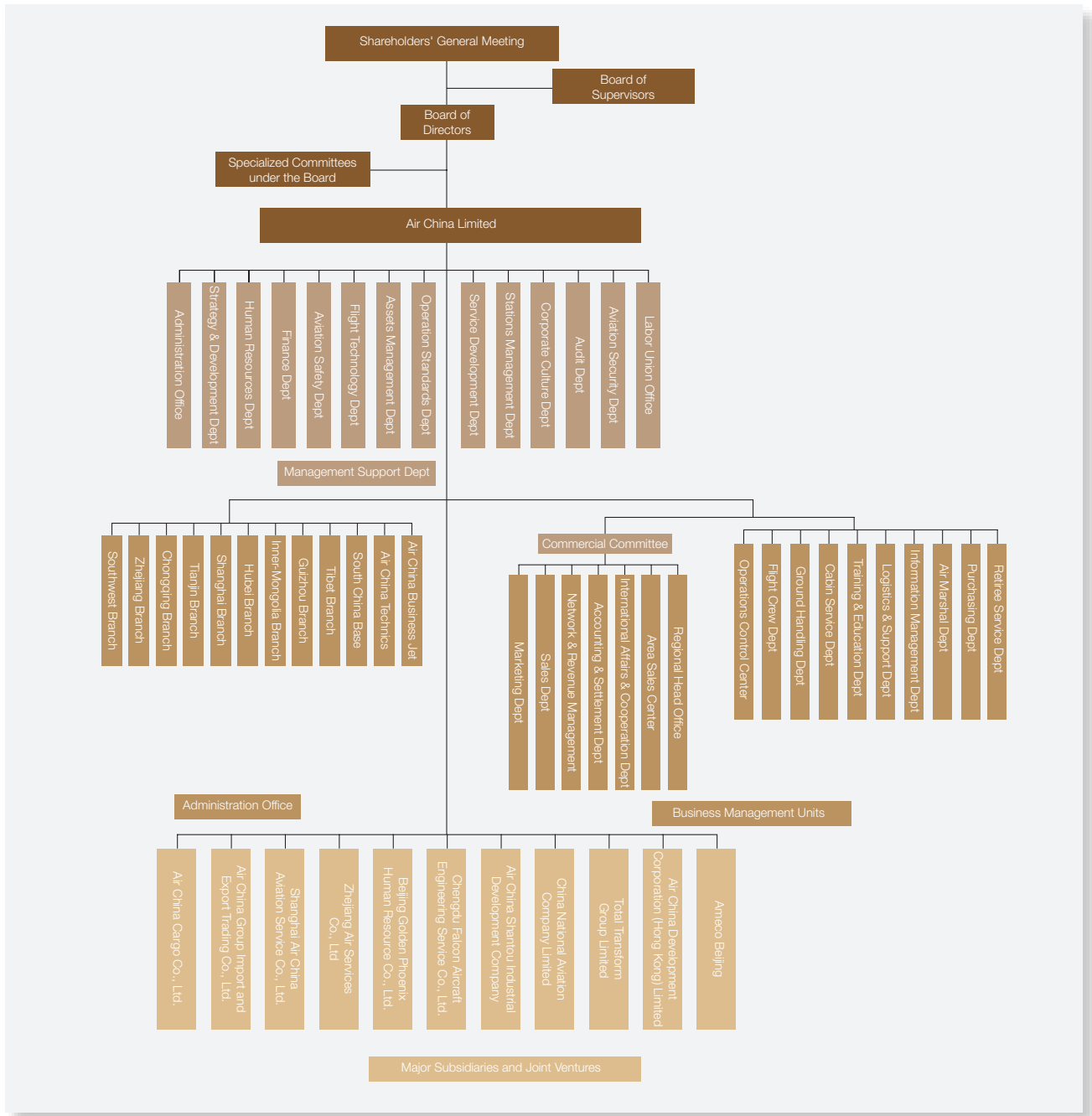
Part One Air China and the Corporate Social Responsibility Strategy

III. Corporate Governance

Air China strictly abides by domestic and overseas rules, laws and regulations governing listed companies, and constantly improves the corporate governance structure. Besides the Articles of Association, the Company has also set up and improved a series of regulations for operation of shareholder meetings, the Board of Directors and the Board of Supervisors, information disclosure and investor relations management, so as to improve governance, increase transparency and achieve long-term shareholder return.

3.1 Organizational Structure

Fig. 3.1 Organizational Structure Chart



Part One Air China and the Corporate Social Responsibility Strategy

3.2 Structure of the Board of Directors

Tab. 3.1 Directors and Supervisors

Name	Position	Gender
Kong Dong	Chairman and non-executive director	Male
Wang Yinxiang	Vice chairman and non-executive director	Female
Wang Shixiang	Vice chairman and non-executive director	Male
Cao Jianxiong	Non-executive director	Male
Christopher Dale Pratt	Non-executive director	Male
Chen Nanlu	Non-executive director	Male
Cai Jianjiang	Executive director and president	Male
Fan Cheng	Executive director, vice president and chief accountant	Male
Hu Honglie	Independent non-executive director	Male
Zhang Ke	Independent non-executive director	Male
Jia Kang	Independent non-executive director	Male
Fu Yang	Independent non-executive director	Male
Sun Yude	Chairman of the Board of Supervisors	Male
He Chaofan	Supervisor	Male
Zhou Guoyou	Supervisor	Male
Chen Bangmao	Supervisor	Male
Su Zhiyong	Supervisor	Male

Fig. 3.2 Board Structure



3.3 Assessment for Executives

Air China has specific requirements for executive employment to meet the need of the company's development. Air China selects qualified people in an open manner and conducts comprehensive assessment for them, with the final employment decision made by the Board of Directors through discussion. We have established a system based on both annual assessment and event assessment that focuses on safety and operating performance. Different criteria and methods are defined for different positions and assessment results are described in a way combining qualitative and quantitative factors. Executives' responsibilities, authorities and duties are clarified in the Articles of Association, employment contracts and a range of internal regulations.

Part One Air China and the Corporate Social Responsibility Strategy

3.4 Risk Management and Internal Controls

1. Risk Management

Air China started pushing forward comprehensive risk management in 2006, identifying and evaluating key risks of the company. Air China also established a risk index system based on various risk factors and implemented corresponding controls for major risks. To further improve the risk management, Air China set up



a risk management committee and a dedicated work team in 2009, improving the organizational architecture for risk management, specifying duties, implementing risk management procedures and formulating future work plans. All departments continuously evaluate, manage and monitor related risks and report to the risk management committee in a regular manner to effectively comprehend and control the risks that the company is exposed to.

2. Internal Controls

Regarding the internal control management, our audit department performs internal audit tasks following the regulations and procedures set in the *Corporate Internal Control Policy*. The audit department conducted internal control assessment projects

in 2009, which reviewed design effectiveness and execution effectiveness of internal controls for Air China and its major branches at both entity level (including control environment, risk assessment, control activity, information & communication and monitoring) and process level (e.g. financial statement closing process). Improvement recommendations and action plans were prescribed to remediate internal control deficiencies.



3. Anti-fraud

In terms of the anti-fraud work, in order to enhance the awareness of anti-corruption, Air China's officials at different levels need to sign a anti-corruption commitment at the beginning of each year under the supervision of the disciplinary and inspection department, as required by the *Anti-corruption Regulations for Officials of Air China Limited*, which was formulated according to the *Anti-corruption Regulations for Officials of State-owned Enterprises (for trial implementation)* and the *Regulations for Air National Aviation Holding Company Officials' Anti-corruption Commitment*. Meanwhile, audit and risk management committee is responsible for the collection and report of information related to fraud cases.

Part One Air China and the Corporate Social Responsibility Strategy

4. Supplier Management

With regard to the supplier management, to standardize procurement process, integrate procurement resources, reduce purchasing costs and prevent related risks, Air China established and issued a series of regulations, which helped strengthen the procurement management system, improve mechanism for procurement supervision and achieve information-based procurement. In 2009, the Company issued the *Guidance for Further Strengthening Internal Controls of Procurement* to promote centralized purchasing, green purchasing and responsible purchasing. Under the Guidance, the Company is required to preferably join Star Alliance purchasing, allied purchasing and centralized purchasing where pricing is uniformly negotiated. The Guidance also encourages purchasing of products with low energy consumption and low pollution and the ones from emerging industries with supportive policies from the government. Bidding and tendering are also promoted to foster fair competition, prevent discrimination and corruption as well as push forward corporate social responsibility through the entire industrial value chain.

5. Related Party Management

For the related party management, Air China formulated the *Air China Limited Related Party Transactions Policy* according to laws and regulations as well as the Articles of Association, in a bid to ensure fairness of related party transactions, protect the interests of minority shareholders' and improve the level of corporate governance. The policy defines basic principles, authorities and procedures for decision-making, ensuring that the related party transactions are creditworthy, fair and in line with the interest of Air China shareholders.

3.5 Competition Compliance

Following the implementation of the *Anti-monopoly Law* in China, Air China in 2009 revised the *Air China Training Manual for Anti-monopoly Law*. We also conducted three training sessions throughout the organization to promote the Law and enhance employees' awareness of competition compliance. Meanwhile, Air China pays considerable attention to anti-monopoly evaluation associated with major events and seeks continuous improvement on the competition compliance and governance. An example is the comprehensive anti-monopoly evaluation and review we conducted on the cooperation with Cathay Pacific Airways. For overseas operations, Air China has strict requirements in place that our overseas branches abide by local anti-monopoly laws and regulations.

IV. Corporate Social Responsibility Management

4.1 Air China's Philosophy of Social Responsibility

Air China is committed to becoming a large networked carrier. Based on this positioning, Air China sets up four strategic objectives and seven strategic focuses for sustainable development.

Fig. 4.1 Air China's Four Strategic Objectives and Seven Strategic Focuses

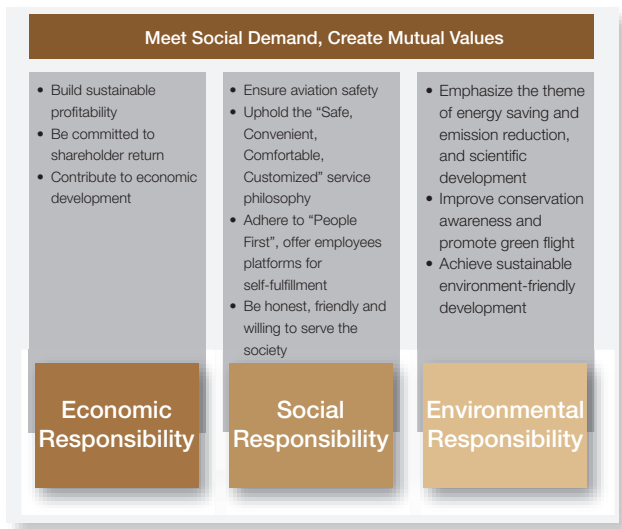
<p>Four Strategic Objectives</p>	<p>Build up international competitive strength; Enhance sustainable growth; Provide excellent and unique experiences for passengers; Create values to all relevant parties</p>
<p>Seven Strategic Focuses</p>	<ul style="list-style-type: none"> • Hub Strategy • Cost Advantage Strategy • Resources Convergence Strategy • Product Innovation Strategy • Specialization Strategy • Brand Building Strategy • Talent Retention Strategy

Air China firmly believes that fulfilling corporate social responsibility is key to improve overall competitiveness. Inclusion of corporate social responsibility in the long-term strategic planning helps the creation of mutual values of the Company and the society, and facilitates the concurrent healthy development. Corporate strategy is fundamental to an enterprise's long-term growth and the fulfilment of the mission. Air China's sustainable development will be achieved by integrating corporate social responsibility into the corporate development strategies as well as caring about and managing the impact of our operation on the country, the community and the environment. We actively explore the integration of corporate social responsibility and strategic objectives, and gradually perform our responsibilities to shareholders, customers, employees, the society, and the environment in order to boost the advantage of strategic competition.

Part One Air China and the Corporate Social Responsibility Strategy

Air China establishes “**Meet social demand, create mutual values**” as the philosophy of corporate social responsibility and seeks to achieve concurrent sustainable development of the corporate and stakeholders through the performance of economic, social and environmental responsibilities.

Fig. 4.2 Air China’s Economic, Social and Environmental Responsibilities

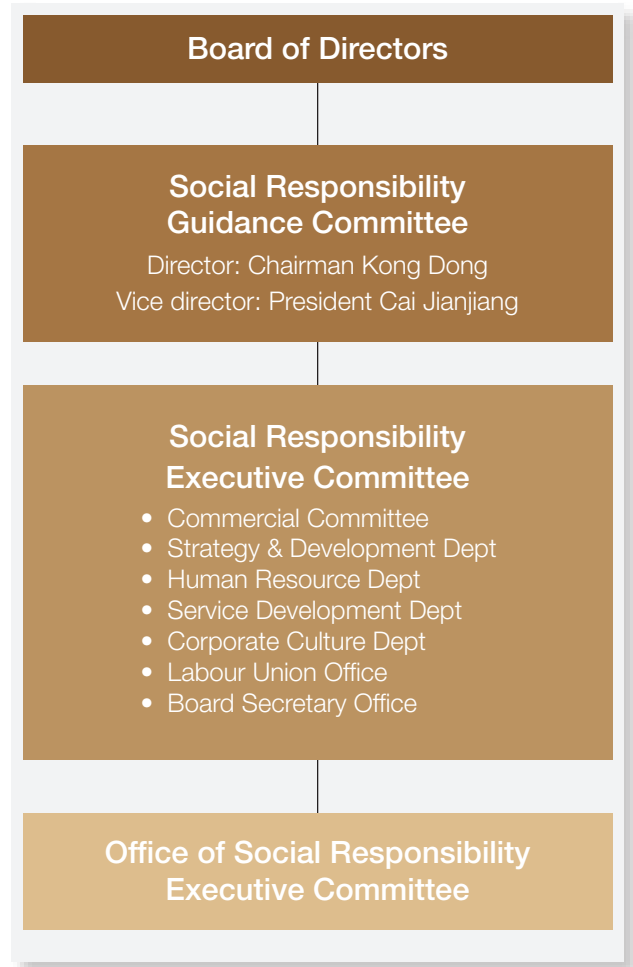


4.2 Corporate Social Responsibility Management Mechanism

Air China established a corporate social responsibility management organization, with the Social Responsibility Guidance Committee as the governing institution, which reports to the Board of Directors. Chairman Kong Dong serves as the director of the committee and President Cai Jianjiang acts as the vice director.

- The Social Responsibility Guidance Committee is responsible for implementation, continuous improvement, supervision and assessment of the Company’s work associated to social responsibility.
- The Social Responsibility Executive Committee is Air China’s executive organization of social responsibility work, and it is comprised of Commercial Committee, Strategy & Development Dept, Human Resource Dept, Service Development Dept, Corporate Culture Dept, Labour Union Office and Board Secretary Office.
- The Office of Social Responsibility Executive Committee is the acting body for the Social Responsibility Executive Committee.

Fig. 4.3 CSR Management Mechanism



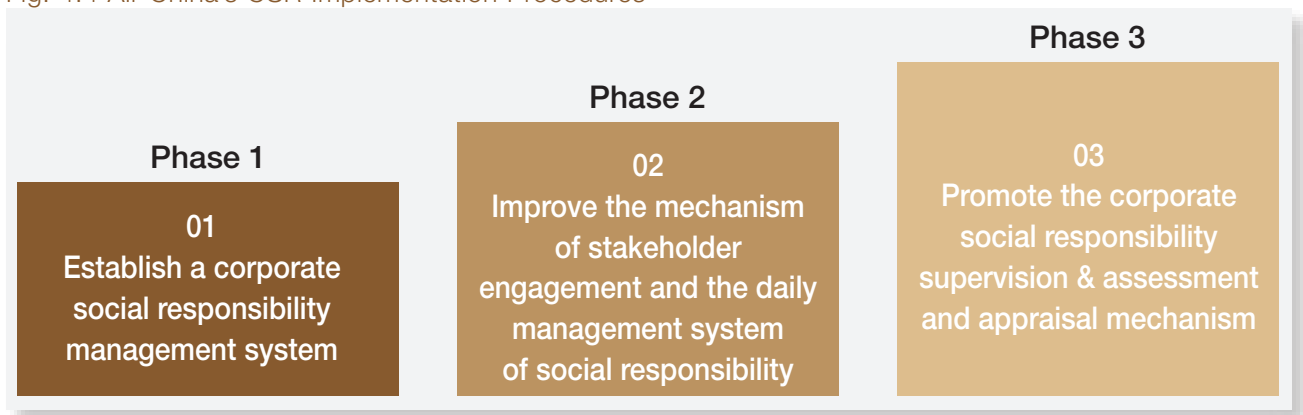
Part One Air China and the Corporate Social Responsibility Strategy

4.3 CSR Implementation Procedures

To implement Air China's corporate social responsibility work, continuously improve the capability to fulfill the responsibility, Air China established a CSR management mechanism and plan to push forward the building of a comprehensive management system for CSR step by step within three to five years. It will include the integration of the CSR philosophy into the

overall strategic development planning and corporate culture, the combination of the social responsibility work with the daily business operations, and the incorporation of supervision & assessment of social responsibility work into performance evaluation procedures. All the efforts are intended to increase Air China's brand value and ultimately maximize stakeholders' interests.

Fig. 4.4 Air China's CSR Implementation Procedures



Phase 1: Establish a corporate social responsibility management system

- Set up a CSR philosophy according to Air China's development strategy and regard it as the guiding principle and rule;
- Establish a CSR work management organization responsible for developing Air China's CSR strategies and leading and organizing the company's daily CSR work;
- Offer comprehensive CSR training and build CSR culture across the company to help employees establish the awareness of social responsibility.

Phase 2: Improve the mechanism for stakeholder engagement and the daily management system of social responsibility

- Establish a mechanism for stakeholder engagement, formulate detailed implementation rules and schemes, and establish a smooth communication channel;
- Build up a daily CSR management system, defining work procedures, management systems and

organizational safeguards for social responsibility, and specifying duties and steps for CSR information collection and composition to further improve the quality of CSR report;

- Preliminarily define and identify CSR indicators for all departments in Air China, taking account of diverse characteristics.

Phase 3: Promote the corporate social responsibility supervision & assessment and appraisal mechanism

- Further push forward the construction of Air China's CSR indicator system, incorporating management certification systems on safety, quality and environment;
- Establish Air China's CSR supervision & assessment mechanism compatible with CSR indicator system to facilitate the performance of the company's social responsibility, upholding the objective of maximizing comprehensive value consisting of economic, social and environmental performance.

Part One Air China and the Corporate Social Responsibility Strategy

V. Stakeholder Communication

In the process of building the CSR system, Air China always regards effective communication with stakeholders as a highlight in the social responsibility work. Air China has built stable communication mechanisms for varied stakeholder groups.

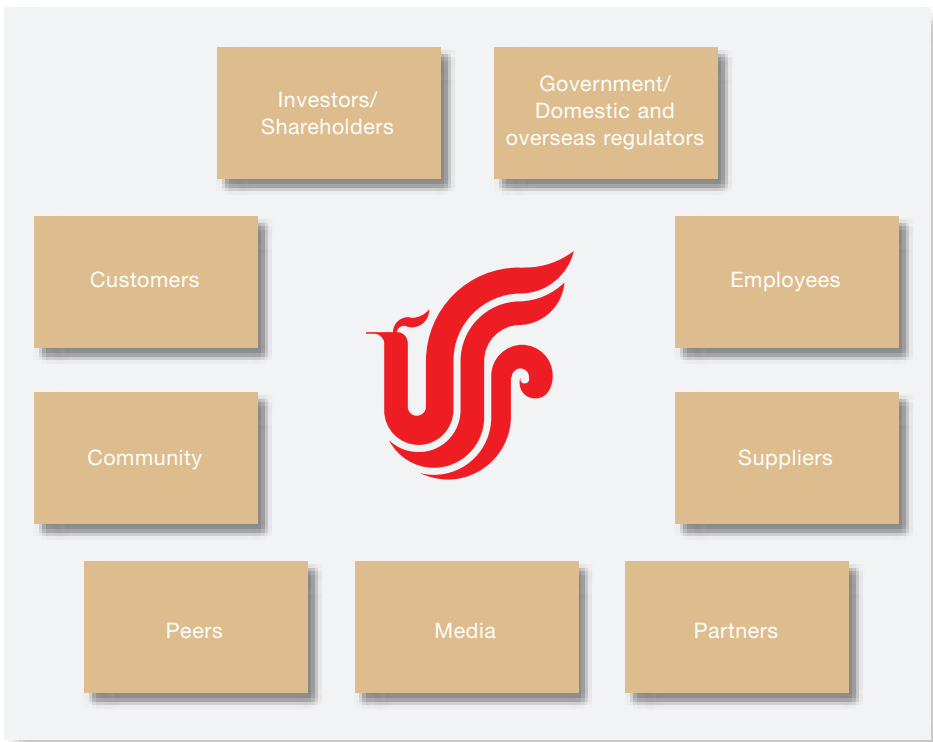
Tab. 5.1 Stakeholder Communication Mechanisms and Expectations

Stakeholders	Communication Approaches	Expectations and concerns	Response by Air China
Governments/ Domestic and overseas regulators	Meetings and information disclosures	Operation in compliance with national laws and regulations Implementation of policies or regulatory requirements by the government and domestic & overseas regulators Follow the principle of compliant operation	P11-14 P33-35 P46-47 P50
Investors/ Shareholders	Information disclosures Shareholder meetings Investor meetings Road shows Visitor reception	Achieve regulated corporate governance Safeguard investors'/shareholders' interests	P7 P10-14 P22-24
Media	Press conferences Media interviews and interactions	Strengthen communication on the company's strategy, major events and planning Work together to promote public welfare and environmental protection activities	P31 P52
Customers	Customer satisfaction survey, complaint and management system	Provide quality services Pay efforts for higher customer satisfaction	P25-28 P28-34
Employees	Training Daily communication Labor union's work Workers congress	Career development Interests and rights protection Value fulfillment Safety and health Harmonious working environment	P44-50 P53-54
Suppliers	Supplier management Bidding/tendering management	Fair competition Integrity, greater cooperation and business expansion	P14
Community	Public welfare and charity activities Volunteer activities	Efforts on community building Community environment protection Support for public welfare Driving force for economic growth of the community	P35-43 P51-54
Peers	Industry forums Industry conferences	Be concerned about industry development and trend Maintain a fair and organized market	P24 P29 P33 P43
Partners	Daily business communication Partner meetings	Cooperation on an equal basis Collaboration to create mutual values	P24 P29

Part One Air China and the Corporate Social Responsibility Strategy



Fig. 5.1 Stakeholders



Part One Air China and the Corporate Social Responsibility Strategy

VI. Honors in 2009



2009.1.8

Became the only enterprise to be rated “2008 Best Social Responsibility Company” and won the “Best Corporate Citizen Image” honor for a fourth consecutive year

2009.10.28

Chairman Kong Dong was selected as the “CAPA Aviation Executive of the Year” by the Center for Asia Pacific Aviation

2009.4.16

Won the TGG travel awards “Best Chinese Airline”, it was the second time that Air China was honored by TGG China since 2008

2009.11.29

Won the “Golden Tripod Award” at the fifth Capital Market Annual Conference

2009.4.24

The only one Chinese airline to be selected as “2009 Travel Agencies’ Most Trustworthy Airlines” at the fifth International Forum on Chinese Outbound Tourism

2009.12.20

One of the 60 most influential domestic brands for the past 6 decades, honored by “China Economy 100 Bests”

2009.6.16

Ranked the 25th in 2009 China’s 500 Most Valuable Brands, the highest ranking in Chinese civil airlines

2009.12.29

Chairman Kong Dong was selected by World Brand Lab as “Influential Person for 2009 China Economy”



Air China CSR Achievements



Part Two Air China CSR Achievements

VII. Sustainable Development

In 2009, Air China made great achievements by sticking to the development strategies. Air China further improved operational capacity of the hubs and networks, strengthened its control over key markets and built up the company's position in

the market. The cost advantage was maintained through an improved cost management and control model; resources allocation was optimized based on seizing market trends. Despite the financial crisis, the Company's operating results hit a record high, and the sustainability is continuously growing.

Tab. 7.1 Financial and Operating Data

	2006 (Restated)	2007 (Restated)	2008 (Restated)	2009
Total assets (thousand RMB)	82,170,994	88,539,239	98,899,079	106,163,207
Net shareholder equity (thousand RMB)	29,440,779	30,545,158	19,773,890	23,922,872
Operating revenue (thousand RMB)	42,971,764	49,490,046	52,969,998	51,095,369
Net profit attributable to shareholders (thousand RMB)	2,751,385	3,698,564	-9,149,080	5,029,451
Passengers carried (thousand)	33,971.2	37,256.2	36,136.4	41,278.7
Cargo and mail carried (thousand tons)	1,019.4	1,103.9	980.1	974.0
Passenger load factor (%)	75.89	78.47	74.88	76.53
Cargo load factor (%)	54.30	56.43	56.81	54.23
RTK (million ton kilometers)	9,174	10,170	9,787	10,294

Note: For detailed financial data of 2009, please refer to Air China's 2009 Annual Report.

Fig. 7.1 Total Assets and Operating Revenue

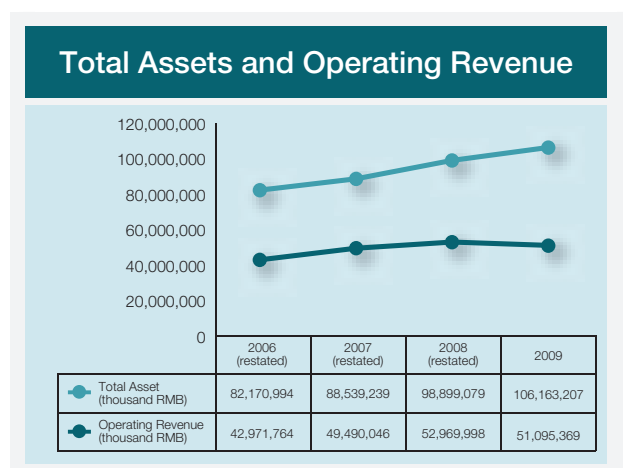


Fig. 7.2 Passengers Carried



Part Two Air China CSR Achievements

Fig. 7.3 RTK

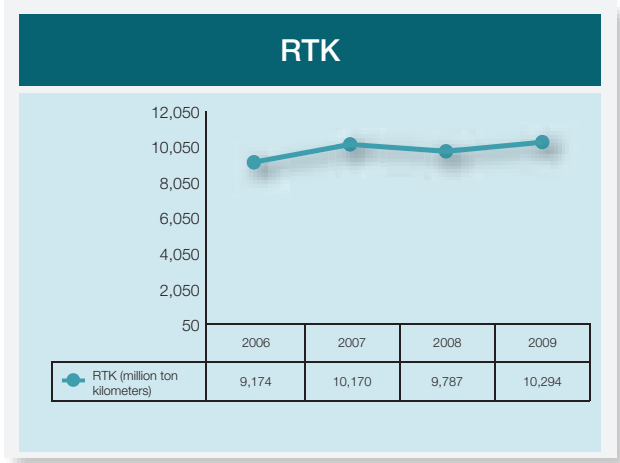


Fig. 7.4 Employee Remuneration and Benefits

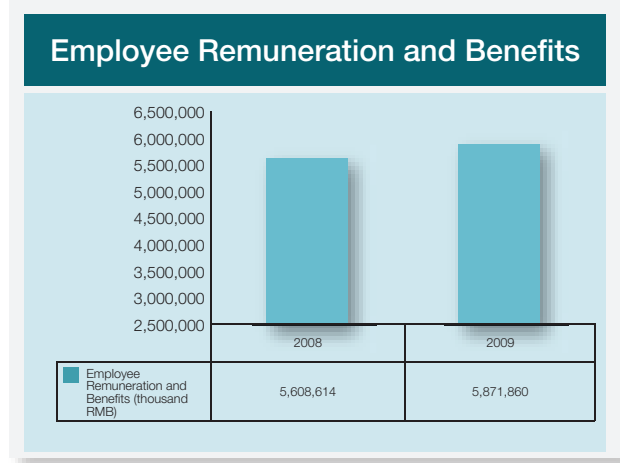


Fig. 7.5 Tax Paid

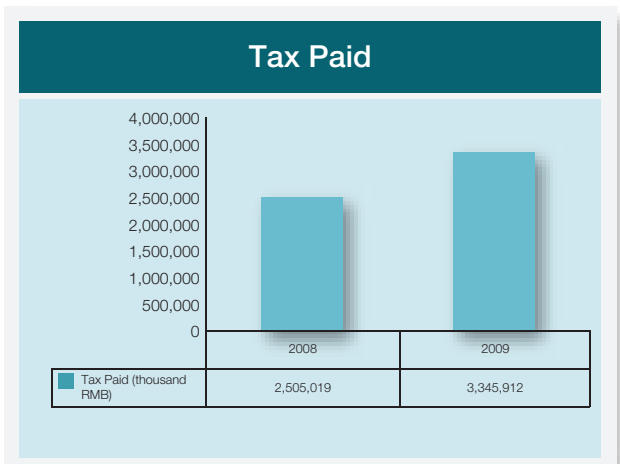
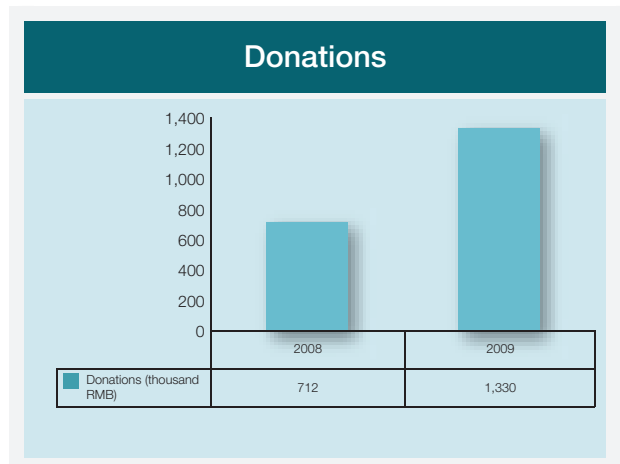


Fig. 7.6 Donations



Note: Donations by employees are not included. Employee donations and special party and league membership dues were over RMB14 million in 2008.

Part Two Air China CSR Achievements

7.1 Hub Network

Air China steadily pushed forward the hub strategy in 2009. By concentrating transport capacity, restructuring fleet composition, improving flight connections and optimizing transit procedures, Air China's hub network, which has Beijing as main hub, Chengdu as regional center and Shanghai as international gateway, started to shape up. The market share of revenue passenger kilometers at Beijing Hub, the largest hub in Asia, reached 52.2% in 2009, while the share at Chengdu Hub rose steadily, and the figure at Shanghai Hub maintained stable. The number of transit passengers in Beijing, Chengdu and Shanghai increased by 34%, 74% and 10% as compared with the previous year respectively. The quality of flight connection in Beijing Hub improved significantly. The valid connection points reached 30,000 within two to four hours, making flight connection more rational and further demonstrating the hub advantage.

Air China strived to lift the operating efficiency in 2009 by optimizing input structure, grasping the market opportunities and well allocating resources between international and domestic markets. Responding to the rapidly rising demand in the domestic market, Air China promptly raised the transport capacity in the domestic market to 60% of its total. Meanwhile, Air China reduced appropriately the international transport capacity to cope with the weak demand to improve the balance between supply and demand. The equilibrium between international and domestic routes network is conducive to smooth out the risks from the respective market, minimizing the impact the market turbulence would have on the company's operations and also providing passengers with more service options.

7.2 Cost Advantage

Cost advantage is one of Air China's strategic pillars. The cost-cutting measures implemented in the past years have guaranteed Air China's profitability and competitive edge. Faced with the challenging industry environment, Air China introduced a cost-saving model in 2009, which was centered on process management and control. The company accelerated the response speed to the market changes and cost trend by setting up a market pre-warning mechanism to effectively shorten the performance management cycles. Based on the fact that domestic aviation market recovered quickly and grew steadily, Air China devoted a considerable amount of transport capacity in the home market by swiftly allocating the capacity

between the domestic and overseas markets, which has significantly lowered the unit operating costs. The company also sought to trim the operating costs by optimizing routes to reduce flight time and equipping the aircraft with Auxiliary Power Unit system to mitigate fuel consumption. The company also reduced the financial costs by strengthening financing and debts restructuring. In addition, Air China effectively controlled the manpower costs by achieving the target of zero growth in headcount.

7.3 Resources Convergence

Air China proactively pressed ahead with the resource convergence strategy in 2009. It responded accurately to the changing market situations, concentrating transport capacity in the key markets to ensure that resources are efficiently allocated. Air China completed the acquisition of minority interest in Air China Cargo, paving the way for integrating cargo transportation business. It set up Hubei branch in a highly efficient way last year, thereby creating a platform to penetrate the central China market and improve the route network. It formally established the Shanghai branch, setting the stage to start



implementing the east China development plan. Meanwhile, Air China, seizing the strategic opportunity presented by the global financial crisis, increased the shareholding in Cathay Pacific to 29.9%, reinforcing the foundation for strategic collaboration. In addition, Air China also actively extended networks and promoted branding through the platform of Star Alliance.

Part Two Air China CSR Achievements

VIII. Flight Safety

Safety is not only the foundation on which Air China survives and thrives, but also in the fundamental interests of every stakeholders. Air China has consistently been sticking to the “Safety First” management motto. Air China has always been striving to ensure flight safety by constantly improving the management approaches and tactics. The company passed IATA (The International Air Transport Association) Operational Safety Audit (IOSA) and was granted the new IOSA registration certificate in August 2009. Air China’s safety record reached new highs in 2009.

Fig. 8.1 Safe Flight Hours

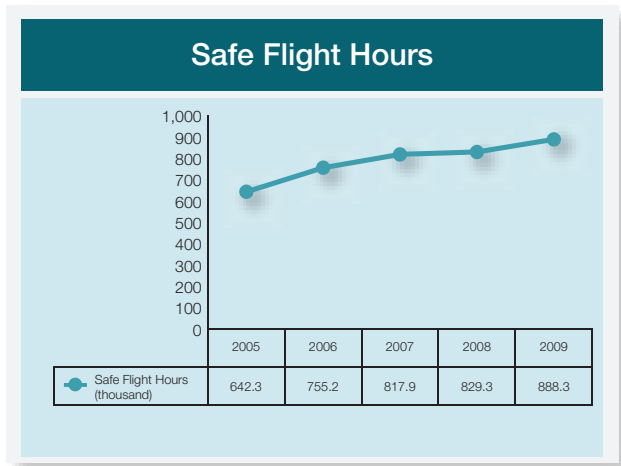
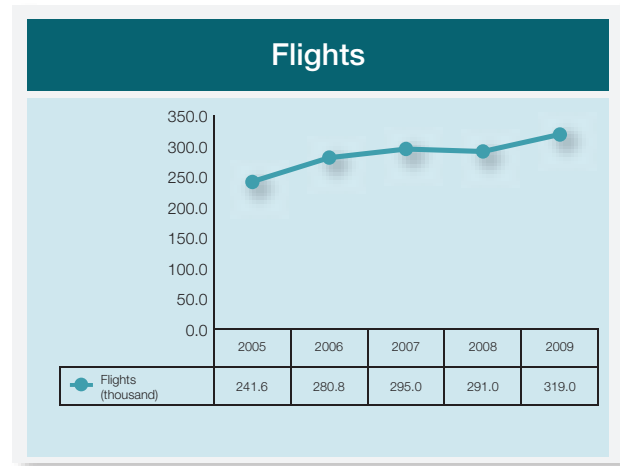


Fig. 8.2 Flights



Note: the figures reflect the combination of Air China, Air China Cargo and Air Macau.

8.1 Solidify Foundation for Safety Management

In 2009, Air China resolutely implemented the Safety Management System (SMS), which focuses on risk management. The company completed the compilation and amendment of the safety management manual and other relevant management procedures and standard regulations. The company also revised the standard work procedures for all types of aircrafts and improved the flight training management policies in order to enhance the flight training quality. Air China also invested to develop a safety management system for providing data to safety management and decision-making. Meanwhile, it also further standardized the workflow procedures of safety management. In addition, Air China improved the emergency response mechanism and established a training policy for dealing with emergencies.

Part Two Air China CSR Achievements



8.2 Introduce New Flight Safety Technologies

1. Required Navigation Performance (RNP) Technology

Air China has refitted 20 aircrafts with Required Navigation Performance systems by the end of 2009. RNP is a technology which uses a combination of the on-board navigation system and the Global Positioning System to ensure safe taking off and landing. Air China has deployed RNP-equipped aircrafts to fly to high-altitude and complex geographical destinations like Lhasa, Bangda, LinZhi, Jiuzhai.

2. Quick Accesses Recorder

In order to improve the accuracy and timeliness of the flight data, Air China introduced the global leading wireless Quick Accesses Recorder technology, monitoring more than 94% of all flights. The company upgraded the system in 2009, and completed the collection and analysis of all flight data of branches and subsidiaries. The upgrading strengthened the timeliness and effectiveness of the safety supervision.

3. Airport Docking Guidance System

In order to improve operation safety, Air China and Beijing Capital Airport Company jointly launched the trial operation of the docking guidance system in the Terminal 3 at the Beijing Capital International Airport in 2009. The docking system can accurately show the angle and distance of the aircraft when it is docking, providing precise guidance information to pilots to ensure that aircraft is safely docked. Thanks to the installation of the docking system, Air China's aircraft docking precision in the Terminal 3 improved markedly, further improving the flight safety.

Part Two Air China CSR Achievements

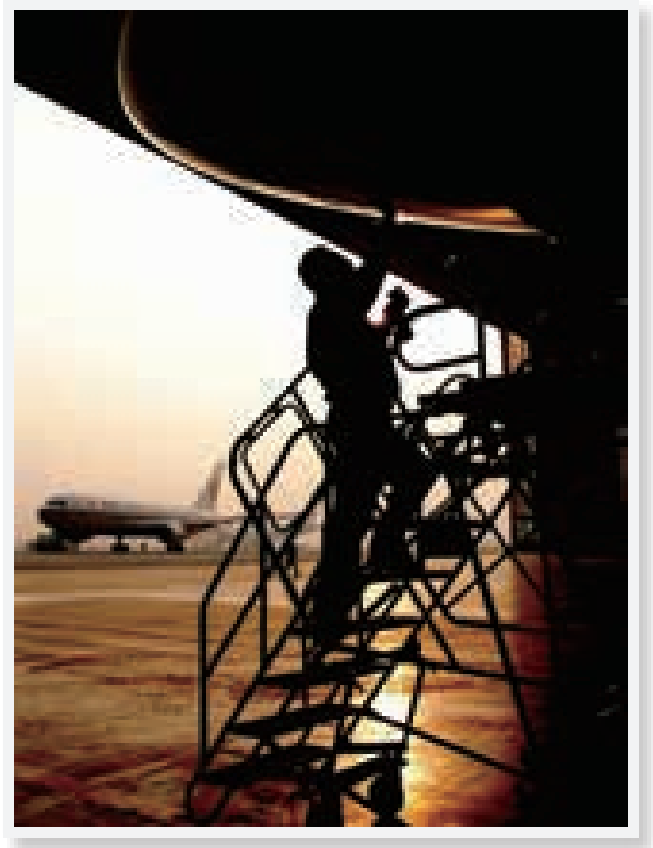
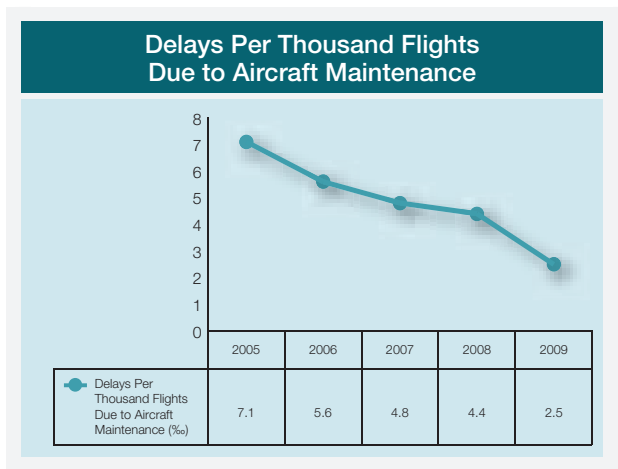
8.3 Improve Aircraft Maintenance

Air China implemented the “constant safety improvement action plan” in 2009 in the aircraft maintenance work. Air China amended relevant work procedures and strengthened the trainings for management at all levels. As a result, the company further improved the safety management and risk-prevention capacity. Meanwhile, Air China enhanced the fleet reliability analysis and put in place a daily problem reporting mechanism.

Fig. 8.3 Aircraft Availability



Fig. 8.4 Delays Per Thousand Flights Due to Aircraft Maintenance



The company also strengthens the screening procedures for recurring and complex problems and made great strides in this regard. Air China’s aircraft availability rate reached 94.85%, increased by 0.62 percentage points compared with the previous year.

Part Two Air China CSR Achievements

8.4 Step Up Safety Supervision and Check

Air China initiated 1,240 safety and special checks in 2009, which were conducted in the main areas and during major events in the forms of spot check, in-flight check and airport inspections. The checks, which collected 1,028 pieces of safety-related information, strengthened the safety supervision and improved the safety management efficiency.

8.5 Enhance Flight Training

Air China marshaled the flight training resources, improved training quality and speed up the cultivation of the pilots. A total of 224 pilots and 114 captains participated in those training courses. The company also held several workshops for the flight crew in dealing with complex weather conditions and bumps during the flight, with the number of participants totaling 8,184. The workshops improved flight crew's ability to handle special and emergency situations.

IX. Customer Experience

To achieve the strategic objective of "excellent and unique passenger experience", Air China in 2009 stepped up the building of service management system, promoting service innovation and service diversification and strengthening service quality supervision. The efforts were aimed at better, swifter services for passengers.

9.1 Swift, Efficient Services

1. Improve Route network

In 2009, Air China optimized the structure of several routes to reflect market changes and passenger needs. We continued with the launch of more efficient flights and tapped into new destinations for better coverage of route network to provide more options for passengers. Meanwhile, as a Star Alliance member, we strengthened our cooperation with peers through code sharing and other approaches to offer greater convenience and swiftness for passengers.



Part Two Air China CSR Achievements

2. Build the one-stop online service

Online ticketing

In 2009, Air China launched a new version of the domestic portal website www.airchina.com and frequent passenger website ffp.airchina.com.cn to improve services as real-time enquiry, online ticket booking and flight status check.

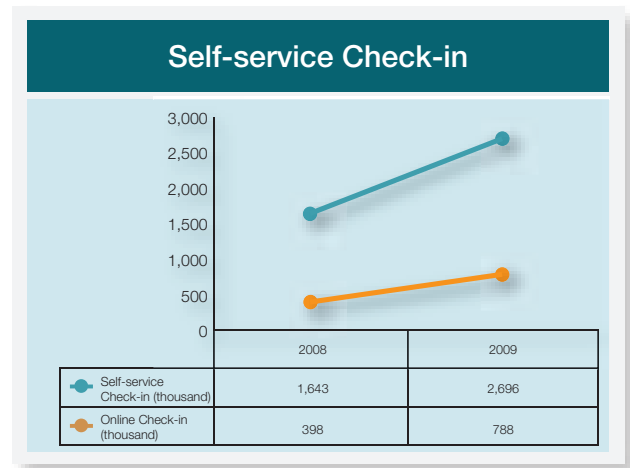
Telephone sale services

Air China offers ticket sale and hotel booking services through the telephone center of sale services. In May 2009, we increased service booths at the center from 98 to 408, further enhancing the capacity of reception.

Self-service check-in

Air China vigorously promotes the use of self-service check-in to improve service efficiency. Passengers can go through check-in procedures either through self-service devices at airports or by logging onto Air China's website in office or at home. In May 2009, Air China launched a mobile check-in service for the No. 3 terminal at the Beijing Capital International Airport. For Beijing alone, 2,696 thousand passengers used the self-service devices in 2009, up 64.12% from the previous year, while 788 thousand passengers used the online check-in service, up 98.18%.

Fig. 9.1 Self-service check-in



3. Launch “Air China Express” products

In 2009, Air China launched a series of “Air China Express” routes linking Beijing to Chengdu, Chongqing, Guangzhou, Shenzhen, Shanghai, Hangzhou and Hong Kong. The routes, characterized with high flight frequency and punctuation, not only improved our flight operations and network coverage, but also served our mission to provide convenient and swift air transportation services.

4. Flight punctuality

Air China invested RMB136 million to introduce the advanced SOC system to improve operations. As of the end of 2009, the SOC system for a total of 182 routes had been implemented. With the SOC system, Air China could integrate and allocate flight backup resources as well as achieve the overall objective for operation control, supporting the improvement of the flight punctuality.

In 2009, the Hub Control Center (HCC) for Beijing operations was launched, which significantly lifted punctuality ratio for Beijing flights with an improved seat coordination mechanism and a key flight monitoring program.

Part Two Air China CSR Achievements



To improve the handling of flight delay, Air China revised the *Emergence Scheme for Extensive Delay for Beijing Operations* and the *Operation Organization and Safeguard Measures for Complicated Weather Conditions*. In addition, Air China established a handling and coordination mechanism for flight delay and provided contingency training, which ensured normal operation during adverse weather conditions, seasonal transition of flights, the July 5th Xinjiang riot, the H1N1 influenza, the celebrations for China's 60th anniversary of national day and rare heavy snows in last winter.

Air China's flight punctuality ratio was 82% for 2009, higher than the industry average level.

Part Two Air China CSR Achievements



In the early morning of Nov. 1, 2009, an unexpected heavy snow in Beijing caused extensive delays for the Beijing Capital International Airport. Prolonged delays and substantial cancellations stranded passengers. Flight punctuality ratio at the airport was 2.1%, 33.2% and 50.7 for the first three days of the month. Drawing lesson from the event, Air China further improved the contingency plan and handling procedures for adverse weather conditions.

When the second snow hit Beijing on Nov. 10, Air China was able to adjust the flight schedule to respond to the adversity. It also broadcast flight status on a real-time basis through various media to keep passengers updated on relevant information necessary for them to alter travel plans and lessen their stay at airport. For flights delayed but not cancelled, we optimized the snow & ice clearance plan to minimize delay. Ground crew also provided lodge and board and water for stranded passengers.

The improved operation management for adverse weather conditions also greatly raised flight punctuality and passenger satisfaction.



Part Two Air China CSR Achievements



5. Improve transit service quality

To increase transit efficiency at the Beijing Hub, Air China introduced an air-ground data link system, the Aircraft Communications Addressing and Reporting System (ACARS), for flight crew to receive transit messages. With this system, flight crew could broadcast transit information and provide information service one on one for passengers seeking an urgent transit or missing the connection flight, advancing transit information service from the ground to the air level. Air China also introduced guidance services facilitating urgent transit and connection flight spotting, improving transit efficiency and transit service quality.

9.2 Service Diversification

1. “Phoenix Miles” frequent passenger program

Firmly committed to the “Phoenix Miles” frequent passenger program, Air China made various efforts to improve services for frequent passengers. In 2009, it launched a series of one-stop service products for the platinum card customers in nine cities such as Beijing, Shanghai, Chengdu and Guangzhou. The one-stop service includes check-in service, transit guidance service and luggage packing service, etc. By the end of 2009, Air China’s frequent passenger members had reached 11.47 million.

2. On-board entertainment and customized service

In 2009, the Company launched a series of themed flight activities, such as the Children’s Day celebrations, the National Day celebrations and Newlyweds Experiences, comforting and delighting passengers. Air China also makes continual efforts to improve and update the contents of magazines and entertainment products; Air China also adopted an information system of passenger service to manage passengers’ information and provided customized services to increase satisfaction.

3. Flight food safety

With the “international fashion, local flavor, Chinese style, green formula” diet philosophy, Air China provides diverse, safe and green diets in flight. Focusing on food maneuverability and safety, Air China started with material selection and scientific nutrition

Part Two Air China CSR Achievements

On-board Entertainment Products

- Revised the *Passenger Guide to Customs Procedures* for foreign visitors; added the introductions of destinations and scenery videos for some cities, which were played before plane landing.
- Air China in 2009 completed the updating of the entertainment system and launched a new user interface. It also for five times updated programs available, tripling programs in memory to include 60 movies, 12 short videos, 100 music CDs and 12 games.

ratio setting and established strict standards and work procedures for diet preparation. We selected HACCP system certified suppliers according to national food safety and hygiene regulations and relevant requirements in the air food industry, as well as performed annual reviews for suppliers. We also set and implemented the inclusion and exclusion mechanism for flight food producers.

Air China caters for passengers' special needs by providing vegetarian meals, Muslim meals, Jewish meals, children meals and low-sugar meals. With an emphasis on local produce, Air China also selects signature foods of departure cities. On festivals, Air China provides traditional foods, such as dumplings, Zongzi and moon cakes to passengers.



4. The first to initiate a new ticketing policy for children

According to regulations for the civil aviation industry, children aging between 2 and 12 are eligible for a 50% price discount. To safeguard the interests of children passengers, in March 2009, Air China became the first domestic airline to adopt a new policy, which allows kids to buy tickets at the lower price of 50% discounted price and a market price. The new policy was highly appreciated by the public.

Part Two Air China CSR Achievements

5. Care for special passengers

Air China cares for needs of special passengers, like the sick, the disabled and the children. We made tremendous efforts to protect their rights and interests and provide better services, including check-in assistance, waiting, boarding and disembarking assistance, special assistance device use, seat arrangement, luggage placing, food service and toilet use. All these efforts demonstrated our cares for every special passenger.

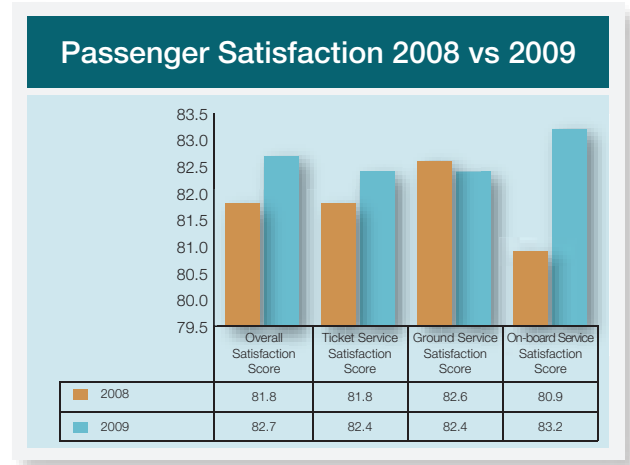
Further, Air China has been continuously improving the special passenger service standards to keep in line with international counterparts. One example was the *Air China Standards and Procedures for Special Passenger Service on American Routes and Flights*, which was designed to accommodate the regulations of the U.S. Department of Transportation on disabled passengers and became effective in November 2009.

9.3 Sustained Customer Satisfaction Improvement

1. Customer satisfaction survey

Air China continued to conduct customer satisfaction surveys to improve service quality. Aside from passenger questionnaires delivered in flight on a regular basis, Air China also handed out 12,000 satisfaction questionnaire forms and received 11,000 valid responses in 2009. Another 10,000 questionnaires were completed on Air China's website, providing tremendous comments and suggestions. Air China organized and analyzed the data monthly and submitted the result to relevant divisions, which were used as a gauge for quality monitoring, performance assessment and service improvement. The overall customer satisfaction in 2009 increased by 0.9 point from 2008, with satisfaction among premium customers (platinum card, gold card and silver card holders, and first-class and business class passengers) rising sharply.

Fig. 9.2 Passenger Satisfaction 2008 vs 2009



2. Response to customer complaints

To reflect customers' rights and interests and improve customer complaint handling, Air China in 2009 standardized the complaint response management and revised the *Procedures for Customer Complaint Management*, specifying the basic principles of complaint management, duties of complaint department, procedures for complaint treatment and quality recording. In February 2009, Air China started the trial operation of the customer relations center, which was designed to improve complaint reception and response as well as the level of complaint management.

Part Two Air China CSR Achievements

X. Green Operation

To protect the earth we rely on existence and build a sustainable society, Air China has always been committed to the idea of green operation and actively participated in global efforts for coping climate change. Air China fully carried out the energy conservation and emission reduction policies by the government, continuously improved fuel efficiency as well as mitigated greenhouse gas emission and discharge of pollutants, pushing forward the development of a low-carbon economy and protecting the environment.

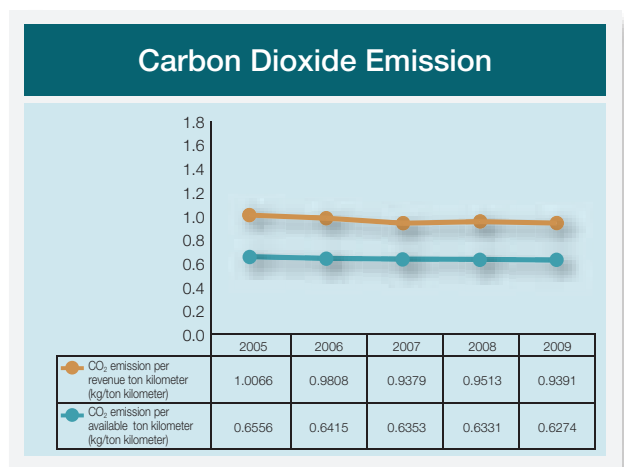
Air transportation is not only the fastest but also the most energy-efficient means of transportation. In 2009, Air China's fuel consumption was 0.2981 kg per revenue ton kilometers (RTK), down 1.29% from 2008, with carbon dioxide emission 0.9391 kg per revenue ton kilometers, decreasing 1.28% from a year earlier. Air China is in the leading position in the domestic aviation industry in terms of energy conservation and emission reduction.

Tab. 10.1 Statistics for Fuel Consumption and Carbon Dioxide Emission

	2005	2006	2007	2008	2009
Fuel consumption per available ton kilometer (kg/ton kilometer)	0.2081	0.2037	0.2017	0.2010	0.1992
CO ₂ emission per available ton kilometer (kg/ton kilometer)	0.6556	0.6415	0.6353	0.6331	0.6274
Reduction of carbon dioxide emission per available ton kilometer from 2005		2.15%	3.10%	3.43%	4.30%
Fuel consumption per revenue ton kilometer (kg/ton kilometer)	0.3195	0.3114	0.2977	0.3020	0.2981
CO ₂ emission per revenue ton kilometer (kg/ton kilometer)	1.0066	0.9808	0.9379	0.9513	0.9391
Reduction of carbon dioxide emission per revenue ton kilometer from 2005		2.56%	6.82%	5.49%	6.71%

Note: fuel consumption and carbon dioxide emission figures are the combination of Air China and Air China Cargo.

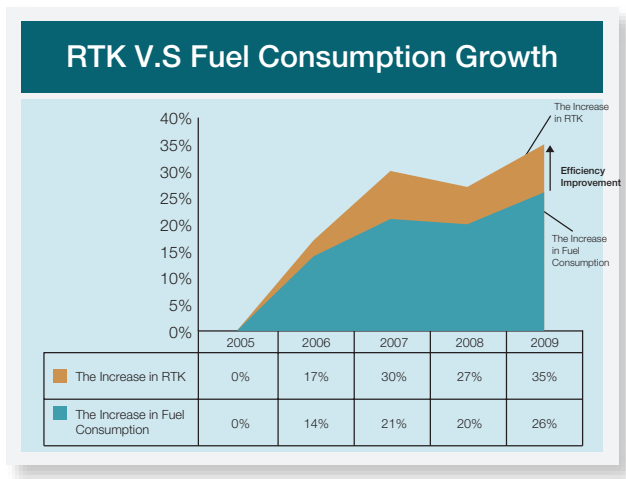
Fig. 10. 1 Carbon Dioxide Emission Per Available/Revenue Ton Kilometer



Part Two Air China CSR Achievements

Air China's RTK increased by 35% to 10.05 billion ton kilometers from 7.44 billion ton kilometers between 2005 and 2009, while the fuel consumption only grew by 26% to 3 million tons from 2.38 million tons, representing the 9% efficiency improvement.

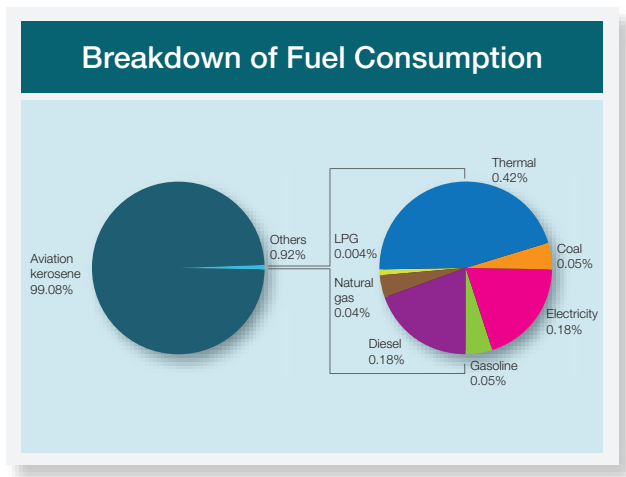
Fig. 10. 2 RTK V.S Fuel Consumption Growth



Note: RTK and fuel consumption figures are the combination of Air China and Air China Cargo.

Energy consumed in 2009 was equivalent to 4.4508 million tons of standard coal, with 99.08% from 3 million tons of aviation kerosene, equivalent to 4.41 million tons of standard coal.

Fig. 10.3 Energy Structure



Part Two Air China CSR Achievements

Tab. 10.2 Energy Consumption Breakdown

Energy	Unit	Consumption	Percentage
Aviation kerosene	Thousand tons	2,996.60	99.08%
Electricity	Thousand kilowatt hours	64,256.7	0.18%
Gasoline	Ton	1,587.22	0.05%
Diesel	Ton	5,607.42	0.18%
Natural gas	Thousand cubic meters	1,603.60	0.04%
LPG	Ton	105.46	0.004%
Thermal	Million kilojoules	542,093.44	0.42%
Coal	Ton	2,846.00	0.05%

Note: fuel consumption figures are the combination of Air China and Air China Cargo.

10.1 Improvement in Fuel Conservation and Emission Reduction Management Mechanism

With a view to implementing the fuel conservation and emission reduction work in a more extensive and comprehensive way, Air China in 2009 set up three in-house positions in charge of environmental affairs in the Strategy & Development Department. Meanwhile, Air China deployed in the major energy-consuming departments part-time statisticians responsible for the collection of energy consumption data, analysis, monitoring and management, improving the top-down management system.

In 2009, Air China developed an energy and environment monitoring system for monitoring of fuel consumption and greenhouse gas emission of planes. The system is now mainly used to collect the data of flight activity, passenger, cargo and mail and fuel consumption. In the coming few years, the system will be expanded to collect and monitor the data of energy consumption and pollutants discharge throughout the Company, and ultimately evolves into the core platform supporting Air China's environmental affairs management.

10.2 Management Innovation, Green Flight

1. Introduction of energy-efficient aircrafts

Air China introduced aircrafts with new technologies, alternative materials and novel engines, dramatically

improving the overall fuel efficiency and mitigating unit emissions. In 2009, Air China purchased and leased 27 new planes, including nine A321 aircrafts, five A320 aircrafts and 13 B738 aircrafts. At the same time, 12 aircrafts were sold and leased out, with service terms averaging 14.5 years.

2. Aircraft weight downsizing

Aircraft weight downsizing is the most direct way of saving fuel consumption. In 2009, Air China made various efforts toward this goal in addition to what it had done for the previous year. First of all, potable water carried in plane was reduced, with reduction for planes departing Beijing, Chengdu and Hangzhou airports totaling 4,364 tons. Meanwhile, Air China specified meal supply standards and coordinated cabin service departments to reduce plane weight. In 2009, Air China downsized 55 planes through the improved water and meal supply standards and cut plane weight by 12,834 kilograms in total. In addition, accommodation ladders with a combined weight of 4,752 kilograms were removed from twenty-seven 737-300 planes. All these measures helped reduce burden of planes in operation and cut fuel consumption and greenhouse gas emission.

Part Two Air China CSR Achievements

3. Route selection and optimization

While conducting detailed management of flight operation, Air China sought to improve the route selection, departure and arrival practices, and cut-off practice for fixed routes, as well as continued the route optimization for international flights. In 2009, Air China added 23 well designed routes to provide most cost-efficient, load-maximizing options for flights. Route selection and optimization helped save over 4,000 flying hours, significantly mitigating fuel consumption and greenhouse gas emissions.

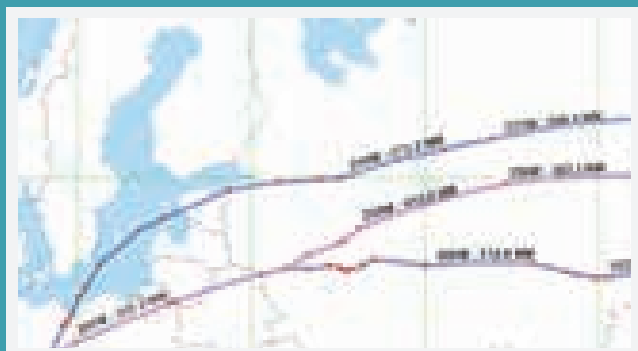
- Route optimization



In October 2009, Air China optimized the Jakarta-Xiamen route, cutting the distance by 65 nautical miles and flight hours by 10 minutes. It also represented a fuel saving of 0.27 ton and a load capacity increase of 0.27 ton.

- Route Selection

In March 2009, Air China added a well-designed route for the Beijing-Frankfurt flight, taking the total route number to four. The practices both raised the probability of taking the most time-efficient and fuel-efficient route and helped curtail economic losses due to air traffic jams and delays.



Part Two Air China CSR Achievements

4. APU fuel saving

Using ground power supply and air conditioning instead of auxiliary power units (APU) not only cuts fuel consumption and greenhouse gas emission, but also drastically reduces noise pollution. In 2009, Air China signed the Agreement on Safe Use of Jet Bridges at the Third Terminal with the Beijing Capital International Airport Co., Ltd. and gradually reduced the reliance on APU. From August, Air China started to use jet bridges at the third terminal for transit planes and post-flight planes. Meanwhile, Air China also continued to maximize the potential of the maintenance bases to facilitate the replacement of APU with ground devices, investing RMB10.35 million for the procurement of air conditioning and power supply vehicles.

To ensure effective implementation and wide adoption of the fuel-saving programs and increase employees' fuel conservation awareness and enthusiasm, Air China formulated plausible assessment methods and established corresponding incentive mechanism. In addition, in order to improve the APU management of overseas terminals, Air China completed the assessment of backup capacity and pricing of the ground power supplies and air conditioning devices at all the terminals. In 2009, Air China totally saved APU use by 150,234 hours.

5. Application of cost index

Cost index is the ratio of cost per hour and fuel price. An optimal cost index is the best balance between blocking hours and fuel consumption. For example, it takes a B747-400 aircraft 2.3% more flying hours to



complete in an economic cruise with the cost index of 35 than in the one with the cost index of 100. However, the first option would save 70 kilograms of fuel per hour. Based on the theory, Air China calculated unit costs for all types of aircrafts and the monthly fuel costs by taking into account fuel price and flight distribution for each month. Air China therefore formulated reasonable cost index for different aircrafts in operation, which reduced fuel consumption and greenhouse gas emissions.

By adopting above measures, Air China has made remarkable accomplishments in energy conservation and emission reduction. Fuel consumption and CO₂ emission per ATK keep falling in recent years. Although there were fluctuations in the fuel consumption and CO₂ emission per RTK due to the global economic crisis, the overall trend maintained decreasing.

Part Two Air China CSR Achievements

10.3 Full Participation for Environmental Protection

1. Environmental protection on the ground

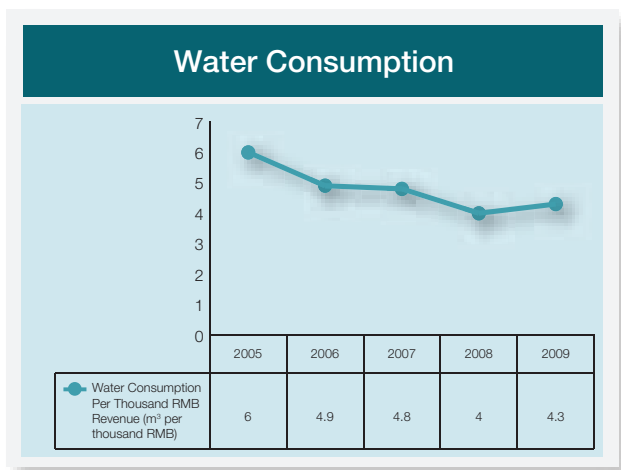
Responding to national policies, Air China phased out 45 vehicles with heavy pollution and high emission and arranged 13 bus routes for staff at the Beijing headquarter, with a daily capacity of over 450 persons. The initiative not only benefited employees, but also minimized fuel consumption and greenhouse gas emissions by private cars.

In terms of building energy saving, Air China promoted the adoption of environment-friendly materials, energy-saving lamps and instruments, and converter technologies to eliminate energy consumption due to unnecessary decoration. In addition, Air China upgraded lighting system in corridors and the lobby of the headquarter building, successfully saving 1,050 kilowatts per day.



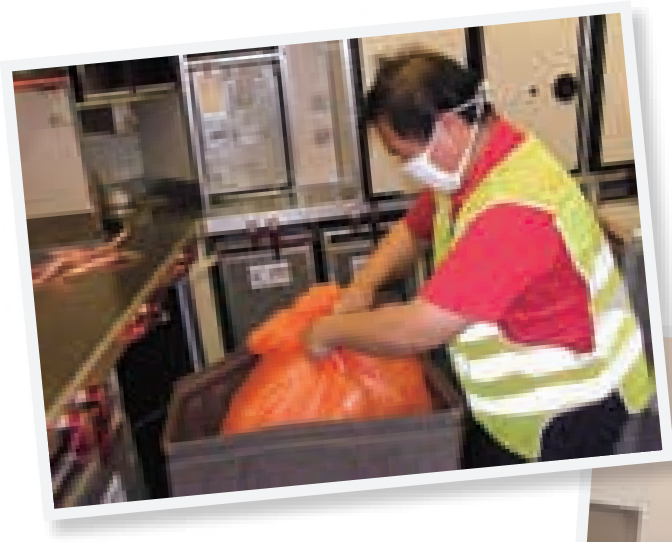
In 2009, Air China's Flight Crew Department remodeled the discarded pressure tank systems at the refrigeration station for collecting condensate water. The recycled water was subsequently used in simulators at the Flight Training Center, and in the secondary heating and air-conditioning systems at the Vehicle Fleets, the Flight Crew Department and the Training & Education Department. It is estimated that the measure would save 14,592 tons of water for each year.

Fig. 10.4 Water Consumption



Note: water consumption figures were the combination of Air China and Air China Cargo.

Part Two Air China CSR Achievements



2. In-flight waste recycling

Waste generated in-flight is always disposed by airports according to local environmental requirements. In Beijing operation, the waste is carried by garbage trucks to designated locations, classified and disposed by the garbage center of the Beijing Capital International Airport. In 2009, 11,680 tons of in-flight garbage was recycled in Beijing area.

3. Build a new sewage treatment facility in Chengdu

To ensure that sewage generated in plane repairing and cleaning was in line with national standards for discharges, Air China constructed a sewage treatment facility in the Chengdu maintenance base with a daily capacity of 400 cubic meters. The project was completed within three months construction, and it was inspected and accepted successfully. The facility is currently running at a daily capacity of 300 cubic meters. The launch of the facility significantly reduced the discharge of the pollutant, and undercut COD, BOD and suspended substance. The facility ensures the proper sewage treatment and discharge in the Chengdu base. For the coming 15 years, the facility is expected to be able to meet the increasing national environment standards.



Part Two Air China CSR Achievements

File management outsourcing has lowered printing amount and reduced paper consumption, and thus achieve the purpose of forest and water resources protection. Assuming a reduction of 20%, Air China's management support departments and Commercial Committee, which totally consume about 4 million pieces of paper in printing, could cut their paper consumption by 4 million for each five years through file management outsourcing. Assuming that a log of 8m x 0.16m can produce 11,500 pieces of A4 paper, the reduction of printing will avoid the deforestation of 348 trees, as well as save water resources. Meanwhile, less printing leads to less carbon powder consumption and CO₂ emission. In addition, Air China is committed to recycle solid waste such as printer consumables. According to our experience, every printing of 10 thousand copies generates 71 kilograms of solid waste. It is estimated that Air China recycles 2,284 kilograms of carbon toner cartridges and packages in every five years.

4. Reduce office resource consumption

In 2009, Air China engaged file management companies to offer professional services, which helped reduce printing amount by 20%. Meanwhile, the deployment of file management software solutions, the saving measures of duplex printing and all-in-one printing, and the corresponding management policies facilitated the reduction of the waste associated to improper printing.

In Air China, users of office automation (OA) system have reached 9,400 since it was launched. Based on over one year experience, paper documents have been drastically reduced in daily operation. Through the application of the OA system, Air China had saved more than 13 million pieces of paper and 2,500 toner cartridges as of the end of 2009.

In 2009, Air China launched an e-learning platform and promoted the use of video meeting and teleconferencing system, which covered the Beijing headquarter and local branches.

All the initiatives mitigated resource consumption and pollution as well as reduced the operating costs.

5. Protection of rare animals in transportation

Air China Cargo is experienced in carrying special freights, animals in particular. Air China Cargo has successfully transported pandas, racehorses for the Olympics Games, dolphins, Japanese cranes and Tibetan mastiffs. The company made efforts to improve the capability of carrying rare animals to ensure healthy and decent physical conditions in-flight. In 2009, it managed to carry six dolphins successively. It was an extremely demanding task given dolphin's unique physiological features. To ensure the flight safety, Air China Cargo made thorough arrangements in terms of freight cabin oxygen consumption, temperature, selection and position of cages, flight hours and accompanying personnel. Air China Cargo holds the record of successfully carrying eight dolphins in one flight and contributes to the protection of rare animals as well as maintains the harmonious relationship between human being and the environment.

Part Two Air China CSR Achievements

10.4 Active Participation in the Global Aviation Industry against Climate Change

In 2009, Air China joined the Aviation Global Deal Group as an inspector. The organization is composed of Air France, British Airways, Finn Air, Cathy Pacific, Virgin Atlantic Airways and the Climate Group. The purpose of the organization is to provide a mechanism for industry organizations, like the International Civil Aviation Organization, in the establishment of globally uniform emission reduction schemes in the post-Kyoto Protocol era under the principle of "common but differentiated responsibilities" by the United Nations Framework Convention on Climate Change. As a member from developing countries, Air China's participation is especially important to achieve the principle of "common but differentiated responsibilities", and represents a crucial step in international cooperation against the global climate change.



Part Two Air China CSR Achievements

XI. Employee Protection

Air China values and follows the “people first” philosophy and has always been paying great attention to employees’ rights and interests. Air China actively creates career development opportunities for employees and strives for the synchronized growth of the corporate and employee value.

Tab. 11.1 Employment Information¹

Indicator	Unit	Content
Number of employees		
Direct employment ²	Person	20,282
Domestic employees at overseas branches ³	Person	747
Total	Person	21,029
Gender		
Male	%	62.39
Female	%	37.61
Age		
Below 30	%	26.91
Between 30 and 45	%	50.15
Over 45	%	22.94
Nationality		
Chinese Han	%	92.34
Chinese minorities	%	4.13
Foreigners	%	3.53

¹ Employees of subsidiaries and other invested companies are not included

² Refers to workers with an employment relationship established according to the Labor Law of the People’s Republic of China and the Employment Contract Law of the People’s Republic of China. Dispatched employees, employees of subsidiaries and other invested companies are not included

³ Refers to employees that have established an employment relationship with overseas branches according to local laws

⁴ Total turnover of 2009 divided by the total number of employees as of Dec. 31, 2009

Part Two Air China CSR Achievements

Indicator	Unit	Content
New employees		
Direct employment	Person	943
Local employees at overseas branches	Person	68
Employee turnover		
Turnover rate ⁴	%	0.54
Composition of middle and Senior management		
Female	%	20.20
Chinese minorities	%	3.50
Foreigners	%	0.20
Age below 30	%	0.20
Age between 30 and 45	%	52.90
Age over 45	%	46.90
Composition of employees at overseas branches		
Dispatched from China	%	25.67
Locally recruited	%	74.33
Others		
Number of incidents of discrimination	Piece	0
Human rights training coverage for security personnel	%	100

Part Two Air China CSR Achievements

Fig. 11.1 Employee Age Structure

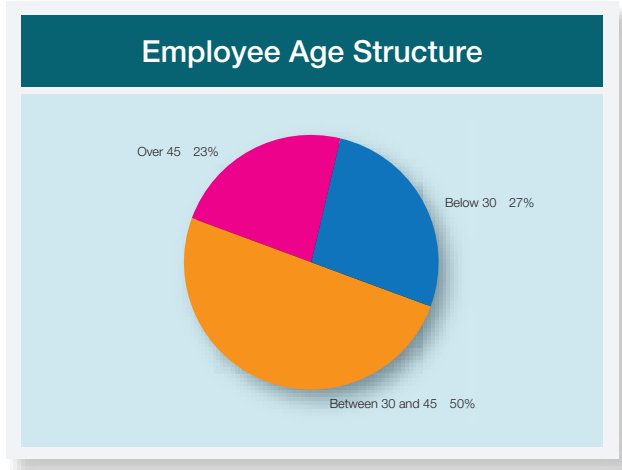
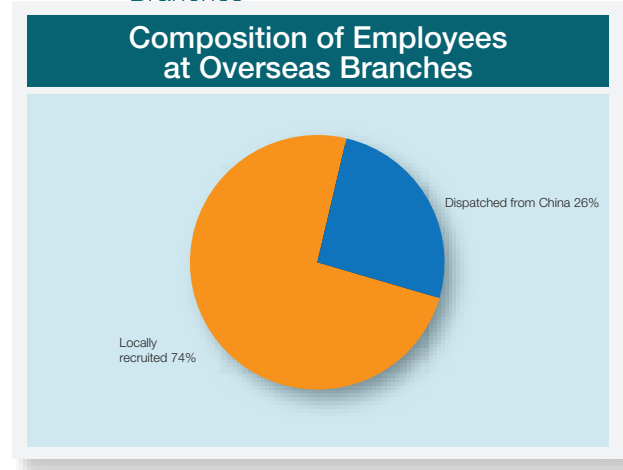


Fig. 11.2 Composition of Employees at Overseas Branches



11.1 Employment Security

As a large-scale state-controlled public company, Air China is firmly committed to national policies and proactively assumes social responsibility. In recent years, expedited by the rapid development, Air China actively provides job opportunities which contribute to the employment rate of the society in general.

In early 2009, in the context of the severe impact brought by financial crisis, Air China did not cut headcount. Air China implemented a range of measures to cope with the adverse condition and successfully safeguarded employees' interests. In the course of the establishment of Hubei branch, Air China contributed to the maintenance of social stability by providing employment opportunities to those who lost jobs due to bankruptcy of local companies.

11.2 Labor Management Relations

Air China emphasizes the roles of the labor union and employees' representative conference, and protects employees' legitimate rights to know, to participate and to supervise, which facilitate the maintenance of employees' democratic rights.

In 2009, Air China conducted a collective negotiation with the labor union, which represents all employees under direct employment, and signed the *Collective Labor Contracts of Air China* (phase III), covering all employees of this category.

When negotiating the collective contract, Air China strictly observed the requirements of the *Regulations on Collective Contract* promulgated by the Ministry of Human Resources and Social Security and responded to the labor union's request for a collective negotiation within 20 days after the receipt of the request and convened the discussions.

Air China's management always seeks the opinions from the labor union and employee representatives in formulating, altering and decision-making about policies or major events that directly involving employees' interests, such as remuneration, working hours, vacation, work safety and sanitation, insurance benefits, training, work discipline and labor quota management.

In addition, Air China has set up a service management division to take care of retired employees. The division organizes regular tours, health recuperation treatments and physical checkups for retirees to resolve their difficulties in life.

Part Two Air China CSR Achievements

11.3 Labor Protection

1. Remuneration and benefits

Air China adopts a remuneration philosophy that regards the value of employee's role, individual competency and performance as the key determinants. With the value of the role as the basic factor, employees are compensated according to the workload and performance regardless of gender. In 2009, Air China adjusted the framework of performance evaluation to strengthen evaluation effect. Strategic management indicators and performance management indicators were included in the assessment for the management team. The positive performance culture could be progressively established through the signing of performance contracts at different levels and disassembling performance indicators.

Air China pays for employees' pension insurance, medical insurance, employment insurance, maternity insurance, workplace injury insurance and contributes to the housing fund according to relevant laws and regulations. For employees at the overseas branches, medical policies are established according to the local requirements.

In addition to the social insurances, Air China offers employer liability insurance that further protect employees from physical injuries and occupational diseases. Meanwhile, Air China also provides supplementary medical insurance, which covers employees and their children under 18.



2. Occupational safety and health

In order to protect employees' safety and health, Air China included terms related to safe production training and occupational related checkups in the *Collective Contract of Air China*, which signed with the labor union. In addition, Air China signed with all female employees the *Special Agreement on the Protection of Female Employees' Exclusive Interests and Rights* to protect their rights, interests and health.

For flight crew, Air China establishes and maintains health and medical record, and organizes regular physical checkups in accordance with the *Medical Standards and Regulations on Health Certificate Management for China's Civil Pilots* issued by the Civil Aviation Administration of China. For the rest employees, Air China offers annual physical checkups for free. Semi-annual special checkups are provided for female employees to identify potential health issues in a timely manner.

In 2009, Air China staged a series of celebrations for the 10th anniversary of the Ankan Cup, including the flying skill competition to promote the safety culture and increase employees' safety awareness.



Part Two Air China CSR Achievements



11.4 Care for Employees

Air China always cares about employees. The management always visits employees in need of help during each Chinese Festival. The Company also organizes activities in summers to encourage and appreciate employees who work in the high-temperature environment.

Air China helps employees resolve their financial difficulties through the establishment of mutual support funds. Air China Employee Mutual Support Fund and Female Employee Mutual Support Fund had been founded consecutively, and the initiative had assisted 34 employees who suffered in diseases by the end of 2009.

In addition, Air China organizes all kinds of cultural and sports events to enrich employees' lives and improve their physical fitness. In 2009, Air China sponsored the Air China Employees Singing Competition for the 60th Anniversary of National Day and organized employees to participate in various events such as Beijing Handwriting, Drawing and Handicrafts Exhibition, National Trade Union Photography Show and the 2009 International Marathon.



Part Two Air China CSR Achievements

11.5 Training and Education

Aiming to step up core business operations and related professional skills, Air China adopted a multi-channel talent system approach. Under the “deepening understanding, expending skill set and storing with knowledge” principles, Air China established management, business and technical categories for employees to tap their potential for career development.

Air China views training as a strategic instrument. In light of the principle “classified, differentiated, input and output-oriented”, internal training is set to involve strategy implementation, brainstorming, case study, capacity improvement, and sustained development. Air China is dedicated to improve the training system and construct the training platform.

In 2009, Air China sent 9 selected middle and senior managers for EMBA education at Tsinghua University to improve their strategic thinking and innovation as well as to broaden their horizon. Air China also sent 25 middle and senior managers for courses focusing on the development of management skills; and 16 middle and senior managers in two batches to Cathy Pacific Airways for training and communication. In addition, Air China also organizes a range of seminars for senior executives.

In 2009, Air China established and improved an all-time training platform, the E-learning platform, for employees across departments, expertise and regions. The platform provided 63 online courses and improved efficiency and outcome of employee training.

Air China in 2009 organized and offered comprehensive training courses for the management support departments. Air China launched and pushed forward a program encompassing recruitment, training and career development for service departments. The program improved training and qualities in a comprehensive way through various means and significantly increased work efficiency and service awareness of management support departments.



Part Two Air China CSR Achievements

Tab. 11.2 Training Statistics

Indicator	Unit	Content
Total training cost for 2009 ⁵	RMB	537,903,302
Training programs	session	917
Employees trained	Person-Time	100,556
Employees received external training	Person-Time	5,852
Employees received flying skill training	Person-Time	2,833
Maintenance crew trained	Person-Time	21,967
Flight attendants trained	Person-Time	11,743

⁵ The labor cost engaged by training hours is not included

11.6 Diversified Employment and Equal Opportunities

Air China respects international conventions that the Chinese government is committed to and strictly abides by laws and regulations such as the *Labor Law*, the *Employment Contract Law*, the *Employment Promotion Law*, the *People's Republic of China Law on the Protection of Rights and Interests of Women*, the *Implementation Rules for the Employment Contract Law* and the *Prohibition of Child Labor Act*. Air China resolutely prohibits the use of child labor and forced labor, and are firmly against any form of discrimination, whether based on race, skin color, nationality, gender, religious beliefs, job, marital status, party, age, physical or mental disability and illness.

XII. Harmonious Community

Air China always pays due attention to and supports public welfare. Through a series of volunteer programs, Air China promotes social harmony by participating in poverty alleviation, disaster relief and children aid.

Part Two Air China CSR Achievements

12.1 Public Welfare and Charity

1. Launches the China Children Insurance Foundation, participates in children welfare activity

The China Children Insurance Foundation is a charity program that offers 3-15 years old children insurance against severe illnesses. In April 2009, Air China donated RMB1 million as one of the founding sponsors.



Part Two Air China CSR Achievements

In-flight Donation Program

Air China launched the China Children Insurance Foundation jointly with the China Children and Teenagers' Fund. Air China formulated and released the *In-flight Service Guidelines and the Measures for Check and Handover Cash Management*. The program was well received by passengers. Between September 1 to October 27, 538 participating flights received 2,653 donation envelopes, with money in Renminbi and 21 foreign currencies equivalent to RMB73,800 (excluding money in foreign currencies for which Chinese banks do not offer remittance service).

In July 2009, Air China invested RMB750,000 to post public welfare advertisements at major communities in Beijing and also published the advertisements through media, promoting the Foundation to the public.

In September 2009, with the air and ground platforms and resources, Air China started to raise charity funds from passengers through the means of envelope issues and online donation on flights and the ticketing website. Proceeds were mainly paid for severe illness insurance cards for children in poverty-hit areas and the Orphan Safeguard Plan initiated in the same month.

2. Carries China's relief materials to Mexico

On April 29 of 2009, the Chinese government provided relief materials amounting USD5 million to Mexico, which was hit by the H1N1 influenza. On May 1st, Air China freighters carrying the materials arrived at Mexico's Juarez International Airport without any delay, becoming the first Chinese plane serving humanism purposes to arrive in Mexico.



Part Two Air China CSR Achievements

3. Helps the Morakot typhoon impacted regions in Taiwan

In 2009, Morakot typhoon caused the most catastrophic flood disaster in Taiwan in recorded history. Compatriots on both sides of Taiwan Straits concerned about the devastated regions. On August 18, Air China voluntarily dispatched rescue freighters, carrying 40 tons of relief materials such as sleeping bags, blankets and sterilizers allocated by the Taiwan Affairs Office of the State Council, to Taiwan. It was the first time that the mainland freighters carried relief materials to Taiwan.



12.2 Community Activities

1. Establish the Air China Youth Volunteer Association

In November 2009, the Air China Youth Volunteer Association was founded, taking Air China's youth volunteer work to a higher stage toward more standardized and regulated. With the 2010 Shanghai World Expo approaching, the association took serving the expo as one of the priorities and devoted to further demonstrate "contributive, friendly, cooperative and progressive" spirits.



2. Air China volunteers serve the Western China International Fair

In October 2009, the 10th Western China International Fair was held in Chengdu. As a partner of the fair, Air China selected 29 outstanding flight attendants as volunteers to serve the fair. Air China's voluntary services were widely appreciated by the fair.



3. Build the presence in Taiwan, facilitate cross-strait communication

Upon setting up the Taipei office, Air China conducted a series of community activities to build the presence in Taiwan and facilitate cross-strait communication. Air China invited 100 children from the Jiayi County of Taiwan to watch the shows of two pandas named Tuantuan and Yuanyuan at the Taipei Zoo, and also sponsored 32 Taiwan high school students to visit the Emei Mountain and the panda base in Sichuan province.

Part Two Air China CSR Achievements



4. Help newly enrolled college students in earthquake-hit areas

In September 2009, Air China offered free tickets of outbound flights for newly enrolled college students in the earthquake-hit areas in Sichuan province to support their enrollment. It was also the second year after 2008 that Air China offered free tickets to new college students in disaster-hit areas, which is intended to encourage the striving spirit and reward the society.



5. Commitment in World Expo, Experience with Air China

To honor the upcoming Shanghai World Expo, Air China came up with a service slogan "Commitment in World Expo, Experience with Air China" in 2009. Air China also launched a series of activities, including a service skill competition, a free blood donation initiative and a World Expo etiquette competition at the Shanghai airport.

6. Participate in the 60th Parade, Demonstrate Air China Image

In 2009, Air China selected three female employees to the parade for the 60th anniversary of national day. Through ten months practice, they successfully overcome all the difficulties, satisfactorily fulfilled the mission, demonstrated the image of Air China and enthusiastically contributed to the national day.

Part Two Air China CSR Achievements

XIII. Outlook

Looking forward, we will continue with our sustainability strategy to promote the performance of corporate social responsibility. With greater passion, more concrete actions and a stronger sense of mission, we will push for harmony of the enterprise, the society and the environment, as well as contribute to the development of a low-carbon economy and a sustainable growth.

<p>Establishment of corporate social responsibility management system</p>	<ul style="list-style-type: none"> • Establish a routine information collection mechanism for social responsibility practice and include more information about social responsibility actions by our subsidiaries, branches and affiliates in the 2010 CSR report • Improve the mechanism of stakeholder communication, institutionalize and routinely improve the stakeholder engagement
<p>Responsibility for shareholder return</p>	<ul style="list-style-type: none"> • Execute steady operation according to market changes and build sustained profitability • Introduce a new value management mode and implement the EVA assessment system to gradually improve shareholder value
<p>Responsibility for flight safety</p>	<ul style="list-style-type: none"> • Keep committed to the principle of continuous safety and enhance the building of aviation safety system • Continue to develop and apply new technologies for flight safety management
<p>Responsibility for quality service</p>	<ul style="list-style-type: none"> • Continue with the improvement plan for the one-stop service to increase passenger satisfaction • Step up communication with passengers and improve customer relationship management by leveraging the Customer Relationship Maintenance Call Center • Strengthen flight regularity management to offer greater swiftness for passengers
<p>Responsibility for employee development</p>	<ul style="list-style-type: none"> • Include corporate social responsibility training in the overall planning for employee education to cultivate employees' awareness of social responsibility • Safeguard employees' rights and interests and ensure their safety and health
<p>Responsibility for public welfare</p>	<ul style="list-style-type: none"> • Foster interaction with local communities and promote the harmonious development of the communities • Improve public welfare and charity management, institutionalize and standardize public welfare and charity activities
<p>Responsibility for environmental protection</p>	<ul style="list-style-type: none"> • Improve the energy saving and emission reduction management mechanism and seek new methods for environmental protection to fulfill our responsibility for low-carbon operation and conservation • Actively take part in environmental protection and public welfare activities and promote the idea of environmental protection in the public

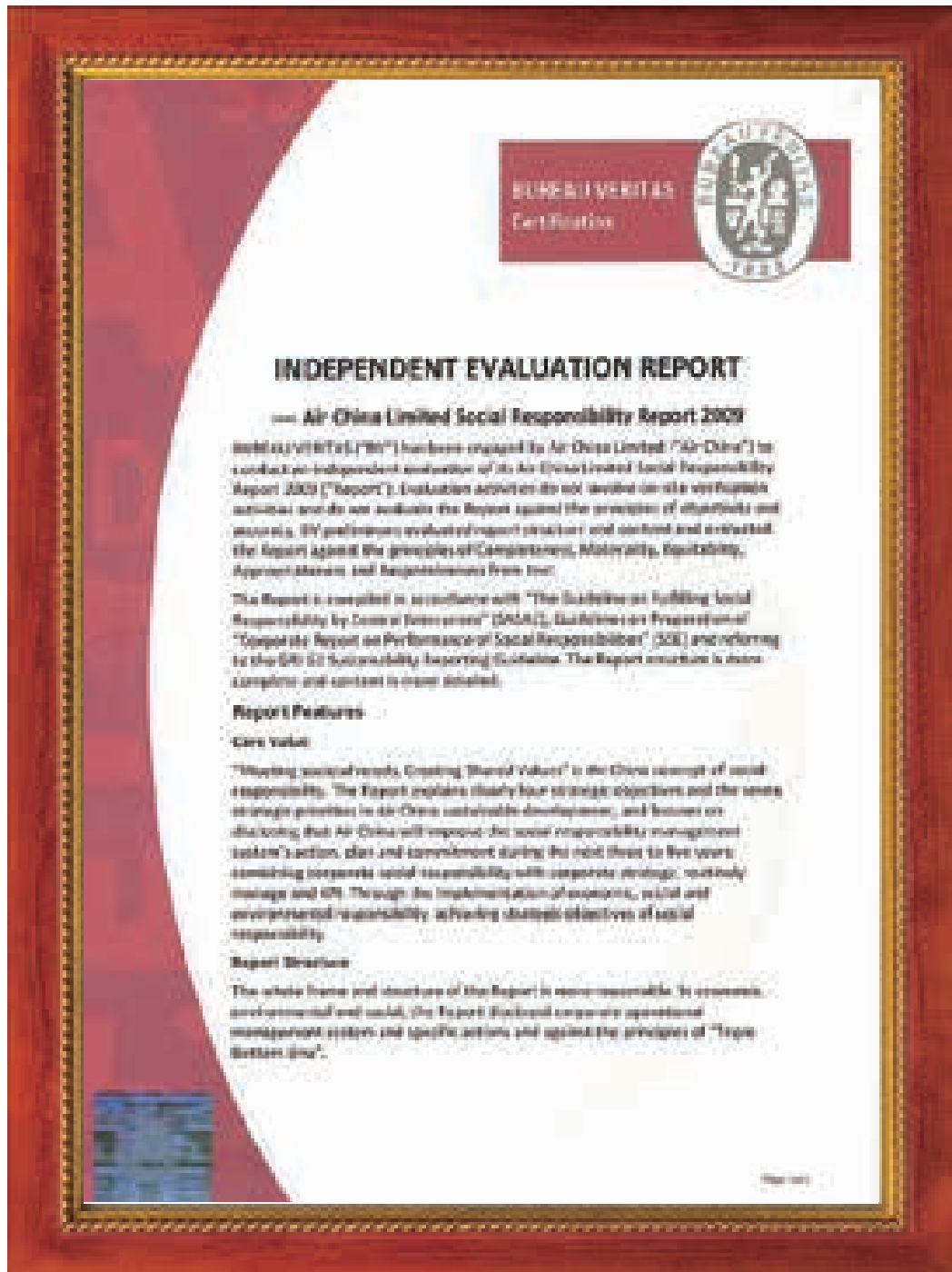


Appendix



Part Three Appendix

XIV. Report Evaluation



Part Three Appendix



Part Three Appendix

XV. Feedback

Dear Reader,

Thank you very much for reading the *Air China Limited Corporate Social Responsibility Report 2009*. Air China appreciates all your advice and suggestions. Thanks for your time!

Air China Limited Corporate Social Responsibility Report 2009 Compiling Team

April 2010

Name Contact	E-mail			Telephone			
	Report Rating*	Balance	Comparativeness	Accuracy	Usefulness	Clarity	Reliability
Organization Introduction and Corporate Governance							
CSR Management							
Stakeholder Communication							
Sustainable Development							
Flight Safety							
Customer Experience							
Green Operation							
Employee Protection							
Harmonious Community							
Outlook							
Overall Evaluation							

* The rating ranges from 1 to 10, with 1 the lowest and 10 the highest.

You are encouraged to email your feedback to csr@airchina.com. We value all your advice and suggestions, and promise to protect your privacy.

Part Three Appendix

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