Cherished Experience

HAINAN AIRLINES

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Hainan Airlines CSR Report 2015

HAINAN AIRLINES

CSR 2015 REPORT

Corporate Social Responsibility Report

Hainan Airlines



Cherished Experience

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About this Report

Report Objective

This report is Hainan Airlines Company Limited's first Corporate Social Responsibility (CSR) Report. It aims to outline the company's social responsibility philosophy and achievements. We hope the report will facilitate all-rounded communication and positive interaction between the company and its stakeholders, as we work together to promote the sustainable development of the business and our society.

Reporting Standard

This report was prepared with reference to the Global Reporting Initiative (GRI) G4 and demonstrates Hainan Airlines' unique corporate characteristics through illustration of our performance in social responsibility.

Timeframe

The data and content of this report is from January 1 to December 31, 2015, consistent with the company's annual report.

As this is the company's first Corporate Social Responsibility report, certain content will cover our achievements before 2015 such content will be noted in the report.

Scope of the Report

Unless specified otherwise, the scope of this report covers our social responsibility performance during the reporting period.

In order to give our readers a more comprehensive understanding of our performance, some of the information may cover our branches, wholly owned subsidiaries, and other shareholding companies; such information will be referenced accordingly.

Stakeholder Engagement

Hainan Airlines engages with our stakeholders regularly; namely our passengers, employees, suppliers, investors and the community. We believe that maintaining close contact with our stakeholders is an important element of our operations and business development. Hainan Airlines understands that our stakeholders have expectations and opinions towards the different aspects of social responsibility that we should undertake. This report proudly discloses for our stakeholders our recent achievements across the major corporate social responsibility aspects.

Reporting Cycle

This report will be released annually.

Abbreviations

"Hainan Airlines Company Limited" in this report may appear abbreviated as "Hainan Airlines", "Company" or "we".

Accessing this Report

The Chinese and English versions of this report have been published on Hainan Airlines' official website - www.hnair.com.

Your feedback and suggestions are valuable to Hainan Airlines for the improvement of our corporate social responsibilities so we look forward to hearing your comments. If you have any comments or questions about this report, please fill out the feedback form on the last page and send it to the address below or email it to hnapr@hnair.com.

To obtain a hard-copy of this report, or if you have any suggestions regarding the report, please contact us as below:

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Message from the President

> Travelers around the world are choosing to fly with Hainan Airlines. At Hainan Airlines, we cherish every encounter, we pay attention to every detail and our passengers' experience is our top priority, so that their relaxed and beautiful smiles can make the world a better place.



Xie Hao Ming
President
Hainan Airlines Company Limited

In 2015, after a period of weak economic development, the world economy is awakening with a series of adjustments and a new wave of technological revolution and industry transformation is about to begin. The Chinese economy is undergoing a significant transition and establishing a "new-norm": Domestic passenger and outbound traveler numbers are growing, global oil prices are low, Chinese airlines are competing with global airlines, international supply is exceeding demand and the threat from global terrorist attacks constitutes a tough challenge. With such opportunities and challenges ahead, Hainan Airlines is holding fast to the direction set up by the government to drive forward deep transformation and capture the opportunities of the "One Belt, One Road" strategy. Under the guidance of our "Hainan spirit" and leveraging on the core principles of sustainable development, Hainan Airlines is determined to fulfill our corporate social responsibility, and to lead industry transformation, and be a part of "One Belt, One Road". In 2015, Hainan Airlines expanded its international routes and raised its global operation capabilities, safety management and service standards; thereby reinforcing the corporate brand image, "Oriental Beauty", and helping drive our parent company, HNA Group, to become one of the World's top 500 companies.

Hainan Airlines is committed to our principle of "Oriental Hospitality", our spirit of "customer first" service attitude, our "SMILE" service standard, and our brand concept "Chance Encounter, Treasured Accompany". In 2015, Hainan Airlines continued to excel in safety, punctuality and service, to accelerate our "going out" strategy, to create a "Silk Road in the Sky" for our passengers, and to become a trusted aviation service provider. During the year, Hainan Airlines achieved stable growth with outstanding business results; delivered RMB35.2 billion in income, served more than 38.6 million passengers, 636,800 hours of flight time, and average occupancy rate of 88.19%; created 2,200 new employment opportunities and grew our team to over 11,000 while promoting harmonious and sustainable development for Hainan Airlines and our community.

"Safety, the most valuable and important service we offer". Hainan Airlines puts safety as a top priority. In 2015, Hainan Airlines utilized safety metrics as the basis of implementing core risk management controls and SMS (Safety Management System) as a core foundation. Hainan Airlines has achieved over 5 million hours of safe flight time and is recognized by the Civil Aviation Administration of China (CAAC) for "Safe Flight 5-Star Award". At the same time as we enhanced our services and innovated our air-ground services, simplify our business processes and develop "Customer Satisfaction Survey Platform", Hainan Airlines was able to leverage on our "Double 5 Stars" recognition in safe flight and outstanding services to ensure a safe and pleasant journey for our passengers.

Hainan Airlines upholds our corporate beliefs of "Serving our Community, Serving Others" and shoulders the responsibility of protecting our ecosystem and environment. We place firm commitment on promoting the principles of a modern ecosystem, low carbon emission and energy-saving initiatives to drive forward our corporate sustainability strategy. In 2015, Hainan Airlines leveraged on our advanced and innovation technology; reduced airplane weight load; enhanced our routes and water cleansing of our generators; adopted new energy and other sustainability initiatives to reduce fuel use by 51,000 tones, which brought our accumulated fuel savings since 2008 to 251,000 tonnes. This saving is equivalent to 30,000-acre forest carbon dioxide absorption for one year. For carbon emission projects that are yet to achieve their targets, Hainan Airlines is committed to fulfilling its environmental responsibility by conducting a deep dive analysis and implementing improvement plans. In terms of community services, Hainan Airlines adopted an innovative model by engaging the community through a "Mileage for Charity" platform and successfully launched the "Bring Love Home", "Charity Flight – My University Dream", "Angel Act" and other charity projects to help over 300 children suffering from AIDS, underprivileged students, children left in the provinces, and physically handicapped individuals to realize their dreams.

This is Hainan Airlines' first corporate social responsibility report. We sincerely appreciate your interest in our journey over the past year and how we are exploring new ways of achieving our dreams in sustainable development. We hope that through connecting with our stakeholders across all sectors, we are able to drive forward our work and reach new heights together. 2016 kick starts our nation's "13th Five Year Plan". It is also the "International Year" for Hainan Airlines. We are committed to establishing an innovative and green open concept, leveraging on our competitive edge to join handswith all stakeholders in driving mutual growth and prosperity. Together, we work towards a harmonious aviation industry and becoming one of the leaders in the aviation industry.

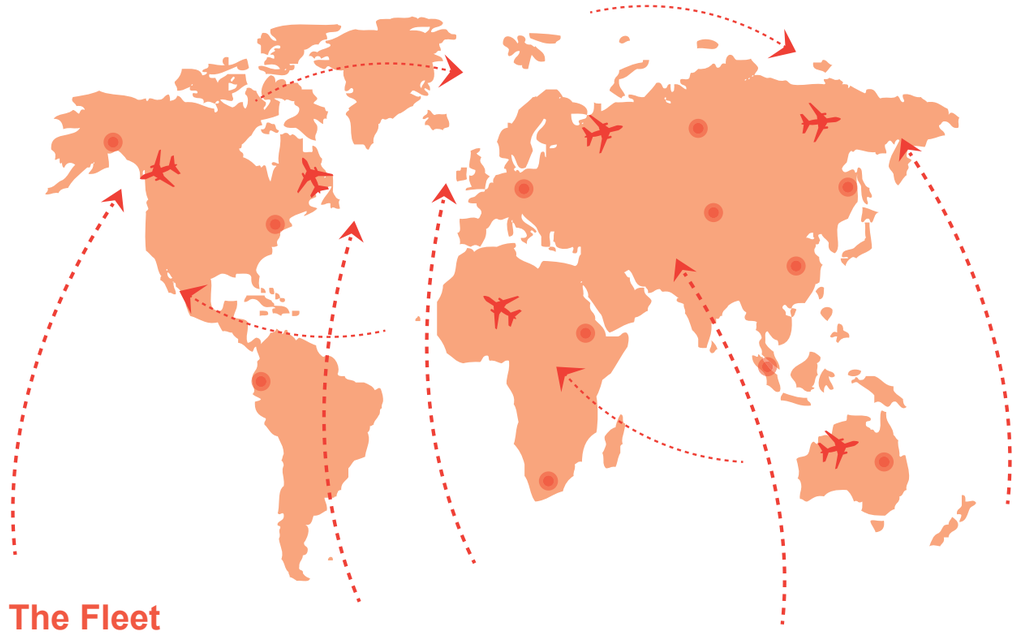
About Hainan Airlines

Company Name: Hainan Airlines Company Limited
Company Business: Provide passengers with a full range of seamless air services
Total Number of Planes: 202
Domestic and International Routes: More than 700
Number of Employees: 11,781



Global Business Structure and Layout

Established in Haikou in 1993, Hainan Airlines has operating bases or branch companies in Beijing, Xi'an, Taiyuan, Urumqi, Guangzhou, Dalian and Shenzhen. Our extensive network through China, Asia, Europe and North America, has more than 700 domestic and international routes, and reaches nearly 100 cities. Since establishment, we have operated safely for more than 5 million hours of flight time, and have been honored by JACDEC as one of the world's ten safest airlines three times. Hainan Airlines possesses a young fleet that includes Boeing 737 and 787 series and Airbus 330 series, suitable for passenger travel and cargo transportation. Since 2011, with the high-quality service and continuous service innovation, SKYTRAX has certified us as a five-star airline for five consecutive years, the only airline in China to receive such recognition.



The Fleet

Model	Number of planes
B737-700	16
B737-800	144
B767-300	3
B787-8	10
A320	4
A319	3
A330-200	9
A330-300	13

Total: **202**

Hainan Airlines Milestones (1993-2015)

1993

April 13

Hainan Airlines celebrated the arrival of its first Boeing 737 aircraft



1994

April 25

Hainan Airlines trained its first 1:1 captain Su Ji Long



1995

April 21

Hainan Airlines celebrated the arrival of the first VIP business jet aircraft, Learjet 55, from the United States



1997

June 26

Hainan Airlines was listed on the Shanghai Stock Exchange with 71 million B-shares



1998

August 29

Hainan Airlines celebrated the arrival of its first Boeing 737-800 and Chen Feng, the Chairman of the Board, spoke to the media during the delivery flight



1999

November 25

Hainan Airlines' A-shares were officially listed for trading on the Shanghai Stock Exchange



2001

October 10

Our first international route, from Sanya to Seoul



2004

August 2

Hainan Airlines' first intercontinental route, from Beijing to Budapest, jointly operated by Hainan Airlines and Hungarian Airlines

2007

November 15

Hainan Airlines' first Airbus aircraft for passengers and cargo, the 500th Airbus A330-200 produced, landed at Haikou Melian Airport at 14:10pm



2009

December 1

Hainan Airlines was certified by SKYTRAX as a four-Star Airline and became the first Mainland Chinese airline to obtain such recognition.



2010

July 20

Hainan Airlines' "Journey of Harmony" cultural event celebrated naming the aircraft National Grand Theater



November 27

Hainan Airlines' flights from Beijing to Toronto



2011

January 10

Hainan Airlines was further certified by SKYTRAX as a five-star airline, marking Hainan Airline's ascension to being one of the seven global 5-Star Airlines



2012

November 28

Hainan Airlines A330 Business Class aircraft's first flight was a major success



2015

October 29

Hainan Airlines won three awards at the 2015 World Travel Awards (WTA); "Asia's Best Business Class", "Asia's Excellent Cabin Service", and "Asia's Best Business Class Flight Attendants"



With the vision of “enriching mankind and promoting world peace” and the pursuit of “integrity, performance and innovation” in our corporate management philosophy, we leverage on the essence of traditional Chinese culture and advanced technology from the West to create a unique Chinese-Western corporate brand. Hainan Airlines integrates “Oriental Hospitality” and advocates a “customer-oriented” service spirit, abiding by the “SMILE” service standards to convey our brand concept, “Unplanned Encounter, Treasured Companion”. The image of the roc spreading its wings in our corporate logo signifies Hainan Airlines’ international brand image “Oriental Beauty”; signifying that we are ready to soar and build a world-class Chinese aviation brand.

SMILE service standards

S	M	I	L	E
Safety & Punctuality	Manner & Elegance	Innovation & Passion	Leadership & Teamwork	Equality & Love

Corporate Governance

Compliance integrity and trustworthiness are the bases for Hainan Airlines’ sustainable development. Therefore, we uphold the standards of business ethics and constantly improve the level of corporate governance, risk management and control mechanisms. Hainan Airlines strictly abides by the laws and regulations of countries, and is continuously improving the corporate governance structure formed by the Board of
Directors, Audit Committee and management.

Hainan Airlines encourages all staff to be professional and ethical. We carry out compliance training sessions during new hire inductions and regular staff training. Given the company’s international strategic plan and the global implementation of the internal control management, we ensure our employees are able to perform proper procedures to prevent the occurrence of non-compliant behavior.

With regards to behavior governance, Hainan Airlines’ has a whistle-blowing program that allows employees to raise concerns on any non-compliance during recruitment, tendering or other services. Thorough investigations are conducted if any cases are reported.

Hainan Airlines developed a “Cadre Management” principle in order to ensure an honest, anti-corruption culture, and to set standards for management conduct.

Hainan Airlines Cadre Management Value Guidelines and Requirements

Justice	Honest	Integrity	Respon-sibility	Coopera-tion	Loyalty	Innova-tion	Pragmatic
Knowing the Law	Not Greedy for Fame	Honesty	Bigger Picture	Team Work	Loyal to Motherland	Driving Change	Realistic
Advocating Virtue	Meritocratic	Cherished Reputation	Pursuit of Excellence	Industry Collaboration	Loyal to Company	Keep Learning	Efficient Execution
Fair and Equitable	ASDF	Confidentiality	Courage	United Colleagues	Loyal to Duty	Be Attentive	Pursuit of Performance

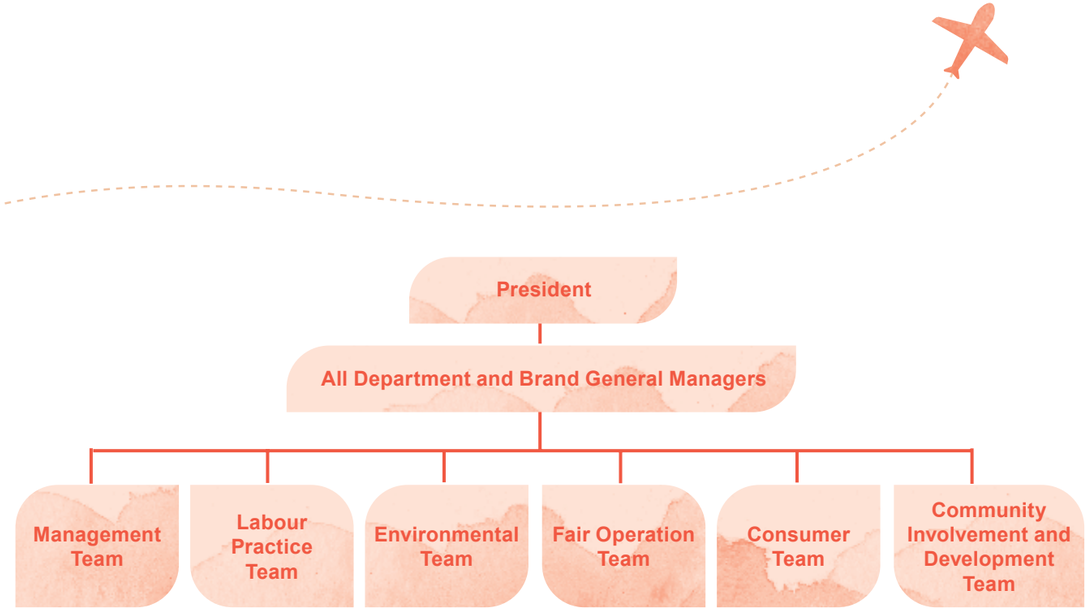
In 2015, the Company engaged in a comprehensive behavior investigation through in-depth inspections and effective reporting. We identified several irregularities and took corrective measures accordingly. Through combatting non-compliant behavior, illustrating negative examples, and providing further education, we demonstrated our commitment to ethical behavior and promoted self-discipline among our colleagues.

For more information on Hainan Airlines’ governance in 2015, please refer to our 2015 Annual Report “Section 9 – Corporate Governance”.

Social Responsibility Management

Hainan Airlines engages in social responsibility management by embedding it into the Company’s daily operations. The Company has been undergoing rapid development and expansion, while vigorously promoting the spirit of our culture, “Serving our Community, Serving Others”.

To fulfill our social responsibility, Hainan Airlines began a pilot social responsibility workgroup which is led by our Company’s president, and comprises department general managers, site managers, and the general managers of the subsidiaries. The Brand Management Center of the General Administration Office serves as the social responsibility office. Six project teams were set up: the Governance Team, Labour Practice Team, Environmental Team, Fair Operations Team, Consumer Team, and Community Engagement and Development Team. Each team has a leader that coordinates the implementation work of relevant departments.



Stakeholder Communication

As we implement corporate social responsibility, we are paying close attention to our stakeholders' views. Through a broad range of channels, we actively communicate with all stakeholders on the various elements of our work in social responsibility.

Stakeholders	Communication Channels	Goals
Government	Work Meetings Memorandum and Notifications Project Collaborations	Abide by the Laws Support Regional Economy Tackle Climate Change
Investors	Shareholders Meetings Company Announcements Periodic Reports Results briefing meetings Shareholder Open Day	Improve Business Performance Implementation of Risk Management International Development Strategies
Partner / Supplier	Business Communications Regular Visits Work Meetings Phone & Email Communications	Promote Supply Chain Management Pursuit Mutual Benefits Share Development Results
Travelers	Service Quality Monitoring System Complaint Mailbox Hotline 95339 Comment Cards Flight Services Terminal Services	Ensure Flight Safety Maintain Service Quality Protect Customer Privacy
Industry Peers / Industry Association	Industry Forum Chamber of Commerce Meetings Exchange Visits	Abide by the Laws Implementation of Fair Competition Promote Industry Exchanges
Media	Press Releases Media Visits Official Media Platforms Promotion Activity Interview	Brand Image Ensure Timely Delivery of Media Continuous Contribution to the Community
Society	Charity Work Voluntary Work School Cooperation Projects	Support Community Economic Development Continuous Expansion of the Scope of Public Service Provide Help to the Disadvantaged
Employees	Employee satisfaction surveys and communication Process and Mechanisms Regular Meetings Employee Caring Activities	Clear Career Development Opportunities Protect Employees' Rights Effective Communication Mechanisms

2015 Accolades/ Awards

In 2015, our work in social responsibility work was recognized.



01

Strong Partnership to Create Mutual Business Value

Our fundamental responsibility is to ensure operation stability and sustainable prosperous development for the company. Hainan Airlines has embedded sustainable development concepts into its business operations by monitoring our impact toward the economy, society and environment. We endeavor to raise our economic strength as we stride towards globalization, and to create greater value for our staff, shareholders and business partners.



Economic Performance Overview

Air transportation is the most modern means of transportation, and an important infrastructure industry within our country's economy. With continuous technological advancements, the aviation industry leverages on its unique advantages to drive the country's development. Hainan Airlines actively expands the international network; we positively contribute to economic development, cultural exchanges and cross-border cooperation. As Hainan Airlines enhances its profitability, we are committed to creating more employment opportunities for the community as we create stronger economic value.

2015

Operating Income

35.2 billion RMB

3 billion RMB

Shareholders' Net Profit

Company Offered

2249 Job Positions

Accelerate International Route Network Rollout

The national civil aviation carried

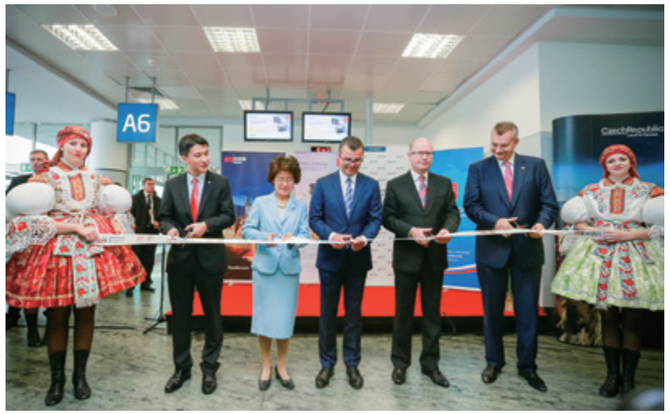
436 million passengers

Delivered

7282.55

ten thousand person-kilometers

In 2015, the national civil aviation carried 436 million passengers and delivered 72.8 billion person-kilometers, year-on-year increases of 11.1% and 14.8%. In 2015, Hainan Airlines focused on creating a high-end quality route network aligned with the national strategy “One Belt, One Road” to create a “Silk Road in the Sky” and expanded our operations to Europe, United States and other regions. We focused on developing major business route networks in China, and fostered connections between international and domestic networks to better meet our passengers’ needs.



On 23rd September 2015, Prime minister of Czech Republic, Mr. Bohuslav Sobotka (Right 3); Ambassador of China to Czech Republic, Mrs. Ma Keqing (Left 3); President of Hainan Airlines, Mr. Xie Haoming (Left 2), together with other guests attended the ribbon-cutting ceremony for inaugural flight of Beijing – Prague.



On 23rd September, 2015, a welcoming ceremony was held at Czech Republic Václav Havel Prague Airport to welcome the inaugural flight from Beijing to Prague.

Case **12 Newly Opened International and Regional Routes**

International and regional routes number of launched

12

Hainan Airlines continues to grow in the core markets of Europe and America. In 2015, in addition to the Beijing and Shanghai flights to Europe and America, we commenced direct flights from Chongqing, Xi’an and other second-tier cities to Europe. Meanwhile, Hainan Airlines re-entered the Japan and Australia market and further enhanced our global flight network. A total of 12 international and regional routes were launched including

Haikou ⇄ Bangkok	Chongqing ⇄ Rome	Beijing ⇄ San Jose	Shanghai ⇄ Boston	Shanghai ⇄ Seattle	Beijing ⇄ Birmingham
Beijing ⇄ Prague	Haikou ⇄ Macau	Xi’an ⇄ Rome	Xi’an ⇄ Sydney	Xi’an ⇄ Tokyo	Beijing ⇄ Tokyo

On October 23, 2015, Hainan Airlines announced that it would commence the Beijing-Manchester route in June 2016, the first direct flight between the two cities. President Xi Jinping arrived in the United Kingdom and accompanied by the Prime Minister, David Cameron, visited Manchester Airport for an introduction to the upcoming operation.



Number of
Joint Operation Partners

87

Number of Codeshare Partners

10

Hainan Airlines also continued to focus on expanding cooperation with domestic and international organizations. In 2015, we had 87 joint operation partners and 10 codeshare partners. We also achieved breakthrough in our partnerships with the launch of a mileage exchange programs with Air Canada, Cathay Pacific and eight other major airlines and aviation platforms. Further, we also cooperated with Alaska Airlines for mileage, frequent flyer points exchanges and other VIP benefits to enhance our influence on the West Coast of the United States. Hainan Airlines' cooperation with foreign airlines has greatly enriched the convergence of our domestic and international network, and provided a more comprehensive joint operation service for our global travelers.



In addition to accelerating our global route network, Hainan Airlines has always considered on-time performance (OTP) as one of the most important business indicators. To improve the company's OTP and thoroughly implement the spirit of CAAC's OTP guideline, we have set up an OTP working group led by the company's management, and developed guidelines. We also published the following documents to drive OTP into the norm and standard of Hainan Airlines: "Hainan Airlines 2015 On-time Performance Assessment Methods", "Hainan Airlines Operation Abnormal Incident Investigation Regulations", "On-time Performance Audit Regulations", "100 Days Countdown for On-time Performance", and "Early Warning on Low On-time Performance".



The departure of Boeing 787-8

One of the five airlines with the best improvement record

Case

The Only Chinese Airline Recognized by OAG for On-Time performance

In 2015, OAG, one of the most recognized aviation information agencies, in its Global Real-time Performance Report, named Hainan Airlines as one of the five airlines with the best improvement record, the only Chinese airline shortlisted.

Support Regional Economy

The aviation industry provides a very convenient mode of transportation for long-distance travelers, and also plays a key role in connecting different locations. Hainan Airlines leverages on the advance development of the aviation industry and the international transport network to ensure the effective information and resource integration. Through talent development to enhance productivity, we promote social stability and economic development. Additionally, the creation of specific routes consequently boosts regional infrastructure and economic development.

Support Youth Development

Hainan Airlines recruits graduates from universities each year through campus recruitment events. Meanwhile, Hainan Airlines has developed a comprehensive induction program that enables new hires to grow and develop and to help us build our talent infrastructure.



Aviation Experience Camp

Support the Development of Impoverished Areas

Poverty is one of the biggest challenges that society faces while progressing towards sustainable development. In response to the government's call to address poverty reduction, Hainan Airlines increased regular flight routes to remote areas to facilitate local economic development and communication between these rural regions and developed regions in China.

Beijing ▸▸ Yan'an route

Every Day

Guangzhou ▸▸ Chongqing ▸▸ Yan'an route

Every Monday, Wednesday, Friday and Sunday

Shenzhen ▸▸ Liancheng ▸▸ Hangzhou route

Every Monday, Wednesday, Friday and Sunday

Guangzhou ▸▸ Liupanshui route

Every Tuesday, Thursday, and Saturday

Promote Sustainable Development in the Industry

As a member of the aviation industry, Hainan Airlines plays a leading role in fostering prosperous development. Leveraging on our competitive edge in international standards, safety and service management, we strengthened our cooperation with authorities and business partners to achieve mutual development with our stakeholders.

Hainan Airlines believes it is important to communicate closely with the global aviation industry by participating in conferences and seminars, industry associations and other organizations. In this way we can strengthen our collaboration and development in security technology, service quality, and cooperation for sustainable development.

2015

April — Hainan Airlines attended the IATA Cabin Operations Safety Conference and met with hundreds of airlines, aviation safety regulatory bodies and research institutions to share the latest development in safety regulations. Our representatives attended multiple seminars and sharing sessions for the discussion of the latest trend in civil aviation security management.

May — Hainan Airlines participated in the Aircraft Interior Expo in Hamburg, which exhibited the world's latest innovative technologies and products for cabin interior, inflight entertainment and passenger comfort. Representatives also went to the Lufthansa premises to visit their cabin service and exchange knowledge in providing the best service for passengers.

June — Biofuel is a new global development. Hainan Airlines participated in the biofuel seminar jointly organized by Boeing and ACP (US-China Aviation Cooperation Program). In this seminar, Hainan Airlines delivered the keynote speech on commercial biofuel, sharing practical experience in Hainan Airlines' commercial flights using biofuel, showing international audience Hainan Airlines is driving for low-carbon, environmental protection and social responsibility.

September — In order to implement the "Sino-US Joint Presidential Statement on Climate Change", the first US-China Climate Smart / Low Carbon Cities Summit was held in Los Angeles. President Xi Jinping, State Councilor Yang Jiechi and US Vice President Joe Biden attended the closing ceremony and delivered speeches. As a green leader in aviation, Hainan Airlines was invited by the Hainan Provincial Development and Reform Commission to have in-depth discussions with several major American airlines.

November — Hainan Airlines attended the IATA Fuel Efficiency Seminar in North Asia and delivered keynote speech on energy management systems to representatives from other countries. As the first Chinese airline with an energy management system certification, we shared our energy-saving and emission reduction practices.

Emphasis on Supply Chain Management

Hainan Airlines' consistent and effective supply chain management is important to ensure the company's sustainable development. Hainan Airlines follows the principle of achieving mutual benefits to strengthen the sense of responsibility amongst the suppliers, it enhances their capacity for sustainable development and establishing closer cooperation with responsible suppliers in order to achieve economic, environmental and social development together.

In 2015, Hainan Airlines reorganized and streamlined the Company's procurement documentation file, which led to the improvement in the procurement system and the code of conduct in accordance to the 3-level Management Manual and the Purchase Management System Construction Measures. Integrating more elements of sustainable development in the supply chain management to accelerate the overall development of the entire supply chain. Hainan Airlines continued the supervision and management of suppliers' CSR performance by regularly communicating with them to enhance social responsibility awareness and to help enhance the management capabilities of the supply chain partners.

	2014	2015
Number of Suppliers	334+ all OEM (aircraft parts) and aircraft manufacturers	331+ all OEM (aircraft parts) and aircraft manufacturers
Total Number of New Suppliers	24	33
Number of Domestic Suppliers	273	270
Number of Foreign Suppliers	61+ all OEM (aircraft parts) and aircraft manufacturers	61+ all OEM (aircraft parts) and aircraft manufacturers

Note: Statistics provided based on the information on suppliers for the aircraft material and general supplies

02

Excellent Safety to Protect Our Passengers on the Journey

Safety is our most important core value. We cherish every “chance encounter” with our travelers and strive to ensure excellent safety standards for every flight.



Since our establishment, we have been developing our safety management systems, embracing technological innovations and promoting a culture of safety. Our comprehensive safety standard governs our culture and systems, machinery and staff, to effectively safeguard every flight.

Hainan Airlines has always adhered to the “safety and prevention first, prevention focus” management approach. As a commitment to internationalization, we follow an international advanced management system. Hainan Airlines’ strict safety policies, positive safety culture and effective safety management system have enabled us to maintain an excellent safety record, while at the same time, achieving international and fast development.

By the end of 2015

Hainan Airlines had accumulated more than **5 million hours** of safe flight

Maintained an outstanding record of **22 consecutive years** of safe operation

Hainan Airlines also won the “Five-Star Flight Safety Award” from the Civil Aviation Administration of China.

Jet Airliner Crash Data Evaluation Center (JACDEC) published the 2015 world’s safest airlines list, with Hainan Airlines ranked 5th; and **first among Chinese airlines**.

Enhance System Security with Technological Innovation

The core of safety management is risk management. Hence it is important to build a strong safety management system (SMS). Hainan Airlines upholds four core concepts: safety policy, risk management, safety assurance and safety promotion. Through continuous improvement and innovation, we have created distinctive feature in the SMS to ensure safe operation and the healthy development of Hainan Airlines.

Solid Foundation of the Robust SMS System

Hainan Airlines' SMS adopted a "proactive risk management" approach which ensures that risk is managed throughout the entire business operation.

Hainan Airlines was the first airline in China to introduce the SMS promoted by International Civil Aviation Organization (ICAO) in 2005. The SMS emphasizes proactive and comprehensive monitoring and management. It stresses that safety elements should be integrated into the company's structure, processes, culture and daily training. Hainan Airlines SMS covers all aspects of operations, including flight, transport control, maintenance, ground and various other operations. By identifying the source of hazards, the hazard database is established to carry out risk assessments and formulate proactive control measures to minimize possible safety risks.

Hainan Airlines has established a comprehensive safety management structure. At corporate level, we have a safety management committee; at department level, a safety working group; and at team level, a safety team. Among them, the safety management committee is the highest governing body for safety management. They are responsible for establishing the company's safety, security and other related policies. They review the company's SMS status and organize safety meetings quarterly and annually to analyze the company's safety performance, threats and potential issues. Through a red-yellow card system and appointment system, we are able to effectively resolve all security threats and maintain sustainable safety.

SMS

HORCS

Ensure Safety with Technological Innovation

To continue enhancing our safety performance, Hainan Airlines developed a system with risk measurement, risk monitoring, risk suppression and intelligent decision support functions, known as HORCS (HNA Operational Risk Control System). HORCS combines risk management and technology seamlessly and looks into all factors that may affect the safety of each flight, for example, weather, pilot performance, the crew and airport conditions. By researching and analyzing more than 200 elements in operation and quantifying the risks the system is able to provide pilots with timely and objective information thereby reducing the chance of human error.

2015
Safe flight hours
520 thousand hours

International Safety Standards

In 2015, Hainan Airlines fully implemented E-IOSA audit (Enhanced IATA Operational Safety Audit), the accepting the higher standards of an authenticating mechanism in IOSA safety audit. We have completed the E-IOSA in July with full compliance; thereby strengthening the company's ability to prevent risks.

E-IOSA

China and Hainan Airlines Incident Rate Per 10,000 Flight Hours

	2011	2012	2013	2014	2015
Hainan Airlines Incident Rate / 10,000 Flight Hours	0.03	0.08	0.02	0.02	0.02
China's Average Aviation Incident Rate / 10,000 Flight Hours	0.373	0.418	0.383	0.396	0.431
Safe Flight Hours (10,000 hours)	37	39.8	45	50	52

Note: The safe flight hours for Hainan Airlines include data from four companies.

Ensure Flight Safety with Strict Management

Keeping In Mind the Safety Culture

Safety culture is the spiritual pillar of Hainan Airlines' safety management, providing a direction for safety development efforts. Awareness is deeply rooted in the heart of every employee and the concept of safety is a part of every aspect of work. The implementation of key risk management promotes the implementation of the Company's safety management practice and fulfils the mission of providing five-star safety protection for our passengers.

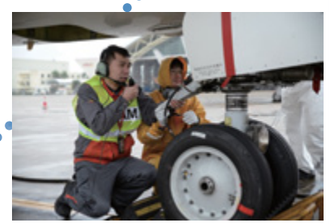


"Safety Production Month" Showing Safety Education Video



Hainan Airlines' 7 Core Safety Culture

The 7 core safety culture is integrated into every employee's words and actions. From preparation to the implementation of each flight, the culture towards safe practices has become self-conscious, self-disciplined and self-corrected.



Safety Performance Prevent Risks

Hainan Airlines strictly implements safety and control standard management. In 2015, Hainan Airlines was selected by Civil Aviation Administration of China as the pilot unit to implement and develop safety practices. Through research and references, Hainan Airlines built a unique safety performance management model with operation overview, safety outcomes, core risks, and critical components. These four core dimensions form the safety map that reflects the company safety status.

Hainan Airlines established the safety working group at the departmental level to implement safety assessment methods. These are focused on each unit's safety management performance review based on the "philosophy of equal importance of results and process". This is to strengthen the safety responsibility of all departments. Through the implementation of the "equal importance of results and process" safety performance assessment, active reporting is done to reduce the liability of risk management and ensure the operations safety.

Flight Training Builds Our Foundation



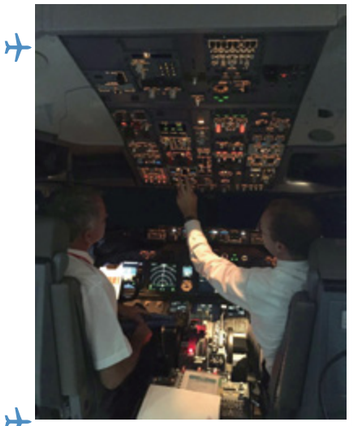
Flight training is the one of the foundations to ensure safety. The importance of flight safety is self-evident to pilots. Hainan Airlines adopted the IATA CBT/EBT concept as the basis, with the enhancement of pilot capabilities as a training objective, which includes a variety of scenarios, including comprehensive training content format, and inspection standards to effectively enhance the quality of flight training. In order to strengthen the management qualification of key flight positions, Hainan Airlines established a "pilot qualification dual firewall management system" in order to form a two-tier training qualification safety net for 'company-group'.

Hainan Airlines has very strict daily training requirements for pilots and considers it important to create a healthy and productive working atmosphere for the pilots. We adopted a 'led by example' approach for pilots; each fresh pilot is led by a senior pilot to ensure better flight safety.



Case Rigorous Training to Ensure Flight Safety

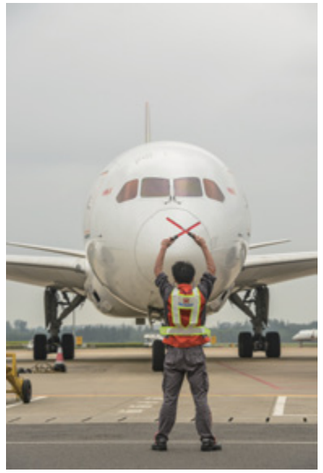
Hainan Airlines has strict training requirements for pilots. Every new pilot in aviation school has to abide by the high standard technical training to ensure compliance with the requirements of our foundation. In addition, Hainan Airlines has a “qualified inspection unit” to keep track of each pilot’s progress and perform a detailed qualification examination to keep a strict control of flight safety.



Case Comprehensive Staff Arrangement Ensures Ground Safety

Ground safety is mainly concerned with the ground equipment and vehicles or the related fire controls when an aircraft is taxiing on the ground. Hainan Airlines has an established ground control safety program and conducts regular inspections of equipment and staff, and training for the ground services team to raise overall ground safety.





Case Aviation Security – Anti-Terrorist Drill in Urumqi

The world has recently been affected by terrorists and extremist groups. With the Chinese government’s determination to combat terrorism and our progress in making Hainan Airlines an international airline, we have devoted significant resources to countering terrorism.

In order to safeguard our passengers and colleagues, Hainan Airlines has established a security management system which is integral to the company’s business process. Our security department pays close attention to international terrorist threats and the latest developments and put security and counter-terrorism elements at the core of the company’s risk assessment and emergency response system.





Other than incorporating the anti-terrorism element into daily training, we carry out annual large-scale anti-terrorist drill. In 2015, we were able to carry out an emergency situation and combat training.

On October 23, 2015, Hainan Airlines and Urumqi International Airport held a joint hijack drill with 100 participants: Combustible materials were set on fire, and the participants and cabin crew were evacuated within a short period of time.

Joint hijack drill
100 participants

There were seven steps involved in the air hijack and ground emergency rescue:

- Deal with violence in the cockpit
- Deal with hostages
- Manage explosions on plane
- Treat the injured passengers
- Transfer injured passengers to ground
- Handover terrorists
- Screen passengers identity

Through this drill, emergency plans were tested for their practicality and effectiveness on all levels and the provided front-line aircrew with practical training. It allowed us to understand the importance of air safety and the seriousness of counter-terrorism and emergency rescue capabilities. It also strengthened our cooperative capability across all units.

Safeguard Information Security with Technology Upgrade

Protecting passengers' information is a crucial responsibility for the aviation industry. With the fast development of information technology networks, we have incorporated passenger information security in our corporate strategy and governance. At the same time, we have put in place data security measures in multiple operating platforms to ensure that our guests can fully enjoy our services.

By 2015, Hainan Airlines upgraded its information security management through its official website and WEB Application Security and Fortune Wings members' personal information security in order to strengthen information security management for each operator access point and strengthen the ability to trace security incidents.

Case Information Security Management Upgrade

Official Website and WEB Application Security

Hainan Airlines conducts regular security monitoring of the WEB application and official website trojan incidents, sensitive content, tampered content, stability incident, IP analysis incident. We also issue weekly "website safety inspection reports". Based on these results, we further improve on the usability, safety assessment and timely optimization of our website.

Fortune Wings Member Personal Information Security

Hainan Airlines' Fortune Wings members' personal information is recorded in this system. The access to the information is strictly controlled. Each business unit has authorization levels depending on respective job function. Fortune Wings has also issued "Hainan Airlines Frequent Flyer Regulation Information" for members to inform them about the strict requirements for information inquiry and usage.

03

Five-Star Services Demonstrate Oriental Hospitality

Hainan Airlines emphasizes the essence of heritage and integration of the traditional Chinese culture throughout our services. Since the commencement of Hainan Airlines, we have embodied the “customer-oriented” service spirit and are committed to providing a five-star flight experience to our customers on every journey.



2015 assessment process covers
37 major categories
and
638 evaluation aspects

SKYTRAX Airline’s star rating program is the most widely recognized and respected airline quality service assessment in the world. Every year, SKYTRAX conducts all-rounded assessments on more than 200 airlines worldwide. The rating ranges from “1 Star” to “5 Star”, with “5 Star” being the highest. The 2015 assessment process covers 37 major categories and 638 evaluation aspects, including the website, ticketing counters, check-in, VIP Lounge, transit service, check-in service, arrival service, cabin seating, safety program, cabin cleanliness, amenities/ toiletries, in-flight meals, duty-free, newspapers and magazines, broadcasts, cabin services and cabin entertainment.



The 2015 SKYTRAX World Aviation Award was officially announced at the annual Paris Air Show. Hainan Airlines was the only airline from China that was awarded for SKYTRAX 5-star. In addition, we were also awarded “Best Airline in China” and “Best Airline Staff Service - China”. We are committed to becoming an international airline and striving to be one of the best airlines globally. For building the service framework for “Oriental Beauty”, we shall continue to build a top-level air service brand, in order to take a successful and solid step forward.





President Xie (left 3) accepting SKYTRAX 5-Star Airline Award from Edward Plaisted, SKYTRAX chairman (left 2)

A “Comprehensive and Seamless” Flight Experience

Hainan Airlines is committed to providing passengers a “Seamless Air to Ground” flight experience; from product design to specific route service details, Hainan Airlines strives to demonstrate our deep understanding of Chinese culture and the Chinese travelers’ consumption habits.

We place considerable attention to provide convenient and comfortable five-star services to our passengers. Through managing every aspect of passenger and cabin service, as well as ongoing product upgrade, we hope every traveler enjoys our quality services, including cabin environment, amenities, entertainment, food and beverage, in order to enable our passengers to enjoy the best cabin service through our cooperation with the world’s top suppliers.

We hope that through the combination of traditional oriental culture and new oriental innovation, we will be able to develop Hainan Airlines’ unique “Oriental Hospitality”. By offering humanistic care, we bring “Comprehensive and Seamless” flight experience to every passenger.



Providing a comfortable sleeping environment

“Cloud · Dreams” – Perfect Sleeping Environment with Our Comfortable Bedding Service

In order to create a homey sleeping environment, Hainan Airlines selects high-quality cotton mattresses, sheets, blankets, pajamas, slippers and other amenities for passengers to feel like they are on a cloud. Our wide-range of services not only minimizes the fatigue of our international long-haul business class passengers, but also demonstrates our fully-attentive service attitude. With our business class comfortable bedding service, our passengers enjoy a quality sleep, which reduces the fatigue caused by long-haul travel.

“Cloud · Enjoy” – Attentive and Fully Equipped Travel Supplies

Hainan Airlines is equipped with the internationally famous Bvlgari products, including body lotion, wet wipes and lip balm; and with disposable toothbrushes, combs, cotton sleeping masks, ear plugs and other daily necessities. In addition, Hainan Airlines carries sewing kits, nail clippers, stationery, pens, and other daily necessities, as well as commonly used non-prescription drugs, so passengers can cope easily with various situations along the journey and worry free during their flight.



In-Flight Services

“Cloud · Entertainment” – Extraordinary Pleasure with Advanced Entertainment Experience

Hainan Airlines Boeing 787 and Airbus 330 are equipped with the AVOD-managed audio-visual entertainment system for all cabins. Each seat is equipped with a personalized screen, with user-friendly design and rich content, to deliver the extraordinary experience of “Oriental charm, international perspective”. For some of the B737/B767 planes, all cabins are equipped with handheld entertainment devices with movies, music, games and shopping, meeting various needs of passengers.





“Cloud · Taste” – Enjoy Exquisite Taste with Cuisine in the Cloud

Hainan Airlines invited an internationally renowned chef to be our catering director. This director works closely with our professional in-flight catering team to design new and unique dishes. We regularly update our on-board drinks, cocktails, starters, main courses, bar snacks and specialty products. Our domestic and international passengers can enjoy both exquisite Chinese cuisine and savor the taste of well-known foreign cuisines, which vividly illustrates the cultural charm of Chinese and Western dining at 30,000 feet.

Excellent Services for Distinguished Passengers

1. Exclusive check-in counters: Frequent travelers can check-in at an exclusive check-in counter
2. Preferred seating: In accordance with frequent passenger’ seating preferences, and special allowance for luggage limit
3. VIP security channel: Enjoy fast inspection services, eliminating the need for queues
4. VIP Lounge: Comfortable seating environment, a wide selection of high quality food and beverages, newspapers, magazines, and high-speed Wi-Fi
5. Boarding service: Offer boarding reminders in the VIP Lounge and provide priority boarding channels





VIP Lounge at Airport

Meals

Cooperate with international brands to create "Star Kitchen in the Air"

We cooperate with Shanghai Grand Hyatt, Intercontinental Changsha, Beijing Grand Hyatt, Westin Xi'an and Chongqing, as well as famous overseas and Michelin restaurants. We reached a cooperation agreement with the Hyatt Corporation in the United States.

Create Hainan Airlines' "Star Chef Team"

We assembled a team of high-profile chefs (such as German LABECASSE Chef Christof Lang) from Michelin restaurants around the world and five-star hotels to create a Michelin Star Chef catering services team.

Featured Meals

We tailor the freshest local ingredients to suit the food consumption habits of our passengers. Our wide range of choices include Hainan chicken rice, nutritious steamed vegetables, Asian cuisine, molecular cuisine and other specialty meals.





Cabin Cuisines

Beverages

Hainan Airlines' international long-haul business class has a variety of high quality wines from France, Spain, Chile, Portugal, and Germany. One of our champagnes was awarded Best Business Class Champagne in 2015 by internationally renowned business travel magazine "Global Traveler". Our Tempranillo red wine obtained a silver award in the 2014 Brussels International Wine Competition. In addition, we also provide a variety of cocktails, spirits, liqueurs and other specialty drinks.



Cabin Wine

In-flight Supplies

High Quality Utilities

Our cutlery and wine glasses have won the "Mercury Award", including fire-resistant cutlery, SOLA stainless steel forks and knives, Luigi Bormioli and RONA Winona lead-free crystal glass. We also provide Bose headphones, BVLGARI toiletry kits, comfortable bedding and stylish pajamas in Business Class. In Economy Class, we offer French Nayi purple sets of toiletries products and Hainan Airlines' exclusive essential oils.



Airplane Supplies

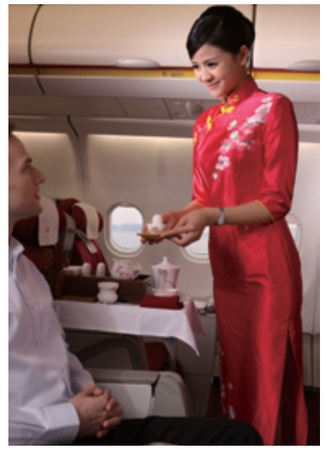


"Calabash Brothers" safety instructions



Inflight Entertainment System

Movies online
110
TV series
90
Music albums
750



Cloud Tea

Inflight Entertainment

Entertainment System

Our new aircrafts are equipped with the advanced Panasonic EX3 entertainment system and Air-Ground Wi-Fi network. Our current airplanes are upgraded with the latest GUI, differential coding and improved program clarity. We also provide on-board Wi-Fi services.

Safety Video

From 2014 to 2015, we launched the opera and Calabash Brothers version as Hainan Airlines' 3rd Version "Safety" video. The number of movies available increased from 40 to 110, the number of TV series increased from 40 to 90, and the number of music albums increased from 500 to 750. The total amount of programs we have has reached the level of the top 10 airlines.

Inflight Entertainment

Service Products

Comprehen-sive Service

Our herringbone seats, cooking kitchen widgets and interior lighting design all contribute to the overall style of the cabin. We offer an award-winning unique cloud kitchen service that won the "Mercury Award" for cloud tea services, and optimize the broadcast and international routes service program to provide convenient inflight sales and inflight activities.

Provide Personalized Services to Special Passengers

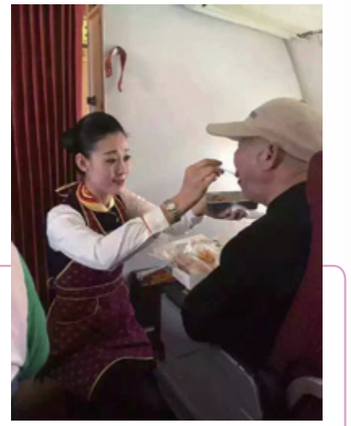
In order to effectively serve our passengers, Hainan Airlines offers the “Care More” special services for special passengers; including pregnant women, children, infants, older travelers and other special guests. Treating everyone equally and with love is the spirit we have abided by for many years.

To better serve our passengers, we launched the Care More Project transportation plan so that more people can enjoy Hainan Airlines’ five-star service. The Care More Project includes various types of special services for passengers, such as for those traveling alone (children, elderly passengers, and visual- and hearing-impaired passengers), wheelchair passengers, passengers in stretchers, passengers who need guide dogs, traveling patients, and passengers that need oxygen support, etc. Meanwhile, Hainan Airlines has been tuning in to our passengers’ feedback, constantly creating and improving our Care More service, in order to provide travelers with an even more comfortable travel experiences.

Case Care More Services

Under the “SOP+SMILE” rule, “Hainan Airlines flight attendant 15 guidelines for core behavior, Hainan Airlines’ flight attendants go the extra mile to ease every passenger’s concern and exceed their service expectations.

From our Hainan’s Most Beautiful Person, Fan Xuesong, our crew member, assisted an elderly passenger who was suffering from cerebral infarction and was unable to feed himself, to Liu Sheng, the crew member who sheltered an old passenger with his body and newspaper and brought him to a passenger car. These little moments might be mundane for Hainan Airlines’ flight attendants, but they reflect the caring spirit of the Hainan staff and are epitome of our service spirit.



Fan Xuesong, kneeling down to feed the Professor

Example 1

On December 8, 2015, 71 year old retired Professor of Medicine Mr. Niu and his wife and children rode on the HU7302 flight from Zhengzhou to Haikou. The Professor was paralyzed after a stroke 2 years ago, so it was inconvenient for him to move and he was unable to feed himself. The elder was moved to tears when our crew Fan Xuesong, kneeled on the floor to feed the Professor.

Example 2

In September 2015, it started to rain heavily after the flight from Beijing to Haikou landed, and the plane was parked away from the terminal. Crew member Liu Sheng helped two elderly passengers with mobility difficulty into a passenger car using his own body and newspapers to shelter the old men despite the heavy rain. This event won the applause from other passengers and friends. It perfectly reflects the company’s “customer-oriented” service concept of Hainan Airlines.



Liu Sheng providing shelter for the elderly

Case Organ Transport Special Mission

On November 29, a Hainan Airlines flight from Guilin to Beijing received a liver transportation mission. Four hours before departure, the Hainan Airlines airport counter in Guilin received a call from the Guangzhou Military 181 Hospital about the need for assistance from Hainan Airlines to complete the transportation of the organ. The stationed duty officer immediately called the company to consult and seek approval for the mission to safeguard the operation. The staff immediately launched the emergency protocol by contacting airport security and coordinating with other units to ensure a smooth process.

One hour before departure, the passenger with the organ arrived at the airport. The staff was well-prepared at the site and accompany the passenger through check-in and boarding. Meanwhile, to prevent delay in baggage and cargo handling of flights, special staff was located to monitor the entire cargo handling to process.



Hainan Airlines had transported up to

620 animals

Case Optimization of Animal Transportation Services

Hainan Airlines' animal transportation services adhere to the IATA international standard and other top 10 airlines' practices. We constantly update our regulations for animal transportation. Hainan Airlines successfully shortened the transportation time to meet the needs of the passengers transporting their animals. We provide a dedicated portfolio bag and kennel packaging, while communicating throughout the journey using our monitoring services; this highlights our love for animals and our embracing spirit. As of 2015, Hainan Airlines had transported up to 620 animals.



Guide dogs database provides convenient services for travelers.

VOC Guest Satisfaction Research Platform

In addition to creating "Seamless Air-Ground" flight experience for travelers, Hainan Airlines values passenger feedback and satisfaction of our services.

In 2015, Hainan Airlines began to build a platform to research on overall guest satisfaction for various services, named Voice of Customer (VOC), Standardizing the information management process flow and constructing a systematic services data warehouse to focus on customer's comments. Using the passenger feedback, we can identify service risks, promote awareness of service issues, correct errors, speedily enhance our service quality and strengthen our proactive service risk management and control.

In 2015, Hainan Airlines used paper, website, 'WeChat', and mobile app questionnaires, and other methods to gauge our passenger satisfaction levels. According to the results, we exceeded our performance targets. Through our closed loop management of the "complete process", we could conduct analysis and amend various indicators to enhance the quality of service for the coming year.

	2015 Goals	2015 Results
Customer Satisfaction Index	**82** Points	**84.13** Points

