

2017 REPORT

Growing our family. Refining our course.

Creating **lift** through sustainability ➡

Alaska[®]
Sustainability

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Report introduction.





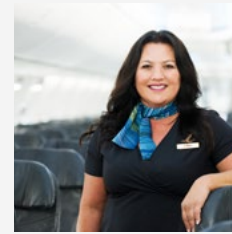
Welcome to our 2017 Sustainability Report.

Within these pages, we share the details of our progress and challenges over the past year, and what lies ahead as we work toward operating our business in a sustainable manner.

Many of our goals evolved this year, primarily because we added people, aircraft and new destinations after welcoming Virgin America into the Alaska Air Group family.

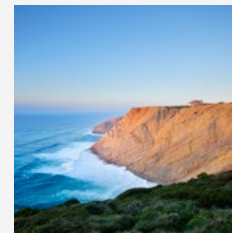
Our efforts are organized by four strategic focus areas that guide our processes and behaviors as we continually seek ways to enhance and advance sustainable aviation practices, strengthen our culture, and support the communities around us.

Our focus areas:



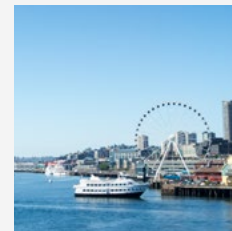
We are all about people.

Our business is fundamentally about lifting people up. We do this by empowering our employees, by providing stellar service to our guests and by giving back to those in need in the neighborhoods where we fly. It's all about treating people with respect and valuing their individual gifts.



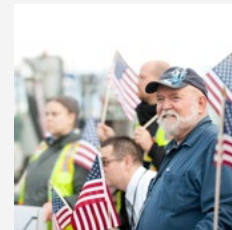
We fly greener.

From napkins to fuel to the way we fly, we make conscious choices every day to reduce the environmental impact of our operations. Through innovation and creativity, we are always looking for new ways to boost the efficiency of our fleet, reduce our waste and decrease our consumption of raw materials.



We invest for strong communities.

We are inspired by flying and the opportunities it creates. We want to see more students, from all backgrounds, have the chance to become future leaders in aviation—or any industry. We invest in many ways to support the communities in our backyards—especially youth, education and workforce development, with the goal of reaching 100,000 youth by 2020.



We make flying matter.

The airline industry has the ability to make a big difference in people's lives, beyond travel for business or leisure. We aim to make a positive impact through things like charity miles, disaster relief efforts, honoring those who serve, and by protecting the beautiful places we live and fly.



About this report.

Alaska Air Group is a publicly held incorporated entity, and the holding company for four operating subsidiaries: Alaska Airlines, Inc. (“Alaska”), Virgin America Inc. (“Virgin America”), Horizon Air Industries, Inc. (“Horizon”) and McGee Air Services, Inc. (“McGee”). With headquarters in Seattle, the three carriers provide commercial passenger and cargo transportation services throughout North America, including Mexico, Canada, Hawaii and Costa Rica.

This is Alaska Air Group’s seventh sustainability report, highlighting the progress we’ve made in the last year and our goals for upcoming years. This report provides basic information about Alaska Air Group’s environmental and social impact from January 1, 2017 to December 31, 2017, unless otherwise stated; whenever possible, we have included data showing trends though multiple years.

In 2016, Alaska Air Group formed a wholly owned subsidiary called McGee Air Services, a dedicated airline services company to provide airline services to Alaska Airlines. Additionally, on December 14, 2016, Alaska Air Group closed

its acquisition of Virgin America, bringing together two of the country’s favorite airlines. Our acquisition of Virgin America positions us as the fifth largest airline in the U.S., with a national footprint and an unparalleled ability to serve West Coast travelers. Virgin America provides a platform for the growth of our low-fare, high value service providing a powerful West Coast network for our guests, as well as enhanced international partnerships reaching over 900 destinations around the globe.

Report content is predominantly focused on our U.S.-based inflight and ground-based operations, including our maintenance facilities and offices. While our commitments span our operations throughout the U.S., Canada, Costa Rica and Mexico, these operations represent the majority of Alaska Air Group’s environmental, social, and economic impacts. Vendor operations and supply chain are not included. This report does not include McGee Air Services, since currently McGee does not have a significant impact on our material sustainability aspects. Instead, the report focuses solely on our aircraft operations.



Creating lift.

Message from our CEO.

Each spring, hundreds of aspiring young aviators pour through our maintenance hangar doors in Seattle and Portland as part of Aviation Day. These kids come from all walks of life and their excitement is contagious. One of the key lessons they learn—before test-driving the flight simulator, learning about the fuel efficiency of our split scimitar winglets, and kicking the tires on our sleek 737s—is Bernoulli’s principal of lift.

Seventeenth-century Mathematician Daniel Bernoulli discovered how the pressure differential created from particles moving over and under a wing at different speeds drives it to rise up and push forward, creating lift. It’s that force that enables an aircraft to leave the runway and become aloft. No matter how long I work in aviation, I continue to find that moment amazing—the collective force of those particles and the air flow lifting a large machine, and the people within it, safely into the air.

At Alaska Airlines, the principle of lift inspires us. We love aviation—that’s why we work in this business. We

also know that being a resilient, responsible business requires us to create lift on all fronts—for our people, our environment, our guests and communities, and our economics. It means investing in our people, innovating to reduce our environmental impact and resource use, using our flying to support those in need, and enabling and inspiring young people to pursue their dreams.

Ultimately, it means being responsible for our impact, controlling what we can control, delivering value for all those who depend on us, and always striving to do better. And just like lifting an airplane, shared success over the long term requires balance and a symphony of efforts aligned to move us all forward and up.

The year 2017 was unique for Alaska Airlines as we took a significant step forward as a strong, resilient business in a competitive and consolidating industry—in which the top four airlines make up 85% of the market. Remaining independent has been a priority for us, for the sake of all our stakeholders, so that we can continue to grow jobs, create value,



have a positive impact in our communities, and be a great airline to fly. Having closed our acquisition of Virgin America in December 2016, we made significant progress in 2017 to integrate cultures, operations, labor contracts and all aspects of our business including our sustainability programs, goals, and reports. The integration became our short-term focus—because the faster the integration was complete, the sooner our people could hone their focus on doing what they do best: running a great airline that is both responsible and responsive to the world around us.

Alaska Airlines, Virgin America, and Horizon Air have incredibly rich histories of innovation and drive—drive to disrupt and challenge an industry, drive to offer a unique and special experience for guests, and drive to care for each other and our communities. Bringing our companies and our people together effectively will make us stronger for the long term. This combined strength will support the people and families who depend on us, and will help us invest in and grow our efforts for lift.

As of mid-2018, the integration is more than 85% complete, and we are grateful for the new colleagues who have joined us from Virgin America. They are inspiring our progress as we move forward together.

In 2017, we are especially proud of:

- Reducing waste an additional 21%, including through industry-leading inflight waste reduction and recycling programs—contributing to a 54% reduction in per-passenger inflight waste since 2010.
- Using mobile technology tools to cut paper consumption in half since 2012.

- Integrating and embedding our strong safety culture across all aspects of the operation, including Virgin America, leading to a 21% increase in employee safety reporting over the prior year, for an 84% improvement since 2012.
- Contributing over \$15 million in funds, travel, and employee volunteerism to support the communities where we live and fly.
- Beginning to fully integrate our sustainability programs across our now larger operation.

As we look ahead, there is always more work to do in these areas. We will focus in the near and medium term where more work is needed, including:

- Working with partners to increase utilization of sustainable aviation fuels and evolving our fleet and technology to improve the rate and quality of fuel use. As we integrated a new fleet, our fuel efficiency slipped 0.03%—essentially flat—galvanizing us for improvement.
- Completing our integration and improving employee engagement by aligning around the purpose, values and plan we developed together in 2017—staying close to our people; listening and using new technologies to stay in touch; enhancing training; and deepening a culture of respect.

Every year, I come away from Aviation Day proud of our people and what we do each day to take people where they need to go safely, while also growing careers and opportunities, giving back to our communities, being conscious of our impact, and delivering value to our owners. I also realize that this work is never done. I invite you to learn more about our environmental and social impact in the pages that follow—and to join us in this journey of lift.

Sincerely,
Brad Tilden



Q&A with Alaska Airlines VP of External Relations Diana Birkett Rakow

What does sustainability mean to Alaska Airlines?

Creating an airline people love takes airplanes and energy—as well as fantastic people. Doing it well takes resources, and genuine connection.

For us, sustainability means running our business in a way that is responsible to all who depend on us—operating efficiently and safely, taking care of each other and our guests, reducing negative impacts and enhancing positive ones. It's a balancing act. Our efforts to date have focused on reducing our footprint both in the air and on the ground by how we manage our fleet, fuel and technology. We've also focused on using our business to do good—whether that's inspiring kids to live their dreams or flying a Make-A-Wish family to Hawaii, Korean War veterans to Washington, D.C. or wounded animals to the nearest vet hospital in Alaska.

Why is sustainability important to us?

Our company was born in the state of Alaska, where there is a strong connection to the land and to community for food, family and livelihood. And, while we've grown as an airline, we've carried those values with us. We believe in being responsible about our impact, creating true connections with each other and our guests, and being stewards of the environment especially in the beautiful places we live and fly. Our business indeed requires resources—but it is in our DNA to be conscious of their use, to treat people and the environment with respect, and to give back.



What role did growth and the acquisition of Virgin America play in our sustainability initiatives?

Many of our goals evolved this year to simplify and focus on the things most core to the sustainability impacts of our much larger organization, which has a more diversified fleet, and hubs and homes in more communities.

In 2017, we integrated Virgin America's Airbus aircraft, as well as our new E-175 aircraft flown by Horizon Air. With the new fleet mix, our fuel emissions remained about flat. So while we're adding winglets on our 14 remaining Boeing aircraft and looking toward the arrival of the first of our even more fuel-efficient 737 MAX aircraft in 2019, we've also welcomed A321neos and developed plans to adjust Airbus interiors for lighter, more fuel-efficient operations.

On the employee side, our Airbus flight attendants will join the inflight recycling program later this year, with the transition to a single service flow across our fleet. This will expand and accelerate our waste reduction efforts across the operation.

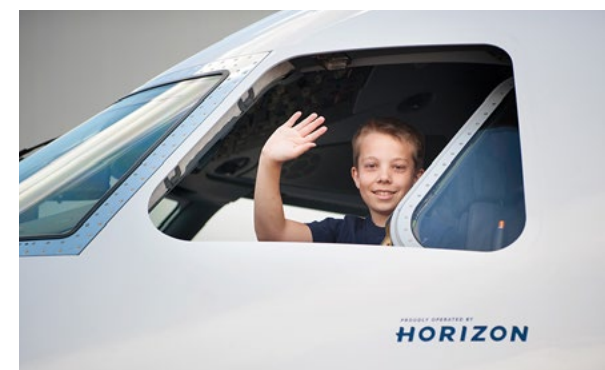
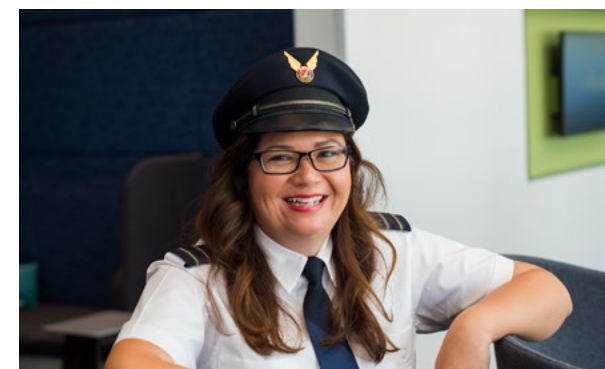
And we've been fortunate to inherit some new partners such as Naturebridge, in the San Francisco Bay Area, which inspires kids to connect and grow through the natural world. Naturebridge's work is consistent with our goal to reach 100,000 opportunity youth by 2020, and we're grateful for all they do to lift young people up.

Most important, perhaps, we'll continue to support the integration of our people and teams—through unified labor contracts, making decisions according to our shared values, and learning from, and listening to, the diverse perspectives across our company.

What's different in this report year?

Focus. With a larger organization, we honed our efforts into four key areas:

- **We are all about people.** As an airline, our business is fundamentally about lifting people up—by investing in our employees and empowering them, by providing stellar service to our guests, and by giving back to those in the communities where we fly. It's all about treating people with respect and valuing their individual gifts. As you read our 2017 Sustainability Report, you'll see stories about how our employees fuel our sustainability goals in a unique way.
- **We fly greener.** From napkins to fuel to the way we fly, we make conscious choices every day to reduce the environmental impact of our operation. Through innovation and creativity, we are always looking for new ways to boost the efficiency of our fleet, reduce our waste, and decrease consumption of raw materials. Our employees created and launched our recycling program 10 years ago and, with continuous improvement, we





now have one of the most comprehensive recycling programs of any U.S. airline—thanks especially to our flight attendants who collect recycling each day. In 2017, the International Council on Clean Transportation ranked Alaska Airlines No. 1 in fuel efficiency among all 13 major U.S. airlines for the seventh consecutive year. And we recently became the first airline to eliminate the use of plastic straws.

- **We invest for strong communities.** We are inspired by flying and the opportunities it creates. We want to see more students, from all backgrounds, have the chance to become future leaders in aviation—or any industry. We invest in many ways to support the communities in our backyards—especially youth, education, and workforce development, with the goal of impacting 100,000 youth by 2020. In 2017, we supported 1,300 different charitable organizations, and our employees volunteered more than 32,000 hours. Among other programs, we funded scholarships through the PortJobs program at Seattle Tacoma International Airport

for airport workers to get training and education to advance their careers. And we launched a new partnership with GoBike in San Jose California, making an affordable, sustainable mode of transportation easier to use for our guests and residents alike.

- **We make flying matter.** The airline industry has the ability to make a big difference in people's lives beyond travel. We aim to make a positive impact through things like Charity Miles, disaster relief efforts, Honor Flight and our Fallen Soldier program, which honors those who made the ultimate sacrifice for our country. We flew 549 kids through the Alaska Native Science and Engineering Program from places in rural Alaska to STEM-related education programs in Anchorage.

This is shared work, and we are proud to be in it together. We hope you enjoy reading about our progress, and appreciate all you do to keep us moving forward and creating lift.



We are all
about people.





Our success rests on the shoulders of our 21,500 employees and numerous suppliers, who drive our ability to innovate, provide stellar service, and give back to those in need.

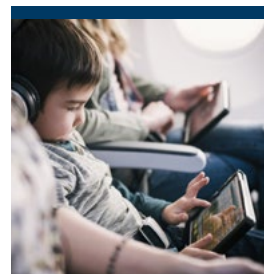
Our diverse, passionate, and dedicated team of people embodies a culture that displays an unwavering commitment to the safety of our guests and employees alike, and continually embraces the challenges of an ever-changing industry. In return, we strive to create a rewarding workplace for the long term, which provides opportunities for people to grow in their careers, and treats all individuals with fairness and respect.

This includes the environment we create together, as well as how we recognize and celebrate our people. Each year we name and honor our Customer Service Legends, and in 2017, 13 truly remarkable people were recognized for their long-term service to Alaska Air Group. These Legends are a model to all of us. We also regularly celebrate and profile our people through our #IamAlaska blog. We recognize employees who go Above and Beyond to solve challenging problems and those who receive positive feedback from guests. In 2017, we awarded over \$100M in performance-based bonuses to all our people. We are truly a people-driven business, and are incredibly proud of all of our employees, suppliers and vendors at Alaska Air Group, who take this focus to heart.

We recognize that the future of our company depends on how we work together; we cannot succeed without our people, who make it possible for us to provide high value to our guests at affordable prices and with truly personal and caring service.

Our strategies

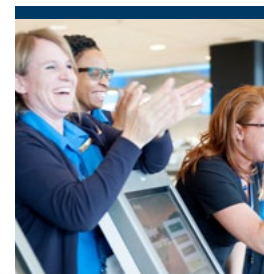
Because our ability to succeed depends so heavily on our people, we choose to focus our attention on four priority areas:



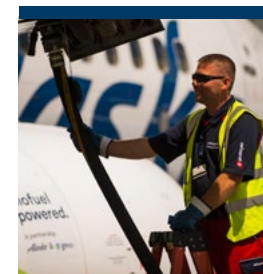
**Employee
and guest
safety.**



**Diversity and
inclusion in the
workplace.**



**Employee
engagement.**



**Ethical labor
standards for
suppliers.**



Employee and guest safety.

Safety is our #1 core foundational value, and always will be.

We are committed to achieving the highest possible level of safety for every employee, every guest, every flight, every day. By encouraging our employees to preemptively report their concerns, and by including safety metrics in our annual bonus program and operating under the first safety management system in the U.S. to be accepted by the FAA, we've created a culture of safety woven throughout every aspect of our business.

The result? According to AirlineRatings.com, Alaska Airlines and Virgin America are standouts in the industry and at the forefront of safety, innovation, and launching of new aircraft. Alaska ranked among the top 20 safest airlines in the world and is one of only two U.S. or Canadian airlines to be named. Virgin America ranked as one of the top 10 safest low-cost carriers in the world.



Our goals: Increase employee safety reporting by **26%** over 2017 baseline (reports per employee) and decrease medium risk (3+) safety events by **20%**.

Progress

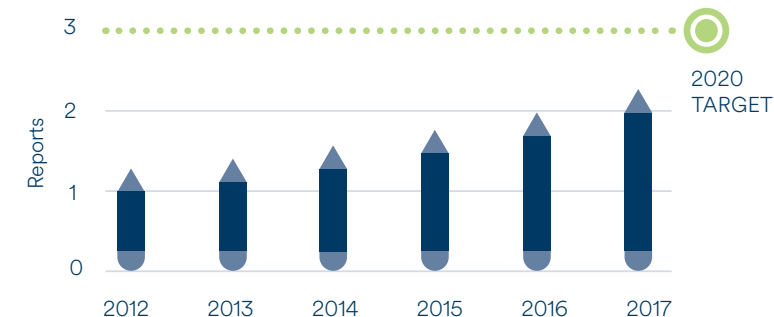
Promoting and incorporating a culture of safety into all aspects of our operation is paramount to the way we run our business, and critical to our long-term success. Our Safety Management System (SMS) places the responsibility for safety in every employee's hands by reporting what they see in the workplace, helping to prevent incidents and identify risks before they occur. Simply put, an SMS is a systematic approach to managing safety, including organizational structures, accountabilities, policies and procedures.

Our SMS includes Safety Risk Management, which involves analyzing and assessing the level of risk presented with a hazard or change in procedure, and then developing ways to lower the risk to an acceptable level. Alaska assesses risk on a scale of

1–5, determined by identifying the negative outcomes that might occur if the hazard were left in place. We then analyze the severity of this outcome along with the likelihood that it will happen. Events with higher severity that are likely to occur more frequently result in a higher risk value.

Because of solid improvement with Risk Level 3+ events in the last seven years, we changed our 2020 goals to reflect improvements that will only apply from 2017 on. As a result, 2017 will now serve as the baseline year for future progress.

Safety reporting per employee



increased safety reporting by

21% AND **30%**

at Alaska Air Group
since 2016

at Virgin America
since 2016



Expanding and growing our operations—by uniting with Virgin America and increasing the number of flights at Alaska Airlines and Horizon Air—caused our Risk Level 3+ events to increase to 10 in 2017. However, our safety reporting rate per employee increased by 21% over 2016 for all of Alaska Air Group. This was attributed to the new tools that were implemented in 2017 to make reporting easier and more accessible for employees.

In 2017, we launched our new Report It! reporting software for use by all employees. Report It! allows employees to use both desktop and mobile tools to file employee safety reports in a central data repository. This makes the sharing of safety information between divisions easier, faster, and more accurate. This new technology has helped to increase reporting by 30% over 2016 levels at Virgin America.

Virgin America also began operating under Alaska Air Group's industry-first FAA-accepted Safety Management System in 2017. With Virgin America's successful integration into our SMS and reporting tools, we ensure our rigorous

internal policies and practices are followed by everyone in the Air Group family to achieve the highest possible level of safety.

Additionally, we continue to integrate safety goals into our company-wide Performance-Based Pay program to drive positive safety behaviors and to target areas of specific focus. We awarded more than \$90,000 to 230 employees who prioritized safety in the workplace as part of our Safe Operations Award & Recognition (SOAR) program. Since 2014, the SOAR program has awarded more than \$350,000 to employees.

230

employees

who prioritized safety



were awarded

\$90K

in 2017



Challenges

As the integration of Alaska Airlines and Virgin America continues and employees face a variety of aircraft types and new locations, we will closely monitor our processes and procedures to ensure we operate using the highest margins of safety. We will remain vigilant for emerging safety risks and continue to encourage robust employee safety reporting.

We have moved from designing and implementing our SMS into a phase of continuous improvement. As we grow and our growth produces more change, we will need to keep a tight control over how our SMS is operating to ensure we're getting desired results.

Additionally, as former Virgin America employees continue through the integration, they will be on the change/learning curve of SMS, so we will need to continue to work at building a strong culture of SMS knowledge with former Virgin America employees.

Looking forward

In 2018, we are focused on the basics of a great operation, including continuing to deepen and integrate our safety-first culture. Now that our industry-first Safety Management System is fully implemented, we look forward to spending 2018 focused on improvements rather than implementation. We will also increase visibility of our higher risk trends from the past year by including them in our 2018 safety Performance-Based Pay goals.



CASE STUDY

Ready, Safe, Go.

In 2017, we launched the “Ready, Safe, Go” safety campaign for employees at Virgin America. After identifying a need to ensure all Virgin America employees were integrated into our safety culture, we prioritized the campaign to be one of the first cultural touchstones that new employees would encounter during the merger. Every Virgin America station received a Ready, Safe, Go packet of collateral, posters and banners, President Peter Hunt gave a video address about the campaign, and all employees completed a training introducing them to Ready, Safe, Go and the Alaska Safety Management System.

A key component of Ready, Safe, Go is that all employees are empowered to stop the operation if they ever feel something isn't safe, they feel rushed, or something just doesn't look right. Taking a safety delay is not only a tool for employees to stop an operation, it also helps us learn as a company where potential hazards might be.



Diversity and inclusion in the workplace.

Diversity makes us stronger. It fuels innovation, sparks creativity and cultivates an atmosphere of continuous learning and improvement.

Diversity of thought, experience and perspective helps inform and influence decisions. It makes us stronger when we foster an inclusive environment that recognizes, respects and appreciates the different backgrounds, perspectives and cultures of our employees.

Embracing diversity and inclusion is as important as ever. Even as we make progress to be inclusive and celebrate diversity, events and acts of violence and bias across our nation raise doubt in our people and in our communities. How we respond and create an environment where all people feel valued—in our workplace and on board our aircraft—matters deeply to our relationship and trust with our employees.

We hire the best, and promote employees based on their skills, knowledge, experience and performance—regardless of race, color, national origin, sex, gender identity, sexual orientation, age, disability, or religion. We aim to reflect the diversity of the communities we serve.

But having a diverse workforce does not necessarily equate to an inclusive workforce; we are committed to building trust, discussing diversity and inclusion openly, and encouraging compassion so that all our employees feel included.



Our goal: Integrate diversity and inclusion initiatives into people strategies of our four largest work groups, representing **85%** of employees.

Progress

We believe that championing a culture of diversity and inclusion starts from the top. In 2017, we are proud to have achieved 50% gender balance company wide. Our independent board directors are 40% women. We were proud to be recognized for our gender diversity in governance by the Women's Forum of New York, and for diversity overall by the Puget Sound Business Journal and National Association of Corporate Directors. In addition to **ranking second* among the top 25 companies in the U.S. for women on its board**, Alaska's board includes leaders from diverse backgrounds, including members of Asian, Native Alaskan and Hawaiian ancestry. Having diversity on our board is valuable, with varying perspectives leading to better discussions, decisions and results.

* McKinsey 2017

Alaska received its **fourth perfect score of 100% for workplace equality** on the 2018 Corporate Equality Index, with Virgin America close behind at 95%. The Corporate Equality Index measures corporate policies and practices relevant to LGBTQ employees and designates us as a Best Place to Work for LGBTQ equality. In the past year, Alaska has sponsored dozens of LGBTQ events in communities we serve, including the Pride Celebration in Seattle and the Seattle Gay and Lesbian Film Festival.

50%

gender balance
company wide



40%

of board independent
directors are women





Alaska is a proud supporter of all **members of our military**, both past and present. A significant number of our employees are veterans, and we show our support in many ways throughout the year. We support veteran job seekers through information sessions, an Alaska-hosted web portal for veteran job seekers, and our Military Fellows program, which places former and current military personnel in temporary management positions, allowing them to translate their valued leadership skills in a corporate environment. Some of our notable activities around veterans in 2017 included:

The Stand Up and Be Counted campaign

Where we ask our employees to disclose if they are a veteran. This helps us better understand our employee population and further engage veterans.

The Fallen Soldier program

An employee-driven volunteer effort to honor those who served by transporting the remains of our nation's fallen heroes with the greatest care and respect. All our employees have access to this program, which provides the military protocols to follow when transporting a fallen soldier, and we openly share the tools from our program with other airlines. We do not track the number of fallen transports and ceremonies, and there are no cameras or identifying information allowed. When a fallen soldier arrives at one of the airports served by this program, the entire plane and gate area goes quiet in honor and respect.

Honor Flights

Where we help the men and women who have served enjoy once-in-a-lifetime visits to Washington, DC. To date, we have flown more than 600 World War II, Korean War and Vietnam veterans to Washington DC to view their war memorials.



Our **14 Business Resource Groups (BRGs)** are groups of employees who join together, based on shared characteristics or life experiences, to celebrate a common cause. BRGs are generally based on providing support, enhancing career development, and contributing to personal development in the work environment. In 2017, our BRGs created plans that directly align to advancing our inclusive culture, initiatives and business. These include groups that support our Black/ African American, LGBTQ+ and women's communities within Alaska. A series of learnings were conducted with BRG leaders to better align their focus with Alaska's diversity and inclusion goals and we can already see impacts: Most impactful is the partnership between our Marketing team and BRG leaders, to ensure our consumer marketing campaigns are vetted with our internal communities before release in order to make sure they are reflective of the diversity of the people in the markets where we fly. BRG members are also engaged and visible in the community on issues of importance to their specific areas of interest—such as through the United Negro College Fund, prevention of human trafficking, women's rights organizations, and local community Pride events.

In February 2017, we **hired our first director of diversity** and inclusion to develop a comprehensive Diversity & Inclusion (D&I) Strategy that aligns with Alaska's purpose and values. The D&I team has also been conducting listening tours to

learn more about our frontline issues related to diversity and inclusion and has worked on making their presence known through the use of “pop-ups”—information booths at employee events that provide a chance for employees to meet the diversity team and BRG Leaders to learn more about what they do and what resources they have available. Going forward, these booths will also include someone from leadership to provide employees with an opportunity to express any feedback or concerns in person. We also added D&I related questions in our employee engagement survey, with hopes of building a baseline and to help inform our go-forward strategy from feedback received.

Finally, in late 2017 we began to talk more openly about issues of sexual harassment and assault on board our aircraft and stated publicly that we have no tolerance for any sexual misconduct on board our aircraft or any place in our workplace. This is a critical societal issue. Our flight attendants receive extensive training on safety, conflict de-escalation, and the prevention of human trafficking—and all employees can report any incident 24/7 via a confidential hotline number printed on the back of their badges. We can do even more, however. We are talking with our employees, labor partners, law enforcement and experts in the field so that we can create a more respectful and inclusive experience for the flying public and airline employees.



Challenges

We faced several challenges in 2017. We need to find better ways to study and communicate information surrounding our diversity initiatives and goals so that we can better determine where improvement is needed and how to effectuate change. Our diversity team will meet with leaders to discuss information ownership and sharing as a crucial first step in the design of goals that are aligned with our values.

And while we have strong employee BRGs, we learned in 2017 that these groups needed more support to create strategic plans, set clear expectations, and support D&I goals aligned to the goals of the company. The diversity & inclusion team spent a great part of the year helping to refresh the BRGs and develop plans as it relates to the Air Group business strategy.



CASE STUDY

CEO action for diversity and inclusion.

In June 2017, our CEO was one of the first 100 CEOs to sign the CEO Action for Diversity and Inclusion, a pledge to advance diversity and inclusion in the workplace. Alaska is one of more than 300 companies whose CEOs are working together to create ways for workers to feel more comfortable sharing their experiences, and to gain a greater awareness of others' perspectives. Leaders who have signed the commitment openly agree to cultivate environments where diverse experiences

and perspectives are welcomed, support and promote open dialogue on complex conversations about diversity and inclusion, and support other companies in doing the same. Additionally, our CEO and all managing directors and above have now been through the White Men as Full Diversity Partners Learning Lab, a training designed to help attendees more fully understand their culture's impact on their workplace and become active partners in diversity.



Looking forward

In 2018, we will take information from the employee engagement survey and other studies to look at improvements we can make in the areas of diversity and inclusion, and work to create a database where the D&I team can access consistent, clear and concise information to assist with the tracking and management of our goals.

To support our outreach, recruiting, and retention efforts, we will continue to build partnerships and implement programs to help us achieve our goal. This has the potential to take many forms, such as student career nights, an expanded internship program, and working with HBCU collectives to help build our talent pipeline with outreach that represents the diverse communities we serve.

Additionally, we will collaborate with our BRGs to provide more tools, connect with employees, and empower courageous conversations. Those scheduled for 2018 include:

Courageous Conversations by Women In Tech (WIT).

This was a panel discussion that provided an opportunity to ask questions related to diversity and inclusion, and hear an open discussion from our leadership on events happening in the world that may impact our personal and professional lives.

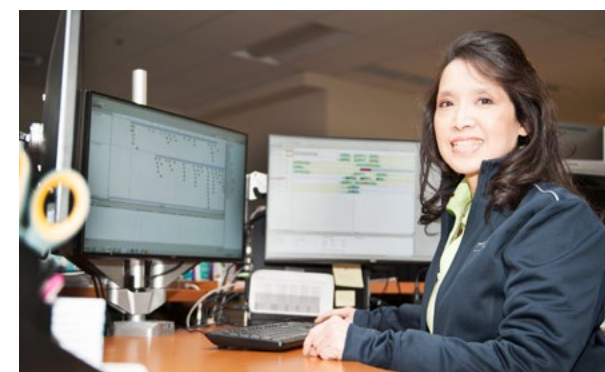
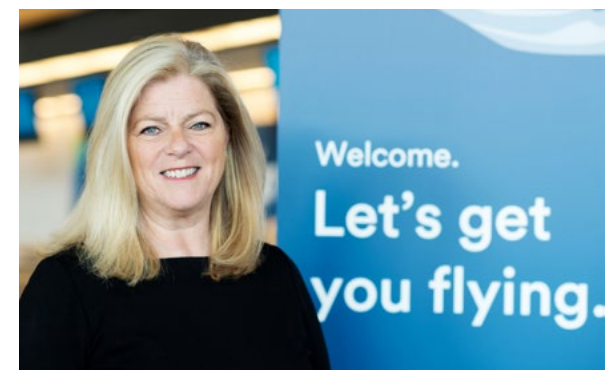
Courageous Conversations by Air Group Black Employees Advocates and Allies (ABEA): The Person of Color (POC) Perspective on Career Navigation.

For this panel discussion, customer service and passenger service employees are invited to learn about their career journey possibilities through the lens of POC panelists who once worked in their roles and have since moved into management roles at Alaska.

AAG Women in Leadership Summit.

For Alaska's first-ever Women in Leadership Summit, we aim to engage, connect and share learning across the community of women managers and directors of Alaska. This full-day event is intended to be a starting point for woman to find their voice within the company and to help navigate the internal barriers that often hold women back.

We are also implementing a plan to prevent and address sexual misconduct, itself a reflection of marginalization and the opposite of inclusion. With input from our people, partners and experts, we are conducting training for all flight attendants and leadership, updating reporting methods to address issues quickly and fairly, and have continued listening and seeking input from our people and communicating our values clearly.





EARNING OUR WINGS

Creating opportunities for every person to succeed.

At age seven, Constance von Muehlen decided she wanted to be a helicopter pilot. A few years later she did exactly that, becoming a Black Hawk pilot for the U.S. Army after attending Johns Hopkins University, then moving up to lead a squadron as an officer. In her civilian career, she came aboard as a leader in the maintenance and engineering team at Alaska Airlines and recently was promoted to chief operating officer of Horizon Air.

Asked what roadblocks there were along the way for her as a woman in mostly male-oriented jobs, von Muehlen said, “I’m sure there were a few hurdles, but I guess I just saw them as opportunities.”

Her approach to her roles, both in serving her country and serving her airline, has been about being confident, being humble and bringing in others. “Everyone brings skills that can contribute to the team effort,” said von Muehlen. “That’s how I’ve approached every role I’ve taken, and I learn from those around me.”

The admitted ‘people person’ says she loves stoking high-level thinking. “Get eight of us in a room with different backgrounds and we’ll come up with a far better solution than if I thought through it myself.” From her military background, von Muehlen learned that everyone has

something to contribute. “There is a brilliance in every person, especially in those with views and backgrounds that are different from your own.”

Providing opportunities for employees to succeed is the heart of Alaska Air Group companies’ diversity and inclusion efforts, which von Muehlen has helped champion. In 2016, Alaska Airlines and Horizon Air held a series of leadership labs for managers, which helped them identify inherent biases. Leaders set about breaking down the biases and supporting employees by giving diversity a voice, through Business Resource Groups. One of the groups, WING (Women’s Interactive Network Group), works specifically to help women move forward in their careers. We have also made strides in hiring more military veterans, who bring new skills and mindsets to our company.

And, in 2017 CEO Brad Tilden joined 160 U.S. business leaders to sign a “diversity and inclusion pledge.” “We have a responsibility to take greater action to ensure every individual feels comfortable at work and can bring their full talents to their job to help us be the best company we can be. We know that diverse and inclusive teams function best, and they help companies and communities innovate and flourish,” says Tilden.



Employee engagement.

Great service begins with great employees, and ours are some of the best in the business.

We hire people whose values align with our own: our employees do the right thing, are kind-hearted, deliver on performance and own safety. They are remarkable. Beyond hiring exceptional people, we look for opportunities to provide them with the skills, development and training needed to deliver exceptional service. Our diverse, talented, and dedicated employees are the backbone of our organization, going above and beyond every day to contribute to Alaska's success and purpose: creating an airline people love.

To attract and retain an expert workforce, we strive to create an environment that embodies the elements of a great place to work by providing opportunities for each person to grow in their careers, cultivating trust and camaraderie, and by treating all employees with fairness and respect. We are committed to the growth and development of every individual who works here, and that they feel valued, heard, and have a range of opportunities to be remarkable.



Our goals: Increase employee engagement scores to **80%** or more, with no less than **75%** for any division and be nationally recognized as a **great place to work.**

Progress

2017 was a year of significant change at Alaska Air Group, including the integration of Virgin America and changes to our regional operations at Horizon Air. Significant change impacts employee engagement, which was reflected in our survey scores. Employees experienced uncertainty as cultures came together, workgroups were integrated and leadership underwent changes at Horizon. We are anticipating stability once we are largely finished with merger-specific activities. Even in this environment of change, we recognized some important accomplishments in 2017 and committed to new efforts to stay connected to, and in dialogue with, our people:

\$135M
to employees

We rewarded employee achievements through incentive pay and recognition programs with a combined total of \$135 million.

35K
employees recognized
by guests

Our employees were recognized by guests and each other more than 35,000 times through our guest survey, Alaska Listens, and on our internal website, Alaska's World.



Alaska ranked among Forbes' "America's Best Employers" for the third year in a row.



We revised the questions in our Employee Engagement survey to improve clarity, capture more relevant data, and align the topics with our company values.

As we grow, we are committed to learning from our employees about how to preserve core elements of Alaska's small-company feel that translates into deep and genuine connections with each other and our guests.

3,000 

+500 

We started the year with "Momentum," a day-long experience to welcome Virgin America teammates and build relationships at the two airlines. All 3,000 Virgin America teammates and 500 to 600 Alaska Airlines employees attended. The events were a chance to learn about Alaska Air Group, rub elbows with new colleagues and ask tough questions of company leaders. It was important to start building an understanding of our business and build relationships with our leaders.

300

employees engaged
in listening sessions

We engaged over 300 employees in listening sessions and focus groups across the organization to better hear and understand concerns, enable employees to recommend solutions, and ensure diverse voices and perspectives were heard by leadership. These provided tremendous insight into the pain points our employees are facing and what we can do better, and were an opportunity to build understanding and empathy between Alaska and Virgin America employees.



We established regular forums for two-way communication between teams and leaders across the company, including all-employee webcasts accessible on mobile devices and monthly calls for supervisors, managers and labor leaders.



We continue to respond to employee questions on all topics through our intranet.



We launched a new career advancement program called Pilot Pathways to enable and accelerate career progression for pilots at Air Group. We also invested deeply in training and hiring new pilots across our operation. In 2018, learnings from these pilot-specific programs will be applied to other workgroups as we invest in growing and expanding careers for our people.



We kicked off our partnership with Great Place to Work to refresh our action planning process and apply the best practices of other top employers. Going into 2018, we are equipped with an improved understanding of the underlying issues and a solid action plan to work toward our goal together.

Challenges

This year presented a big challenge for our company culture as we brought people together from Alaska Airlines and Virgin America to create one team. While we share a commonality of great customer service and a fantastic product, creating a new, combined culture—combined with **growing significantly to nearly 21,500 employees**—has caused some growing pains, as is common in mergers.

Based on the feedback we received from our 2017 engagement survey and the qualities and actions of other top companies, we have some clear opportunities to support and engage with employees through strong policies and practices, dedicated management and leadership, and robust communication strategies.

We engaged employees from across Alaska Airlines, Virgin America and Horizon Air to inform our integrated purpose and values and strengthen our integrated culture. Going forward, we'll prioritize rallying clearly together around our purpose—creating an airline people love—and strengthening each workgroup's connection to this through a clear, shared Air Group plan for 2018. We are also investing in recognition and focusing on regular, transparent two-way communication including using new technology.

We are working to ensure that leaders hear and appreciate employee questions and concerns and are taking steps as a result of their feedback.

Looking forward

We have a clear opportunity to be more strategic and proactive about achieving our goals this year.

In 2018, we will be working to weave engagement programs into the normal rhythm of business at Alaska. This year, our always-evolving engagement commitment will feature division and leader action plans, and increased accountability by introducing metrics, dashboards, and surveys to track and measure progress. Gathering additional data from surveys and listening sessions across all workgroups will allow us to assess progress and continuously improve. We will also examine what best practices we can learn from other top workplaces.

We remain committed to improving in partnership with all of our fantastic people.





CASE STUDY

Here to Hear.

The data we received back from the employee engagement survey made it clear we have challenges ahead, important changes and improvements to be made, and that the Virgin America integration was taking a toll on employees. To meet the most pressing needs of our employees, we needed to further analyze the data and really understand the opportunities. In December 2017, we launched two new programs that were born out of feedback from our employees.

First, we hosted four focus groups, as discussed under Progress. The second program we launched in response to employee feedback is the Here to Hear program. As part of this program, 57 managing directors and executive leaders are paired with 46 frontline workgroups in 20 different locations. The goal, in brief, is to get closer to each other and deepen understanding. Visiting leaders learn more about the jobs of our frontline employees, understand how decisions effect their

work, share and discuss important company news, and partner with local leadership to advocate for the needs of the workgroup and provide the support needed to make improvements. Employees in the group get new perspectives on what's going on around the company, and the chance to connect more deeply with leaders they wouldn't normally see. In just a few months the program has had a positive impact on both employees and leaders. One local manager reflected that their team appreciates the visits. "It is great to build new connections and realize that we're all just people, pulling for the same goal." In a report about his experience, one senior leader shared: "Most of the time was spent getting to know the folks I met i.e. background, family, what they do etc. I think they were appreciative that someone outside their usual leadership structure actually cared to know who they were and what they did. From my perspective I learned a lot about what it takes to run an airport and truly appreciate the chance to do so."



Ethical labor standards for suppliers.

Suppliers are critical to our operations; we rely on them for countless functions, from fueling our planes to helping us deliver award-winning customer service.

We rely on them to be safe, ethical, and to help us achieve our business goals. We adopted the Alaska Air Group Airport Code of Labor Standards in 2013, which covered labor practices, health and safety to ensure safe, humane and legally compliant working conditions are provided for anyone working in our service. As our operations

continued to grow and the breadth of our supply chain increased, there was a need to ensure all our suppliers, vendors, contractors, and business partners were covered by a new, more comprehensive Supplier Code of Conduct, which was finalized and implemented this year.



Our goal: Embed Alaska’s
Supplier Code of Conduct
into all supplier contracts.



Progress

In 2017, we launched a new **Supplier Code of Conduct (SCC)** that reflects our values and communicates what we stand for. The new code replaces the **Airport Vendor Code of Labor Standards** and, in addition to labor practices, expands its scope to include safety and health, business practices, corporate social responsibility, downstream suppliers and diversity, and a concern reporting process. All suppliers, their employees, sub-contractors, and agents must comply with this code while conducting business with us or on our behalf. Currently, 71% of airport vendors have incorporated Alaska’s Code of Labor Standards. During 2018 and beyond, we will work to have the SCC directly incorporated into all supplier contracts.

Suppliers incorporating Alaska’s Code of Labor Standards into contracts



71%
compliance in 2017



Challenges

Our suppliers range from large global organizations to small niche providers, some of whom already have their own codes of conduct in place and others who don't. At this stage after the launch of our new Supplier Code of Conduct, we are just beginning to learn where our future challenges may lie.

Looking forward

We have set a standard process for 2018 to include the new SCC in all sourcing contracts and to engage in discussions with suppliers and vendors about this in all assessment and contracting processes.



CASE STUDY

Concern Reporting System.

Our intent is to address and remedy valid concerns affecting anyone working on behalf of Air Group. **A Concern Reporting System** was introduced to suppliers and their employees in 2017. Individuals with concerns about suppliers and their activities or alleged violations are able to file an anonymous report, online or by phone. Alaska's director of ethics and compliance works with our Supply Chain Management team to notify suppliers of reported non-compliance. Suppliers are generally tasked with investigating reports of non-compliance. If warranted, a notice of non-compliance is issued to the supplier and a remediation plan is agreed upon between the supplier and Air Group with the intention of bringing the supplier under compliance within 60 days, depending on the situation.

An example of this system in action came from one of our California stations, where our station operations received direct complaints from a group of the supplier's employees related to timely payment of wages. Supply Chain Management partnered with our Airport Operations leadership team and worked with the supplier to review and understand the concerns. The supplier created a plan to resolve the issue via a change in accounting processes. The supplier followed up by visiting the station to acknowledge the issues and communicate the new process. We continue to monitor the situation and are encouraging any further concerns to be brought forward through our Concern Reporting System.



We fly
greener.

We're always looking for ways to improve the efficiency of our operations and reduce the burden we place on the planet.

Alaska has a proud tradition of innovation in environmental performance. From our fleet to our fuel to the facilities we manage, we're always looking for ways to improve the efficiency of our operations and reduce the burden we place on the planet. With 21,500 employees, dozens of buildings, and a 281-aircraft fleet, our day-to-day operations leave a significant environmental footprint. Given the impacts of our business, it is our responsibility to continuously innovate to improve the sustainability of our flights and operations, increase our performance, and protect the beautiful places we live and fly.

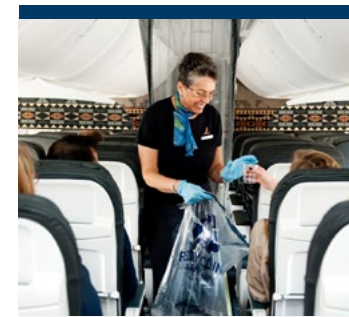
Reducing our impact on the environment is not only the right thing to do, it's also good for business; a sustainable approach to the way we perform, purchase, and provide service creates long-term value for us, our employees and our guests. From napkins to fuel, every choice we make has an impact, so we are devoted to making choices that help preserve the health and allure of the communities we love.

Our strategies

Our strategy is focused on the key areas where we have the greatest impact or see the most opportunity for innovation:



**Reducing
our aircraft
emissions.**



**Reducing waste
from our
inflight service.**



**Decreasing
our paper
consumption.**



Reducing our aircraft emissions.

Fuel use and emissions remains our top opportunity.

We face increasing global pressure regarding carbon footprint reductions, as well as stakeholder concerns about the financial risks of carbon exposure. Consumers are concerned about the impacts of climate change and corporate customers are working to reduce carbon emissions across the life cycle of their products and in the delivery of services, including the transportation of people and goods. It also makes

good business sense for us to reduce our fuel consumption and do our part to take care of our planet. All combined, these make reducing greenhouse gas (GHG) emissions a strategic priority for us.

As a member of the International Air Transport Association (IATA) and Airlines for America (A4A), we are working alongside other airlines to address the challenge of climate change. We have adopted a set of global targets to mitigate CO₂ emissions from air transport, and are working to meet these goals through:



Improved technology, including the deployment of sustainable low-carbon fuels



More efficient aircraft operations

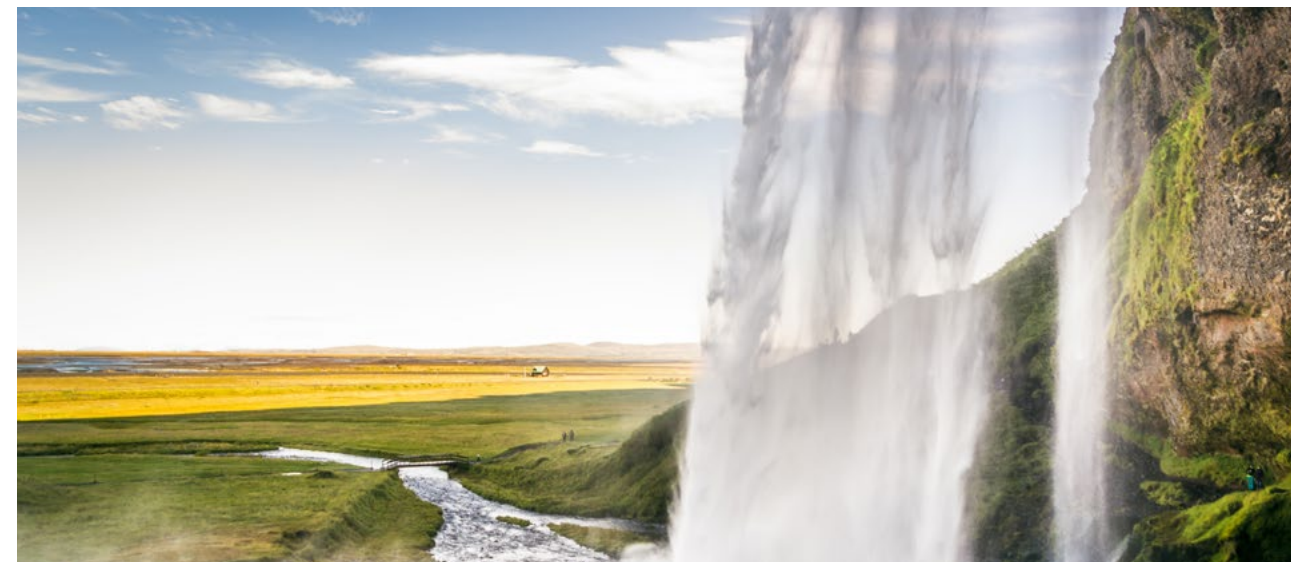


Infrastructure improvements, including modernized air traffic management systems



A single global market-based measure to fill the remaining emissions gap on international routes

The efficiency of aircraft can be likened to that of a car on a road trip: to maximize your car's fuel efficiency, you start by purchasing the most fuel-efficient model available and you maintain its engine to perform optimally. You remove excess weight and travel the most direct route, limiting your stops and idle time. You fill every seat to ensure your fuel efficiency per passenger mile is maximized. And, if you can, you use alternative sources of fuel to reduce your carbon footprint. At Alaska, we break our emissions reduction strategy down into three overarching categories that reflect this analogy: what we fly, how we fly, and the fuel we use.



Alaska Airlines' carbon offset program.

Alaska Airlines' fleet is among the industry's most fuel efficient. In order to further minimize our impact to the environment, Alaska partners with the Carbonfund.org Foundation to reduce the environmental impact of each flight. Purchasing carbon offsets helps to reduce the impact of each flight's CO₂ emissions by investing in projects that reduce CO₂ elsewhere in the U.S. Our team has carefully selected projects that are high quality and verified, so you know your contribution is making a difference.

[LEARN MORE >](#)

Our goal: Decrease aircraft CO₂ emissions **by 17% per RTM** over 2009 through increased fuel efficiency and sustainable aviation fuels.

Progress

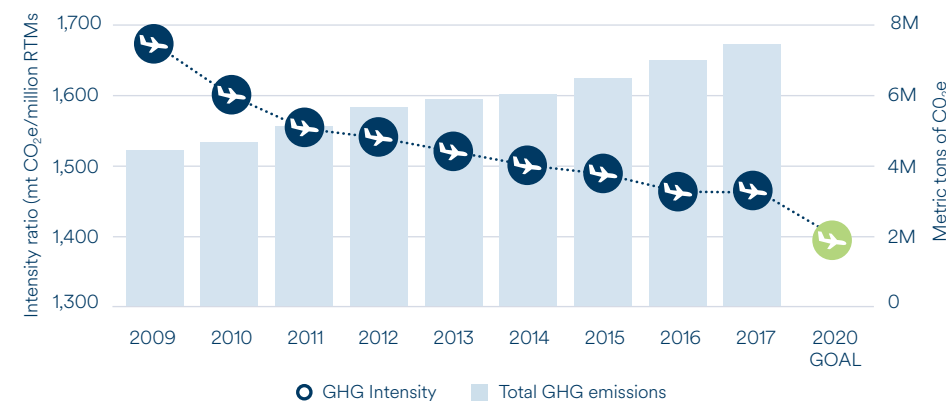
Our original goal has been to reduce mainline emissions by 20% per revenue ton mile, over 2009 levels. Last year, we adjusted this goal to account for the merger with Virgin America and the inclusion of an additional fleet, which impacted our entire operation. As 2017 was the first full year of flying a more diverse aircraft fleet, comprised of our Boeing, Airbus and new Embraer E175 aircraft, we anticipated—and witnessed—a leveling of our progress.


In 2017, our overall emissions intensity (CO₂ per revenue ton mile, or RTM) increased very slightly by 0.3% (2 units/RTM) for the first time since 2004, which is when we began measuring. However, we maintained our emissions intensity

at 13% improvement per RTM over our 2009 baseline year and continued to outpace the industry goal of a 1.5% emissions reduction per year.

As we complete the major milestones of integration and evolve our integrated fleet to optimize operations, we will continue to make progress toward our emissions reductions goals. Even with the significant changes of 2017, our performance this year sets us up for further improvement in the years ahead; ultimately, the integrated airline will make it possible to invest more in innovations and efficiencies for the long term.

Total GHG emissions and intensity trend




13%
 fewer emissions
 per RTM over 2009



What we fly

This past year we finalized installation of split scimitar winglets on all our eligible 737 aircraft, improving average fuel efficiency by over 34,000 gallons per aircraft each year. Aircraft fitted with split scimitar winglets are roughly **4.5% more fuel efficient** than those without winglets; all our new 737NG aircraft are modified when we receive them, making the aircraft as fuel efficient as possible as soon upon entry into service. In 2017, the scimitar winglets modification **saved an additional 4.5 million gallons of fuel**.

We also invested in our fleet. By adding 14 new 737-900ERs and retiring the last 15 of our older 737-400 aircraft, we anticipate savings of more than 300,000 gallons of fuel per year. Alaska Airlines now flies a 100% Boeing “NG” (Next Generation) fleet.

In our Airbus fleet, we took delivery of our first four A321neo aircraft in 2017. Virgin America flew the inaugural flight as the **first airline worldwide to fly an Airbus A321neo**. Equipped with ultra-efficient CFM LEAP-1A engines, the new aircraft fly 102 seat miles per gallon—compared to the A319, which gets 65 seat miles per gallon. This is like replacing an old pickup truck with a new Prius!

Horizon Air added 10 new E175s to their fleet this year, with another 16 planned for 2018. While less efficient per passenger than the Q400s they are replacing, the E175s will allow us to fly longer routes with more guests. This gives us room to grow our capacity, while ultimately improving fuel use and emissions per passenger.



34K

gallons per aircraft saved

per year from winglets

14

new 737-900ERs



=300K

gallons saved

per year



How we fly

We implemented **new RNP approaches** and departures at two more airports, saving an estimated 35,000 additional gallons of fuel each year. Required Navigation Performance (RNP) is a performance-based navigation technique that uses a combination of onboard navigation technology and the GPS satellite network to fly safer, more reliable approaches. In 2017, RNP technologies saved an estimated 1.2 million gallons of fuel due to reduced track miles.

1 200 000 9

gallons of fuel saved

from using RNP in 2017

Further growth in the use of RNP approaches requires modernization of the nation's air traffic control system, for which Alaska has been a vocal proponent. While air traffic control reform did not pass Congress in 2017, Alaska continues to lead in advocating for innovation and use of technologies like RNP that support sustainability. We will continue working with government and the industry to find ways to move forward without wholesale reform.

The Arrival Fuel Program continued in 2017. This program encourages smart choices that optimize the use of fuel when planning and selecting alternate landing sites, **saving an estimated 300,000 gallons of fuel** in 2017.

The fuel we use

In 2017, we continued to build strong foundational partnerships with industry leaders in the **sustainable aviation fuels** arena. We are working with the port authorities, other industry leaders, local and state government representatives, and major producers to develop the strategy for a sustainable fuels path for SeaTac, San Francisco and other airports on the West Coast. We also expanded our partnership with the Port of Seattle to define a strategic path toward a sustainable future and reduced emissions in the aviation space through the use of sustainable aviation fuels.



Challenges

With the integration of Virgin America, we inherited a fleet of Airbus A320s and A319s that are smaller and hold fewer passengers, which are therefore less efficient per passenger due to their weight and configuration. The merger also caused a temporary delay in implementing important efficiency projects for our Airbus fleet, while we integrate our airlines, establish baselines, and identify opportunities for fuel efficiency improvements among both fleets.

Additionally, procuring sustainable aviation fuel (SAF) that is priced competitively with traditional fuel has been difficult, as the decrease in traditional fuel prices prevents producers from building commercial-scale production facilities and the production of other alternative fuels, such as bio-diesel motor vehicle fuels, provide higher margins and lower barriers to entry for producers. To keep our costs low, we can't purchase a meaningful volume of SAF until the price is closer in cost to petroleum-based fuels. We are searching for the best ways to obtain the volume of fuel that we need, in one of our hub locations, at the right price. In the meantime, we continue to make progress by partnering with alternative fuel companies, stakeholder groups, and industry steering committees—and we are ready to buy and use sustainable aviation jet fuel as soon as it becomes commercially available and cost-competitive.



CASE STUDY

Preconditioned air units.

In 2017, Horizon Air began rolling out the use of preconditioned air units (PCAs)—units that plug into a landed aircraft's ducting system to provide warm or cool air, depending on the weather. Previously, an aircraft's auxiliary power unit (APU) was used for heating and cooling, using jet fuel to keep the interior at a good temperature—just like when you idle your car to keep warm in the winter or cool in the summer. PCAs replace the use of the aircraft's APU by supplying air from the airport, eliminating the need to idle and burn fuel to keep the passenger cabin comfortable.

Currently deployed at 90% of Horizon stations, PCA use saved an estimated 165,000 gallons of fuel and thousands of dollars in maintenance costs in 2017.

Looking forward

In 2018, we will continue to harmonize our processes and procedures as we integrate Virgin America's Airbus fleet into our mainline operations. This will include improvements to the per passenger fuel efficiency of our Airbus fleet by improving the space utilization on board through the removal of unnecessary heavy equipment, inflight entertainment equipment and excess wiring, and the addition of lighter weight seats. We will also equip our brand-new E175s with RNP approach capabilities; although 100% of our Boeing and Bombardier fleets are 100% equipped for RNP approaches, currently the E175s are not. We anticipate that RNP will be fully equipped and approved for these aircraft in 2018.

We'll continue to renew our fleet with 737-900ERs and A321neos in 2018 and prepare for our first delivery of the 737-9 MAX in 2019, which we expect to be 14% more fuel efficient than the 737-900ER.

Additionally, we anticipate progress with many of our important alternative fuel alliances in 2018:

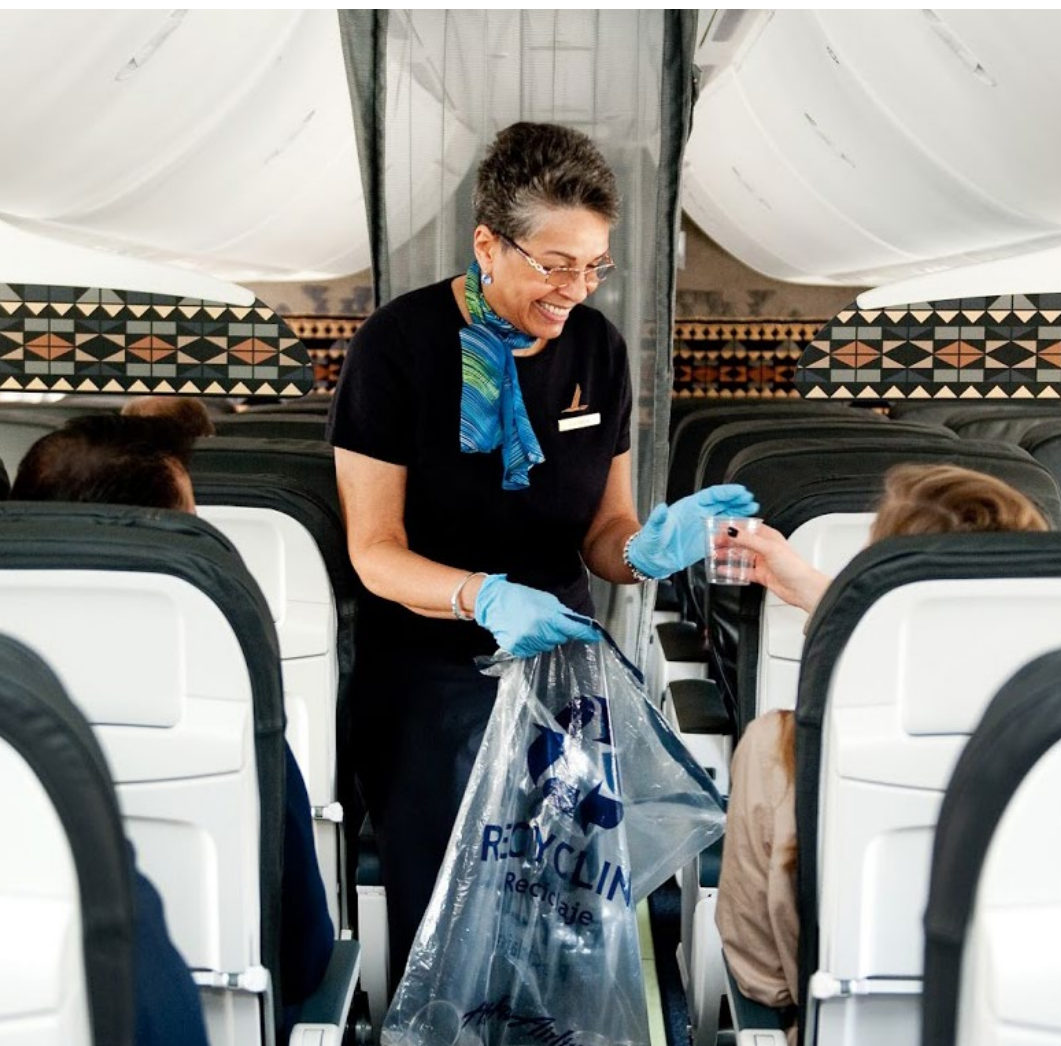
- Our biofuel infrastructure feasibility study with Sea-Tac Airport was completed in January 2017, and will provide critical insight to this process.
- We will be partnering with two West Coast airports to develop infrastructure roadmaps that support the cost-effective integration of SAFs.
- We've begun discussions with the Port of Portland to study how a new ordinance - restricting the addition of new fossil fuel infrastructure - will impact future infrastructure used for blending SAFs.
- We joined a team at San Francisco Airport to develop a strategic path forward for sustainable aviation fuels.



CASE STUDY

Sustainable aviation fuels.

Alaska has long supported the development of sustainable aviation fuels. In 2011, we were the first domestic carrier to fly multiple flights using sustainable aviation fuels, and most recently, the first carrier to fly using ground-breaking fuel made from forest residuals. By using the leftover branches and stumps from forest harvests, we eliminate pollution that comes from burning and create a better ecosystem on the forest floor for replanting. Using forest residuals is a better alternative than virgin plant matter that could otherwise be used as food. Forest residuals are also abundant and can be collected from sustainability-managed forests and private lands.



Reducing waste from our inflight service.

Our robust, inflight recycling program is the most comprehensive of any U.S. airline.

Our recycling efforts began in the late 1980s, when a grassroots team of Horizon Air employees began taking cans and bottles to their local recycling centers after their shifts. Their enthusiasm was infectious, and soon employees in other locations were doing the same. Over time, their efforts became easier, as airports started offering recycling facilities onsite.

In 2006, the U.S. aviation industry was generating approximately 7.5 million pounds of waste every day, with only 20% making it to a recycling center, according to a study by the Natural Resources Defense Council (NRDC).

In 2007, Alaska Airlines' Green Team implemented a recycling program similar to Horizon's that applied to the airline's larger aircraft operation. Starting small, with only newspaper and cans, it grew into a consistent commingled process—to include plastic, paper, aluminum and glass—and it was implemented across several diverse geographical locations. This is the process in place today on each and every one of Alaska Air Group flights. Inherently part of our West Coast focus (where sorting recyclables has been an institution for years), inflight recycling is one way we engage guests in our environmental efforts.

In addition to having the most comprehensive inflight recycling program of any U.S. airline, we're proud of the variety of food and beverage items that allow us to delight our guests and which continue to earn our airline accolades for customer service. We strive to strike a balance by sourcing sustainably-made items and proactively pursuing recycling and other alternative methods of disposal.

Recycling is a point of pride for our flight attendants; without their hard work and dedication our recycling efforts would not be so successful. These efforts are also supported by our Inflight Food and Beverage Department. Recycling is included in employee performance assessments, and it is a measurement for our catering vendors, who follow relevant catering policies and procedures that contribute towards our goal. With landfill rates at approximately \$100 per ton on the West Coast, recycling makes good business sense for the catering vendors in charge of waste disposal.

Alaska Airlines also remains the **sole domestic airline that collects compostable material**, which is collected in green compost bags on each flight. Flight attendants capture several tons of coffee grounds each year, which are diverted to composting facilities instead of the landfill. We also source napkins, cups, and other service ware items that are reusable, compostable, or easy to recycle to reduce waste, lower our costs, and reduce the environmental impacts caused by harvesting and processing virgin materials.



CASE STUDY

From bottles to cans.

Employees on Alaska's Green Team have steadily lobbied for cans instead of bottles for several years, and we listened. Although some breweries were initially reluctant to modify their packaging, quality canned beer has become the norm in many places around the country, and thanks to the persistence of one of our Green Team members in our catering department, in 2017 we were able to switch the last of our beer from glass bottles to aluminum cans.

Aluminum cans offer us numerous advantages over bottled beverages: they are more easily recyclable in all markets, weigh less, are safer and easier to pack, and keep beer fresher. Each month we go through approximately 96,000 cans of beer. With cans each

weighing .40 lbs. less than their bottled counterparts, we save **38,000 lbs. of weight**—and roughly **400 gallons of fuel**—on our flights every month with the same amount of beer. Aluminum beer cans are also 100% recyclable, and can be back on store shelves in 60 days.

Next, we'll be looking to reduce waste by replacing the large aseptic juice boxes with single serve aluminum cans. These drink boxes are more difficult to recycle than aluminum cans, and the beverage itself is often wasted when partially full boxes must be disposed at the end of each flight because only one serving was poured.

Our goal: Reduce inflight waste sent to landfills by **70%** over our 2010 baseline (lbs./passenger).

Progress

Our combined waste to landfill dipped from 0.24 to 0.19 lbs. per passenger in 2017, with our total waste to landfill reduced by 749 tons over 2016. This reduction is largely due to our robust, recycling efforts. Flight attendants captured a weighted average of 82% of all recyclable materials used on board our aircraft, including cans, bottles, cups, paper, and plastic serving ware. To date, we have reduced our waste to landfill by 54% since our baseline year of 2010.

In 2017, we worked with our beer vendors to **replace the last of our bottled beer with aluminum cans**. Not only is aluminum safer and easier to recycle across our different markets, the weight reduction helps with our fuel-efficiency efforts.

This year we also **switched to plant-based Dansani water bottles**, which are renewably-sourced, fully-recyclable, and made from 30% plant material. We also reintroduced a policy to **refill passenger water cups**, rather than requiring a new cup during each round of service (after determining that cross-contamination is not be an issue).



82%
recyclable
material
captured



54%
less sent
to landfill
per passenger,
over 2010

Inflight waste to landfill



Challenges

Packaging and sourcing sustainably is always a challenge. Individually-portioned snacks are not currently available in sustainable packaging. Cardboard boxes are subject to damage from condensation so they must be wrapped in plastic that protects them from disintegration, which creates extra packaging waste. Items that are purchased at the airport and carried onboard by passengers might be too large for our waste collection containers (as is the case with pizza boxes) or may not be recyclable at all.

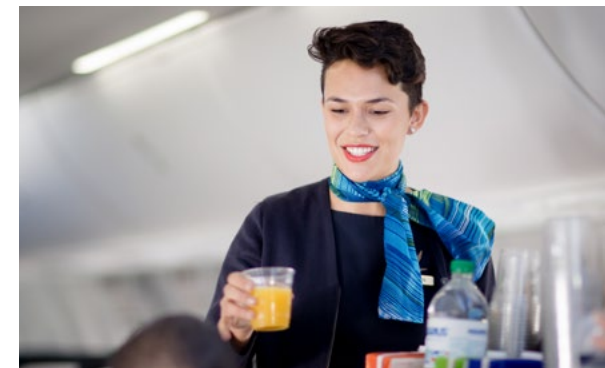
Other continuing challenges include finding ways to recycle in cities where recycling is not the norm and recycling facilities aren't available, as well as finding more efficient ways for flight attendants to keep recycling separated from garbage during the inflight collection process. We would also like to explore serving filtered water in reusable containers instead of the single-serve plastic bottles currently used, but we have not yet found a system that provides the outstanding quality and taste we want for our guests.

Looking forward

In 2018, our efforts will largely focus on introducing the inflight recycling process to our Virgin America flight attendant colleagues in the fall of 2018 and ensuring their efforts are congruous and measurable. We'll also be working to **streamline catering equipment between Alaska and Virgin, to improve the efficiency** and ease of our recycling processes. Once all crews have been trained and our processes aligned, we will develop a baseline of data on Virgin America flights from which we can measure progress going forward.

We will pursue several other opportunities in 2018, such as reducing the footprint of our catering equipment and supplies. For example, we are investigating opportunities to reduce plastic straw use and **replace plastic stir sticks with ones made of bamboo** or other more sustainable materials. Premium Class snack boxes will also be removed, and guests will simply be offered a choice of snacks to streamline service and reduce the waste created by the individually-wrapped boxes. We will also re-implement an inflight program to save supplies onboard—such as opened, but unused, rolls of cups—that are currently disposed of at the catering kitchens.

We anticipate individual 8 oz. waters will be **substituted with bulk bottled water** on Virgin America flights in fall of 2018, and we will investigate different options for bulk water packaging. Except for a small amount of plastic coming from international flights, we recycle close to 100% of all large water bottles used onboard.





“I don’t want to leave a lot of garbage for the next generation.”

EARNING OUR WINGS

Jan Christensen, master recycler in the sky.

At home, recycling is simply a matter of putting the right item in the right container. It’s a little more complicated when you’re working in a narrow tube, with 165 people eating and drinking around you and very little storage space. Despite the challenges, Alaska and Horizon flight attendants recycled 82% of newspapers, cans, plastic cups and other materials in 2017. Alaska’s industry-leading inflight recycling program means today’s guests produce 54% less garbage per person than they did in 2010. Veteran Flight Attendant Jan Christensen sets the recycling bar particularly high during a flight—nothing goes to waste that doesn’t need to.

“I’m known as a recycling guru. I love doing it,” she said. “I don’t want to leave a lot of garbage for the next generation.”

And of course, she’s got a system: she comes through with the beverage cart when

collecting inflight items, allowing her to stack plastic and coffee cups separately and make a stack of cardboard boxes and other paper in a neat pile, keeping everything compact and organized so it only has to be handled once.

Christensen, who’s been a flight attendant for 43 years, is so committed to recycling that she’s volunteered for several of the airline’s regular “recycling sorts” where volunteers literally sort through trash that comes off the aircraft to measure whether or not we’re living up to our recycling goals. It’s a dirty job, but essential to keep the recycling program on track.

The little bit of extra time that Christensen takes to recycle onboard is well worth it when she sees the reaction of our environmentally-minded guests.

According to her, **“They love it. They don’t even question it.”**



Decreasing our paper consumption.

There's an old joke in the airline business that says, "you know you're ready for departure when the paperwork weighs the same as the plane."

We aim to change that. From baggage tags, safety cards, menus, business forms and more, our operations involve the use of hundreds of different types of paper items each month. As concerns over the effects of excessive paper use on the environment have grown in recent years, we started thinking: what if there's a better way?

Using new technologies as they become available, Alaska Air Group is pushing to become as paperless as possible. It started in 1995, when Alaska became one of the first carriers in the nation to offer ticketless travel; we've since

gone on to adopt several other strategies in our efforts to transition away from paper, such as online software, mobile applications, and digital documentation. As we move forward, we are finding that electronic and digital solutions not only save paper, time, and money, they also make our systems and records easier to update and maintain...all while reducing our impact on the environment.

Our goal: Reduce paper consumption by **50%** per departure over 2012.

Progress

We've made great progress this year! Although our operations grew last year, Alaska and Horizon reduced paper consumption by an additional 5% per departure over 2016—that's 39% less paper per departure and 23 million fewer sheets of paper than we used in 2012. By adopting innovative technology-based alternatives to printed manuals and forms, we're reducing our printed paper outputs, while making our processes more efficient, saving time and reducing our operational costs.



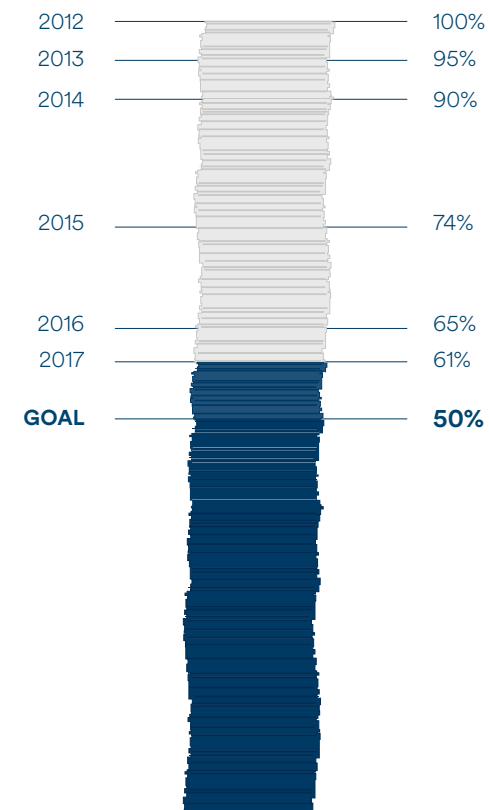
39%

less paper
per departure



fewer sheets of paper
than 2012

Paper consumption by departure





Challenges

Our merger with Virgin America in 2016 created a great deal of printed collateral to support integration activities, including a new print service ordering platform. As a result, we're facing the challenge of streamlining the new systems. In 2017, we focused on gaining a better understanding of how the merger impacts our operations in terms of paper consumption—namely, identifying paper consumption habits and sources and integrating them into our operating system.

Looking forward

Although transitioning the heavy pilot manuals to electronic tablets has reduced the paper needs of our pilots by a great deal, there is still work to be done. In summer 2018, we look forward to launching a digital flight release program called “JetPack” for Horizon pilots, and we will begin looking at opportunities to extend these capabilities to our Airbus fleet as well in 2019. By digitizing the documentation needed for flight releases, we will decrease pilot paper use by an additional 30-60 pages per flight.

Beginning in 2018, we will develop a paper consumption baseline for our Airbus operation and McGee Air Services, our ground service vendor, so that we can begin to track progress and identify opportunities to reduce paper use. We will also place a greater focus on copy paper consumption as we aim to reduce copy paper by five million pieces over the next three years. With Alaska and Virgin America operations merged, we will see impacts on print services and paper consumption, but we don't anticipate this to be an obstacle to achieving our goal.



CASE STUDY

Remembering dot-matrix printers.

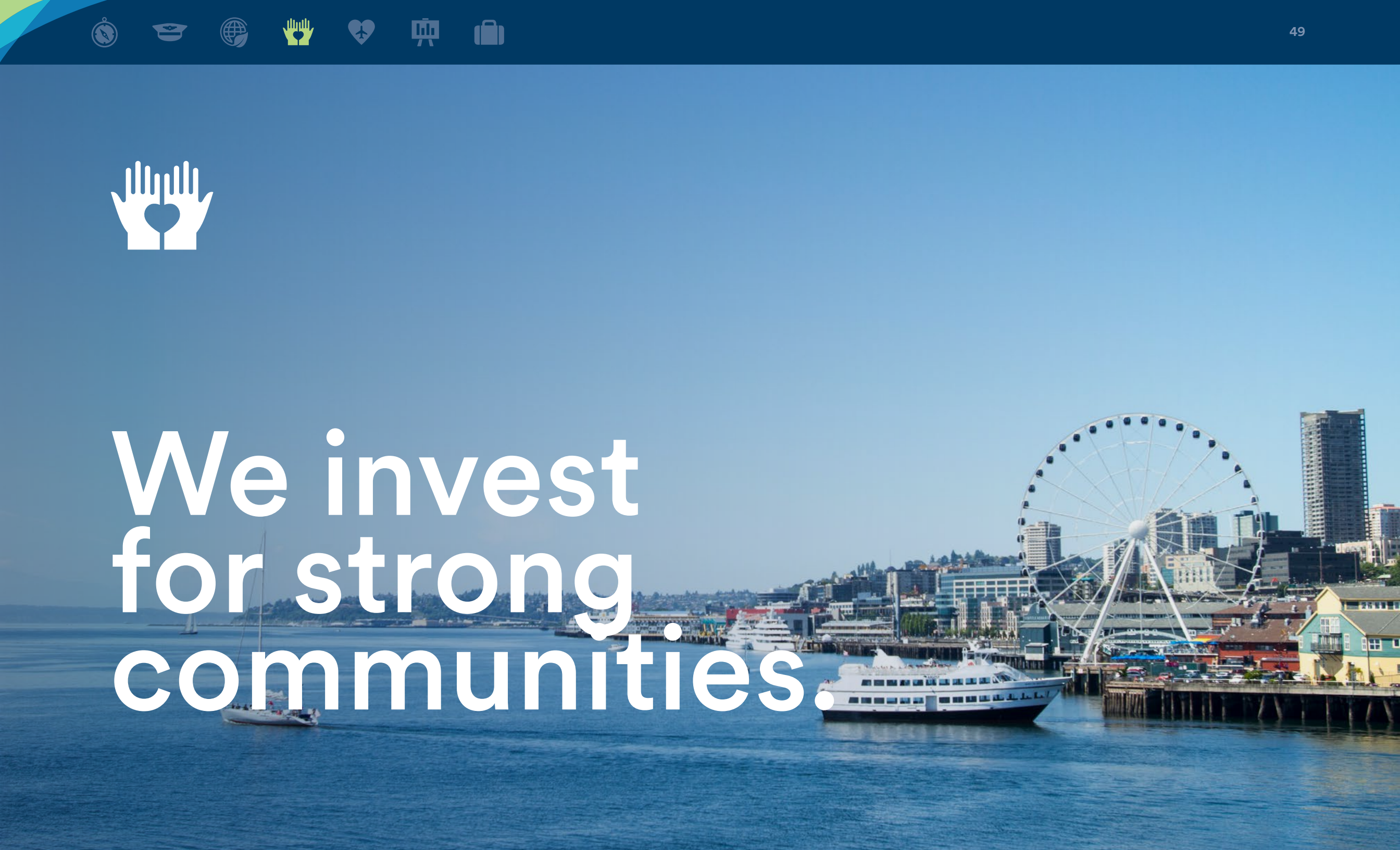
After a year in development, our teams created a better passenger boarding process—by digitizing it. The new mobile flight departure process uses digital apps in place of the printed materials employees previously used. Not only is the paperless process saving paper, printing supplies, and trees, it also makes the boarding process faster, easier, and more accurate.

Previously, customer service agents (CSAs) spent 3-4 minutes printing the final passenger list on old dot-matrix printers

before walking it down the jetway to the flight attendants, who would give it to the pilots. A simple printer malfunction could lead to flight delays. Armed with the new CSA control app and JetPack, the new pilot mobile app, the process now takes only 11 seconds. CSAs are able to mark off any missing guests, who can then be paged for final boarding before the flight is marked as ‘closed,’ and all the information is sent to the flight attendants and pilots with an alert. That's it!



We invest for strong communities.



We are inspired by opportunity, helping kids realize their dreams and investing in the future in the places we call home.

In Alaska Airline’s early days, our routes included “milk runs”—daily flight circuits that brought milk, food, mail, and vital supplies to remote Alaskan villages. With no roads connecting them to the outside world, many of these communities were reliant on air service; the milk runs were essential. Today, though we’ve grown into a major national airline, we still fly the milk runs. We never take for granted how integral air service is to our neighbors in Alaska. And, of course we also fly people, and sometimes animals as well. From the more remote areas we are their only means to healthcare appointments, to see a veterinarian, to visit loved ones or to shop for essentials.

In all our communities we aim to make tough moments more hopeful through partnerships with Angel Flight West and Make-A-Wish, and to create a strong future for all who live and work in the communities we call home by investing in youth, equity, and opportunity.

As a people business, we truly believe we are better off when everyone is better off. We exist to provide a better way to fly and to support our communities, our employees and their families. We are also focused on the issues that are important to our communities, such as growing aviation careers, connecting and inspiring kids to educational opportunities, and being deeply connected to the people in our communities, so that we can understand and serve their unique local needs.

Our strategy

Through targeted investments, partnering with other organizations, and harnessing the power of our workforce, we support and enable strong communities and sustainable futures for all.



**Economic and
educational
outcomes.**



Economic and educational outcomes.

We strive to cultivate diverse talent in communities to fuel the future, from kids to early careers, enabling more young people to realize their dreams.

We believe deeply in the importance of expanding opportunity—to grow our employees' careers and enable underrepresented youth to have more choices to achieve their future goals. We invest and advocate for education and workforce development, including aviation careers, STEM, innovation, and expanding possibilities.

The national gap in diversity among STEM occupations is notable, with 70% fewer people from underrepresented groups, such as people

of color and women, entering STEM career pathways. We are working to close that gap. We want to help increase both awareness of the opportunities available, and representation within these fields. The North American airline industry will need 117,000 more pilots and 118,000 more technicians over the next 20 years, according to forecasts, yet the magnitude of opportunities available and the pathways that align with these opportunities are not always clear, especially for underrepresented groups.

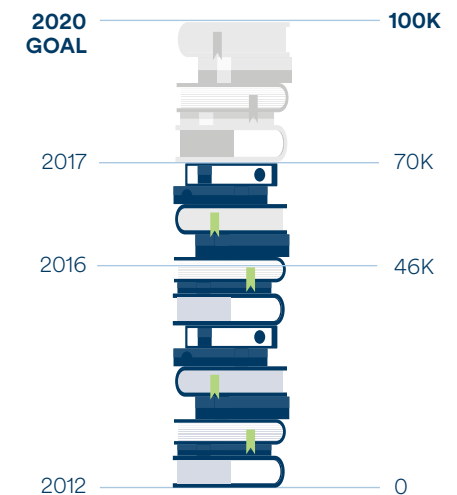


Alaska gives program support to nonprofits providing **pathways to STEM careers** to underserved youth and adults. We host career development workshops, experiences, job fairs, and speaking engagements, and we partner with other employers and companies to engage youth around career and workforce development in the aviation industry. Through these activities we have impacted the lives of more than **69,500 youth and workers since 2012**. By 2020, our goal is to positively influence the futures of 100,000 youth and workers by providing them with the knowledge and skills needed to both succeed and flourish. Our progress and success are measured by the number of youth and workers who participate in our programs for a minimum of two hours, complete degree programs, and learn new skills.

We are proud to report that we met or exceeded our 2017 goals and will continue to look at ways

to positively impact youth and opportunity in our communities. While our giving highlights multiple focus areas, we are doubling our efforts to inspire and educate, and have increased our goal to reflect the higher number of youth and worker lives we hope to impact in the coming years.

Youth & workers supported



Our goal: Improve economic and educational outcomes for **100,000** youth and workers.

Progress

In 2017, more than **23,410 youth and workers participated in Alaska-sponsored programs**, bringing our cumulative number of youth and workers impacted by our efforts to 69,580 since we began measuring in 2012. Of the over \$15 million in philanthropic contributions that Alaska Air Group provided in 2017, 35% was specifically directed at educational and workforce development.

The programs we support and track include a variety of local education initiatives, events, activities, partnerships, donations and employee volunteer time. Employees of the company have also served on key government-appointed committees and leadership councils focusing on helping youth prepare for future success.



\$15M

philanthropic contributions
in 2017



What our giving supports

35%

- education & workforce development
- social
- medical
- civic
- youth
- environment
- arts
- sports



Some of the more notable initiatives of the past year include:

2K

students

will attend ANSEP's leadership program

The Alaska Native Science Engineering Program (ANSEP) is a key recipient of our support. ANSEP's objective is to effect systemic change in the hiring patterns of Alaska Natives in science and engineering by placing students on a career path to leadership.

In 2017, Alaska Airlines renewed its partnership with ANSEP as part of our commitment to education in our communities. With this second, three-year \$1 million grant, Alaska Airlines' total investment in ANSEP is now \$2 million. Over the next three years, funds will help transport nearly 2,000 students from rural areas of Alaska to Anchorage to attend ANSEP's **Middle School Academy education program at the University of Alaska Anchorage**. Our support provides access to educational opportunities and the associated economic benefits not otherwise available for thousands of Alaskans.

40+

employees

volunteered to coach students

More than 40 employees volunteered to coach and speak with students at the **Alaska Airlines Aerospace Education Center (AAAEC)** at Seattle's Museum of Flight. This immersive, aerospace learning experience gives students a chance to experience the magic of flight and **learn about aviation careers** and pathways from Alaska Airlines employees.

90

students

explored their career interests

We partnered with **The Road Maps Project** in South King County to host multiple sessions at a one-day program called **DiscoverU**, impacting more than 90 students in 2017. DiscoverU provides high school students with the opportunity to **explore their career interests**, tour companies and learn about the skills and education needed to get there.

3,000

youth

learned about the importance of staying in school

The Choices Program is a leading recipient of funds in Seattle and Portland. We are excited to contribute to the 1.5-day workshop where employees engage with youth about the **importance of staying in school**. To date, 3,000 youth from areas with high drop-out rates have been through the Choices Program.

453

workers

completed a course at Airport University since 2012

Alaska also proudly partners with **Port Jobs** at Sea-Tac airport through its economic opportunity and workforce development initiative called "**Airport University**." The program **provides a career trajectory for our employees** and other airport workers by providing them the training and professional skills needed to advance to better positions in airport operations. In 2017, 88 airport workers completed a course at Airport University, bringing the total number of workers supported through the program to 453 since 2012. This year we renewed our partnership with Port Jobs through 2020 and are providing a **\$1.5 million grant** to support training, workforce development, job placement, and education funding. Out of this funding, approximately \$150,000 is dedicated to a **scholarship fund** for airport workers seeking additional educational opportunities.



Challenges

Although we measure our progress by the number of participants that we interact with, we cannot directly correlate this experience with their future career success. There is no guarantee the youth who participate in our programs will go on to pursue careers in STEM and aviation. It is our hope that these programs and events provide inspiration for the youth and workers in our communities to pursue success in the career of their choice with passion, determination and focus. Success is dependent upon many factors. We are working hard with nonprofits and community-based programs to develop strategies to lift up and support youth and workers. We can't do this alone; what matters is collective impact.

Another challenges we face is that Airport University (Seattle) is limited by funding and resource availability. Although there is a great deal of interest in the program, we are not currently able to offer all the programs that have been requested. We also don't have a way to track and measure the long-term impacts of our efforts on attendees, and so we don't have a success rate metric to back up our funding requests.

Looking forward

In 2018, we aim to grow our impact and focus and expand our support of STEM careers in our core markets along the West Coast through additional programming and increased funding.



CASE STUDY

No Time to Sleep.

We were proud to support a new event this year called No Time to Sleep, to help inspire youth towards education, aviation, and following their dreams. The event brought in over 1,200 graduating seniors from the Highline and Tukwila school districts, where the students heard directly from our Chief Football Officer and Seahawks Quarterback Russell Wilson, and others about why it's important to pay attention in school and focus on your dreams, and how aviation careers close to home are great careers to pursue. Alaska employees volunteered during the event, showing their caring spirit and

giving back to the community. The Museum of Flight served as a key partner, providing the perfect backdrop of aviation history to host the graduating seniors at its Aviation Pavilion. We surprised the students by selecting a representative from each of the high schools to honor for their determination, passion, and focus on achieving their goals. These student leaders each received a \$1,000 scholarship to the school they would attend following graduation. Students left the event excited and inspired to pursue their dreams. We are now working to host the event annually.



EARNING OUR WINGS

Turning aviation dreams into careers.

Take a 10,000-foot hangar, assemble 250 employee volunteers, add 63 aviation industry partners and set 1,200 kids loose for a day where the sky's the limit. Those are the keys to Alaska Airlines Aviation Day, where youth learn about rewarding careers in the aviation industry. Held annually each spring in Seattle, Portland and Fairbanks, Aviation Day gives young people the chance to dream big. They can fly a flight simulator with a pilot, turn a wrench on a jet engine with a mechanic, evacuate an aircraft with a flight attendant and build a glider with an engineer.

"We want to build a bridge from high school onto college and then to a career in aviation or aerospace," said Alaska First Officer Allen Cassino. "We are laying out the stepping stones to show youth in our local communities just that. They can be a pilot! They can be an engineer! They can be an aircraft mechanic! Maybe even an executive at Alaska Airlines!"

The mission of Alaska Airlines' Aviation Day is to inspire youth in our community and help them realize the potential careers in aviation and aerospace. Activities are hands-on and the learning is real-life, including testing their mechanic skills on a real aircraft engine, learning to get an aircraft ready for preflight, understanding the physics of lift, and piloting a simulator or a simulated aircraft evacuation.

Alaska First Officer Erin Recke said she volunteers because she completely supports the Aviation Day mission. "For me, having under-served kids show up in our hangar and have their horizons expanded, is why I spend literally hundreds of hours volunteering for Aviation Day," Recke said. "If even one of the nearly 1,000 people through the door has a life-changing experience as a result of their participation in our event it will have been worth all the time, money and energy spent making Aviation Day happen."



We make
flying matter.



As an airline we are interested in getting people from Point A to Point B; however, we also believe in leveraging our resources and engaging in activities that make a positive difference in people's lives.

Because we care greatly about the places and communities in which we live, work, and fly—and because it's the right thing to do—we donate our time, energy, money, miles and more. We support charity organizations whose missions reflect the passions of our employees and guests and contribute to the well-being of the locations we serve. Through volunteer days and targeted support campaigns we are able to empower youth from all backgrounds to find success in school and in life. We are able to help ensure that the beautiful places we serve continue to stay beautiful by contributing to and promoting carbon emissions offset projects. And we are able to lend a hand during times of crisis through donations and charity drives: for kids and families who need hope, for people who need to get to health care or away from a dangerous situation, and by jumping in to help by bringing supplies and first responders in and people out when disaster strikes.



Employee involvement

One of the most important parts of our business is our people. Our employees are highly engaged in the community and Alaska supports their personal time and monetary contributions to the community through our matching gifts and Dollars for Doers program. Employees are able to donate through our Gift Matching program, which **matches up to \$1,000 per employee**, and through our Dollars for Doers program, which allows employees to **earn \$10 in donations for every hour they volunteer, up to \$1,000.00 per year**. In 2017, employees raised over \$464,759 in funds that were matched by the company through our Gift Matching program for a total of \$989,518. Employees participating in Dollars for Doers earned and donated \$236,163 and volunteered more than 41,670 hours to support organizations of their choice.

DOLLARS FOR DOERS

\$10
in donations



for every
hour
volunteered

GIFT MATCHING

\$465K
raised by employees



matched for a total of
\$990K
funds raised

PARTICIPANTS

41.7K
hours volunteered



for a total of
\$236K
donated

Charity Miles

Our Charity Miles program offers Mileage Plan members a unique and meaningful way to support important causes. Members can donate their miles to help select philanthropic organizations who used the miles towards accommodating special requests and transporting clients to achieve the organization's mission. In 2017 alone, more than **52,300,000 miles were donated** by our passengers, valued at approximately **\$1.4 million**.

Our Charity Miles program currently has 10 organizations that resonate with our Mileage Plan members. In 2017, our Hero Miles program received the most Charity Miles and allowed the Fisher House to provide wounded, injured and ill service members travel from the medical center to their home, and enabled travel for their family or close friends to visit them while they were being treated at the medical center. Make-A-Wish Foundation also received a generous number of miles from Mileage Plan members. Make-A-Wish uses the miles to grant wishes to children with serious illnesses or injuries.

In addition to providing miles directly to organizations, Mileage Plan members can also select to support the Alaska Airlines Charity Miles Pool, which distributes accumulated miles to organizations Alaska is working with, and often includes a donation to disaster relief efforts for the transportation of medical staff and volunteers. In 2017, Alaska Airlines listed its first Charity Miles partner that focuses strictly on education: the United Negro College Fund (UNCF), which sponsors and supports students with scholarships, projects, and counseling. Donated miles are used to provide transportation for these students to visit potential colleges and universities.

52.3M  **\$1.4M**
miles donated

To support the following 10 organizations:





In-kind donations

In addition to the engagement of our employees and Mileage Plan members around Charity Miles, we also provide airline tickets for organizations to support their fundraising and other travel that supports them in achieving their mission. In 2017, we provided airline tickets to over **1,300 nonprofit organizations** with **\$7 million** in in-kind ticket donations. The carefully selected community-based organizations who receive these donations use the airline tickets for auctions and raffles to raise support for their organizations. Additionally, some of the tickets were donated for philanthropic efforts, such as medical travel—as was the case with Shriners Hospital and Angel Flight West, both organizations whose mission it is to arrange air travel for children and adults with serious medical conditions and other compelling needs.

Carbon offsets

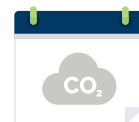
Even though our fleet is already among the most carbon-efficient in the industry, air travel still impacts our environment. As part of a collective effort to reduce the environmental impact of each flight, we encourage everyone to offset their travel through contributions to carbon offset projects from our nonprofit partner, the Carbonfund.org Foundation. **Purchasing carbon offsets** reduces the impact of a flight's carbon dioxide (CO₂) emissions by investing in projects that reduce CO₂ elsewhere in the U.S. Our team has carefully selected high quality and independently verified projects to ensure all contributions are making a difference.

 **8K**
metric tons of CO₂

In 2017, our guests offset 222 metric tons of CO₂e through carbon offset contributions. Collectively, our airlines and our guests have offset 8,138 metric tons of CO₂e since 2013.



Additionally, last year Virgin America offset its corporate headquarters' annual footprint plus an additional 1,000 metric tons as part of Earth Day celebrations. Virgin America worked with Carbonfund.org to select offset projects focused on reducing emissions through renewable energy and energy efficiency. Some examples include:



Inland Empire Utilities Agency Biodigester, a methane capture and elimination project in Chino Basin, California, that creates clean, renewable energy and reduces more than 8,000 tons of carbon dioxide equivalent from the atmosphere every year, while also protecting the quality of the region's groundwater.



IdleAire, a truck stop electrification project that reduces tailpipe emissions from trucks by connecting truck cabins with electricity at rest stops to eliminate the need to keep engines running for power. This approach saves one gallon of diesel per hour, reducing emissions at a rate of 19.64 lbs. of CO₂e per gallon saved.



The Hilarides Dairy Project in Lindsay, California that helps reduce heat-trapping methane emissions, which reduces approximately 18,500 metric tons of CO₂ emissions each year. The project also encourages the development of new technologies, reduces local water pollution and provides an alternative source of income for local farmers.

Disaster Relief

Part of running a great airline is supporting the communities we serve, especially in times of need. Alaska frequently makes monetary and Charity Miles donations to organizations such as the American Red Cross and Airlink to support relief efforts in the wake of natural disasters, and matches donations made by employees through our Gift Matching program. In 2017, more than **\$375,000** (cash and in-kind) was donated in support of **relief efforts for hurricanes, wildfires, flooding and an earthquake**. In addition, we waived travel fees for customers who were affected and added extra flights to accommodate those needing to evacuate impacted areas. We are proud of our employees who jumped in to help by donating their time, money, supplies, and more to support these communities in their time of need.

In 2017, some of our disaster relief efforts and donations included:



Donated **\$100K and 1M miles** to the American Red Cross along with matched employee donations to the Red Cross, Airlink, Airline Ambassadors and Angel Flight West to support relief efforts in the wake of Hurricane Harvey.



Donated **2M miles** from our Charity Miles Pool to Airlink, a rapid response disaster relief organization that links airlines with pre-qualified non-governmental organizations to transport aid workers and cargo to disaster areas. With our support, Airlink's nonprofit partner, Team Rubicon, flew three waves of rapid response volunteers to bring aid and assistance to the communities impacted by the flooding in Wisconsin and Illinois.



Contributed **\$10K** to the Pacific Coast Chapter of the Red Cross, who provided shelter, meals, and mental health services to those impacted by the flooding and mudslides that caused damage and loss of life in Santa Barbara and Montecito, California.



Received **\$50K** by Salvation Army Northern California to support wildfire relief efforts. We also held hygiene supply drives at our hub locations (Seattle, San Francisco and Portland) to provide those affected by the Northern California wildfires with much-needed items such as soap, toothbrushes, and shampoo.



Donated **\$25K** to Save the Children to support recovery efforts of the earthquake in Mexico City. We also donated an additional **2.5M miles** into the disaster relief pool to help transport specialized disaster relief teams to those devastated, and matched employee donations to both the American Red Cross and Save the Children.



EARNING OUR WINGS

Alaska helps students go places.

To many it may seem like a small thing, but for lower income high school students, traveling to tour colleges—and getting there for the start of school—can be quite a challenge. This can be an even bigger barrier for African-American students who wish to attend historically black colleges.

This is where Alaska Airlines steps up. The United Negro College Fund (UNCF) is one of Alaska Airlines' [Charity Miles partners](#), along with nine other organizations supported year-round by Alaska Mileage Plan members through the donation of frequent flier miles.

Hannah Stoddard will soon graduate from Washougal High School in Washington State. She grew up attending predominantly white schools, where she frequently experienced racism. As a result, her grades began to suffer and her motivation to go to school waned out of fear for how she would be treated.

Luckily, she heard about the United Negro College Fund Portfolio Project, which aims to increase the number of minority and low-income college and scholarship applicants. The project has helped her with everything from college testing to finding scholarships. Mentors helped her create a resume and portfolio and fine-tune her college application essay.

Because of the racism she faced, Stoddard wanted to attend a college where she would feel comfortable and fit in. "I decided that attending a historically black college would provide me with the support I need to find success," said Stoddard, who plans to study chemistry and become a doctor.

After some college visits, she's decided on Howard University, a Washington D.C. school known for its cultural diversity and research. Being able to use Alaska miles was instrumental in helping her decide, edging out Spelman College in Atlanta, Georgia.

"I was able to be on campus and experience life as a student at Howard. Before that I had only seen the online tours of both campuses, and I was not impressed. By actually being there I was able to see how beautiful the campus really is, and I could finally see myself as a student there," she said.

Stoddard is also looking forward to using Alaska miles to visit her family in Washington over the holidays, something she would not have been able to afford on her own.



Alaska Airlines miles donations

In 2017, Alaska and its Mileage Plan members donated a total of 1,565,314 miles to the UNCF, with Alaska's guests contributing 565,314 miles to the program. Through our partnership with the Seattle Mariners we donated an additional one million miles—10,000 miles for every home run.

Miles donated supplement a one-million-mile seed gift from Alaska Airlines, and help students fly to college tours, travel back and forth between school and home, and participate in a variety of leadership development programs and other programming offered by UNCF.

"There are so many expenses when you're in college or planning to go to college," said Linda Thompson-Black, Pacific Northwest area development director for UNCF. "Many of our students are living in poverty and may be awarded a scholarship that they can't afford to take advantage of because of the other costs. These miles are so important in helping defray some of the expense."

Silicon Valley Innovation Summit

Alaska Airlines also served as the official airline sponsor of the 2017 UNCF Innovation Summit in Silicon Valley, which included a career fair and tech-empowerment workshop for 100 African-American students who are committed to pursuing careers in the IT industry. Alaska's sponsorship enabled students travel to the event to connect and engage with tech industry CEOs, recruiters, and industry peers, and get a glimpse behind the curtain at the campuses of Silicon Valley's tech giants.

10K

miles for
every home run



for a total of

1M

miles donated

1.57M



miles donated

by Mileage Plan members

565K



miles donated












by Alaska Guests



Sustainability goal summary.



CATEGORY		2020 GOAL	FY2017	2017 PROGRESS
Employee and guest safety.		Decrease medium risk safety events (>3+) by 20% over 2017.	new	Our previous goal of no more than 3 events per year was achieved in 2016. The new goal incorporates Virgin America and establishes 2017 as the baseline year.
		Employee safety reporting increased to 26% over 2017 baseline (reports per employee).	new	Our previous goal of increasing safety reporting by 27% over a 2012 baseline was achieved in 2016. The new goal incorporates Virgin America employees and establishes 2017 baseline year.
Employee engagement.		Employee engagement scores at 80% or more (with no less than 75% for each division).	-13%	Employee engagement scores declined in 2017, in part related to our merger integration, from 82% to 69%. Focus groups and listening sessions were conducted to give employees more opportunities to discuss issues and partner on next steps.
		Great Place To Work recognition by at least one external national organization.	1	Alaska was ranked among Forbes' "America's Best Employers" for the third year in a row.
		Integrate diversity and inclusion initiatives into people strategies of our four largest work groups, representing 85% of employees.	new	This new goal incorporates Virgin America and establishes 2017 as the baseline year.
Ethical labor standards for suppliers.		Embed Alaska's Supplier Code of Conduct into all vendor contracts.	new	This goal has been modified from "Incorporate Code of Labor Standards into 100% of covered vendor contracts by 2020." We launched a new supplier code of conduct program in 2017 and will share our progress in our 2018 report.
Reduce emissions.		Sustainable aviation fuel in use at one or more of our airports.	NA	Negotiated an MOU with Sea-Tac airport to bring sustainable aviation fuels to local operations. No longer a standalone goal. Beginning in 2018, we will track this goal as part of reducing aircraft emissions.
		Reduce aircraft emissions by 17% per RTM over 2009 baseline.	0.03%	Emission intensity down 13% over baseline towards 17% goal. Reflecting the integration of Virgin America's fleet, total emissions increased slightly for the first time in 14 years. [Goal modified from 20% to reflect integrated operations with the acquisition of Virgin American, and Horizon Air regional flying].

CATEGORY		2020 GOAL	FY2017	2017 PROGRESS
 Reduce emissions (cont).		Electric vehicles increased to 44% of motorized fleet for Alaska & Horizon combined.	35%	This goal has been discontinued, as vehicle emissions account for less than 0.5% of AAG total. Inventory of electric GSE remains at 35%, not including acquired Virgin America inventory.
		Facility energy consumption reduced by 15% from 2008 baseline. (BTU/ft2)	NA	This goal has been discontinued, as emissions from facility operations account for less than 0.5% of AAG total emissions.
 Reducing inflight waste.		Inflight waste to landfill reduced by 70% over 2010 baseline (lbs./passenger).	-21%	Waste to landfill per passenger was reduced from an estimated 0.24 to 0.19 lbs./passenger in 2017—a 54% over our baseline year. Key actions included replacing remaining glass beer bottles with aluminum alternatives and reinstating our cup refill policy. Flight attendants captured 82% of all recyclable material.
		Recycling programs instituted at 100% of ground-based facilities.	NA	Tracking discontinued due to insufficient material impact relative to other goals. Recycling and composting programs at ground facilities will continue.
 Reduce paper consumption.		Paper consumption reduced by 50% per departure over 2012.	-5%	Paper consumption per departure was reduced 5% in 2017 and 39% over our baseline year, largely due to innovations in providing technology to frontline employees.
		Inflight consumable serviceware is 100% sustainably-sourced.	NA	This will continue to be a focus area, integrated with our inflight waste reduction goal.
 Economic and educational outcomes.		Increase economic and education outcomes for 100,000 youth and workers.	23,000	An additional 23,000 youth and members of the workforce participated in our sponsored educational initiatives in 2017. Since 2014, we've reached over 69,000, on track to meet our goal of 100,000. We combined our educational outcomes goal with our original goal to “create economic opportunities and job skills for 700 workers in the Sea-Tac area”.



Appendix.



As part of Alaska Air Group's commitment to disclose information about our sustainability performance, below is a compilation of environmental and social indicators including our greenhouse gas emissions, energy and water consumption, philanthropic activities, and employee numbers.

Unless otherwise noted, the data includes all of Alaska Air Group for 2017, and information prior to 2017 does not include Virgin America. For those metrics where Virgin America operations are not included, the percent coverage of Virgin America contribution to our total operation is equal to 20% of revenue passengers and 26% of revenue passenger miles (RPMs) and available seat miles (ASMs). Data for McGee Air Services is not covered, as it represents less than 1% of AAG 2017 revenues.

For specific information regarding our complete 2017 operational or financial data and/or performance, please refer to our investor relations website at: investor.alaskaair.com



Greenhouse gas emissions

The statement of greenhouse gas emissions was prepared based on a calendar reporting year that is the same as the Alaska Air Group (AAG or the Company) financial reporting period.

Scope 1 and 2 GHG emissions information was prepared by an independent 3rd party in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition. These emissions have been verified according to ISO 14064-3: 2006, Specification with guidance for the validation and verification of greenhouse gas assertions.

Total GHG emissions by source (metric tons)

	2017	2016	2015	2014	2013
Gross Global Emissions (Scope 1)	7,493,569	5,087,097	4,840,491	4,503,254	4,337,569
Aircraft (Scope 1)	7,453,560	5,061,825	4,816,259	4,476,725	4,310,793
Vehicle (Scope 1)	10,369	7,874	8,733	8,223	7,963
Facility Heating (Scope 1)	5,733	4,862	4,981	5,471	5,872
Facility Electricity (Scope 2)	9,906	12,536	10,518	12,836	12,940

GHG emissions intensity per unit of operation—revenue passenger miles (RPM), available seat miles (ASM), and revenue ton miles (RTM).

Normalized emissions / emissions intensity

	INTENSITY METRIC	2017	2016*	2015*	2014*	2013*
All sources	Metric tons CO ₂ e per thousand RTM	1.458	1.456	1.485	1.495	1.518
All sources	kg CO ₂ e per thousand RPM	148	148	151	152	155
All sources	kg CO ₂ e per thousand ASM	125	125	126	128	130
All sources	Metric tons CO ₂ e per thousand RTM	1.458	1.456	1.485	1.495	1.518

* Years 2016 and earlier have been recalculated to take into account historic Virgin America emissions, to align with our intensity-based emission reduction goals.



Other greenhouse gases

produced (metric tons)

	2017*	2016	2015	2014	2013
Methane (CH ₄) *	28	24	47	44	42
Nitrous Oxide (N ₂ O)	228	155	155	145	139
Sulphur Oxide (SO _x)	355	265	225	211	204
Nitrogen Oxide (NO _x)	3,166	2,336	1,991	1,850	1,772

* It is understood by the industry that CH4 emissions are not produced from cruising, but CH4 emissions are produced during landing and takeoff.

Avoided emissions (metric tons of CO₂e)

estimated from improvements in emission intensity.

	UNIT	2017	2016	2015	2014
Total avoided emissions from 2009	Metric tons CO ₂ e	2,498,401	1,917,434	1,302,055	824,603
Year over year avoided emissions	Metric tons CO ₂ e	580,967	615,379	477,453	322,834
Total avoided fuel consumption from 2009	Gallons	244,665,117	188,137,814	127,843,368	80,950,752

These figures are estimated from improvements in emission and energy intensity per available seat mile (ASM). For calculation and comparison purposes, Virgin America consumption and emissions data was not included.

Carbon offsets

purchased by Alaska Air Group (Scope 2) and passengers (Scope 1)

	2017	2016*	2015*	2014*	2013*
Voluntary Carbon Offsets (Scope 2)	2,147	1,147	1,574	1,146	932
Voluntary Carbon Offsets: Passenger Purchased (Scope 1)	222	218	151	250	310
Total	2,369	1,406	1,725	1,396	1,242

* Virgin America offsets only.



Energy

Energy consumed and generated

by Alaska Air Group during normal operations.

	UNIT	2017	2016	2015	2014	2013
Aircraft Fuel (non-renewable)	Gallons	757,056,000	514,100,000	488,769,000	454,306,000	437,465,000
Aircraft Fuel (non-renewable)	GJ	107,653,363	73,105,020	69,502,952	64,602,313	62,207,523
Aircraft Fuel (renewable)	GJ	0	356	0	0	0
Vehicle Fuel (non-renewable)	GJ	163560	115663	NR	NR	NR
Facility Energy (non-renewable)	GJ	208,680	194,072	192,291	206,877	212,648
Total Energy Consumed	GJ	108,025,604	73,414,754	69,695,243	64,809,190	62,420,172
Total Energy Consumed	MWh	30,007,112	20,392,987	19,359,790	18,002,553	17,338,937
On-Site Renewable Energy Generated	MWh	4.3	15	NR	NR	NR

Energy intensity per unit of operation

revenue passenger miles (RPM), available seat miles (ASM), and revenue ton miles (RTM).

	METRIC	2017	2016	2015	2014	2013
All sources	Metric tons CO ₂ e per thousand RTM	1.458	1.456	1.485	1.495	1.518
All sources	kg CO ₂ e per thousand RPM	148	148	151	152	155
All sources	kg CO ₂ e per thousand ASM	125	125	126	128	130
All sources	Metric tons CO ₂ e per thousand RTM	1.458	1.456	1.485	1.495	1.518
Aircraft energy intensity per seat	Fuel gallons per ASM	0.0126	0.0124	0.0126	0.0129	0.0132
Aircraft energy intensity per passenger	Fuel gallons per RPM	0.0150	0.0146	0.0150	0.0152	0.0154



Projects

Aircraft fuel-saving projects

initiated or finalized in 2017.

Completed split scimitar winglets on all eligible 737 aircraft (14 additional aircraft)	476,000
Deployed preconditioned air to additional Horizon hub locations	165,000
Retirement of 737-400 aircraft	334,000
New RNP approaches at Nome (OME) and Kotzebue (OTZ)	35,000

* Calculations do not include savings realized from ongoing projects.

Waste

Total solid waste (tons) disposed of

including the amount that was diverted from landfill (recycled).

	2017*	2016	2015	2014	2013
Solid Waste Disposed to Landfill (inflight)	3,090	3,839	3,057	4,173	2,451
Solid Waste Recycled** (inflight)	1,963	1,851	1,772	1,796	1,562
Plastic (#1 PETE)	509	NR	NR	NR	NR
Aluminum	231	NR	NR	NR	NR
Paper	399	NR	NR	NR	NR
Glass	825	NR	NR	NR	NR
Hazardous Waste (RCRA) Disposed	49.7	43.9	NR	NR	NR
Hazardous Waste (RCRA) Recycled	129.0	44.6	NR	NR	NR

* Does not include Virgin America operations.

** Inflight waste is a measure of the weight of all materials that are collected by flight attendants in garbage and recycling bags during inflight service on domestic flights. Total weight is estimated by sampling and weighing the contents of the garbage and recycling bags from a minimum of 30 flights per airline per year.

Other environmental metrics

Total volume of water used by Alaska Air Group during normal operations.

	2017	2016	2015	2014	2013
Municipal Water Usage	63,349	68,204	82,807	70,431	65,278

Water usage is tracked where it is metered separately and where AAG has operational control of the facilities.

Company compliance

with applicable environmental laws and regulations.

	2017*	2016*
Reportable spills* (gallons)	10,715	25
Reportable spills* (number)	3	1
Environmental penalties (\$)	0	0
Environmental penalties (number)	0	0

* Chemical spills subject to local and state reporting requirements. Metrics do not include Virgin America operations.

Employee snapshot

Total employees at Alaska Air Group companies (2017)* including full-time, part-time, temporary, and contracted.

Total number of employees	21,250
U.S. employees	21,143
International employees	107
Self-employed or contract workers	0
Represented in trade union or collective bargaining agreement	18,320
Full-time employees	18,612
Part-time employees	2,638

* Does not include approximately 1,700 McGee Air Services employees.



Philanthropic activities

Total funds and in-kind donations

distributed by Alaska Air Group.

	2017	2016	2015	2014	2013
Cash donations	\$6,675,790	\$5,311,898	\$3,859,170	\$2,594,842	\$1,610,972
Foundation Grants	\$286,500	\$307,500	\$250,000	\$172,000	\$141,500
In-kind giving (value)	\$7,801,080	\$7,602,378	\$7,161,443	\$6,623,538	\$6,634,510
Employee matching funds	\$464,759	\$400,570	\$449,076	\$299,799	\$207,997
Dollars for Doers	\$236,163	\$196,667	\$212,536	\$140,535	\$90,323
Charity miles (miles)	52,311,670	53,821,104	50,113,883	53,727,227	52,550,619
Charity miles (value)	\$1,438,571	\$1,480,080	\$1,378,132	\$1,477,499	\$1,445,142
Giving as a % of adjusted net income	1.87%	1.48%	1.39%	1.69%	2.23%
TOTAL	\$15,464,292	\$13,819,013	\$11,932,225	\$9,830,714	\$8,685,302

Number of tracked hours volunteered by employees

	2017	2016	2015	2014	2013
Employee volunteer hours	41,671	27,128	21,000	NR	NR

Employee safety

Total number of injuries reported by employees that occurred on the job, including those that resulted in personnel not being able to work as a result of their injury.

Incidents per 200,000 hours worked (per 100 FTEs)			
	2017	2016	2015
Alaska Airlines – On the Job Injuries	5.14	5.81	5.53
Alaska Airlines – Lost Time Injuries	3.07	3.70	3.11
Horizon Air – On the Job Injuries	9.16	9.25	9.99
Horizon Air – Lost Time Injuries	4.28	2.65	3.68
Virgin America – On the Job Injuries	2.85	NR	NR
Virgin America – Lost Time Injuries	NR	NR	NR



Glossary of terms

ASM	Available seat mile	Airline passenger carrying capacity. It is equal to the number of seats available multiplied by the number of miles flown
CO ₂ e	Carbon dioxide equivalents	A standard unit for measuring a carbon footprint. It expresses the impact of each different greenhouse gas in terms of the amount of CO2 that would create the same amount of warming.
GHG	Greenhouse gases	A greenhouse gas is a gas that absorbs infrared radiation (IR) and radiates heat in all directions. Examples include: carbon dioxide (CO2), methane (CH4), and nitrous oxide (NOX).
GJ	Gigajoules	A measurement of energy equal to one billion (109) joules. 6 GJ is about the chemical energy of combusting 1 barrel (159 l) of crude oil.
LTI	Lost time injury	Accidents resulting in personnel not being able to work as a result of their injury.
MWh	Megawatt hours	A megawatt hour (Mwh) is equal to 1,000 Kilowatt hours (Kwh). It is equal to 1,000 kilowatts of electricity used continuously for one hour.
NR	Not reported	

OJI	On the job injury	Employee Injuries that occur while at work.
RPM	Revenue passenger mile	A measure of traffic for an airline flight calculated by multiplying the number of revenue-paying passengers aboard by the distance traveled.
RTM	Revenue ton mile	One ton of revenue traffic (passenger and/or cargo) transported one mile.
RNP	Required navigation performance	A type of performance-based navigation (PBN) that allows an aircraft to fly a specific path between two 3D-defined points in space using satellite technology. This safer, more reliable, and more direct navigation system saves fuel by reducing track miles.
Scope 1		Direct emissions from owned or controlled sources such as the combustion of jet fuel, natural gas, or motor vehicle fuel.
Scope 2		Indirect emissions from the generation of purchased energy.



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