



Alaska Air Group Sustainability Report 2012

Alaska Air Group

Reporting period
January 1, 2010, to December 31, 2011

Welcome

Alaska Air Group is committed to leading our industry in environmental stewardship. We are dedicated to honorable and responsible relationships with our customers, employees, investors, business partners and the communities where we fly.

This is Air Group's first full Sustainability Report and expands on our first Environmental Report that we published in 2010. This Sustainability Report summarizes the significant effects of our environmental, economic and social goals, progress and impacts. Our intention is to transparently document our corporate social responsibility efforts and use this report as a platform for dialogue and collaboration to drive continued improvement and innovation. We report on the facilities that are maintained by Alaska Air Group. Although we do not document the environmental or social impacts of our suppliers, where relevant we describe collaborative improvement efforts and procurement restrictions.

This report covers Air Group's two carriers, Alaska Airlines and Horizon Air. We describe aggregated data for Air Group as well as separate data for the two airlines where the information is relevant and available. This report summarizes data from Jan. 1, 2010, to Dec. 31, 2011. Where available, we include data showing trends over multiple years. This report is consistent with Level B requirements of the internationally recognized Global Reporting Initiative. Although the report has not been externally assured, financial and governance data drawn from our 2011 Annual Report (as reported on Form 10k) were audited by KPMG. Our current plan is to publish a Sustainability Report every other year. We continue to build our infrastructure of key performance indicators, refine our measurement and reporting systems, and develop our processes for sustainability-related goal-setting and deployment.

Contents

2	LEADERSHIP MESSAGE	45	WAYS WE ADVANCE ECONOMIC SUSTAINABILITY
6	OUR SUSTAINABILITY IMPACTS AND PERFORMANCE AT A GLANCE	46	Creating Direct Value
13	WHO WE ARE	48	Creating Indirect Economic Impact
14	About Alaska Air Group	51	HOW WE EMBRACE CORPORATE RESPONSIBILITY
15	Key Facts and Figures	52	Ensuring Safety & Satisfaction
16	Corporate Governance	58	Developing & Caring for People
19	WHAT WE ARE COMMITTED TO	60	Partnering with Labor
20	Engaging With Our Stakeholders	64	Contributing to the Community
22	Our 'Higher' Purpose & Strategic Focus Areas	71	LOOKING FORWARD
25	HOW WE REACH FOR ENVIRONMENTAL SUSTAINABILITY	72	Alaska Air Group Values
26	Aiming at Environmental Sustainability	74	Global Reporting Initiative Alignment / GRI Index
28	Reducing Our Carbon Footprint	82	Invitation for Feedback
36	Tackling Our Materials Waste & Recycling		
40	Addressing Other Environmental Impacts		

A message from Brad Tilden

PRESIDENT AND CHIEF EXECUTIVE OFFICER
ALASKA AIR GROUP

All of us at Alaska Air Group are very proud of the good value and service we provide to our passengers—a mission that's especially crucial to people in the state of Alaska who live in isolated communities and rely on us as their lifeline to the outside world. But we also strive to do much more than that.

Our goal is to be a good airline, a good business, a good employer and a good steward for the environment. We believe the only way to accomplish these objectives over the long term is to run our business successfully and produce profits that enable us to offer low fares to our customers, reinvest in our business, reduce our impact on the environment and be a great place for our people to work. Accomplishing all of this is difficult in our industry and during these times, but it is our objective and I'm pleased that we're making headway in a number of areas. It's also important to say we have much more to do.

Air Group's 2012 Sustainability Report covers our efforts in 2010 and 2011 and conforms to the Global Reporting Initiative, an international standard for triple bottom line reporting on performance, people and our planet. I'd like to touch on several of our efforts here.

Everything we do begins with a fundamental premise that we're committed to the highest ethical behavior and doing the right thing for all of our stakeholders. We operationalize this through Five Focus Areas, which our strategic plan is based upon. Safety and compliance is our top priority—and we will not compromise on this.

From there, we believe in treating our people well so they'll treat our passengers well. We're a company of nearly 13,000 people strong, who earn almost \$1 billion a year in wages and benefits to support their families, make house and car payments, and pay for schooling. Their outstanding efforts have also earned them \$240 million in bonuses over the past three years (equal to a month's extra pay for most employees in 2010 and nearly a month in 2011). During the same time, Air Group contributed \$427 million to their pension plans.

We also continue to adapt and innovate for our customers while offering them an ever-increasing roster of destinations. Hawai'i, a market we serve from eight cities on the mainland, has grown to 20% of our network in less than five years. Additionally, our new flights to Kansas City, Philadelphia and Fort Lauderdale continue a transcontinental expansion we launched a decade ago.

Satisfied customers lead to profitability and reasonable returns for our investors. In the past two years, we earned record adjusted profits and exceeded our industry-leading goal of a 10 percent return on invested capital over a business cycle.

Even as we've grown, we've become more efficient. Our sister carrier Horizon Air completed its migration to a fleet of Bombardier Q400s in 2011. This project complemented Alaska's upgrade to an all-Boeing 737 fleet. These best-in-class fuel-efficient aircraft not only save us millions of dollars a year, they've been a key factor in reducing our carbon emissions by 30 percent since 2004 (measured flying one passenger one mile).

Air Group's success is founded on the award-winning service, professionalism, pride and passion of our people. Caring is not just what our customers notice when they fly with us—it's who



we are. We call this culture “Alaska Spirit” and “Horizon Heart,” and it permeates the relationship we have with our customers and communities in many ways.

After our maintenance employees observed fallen soldiers being transported on their final journey home, for example, they developed a more respectful process—one that other airlines are now adopting. Off the job, our people volunteer thousands of hours of service to charities. Their efforts augmented \$7.1 million in corporate giving last year to organizations such as the Make-A-Wish Foundation, which celebrated its 25th anniversary of partnership with Alaska in 2011.

We are striving to minimize our environmental impact in a variety of ways. One of these projects is called “Greener Skies Over Seattle.” Using a satellite-based system known as Required Navigation Performance, or RNP, we’re streamlining landing approaches to Seattle-Tacoma International Airport. The result is enhanced safety and reliability along with reduced carbon emissions through better airspace efficiency. Alaska pioneered RNP, which has been adopted at airports across the nation and represents a foundational piece of the FAA’s NextGen air traffic management system. The FAA forecasts that ongoing NextGen work will save 1.4 billion gallons of fuel through 2018, reducing carbon emissions by 14 million metric tons annually—or the equivalent of taking nearly 3 million cars off the road every year.

To help support the aviation industry’s goal to end its growth in carbon emissions by 2020 and cut emissions in half by 2050, Air Group joined the first U.S. regional group of its kind to look at alternative aviation fuels. Sustainable Aviation Fuels Northwest concluded last year that the Pacific Northwest has the feedstocks, fuel-delivery infrastructure and political will needed

“Our goal is to be a good airline, a good business, a good employer and a good steward for the environment.”

to create a viable biofuels industry. During the fourth quarter of 2011, Alaska and Horizon became the first domestic carriers to operate multiple biofuel-powered flights—we flew 75 flights from Seattle to Washington, D.C., and between Portland and Seattle—to further highlight aviation’s need for an affordable and sustainable supply of alternative fuel.

We’ve also continued other efforts to conserve natural resources—from using sustainable inflight service items to recycling onboard waste to powering our aircraft on the ground with electricity and other sources that are more efficient than aviation fuel. Our inflight recycling programs set industry standards and have been part the culture at Horizon since the early 1980s.

As much as we’ve accomplished, though, there is more to do to benefit our employees, customers, investors and the planet. I’m confident that the dedication, resourcefulness and determination of our people will lead to even greater success. As we embrace the skies ahead, our Five Focus Areas will guide us. Our priority, as always, is our unwavering focus on safety every day and on every flight. We’ll keep working together to provide our passengers with low fares and friendly, knowledgeable people they can depend on. In short, we’re determined to make Alaska and Horizon the easiest airlines to fly on by continuing to be more efficient and effective—both internally and in how we affect the world around us.



BILL AYER
Chairman of the Board
Alaska Air Group

“Our ‘Alaska Spirit’ drives everyone in the company to take great care of our customers and each other—as well as the world around us. Our goal of becoming the domestic airline leader in environmental stewardship is founded on operating the most fuel-efficient aircraft in their class, a wide range of sustainability practices, and a history of innovation that also makes flying safer and more reliable.”



GLENN JOHNSON
President
Horizon Air

“Caring for the environment, our people and the communities we serve is not only the right thing to do—it makes good business sense too.

That’s why I am so passionate about each of the elements of our Corporate Social Responsibility program, which ranges from environmental stewardship to corporate giving to our employee assistance programs.

I’m very proud of the work our people have done, and of the energy our team puts into these important responsibilities day in and day out.”

PERFORMANCE HIGHLIGHTS

30%

Reduction in carbon footprint intensity at Alaska Airlines since 2004; 27% reduction at Horizon Air since 2004.

ZERO INCIDENTS OF NON-COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

BIOFUEL

Commercial biofuel flights completed in November 2011:

75

Alaska Airlines stations that use ground power for aircraft parked at gates instead of onboard auxiliary power unit:

100%

* occasional minor exceptions in Alaska

#1

In fuel efficiency domestically per revenue ton mile and revenue passenger mile

(Data source: DOT Form 41 and 298C)

19%

reduction in facilities' energy use / square foot since 2008

1st

airport wind turbine-solar panel installation in Nome, Alaska

90%

of Horizon Air inflight recyclables collected; 49% of recyclables captured at Alaska Airlines in 2011

\$1B

in wages and benefits earned by Alaska Air Group employees in 2011

\$1.2B

Carried 700,000 visitors to Hawai'i, contributing to nearly \$1.2 billion in direct visitor expenditures in 2011, and adding 350 quality jobs to Hawai'i's work force

25M

Passengers in 2011

114M

Pounds of cargo in 2011

\$287M

2011 ADJUSTED NET INCOME
IN A CHALLENGING BUSINESS ENVIRONMENT

\$100M

per year spend with diversity-qualifying suppliers

HIGHEST IN CUSTOMER SATISFACTION AMONG TRADITIONAL NETWORK CARRIERS IN NORTH AMERICA, 2008-2012 (J.D. Power & Associates)

\$7.1M

in cash and in-kind donations in 2011

GOLD STANDARD
AMERICAN HEART ASSOCIATION'S FIT FRIENDLY AWARD

#1

On-Time Performance operational excellence award to Alaska Airlines in 2010 and 2011

16 COMMUNITIES SERVED IN THE STATE OF ALASKA THAT HAVE NO ROAD ACCESS.

(Data source: FlightStats.com)

Our sustainability impacts and performance at a glance.

ENVIRONMENTAL SUSTAINABILITY: Reduce Emissions from Fossil Fuel Consumption

SUPPORTING GOAL / PROJECT

PROGRESS

2012 AND BEYOND

Contribute to an industry-wide goal of reducing CO₂ emissions by 50% by 2050, relative to 2005 levels. [Alaska Airlines / Horizon Air]

● ON TRACK

Alaska Airlines achieved a 7.8% reduction in CO₂ emissions per revenue passenger mile (RPM) since 2009. Horizon Air achieved a 13.4% reduction per RPM during the same period. Air Group's carbon footprint intensity has decreased nearly 30% since 2004. Page 28.

Continue to improve emissions reductions through fleet renewals, weight reduction efforts and innovative flying efficiencies.

Promote the development and adoption of sustainable and affordable aviation fuels. [Alaska Airlines / Horizon Air]

● ON TRACK

Alaska and Horizon helped form the group Sustainable Aviation Fuels Northwest, which published a report in May 2011 that found the region has the feedstocks, delivery infrastructure and political will to create a biofuels industry. In November 2011, Alaska Airlines and Horizon Air launched 75 commercial flights powered by biofuel. Pages 32-33.

Air Group will continue to actively pursue opportunities to purchase sustainable aviation biofuels where it is economically sustainable. We will evaluate factors such as supply, distribution infrastructure, price and sustainability. Preferably, the supply would come from a Pacific Northwest, Los Angeles-area or Hawai'i location.

Address vehicle fleet emissions.

● NEEDS IMPROVEMENT (Alaska Airlines)

● ON TRACK (Horizon Air)

65% of Horizon Air's vehicle fleet consists of electric vehicles. 10% of Alaska Airlines' vehicle fleet is electric (unchanged since 2009). Page 33.

Evaluate fleet efficiency opportunities in 2012. Increase percentage of electric motorized equipment to 20% by the end of 2013. [Alaska Airlines].

Establish baseline GSE fuel use in 2013 by implementing a system to accurately track all types of GSE fuel consumption. [Alaska / Horizon]

ENVIRONMENTAL SUSTAINABILITY: Reduce Emissions from Heating and Electricity Usage in Buildings

Reduce facilities energy consumption 30% by 2020, relative to 2008 levels (measured by Btu per square foot in buildings maintained by Air Group). [Alaska Airlines / Horizon Air]

● IN PROGRESS

Horizon Air decreased energy consumption per square foot of building space 30% over the past two years. Alaska Airlines decreased consumption 2.8% since 2009, though it increased 1.7% in 2010. Air Group achieved a combined 19% reduction in facilities energy since 2008. Pages 34-35.

More efficient heating and cooling system installed at Alaska Corporate Headquarters. Page 34.

Completion of first wind/solar installation in Nome, Alaska, is expected to produce 15,000 kilowatt hours of power annually. Page 35.

Obtain LEED certification for Board Room at Los Angeles International Airport in 2012. [Alaska Airlines].

This Progress on Performance chart reflects Air Group's material sustainability impacts, risks and opportunities. It includes our performance through Dec. 31, 2011, outlines our goals and, where relevant, summarizes our progress against goals.

ENVIRONMENTAL SUSTAINABILITY: Recycle Our Waste

SUPPORTING GOAL / PROJECT	PROGRESS	2012 AND BEYOND
<p>Increase the rate of recycled inflight waste with a target of 100% by year-end 2010. The focus is on collecting recyclable materials inflight and recycling these materials on the ground. [Alaska Airlines]</p> <p>● NEEDS IMPROVEMENT</p>	<p>Original 2009 goal of 100% diversion of inflight recyclables (paper, plastic, glass and aluminum) was not met, and the goal was reduced to 65% in 2011. As of 2011, Alaska Airlines collected 49% of all recyclable inflight materials, and 95% of all catering locations accepted these materials for recycling. Pages 36-37.</p>	<p>Modified Goal: Collect and divert 70% of all inflight recyclable materials by year-end 2012, and increase collection rate to 90% by year-end 2015 [Alaska].</p> <p>Expand catering location recycling efforts to 100% of all catering locations by 2Q 2012.</p>
<p>Increase inflight recycling rate by specific type:</p> <p>● ON TRACK</p>	<p>Horizon Air's flight attendants collected 90% of all inflight recyclables in 2011. This is an increase of 7% since our last reporting period in 2009. All goals except for aluminum were met or exceeded.</p> <p>2011 Results: aluminum 78%; paper 77%; plastic 71%; glass 100%. Pages 36-37.</p>	<p>Collect and divert more inflight recyclables by increasing our diversion rate by waste stream type: aluminum 85%; paper 80%; glass 100%; plastic 75%.</p>
<p>100% of non-airport company-owned facilities where Alaska and Horizon control the disposal have recycling programs by 2020. [Alaska Airlines / Horizon Air]</p> <p>● NEW</p>	<p>New goal.</p>	<p>Establish a standardized recycling program for the five largest company-owned non-airport facilities in Seattle by year-end 2012.</p>

Our sustainability impacts and performance at a glance.

ENVIRONMENTAL SUSTAINABILITY: Reduce Consumption of Non-Sustainable Resources

Decrease paper use 25% by weight by 2020, relative to 2012 baseline. [Alaska Airlines / Horizon Air]

New goal.

Identify largest-volume office paper consumption and establish a baseline.

● NEW

Identify inflight serviceware products that can be replaced with organic, sustainable, recyclable or compostable alternatives. [Alaska / Horizon]

In 2010, we eliminated our main cabin plastic cutlery in favor of plant-based compostable utensils. In 2011, we replaced our main cabin polystyrene coffee cup with recyclable paper cups on all Alaska and Horizon flights. Page 36.

Initiate a replacement plan for remaining materials. Replace existing juice box with one made from FSC-certified materials.

● ON TRACK

ECONOMIC SUSTAINABILITY: Focus on Low Costs and Low Fares

SUPPORTING GOAL / PROJECT

PROGRESS

2012 AND BEYOND

Reduce costs per available seat mile (CASM)—the cost to fly each aircraft seat one mile—excluding fuel to 7.5 cents at Alaska and 12 cents at Horizon.

Neither Alaska nor Horizon met the plan goal for 2011. Both airlines continue to work on lowering costs in a variety of ways, such as investing in larger aircraft, driving more direct sales to alaskaair.com and improving productivity through more efficient processes.

Continue to reduce CASM at Alaska and Horizon to remain competitive with lower-cost airlines for the long-term.

● NEEDS IMPROVEMENT

This Progress on Performance chart reflects Air Group's material sustainability impacts, risks and opportunities. It includes our performance through Dec. 31, 2011, outlines our goals and, where relevant, summarizes our progress against goals.

ECONOMIC SUSTAINABILITY: Optimize Profit and Value Created

SUPPORTING GOAL / PROJECT	PROGRESS	2012 AND BEYOND
<p>Grow Air Group capacity (measured by available seat miles) 4% to 8% annually, assuming acceptable profitability.</p> <p>● ON TRACK</p>	<p>Air Group met its goal by increasing capacity 4.7% in 2010 and 6.8% in 2011. The company ordered 15 new aircraft and accepted delivery of three 737-800s in 2011. Alaska and Horizon added service to 25 new markets during the past three years. Page 47.</p>	<p>Establish Alaska Air Group as the preferred carrier for travelers living on the West Coast.</p> <p>Accept delivery of three 737-800s and four 737-900ERs in 2012 and up to nine more in 2013.</p>
<p>Earn a 10% return on invested capital over a business cycle in order to continue offering low fares while making reasonable profits that sustain competitive wages and benefits and company and job growth.</p> <p>● ON TRACK</p>	<p>Air Group exceeded its goal by earning a 10.7% return on invested capital in 2010 and 11.7% in 2011. Page 47.</p>	<p>Continue to keep 10 cents on every dollar we collect (before taxes) by responding nimbly to changing market conditions and continuing to lower costs.</p>
<p>Target an average of 3% annual growth in the total number of diverse suppliers utilized within our supply chain. [Alaska Airlines / Horizon Air]</p> <p>● NEW</p>	<p>Air Group spent \$109 million last year with diverse suppliers. The first- or second-largest cost for airlines is fuel. With few "diverse" suppliers (small, minority-owned, and/or women-owned businesses) in this area, it can be challenging to spend significantly in this category. We are developing better practices for tracking diverse spend across the company. Page 48.</p>	<p>Develop performance standards for our integrated buyers that ensure a minimum of one diverse supplier is included in all RFPs issued by Supply Chain Management. If no qualified diverse supplier can be found, buyers will document steps taken to try and identify diverse suppliers.</p>

Our sustainability impacts and performance at a glance.

SOCIAL & COMMUNITY SUSTAINABILITY: Be the Industry Leader in Safety & Compliance

SUPPORTING GOAL / PROJECT	PROGRESS	2012 AND BEYOND
<p>Implement an integrated Safety Management System (SMS) for Alaska Airlines and Horizon Air and reduce Risk Level 3+ events, which represent elevated risk to the operation, such as significant aircraft/asset damage, injuries to employees and customers or a significant reduction in safety).</p> <p>● IN PROGRESS</p>	<p>Air Group is moving to SMS to build upon the many systems already in place to provide better and more efficient oversight that is integrated across all aspects of the organization and to ensure safety risks are managed to acceptable levels. Alaska is at the second of four levels of implementation; Horizon is at the first level. Page 52.</p>	<p>Full implementation of SMS framework to establish interim target of reducing risk and be completed by year-end 2015 and reduce Risk Level 3+ events to 5.5 events per 10,000 departures (on our way toward Zero events).</p>
<p>Reduce employee injuries.</p> <p>● NEEDS IMPROVEMENT (Alaska Airlines)</p> <p>● ON TRACK (Horizon Air)</p>	<p>Alaska Airlines' lost-time injury rate increased about 4% to 5.19 injuries per 100 full-time employees from 2010 to 2011. The increase was due to injuries reported by several specific work groups.</p> <p>Horizon's lost-time injury rate decreased in the past two years from 2.95 to 2.26 (surpassing the 2010 and 2011 goals of 3.7 and 3.0, respectively). The decreasing rates are attributed to an increased emphasis on reporting hazards and ensuring those hazards are eliminated or minimized. Page 54-5.</p>	<p>Reduce lost-time injuries by 5% over baseline to 4.66 per 100 employees. [Alaska Airlines]</p> <p>Reduce lost-time injuries to 2.82 per 100 employees. [Horizon Air]</p>
<p>Foster an active reporting culture and dedication to ethical behavior by increasing awareness of and compliance with our code of conduct and ethics.</p> <p>● NEW</p>	<p>Some 3,400 Air Group employees completed awareness training in 2011 and certified their commitment to follow the code.</p>	<p>Continue to deliver awareness training to all employees to achieve 100% awareness of the code of ethics. Actively engage stakeholder groups in ethical decision-making.</p>

SOCIAL & COMMUNITY SUSTAINABILITY: Enhance Customer Experience and Satisfaction

<p>Continuous improvement in customer satisfaction scores.</p> <p>● ON TRACK</p>	<p>Alaska Airlines met the 2010 goal of 75% in every month and the 2011 goal of 77% for 11 months. Horizon met the 2010 goal of 78-80% (depending on the season) for nine months and the 2011 goal of 81% for 11 months. Pages 56-57.</p>	<p>Establish a "Hassle-Free Customer Experience" metric, assess our baseline performance, and establish future improvement goals and initiatives.</p>
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This Progress on Performance chart reflects Air Group's material sustainability impacts, risks and opportunities. It includes our performance through Dec. 31, 2011, outlines our goals and, where relevant, summarizes our progress against goals.

SOCIAL & COMMUNITY SUSTAINABILITY: Develop, Engage and Care for People

SUPPORTING GOAL / PROJECT	PROGRESS	2012 AND BEYOND
<p>Close our defined-benefit pension funds, honor our pension obligations and ensure generous defined contribution retirement plans for employees.</p> <p>● ON TRACK</p>	<p>Alaska Airlines added nearly \$280 million to its defined-benefit pension plans in 2010 and 2011. The funded status was 81% at the end of 2011. The company announced it will freeze the pension plan covering 735 management and dispatch employees at the end of 2013 and replace it with a generous defined contribution plan. Page 46.</p>	<p>Continue to fund the defined-benefit program and offer generous market-based defined contribution retirement plans for employees.</p>
<p>Maintain a "small company feel" by connecting employees through an eight-hour Flight Path seminar. [Alaska Airlines / Horizon Air]</p> <p>● IN PROGRESS</p>	<p>In 2011, 1,260 Alaska Airlines employees completed the seminar. Page 59.</p>	<p>Horizon Air employees will commence Flight Path in 2012, with the goal of all 13,000 Air Group employees completing the seminar by the end of 2013.</p>
<p>Increase employee engagement and satisfaction for Air Group as a whole.</p> <p>● NEEDS IMPROVEMENT</p>	<p>Employee engagement increased slightly at Alaska Airlines over the previous survey taken in 2009. Engagement decreased 16% at Horizon Air, which is attributed to major changes involving the carrier's transformation plan. However, in an interim survey taken in April 2012 engagement exceeded pre-transformation scores. Page 58.</p>	<p>Achieve a rating in the 90th percentile or a rate of 4.09 on the Kenexa Employee Engagement Index by the end of 2017.</p>
<p>Increase the diversity of our leadership teams. [Alaska Airlines / Horizon Air]</p> <p>● NEEDS IMPROVEMENT</p>	<p>Strong partnerships established with our Employee Resource Groups and Inclusion Advisory Council to identify potential barriers. Page 62-63.</p>	<p>Improve how we measure factors relevant to increasing applicant pool diversity to ensure our diversity outreach efforts are effective. Create formal expectations around coaching, mentoring and sponsoring employees.</p>
<p>Continue to encourage philanthropy through our company and our individual employees. [Alaska Airlines / Horizon Air]</p> <p>● ON TRACK</p>	<p>Air Group contributed \$7.12 million in cash and in-kind donations to environmental, social / community services, medical (emergency / research), educational, sports and arts organizations in 2011. This represented an increase from \$5.64 million in 2010. Pages 66-67.</p>	<p>Focus our corporate giving on medical / social and youth / educational issues. Implement an employee giving and volunteerism portal with a participation goal to be defined.</p>



Who we are:

We are committed.

We are engaged.

We are passionate.

We are Alaska Air Group.

Alaska Airlines and Horizon Air realized long ago that our business is about people more than planes. Our core values of Alaska Spirit and Horizon Heart embody this knowledge.

These values encompass our commitment to our customers, employees and investors. They also represent Alaska Air Group's culture of continually embracing the challenges of an ever-changing world, including the need for ongoing sustainability improvements and innovation.

IN THIS SECTION

- 14 About Alaska Air Group
- 15 Key Facts & Figures
- 16 Corporate Governance

About Alaska Air Group.

Alaska Air Group is the holding company for two operating subsidiaries, Alaska Airlines and Horizon Air. The Seattle-based carriers provide passenger and cargo transportation to more than 90 destinations in the United States, Canada and Mexico. Air Group is a publicly held incorporated entity and its stock is traded on the NYSE.

Alaska Airlines, the nation’s seventh-largest carrier, operates from hubs in Anchorage, Alaska; Los Angeles; Portland, Oregon; and Seattle. Alaska flies 117 Boeing 737s to 62 destinations.

Horizon Air operates a fleet of 48 Bombardier Q400 turboprop aircraft to 39 destinations from Portland and Seattle.

In 2011, Horizon changed its business model to become an all-capacity purchase agreement (CPA) carrier for Alaska. While Horizon remains a separate airline and subsidiary of Air Group, seats on the regional carrier’s aircraft are marketed and sold by Alaska Airlines. Alaska also determines where, when and how much Horizon flies, and buys all capacity produced under the CPA.

Air Group has been integrating many previously separate systems as shared services to both airlines for several years,

and the transition of Horizon Air’s external brand to Alaska Airlines was completed in mid-2012.

Both airlines outsource heavy aircraft maintenance to U.S.-based vendors. Alaska also contracts out most of its ramp/ground operations and some customer service agents. We select our partner vendors based on several factors, including their safety record, safety programs, commitment to training, hiring criteria, diversity and commitment to process improvements.

Recent significant changes in our business include additional service to 25 new markets in the past three years; a 28.3% increase in Air Group’s stock price from the end of 2010 to Dec. 31, 2011; and a 2-for-1 stock split in mid-March 2012 (our historical financial information has been adjusted accordingly).

Beneficial ownership tables can be found in our 2011 proxy statement. As of Dec. 31, 2011, our largest shareholders and their ownership percentages were:

BlackRock Institutional Trust	7.77%
Primecap Management Co.	7.43%
PAR Capital Management	5.61%
Vanguard Group	5.49%
Renaissance Technologies Corp. ...	5.35%

Recognition

Air Group’s commitment to safety, customer service, innovation and industry leadership was recognized by several awards during the past two years. Among them:

“FAA Diamond Award” for maintenance training excellence in 2010 and 2011 (Alaska and Horizon individually).

“Highest in customer satisfaction among traditional network carriers” in the J.D. Power North America Airline Study in 2010 and 2011 (as well as 2008, 2009 and 2012).

“World’s top-performing airline” by *Aviation Week* magazine in 2010.

“On-Time Performance Award” (Alaska) by FlightStats.com in 2010 and 2011.

“Airline Technology Leadership Award” by *Air Transport World* magazine in 2011.

“Business Generator Recycler of the Year” (Horizon) by the Washington State Recycling Association in 2010.

Joseph S. Murphy Industry Service Award for outstanding public and community service by *Air Transport World* magazine, announced in January 2012.

YEAR ENDING 2011

12,806

Total employees

30 Billion

Seat miles

114 Million

Cargo pounds (freight & mail)

\$287.4M

Adjusted net income

25 Million

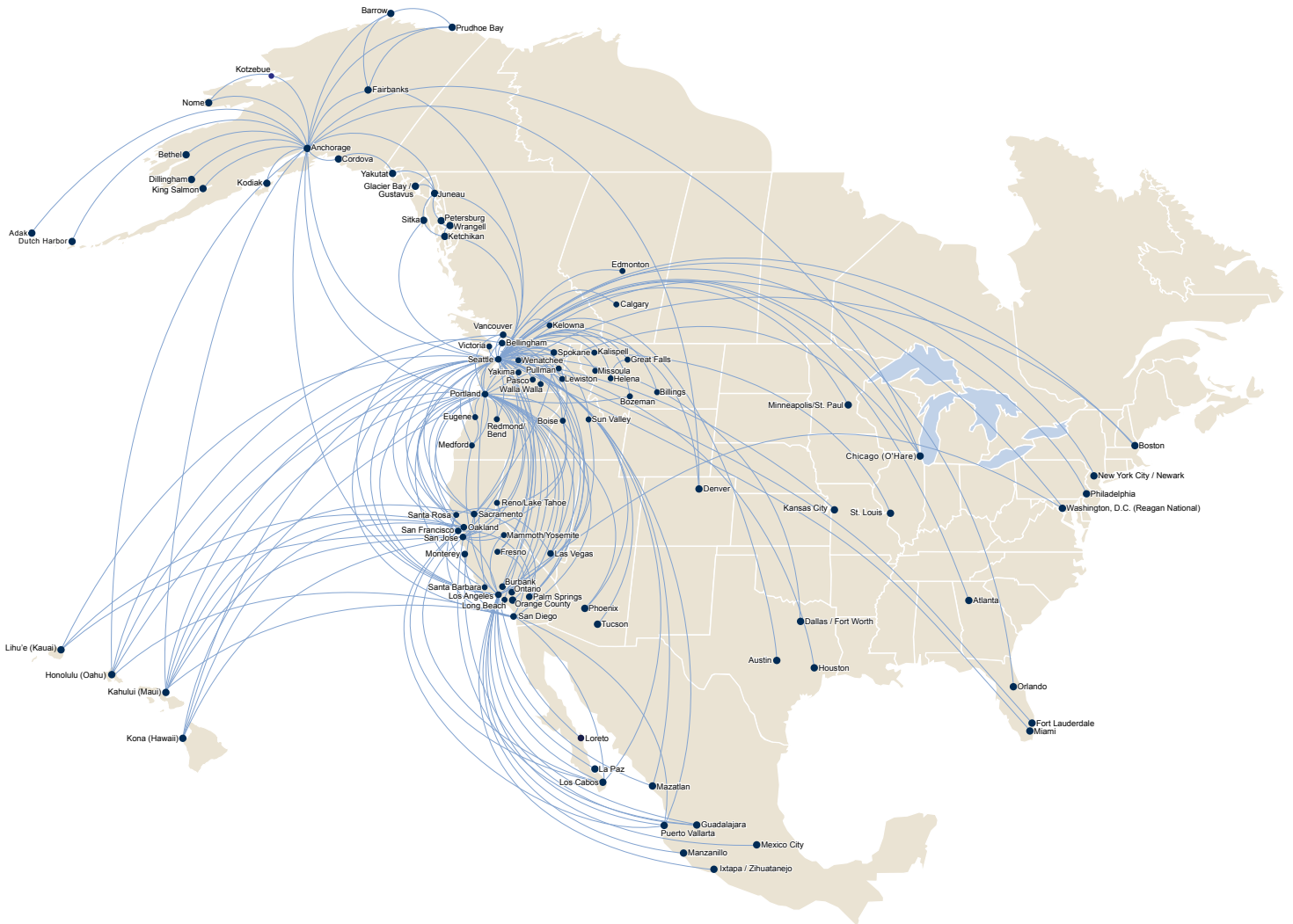
Passengers

\$108M

Cargo revenue

\$5.2B

Total assets



Alaska Airlines and Horizon Air together serve more than 90 destinations in the United States, Canada and Mexico.

Ensuring ethics: governance and compliance.

Corporate Governance

We have a commitment to our employees, customers and investors to behave ethically and in compliance with the law. Our commitment guides the decisions and actions we make every day as well as our approach to corporate governance.

The Alaska Air Group Board of Directors, the highest governance body of the company, monitors our commitment through their oversight of the company's governance and ethics practices.

Management regularly reviews aspects of its results with the full board and its committees. Board committees include:

- The **Safety Committee** (Air Group is one of only a few airlines to have a board committee focused exclusively on safety) assists the board in discharging its responsibilities regarding our No. 1 priority. The board established this committee in 2001 to assure the company's stakeholders that airline safety is its highest priority and the responsibility of every employee, and that Air Group strives to be unsurpassed in airline safety and compliance.

CODE OF CONDUCT & ETHICS

Alaska Air Group maintains a Code of Conduct & Ethics that all employees, officers and directors of Air Group, Alaska Airlines and Horizon Air must read and understand. The code outlines responsibilities for everyone to observe the highest standards of business and personal ethics while promoting the best interests of the company.

All new employees receive training on the code and certify their commitment to follow it. In 2011, the board of directors and all active management and wage-scale employees (about 3,400 people) at both airlines completed the course. In 2012, all union employees will also be required to take the course or review the code.

In addition, Air Group maintains an active reporting culture and encourages employees, vendors, customers and other interested parties to call the ethics hotline or submit a safety hazard or other internal mechanism to report incidences of non-compliance with laws and regulations. All reports are thoroughly investigated and results are reported quarterly to the Board of Directors Safety and Audit Committees.

To read Air Group's Code of Conduct & Ethics or for more information about our corporate governance, visit www.alaskaair.com/investors and click on "Corporate Governance."

- The **Audit Committee** assists the board in ensuring: 1) the integrity and reliability of Air Group's financial statements; 2) compliance with all relevant legal and regulatory requirements; 3) the independence and qualifications of our independent accountants; and 4) the adequacy of internal controls and financial risk management.
- The **Governance and Nominating Committee** assists the board in identifying and nominating individuals to

Alaska Air Group Board of Directors Demographics

Director Demographics (AAG, AS, QX)	Number of Directors
Directors on Board:	10 (100%)
Independent Directors on Board:	8 (80%)
Males:	7 (70%)
Females:	3 (30%)
Minorities:	3 (30%)

*These numbers represent each of the boards—Alaska Air Group, Alaska Airlines and Horizon Air.

serve on the board and its committees and develops and recommends corporate governance principles applicable to the company.

- The **Compensation and Leadership Development Committee** discharges the board's responsibilities regarding compensation of elected officers of Air Group and its subsidiaries, and annually discloses the company's pay practices of its five most senior management in compliance with applicable rules and regulations.

The Alaska Air Group Board of Directors participates in an annual officer and director questionnaire in which members provide information on themselves and rate each of the committees and the performance of the board as a whole. During this reporting period, the chair of the board, Bill Ayer, also served as chief executive officer of Alaska Air Group, Alaska Airlines and Horizon Air. In mid-May 2012, Alaska Airlines President Brad Tilden assumed the role of CEO for Air Group and its two subsidiary airlines.

Committee Demographics	Audit	Comp & Leadership Development	Gov/Nom	Safety
# of Directors	3 (30%)	3 (30%)	4 (40%)	4 (40%)
# of Males	1 (10%)	3 (30%)	3 (30%)	3 (30%)
# of Females	2 (20%)	0 (0%)	1 (10%)	1 (30%)
# of Minorities	0 (0%)	0 (0%)	3 (30%)	2 (20%)
Age 50-54	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Age 55-59	1 (10%)	0 (0%)	0 (0%)	0 (0%)
Age 60-64	2 (20%)	1 (10%)	2 (20%)	3 (30%)
Age 65-69	0 (0%)	1 (10%)	1 (10%)	0 (0%)

AAG Board Leadership Roles	Independent/Executive	Male/Female	Age Range	Minority (Y/N)
AAG Board Chair	Executive	Male	55-59	N
AAG Lead Director	Independent	Female	60-64	Y
Audit Committee Chair	Independent	Female	55-59	N
Comp & Leadership Development Chair	Independent	Male	60-64	N
Gov/Nom Committee Chair	Independent	Female	60-64	Y
Safety Committee Chair	Independent	Female	60-64	N

Company shareholders, including employee shareholders, can provide recommendations or directions to the highest governance body by submitting a proposal for inclusion in the proxy statement in accordance with the company's bylaws.

Information about director compensation, nominating policies and other board-related issues appear in Alaska Air Group's 2011 Annual Report and 2012 Proxy Statement available online at www.alaskaair.com/investors.



11:49

Friday, August 19



Alaska Airlines

OPERATIONS

ANDERSON

It is intended only to be used for informational purposes. All information is subject to change without notice. Please refer to the Alaska Airlines website for the most up-to-date information.



What we are committed to:

Safety and compliance.

People focus.

Hassle-free customer experience.

Energetic and compelling brand.

Low fares, low costs and
network growth.

Safety and compliance are the foundation of all that we do at Alaska Air Group. We possess an unwavering commitment to the safety of our passengers and employees, and to conduct our business with honesty, integrity and professionalism. We also strive to provide consistently high value to our customers at affordable prices and with unforgettable customer service.

IN THIS SECTION

20 Engaging With Our Stakeholders

22 Our 'Higher' Purpose & Strategic Focus Areas

Engaging with our stakeholders.

Air Group's stakeholders include business and leisure travelers, corporate customers, employees, shareholders, the communities where we do business, our suppliers and partners, and airports. We determine material issues to report on in a variety of ways, including customer satisfaction and employee surveys, frequent flier and industry forums, Employee Resource Groups, our Corporate Travel Advisory Board and Community Advisory Boards, internal staff experts, and communication with other stakeholders (as outlined in the table to the right).

The issues and indicators in this report, especially those summarized on pages 6 through 11, are those we identified as most important to our stakeholders.

We are developing methods for conducting materiality analysis and engaging stakeholders to more rigorously identify and prioritize material issues, gather feedback on our progress, and talk about issues and opportunities. Our goal is to ensure that stakeholder priorities inform our key performance indicators, data collection, reporting and improvement efforts.

CONSUMERS (THE FLYING PUBLIC)

Alaska Airlines hosts several consumer advisory boards and functions:

1) Frequent Flier “MVP Gold” Advisory Board:

- 12-14 Alaska Airlines’ frequent fliers (outspoken loyalists) are invited to Seattle quarterly to share their insights about new policies, programs, services, issues and new concepts.
- Individuals formally participate on the board for two years, however, they informally keep in touch with the leadership team after their term.

2) Frequent Flier “MVP Gold” luncheons

Alaska Airlines hosts 8-10 luncheons annually at locations throughout our route system as a gesture of thanks and to hear feedback from some of our very best customers.

- Leaders and frontline employees from many major work areas share lunch topics with customers and actively respond to questions.
- Top themes, suggestions and issues are documented and shared with the Alaska Airlines and Horizon Air leadership teams.

CORPORATE CUSTOMERS

Air Group obtains input from corporate customers primarily through our Corporate Travel Advisory Board. In addition to a range of other topics, conversations include CSR-related issues such as carbon credits, reporting, our Greener Skies initiative, etc.

EMPLOYEES

Employee feedback is solicited and constantly utilized through direct interaction between supervisors, officers and union leaders; employee surveys; popular Q&A forums on our employee websites; and via our many Employee Resource Groups.

COMMUNITIES

We monitor concerns and impacts in the communities where we conduct business through our employees, Sales and Marketing staff, Employee Resource Groups, industry forums, public agencies, and other organizations. We also engage with best practice organizations around diverse topics such as disability outreach and community educational concerns. Our Community Advisory Boards, which consist of regional groups of local leaders in the state of Alaska, help Air Group stay in touch with issues facing those unique communities. We also collaborate with advocacy groups, such as those for the disabled, with input and recommendations from a Disability Advisory Board.

AIRPORTS

Air Group actively partners with airport authorities in each of our destinations to ensure a safe, compliant and positive travel experience for our customers.

INVESTORS

We routinely engage with investors through announcements of our financial results, Air Group’s annual shareholder meeting, industry conferences and face-to-face meetings.

Our ‘higher’ purpose and strategic focus areas.

With roots in our namesake state, Alaska Airlines has always served as a lifeline for many communities we serve by providing transportation, medicine, mail and other supplies to locations accessible only by air and sea or with limited road access. Horizon Air shares its sister carrier’s passion for providing great service and being a good neighbor in the community.

Looking ahead, Air Group’s road map for 2012 and beyond is founded on five focus

areas. Continuously improving our environmental and social sustainability performance is core to achieving these strategic objectives.

Our social sustainability initiatives represent proactive steps we’re taking to achieve “Safety and Compliance” and “People Focus”—from ensuring the safety of customers and employees to developing and engaging our people. We also see social sustainability as a key factor in customer loyalty, which involves

our “Hassle-Free Customer Experience” focus area.

Sustainability—both environmental stewardship and social responsibility—is an increasingly important element of our “Energetic and Compelling Brand.”

Finally, our relentless pursuit of fuel efficiency not only lowers our carbon footprint, it allows us to offer our customers lower fares.

1



SAFETY AND COMPLIANCE

Safety and compliance are the foundation of everything we do. We have an unwavering commitment to safety and compliance, and we will not compromise this commitment in the pursuit of other initiatives.

2



PEOPLE FOCUS

While airplanes and technology enable us to do what we do, we recognize that this is fundamentally a people business, and our future depends on how we work together to win in this extremely competitive environment. As we grow, we want to strengthen our small company feel while also providing people of all backgrounds equal access to opportunities based on individual abilities and performance. We will succeed where others fail because of our pride and passion, and because of the way we treat our customers, our suppliers and partners, and each other.

3



HASSLE-FREE CUSTOMER EXPERIENCE

We cultivate loyal customer relationships by offering an intuitive and trouble-free experience at all touch-points that is enabled by industry-leading technology, and by reliable and best-in-class customer service.

4



ENERGETIC AND COMPELLING BRAND

We will create a deeper emotional connection between our brand, our people, our customers and our communities. We will position our brand as friendly, genuine, and relevant to a changing customer profile, and we will use our brand and our technology to develop a more direct relationship with our customers. We will be the industry leader in environmental stewardship.

5



LOW FARES, LOW COSTS AND NETWORK GROWTH

We will become known for our low fares and high value in order to broaden our appeal, reduce our vulnerability to low-cost carriers, and fuel growth. We will fund low fares by relentlessly pursuing simplicity, low overhead and high productivity. We will establish ourselves as the preferred airline for all travelers living on the West Coast by defending and growing Alaska and the Pacific Northwest, and by growing Hawaii and California. We are targeting 4% to 8% annual growth for the Alaska main-line operation, assuming acceptable profitability.



How we reach for environmental sustainability:

Reduce our carbon footprint.

Minimize resource use.

Eliminate waste.

Develop technology innovations.

We recognize that our business promise—to fly our passengers to their destinations safely, on time and with their bags while providing great customer service—requires large quantities of jet fuel. Even though Air Group flies only 3% of domestic airline capacity, we burn more than 1 million gallons of jet fuel a day. That is why we continuously seek ways to reduce our reliance on fossil fuels and make meaningful changes to minimize our impacts on the planet. Environmental sustainability efforts are key to reducing our waste and energy costs, driving innovation, providing good value to our customers and benefiting our bottom line. These efforts are also simply the right thing to do.

IN THIS SECTION

- 26 Aiming at Environmental Sustainability
- 28 Reducing Our Carbon Footprint
- 36 Tackling Our Materials Waste & Recycling
- 40 Addressing Other Environmental Impacts

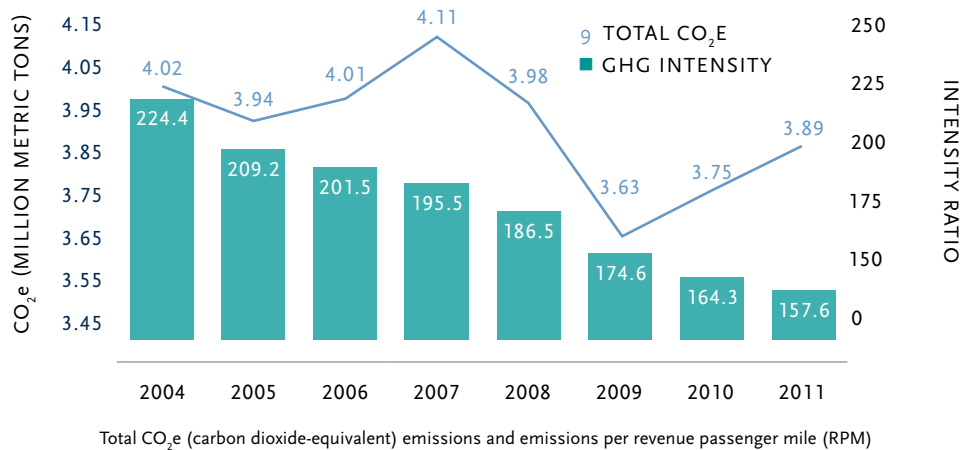
Aiming at environmental sustainability.

Alaska Air Group aims to be the domestic industry leader in environmental stewardship. Arguably, we have achieved this goal—at least as measured by fuel efficiency—even as we recognize that our industry is just scratching the surface of becoming truly sustainable.

We focus the bulk of our attention on minimizing the amount of fossil fuels we burn. We also work continually to minimize our environmental footprint in the areas of materials, waste, deicing fluids and noise pollution.

Air Group's Corporate Environmental Policy includes a clear statement of our intention and expectations regarding full compliance with all environmental laws and regulations, using energy and materials responsibly, replacing hazardous materials and products, and promoting a culture and competence to continually improve environmental stewardship. Our Corporate Environmental Policy is available at www.alaskaair.com; click "About Us" at the bottom of the page, then click "Social Responsibility."

AIR GROUP'S CARBON FOOTPRINT INTENSITY (EMISSIONS PER REVENUE PASSENGER MILE) HAS DECREASED 30% SINCE 2004. OUR ABSOLUTE TOTAL FOOTPRINT HAS DECREASED 3%, EVEN WITH INCREASED FLYING DURING THE PAST THREE YEARS.



In support of our Environmental Policy, Air Group has made a strategic commitment to measurably reduce our impact on the planet. The four core elements of our environmental strategy are:

1. Reducing emissions from fuel consumption;
2. Reducing emissions from heating and electricity consumption in our facilities;
3. Reducing consumption of non sustainable resources; and

4. Recycling our inflight and operational wastes.

The following sections describe actions we are taking to operationalize this strategy, starting with how we're working to reduce our carbon footprint.

Aircraft Emissions

About 99% of our carbon emissions come from burning aviation fuel—we use more than 1 million gallons each day. Fuel consumption is our biggest environmental and financial challenge.

LEADING THE PACK IN FUEL EFFICIENCY

#1

Alaska Airlines ranks #1 among the 11 largest domestic carriers in fuel efficiency per revenue ton mile (RTM) and revenue passenger mile (RPM).

(2011 Data source: DOT Form 41 and 298C)

GREENHOUSE GAS INVENTORY

We use third-party experts and standard methodology to assess our greenhouse gas emissions.

Our carbon footprint is calculated annually by a third-party environmental consultant using standard greenhouse gas (GHG) Inventory protocol. Both direct emissions from the direct combustion of fossil fuels (Scope 1) and indirect emissions generated during the production of energy we consume (Scope 2) are inventoried to determine our carbon footprint. The inventory includes all major sources of emissions for which Alaska Air Group has operational control, including both of our wholly owned subsidiaries—Alaska Airlines and Horizon Air. Activity data from selected emission sources are compiled by Alaska Air Group personnel and evaluated by a consultant. A seven-year emissions inventory appears below.

Air Group has been focused on reducing emissions for years and operates the most fuel-efficient airline fleets in the country. We continue to look for every opportunity, no matter how small, to further conserve fuel and reduce emissions.

We increase the fuel efficiency of our aircraft the same way you might with your personal car: buying the most efficient model, removing unneeded weight, travelling the most direct routes available, limiting idling time, traveling at optimal

speeds and maintaining engines to ensure optimal performance. Record-breaking year-over-year load factors (percentage of seats filled) from 2008 to 2011 have also helped improve our efficiency as we are flying more passengers with nearly the same amount of fuel.

Alaska Air Group
AIRCRAFT EMISSIONS

	Sulfur Dioxide	Nitrogen Dioxide
2004	1,612,908	14,329,911
2005	1,581,065	14,202,478
2006	1,610,603	14,735,548
2007	1,651,868	15,386,684
2008	1,598,031	15,043,649
2009	1,455,576	14,047,663
2010	1,504,748	14,673,781
2011	1,564,947	14,825,012

This table summarizes Air Group's total sulfur and nitrogen oxides emissions (measured by kilograms per year). Fuel conservation programs keep the total amount of these pollutants at a steady level, even though our business continues to expand.

Driving down costs and emissions through what we fly.

Alaska Airlines has decreased the intensity of our carbon emissions (per revenue passenger mile) by 7.8% since our last reporting year in 2009 and 29.8% since our baseline year of 2004. At the same time, Air Group's total carbon emissions have decreased by 3.2% in the past eight years, even though our business has increased by over 27%.

Alaska is currently the most-efficient domestic carrier in the United States in terms of fuel per revenue passenger mile. We've taken an early lead on the majority of our competitors, but maintaining this position and additional efficiency improvements will only be more difficult.

Horizon Air has also steadily reduced the intensity of its carbon emissions, posting a remarkable 13.4% reduction in CO₂ intensity since 2009 and a 27% decline since 2004. (See table on previous page for Air Group figures.)

Alaska Air Group FLEET COMPOSITION

Carrier	Fleet Composition	Average Fleet Age (Years)
Alaska Airlines	(12) Boeing 737-900 Jet	8.8
	(58) Boeing 737-800 Jet	
	(17) Boeing 737-700 Jet	
	(30) Boeing 737-400 Jet	
	117 Aircraft Total	
Horizon Air	(48) Bombardier Q400 Turboprop	6.6

Our strategies for driving fuel efficiency improvements fall into three categories:

Alaska and Horizon currently operate two of the most fuel-efficient fleets in the nation as a result of aircraft replacements over the past several years. Aircraft environmental performance is further enhanced through aerodynamic improvements such as winglets and weight-reduction efforts.

Alaska Airlines operates a 100% Boeing 737 fleet, having completed a transition from the less-efficient MD-80 in August

2008. Installing winglets on all appropriate aircraft has further increased their efficiency 3% to 5%.

Alaska will continue to maintain these fleet efficiencies as we add more 737-800s and -900ERs and retire older, less fuel-efficient 737-400s over the next five years. We plan to take delivery of 13 aircraft and retire three 737-400s by 2014 for a net increase of 10 jets. All new AAG aircraft will be equipped with winglets.

Horizon Air completed its fleet transition to an all-Bombardier Q-400 turboprop fleet from a mix of Q400s, Q200s and 13 CRJ-700s in 2011. The Q400 burns 30% to 40% less fuel and produces equivalently lower emissions than comparable jets. The fleet transition is anticipated to save more than 1.3 million gallons of fuel per year.

Overall, the substantial capital investment by Alaska and Horizon in new aircraft has lowered fuel bills and emissions and eliminated the costs associated with a mixed fleet's complexity.

Fuel efficiencies can also be achieved by reducing unneeded weight. Weight-reduction considerations have been integrated into all business decisions involving our aircraft. Details about these projects appear in the next section.

Alaska Airlines has recently made improvements to our aircraft interiors to reduce fuel burn and lessen environmental impacts. Beginning in 2012:

New 737-800 deliveries include lighter-weight carpets (existing carpeting will be replaced by attrition);

We will initiate an aircraft carpet recycling program—recycling the fibers into plastic bottles;

Our 737-900ERs will have a light-weight seat design with featherweight leather;

All new deliveries will have efficient mercury-free LED cabin lighting rather than fluorescent lighting.



Providing heating and cooling to our aircraft parked at the gates is now achieved with ground power rather than the aircraft's auxiliary power unit. This saves an estimated 2.7 million gallons of fuel per year. Photo: Don Wilson, Port of Seattle.

Leading breakthroughs in the way we fly.

Maximizing flying efficiency is a second key strategy for reducing fuel consumption and associated emissions. Implementing and testing alternative approach routes, improving ground procedures and detailed testing of new products for more efficient flight operations are all examples of how we continuously improve the way we fly. The main fuel conservation projects that have been introduced or expanded since our last reporting year (2009) include:

Greener Skies: This project represents a partnership between Alaska and Horizon, the Federal Aviation Administration (FAA), Port of Seattle, and Boeing. Together, we're working to implement quieter, more fuel-efficient arrival routes into Seattle-Tacoma International Airport. The routes use satellite-based technology, namely Required Navigation Performance (RNP) and Optimized Profile Descent—two key pieces of the FAA's "NextGen" air traffic management system.

Alaska Airlines and Horizon Air hope to receive FAA approval to start flying these arrivals regularly in 2013. The Greener Skies project is expected to save RNP-equipped airlines more than 2 million

gallons of fuel annually, which translates into savings of 22,400 metric tons of CO₂. Noise exposure for about 750,000 people in the Puget Sound region will also be reduced. The project serves as a template for implementing NextGen across the nation.

Ground Power at Gates: This project uses ground power, rather than the auxiliary power unit (APU) on the aircraft, to provide heating, cooling and electricity while airplanes are parked at the gates. Ground power burns 10 times less fuel than an APU.

Currently, our APU reduction procedures are in effect at 100% of Alaska Airlines' stations most of the year, with the exception of about a dozen rural stations in the state of Alaska. These stations do not provide ground power or air conditioning during the winter because it's too difficult to operate and hook up the extra equipment in extreme weather.

We have expanded this program in the past two years to all Alaska Airlines' stations. Since 2009, this project has contributed an estimated net fuel savings of about 3 million gallons per year.

Improved Flight Planning: Phased implementation of this project began in 2009.

The goal is to provide closer prediction of actual fuel required and boarded on each flight. Improved fuel planning can mean less fuel burned and emissions produced by carrying less additional fuel. Since 2009, we estimate these efforts have contributed an average fuel savings of 310,000 gallons per year.

Additional projects scheduled for implementation in 2012 include:

Optimized Profile Descent (OPD): Also known as continuous descent approach, OPD is a navigation procedure in which aircraft maintain a continuous descent angle while approaching an airport. This method reduces fuel consumption, emissions and noise over the traditional step-down approach.

Alaska Airlines is assisting the FAA in developing OPD procedures throughout our system. We currently use OPD in Anchorage and are planning to expand the procedure to five more airports in the coming year.

Wide Area Augmentation System: WAAS builds on Horizon's previous advances in-flight management system technology—made in conjunction with Alaska Airlines—such as Required Navigational

TRADITIONAL STEP-DOWN APPROACH



Performance and the Global Positioning System (GPS) satellite network. WAAS takes the technology a step further by using additional satellites that monitor and improve the precision and reliability of GPS signals. This complementary system to RNP allows Horizon to fly more precise approaches into every airport and enables landing in certain low-visibility weather conditions.

Currently, seven of Horizon's 48 aircraft are WAAS-equipped. Our goal is to equip all remaining 41 aircraft with WAAS technology by the end of 2012. At present, WAAS technology annually conserves about 150,000 gallons of jet fuel. WAAS will also enable Horizon to fly the RNP approaches developed for the Greener Skies program, saving the airline another 500,000 gallons per year.

APU on Demand: This project uses advanced technology to eliminate the need to operate the auxiliary power unit (APU) during flights to and from Hawai'i. The FAA approved this procedure after thorough testing showed APUs can be restarted reliably en route, saving Alaska an estimated 1 million gallons a year.

OPTIMIZED PROFILE DESCENT



Using an arrival procedure known as Optimized Profile Descent, aircraft descend continuously with their engines at idle to reduce noise and carbon emissions. Alaska Airlines collaborated with the FAA to develop this satellite-based navigation procedure in Anchorage and plans to use it at other airports in our route system.

Lighter-weight Carpet: Beginning this year, new Alaska Airlines aircraft deliveries will be supplied with new carpets that reduce aircraft weight by 60 to 90 pounds (depending on aircraft type). Carpet on existing aircraft will be replaced by attrition. When the project is complete, we estimate the weight savings will conserve about 60,000 gallons of fuel per year. While this represents smaller savings than some of our other projects, we believe every effort helps.

Oven Removals: One unutilized catering oven will be removed from each 737, reducing aircraft weight and saving an estimated 300,000 to 700,000 gallons of fuel each year.

Engine Wash Programs: Alaska Airlines is running trials to determine if various engine-washing technologies will improve fuel efficiency. The final analysis will be completed in 2012.

SHARING OUR POWERFUL NAVIGATION TECHNOLOGY

Leading technology innovation that saves fuel and emissions.

Alaska Airlines pioneered the development and introduction of Required Navigation Performance (RNP) in the mid-1990s to enhance the safety and reliability of its operations in terrain- and weather-challenged Juneau, Alaska. RNP, which uses onboard computers and the satellite-based Global Positioning System, also saves fuel and emissions by enabling aircraft to fly more direct routes than those available with conventional navigation. Alaska Airlines is the only domestic carrier with a fully equipped RNP fleet. We shared this technology with the aviation industry and now use RNP at nearly two dozen airports across our network. RNP is a cornerstone of the Federal Aviation Administration's NextGeneration air traffic management system.

Creating groundbreaking collaborations to shift the fuel we use.

Air Group is collaborating with the Boeing Co., Port of Seattle, FAA and other industry stakeholders to lead the way into the future of aviation by fostering the development, testing and commercialization of sustainable alternative fuels.

Biofuels represent a critical element in cutting aviation's carbon footprint and are key to a sustainable future for the industry. Biofuels will enable us to fly cleaner, foster job growth in a new industry and insulate airlines from the volatile price swings of conventional fuel—which, in turn, will help make air travel more economical.

Alaska began our biofuel journey in 2009 when we became the first domestic carrier to join the Sustainable Aviation Fuel Users Group (SAFUG), pledging ourselves to using only biofuels that meet high third-party standards for sustainability. We also support the Commercial Aviation Alternative Fuels Initiative (CAAFI(R)) through our membership in Airlines for America (A4A) and we're members of the A4A Alternative Fuels Environmental Working Group.

In July 2010, Alaska Airlines, Boeing, Washington State University, local airports and more than 35 other stakeholders launched Sustainable Aviation Fuels Northwest. SAFN is the nation's first regional stakeholder effort to explore the feasibility, challenges and opportunities for creating an aviation biofuels industry in the Pacific Northwest.

After extensive study, SAFN released a report in May 2011 that determined the region has the diverse feedstocks for biofuels, existing delivery infrastructure and political will needed to create a viable biofuels industry in the Pacific Northwest. There currently is no commercially available supply of aviation biofuels in the region or the nation. A copy of the report and summary may be viewed or downloaded at www.safnw.org.

In November 2011, Alaska Airlines and Horizon Air launched the first multiple commercial flights in the United States powered by aviation biofuel. The two carriers operated 75 flights from Seattle to Washington, D.C., as well as roundtrips between Portland and Seattle using a 20 percent blend of sustainable biofuel.

Approximately 30,000 gallons of biofuel blend was sourced from Dyanmic Fuels. SkyNRG brokered the deal to ensure that the biofuel portion was produced using Roundtable for Sustainable Biofuel (RSB) sustainability criteria. The fuel was produced from used cooking oil that met rigorous international aviation and military safety, performance and certification standards. The biofuel blend reduced our greenhouse gas emissions by 134 metric tons, the equivalent of taking 26 cars off the road for a year.

These flights demonstrated the feasibility of biofuels to power commercial planes. While tomorrow's fuels are ready to be used in today's planes, the United States needs to develop a viable industry to provide an adequate and affordable supply of aviation biofuels for to benefit the industry and the environment. Even with a robust biofuels industry, airlines would remain partially dependent on fossil fuels under current standards that permit a maximum 50/50 blend with petroleum-based fuel for aviation applications.



Alaska Airlines and Horizon Air launched 75 commercial flights powered by aviation biofuel in November 2011.

Carbon Emissions From Vehicles

The carbon footprint from our ground vehicles is minute compared with our aircraft fleet. But there are still opportunities to improve local air quality and reduce fuel consumption.

Our best opportunity to reduce emissions from our ground support equipment (GSE) fleet is by switching from fossil fuel-powered to electric GSE wherever feasible. We are limited by airport infrastructure (space, charging stations and electrical grid modifications), weather conditions (ability of equipment to navigate snow and ice), and the eGSE market (for example, electric versions are not available for GSE such as deicing trucks, lavatory service trucks, etc.).

Alaska Airlines' goal is to increase motorized equipment that is electric from our current 10% to 20% in the Lower 48 states by the end of 2013.

The Seattle eGSE project will help us achieve this goal. In 2009, we partnered with the Port of Seattle to replace fossil fuel-powered ground support equipment for Alaska and Horizon with electric equipment, with a commencement date of 2012. This project will replace more than 200 fuel-burning vehicles (aircraft tugs, belt loaders and bag tractors) with electric equivalents over two years. With airport electricity coming from clean hydropower, this will eliminate 3,000 metric tons of CO₂ per year and improve local air quality.

This project has been delayed to ensure completion of necessary electrical infrastructure upgrades, and we have revised our goal to begin replacing these vehicles in 2013.

At Horizon Air, we've been strategically replacing fossil fuel-powered GSE with electric ones for more than six years. The number of all-electric vehicles has increased from less than 22% in 2005 to 65% of our motorized airport vehicle fleet in 2011. The Seattle eGSE project will replace 48 additional Horizon Air fuel-powered vehicles with emission-free equivalents.

REDUCING GREENHOUSE GAS EMISSIONS INDUSTRY-WIDE

Airlines for America (A4A), the industry trade association, joined with the International Air Transport Association and Regional Airline Association in adopting an industry-wide commitment to cut CO₂ emissions in half by 2050, relative to 2005 levels.

Alaska Airlines and Horizon Air oppose mandatory climate regulation on commercial aviation because we believe these requirements restrict the ability of all carriers to invest in fuel- and carbon-reduction efficiencies. Fuel represents our largest cost—a powerful incentive to foster voluntary innovation.

Reducing energy use at our facilities.

The majority of our facilities are leased from local airports. Our five-year plan in locations where we own and operate offices, terminals, cargo facilities, and/or maintenance buildings is to renovate many of these existing structures with new lighting, heating systems and insulation to improve energy efficiency while reducing costs and emissions. We're also incorporating Leadership in Energy Efficiency and Design (LEED®) principles into all of our standard facilities projects. A sample of some of our past and present energy-efficiency projects follows.

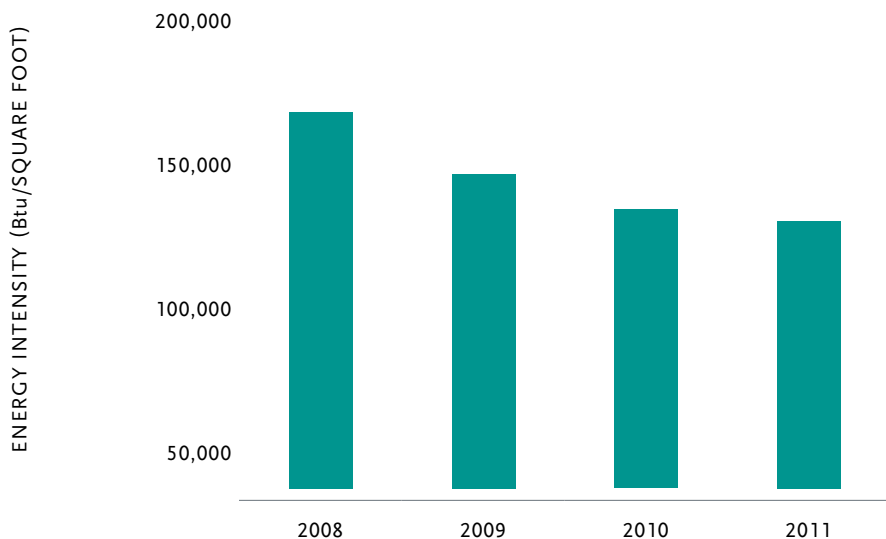
Los Angeles Terminal 6: Our newly renovated Terminal 6 at Los Angeles International Airport opened in March 2012 after 13 months of construction. This project consolidated and streamlined Alaska and Horizon operations with closer proximity to U.S. Customs checkpoints and airline codeshare partners. The facility, which includes our first LEED Silver-certified Board Room, incorporates numerous energy-efficiency and environmental features:

- Ultra-high efficiency, low-flow water fixtures that save 30% over traditional fixtures.

- Low-emitting adhesives, sealants, paints, wood laminates and furniture.
- Energy-efficient lighting systems and controls and the use of green power purchased from local companies.
- 84% of eligible appliances and equipment are Energy Star certified.
- Efficient heating, ventilation and air conditioning systems (15% more efficient than California industry standards).
- 75% of construction waste was sorted and recycled.
- Sustainable baggage handling system, which adjusts to energy-saving mode during non-peak hours.

Alaska Airlines Corporate Headquarters Upgrade: Upgrading and replacing the heating, ventilation and air conditioning (HVAC) system is projected to reduce energy usage by 20%. This will reduce our carbon footprint by about 170

ALASKA AIR GROUP ENERGY INTENSITY OF BUILDINGS



Air Group reduced building energy intensity by 19% toward our goal of a 30% reduction by 2020. Current data is not normalized for annual weather and temperature differences.



Electric ground service equipment, like this belt loader, makes up approximately 65% of Horizon Air's airport vehicle fleet.

tons per year and save \$27,000 annually in energy costs. Completed in August 2011.

Horizon Air Seattle General Office Lighting Retrofit: Replacing older fixtures with more energy-efficient lighting is expected to reduce monthly electricity usage 38 percent and provide an annual cost savings of \$6,000. The upgrade also prevents 68,000 pounds of CO₂ from being released into the environment—similar to taking five cars a day off the road. Completed in July 2011.

Nome Terminal Wind / Solar Energy Project: Alaska Airlines completed a first-of-its-kind wind turbine/solar panel installation at our Nome Airport facility in September 2011. The wind turbine / solar panel array is specially designed to operate in the severe arctic climate and is expected to provide 6% of the facility's annual electricity needs. This project is intended as a test to determine the feasibility of pursuing alternative energy projects at our other airport terminals in the state of Alaska.

All of these projects are helping us achieve our commitment to reduce energy consumption 30% (per square foot of building space) by 2020. Since our 2008 baseline year, we've reduced energy use by 19% (see graph on previous page).



Alaska Airlines completed a first-of-its-kind wind turbine-solar installation at Nome Airport in September 2011.

Energy-efficiency projects scheduled for the upcoming year include:

- Anchorage Regional Headquarters: HVAC and lighting upgrades.
- Petersburg Terminal: Remodel, including lighting, boiler, insulation, roof replacement, HVAC and electrical upgrades.
- Portland Concourse A Offices: HVAC upgrades.
- Prudhoe Bay Terminal: Lighting upgrades, window and door replacements.
- Seattle McGee Building: Computer room air conditioning and electrical system upgrades.
- Seattle Air Cargo: HVAC upgrades.
- Seattle Horizon Air General Office: HVAC upgrades.
- Seattle-Tacoma International Airport Board Room: HVAC replacement.

Tackling our materials, waste and recycling.

Providing service to more than 24 million passengers each year uses a lot of resources—approximately 24 million plastic cups, napkins and boarding passes, among other items. That’s why one of our key environmental strategies is to reduce consumption of resources and recycle inflight waste.

Inflight Materials and Recycling

Alaska Airlines and Horizon Air both take recycling seriously, but have slightly different approaches and circumstances.

Horizon has been recycling inflight waste successfully since the late 1980s.

Highlights since 2009:

- Successfully trained Alaska CPA carrier SkyWest on inflight recycling procedures and standards. Preliminary data on a limited number of waste assessments in 2011 indicate SkyWest is capturing 90% of all recyclables and recycling 52% of all waste.
- Recyclable paper coffee cups replaced non-recyclable polystyrene cups in the main cabin, reducing inflight waste to landfill.
- Flight attendants collect 90% of all inflight recyclables. This is an increase

TRASH TALK

Horizon Air’s decades of focus leads the industry.

Horizon Air has been collecting and recycling food and beverage waste since the mid-1980s. In 2009, we conducted “waste assessments” and determined that flight attendants were diverting more than 85% of all recyclables from the trash. Horizon was recycling almost 70 percent of all inflight waste. Even coffee grounds were being composted. The Washington State Recycling Association took notice, presenting Horizon with its “Business Generator Recycler of the Year” award in 2010.

of 7 percentage points since our last reporting period in 2009.

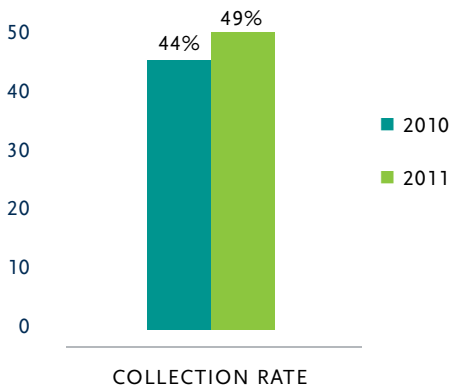
- Actual waste recycled (by weight) has fallen from 69% to 49%. Contributing factors are believed to be: removing individual plastic water bottles now that all water is poured from a larger bottle (a net benefit to the environment overall); adding buy onboard snacks and picnic packs to our cabin service; and outside food and beverages brought onboard by our passengers.

Alaska began its inflight recycling program through a grassroots effort by our Green Team in 2007. Two years later, we

formed an ambitious goal to collect 100 percent of all recyclable material (plastic, paper, aluminum and glass) generated during inflight service.

We began measuring our progress toward that goal in 2010, missing the mark by capturing 44 percent of all inflight recyclables. This made us realize that we couldn’t expect our flight attendants to collect all of the recyclables if we did not first ensure the materials they worked so hard to collect would actually be recycled by our contract catering kitchens. After contracting with a nationwide recycling vendor, 95 percent of our kitchens are now equipped to recycle

RECYCLABLES CAPTURED: ALASKA AIRLINES

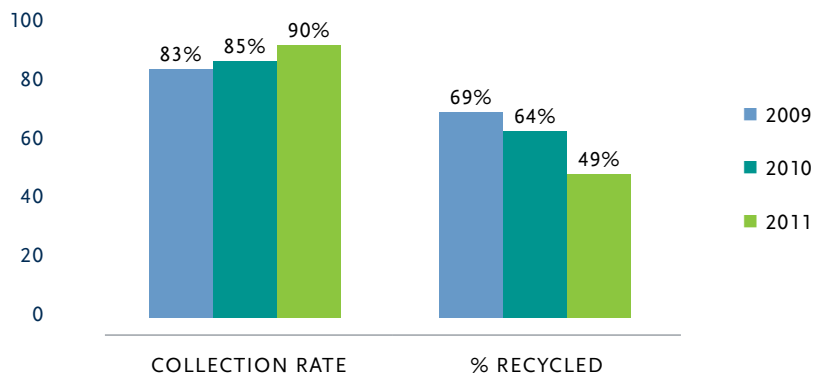


commingled materials. We also increased our collection rate (the percent of recoverable materials diverted by flight attendants) to 49 percent in 2011 (see chart at right).

To further advance this effort, we've made recycling a service standard in our Flight Attendant Manual instead of simply encouraging it. We've also increased the number of annual waste assessments to obtain accurate data. Previous assessments yielded helpful information about recycling, but were insufficient in sample size for statistical comparison.

We've also identified inflight serviceware products that can be replaced with organic, sustainable, recyclable or com-

MATERIALS COLLECTION AND RECYCLING: HORIZON AIR



postable alternatives. Here is a summary of our efforts in the past two years:

- Replaced our non-recyclable polystyrene main cabin coffee cups with recyclable paper coffee cups.
- Provided compostable plant-based cutlery in lieu of plastic cutlery to our main cabin passengers.
- Added a vegan meal to our inflight menu for the main cabin.

Alaska's 2012 recycling goals include:

- Increase our recycling collection rate to 70 percent.
- Communicate proactively with our flight attendants to determine areas for improvement; provide guidance

on separating materials and highlight airports that have robust recycling programs; and recognize outstanding collection efforts.

- Engage with fleet service providers to ensure that cabin waste is collected and recycled.
- Ensure that recycling capabilities are available at 100% of our flight kitchens.
- Replace our aseptic juice box with one made of FSC-certified material.

The recycling programs at Alaska Airlines and Horizon Air divert an estimated 800 tons of mixed recyclables from local landfills each year.

Reducing materials use on the ground.

Office Waste

Alaska and Horizon operate as a tenant at most destinations throughout our system, where airports generally administer garbage and recycling programs. We work within the current waste and recycling management systems and collaborate with airport staff to make improvements.

Many of our hub airports, such as Portland and Seattle, have innovative and award-winning recycling programs that we use to minimize our waste to landfill.

At small airports and office buildings, the local staff is responsible for contracting with waste haulers and recycling vendors. This results in an uneven application of recycling policies and procedures from facility to facility. In general, data are not readily available to evaluate waste disposal and recycling practices at many of these locations, which provides an opportunity for enhancing and standardizing our waste management practices.

In 2011, we began a project to streamline our recycling programs at our five largest corporate buildings. We conducted a complete assessment of the types and

AIR GROUP GREEN TEAM ENGAGES EMPLOYEES

The Alaska Airlines / Horizon Air Green Team is an Employee Resource Group (ERG) whose mission is to educate, inspire and engage employees around environmental stewardship. The team accomplishes this through brown bag seminars, lectures, volunteer events and regular communications. The Green Team was instrumental in launching Alaska Airlines' inflight waste recycling program and continues to provide assistance for routine waste assessments. More information about our ERGs appears on page 65.

quantities of waste and the type and level of service utilized. We then developed a plan to improve and standardize these services. We will roll out our new recycling programs in 2012 and have committed to expanding this to our other facilities where we are responsible for managing waste disposal.

Industrial Waste

Industrial wastes such as hazardous materials are generated during aircraft and ground support equipment maintenance activities. The majority of our industrial wastes include lubricants, paints and thinners, sealants and adhesives, solvents and cleaners, batteries, and light tubes. Our hazardous waste policy is aimed at ensuring permanent

disposal through treatment, recycling or thermal destruction of all regulated hazardous wastes. No hazardous waste is sent to landfills, even when allowed by law.

Materials Use and Supply Chain

Supply Chain Management is working to develop a sustainable procurement policy that will become a foundational part of our strategic sourcing and procurement processes. It will include developing measures of the effects on the environment of the products and services we use.

Our main goal in the upcoming year is to build greater awareness with our staff through training on sustainable procurement principles. We also continue to

seek out more opportunities to reduce our impact to the environment from the products we use. This includes aircraft weight reduction, reduced fuel / energy use and evaluating local supply sources to minimize carbon emissions created through long-haul or air freight transportation.

Paper Sourcing and Usage

The responsible use of paper is one area that concerns many of our employees and provides an opportunity for improvement. With our use of boarding passes, baggage tags, coffee cups, cocktail napkins, office paper and technical forms, consumption is an important environmental impact for the airline industry. We also recognize that preserving and renewing our forests is a valuable strategy in managing our carbon dioxide emissions.

We recently established a print and paper procurement policy. Our intent is to pursue the highest level of environmentally friendly paper and print resources that balance the economic and operational needs of the products we use. Key principles in our paper reduction policy are:



Sorting inflight waste for recycling.

- Reduce overall printing and paper consumption by working with internal customers to create reduction strategies. Reducing use is the greatest advantage to the environment and for economic success.
- Strive for the most environmentally friendly paper and print choices by selecting FSC products and using EPA

guidelines for minimum recycled content paper. Seek out chlorine-free processed papers that effectively balance environmental, economic and operational viability.

- Work with our printer and graphic designers to identify the most environmentally sound choices for paper selection.

Addressing other environmental impacts.

Deicing

An additional area of concern related to water is deicing fluid management. Operating in cold climates requires a plan to ensure that frost / ice buildup on aircraft does not compromise flight safety.

Today's industry standard for ensuring safe flights during cold weather involves spraying aircraft surfaces with a diluted mixture of ethylene glycol or propylene glycol. These chemicals mix readily with water and snow and most reclamation methods are ineffective or impractical.

The ability of glycol to biodegrade quickly is both positive and negative. On the plus side, it is relatively non-toxic and does not remain in the environment for an extended period. On the minus side, the quick biodegradation may remove oxygen from local waterways and harm aquatic life.

Opportunities for reducing deicing fluid are restricted by safety considerations, FAA regulations, aircraft manufacturer procedures and available technology. Collecting and managing runoff is constrained by airport design and operations, available technology and flight safety.

At many large airports, stormwater runoff is collected and treated; however, many other airports do not have deicing collection systems. In partnership with local airport authorities, Alaska Airlines and Horizon Air follow numerous best practices aimed at reducing deicing fluid runoff from deicing pads, vacuum trucks, ramp scrubbers, etc. All employees who deice are trained in procedures and best practices for preventing stormwater pollution at each airport we serve.

Noise

All of Alaska and Horizon's aircraft are compliant with Stage 3 noise criteria as required by the FAA. Additionally, Alaska Airlines' 737-NG (74% of our fleet) and Horizon's Q400 aircraft meet Stage 4 regulations. Aircraft meeting Stage 4 standards are at least 10 decibels quieter (as measured at specified flyover, lateral and approach points) than the previous Stage 3 noise standards. Horizon's Q400 is currently one of the quietest aircraft in domestic operation.

Spills

Accidents occasionally happen when handling airport chemicals such as jet fuel or deicing fluid and materials spill

inadvertently. Our internal policy is to document and monitor all releases of 1 gallon or more (or smaller if it creates a safety or environmental concern). We rely on a network of employees who are specially trained in spill response, waste management and environmental issues. The "environmental coordinators" supervise and manage spills at the facility level.

Most of our spills are limited to paved surfaces where environmental damage is avoided or limited. We documented 27 reportable spills in 2010 and 22 reportable spills in 2011. Of those, 15 were considered significant (more than 25 gallons, affecting flight operations or requiring cleanup by external responders). None of these releases resulted in discharges to the environment.

Occasionally, there are remediation projects that arise from cleaning up historic industrial uses and fuel spills. Our policy is to work with local airports to restore these sites to local and state cleanup standards. Alaska Airlines has three open sites with ongoing remediation projects in Anchorage, Fairbanks and Juneau, Alaska.



A ground service employee deices an Alaska Airlines Boeing 737 before takeoff.

Water Use

Water consumption is not a material environmental impact for Alaska Airlines or Horizon Air. Water is used mainly for sanitary purposes, with relatively minor amounts used for maintenance, washing, and /or landscape irrigation. Airport water, used for onboard coffee and sanitary service, is generally not metered separately. Annual metered water consumption in 2010 and 2011 was approximately 18 million gallons.

Potable Water

Bottled water is provided to our passengers during onboard beverage service. Coffee / hot water is supplied to our customers via an onboard water system and is sourced through the municipal drinking water supply at local airports. All of the equipment we own and operate that is used to provide drinking water (water

carts, aircraft water tanks, etc.) is routinely sanitized in accordance with EPA, FAA and Food and Drug Administration regulations. Periodic random samples are collected from watering points onboard the aircraft to verify the water meets EPA drinking water standards. In 2011, we analyzed samples from our entire fleet and found no instances of E. coli bacteria contamination.

COMMITTED TO COMPLIANCE

0

Number of sanctions for non-compliance and amount of monetary fines

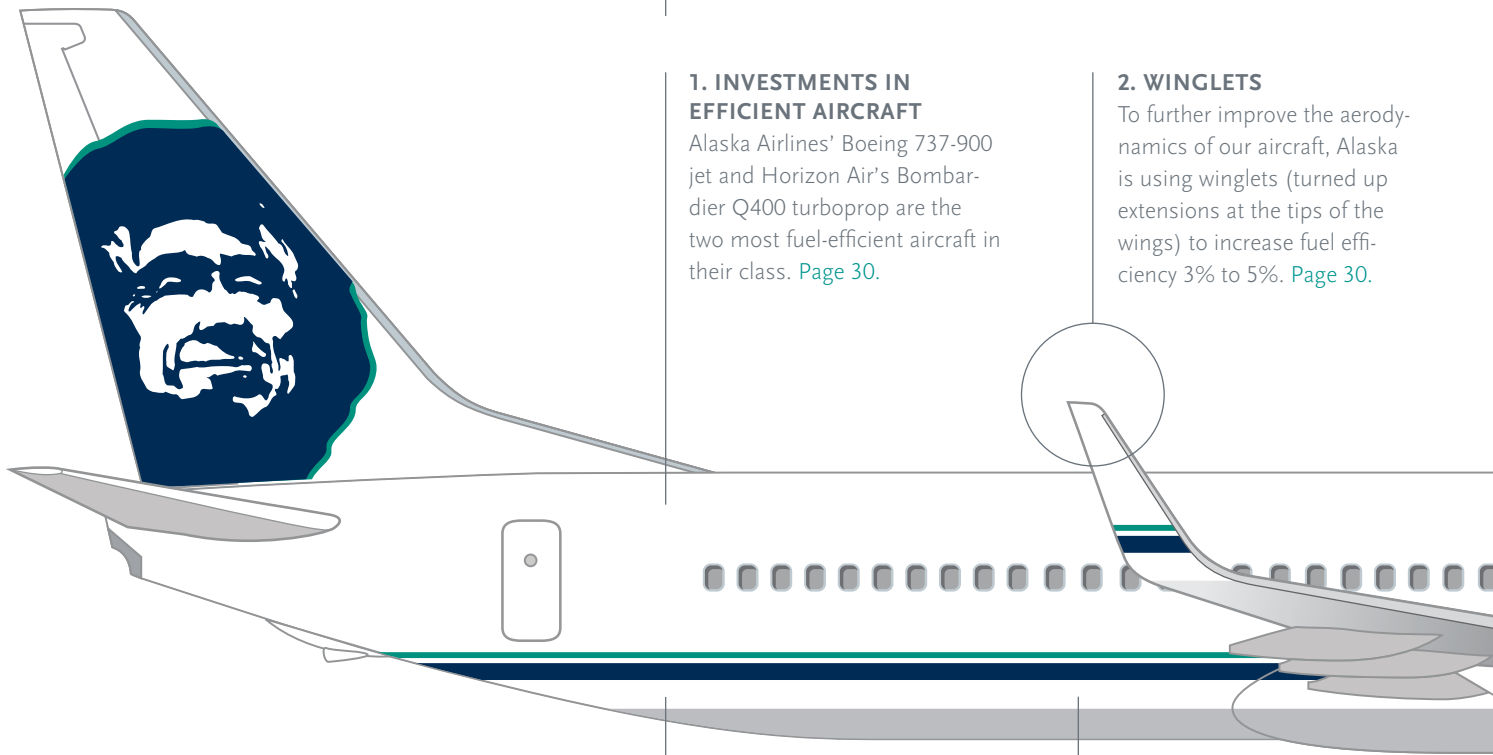
Compliance

A dedicated Environmental Affairs Department is tasked with ensuring that Alaska Airlines and Horizon Air ground operations are compliant with EPA, state and local environmental regulations. They are assisted by specially trained employees, known as “environmental coordinators,” who are assigned to each of our facilities. Compliance is verified during an internal environmental audit program conducted by Environmental Affairs staff.

Federal, state and local authorities also visit our facilities to verify compliance with the rules and regulations. In 2010 and 2011 approximately 22 Alaska and Horizon facilities were inspected by various government agencies. None of these inspections resulted in monetary fines or sanctions for non-compliance with environmental laws or regulations.

10 ways we are reducing our environme

IN THE AIR



1. INVESTMENTS IN EFFICIENT AIRCRAFT

Alaska Airlines' Boeing 737-900 jet and Horizon Air's Bombardier Q400 turboprop are the two most fuel-efficient aircraft in their class. [Page 30.](#)

2. WINGLETS

To further improve the aerodynamics of our aircraft, Alaska is using winglets (turned up extensions at the tips of the wings) to increase fuel efficiency 3% to 5%. [Page 30.](#)

5. BIOFUEL

Alaska and Horizon have been advancing and promoting the development and use of alternative sustainable biofuels in the Pacific Northwest. In 2011, we were the first domestic carriers to fly multiple scheduled routes powered by a biofuel blend. [Pages 34-35.](#)

6. NOISE

More than 80% of our combined fleet (all Q400s and 737-NGs) meet FAA stage 4 noise requirements, which are at least 10 decibels quieter than current stage 3 requirements. [Page 42.](#)

IN THE AIR

ntal impact.

3. WEIGHT REDUCTION

By removing redundant equipment and replacing other equipment with lighter-weight alternatives, Alaska saves an estimated 585,000 gallons of fuel each year. [Page 31.](#)

4. FLIGHT MANAGEMENT SYSTEM TECHNOLOGY

Required Navigation Performance (RNP) and Wide Area Augmentation System (WAAS) technology use a combination of onboard computers and satellites to fly more precise approaches, reduce fuel burn and enable landings in low-visibility weather. [Pages 32-33.](#)



7. CARBON EMISSIONS

Alaska Air Group's fleet improvements and flying efficiencies have reduced carbon dioxide-equivalent emissions by 30% per revenue passenger mile since 2004. [Pages 30-32.](#)

8. MATERIALS

Alaska and Horizon endeavor to use service materials that can be easily recycled or are sourced sustainably whenever feasible. [Page 39.](#)

9. RECYCLING

Alaska and Horizon flight attendants divert more than 800 tons of cups, cans, bottles, newspapers and other materials from landfills each year through their award-winning inflight recycling. [Pages 38-39.](#)

10. GROUND POWER AT GATES

Using ground power instead of the aircraft auxiliary power unit while airplanes are parked at the gate annually saves Alaska Airlines approximately 3 million of gallons of fuel. [Page 30.](#)



Ways we advance economic sustainability:

Record adjusted net income.

Employee bonus payments.

Regional economic development.

Creating jobs and business.

Alaska Air Group maintained a strong financial position in a tough economic environment, thanks to the work of our dedicated employees, substantial investments in a fuel-efficient fleet, collaborative relationships with labor and our loyal customers. Air Group provides the backbone of economic prosperity for some of the regions in which we operate. Directly and indirectly, we help create jobs, support small business and diverse suppliers, and provide the necessary transportation infrastructure for economic activity.

IN THIS SECTION

46 Creating Direct Economic Value

48 Contributing Indirect Economic Impact

Creating direct economic value for our employees and investors.

Alaska Air Group has made substantial changes to our business during the past decade, which arguably has been the most difficult in commercial aviation history. As a result of these changes and the ongoing dedication of our people, Air Group has become one of the most profitable airline companies in the nation. Alaska is also one of only two carriers founded before airline deregulation in 1978 that has never declared bankruptcy.

Air Group achieved record full-year adjusted net income of \$287.4 million, or \$3.92 per diluted share, in 2011 compared with our previous record of \$262.6 million, or \$3.57 per diluted share, in 2010 (figures adjusted for 2-for-1 stock split in March 2012).

As of Dec. 31, 2011, Air Group held \$1.3 billion of long-term debt (including current portion); \$1.2 billion equity; and capitalized operating leases of \$800 million. Our adjusted debt-to-capital ratio was 62%:38%.

Air Group paid its nearly 13,000 employees almost \$1 billion in wages and benefits in 2011—24% more than in 2001. While large concentrations of our employees live and work in Washington,

Oregon, California and Alaska, they are also located in many of the cities we serve throughout the United States and in Canada and Mexico. Labor organizations represent 83% of Alaska employees and 47% of those at Horizon.

Based on our business philosophy and financial success, we offer our employees attractive careers with jobs that pay competitively, include great benefits and provide a positive economic influence on the communities we serve. Our compensation philosophy is to provide competitive base pay rates, market-based benefits packages, and the same generous incentive pay plans for every employee.

Wages vary significantly by job category due to different professional certification requirements of many airline jobs. Nearly all full-time employees who reach the top of their respective pay scales, however, earn annual income that is near or above the United States' average annual household income of \$51,914 (2006-2010, per U.S. Census).

Incentive pay provides additional compensation. In 2011, Air Group employees earned almost \$73 million in incentive

pay—or nearly one month's pay for most people. These bonuses represented 25% of our company's profits. The incentive pay came from two separate programs.

Our Operational Performance Rewards Program pays a monthly bonus of \$50 to every employee when we meet our on-time performance goal and another \$50 for achieving our customer satisfaction goal. The Performance Based Pay program rewards every employee with an annual bonus based on achieving targets measuring safety risk, customer satisfaction, costs and profit.

Additionally, Air Group contributed nearly \$280 million to its defined-benefit pension plans, despite having no required contribution, and provides employees with a generous market-based 401(k) retirement program.

Air Group employees improved their productivity 9.5% in 2010 over the previous year and another 4.5% in 2011 (measured by number of passengers served per full-time employee). We still lag several key competitors and will strive to keep improving productivity while retaining our high-quality customer service and operational performance.

PERFORMANCE EXCELLENCE

#1

On-Time Major North American Airline
2010 and 2011 (Alaska Airlines)

(Data source: FlightStats.com)

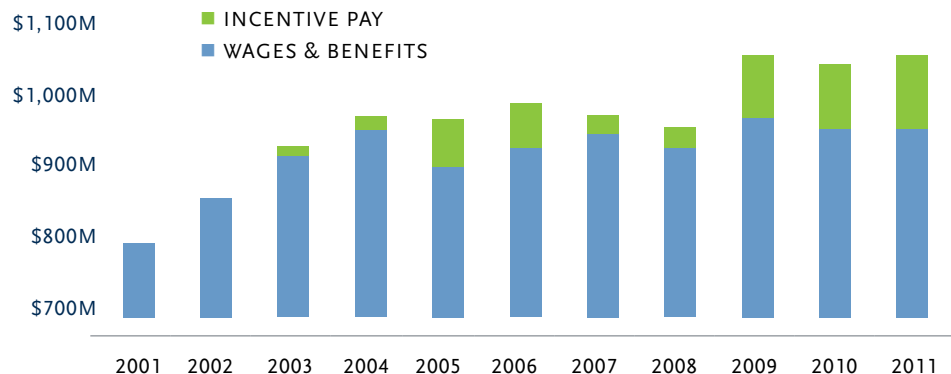
Some highlights of Air Group's economically related accomplishments include:

- Achieved a 12-month return on invested capital of 10.7% in 2010 and 11.7 percent in 2011.
- Increased our capacity 4.7% in 2010 and 6.8% in 2011.
- Alaska and Horizon added service to 25 new markets during the past three years.
- Alaska ordered 15 new aircraft and accepted delivery of three Boeing 737-800s in 2011.
- Completed a \$50 million share repurchase program in early January 2012. Since 2007, Air Group has invested \$262 million to repurchase 8.4 million shares (pre-split).
- Redesigned alaskaair.com to establish more direct customer relationships and increase Air Group revenue. This led to a December 2011 record of more than 55 percent of total bookings on our website rather than through third-party sales channels.

“We are pleased to report record adjusted earnings for the second year in a row [2011]. The improvement was due to schedule optimization and network expansion, high load factors, lower non-fuel unit costs, and industry-leading customer service and operational performance. We have made many changes over the past decade to transform our business and build a foundation for sustained profitability and measured growth, and we will continue to make the necessary changes as we move forward.”

BILL AYER,
Chairman of the Board

AIR GROUP COMPENSATION



Contributing indirect economic impacts.

Supporting Small and Local Suppliers

Air Group recognizes the importance of supporting local, small, and women- and minority-owned businesses. Our supplier diversity program provides many benefits to the company and regional economies in which we do business. Purchasing goods and services from diverse suppliers strengthens our ties to local communities and our customer base while promoting competition, increasing quality and lowering costs. Sourcing with diverse suppliers also spurs innovation, improves our responsiveness, ensures compliance for government contracts, and contributes to our value and reputation in the communities where we fly.

Our spend with diverse suppliers exceeded \$99 million in 2010 and \$109 million in 2011.

One key way we support supplier diversity is by getting involved. Air Group is an active corporate member of the Northwest Minority Supplier Development Council (MSDC®), a regional affiliate of the National MSDC; Win with Washington (WIN), a women-owned

business organization; and the ASTRA Women's Business Alliance, a regional affiliate of the Women's Business Enterprise National Council. Air Group also participates on the MSDC Board of Directors, and in many other local and regional outreach, matchmaking and supplier education events throughout the year.

Overall, Alaska Airlines and Horizon Air provide an economic benefit to every one of the more than 90 cities we serve. About half of our nearly 13,000 employees live and work in Washington state's Puget Sound region, where Air Group plays a significant economic role. We also contribute substantially to two other local economies: Alaska and Hawaii.

Supporting the State of Alaska

It's difficult for those who do not live in The Last Frontier to fully grasp the immense and diverse landscape that makes up Alaska. The state boasts more coastline than the rest of the nation combined. There are more than 1,300 miles that separate the southernmost

city, Ketchikan, with the top-of-the-world community of Barrow.

Alaska Airlines serves 19 communities in the state of Alaska and only three are accessible by road. With fewer miles of paved roads than the smallest state of Rhode Island, Alaska's remote nature and limited road infrastructure makes air transportation an absolute necessity.

Alaska Airlines plays a critical role in its namesake state's economy, which includes resource industries that include oil and gas, mining and seafood as well as tourism. Federal military spending makes up the balance of the state's economy.

Oil and Gas: Alaska Airlines flies more than 79,000 people and some 2.9 million pounds of cargo to Prudhoe Bay each year. The community is located at the start of the Trans Alaska Pipeline System (TAPS) and the heart of the oil and gas industry in the state. More than 630,000 barrels of oil a day flowed through TAPS in 2011, which represented 10% of the nation's daily consumption and more than 90% of state revenues.

HELPING IN HAWAI'I

\$1.2B

contributed to Hawai'i's economy in direct visitor spending by the roughly 700,000 visitors we flew in 2011.

Seafood: Wild Alaska seafood has long been a significant part of the state's economy and the industry represents Alaska's largest employer. Alaska Airlines plays a key role in sustaining this industry. In 2011, we shipped more than 16.9 million pounds of fresh Alaska seafood to market with an estimated resale value of \$150 million.

Tourism: The visitor industry continues to grow and contribute to the state's economy and is the second-largest employer in Alaska. Nearly 1.6 million tourists visited the state in 2011 and spent in excess of \$1.4 billion. Many of these visitors traveled on Alaska Airlines.



Alaska flies more than 150 flights a week to Hawai'i, which represents 20% of the carrier's network.

Bringing Positive Economic Impact to Hawai'i

Since we began service to Hawai'i in October 2007, we have grown from 21 to more than 150 flights a week and now serve four islands from eight destinations along the West Coast and in Alaska. More than 60% of our Hawai'i nonstop markets are not served by other airlines and more than 70% of them originate from secondary West Coast gateways. Providing a convenient, direct connection to the Islands from markets that

previously did not exist has helped Hawai'i attract a new visitor base and boosted its economy.

In 2011, we carried roughly 700,000 visitors to Hawai'i, contributing to nearly \$1.2 billion in direct visitor spending and \$125.2 million in Hawai'i state government tax revenues. In addition, our flight crews stayed in 138 hotel rooms per night, providing more than \$6.5 million to Hawai'i's visitor industry.

As a result of our presence, 350 jobs were added to Hawai'i's workforce. We also helped local small businesses. We began working with husband and wife teams in both Līhu'e and Kona to cater our flights to the Mainland. With these contracts, both companies were able to hire a total of 12 more employees and generated more than \$1.7 million in additional annual revenues for their businesses.



How we serve:

Dedication to safety
and compliance.

Caring for our customers
and people.

Giving back
to our communities.

There is something special about the airline business. Air Group flies thousands of passengers and pounds of cargo each day with an unwavering commitment to safety, operational excellence and exceptional customer service. Ours is a culture of compassion and caring, where our people have the opportunity to touch the lives of millions of travelers every year with untold acts of kindness. We call it Alaska Spirit and Horizon Heart.

IN THIS SECTION

- 52 Ensuring Safety & Satisfaction
- 58 Developing & Caring for People
- 60 Partnering with Labor
- 64 Contributing to the Community

Driving for safety excellence.

The safety of our customers and employees at Alaska Airlines and Horizon Air overrides any other consideration.

We ensure safety by complying with all external safety standards and procedures, applying more vigorous internal policies and practices, and encouraging our employees to report all actual and potential hazards. Air Group has made tremendous advances to improve our safety culture during the past decade.

This culture starts at the top with the Board of Directors Safety Committee and permeates throughout the organization to station- and department-level safety committees and frontline employees. Our Safety Committee, chaired by former FAA administrator and National Transportation Safety Board chair Marion Blakey, is tasked with monitoring our entire safety system.

Passenger Safety

We apply our safety standards uniformly across all of Alaska and Horizon's operating divisions, our CPA carrier SkyWest, and all airline codeshare partners. This "single level of safety" ensures that information is shared and high safety standards and policies are consistent between all companies that serve our passengers.

One of the many ways we strive to improve is through our comprehensive safety reporting systems, which aim to identify and prevent incidents *before* they happen. Our people have a variety of mechanisms to voice their safety concerns, and the duty to report any potential or existing hazard falls on each and everyone in the company.

Our reporting system is comprised of irregularity reports in all operating divisions, Aviation Safety Action Program (ASAP) reporting for nearly all frontline

work groups, and the Safety Hazard Report or Safety Hotline reported directly to the Safety Division. Except for willful disregard of safety procedures, no employee will ever be disciplined for reporting a safety hazard or event.

Safety reports are examined to identify hazards; determine appropriate safety and/or operational improvements; monitor the effectiveness of corrective actions; and proactively promote employee awareness of potential opportunities for improvement. The collected information is reviewed and analyzed to facilitate early detection and improved awareness of operational deficiencies and adverse trends.

With continuous improvement in mind, we are designing and implementing what the FAA and industry call a Safety Management System, or SMS, over the next three years. SMS builds upon many systems already in place at Air Group to



Every Air Group employee is responsible for safety. Among them are nearly 950 highly skilled technicians who maintain the Alaska and Horizon aircraft fleets.

provide better and more efficient oversight. It is integrated across all aspects of the organization to ensure safety risks are managed to acceptable levels.

This Safety Management System will change the way we analyze information and positively affect the safety of our employees and passengers by raising

safety awareness, proactively predicting and correcting issues, and promoting continuous improvement.

Having an open, transparent and non-punitive safety culture is at the heart of the company's philosophy. A robust safety reporting culture paired with ongoing operational oversight keeps awareness of safety issues high at the frontline employee level.

Improving employee safety, health and wellness.

Employee Safety

Fundamentally, ensuring our employees' safety and helping them be healthy is a natural extension of our corporate ethics and values. Work-related injuries lower morale, cost time and money, and can create hardship for our people and their families.

Many of our employees work in challenging environments of wind, rain, snow, heat and high noise levels. They work in and around multimillion-dollar machines performing tasks that can, unfortunately, result in injury. One of our primary goals is to reduce the risk of injuries by proactively identifying safety concerns in order to prevent injuries and accidents before they happen. We accomplish this through our culture of reporting, system-wide safety committees, and by monitoring and investigating injuries and accidents.

Employee Safety Committees

Employee Safety Committees are active groups of volunteer employees who discuss incidents and injuries, collaborate, and create solutions to enhance safety at their location. Although only some state agencies require these committees, Alaska Airlines and Horizon Air strive to

set the highest standards by making the groups mandatory at all of our locations—whether they're required or not. Air Group's Safety Division supports these committees through training and recognition. We convene annual safety symposiums where select members of each local safety committee are invited to attend seminars and hands-on training to improve their effectiveness.

Monitoring and Preventing Employee Injuries

Air Group's Injury Review Boards, which meet monthly, have successfully identified injury trends, raised awareness for employees and applied appropriate measures to reduce worker injuries.

Following the adage "what gets measured gets managed," Alaska and Horizon track employee on-the-job injuries (OJI) and lost-time injuries (LTI). OJIs are overall injuries, including minor bumps and bruises. LTIs are more significant injuries requiring a doctor visit and missing at least one day of work.

After several approaches to goal-setting in the past several years, we've developed challenging yet flexible and realistic safety goals based on our average injury rate for the preceding three years. We

believe this approach allows for goals to reflect performance longevity rather than a single-year extreme (high or low).

Alaska Airlines' goal for 2012 is to reduce lost-time injuries by 5% over baseline (average of the preceding three years) to 4.66 LTI per 100 employees—with a stretch goal of 4.42.

From 2010 to 2011, Alaska's LTI rate increased about 4% from 5.0 injuries per 100 employees to 5.19. This resulted from injuries reported by several work groups, notably flight attendants, as well as a slight change in the way we calculated the rate. We're increasing our focus on this issue—particularly in Inflight Services—to reverse the trend and lower injuries.

Horizon's 2012 goal is to reduce our lost-time injury rate to 2.82. We've exceeded our goals for the past two years, lowering the LTI rate from 2.95 to 2.26 (surpassing the 2010 and 2011 goals of 3.7 and 3.00, respectively). Horizon's on-the-job injury rate also dropped from 7.94 to 5.88 per 100 employees.

We will continue to strive for no lost-time injuries at both Alaska and Horizon. No employees died in the line of duty during the 2010-2011 reporting period.

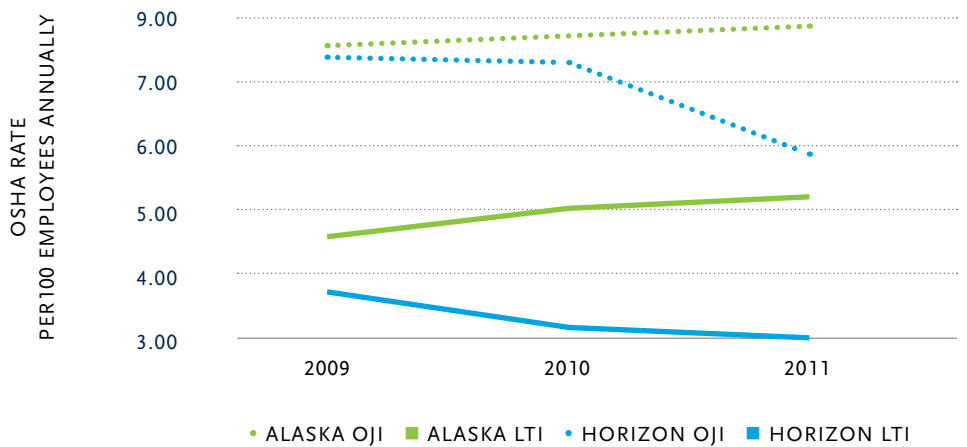
Health and Wellness

Alaska Air Group established a goal many years ago of providing a market-based, competitive package of pay and benefits, including comprehensive health care coverage, that remains affordable to the company and our employees. We offer several medical plan options to meet the requirements of our diverse population.

Reducing Smoking

For almost three decades, we've hired non-nicotine users in states where that is a permitted requirement for hire, resulting in fewer smokers among our population than similarly sized companies and contributing to an overall healthier population. For those employees and family members who do smoke, we offer a nationally recognized cessation program at no cost. We're also working with the American Cancer Society for other ways to strengthen our commitment to a healthier work force.

ALASKA AIRLINES & HORIZON AIR EMPLOYEE INJURY RATES



	Alaska Airlines			Horizon Air		
	2009	2010	2011	2009	2010	2011
On-the-job injuries	8.01	8.31	8.45	8.94	7.94	5.88
Lost-time injuries	4.53	5.00	5.19	3.70	2.95	2.26

Rates are the number of injuries per 100 employees annually (average of 2,000 work hours)

Focusing on Wellness

While we want to make quality health care accessible to our employees and their families when they need treatment, we also want to help them become and remain healthier so they can lead productive lives at work and at home. Air


Group provides a variety of ways to help people take care of themselves and their families, including our subsidized health club agreements, Weight Watchers support, health fairs, corporate flu shot program, and on-site CPR and first aid training.

Ensuring customer satisfaction.

While we operate using airplanes and technology, we recognize that ours is fundamentally a people business. Measuring customer satisfaction and communicating goals with our employees has become an integral part of our business.

The primary way Air Group measures satisfaction is through a monthly survey that asks customers to rate our service in a variety of touchpoints throughout their journey—from booking a trip to collecting baggage at their destination. About 3,000 surveys are reviewed each month.

Four key metrics comprise an overall satisfaction score. As the chart to the right shows, Alaska Airlines and Horizon Air have consistently achieved their goals during the past two years (which built on steady improvement during the previous three years). Good businesses continually strive to improve, and in 2012 Alaska increased its customer satisfaction goal



“We’re invested, not only financially, but with company pride that has an emotional level. We treat our guests as if they are coming into our home, choosing to have a sincere, face-to-face connection that sets us apart from other carriers.”

LYNN MLLARD,
Alaska Airlines Flight Attendant



to 78% while Horizon raised its target to 82%. On-time performance is also a fundamental aspect of good service, and both airlines have also consistently exceeded higher goals in each of the past two years.

We also employ two unique means of staying connected with our most frequent customers. One way is by hosting town-hall style lunch meetings with our

top-tier frequent fliers in a different Alaska Airlines city each month. We also meet with a panel of 12 elite travelers every quarter to help us define our customer strategies.

All of these efforts have contributed to Alaska Airlines winning four consecutive J.D. Power awards for the highest customer satisfaction rating among traditional carriers in North America.

CUSTOMER SERVICE

HIGHEST IN CUSTOMER SATISFACTION
AMONG TRADITIONAL NETWORK CARRIERS
IN NORTH AMERICA, FOUR YEARS IN A ROW 2008-2011
 (J.D. Power and Associates)

	2010 Goals	2010 Results	2011 Goals	2011 Results
ALASKA				
Customer satisfaction survey (monthly online survey results)	75%	Exceeded goal 12 of 12 months	77%	Exceeded goal 11 of 12 months
On-time performance (% of flights arriving within 15 minutes of schedule)	80%	Exceeded goal 12 of 12 months	83%	Exceeded goal 11 of 12 months
HORIZON				
Customer satisfaction survey	78-80%	Exceeded goal 11 of 12 months	81%	Exceeded goal 9 of 12 months

Alaska and Horizon have both exceeded operational and customer satisfaction goals over the past two years. Meeting these goals is an important component of our employee incentive programs.

ALASKA AIRLINES 2011 EMPLOYEE SURVEY HIGHLIGHTS

Employees rated this statement highest in the entire survey:

There is a strong emphasis on customer service at this company.

89% favorable: +1 point from 2009 survey

Below are a few of the statements among the most favorable:

I am proud to work for this company.

84% favorable: +3 points from 2009 survey

The people I work with cooperate to get the job done.

84% favorable: +3 points from 2009 survey

I believe this company has an outstanding future.

76% favorable: +10 points from 2009 survey

Employees responded with the lowest rating to this statement:

Within this company people are held accountable for poor performance.

30% favorable: +1 point from 2009 survey

Below are a few responses among the least favorable:

My ideas and suggestions count.

39% favorable: +2 points from 2009 survey

There is open, honest two-way communication in this organization.

41% favorable: +2 points from 2009 survey

I regularly receive appropriate recognition when I do a good job.

43% favorable: No change from 2009 survey

We strongly believe the key to satisfying customers is engaging employees. These 2011 employee survey results demonstrate that our people understand the importance that Air Group puts on customer service. See the next page for more on employee engagement and development.

Developing and caring for people.

Employee Engagement

Our people are at the heart of our accomplishments, and we believe that treating them well is the best way to inspire great performance. That requires more than simply paying good wages and benefits. Air Group focuses on many efforts to improve employee engagement: foster diversity and inclusion to make every employee feel valued, attract a wide spectrum of job applicants and reach the best business decisions; provide educational opportunities for our people and for the next generation (through charitable giving) that lead to career advancement; maintain a culture of candid communication that clearly articulates our challenges, successes and goals; and much more.

We use periodic surveys (typically every 18 months) as one tool for monitoring the pulse of employee engagement and identifying our strengths and opportunities for improvement.

The 2011 results showed that Air Group's overall level of employee engagement decreased slightly since the 2009 survey. Engagement increased 1% at Alaska and dropped 16% at Horizon.



The results at Horizon were attributable to the major business transformation it launched in September 2010. Its goal was to achieve consistent profitability while maintaining superior operational performance and customer service. Key components included transitioning to a single fleet of Bombardier Q400 turbo-prop aircraft; becoming an all-capacity purchase agreement carrier for Alaska Airlines; adopting Alaska's brand externally; reducing costs; and providing market-based pay and benefits aligned with appropriate productivity goals. An abbreviated employee survey conducted

in June 2012, after much of the business transformation had been completed, indicated employee satisfaction with Horizon as a place to work had increased 33% since the 2011 survey.

The Alaska results found that three-quarters of employees believe the airline has a bright future—a significant increase since 2009. This likely reflects Alaska's improving profitability and growth since we made substantial business changes in the mid-2000s to remain competitive. However, it is clear more must be done to break down silos, communicate honestly and openly, and hold people

accountable who aren't performing well. We can also do a better job of listening to each other, and better communicate our future vision to employees.

Collectively, Alaska Air Group is working to more clearly share our vision, support employee involvement, improve recognition and professional development opportunities, and establish open channels of communication.

Flight Path

This one-day seminar was developed in response to survey data and provides employees with the opportunity for interactive learning with company officers and other leaders as well as time to ask questions. Flight Path represents a collaborative effort by more than 50 trainers across the company. It is designed to help employees better understand the financial, operational and cultural aspects of the airline business, experience our aircraft "turn" process using an iPad, and see how their individual efforts contribute to our company's success.

Learning & Development Strategy

Education at Air Group comes in many forms—from online computer skill development to classroom sessions to

CARING FOR EACH OTHER

Employee Assistance Funds help employees through financial hardship.

Alaska Airlines Captain Al Brunelle founded the Alaska Airlines Employee Assistance Fund (EAF) in 1992 to help fellow colleagues who may be suffering financial hardship due to a medical or catastrophic event. Assistance granted is a gift—not a loan—and is not required to be repaid.

In 1995, Horizon Air founded its own Emergency Assistance Fund. Along with offering grants to employees in need, Horizon's EAF provides interest-free loans that can be repaid through payroll deduction.

Both EAFs are nonprofit organizations made up of employees who volunteer to serve on the respective boards of directors, representing all divisions of Alaska and Horizon. One hundred percent of contributions go toward assisting employees.

The Alaska Airlines EAF is striving for a donation goal of \$1 per paycheck from every employee, and about 30% of the company's work force gave to the organization in this way in 2011. The EAF raised approximately \$286,000, which helped some 73 employees pay their mortgages, COBRA insurance, car payments and insurance, and medical and grocery bills while they recovered from an injury or illness.

About 10% of Horizon employees participate in their EAF through payroll deduction, auctions and other donations. The Horizon EAF helped employees cover basic living expenses along with medical bills.

on-the-job and employee engagement training.

Leadership training is provided to three target groups: emerging, current and experienced leaders. Elective (or volunteer) development opportunities for interested employees are also offered in such areas as airline economics, business writing and effective presentation

skills. While these programs continue to be popular among new and emerging leaders, we need to enhance learning opportunities for experienced leaders. Our Talent Development team has outlined a five-year plan for implementing a learning organization philosophy at Air Group.

Partnering with labor.

Labor Relations

Alaska Airlines' workforce is 83% unionized while 47% of Horizon Air employees are represented by a collective bargaining group. During 2010 and 2011:

- Alaska signed a five-year agreement with the Aircraft Mechanics Fraternal Association as well as four-year contracts with the International Association of Machinists for its clerical, office and passenger service employees, and the Transport Workers Union for its dispatchers.
- Horizon signed five-year contracts with the International Brotherhood of Teamsters for its pilots and aircraft technicians, a four-year agreement with the Transport Workers Union for its dispatchers, and a three-year contract with the Canadian Auto Workers for station employees in Canada.

In 2011, all remaining union groups ratified contract agreements that included participation in Air Group's Performance Based Pay (PBP) program. This milestone achievement aligned everyone at both airlines around a common incentive pay plan to help all of our people focus on the same initiatives and issues. PBP



is designed to pay annual bonuses at the target rate of 5% of eligible earnings. In 2010 and 2011, PBP paid 9.4% and 6.7%, respectively.

WORKING TOGETHER

Alaska Airlines leadership and the company's Labor Coalition have met quarterly for 10 years in a proactive effort to collaborate and improve relations between management and unions.

Alaska and Horizon seek to work proactively with union leaders of each of our represented work groups. In addition to regular interactions between unions and management, company executives and leaders from all collective bargaining groups meet quarterly. These forums enable union representatives to hear updates and ask questions about the company's performance, strategic initiatives and other issues.

Alaska Air Group Labor Contract Summary

Union	Workgroup	Total Employees	Contract Ratified	Contract Amendable
Association of Flight Attendants (AFA)	Alaska Airlines Flight Attendants	2,774	Mar. 10, 2009	May 1, 2012
International Association of Machinists and Aerospace Workers (IAMAW)	Alaska Airlines Customer Service, Reservations, Operations, Accounting Specialists and Clerical Agents	2,660	Feb. 1, 2011	Jan. 1, 2014
Air Line Pilots Association (ALPA)	Alaska Airlines Pilots	1,416	May 19, 2009	Apr. 1, 2013
Aircraft Mechanics Fraternal Association (AMFA)	Alaska Airlines Aircraft Technicians	626	Nov. 15, 2011	Oct. 17, 2016
International Association of Machinists and Aerospace Workers (IAMAW)	Alaska Airlines Ramp Service and Stores Agents	587	Dec. 17, 2009	July 31, 2012
Transport Workers Union (TWU)	Alaska Airlines Dispatchers	36	May 4, 2011	March 24, 2015
International Brotherhood of Teamsters (IBT) Local 1224	Horizon Air Pilots	583	Nov. 30, 2010	Dec. 14, 2015
Association of Flight Attendants (AFA)	Horizon Air Flight Attendants	511	Dec. 21, 2009	Dec. 21, 2011
International Brotherhood of Teamsters (IBT) Local 986	Horizon Air Aircraft Technicians	323	Dec. 15, 2010	Dec. 16, 2014
Canadian Auto Workers (CAW)	Horizon Air Canadian Station Employees	70	May 26, 2010	Feb. 14, 2013
Transport Workers Union (TWU)	Horizon Air Dispatchers	15	Oct. 4, 2010	Aug. 26, 2014
Total		9,601		

About 9,600 employees at Alaska Airlines and Horizon Air belong to a collective bargaining unit.

Creating an environment of inclusion.

Prioritizing Diversity

Air Group's shared goal at Alaska and Horizon is to foster a diverse and inclusive culture where highly engaged employees drive excellent operational performance and exceed customer expectations.

Creating this culture is a journey. At Air Group, this has included educating employees about inclusion and the value of diversity, developing an Inclusion Advisory Council, advancing community outreach, and supporting the development of Employee Resource Groups.

Education

Alaska Airlines started pursuing diversity training more than a decade ago with the goal of having all employees attend a class. Today, all new employees undergo diversity training within their first 30 days of work and all Air Group leaders are required to attend a full-day workshop on leading diverse teams. We are working to include diversity concepts in all initial and recurrent training programs. We also offer deeper learning on specific topics that is available to all employees at least once a month.

Inclusion Advisory Council

The IAC consists of management and frontline employees who participate on four subcommittees to support our diversity and inclusion strategy. These committees are: Ad Hoc Consultancy, committed to quickly researching and responding to issues as they arise; Discussion Starters, committed to facilitating quick diversity conversations into regular meetings; Employee Resource Group (ERG) Support, committed to helping our ERGs achieve their goals; and Demographics, committed to analyzing company data.

Community Outreach

Many of our community outreach events are supported in large part by our internal diversity programs. Through these programs we support groups such as Washington Women's Education and Employment (WWEE), Hire America's Heroes (HAH), Habitat for Humanity, the Organization of Black Airline Pilots (OBAP), Women in Aviation International (WAI), Washington State University Future Cougars of Color, United Negro College Fund and many others.

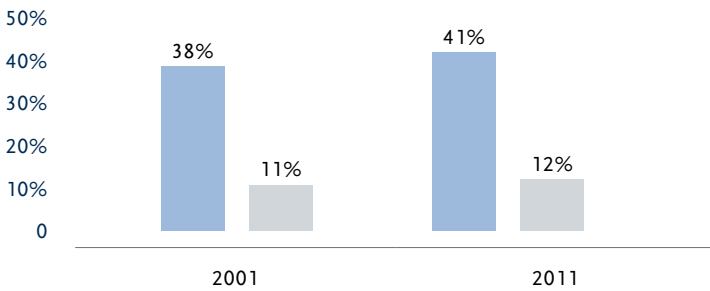
Demographics

Increasing the diversity in our leadership teams continues to be a significant opportunity for Air Group, especially with respect to people of color.

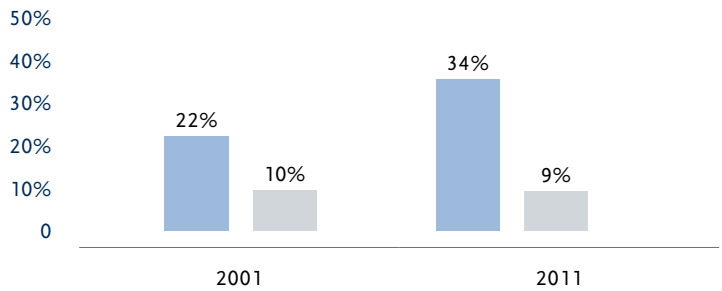
"We recognize this is an area we can do better in and we are committed to making changes," President and CEO Brad Tilden says. "I want anyone who joins our company to be able to look at our leadership teams and know they can get there. And, fundamentally, a diverse and inclusive environment is simply the right thing to do."



FEMALE & PEOPLE OF COLOR AS A PERCENTAGE OF AIR GROUP SUPERVISORS & ABOVE



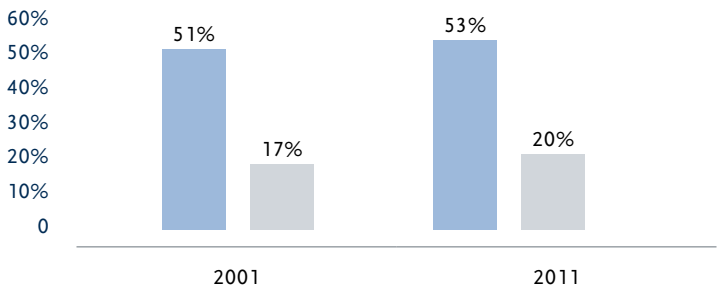
FEMALE & PEOPLE OF COLOR AS A PERCENTAGE OF AIR GROUP DIRECTOR & ABOVE



■ FEMALE
■ PEOPLE OF COLOR

Increasing diversity in leadership positions continues to be a goal of AAG. We are proactively seeking ways to recruit, develop, and support women and people of color.

FEMALE & PEOPLE OF COLOR AS A PERCENTAGE OF ALL AIR GROUP POSITIONS



Nurturing employee involvement and contribution.

Employee Resource Groups

Eleven ERGs were active at Alaska and Horizon at the end of 2011, each supported by a vice president or higher executive sponsor. Each ERG is uniquely positioned to support company initiatives in ways that are important to the collective group. ERGs provide a powerful structure for helping employees, supporting community outreach such as grass-roots environmental projects and contributing to the success of business projects.

Our Hawai'i project team, for example, partnered with the Pacific Islander Culture Club to ensure an authentic experience for customers in our new Hawai'i markets. The Green team is supporting an environmental restoration event, among other activities. Our Women's Interactive Network group has focused on providing networking and career development help to members.



Green Team ERG members participate on a restoration project at Snoqualmie Point Park, Wash.

EXPOSURE/GOODWILL

\$13,400

Employee dollars donated via ERGs

561,946

Exposure (number of people engaged in the community by ERG events)

VOLUNTEER EFFORTS

2,679

Employee volunteer hours with ERGs

INTERNAL

(PERSONNEL / DEVELOPMENT HOURS):

2,318

Employee attendance at ERG events

Employee Resource Groups at Air Group

Group Name	Executive Sponsor	Mission / Specialty	Major Activities
ACCESS: Employees with Disabilities	Fred Mohr VP, Maintenance and Engineering	Community outreach, internal and external policy assistance, charity outreach and coordination with community events	Northwest Disability Community Boards, MDA Activities, Best Practice Workshops
AMG: Air Group Military Group	Ben Minicucci Chief Operating Officer	Military recruiting and screening, Education on hiring and retaining veterans, engagement and professional development	Hire America's Heroes Events, Military Base Visits, Recruitment Fairs
BERG: Black Employee Resource Group	Bill Ayer Chairman of the Board of Directors	Professional development, promotion of people of color, community engagement and activities	Habitat for Humanity, NMBBAA conference, UNCF
BOOMERS: Baby Boomers	Gary Beck, VP, Flight Operations	Internal programs for Boomer employees, personal development, engagement and education of Boomers in the work force	Social gatherings, chapter building throughout the Alaska / Horizon system, retirement education
GLOBE: GLBT Employees	Glenn Johnson President, Horizon Air	Events for the LGBTQ community, best practice promotion for company around benefits and workplace equality, marketing support	Pride parades in Portland, Seattle and elsewhere in the system, community promotion with the GSBA, Out & Equal Seattle affiliate
GREEN: Environmental ERG	Keith Loveless VP, Legal and General Counsel	Internal environmental projects, recycling best practice events and outreach, airport policy and procedure around resource use	Earth Day projects in Portland and Seattle, promotion of Green initiative at Alaska / Horizon, internal recycling program revisions, Green project proposals
LCRG: Latin Culture Resource Group	Brad Tilden President and CEO	Internal candidate/professional development, market review of new products/services for Latin market	Portland Timbers outreach, Hispanic Seafair, 2011 National Society of Hispanic MBAs conference
NEN: Native Employees Network	Joe Sprague VP, Marketing	Employee engagement and community building, professional development, State of Alaska outreach	Prom Princess, State of Alaska Federation of Natives, Seattle Spirit Walk
PICC: Pacific Islander Culture Club	Andrew Harrison VP, Planning and Revenue Management	Marketing of Hawai'i, Pacific Island community events, internal and external networking	Rock & Roll Marathon, Great Aloha Run Honolulu, Sunset Celebrations Festival,
WING: Women's Interactive Network	Jeff Butler VP, Customer Service Andy Schneider VP, Inflight Services	Personal development, supporting and fostering women in leadership roles, networking, career advancement and advice	Resume workshops, WWEE community breakfast and clothes drive, hosting of female board of directors, interview tips
Y-GEN: Young Generation	Kris Kutchera VP, Information Technology	College outreach, Y-GEN specific engagement, network and promotions	Toys for Tots drive, food drive, trivia night, MSU promotional event, UW promotions

Contributing to the community through spirit and caring.

Alaska Air Group's corporate giving program is a fundamental part of who we are as a company and is founded on two of our core corporate values—Spirit and Caring. We proudly strive to help many worthy and wonderful causes within our communities.

Corporate Giving: Monetary & In-Kind Support

We focus our giving on communities we serve now or in the near future and where a significant number of our employees live or work. We favor organizations and efforts that are most likely to enhance a community's cultural, economic and environmental vitality and improve the quality of life for its citizens. Our corporate giving has extended to five strategic areas:

- **Arts / Culture:** Our giving focuses on art education and increased resources for the arts. We believe that building audiences and generating support for the arts are crucial to the growth of the next generation and continued strength in our communities. Organizations that receive our support include the the Anchorage Symphony, Lionel Hampton Jazz Festival,

	2010	2011	2012 Goals
In-Kind & Monetary Support	\$5,640,000	\$7,120,000	\$7,000,000
Employee Matching Gifts	\$100,000	\$163,000	\$100,000
Dollars for Doers	\$71,462	\$92,700	\$100,000
Charity Miles	43,507,592 miles	46,431,922 miles	*
Alaska Airlines Foundation	\$55,000	\$65,500	\$98,000

*We promote the Charity Miles program to our customers but have not set a contribution goal.

GIVING BACK: Air Group is setting contribution goals for the first time in 2012

- Portland Jazz Festival, Seattle Art Museum, Seattle Symphony and Sitka Summer Music Festival ArtsFund, among others.
- **Education:** Teaching institutions and programs that are of importance to our employees and their families are supported through our Employee Gift Matching and Dollars for Doers programs (donations and volunteer hours are also matched for other 501(c)(3) organizations). Some of our key partnerships include the Independent Colleges of Washington, Oregon Alliance of Independent Colleges & Universities, University of Washington and the University of Alaska system, as well as many other schools and scholarship programs.
- **Civic & Environment:** We help protect our environment by supporting organizations such as the Alaska Raptor Center, National Forest Foundation, The Nature Conservancy, and Washington Wildlife and Recreation Coalition, just to name a few.
- **Medical (Emergency / Research):** Alaska and Horizon regularly respond to the need for health and human services relief, especially in the state of Alaska where transportation infrastructure limits access to medical facilities. Through in-kind contributions, we assist hundreds of individuals with their emergency and medical transportation needs. Our partnerships with Angel Flight West and Shriners Hospitals provide well



Air Group employees helped staff a recent Make-A-Wish call bank event.

over 1,000 complimentary passenger seats each year for those needing treatment in another city.

- **Social / Community Services:** From Make-A-Wish Foundations to Special Olympics, Alaska and Horizon have established many partnerships within our communities. Our in-kind support of air transportation enables many organizations to raise money and grant special wishes to children.

Starting in 2012, the Alaska Airlines Corporate Giving program will focus on two primary areas of interest: medical / social and youth / educational issues.

In addition to our giving program, the Alaska Airlines Foundation is a 501 (c) (3) private foundation based in Anchorage, Alaska. A small number of cash grants ranging on average from \$5,000 to \$15,000 are given to other non-profit organizations classified as public charities. These grants focus on educational efforts that address a unique need or value to a community. The Alaska Airlines Foundation has donated more than \$600,000 over the past 12 years to a number of groups. Through the Alaska

OUR HEART AND SPIRIT

Employees organized or were involved in more than 56 community events in 2011. While we do not have an accurate system to track our employee volunteer hours, we do know some 480 employees logged more than 4,500 hours of volunteer work. Our 2012 goal is to launch a new volunteer website to more accurately gather and measure employee volunteer efforts.

Airlines Foundation we are able to support educational achievement by focusing on programs that promote and support vibrant communities. All grants are reviewed and approved by the Alaska Airlines Foundation Board of Directors.

Employee Giving

If our employees are engaged in the community they're more engaged with Alaska Airlines. Giving back to the community is an integral part of our corporate vision and our culture. Alaska

Air Group encourages and supports the hard work employees are doing as volunteers in their communities. The Dollars for Doers program gives employees \$10 per hour of volunteer work, to be donated to the non-profit organization up to \$1,000 per year, per employee.

Across our system, our employees use their hearts and hands serving as board members with non-profit organizations, volunteering in their communities and participating in fundraisers. In many cases, our employees also engage with these community groups through the Employee Resource Group program, both as volunteers and financial supporters.

DID YOU KNOW?

65% of upper management at Alaska and Horizon serves on the boards of nonprofit organizations.

Examples of our corporate citizenship.

INSPIRING YOUNG PEOPLE

More than 155 pilots, flight attendants, mechanics and other employees donated some 2,000 hours for our 2011 Aviation Day to help local Boy Scouts, high schoolers and other children learn about career paths in the aviation industry.

The free events were held in Portland and Seattle to give 14- to 18-year-olds a chance to learn how aircraft fly and explore career opportunities in aviation. Nearly 425 Boy Scouts from more than 150 troops in Oregon and Washington earned Aviation Merit Badges during the two events.

Participants were able to visit the flight deck of a Boeing 737, inspect a jet engine, build and fly a glider model, and jump down the emergency evacuation slide of Alaska's cabin simulator.

Several employees, including CEO Bill Ayer and President Brad Tilden, flew their own light planes to the event. They were joined by an F-15 Eagle from the 142nd Fighter Wing of the Oregon Air National Guard. Air Force Academy and Civil Air Patrol representatives were on hand to talk about careers in military aviation.

HELPING THOSE IN NEED

In November 2009, Alaska and Horizon employees rallied around what has become an annual "Pack the Plane" project to fill a cargo aircraft with 5,000 bags (54,000 pounds) of food to benefit our local communities. Each station in the system is invited to participate by partnering with a local food bank. Food and money collected this way benefits almost every city we serve.

We exceeded our goal in 2009 by packing two cargo airplanes with 64,000 pounds of food and \$1,100 in cash donations from employees. In 2011, we raised \$38,686 in financial donations and collected 12,600 pounds of food—the equivalent of packing 7½ cargo planes.

ENLISTING OUR CUSTOMERS

Alaska Air Group provides opportunities for our customers to participate in giving with our Charity Miles program. Members of the airlines' Mileage Plan can donate some or all of their accumulated frequent flier miles to these charities: Angel Flight West, Dream Foundation, Fred Hutchinson Cancer Research Center, Hero Miles, Make-A-Wish Foundation, Medical Teams International, The Nature Conservancy, National Forest Foundation, and to a general charity pool that is used for disaster-relief organizations. In 2011, about 3,200 customers generously donated more than 43 million frequent flier miles to our Charily Miles program.

GIVING BACK IN OUR HOME STATE

As part of our commitment to the state of Alaska, we collaborate with community leaders throughout the state. Members of the Alaska Airlines Community Advisory Board decide on corporate contributions and how best to help the communities we serve. The board meets three times a year to decide on donations and talk directly with Alaska Airlines management about concerns, needs and potential solutions.



Lumi, a snowy owl who had been found severely injured far from home, was given a new chance at life in the wild thanks to the Alaska Raptor Center in Sitka. Alaska Airlines flew the owl and her handlers from the center in Sitka to Barrow, Alaska, in 2011. Here, Lumi is released by members of the Ukepeagvik Inupiat Corp., an Alaska Native corporation with headquarters in Barrow.

Alaska Airlines provides support to the Sitka Raptor Center by donating transportation for many injured and rehabilitated birds from all across the state of Alaska. In 2011, we helped to release a previously injured snowy owl back into its natural habitat north of the Arctic Circle in Barrow. Lumi, a snowy owl who had been severely injured far from home, had spent nearly eight months in captivity while she recovered at the center in Sitka, Alaska. In addition to providing transportation for the owl and Raptor Center staff, several of our employees participated in the release.

SUPPORTING OUR SOLDIERS

As federal contractors, Alaska and Horizon have a regulatory obligation to strengthen military outreach efforts, but we also view this as a moral obligation. For this reason, Air Group has developed programs and forged strong community relationships to ensure we are reaching the men and women who have served our country.

Among our programs is the Air Group Military Group (AMG), whose mission is to partner with the company to help guide education and outreach efforts around our military. AMG was founded by Stephanie Cootsona, manager of baggage performance. Stephanie also serves in the Air Force Reserves as the first sergeant for the 446th Aerospace Medicine Squadron, is vice president of the First Sergeant Diamond Council for McChord Air Field, and serves as treasurer for Hire America's Heroes. HAH is a 501(c)(3) organization sponsored by Air Group with goals that include connecting corporate employers with veterans seeking civilian employment.

Air Group also has a Military Recruitment Outreach team that partners with AMG to ensure we are actively supporting the recruitment, retention and promotion of veterans.

Our Fallen Soldier program was developed by 14 aircraft technicians who saw a need to ensure a respectful and seamless transfer of remains of soldiers killed in action. With military protocols in mind, this group developed a handbook detailing every step and built a mock casket for training. Protocols involve taking care of military escorts, who are required to stay with the remains of a fallen soldier at all times, as well as any family members who may be on the flight.

Air Group will launch a military apprenticeship program in 2012 designed to increase the employability of veterans actively seeking civilian employment. The goal with this program is to engage veterans into specified temporary roles within the company so they can gain exposure to Air Group culture.



Patriotic baggage cart specially designed by AAG employees for the transport of fallen soldiers.



Looking forward:

Restating our commitment to sustainability.

Continuing to advance our environmental, social, and economic sustainability is a strategic priority for Alaska Air Group. We are committed to working in partnership with our employees, customers, partners and suppliers to develop innovative solutions and continuous improvements that move our company and society toward sustainability.

IN THIS SECTION

- 72 Alaska Air Group Mission & Values
- 74 Global Reporting Initiative Alignment / GRI Index
- 82 Invitation for Feedback

Alaska Air Group values.

ALASKA AIRLINES SHARED VALUES

Alaska Spirit. Alaska Spirit is the heart of Alaska Airlines. It springs from our rich heritage as a pioneer in a state where aviation plays a vital role in the life of every resident. Throughout our system, our Alaska Spirit defines the unique character of Alaska Airlines. Our fun-loving, energetic and adventurous personality flows from this spirit, as does our belief in service and community involvement. From our Alaska Spirit comes the pride, passion and perseverance that sets Alaska Airlines apart.

Resourcefulness. Our bias toward action and our readiness to adapt to change and to master difficult challenges exemplify the “can do” heritage of Alaska Airlines. We embrace an atmosphere where hard work, initiative and teamwork are a tradition, and where creativity and innovation flourish.

Integrity. Our actions will reflect our absolute commitment to ethical and honest behavior. When faced with uncertainty, we will always use our best judgment to do the right thing.

Professionalism. As proven professionals, we each bring a high level of individual skill, expertise and commitment to our work. We take great pride in the fact that our individual and collective accomplishments have earned broad respect and a reputation for safe, reliable, quality service.

Caring. Caring about and helping people is the soul of Alaska Airlines. We regularly go the extra mile to help our customers, our community and each other with friendliness, caring and genuine concern. We believe our lives are enriched by individual acts of kindness and compassion.

CRITICAL SUCCESS FACTORS

Safety. We have an uncompromising commitment to safety. The well-being of our employees and customers will override any other consideration.

Continuous Improvement. Our continuous improvement is driven by the willingness of each individual employee to embrace change, to pursue innovation and creativity, and to learn.

Quality People. We will attract and develop talented people who share the values and spirit of Alaska employees.

Profitability. Our corporate and individual success depends upon consistently producing profits sufficient to support growth and provide a reasonable return to our investors.

Quality Service. We differentiate ourselves from our competition by providing genuinely personal and caring service to our customers and continually finding better ways to meet their needs.

Reliability. We will provide consistent, on-time service upon which our customers can depend.

HORIZON AIR SHARED VALUES

Integrity. Integrity is the cornerstone value of Horizon Air. That means we have an uncompromising commitment to honesty and fairness—to being ethical, trustworthy and responsible in all we do.

Heart. “Heart” is what defines the unique spirit and character of Horizon—a family of energetic, optimistic and enthusiastic people who enjoy what they do. From their “heart” comes the pride, commitment and, above all, the caring that truly sets Horizon apart.

Partnership. We value the partnership of talented individuals combining their efforts to achieve results beyond the sum of their independent contributions. Partnership at Horizon is built on a foundation of trust, cooperation and mutual respect.

Innovation / Initiative. We encourage initiative, innovation and creativity throughout the organization. Drive, determination and hard work—coupled with the active pursuit of new and creative solutions—are essential to Horizon’s continued success.

Continuous Improvement. We seek excellence in our business and are committed to an environment of continuous development, learning and improvement. We embrace change as a means to grow, both corporately and individually.

CORE PROMISES TO CUSTOMERS

1. Get them to their destination ...
2. On time...
3. With their bags.
4. If things do go wrong, as sometimes they do, then “service recovery” can make all the difference. A warm smile, sincere concern and a skilled, empathetic response can often turn a negative experience into a positive one.

Global Reporting Initiative Index.

N/A: Not Applicable
 N/R: Not Reported
 P/R: Partially Reported

STANDARD DISCLOSURES PART I: Profile Disclosures

1. Strategy And Analysis

SECTION	DESCRIPTION	PAGE
1.1	Statement from the most senior decision-maker of the organization.	2-4
1.2	Description of key impacts, risks, and opportunities.	6-11

2. Organizational Profile

SECTION	DESCRIPTION	PAGE
2.1	Name of the organization.	14
2.2	Primary brands, products, and/or services.	14
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	14
2.4	Location of organization's headquarters.	14
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	14
2.6	Nature of ownership and legal form.	14
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	14
2.8	Scale of the reporting organization.	14
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	i, 14
2.10	Awards received in the reporting period.	14

3. Report Parameters

SECTION	DESCRIPTION	PAGE
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	i
3.2	Date of most recent previous report (if any).	i
3.3	Reporting cycle (annual, biennial, etc.)	i
3.4	Contact point for questions regarding the report or its contents.	82
3.5	Process for defining report content.	20
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	i
3.7	State any specific limitations on the scope or boundary of the report.	i, 34
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	i

3. Report Parameters

SECTION	DESCRIPTION	PAGE
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	27, 54-8
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	N/A
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	i
3.12	Table identifying the location of the Standard Disclosures in the report.	74-77
3.13	Policy and current practice with regard to seeking external assurance for the report.	i

4. Governance, Commitments, And Engagement

SECTION	DESCRIPTION	PAGE
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	14, 16-17
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	17
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	17
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	17
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	17
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	N/R
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	16
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	16, 26, 72-73
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	N/R
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	17
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	N/R
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	32-34
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	P/R 33
4.14	List of stakeholder groups engaged by the organization.	21
4.15	Basis for identification and selection of stakeholders with whom to engage.	20
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	21, 56
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	20, 57

STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)

G3 DMA	DESCRIPTION	PAGE
DMA EC	Disclosure on Management Approach EC	
Aspects	Economic performance	46-47
	Market presence	14-15, 48-49
	Indirect economic impacts	48
DMA EN	Disclosure on Management Approach EN	
Aspects	Materials	36
	Energy	34
	Water	41
	Biodiversity	N/A
	Emissions, effluents and waste	26
	Products and services	1,56
	Compliance	16, 41
	Transport	33
	Overall	25
DMA LA	Disclosure on Management Approach LA	
Aspects	Employment	48
	Labor/management relations	60-61
	Occupational health and safety	52,54
	Training and education	59
	Diversity and equal opportunity	62
	Equal remuneration for women and men	N/R
DMA HR	Disclosure on Management Approach HR	
Aspects	Investment and procurement practices	48
	Non-discrimination	16
	Freedom of association and collective bargaining	60-61
	Child labor	16
	Prevention of forced and compulsory labor	N/R
	Security practices	N/R
	Indigenous rights	N/A
	Assessment	N/R
	Remediation	N/A
DMA SO	Disclosure on Management Approach SO	
Aspects	Local communities	66
	Corruption	16
	Public policy	33
	Anti-competitive behavior	16
	Compliance	16
DMA PR	Disclosure on Management Approach PR	
Aspects	Customer health and safety	52
	Product and service labelling	N/A
	Marketing communications	N/R
	Customer privacy	N/R
	Compliance	16
	Human Trafficking	N/R
	Business continuity and emergency preparedness	N/R
	Service quality	2
	Provision of services or facilities for persons with special needs	N/R

STANDARD DISCLOSURES PART III: Performance Indicators

Economic

SECTION	DESCRIPTION	PAGE
Economic performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	46-49
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	N/R
EC3	Coverage of the organization's defined-benefit plan obligations.	46
EC4	Significant financial assistance received from government.	N/R
Market presence		
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	N/R
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	48
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	N/R
Indirect economic impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	66
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	48-49

Environmental

SECTION	DESCRIPTION	PAGE
Materials		
EN1	Materials used by weight or volume.	N/A
EN2	Percentage of materials used that are recycled input materials.	N/A
Energy		
EN3	Direct energy consumption by primary energy source.	N/R
EN4	Indirect energy consumption by primary source.	N/R
EN5	Energy saved due to conservation and efficiency improvements.	32-35
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	30-32 35
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	34-35
Water		
EN8	Total water withdrawal by source.	41
EN9	Water sources significantly affected by withdrawal of water.	N/A
EN10	Percentage and total volume of water recycled and reused.	N/A

Environmental, continued

SECTION	DESCRIPTION	PAGE
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	N/A
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	N/A
EN13	Habitats protected or restored.	N/A
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	N/A
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	N/A
Emissions, effluents and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	27
EN17	Other relevant indirect greenhouse gas emissions by weight.	N/R
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	26-36
EN19	Emissions of ozone-depleting substances by weight.	N/A
EN20	NO _x , SO _x , and other significant air emissions by type and weight.	26
EN21	Total water discharge by quality and destination.	N/A
EN22	Total weight of waste by type and disposal method.	N/A
EN23	Total number and volume of significant spills.	N/A
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	N/A
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	N/A
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	N/A
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	N/A
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	41
Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	N/A
Noise		
	Initiatives to reduce noise	42
EN30	Overall Total environmental protection expenditures and investments by type.	N/A

Social: Labor Practices and Decent Work

SECTION	DESCRIPTION	PAGE
	Employment	
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	N/R
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	N/R
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	N/R
LA15	Return to work and retention rates after parental leave, by gender.	N/R
	Labor/management relations	
LA4	Percentage of employees covered by collective bargaining agreements.	60
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	N/R
	Occupational health and safety	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	54
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	54-55
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	N/A
LA9	Health and safety topics covered in formal agreements with trade unions.	N/R
	Training and education	
LA10	Average hours of training per year per employee by gender, and by employee category.	N/R
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	N/R
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	N/R
	Diversity and equal opportunity	
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	17, 63
	Equal remuneration for women and men	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	N/R

Social: Human Rights

SECTION	DESCRIPTION	PAGE
	Investment and procurement practices	
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	N/R
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	N/R
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	N/R
	Non-discrimination	
HR4	Total number of incidents of discrimination and actions taken.	N/R
	Freedom of association and collective bargaining	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	N/A
	Child labor	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	N/A
	Forced and compulsory labor	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	N/A
	Security practices	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	N/R
	Indigenous rights	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	N/R
	Assessment	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	N/R
	Remediation	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	N/R

Social: Society

SECTION	DESCRIPTION	PAGE
	Local communities	
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	N/R
SO9	Operations with significant potential or actual negative impacts on local communities.	N/A
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	N/A
	Corruption	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	N/R
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	16
SO4	Actions taken in response to incidents of corruption.	N/A
	Public policy	
SO5	Public policy positions and participation in public policy development and lobbying.	N/R
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	N/R
	Anti-competitive behavior	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	N/R
	Compliance	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	41

Social: Product Responsibility

	Customer health and safety	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	N/R
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	N/R
	Product and service labelling	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	N/R
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	N/R
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	56
	Justice	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	N/R
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	N/R
	Customer privacy	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	N/R
	Compliance	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	N/R

Invitation for feedback.

We are committed to accurately and transparently reporting our environmental, social and economic impacts, risks and opportunities. Feedback, input and suggestions are welcome. Please email your comments to: www.alaskaair.com/consumeraffairs. We are also interested in dialogue with all stakeholders about the issues and challenges of sustainability in our industry and business.

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