

Southwest<sup>®</sup> 



# 2022 One Report

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**On the Cover:** Dallas Ramp Agent, Janritz P. is one of 71,496<sup>1</sup> Employees dedicated to achieving Southwest's Vision to be the world's most loved, most efficient, and most profitable airline.

A photograph of two Southwest Airlines employees in safety vests shaking hands. The employee on the left is wearing a blue long-sleeved shirt with the Southwest logo and a yellow safety vest. The employee on the right is wearing a grey hoodie and a yellow safety vest. They are both smiling and looking at each other. The background is a dark, industrial setting with a fan and some equipment.

# Citizenship

The success of Southwest is built on our unwavering dedication to our Employees, Customers, Shareholders, suppliers, and communities. Our commitment to being a good global citizen continues to contribute to the many opportunities we see for the future of our Company. Every year, we showcase our corporate citizenship initiatives in our annual Southwest Airlines One Report, integrating financial, corporate social responsibility (CSR), and environmental, social, and corporate governance (ESG) reporting into one comprehensive document.

# From Our President & CEO



Southwest Airlines is a Company of People focused on serving our Customers, communities, and each other. Our People are, and always have been, the beating Heart of Southwest Airlines, and we work to advance and protect the things that are important to them. We take pride in our reputation as the airline with Heart, and that naturally extends to a passion for making a difference in our communities and respecting our resources.

A deep feeling of responsibility and genuine care for our local and global community drives our corporate citizenship efforts—our focus on People, Performance, and Planet, all supported with strong corporate governance.

The purpose of our Southwest Airlines One Report is to share our citizenship highlights from the past year—and 2022 was certainly a year full of progress, accomplishments, and validating existing plans for improvement. Through the 2022 One Report, you'll learn how we cultivate a Culture of caring by mobilizing our Employees to put their Heart in action; the details around our refreshed climate strategy and goals; the release of our environmental policy; our updated key topics assessment; and so much more!

We approach corporate citizenship strategically and holistically at Southwest. Doing the right thing and persevering through challenges is in our DNA, and when we establish commitments and goals, we do so with the best intentions in mind and pursue them with the same determination and grit we used in our early battles to get Southwest off the ground. We've come a long way since then, but who we are and what we stand for has never wavered. Even as we acknowledge the operational disruption that occurred in December 2022,

I reflect on Southwest's long history of reliability, innovation and continuous improvement. The disruption will accelerate our plans to enhance our processes and make the necessary changes to address the issues we faced. Together, we'll learn from this experience and work to regain the trust and confidence of our Employees and Customers.

I'm extremely proud of the work we accomplished last year and how we've advanced our corporate citizenship efforts—continuing our commitment to be a good global citizen. The 2022 One Report showcases how we champion causes that matter most, including committing to a diverse and inclusive workforce, setting goals to address our carbon emissions, and investing in community partnerships that drive impact. It's an honor to continue serving our People, Customers, Shareholders, suppliers, and communities.

For 51 years, Southwest Airlines has been a great Company because of our People. A lot of companies provide transportation, or fly airplanes, but no one does it the way we do, with Southwest Heart. That's what the competition can't match, and that's what fuels our continued success.

It's my honor to welcome you to the 2022 Southwest Airlines One Report!

Bob Jordan  
President & Chief Executive Officer



# Purpose, Vision, & The Southwest Way

At Southwest Airlines, our Purpose, Vision, and The Southwest Way (Company Promise, Employee Promise, and Values) guide our everyday actions and long-term business decisions. They come to life through our legendary Hospitality, Customer

Service, and Employee Experience, which supports our world-famous Culture promoted and preserved by our Employees. Living the Southwest Way unites us, giving us a Purpose for today and a Vision for tomorrow.

# The Southwest® Way

## Our Purpose

Connect People to what's important in their lives through friendly, reliable, and low-cost air travel.

## Our Vision

To be the world's most loved, most efficient, and most profitable airline.

## Company Promise

Southwest will provide a stable work environment with equal opportunity for learning and personal growth. Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer.

## Employee Promise

I will demonstrate my Warrior Spirit by striving to be my best and never giving up. I will show my Servant's Heart by delivering Legendary Customer Service and treating others with respect. I will express my Fun-LUVing Attitude by not taking myself too seriously and embracing my Southwest Family.

## Values

### Me

How I Show Up

#### Pride

Have a strong work ethic  
Take initiative  
Be accountable

#### Integrity

Act like an owner  
Choose to do right  
Be courageous

#### Humility

Don't take yourself too seriously  
Keep perspective  
Don't be a jerk

### We

How We Treat Each Other

#### Teamwork

Practice civility  
Embrace Team over self  
Be inclusive

#### Honesty

Speak up  
Be transparent  
Tell the truth

#### Service with LUV

Practice Hospitality  
Live by The Golden Rule  
Don't be rude

### Southwest

How Southwest Succeeds

#### Efficiency

Don't make the easy hard  
Keep costs low  
Stay agile

#### Discipline

Be safe  
Be focused  
Be reliable

#### Excellence

Get results  
Win the right way  
Kick tail



# Reporting Scope

Southwest Airlines is committed to being a good global citizen. Our corporate citizenship efforts guide our commitment to do the right thing by our People, through our Performance, and in service to our Planet, all supported by strong corporate governance. We're passionate about making a difference in our communities and respecting our resources while following The Golden Rule—treating each other and our Customers the way we want to be treated.

The 2022 Southwest Airlines One Report is a snapshot of our Company's ESG efforts that fall under our People, Performance, Planet, and Governance initiatives. To evaluate the most relevant items for inclusion in this report, we conducted a key topics assessment in 2022, and the results are included in the [Governance section](#). The One Report contains feature story highlights for the calendar year, relevant data tables, disclosures on our management approach to these key topics, and disclosures in reference to the Global Reporting Initiative (GRI), informed by the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB), and aligned to the United Nations Sustainable Development Goals (SDGs). The One Report reflects the period of January 1 to December 31, 2022 (unless otherwise noted).

The One Report covers only those business activities for which Southwest generally has complete control or ownership. This report doesn't include facilities primarily controlled by others, such as airport terminal space, or outsourced or subcontracted

*“For more than a decade, Southwest Airlines has delivered transparent and integrated communication around our People, Planet, Performance, and Governance topics through the Southwest Airlines One Report. Our 2022 Report continues to showcase our Southwest Heart through our stories, content, and data on these key topics. We are proud to introduce TCFD disclosures for the first time in the 2022 Report, demonstrating our commitment to continuous improvement and reporting.”*

**Laurie Barnett**

Vice President, Corporate Reputation

facilities. On the following pages, you can read more about our 2022 citizenship activities and how we're aligning our efforts with our Heart for People, respect for the Planet, and dedication to exceptional Performance.

# 2022 Awards

BETTERINVESTING™

Top 100 Company

in 2022



Best Place To Work

For LGBTQ+ Equality in 2022



Ranked #28

on the FORTUNE™ 2022 list of World's Most Admired® Companies

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J.D. POWER

Highest in Customer Satisfaction

among Economy Passengers in 2022

Newsweek

Named an America's Most Responsible Company



Ranked #2 Best Airlines

for 2022



Best Places to Work

list in 2022 for the 13th consecutive year

VICTORY

2022 Military Friendly Company



THE BEST EMPLOYERS FOR DIVERSITY

Forbes

2022







# Corporate Citizenship Goals

Southwest's Vision is to be the world's most loved, most efficient, and most profitable airline. The nature of corporate citizenship aligns with this Vision in a variety of ways as we seek to care for People, extend our Heart for the Planet, and deliver strong operational and financial Performance.

On a broad scale, in 2022, we set specific goals for all Employees to help achieve our Company objectives.

These Performance goals tie in with our overall Vision. Additionally, as a Company, we've set strategic goals in the areas of Diversity, Equity, and Inclusion (DEI) and Environmental Sustainability to advance our corporate citizenship efforts in the specific areas of People and Planet. An overview of these Company goals can be found on the following page, and specific information on progress and targets can be found in the supporting references.

## Performance Goals

### 2022 Company Goals

The 2022 Company Goals Incentive Program is designed to recognize our Employees throughout the year for their continuous efforts toward achieving our Company goals. Leveraging the five focus areas for 2022 from Bob's Blueprint for Success, we set goals to support these objectives.

- **Get Properly Staffed:** Measured by voluntary turnover
- **Focus on People and Culture:** Measured by day-to-day recognition
- **Get Back to Our Historic Operational Reliability and Efficiency:** Measured by on-time performance
- **Restore our Customer Service Advantage:** Measured by Net Promoter Score
- **Return to Consistent Profitability:** Measured by net income

### 2022 Management Short-Term Incentive Scorecard for Executive Officers

In addition to our Company goals for all Employees, in 2022, a portion of the compensation for Executive Officers was tied to the Company's performance with respect to select metrics and targets. For these Executive Officers, our 2022 Management Short-Term Incentive Scorecard took into account, among other things, the Company's major initiatives, which included ESG initiatives such as Diversity, Equity, and Inclusion and Environmental Sustainability. Please see Southwest's [Proxy Statement](#) for the Company's 2023 Annual Meeting of Shareholders for additional information on the details of this scorecard and other compensation information.

## People Goals

In 2020, Southwest Leadership established specific DEI goals to foster a spirit of belonging and inclusion and help our Leadership Teams reflect the nature of the communities we serve. These goals are intended to create more diverse, equitable, and inclusive job opportunities and Candidate pipelines, while fostering a welcoming and inclusive environment to help all Employees grow and develop.

Our DEI goals include:

- **Hiring and development practices:** Evolving hiring and development practices to support diversity goals, including posting all new, open Leadership positions (Vice Presidents and below)
- **Senior Leadership diversity:** Measuring progress toward increasing diversity in Senior Leadership (as compared to July 2020)

- **Senior Management Committee diversity:** Doubling the percentage of racial diversity and increasing gender diversity within our Senior Management Committee by 2025 (as compared to July 2020)
- **Community partners:** Engaging a breadth of community partners to leverage the Company's relationships as we source diverse talent

The Southwest Board of Directors has committed to increasing its diverse representation by 2025 (as compared to 2020).

Additional information on our progress toward these goals can be found in [Diversity, Equity, & Inclusion: Building a Strong Foundation](#).

## Planet Goals

In 2023, we refreshed our climate strategy, including replacing our carbon neutral growth goal with two near-term carbon intensity reduction targets as stated below. Our new 2035 carbon intensity reduction target is based on scientific models<sup>2</sup> that are in alignment with the goals of the Paris Agreement.

Our Environmental Sustainability goals are focused on:

- Reducing our **carbons emissions intensity** 50% by 2035 with an interim goal of 25% by 2030 as compared with 2019<sup>3</sup>
- Replacing 10% of our total jet fuel consumption with **sustainable aviation fuel** by 2030
- Achieving **net zero carbon emissions** by 2050

Additional information on our progress toward these goals can be found in [Our Path to Net Zero](#).





# People

Our reputation as the airline with Heart comes from a long history of putting People first. In 2022, we continued to focus on People all across our organization. Throughout the year, we hired and trained more Employees than ever before in our Company's history—without hitting the brakes on important initiatives to enhance the Employee Experience, strengthen talent development, and make progress on our DEI goals. And in support of our communities, we continued to invest in partnerships and programs that drive economic, social, and environmental impact.



# Diversity, Equity, & Inclusion: Building a Strong Foundation

Southwest Airlines recognizes, respects, and values differences. By fostering a Culture that embraces and utilizes our diversity, we create competitive advantages in Teamwork and innovation that contribute to our overall success. The vision of Diversity, Equity, & Inclusion (DEI) at Southwest is to cultivate a diverse and inclusive environment where all of our People can thrive. We remain focused on operationalizing DEI in our processes and practices to achieve systemic and sustainable change.

<p><b>SDG</b></p> <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; justify-content: space-between;"> <div style="background-color: #28a745; color: white; padding: 5px; text-align: center;"> <b>3</b> GOOD HEALTH AND WELL-BEING             </div> <div style="background-color: #dc3545; color: white; padding: 5px; text-align: center;"> <b>5</b> GENDER EQUALITY             </div> </div> <div style="background-color: #dc3545; color: white; padding: 5px; text-align: center;"> <b>10</b> REDUCED INEQUALITIES             </div> </div>	<p><b>GRI</b></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>401-1</p> </div> <div style="text-align: center;"> <p>405-1</p> </div> </div>
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## Creating a Sense of Belonging Through DEI

We reflect our commitment to DEI in the practices and Teams that turn that commitment into innovation and positive change, including increasing diversity among Leadership and the Board of Directors; evolving our hiring and development practices; and creating robust community partnerships.

The following table outlines the DEI goals we set in 2020 and the actions we've taken toward achieving them. Our DEI goals are aimed at strengthening our Culture and continuing to represent the communities we serve.

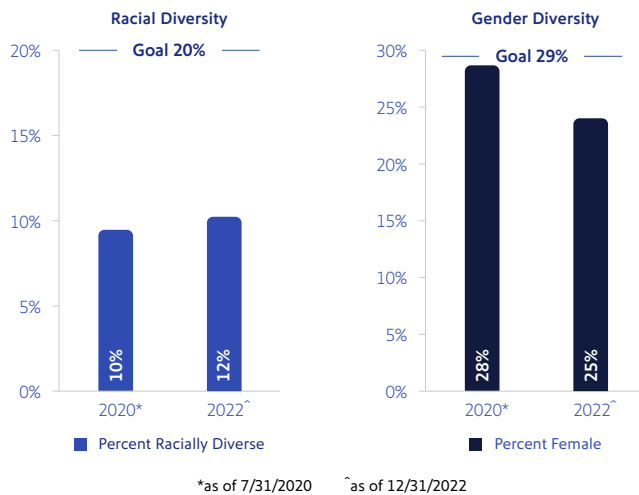
Goal	Actions Taken
<p><b>Hiring &amp; Development Practices:</b> Evolving hiring and development practices to support diversity goals, including posting all new open Leadership positions (Vice Presidents and below) and requiring diverse Candidate slates for each role.</p>	<ul style="list-style-type: none"> <li>Created required diversity hiring training for all Hiring Managers.</li> <li>Created a Diversity Center of Excellence to help identify partners across the country to aid in diversifying our talent pipeline.</li> <li>In 2022, of our more than 18,000 New Hires, 63% were racially diverse, increasing our overall racial diversity from 40% in 2021 to 44%. Additionally, 51% were women, increasing our gender diversity from 43% in 2021 to 44%.</li> </ul>
<p><b>Senior Leadership Diversity:</b> Measuring progress in increasing diversity in Senior Leadership as compared to July 2020.</p>	<ul style="list-style-type: none"> <li>Published our first DEI Report in April 2022 highlighting our efforts in People, Culture, community, and supply chain and shared a diversity breakdown at each level of the organization.</li> <li>Among Senior Leadership (Directors and Senior Directors), racial diversity increased from 15% to 17% and gender diversity has increased from 33% to 37%.</li> </ul>
<p><b>Senior Management Committee (Executive) Diversity:</b> Doubling the percentage of racial diversity and increasing gender diversity in our Senior Management Committee by 2025 as compared to July 2020.</p>	<ul style="list-style-type: none"> <li>Our requirement for posting all new, open Vice President positions is part of our overall Talent and Succession planning activities, which includes a focus on building a diverse bench for our Senior Management Committee.</li> <li>Since 2020, we increased the racial diversity of our Senior Management Committee (SMC) Members by two percentage points.</li> </ul>
<p><b>Community Partners:</b> Engaging a breadth of community partners to leverage the Company's relationships in sourcing diverse talent.</p>	<ul style="list-style-type: none"> <li>With more than 150 community partners, we're working to grow these relationships across the country. We look to our partners to identify diverse Candidate pipelines.</li> <li>In 2022, participated in 78 DEI-focused hiring and outreach events, resulting in nearly 15,000 new Candidates in our resource management system and 263 New Hires.</li> </ul>



Joining us in this effort, the Southwest Airlines Board of Directors committed to increasing diverse representation on the Board by 2025 (as compared to 2020). For additional information on this commitment, please refer to the [Board Composition](#) topic in the Governance section. Our DE&I Department drives initiatives to fulfill our commitments and goals by establishing a cross-functional Executive Steering Committee and working Team. These goals reflect our commitment to strengthen our efforts to create more diverse, equitable, and inclusive opportunities, Candidate pipelines, and work experiences for all Employees.

## Executive Leadership<sup>4</sup> Diversity

Since 2020, we've seen an increase in the racial diversity of our Senior Management Committee (SMC) from 10% to 12%



The DE&I Department has four distinct focus areas to help us meet our goals: Culture and Values; Talent; Brand, Reputation and Social Topics; and Communication and Reporting. Our focus on Culture and Values empowers Employees through resources, events, recognition, and cultural, heritage, and pride celebrations. These efforts provide educational tools and opportunities for Employees to celebrate who they are and feel encouraged to bring their whole selves to work. Diversifying our talent pipelines is important to Southwest to build a foundation for Employees and Leadership development in our Talent focus area.

The focus area of Brand, Reputation, and Social Topics blends our DEI narrative and Company messaging while aligning our DEI progress and our reputation. Regular communication and updates increase the transparency of our DEI efforts and data through our focus area of Communication and Reporting. Together, these focus areas help Southwest identify opportunities and move our DEI efforts forward. Additional information about these focus areas is available in the [DEI Report](#).

We're also focused on initiatives that support diverse and inclusive recruiting efforts, which help bolster our Candidate and Leadership pipelines. We recognize the importance of leveraging the right tools and processes in succession planning and Team development.

Fostering a spirit of diversity has long been part of our DNA. Our Founder, Herb Kelleher emphasized the importance of this concept when he offered these remarks as part of a university commencement address: "You must value diversity in organizations. A multitude of People with the same origins, backgrounds, thoughts, and philosophies will lead you to a harmonious, placid, contented, and self-satisfied organizational result: disaster." Therefore, our desire for diversity represents a strategic opportunity. We recognize that our driving force is our People. We are stronger because of the unique perspectives from a diverse and inclusive workforce.

Across the organization, we focus on diversity through the development of our existing talent through formal mentorship and sponsorship programs. These programs are just another way to develop our Employees and build our talent pipeline. More information about these programs is available in [Our Milestone Year for Talent](#) and our [management approach to Employee Training, Education, & Career Development](#).

*"While DEI is not new at Southwest, in recent years, we've publicly committed to an even greater focus on diversity. I am proud of our momentum and the advancements we have made. Increasing diversity takes intention, and we remain dedicated to our diversity journey; but we know that significant change takes time and collective effort. Just as critical, we are committed to an inclusive workplace where all feel respected and appreciated. As history has shown, no matter the role at Southwest Airlines, when our Employees join together, there is nothing we can't accomplish. It really does take Every. Single. One. Of. Us."*

**JUAN SUAREZ**

Vice President, Diversity, Equity, & Inclusion

## DEI Initiatives Across the Organization

- Diversity Council:** The Diversity Council was created in 2007 to create awareness of and show appreciation for cultural or lifestyle differences within our diverse workforce. The Council has grown significantly over the years, now welcoming 135 diverse Employees from different backgrounds, roles, and workgroups across the Company in 2022. The Diversity Council serves as a strategic asset to the business by promoting a work environment that celebrates differences, fosters inclusion, and leverages diversity to enhance organizational performance. We're intentional about advancing adequate and inclusive representation for Employees to foster cooperation and collaboration with the Diversity Council and to look beyond individual priorities to foster an inclusive workplace for all.
- Employee-Led Groups (ELGs):** Meant to create a community amongst Employees while promoting diversity, inclusion, and fostering relationships, ELGs are

Employee-driven, inclusive for all, and organic. When you think of the history of Southwest Airlines, you think of connectedness, and we encourage Employees with similar interests to engage with the DE&I Department to create ELGs that enhance a sense of belonging. There were 10 established ELGs at Southwest as of December 31, 2022.

- 2022 Inclusion Summit:** In 2022, more than 550 Cohearts (our word for Coworkers) joined in person and virtually for the return of our Inclusion Summit! Our Inclusion Summit centered on Allyship. Allyship has always been a part of who we are at Southwest. Allyship isn't only a noun, but also a verb. It requires intentional action to foster a work environment where Employees feel welcomed and encouraged to bring their whole selves to work, where they feel valued for who they are, and where they're comfortable contributing. During the Summit, Employees explored the meaning of Allyship and how best to incorporate that in the workplace.

## Employee-Led Groups (ELGs)



### Purpose

- Employee-created and driven
- Recreational involvement
- Inclusive and open to all
- Officially registered with DE&I Department
- Operates within SWA expectations



### Support

- Access to Company facilities (i.e. conference rooms, gathering spaces)
- Use of Company communication channels



### ELG Examples

- Encompass: A safe space and resource for LGBTQ+ Employees, Families, and Allies
- Tribe: An inclusive network of Black Employees and their Allies
- SWAnos: An open space to share all things Hispanic and Latinx culture at Southwest Airlines



## New Destination 225° Partnerships

We proudly welcomed two new university partners into our Destination 225° (D225) Pilot pathways program in 2022. The program, named after the southwest heading on a compass, guides aspiring professional aviators to Southwest Airlines via defined training and flight experience pathways. Students build post-graduate flight instructing time within their college's flight program to become competitively qualified to interview for a first officer role at one of the program's partner carriers. As of the end of 2022, there are more than 400 participants across the Employee, university, and cadet pathways.

New university partnerships included Texas Southern University (TSU), a Historically Black College or University (HBCU), and Angelo State University (ASU), a Hispanic-Serving Institution in San Angelo, Texas. TSU and ASU join current D225 university partners Arizona State University, Southeastern Oklahoma State University, University of Nebraska at Omaha, and the University of Oklahoma. Southwest also welcomed two new program partners to D225—Advanced Airlines and SkyWest Airlines.

In addition to adding new university and program partners, we re-launched our D225 Military Pathway. This pathway supports veteran hiring at Southwest by enabling Rotor and Powerlift pilots to gain the fixed-wing experience needed to be qualified for a Southwest First Officer Role. All D225 participants are connected to a line pilot mentor to support their path to the Southwest flight deck.

We recognize the importance of embracing DEI in our hiring processes and practices and cultivating a diverse and inclusive experience for all to thrive. We're committed to fueling this momentum and striving for sustainable and systemic change through consistent progress. We're hopeful that these partnerships and defined career pathways for professional aviators support underrepresented pilots in their efforts to join the Southwest Family.

For additional information about our approach to DE&I, please see the [management approach to Diversity, Equity, & Inclusion](#) in the Governance section of this report.










# Our Milestone Year for Talent

When People are the Heart of your business, their talent development is a top priority. And throughout 2022, we proved it. Following the pandemic, we quickly moved to get properly staffed to restore the network and operation, going from minimal hiring in early 2021 to hiring and training more People than ever in our Company’s history. And we did it all while providing a best-in-class experience for new Employees without relaxing our high training standards.

In 2022, we welcomed more than 18,000 new Employees to the Southwest Family. We’ve never hired this many People in one year in our history—not even when we acquired AirTran in 2011. Southwest prepared for the hiring surge through various initiatives, including scaling our Training Teams and increasing class capacity and frequency to support the large volume of training required.

<b>SDG</b>		<b>GRI</b>	
		401-1	404-2
		404-1	

We also partnered with Operational Leadership to accommodate the mass training required for our new Ground Operations Employees. Today, we continue to invest in technology and process improvements to maintain our edge in the race for talent while reducing our total time to hire from date of application to first day as an Employee.

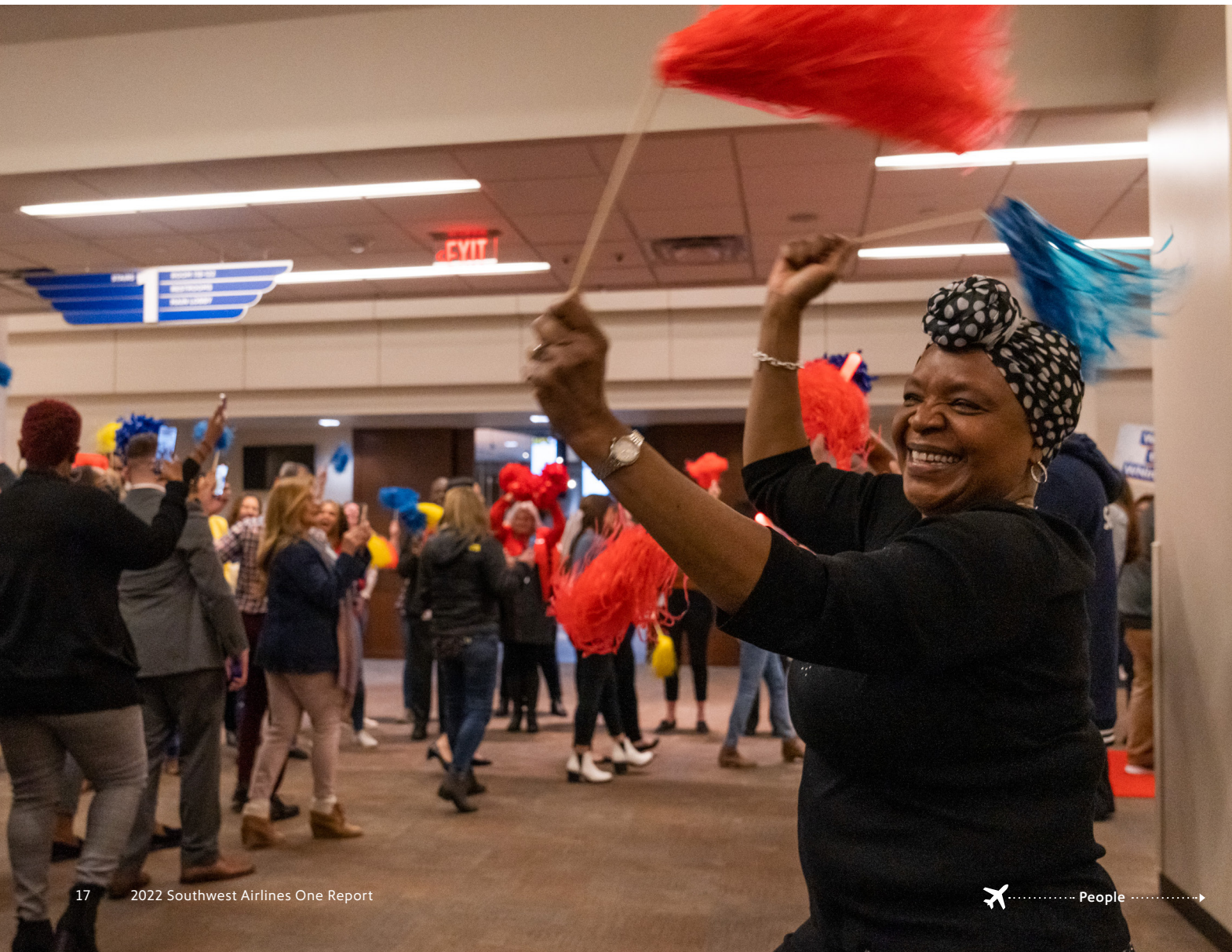
In February 2022, our Now Onboarding program returned to an in-person experience. The program welcomes and introduces New Hires to the Southwest Family by providing a consistent, high-impact onboarding experience across all workgroups and departments. New Hires learn about our history, Company Culture, Purpose, Vision, The Southwest Way, Hospitality, DEI commitments and goals, and other resources like our recognition programs, perks, and benefits.

We understand that onboarding is more than a series of processes, trainings, and tools. When we listen to our Employees, we often hear that one of the most important things for a New Hire is how they feel welcomed in those first few weeks. It's all about our Culture of caring. We're a Company that takes care of its People and its communities, and our People take care of each other.

As we welcomed thousands of Southwest Employees into the Company, we made New Hires feel welcomed, cared for, and appreciated. We reintroduced our WingMate Program,

similar to a program unveiled during the AirTran integration. WingMates are Southwest Employees who reach out to New Hires and welcome them to the Southwest Family and our Culture. Volunteering as a WingMate is an opportunity for current Employees to contribute to our staffing, retention efforts, and Culture.

Partnering with Teams across the Company, we identified ways to improve our onboarding program to help provide our new People with the best onboarding experience possible. One of those opportunities included sending a welcome box to new Employees' homes that featured a message from Southwest President & CEO Bob Jordan. Similar to a college acceptance packet, the boxes created a dynamic start to the onboarding experience. They instantly connected New Hires to our Culture and set the tone for what they can expect when they join the Southwest Family. We want our People to feel that they're part of a winning Team, that they matter, and can be uniquely themselves at Southwest.



## Employee and Leadership Development

Empowering Southwest Employees to realize their full potential cultivates the next generation of talent and Leaders. Along with initiatives designed to bring new Employees in the door, we also implemented initiatives to develop and retain our phenomenal Employees.

We want to set up our People, present and future, to achieve their professional goals through learning and personal growth. Programs like our High Impact Development Portfolio and Mentorship program provide talent development opportunities for Employees at different levels, no matter where they're at in their Southwest career.

- High Impact Development Portfolio:** Expedites the development of our high-performing Leaders. These programs help them grow their Leadership acumen and foster opportunities for them to apply their Leadership skills in real-world environments. The programs combine educational, experiential, and reflective experiences for participants through a rigorous curriculum. Leaders receive content in various modalities, including virtual, in-person, and self-paced opportunities. Only Leaders with direct reports can apply for our High Impact Programs. Our first cohort of the High Impact Leader II Program included 35 diverse Leaders representing various backgrounds, experiences, and departments within Southwest. Each participant brought the unique perspective and skills necessary to lead Southwest Airlines into the future.
- Mentorship program:** A six-month formal mentorship pairing between two Southwest Employees. After choosing a focus area, a Mentee receives a Mentor who

can help them grow in that focus. Employees at the Company for at least six months can be a Mentee, and all are encouraged to take advantage of this program, whether their goal is to learn a new skill, explore a different part of the business, or grow in Leadership. While there are many ways for Employees to develop themselves professionally and personally, mentorship provides a unique opportunity to learn from one another and build new relationships. Every pairing receives a Mentorship Guidebook, extensive internal and external resources, and support from the Mentorship Program Team to help create meaningful connections.

From a talent perspective, 2022 was a milestone year. And despite a difficult labor market, Southwest continues to be selective, hiring only 4.3% of all applicants.

As the needs of our workforce evolve, we continue to update, enhance, and create meaningful learning and development programs and events to support our People. We're focused on improving the work environment for our People and providing a quality travel experience for our Customers—both of which put us in a better position to grow our operation.

For additional information about our Employee hiring, please see the [management approach to Retention & Recruitment](#) in the Governance section of this report.

*"Belonging & Inclusion have always been at the Heart of who we are at Southwest, and we're focused on evolving our hiring, training, and development processes to drive progress and change. By engaging, understanding, and drawing on various perspectives, we can continue celebrating our People and further enrich our Culture."*

**ELIZABETH BRYANT**

Senior Vice President, People, Learning, & Development





# Investing in Our Employee Experience

Southwest Airlines is committed to setting our Employees up for success in their personal development. That means investing in quality training and tools to empower them to take charge. We often receive accolades as an employer of choice because of our dedication to our People. Our Employees are the Heart of Southwest, and we've long believed that if you treat your Employees well, they'll treat your Customers well in return. This has been a powerful competitive advantage that we believe has improved our bottom line. Here are some examples of how we've continued to enhance our Employee Experience throughout 2022.

## Workday Launch

Throughout the history of Southwest, we've worked to enhance the Employee Experience by upgrading and improving various technology systems that perform and support core back-office functions.

<p><b>SDG</b></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> </div>	<p><b>GRI</b></p> <p>401-2      403-6</p>
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From our careers site replacing job postings on bulletin boards to our nonrevenue travel tool eliminating the need for paper forms, we want to make life easier for our Employees.

Continuing with that tradition, we introduced Workday in the summer of 2022. Workday is our new human resources (HR) platform that manages People and payroll-related data and processes. Although many enhancements occur in the background, the technology upgrade provides several great benefits for Southwest Employees and Leaders.

Through Workday, Employees now enjoy an easy way to perform many HR functions on any device, anytime, anywhere, including tasks like updating personal and payroll information.

For Noncontract Employees, Workday now streamlines processes for performance management—an improvement from previous PDF-based processes. And for Leaders, Workday can streamline talent management in real-time, putting a world of data around hiring, compensation, and performance management at their fingertips.

Technology and process improvements of this magnitude don't happen quickly or easily. We're proud of the cross-functional Teams whose hard work and dedication brought these new capabilities to life.

## Our Focus on Mental Health

We recognize our Employees' overall wellbeing contributes to them living fulfilling and productive lives. And we know mental wellbeing plays an important role. Throughout 2022, we focused on providing our Employees with important benefits and resources at no cost to help improve and maintain their mental health.

As part of our ClearSkies Employee Assistance Program (EAP), we now offer up to eight mental health telesessions per event at no cost through CuraLinc Healthcare, a mental health counseling teletherapy service. These benefits begin on day one of employment, regardless of the type of medical coverage the Employee elects (and even if the Employee declines medical coverage). ClearSkies also assists Employees with family and caregiving concerns, workplace challenges, relationship issues, stress and anxiety, and other behavioral health issues through counseling and specialized services. This program helps our Employees receive the support they need, wherever and whenever they need it. ClearSkies also offer resources such as child care referrals, financial planning, elder and adult care referrals, identity theft, and legal services.

Throughout the year, we also hosted monthly webinars dedicated to wellbeing, covering mental, physical, and financial health. We urged Employees to tap into these

webinars to support their wellbeing and identify additional resources available to them and their families.

Finally, we commemorated World Mental Health Day in October 2022 to raise awareness about mental health issues and mobilize our efforts supporting mental health. Southwest used the day as an opportunity to rekindle efforts to protect and improve mental health and remind Employees about available resources.

## Embracing Neurodiversity in the Workplace

Embracing neurodiversity in the workplace means being inclusive of People who view, understand, and think about the world differently. The term neurodiversity describes the range of differences in brain function and behavioral traits among individuals. Some conditions recognized as neurodivergent include autism spectrum disorder (ASD), attention deficit hyperactivity disorder (ADHD), Asperger's syndrome, dyspraxia, dyslexia, and Tourette syndrome.

In support of Southwest's continued commitment to DEI, the Company introduced a Campus Reach Neurodiversity Internship Program for eligible part-time and full-time college students. This program is designed for neurodiverse individuals with an autism spectrum disorder. We welcomed our first group of these Interns to the Southwest Family in the summer of 2022, eager to hear their fresh ideas and perspectives, and see the impact they'd have, not only within their workgroups or departments but our business overall.

Students selected for the program immerse themselves in Southwest's Campus Reach program, receive mentorship, and discover various career development opportunities throughout the summer. Interns and their Leaders also receive access to a Job Coach during the internship for additional support. The Campus Reach Neurodiversity program is part of a journey to remove barriers that may otherwise limit neurodiverse individuals from fully showcasing their strengths, abilities, and potential in the workforce.

# Southwest Employee Snapshot 2022



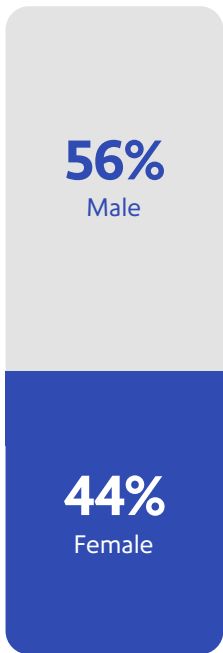
# 71,496

Total Employees at Year-end<sup>1</sup>

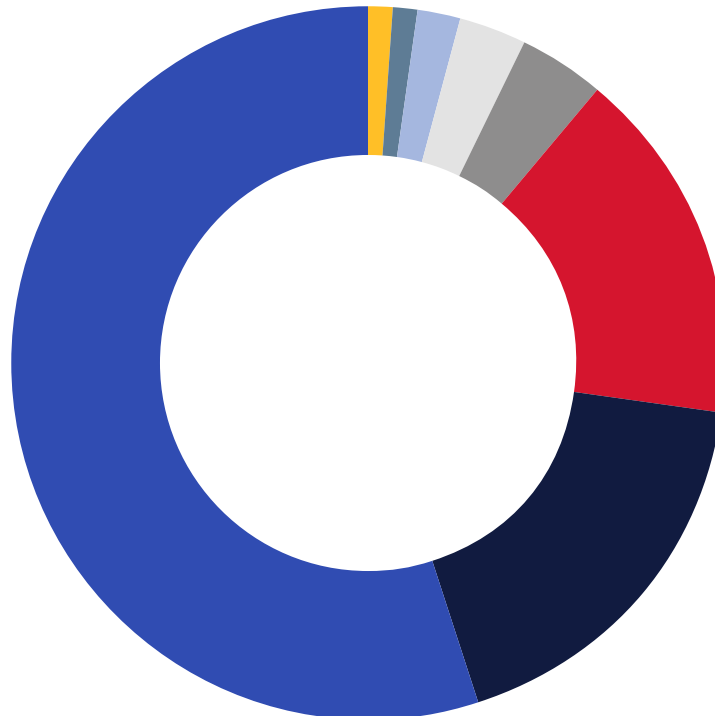
# 18,613

Total Number of New Hires Hired in 2022

## By Gender:



## By Ethnicity/Race:

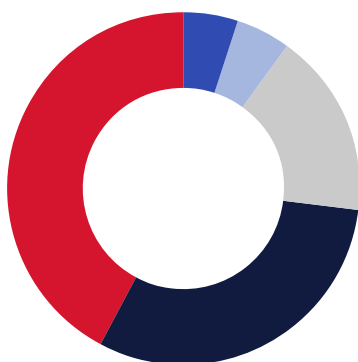


- 55% White
- 18% Black or African American
- 16% Hispanic or Latino
- 4% Asian
- 3% Two or More Races
- 2% Native Hawaiian or Other Pacific Islander
- 1% American Indian or Alaska Native
- 1% Not Disclosed

## By Generation:<sup>5</sup>

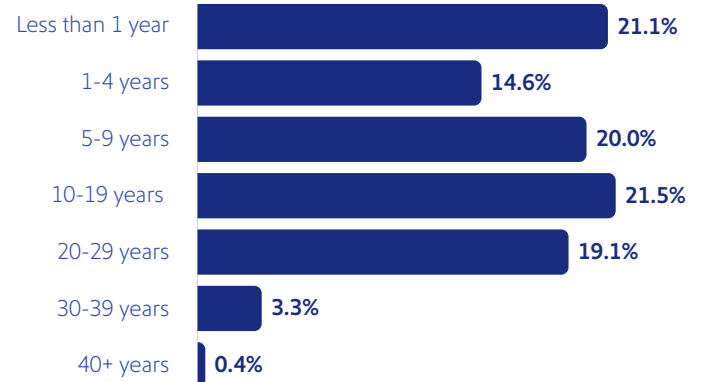
0.1% Silent    17.2% Baby Boomers    42.8% Generation X    34.6% Millennial    5.3% Generation Z

## By Workgroup:



- 42% Air Operations<sup>6</sup>
- 31% Ground Operations
- 17% Noncontract Management and Administration
- 5% Customer and Source of Support Representatives
- 5% Technical Operations (Maintenance)

## By Tenure:





# Driving Impact Through Community Outreach

To help advance Southwest’s citizenship efforts, our Community Outreach Team focuses on three principles: loving People, building resilience, and living responsibly. We bring these principles to life by investing in partnerships and programs that drive economic, social, and environmental impact. Through our investments and initiatives, we generate value for our business, our Customers, and our communities.

We create a Culture of caring by mobilizing our Employees to put their Hearts in action. Our innovative and impactful programs and partnerships aim to meet the needs of our diverse communities through active engagement with businesses, civic, and community organizations.

<b>SDG</b>		<b>GRI</b>	
		203-1	306-4
		203-2	

We strive to be a globally trusted citizen by fostering authentic relationships that empower communities to thrive. Whether in the air or on the ground, we believe community is more than a place—it’s at the Heart of what brings us together.

## Medical Transportation Grant Program Celebrates Milestone 15th Anniversary

Our Medical Transportation Grant Program (MTGP) represents one of the many ways we connect with our communities. Through this special community program, Southwest provides complimentary round trip airline tickets to nonprofit hospitals and medical transportation organizations, lessening the financial burden on patients and their families that need to travel for specialized lifesaving or life-changing medical care.

In 2022, we celebrated MTGP's milestone 15th anniversary year and donated more than \$4 million in free transportation to 76 hospitals and organizations nationwide. As part of the milestone celebration and as a thank you to our hardworking healthcare heroes, we also donated 15 additional round trip flights to each participating hospital or organization to further advance their missions.

As we reflect on 15 years of giving through this program, we're reminded of the more than 100,000 patients and caregivers we've supported. Since its inception in 2007, we've distributed more than \$42 million in free transportation to 117 nonprofit hospitals and medical organizations in 28 states. Travel support through MTGP provides some financial relief so patients in need can focus on what matters most—their health and wellbeing. Southwest is proud to support patients through their medical journey and connect them to what's most important in their lives.

*"To celebrate 15 years of assisting patients through the Medical Transportation Grant Program, Southwest provided 15 round trip tickets that we used to recognize our hard-working team of caregivers and their commitment to improving the health and wellbeing of the patients in our community. We are so grateful for Southwest's generosity and their partnership as a MTGP recipient."*

### LINDA PUU

Senior Vice President, Queen's Health System Chief Nurse, Executive and Quality and Patient Safety





## Expanding Repurpose with Purpose

Repurpose with Purpose is one of our signature programs that gives back to communities all over the world, all while helping Southwest show our Heart for the Planet. Through this global sustainability initiative, more than a million pounds of leather aircraft seat covers have been upcycled into new products. At Southwest, we're proud to partner with organizations to reimagine thousands of pounds of leather annually, helping to keep it out of landfills. Since 2014, we've donated more than \$1.3 million in grants and more than 1.4 million pounds of leather to provide employment, skills training, and other social benefits for organizations and communities.

In 2022, we proudly welcomed the Tropical Agricultural and Higher Education Center (CATIE) to the Repurpose with Purpose family! Headquartered in Turrialba, Costa Rica, CATIE is a regional center dedicated to research and graduate education in agriculture and the management, conservation, and sustainable use of natural resources.

The mission of CATIE aligns with our focus to be a leading global citizen—making its work a perfect match for our Repurpose with Purpose initiative. Through leather and cash grants from Southwest, CATIE's Microenterprise Incubator teaches women from rural areas how to transform upcycled leather into beautiful products and then market the items to generate financial support for their families and communities.

We look forward to continuing to expand our partnership with CATIE to inspire and empower women across Costa Rica.

## Paul Quinn College Partnership

Southwest Airlines has long believed educated communities are empowered communities. We continue to invest in workforce development programs that introduce students to the diverse career opportunities in the aviation industry.

In 2022, we announced our partnership with Paul Quinn College, becoming the college's official airline and a member of the school's celebrated Urban Work College Program. Located in Dallas, Texas, Paul Quinn is the first Urban Work College Program and the only minority-serving, federally recognized work college in America. The program, which started in 2015, provides students with the opportunity to gain real-world work experience while limiting their reliance on student loans. The partnership between Southwest Airlines and the Paul Quinn Urban Work College Program also includes dedicated, paid internships for students at the college with ongoing educational opportunities. Students selected for a Southwest internship receive opportunities to work in vital areas of our business like the Finance Department and our world-class Network Operations Control Center, which functions as the nerve center of Southwest's daily operations.

*"We are inspired by the work that is in motion at Paul Quinn's Urban Work College Program, which aligns with our commitment to developing programs that meet the needs of our diverse communities. We look forward to providing an educational experience for Paul Quinn students and hope they develop a passion and interest in the aviation industry."*

**LAURA NIETO**

Director, Community Outreach



# People Data Table

## Total Employees by Category and Race/Ethnicity as of December 31, 2022<sup>1</sup>

	Not Disclosed	American Indian or Alaska Native	Asian	Black or African American	Hispanic or Latino	Native Hawaiian or Other Pacific Islander	Two or More Races	White	Total
<b>Employees Under a Collective Bargaining Agreement</b>									
Pilots	72	55	154	133	387	13	156	9,013	9,983
	0.7%	0.6%	1.5%	1.3%	3.9%	0.1%	1.6%	90.3%	100.0%
Flight Attendants	77	144	535	3,161	2,624	127	596	11,998	19,262
	0.4%	0.7%	2.8%	16.4%	13.6%	0.7%	3.1%	62.3%	100.0%
Dispatchers, Meteorologists, Simulator Technicians, and Flight Training Instructors	5	3	37	36	64	1	12	614	772
	0.6%	0.4%	4.8%	4.7%	8.3%	0.1%	1.6%	79.5%	100.0%
Ground Operations	132	142	1,057	6,268	4,964	1,058	839	7,485	21,945
	0.6%	0.6%	4.8%	28.6%	22.6%	4.8%	3.8%	34.2%	100.0%
Technical Operations (Maintenance)	16	26	169	371	619	24	67	2,252	3,544
	0.5%	0.7%	4.8%	10.5%	17.5%	0.7%	1.9%	63.4%	100.0%
Customer and Source of Support Representatives	21	27	63	1,168	1,002	55	138	1,028	3,502
	0.6%	0.8%	1.8%	33.3%	28.6%	1.6%	3.9%	29.4%	100.0%
Total Employees Under Collective Bargaining Agreement	323	397	2,015	11,137	9,660	1,278	1,808	32,390	59,008
	0.5%	0.7%	3.4%	18.9%	16.4%	2.2%	3.1%	54.8%	100.0%
<b>Noncontract Employees<sup>7</sup></b>									
Executives <sup>4</sup>	1	—	—	3	5	—	—	58	67
	1.5%	—%	—%	4.5%	7.5%	—%	—%	86.5%	100.0%
Other Leaders <sup>8</sup>	27	30	246	1,020	843	125	195	3,084	5,570
	0.5%	0.5%	4.4%	18.3%	15.1%	2.2%	3.5%	55.5%	100.0%
Individual Contributors	70	36	814	926	935	22	225	3,823	6,851
	1.0%	0.5%	11.9%	13.5%	13.6%	0.3%	3.3%	55.9%	100.0%
Total Noncontract Employees	98	66	1,060	1,949	1,783	147	420	6,965	12,488
	0.8%	0.5%	8.5%	15.6%	14.3%	1.2%	3.4%	55.7%	100.0%
Total Employees	421	463	3,075	13,086	11,443	1,425	2,228	39,355	71,496
	0.6%	0.6%	4.3%	18.3%	16.0%	2.0%	3.1%	55.1%	100.0%

**Total Employees by Category and Gender as of December 31, 2022<sup>1</sup>**

	Female	Male	Total
<b>Employees Under a Collective Bargaining Agreement</b>			
Pilots	413	9,570	9,983
	4%	96%	100%
Flight Attendants	14,844	4,418	19,262
	77%	23%	100%
Dispatchers, Meteorologist, Simulator Technicians, and Training Instructors	112	660	772
	15%	85%	100%
Ground Operations	7,704	14,241	21,945
	35%	65%	100%
Technical Operations (Maintenance)	154	3,390	3,544
	4%	96%	100%
Customer and Source of Support Representatives	3,009	493	3,502
	86%	14%	100%
<b>Total Employees Under a Collective Bargaining Agreement</b>	<b>26,236</b>	<b>32,772</b>	<b>59,008</b>
	<b>44%</b>	<b>56%</b>	<b>100%</b>
<b>Noncontract Employees<sup>7</sup></b>			
Executives <sup>4</sup>	17	50	67
	25%	75%	100%
Other Leaders <sup>8</sup>	1,921	3,649	5,570
	34%	66%	100%
Individual Contributors	3,454	3,397	6,851
	50%	50%	100%
<b>Total Noncontract Employees</b>	<b>5,392</b>	<b>7,096</b>	<b>12,488</b>
	<b>43%</b>	<b>57%</b>	<b>100%</b>
<b>Total Employees</b>	<b>31,628</b>	<b>39,868</b>	<b>71,496</b>
	<b>44%</b>	<b>56%</b>	<b>100%</b>

<b>Workforce</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Employees <sup>9</sup>	71,496	59,643	59,720	64,853	62,865
Non-Employee Workers <sup>10</sup>	316	346	Not Reported	Not Reported	Not Reported
Active, full-time equivalent <sup>11</sup>	66,656	55,093	56,537	60,767	58,803

<b>Total Employees by Workgroup and Percent of Company<sup>9,12</sup></b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Air Operations <sup>6</sup>	30,017	25,624	25,606	27,295	26,386
	42%	43%	43%	42%	42%
Ground Operations	21,945	18,174	18,562	20,110	19,681
	31%	30%	31%	31%	31%
Technical Operations (Maintenance)	3,544	3,185	3,074	3,297	3,102
	5%	5%	5%	5%	5%
Customer and Source of Support Representatives	3,502	2,754	2,828	3,260	3,423
	5%	5%	5%	5%	5%
Noncontract <sup>7</sup> Leadership and Individual Contributors	12,488	9,906	9,650	10,891	10,273
	17%	17%	16%	17%	17%

<b>Total Employee<sup>9</sup> Demographic Information</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Percent of Employees by Gender	56% Male	57% Male	58% Male	57% Male	57% Male
	44% Female	43% Female	42% Female	43% Female	43% Female

#### Percent of Employees Segmented by Full-time/Part-time and Gender:

Full-time	55% Male	56% Male	Not Reported	Not Reported	Not Reported
	43% Female	42% Female	Not Reported	Not Reported	Not Reported
Part-time	1% Male	1% Male	Not Reported	Not Reported	Not Reported
	1% Female	1% Female	Not Reported	Not Reported	Not Reported

#### Percent of Employees Segmented by Age and Gender:

Under 30 years old	7% Male	5% Male	Not Reported	Not Reported	Not Reported
	6% Female	4% Female	Not Reported	Not Reported	Not Reported
30-50 years old	27% Male	28% Male	Not Reported	Not Reported	Not Reported
	22% Female	20% Female	Not Reported	Not Reported	Not Reported
Over 50 years old	21% Male	24% Male	Not Reported	Not Reported	Not Reported
	17% Female	19% Female	Not Reported	Not Reported	Not Reported

### Percent of Employees by Gender within each Category:

	2022	2021	2020	2019	2018
Executives <sup>4</sup>	75% Male	69% Male	Not Reported	Not Reported	Not Reported
	25% Female	31% Female	Not Reported	Not Reported	Not Reported
Other Leaders <sup>8</sup>	66% Male	66% Male	Not Reported	Not Reported	Not Reported
	34% Female	34% Female	Not Reported	Not Reported	Not Reported
All Other Employees	55% Male	57% Male	Not Reported	Not Reported	Not Reported
	45% Female	43% Female	Not Reported	Not Reported	Not Reported

### Percent of Employees by Age within each Category:

Executives <sup>4</sup>	< 30	0%	0%	Not Reported	Not Reported	Not Reported
	30 - 50	45%	31%	Not Reported	Not Reported	Not Reported
	> 50	55%	69%	Not Reported	Not Reported	Not Reported
Other Leaders <sup>8</sup>	< 30	7%	6%	Not Reported	Not Reported	Not Reported
	30 - 50	58%	54%	Not Reported	Not Reported	Not Reported
	> 50	35%	40%	Not Reported	Not Reported	Not Reported
All Other Employees	< 30	13%	9%	Not Reported	Not Reported	Not Reported
	30 - 50	49%	48%	Not Reported	Not Reported	Not Reported
	> 50	38%	43%	Not Reported	Not Reported	Not Reported

### Percent of Employees Segmented by Generation:<sup>5</sup>

Silent	0.1%	Not Reported	Not Reported	Not Reported	Not Reported
Baby Boomers	17.2%	Not Reported	Not Reported	Not Reported	Not Reported
Generation X	42.8%	Not Reported	Not Reported	Not Reported	Not Reported
Millennial	34.6%	Not Reported	Not Reported	Not Reported	Not Reported
Generation Z	5.3%	Not Reported	Not Reported	Not Reported	Not Reported

### Percent of Total Employees Segmented by Race/Ethnicity<sup>9</sup>

	2022	2021	2020	2019	2018
American Indian or Alaska Native	0.6%	0.7%	0.7%	Not Reported	Not Reported
Asian	4.3%	4.1%	3.9%	Not Reported	Not Reported
Black or African American	18.3%	16.4%	16.3%	Not Reported	Not Reported
Hispanic or Latino	16.0%	15.1%	14.8%	Not Reported	Not Reported
Native Hawaiian or Other Pacific Islander	2.0%	1.6%	1.5%	Not Reported	Not Reported
Two or More Races	3.1%	2.7%	2.6%	Not Reported	Not Reported
White	55.1%	59.4%	60.2%	Not Reported	Not Reported
Not Disclosed	0.6%	Approximately 0.1%	Approximately 0.1%	Not Reported	Not Reported

<b>Percent of Employees by Category who are Racially/Ethnically Diverse:</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Executives <sup>4</sup>	11.9%	11.3%	Not Reported	Not Reported	Not Reported
Other Leaders <sup>8</sup>	44.1%	40.1%	Not Reported	Not Reported	Not Reported
All Other Employees	44.4%	40.7%	Not Reported	Not Reported	Not Reported
<b>Benefits</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Active and inactive Employees who participate in benefits programs excluding 401(k) and Profitsharing Plans and share-based compensation	More than 71,400	More than 59,600	More than 59,700	More than 64,800	More than 62,800
Company contributions to Employee benefit programs excluding 401(k) and ProfitSharing Plans and share-based compensation (accrued) <sup>13</sup>	More than \$1.5 billion	More than \$1.1 billion	More than \$1.3 billion	More than \$1.3 billion	More than \$1.2 billion
401(k) savings plan participation	92%	92%	92%	91%	91%
ProfitSharing Plan participation	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees
Company contributions to 401(k) and ProfitSharing Plans	\$793 million	\$749 million	\$561 million	\$1.2 billion	\$1.0 billion
Total number of Noncontract Employees that were eligible for paid parental leave <sup>14,12</sup>	5,606 Male 4,242 Female	5,511 Male 4,089 Female	Not Reported	Not Reported	Not Reported
Total number of Noncontract Employees that took paid parental leave, by gender <sup>14,12</sup>	169 Male 99 Female	185 Male 105 Female	Not Reported	Not Reported	Not Reported
Total number of Noncontract Employees that returned to work after parental leave ended, by gender <sup>14,12</sup>	166 Male 94 Female	182 Male 105 Female	Not Reported	Not Reported	Not Reported
Total number of Noncontract Employees that returned to work after parental leave ended and are still employed 12 months after their return to work, by gender <sup>14,12</sup>	150 Male 83 Female	167 Male 91 Female	Not Reported	Not Reported	Not Reported
Return to work rate of Noncontract Employees that took parental leave, by gender <sup>15,12</sup>	98.2% Male 94.9% Female	98.4% Male 100% Female	Not Reported	Not Reported	Not Reported
Return to work retention rate of Noncontract Employees that took parental leave, by gender <sup>16,12</sup>	88.8% Male 83.8% Female	90.3% Male 86.7% Female	Not Reported	Not Reported	Not Reported

Hiring and Turnover	2022	2021	2020	2019	2018
New Hires during the reporting period, by age and gender: under 30 years old	3,608 Male	663 Male	215 Male	1,093 Male	1,450 Male
	3,439 Female	529 Female	133 Female	787 Female	1,038 Female
New Hires during the reporting period, by age and gender: 30-50 years old	4,395 Male	918 Male	254 Male	1,530 Male	1,871 Male
	4,351 Female	794 Female	235 Female	1,014 Female	1,092 Female
New Hires during the reporting period, by age and gender: over 50 years old	1,210 Male	325 Male	67 Male	379 Male	444 Male
	1,610 Female	385 Female	73 Female	422 Female	439 Female
Turnover during the reporting period, by age and gender: under 30 years old	1,169 Male	489 Male	Not Reported	Not Reported	Not Reported
	839 Female	322 Female	Not Reported	Not Reported	Not Reported
Turnover during the reporting period, by age and gender: 30-50 years old	1,547 Male	829 Male	Not Reported	Not Reported	Not Reported
	1,381 Female	660 Female	Not Reported	Not Reported	Not Reported
Turnover during the reporting period, by age and gender: over 50 years old	926 Male	683 Male	Not Reported	Not Reported	Not Reported
	898 Female	708 Female	Not Reported	Not Reported	Not Reported
Total Turnover <sup>12,17</sup>	9.5%	6.2%	Not Reported	Not Reported	Not Reported

Workgroup Training Hours	2022	2021	2020	2019	2018
Pilots	849,145	378,722	252,030	482,473	543,360
Flight Attendants	954,154	347,283	263,811	427,705	442,807
Ground Operations	1,478,013	775,770	507,164	887,627	737,256
Technical Operations (Maintenance)	363,375	276,937	185,148	165,630	166,234
Customer and Source of Support Representatives	342,462	117,382	63,841	134,783	181,670

### Training Hours by Topic (all Employees)

Safety and Security <sup>18</sup>	More than 1,290,000	More than 650,000	More than 460,000	More than 1,000,000	More than 1,010,000
Cybersecurity	16,684	Not Reported	Not Reported	Not Reported	Not Reported
Data Privacy	2,848	Not Reported	Not Reported	Not Reported	Not Reported
Human Rights	More than 136,200	More than 61,000	More than 61,000	More than 53,500	More than 44,000
Percent of Total Employees trained on Human Rights	70%	50%	53%	46%	42%

### Average Training Hours by Employee Classification

	2022	2021	2020	2019	2018
Executives <sup>4</sup>	17	12	Not Reported	Not Reported	Not Reported
Other Leaders <sup>8</sup>	72	47	Not Reported	Not Reported	Not Reported
Individual Contributors <sup>18</sup> (Contract & Noncontract)	57	32	Not Reported	Not Reported	Not Reported

### Average Training Hours by Gender<sup>18</sup>

Male	59	45	Not Reported	Not Reported	Not Reported
Female	57	26	Not Reported	Not Reported	Not Reported

### Social Management Approach

	2022	2021	2020	2019	2018
Employees represented by unions	Approximately 83%	Approximately 82%	Approximately 83%	Approximately 83%	Approximately 83%

### Community Outreach

	2022	2021	2020	2019	2018
Total corporate giving	\$13,737,023	\$21,805,603	\$10,190,071	\$24,306,076	\$25,235,753
Total corporate monetary giving	\$3,792,088	\$11,627,907	\$707,672	\$5,843,946	\$4,581,579
Tickets donated	24,774	28,632	20,008	45,301	50,060
Total scholarship funds granted	\$95,000	\$110,000	Not Reported	Not Reported	Not Reported
Funds raised through official Southwest fundraising efforts	\$180,000	\$110,000	\$1,300,000	\$800,000	\$950,000
Total percent of Executive Leaders <sup>4</sup> serving on nonprofit boards	42%	Not Reported	Not Reported	Not Reported	Not Reported
Employee volunteer hours	More than 140,000	More than 75,000	Nearly 75,000	More than 200,000	Nearly 190,000
Value of Employee volunteer hours <sup>19</sup>	More than \$4,200,000	More than \$2,200,000	More than \$2,200,000	More than \$5,800,000	More than \$4,800,000



A high-angle aerial photograph of a Southwest Airlines aircraft wing in flight. The wing is white with a distinctive yellow, red, and blue tail fin. Below the wing, a coastal city is visible, surrounded by green hills and a blue ocean. The sky is filled with soft, white clouds.

# Planet

Achieving our goal of net zero carbon emissions by 2050 requires a strategic mix of advanced long-term planning and near-term action. Throughout 2022 and early 2023, we developed a data-driven path to reach our goal of achieving net zero by 2050, refreshed our climate strategy with new near-term carbon intensity reduction targets for 2030 and 2035, released our Environmental Policy, made a first-of-its-kind investment in SAFFiRE, and more. Although many challenges lie ahead, our progress in 2022 across our four-pillar strategy of Reduce, Replace, Offset, and Partner demonstrates our ambition to overcome them.




# Our Path to Net Zero

In 2021, we announced our 10-year environmental sustainability plan, 2050 goal, and four-pillar framework to Reduce, Replace, Offset, and Partner. 2022 was a year of progress across all pillars, including strategic updates to our goals.

In hard-to-abate sectors like the airline industry, driving meaningful progress on environmental sustainability requires every possible tool available. We're taking action and forging the partnerships and collaboration across the aviation value chain that we believe are necessary to proactively address the challenges that lie ahead along our path to net zero.<sup>20</sup>

In early 2023, we refreshed our climate strategy, including replacing our carbon neutral growth goal<sup>21</sup> with two near-term carbon intensity reduction targets as stated below. Our new 2035 carbon intensity reduction target is based on scientific models<sup>2</sup> that are in alignment with the goals of the Paris Agreement to limit warming to well below 2 degrees Celsius and pursue efforts to limit it to 1.5 degrees Celsius. While we

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<p><b>SASB</b></p> <p>TR-AL-110a.1</p> <p>TR-AL-110a.2</p> <p>TR-AL-110a.3</p>	<p><b>TCFD</b></p> <p>Metrics &amp; Targets</p>

don't plan to use carbon offsets toward our carbon intensity reduction and net zero goals, certified offsets continue to be an important pillar of our overall climate strategy. We plan to utilize eligible offsets for our Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) obligations and aim to voluntarily support quality offset projects outside of CORSIA and our goals.<sup>20</sup>




Southwest is working to make progress across our four strategic pillars to help us achieve our near and long-term sustainability goals and beyond:

- **Reduce** our carbon emissions intensity 50% by 2035 with an interim goal of 25% by 2030 as compared with 2019.<sup>3</sup>
- **Replace** 10% of our total jet fuel consumption with sustainable aviation fuel (SAF) by 2030.
- **Offset** emissions<sup>20</sup> with certified offsets.<sup>22</sup>
- **Partner** with different organizations and nonprofits whose work complements our efforts to achieve our goals and advance environmental sustainability.

The achievement of our goals is dependent on the performance of third parties, including numerous stakeholders such as industry, governments, and others. For example, to achieve our SAF goal, collaboration from numerous stakeholders will be needed to implement initiatives like favorable incentives, tax credits, and other policies and actions to promote the scaling of cost competitive SAF.

## Planet Goals

The table below outlines our Planet goals and our progress towards achieving them

 Goal	 Progress Measurement Metric	 2022 Performance <sup>23</sup>
50% reduction in carbon emissions intensity from 2019 baseline by 2035, <sup>3</sup> with interim reduction of 25% by 2030	Percent reduction	1.9%
Replace 10% of our total jet fuel consumption with SAF by 2030	Percent SAF secured through offtake agreements in 2030	0.5%
Net zero carbon emissions by 2050	Metric tons of carbon dioxide equivalent (including Scope 1, Scope 2, and Scope 3 Category 3)	22,415,018

*“Since launching our environmental sustainability plan, we’ve continued to make progress toward achieving our targets. Given the continued advancement and policy developments in this space, we have decided to further update our climate goals, including our new 2035 carbon intensity reduction target, which is based on scientific models in alignment with the Paris Agreement.”*

**HELEN GILES**  
 Director, Environmental Sustainability

## Planning Our Path to Net Zero

Achieving our goal of net zero carbon emissions by 2050 requires a strategic mix of advanced long-term planning and near-term action—particularly since we’re aiming to achieve carbon emissions intensity reductions by 2030 and 2035.

We’ve developed a path to achieve our net zero goal that requires an integrated approach across a number of important initiatives. These initiatives include improving our operational efficiency, investing in fleet modernization, advocating for air traffic control (ATC) modernization and other NextGen Federal Aviation Administration (FAA) initiatives, expanding our use of SAF, and leveraging carbon removal opportunities. SAF remains our most impactful lever; however, expanding our use of SAF remains critically dependent on many factors outside of our control. For example, Southwest may be unable to purchase SAF in sufficient quantities to support its business or sustainability goals due to failures by governments

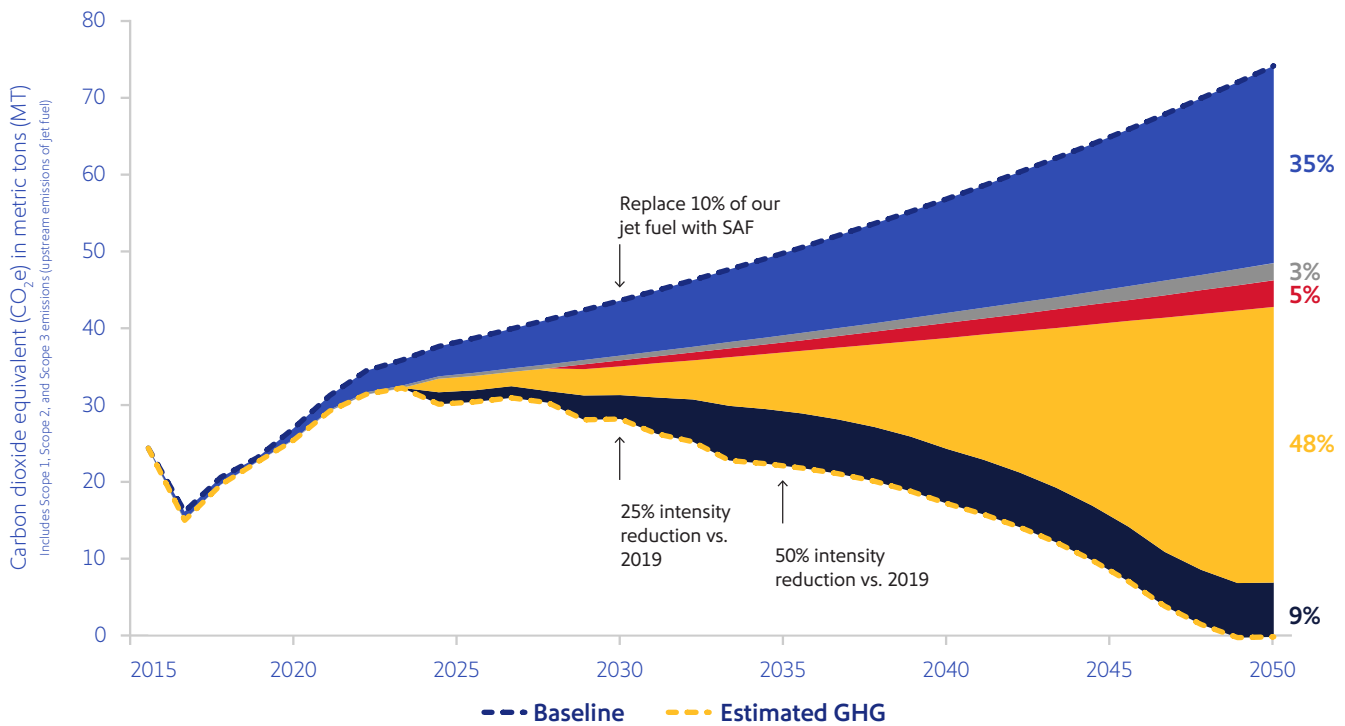
to implement or extend policies and incentives (including tax credits) to reduce the cost or incentivize production of SAF; technology challenges in the production, development, transportation, storage, and distribution of SAF; the inability to scale SAF on a commercially competitive basis; and other factors outside of our control.

For more information, see the Risk Factor in our [2022 Form 10-K](#) entitled “The Company is subject to risks related to its voluntary sustainability goals and disclosures, which may affect

stakeholder sentiment and the Company’s reputation and brand”.

The pathway depicted in our Path to Net Zero graphic models one potential pathway, but is subject to numerous assumptions, dependencies, and uncertainties outside of our control.<sup>20</sup> As our strategy, technology, cross-sector collaborations, and other initiatives evolve, we plan to review these assumptions and our model annually and, if necessary, update them to reflect any new information available at that time.

### Path to Net Zero



**Fleet Modernization<sup>20</sup>**

Innovative technologies continue to create potential to improve the fuel efficiency and emissions intensity of our aircraft. Projected reductions rely on our own ability to implement our fleet modernization plans and on manufacturers to deliver aircraft and other technologies needed to achieve these reductions.

**SAF<sup>20</sup>**

SAF is the most critical lever in achieving our net zero goal. We assume, among other things, that the SAF market will scale in alignment with the U.S. government’s SAF Grand Challenge, which aims at making three billion gallons of SAF available by 2030 and 35 billion gallons (100% of projected U.S. aviation jet fuel use) available by 2050.<sup>31</sup> Additionally, we assume that SAF will reach an average carbon intensity (CI) of 15 gCO<sub>2</sub>e/MJ by 2050 given that the Clean Fuel Production Credit (CFPC) incentivizes lower carbon intensity SAF.

**Certified Offsets<sup>20,22</sup>**

While offsets aren’t part of our depicted Path to Net Zero, they may play a role in contributing toward our 2050 net zero goal if any of the levers above are unable to provide currently anticipated reductions.

**Operational Efficiency<sup>20</sup>**

Includes continued investment in internal fuel saving measures such as route optimization, single engine taxiing, engine washing, weight savings, and other initiatives.

**NextGen FAA<sup>20</sup>**

Fuel efficiency improvements are anticipated over time due to air traffic control and other initiatives implemented by the FAA.

**Carbon Removals<sup>20</sup>**

Captures both carbon negative SAF (any SAF reductions below CI of 0), that we may utilize and potential removals through, for example, direct air capture (DAC) and other technologies that could become available or utilized by Southwest in the future.






# Reduce

Reducing our carbon emissions intensity remains a core part of our environmental sustainability strategy. In early 2023, we updated our goals to reduce our carbon emissions intensity<sup>3</sup> 25% by 2030 and 50% by 2035 as compared with 2019. And we're moving forward on a number of initiatives, both in the air and on the ground, to help get us there.

## In the Air

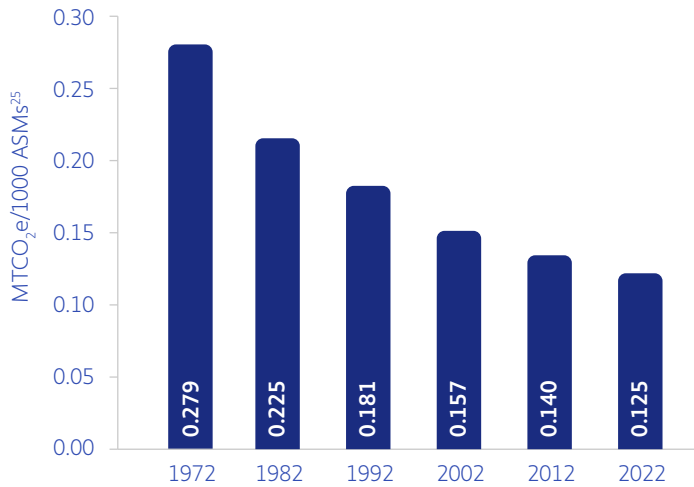
Jet fuel is our largest source of emissions, accounting for more than 99% of our combined Scope 1 and 2 GHG emissions. Jet fuel is also our second largest operating cost, making up approximately 26% of operating expenses in 2022. Because of the direct relationship between our fuel consumption and the costs associated with it, there's a strong motivation to pursue fuel efficiency initiatives that help us address our emissions and maintain a low-cost advantage in the airline industry.

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<p><b>SASB</b></p> <p>TR-AL-110a.1              TR-AL-110a.2              TR-AL-110a.3</p>	<p><b>TCFD</b></p> <p>Metrics &amp; Targets</p>

Our fuel efficiency strategy focuses on modernizing our fleet, optimizing our routes, and deploying initiatives, policies, and programs to improve fuel efficiency in our operations. In 2022, fuel efficiency initiatives saved an estimated 33+ million gallons, and, as a result, we avoided more than 315,000 metric tons of CO<sub>2</sub>e.<sup>24</sup>

## Historic Jet Fuel Emissions Intensity

Calculated as CO<sub>2</sub>e emissions per Available Seat Mile resulting from our fleet's scheduled service jet fuel consumption for the years shown



New and more fuel-efficient aircraft help Southwest reduce our carbon emissions intensity. We continue to modernize our fleet with more fuel-efficient Boeing 737 aircraft. In 2022, we took delivery of 68 737-8 (-8) aircraft. As of December 31, 2022, our order book contained 417 firm orders and 147 options for new aircraft for the years 2023 through 2030.<sup>26</sup> In addition, we retired 26 737-700 (-700) aircraft in 2022, with plans to retire another 26 -700 aircraft in 2023, and a significant amount of -700 aircraft over the next 10 to 15 years to support the modernization of our fleet.<sup>26</sup> These deliveries and retirements and our firm orders for additional new aircraft underscore our commitment to modernize our fleet with more fuel-efficient aircraft.<sup>27</sup>

The 737-7 (-7) and -8 aircraft, powered by CFM International LEAP-1B engines, include design updates, such as Boeing's Advanced Technology winglet that result in less drag and further optimize the performance of the -7 and -8 aircraft, especially on longer-range flights. According to Boeing, the -8 is approximately 14% more fuel-efficient than the 737-800, and the -7 is expected to produce comparable fuel efficiency improvement compared with the -700.<sup>27</sup>

Alongside adding new, more fuel-efficient aircraft to our fleet, we continually look for ways to operate our existing fleet and run our operations more efficiently. To learn more about fuel-saving initiatives we've implemented over the years, see the Fuel Savings Initiatives graphic on the following page.



# Fuel Savings Initiatives

We're always looking for ways to increase fuel efficiency.

Here are just a few of our many solutions for annual fuel burn savings:



## Winglets

We've installed winglets on all aircraft in our fleet, reducing drag and increasing fuel efficiency.

**9.5 million gallons saved<sup>24</sup>**



## Flight Planning and Optimized Route

Improvements in flight planning algorithms to better match our aircraft flight management system enable us to fly at the most efficient altitudes.

**6.6 million gallons saved<sup>24</sup>**



## Weight Reduction Onboard

We've engaged in several initiatives to reduce the weight carried onboard our aircraft. Examples of such efforts include retrofitting aircraft cabin interiors, revising max landing fuel policies, and substituting Pilot and Flight Attendant flight bags with lighter Electronic Flight Bag tablets.

**6 million gallons saved<sup>24</sup>**



## Real-time Descent Winds

We provide our Flight Crews with improved up-to-date wind data linked to the aircraft that allows them to take advantage of real-time wind profiles to reduce fuel consumption per flight.

**2.9 million gallons saved<sup>24</sup>**



## On the Ground

We carry out fuel-saving programs and policies, including performing single engine taxiing when possible, reducing the use of the auxiliary power unit and instead using electric ground power, and improving our operations by investing in new technologies such as our Central Monitoring System.

**7.8 million gallons saved<sup>24</sup>**



## Air Traffic Performance

We've equipped all our aircraft and Flight Crews to take advantage of FAA NextGen Air Traffic Initiatives like Required Navigation Performance (RNP), which enhances navigational and operational capabilities, improving fuel efficiency. We feel there's tremendous opportunity for further improvement and continue to work with the FAA to develop and seek more use of RNP approaches and to evolve air traffic control rules to support greater utilization of RNP.

**0.3 million gallons saved<sup>24</sup>**



## On the Ground

For a Company that spends so much time in the air, some may be surprised to discover just how many ways we're working to address our emissions footprint on the ground. We remain focused on improving efficiency across our ground operations, from our aircraft to equipment and facilities.

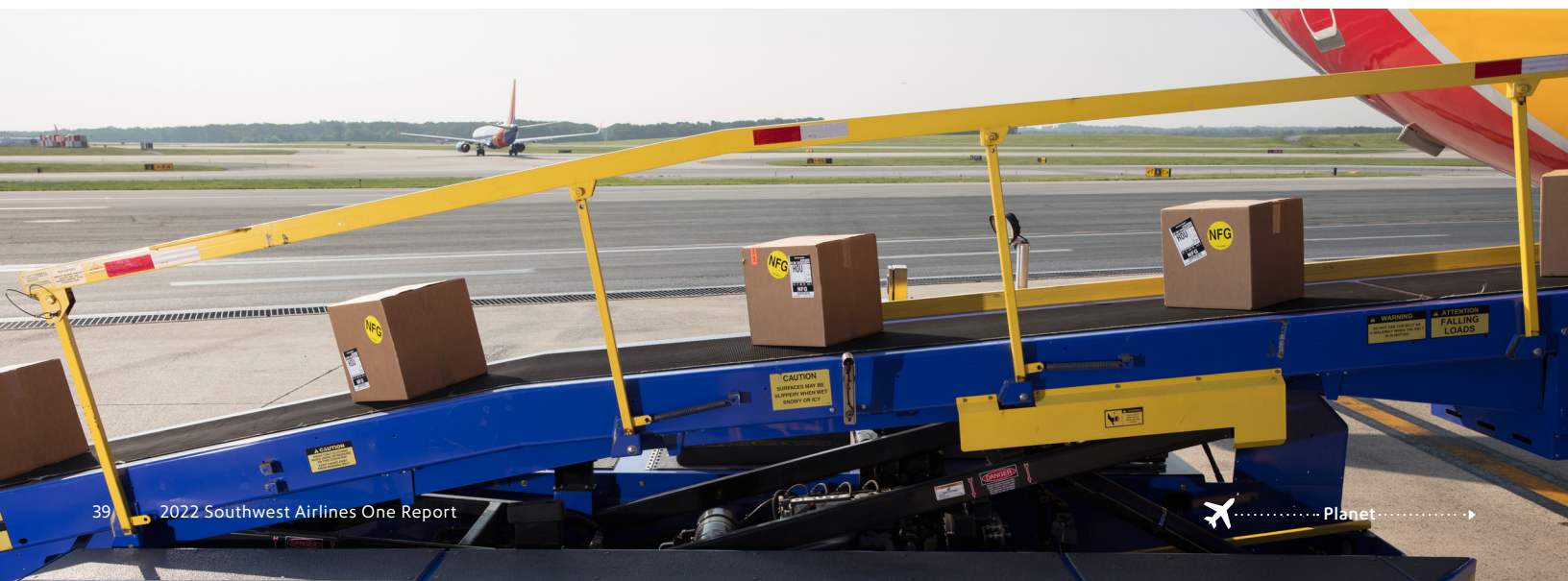
We continue to make progress in GSE electrification. The equipment most suited for electrification includes bag tugs, beltloaders, pushbacks, and power stows. As of December 2022, we've electrified 33% of all eligible Southwest GSE, and at 17 of our airports, we have electrified over 70% of eligible GSE. We plan to continue electrifying commercially available and operationally feasible equipment. Additionally, there are procedures to use electric ground power and preconditioned air for aircraft at the gate whenever available, which reduces the use of auxiliary power units (APU) and helps avoid additional emissions on the ground. Every minute the APU is off, we save 0.57 gallons of jet fuel, which adds up over time. We were recognized by the Port of Seattle with the 2022 Aviation Award for greatest airline use of ground power systems to reduce emissions while docked at Seattle-Tacoma International Airport (SEA) gates. Southwest demonstrated a high use of emission-reducing ground power systems (80-90% of all operations connect to the system), and longest connectivity to ground power systems while at the gate.

In 2022, we also rolled out our Central Monitoring System (CMS) to more airports. Our CMS streamlines airport ground operations by enabling us to digitally monitor systems and equipment such as Baggage Handling Systems, glycol (deicing) equipment, Passenger Boarding Bridges, as well as resources like ground power and preconditioned air, in real-time. As of December 2022, our CMS is operational in some capacity at 34 airports (19 more compared with 2021), with planned expansion to four additional airports in 2023. Our CMS is operational at airports that cover approximately 40% of all scheduled Southwest flights as of December 2022.

## Energy and Recycling

We continue to seek opportunities to address our environmental impact at our facilities. In 2022, our brand new Denver International Airport (DEN) hangar was awarded Leadership in Energy and Environmental Design (LEED) Certification. Items that contributed to this certification included: nine electric vehicle charging stations, innovative translucent wall panels to provide daylighting, automated LED lighting, and less than 15 pounds of waste generated per square foot of construction. Additionally, our Corporate Facilities and Environmental Sustainability Teams partnered to perform a facility condition assessment and energy analysis at our Corporate Campus. As a result of this work, Southwest developed an energy roadmap with a goal to reduce our energy consumption in our Corporate Campus in Dallas by 50% by 2035 relative to a 2022 baseline as well as align to the Company's overall net zero by 2050 goal.

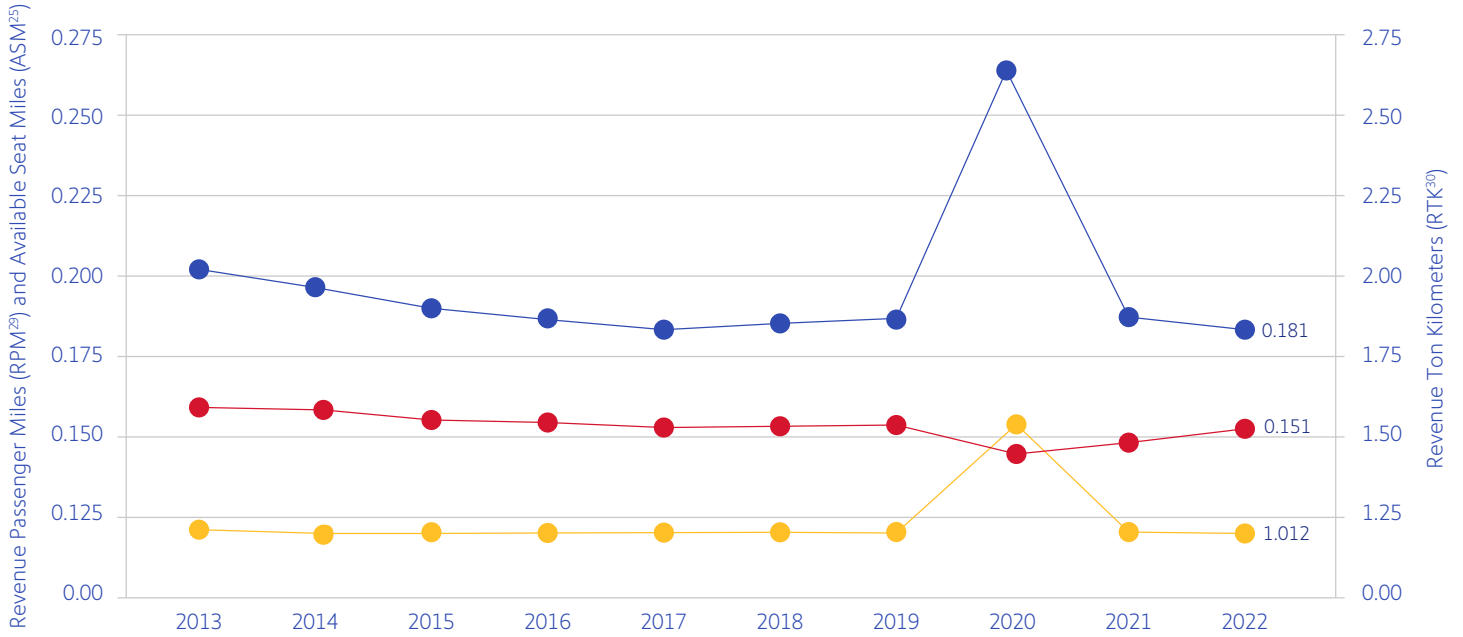
Our sustainability efforts go beyond just saving fuel to address our emissions. In 2022, we further implemented waste reduction initiatives across our operations. We launched a new training module on recycling, as well as an internal webpage that made recycling education and information accessible to all Employees. We also evaluated recycling availability across all of our airports and continued to engage with Employees on ways to enhance and improve onboard recycling. Additionally, through our Repurpose with Purpose program, we've partnered with organizations to upcycle thousands of pounds of leather seat coverings (made from 57% recycled leather waste), which helps keep those items out of landfills. In 2022, Inflight Operations partnered with the Environmental Sustainability Team to host a one-month Employee uniform recycling pop-up event for Employees based in our Dallas (DAL) location. Nearly 300 pounds of uniforms were collected, and Southwest plans to continue testing this recycling initiative at more locations in 2023.





## CO<sub>2</sub>e Intensity Ratio Trends<sup>28</sup>

Calculated using Scope 1, Scope 2, and Scope 3 emissions (upstream emissions of jet fuel)



● RPM<sup>29</sup> Intensity Ratio (MT CO<sub>2</sub>e/1000 RPMs)

● ASM<sup>25</sup> Intensity Ratio (MT CO<sub>2</sub>e/1000 ASMs)

● RTK<sup>30</sup> Intensity Ratio (MT CO<sub>2</sub>e/1000 RTKs)







# Replace

SAF plays an important role in our path toward net zero. By 2030, we plan to replace 10% of our total jet fuel consumption with SAF, and 2022 was another year of progress toward that goal.<sup>20</sup> We began utilizing SAF in our operations, made a first-of-its-kind investment for Southwest, and were the first commercial airline to bring SAF to Oakland International Airport.

SAF is fuel produced from non-fossil fuel sources that can result in lower GHG emissions than conventional jet fuel on a lifecycle basis. As a fully certified drop-in fuel when blended with conventional jet fuel in accordance with industry standards, SAF is compatible with existing infrastructure. Because using SAF in place of conventional jet fuel has the potential to reduce lifecycle GHG emissions and doesn't require any modifications to infrastructure or aircraft, it's crucial to decarbonizing aviation. But we can't do it on our own.

## Our SAF Efforts

We recognize the SAF market faces scaling challenges. The federal government has set an ambitious goal to scale up domestic SAF production to 3 billion gallons per year by 2030.<sup>31</sup>

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For context, 7.9 million gallons of SAF were produced in the U.S. in 2022. Reaching 3 billion gallons of SAF by 2030 would require a 110% compound annual growth rate in SAF production between 2022 and 2030. Significant progress is needed to hit these goals and requires government support and collaboration across the entire aviation and SAF value chain. Progress will depend on governments implementing or extending policies and incentives (including tax credits) to reduce the cost or incentivize production of SAF; industry standards, accounting protocols, or other applicable requirements allowing the Company to realize the benefits from SAF (including blend limitations); and other factors outside of our control.

While success depends on many factors outside of Southwest’s control, we’re doing our part to help SAF scale. The following are some examples of our SAF initiatives and how Southwest helped move the needle in 2022.

**Neste**

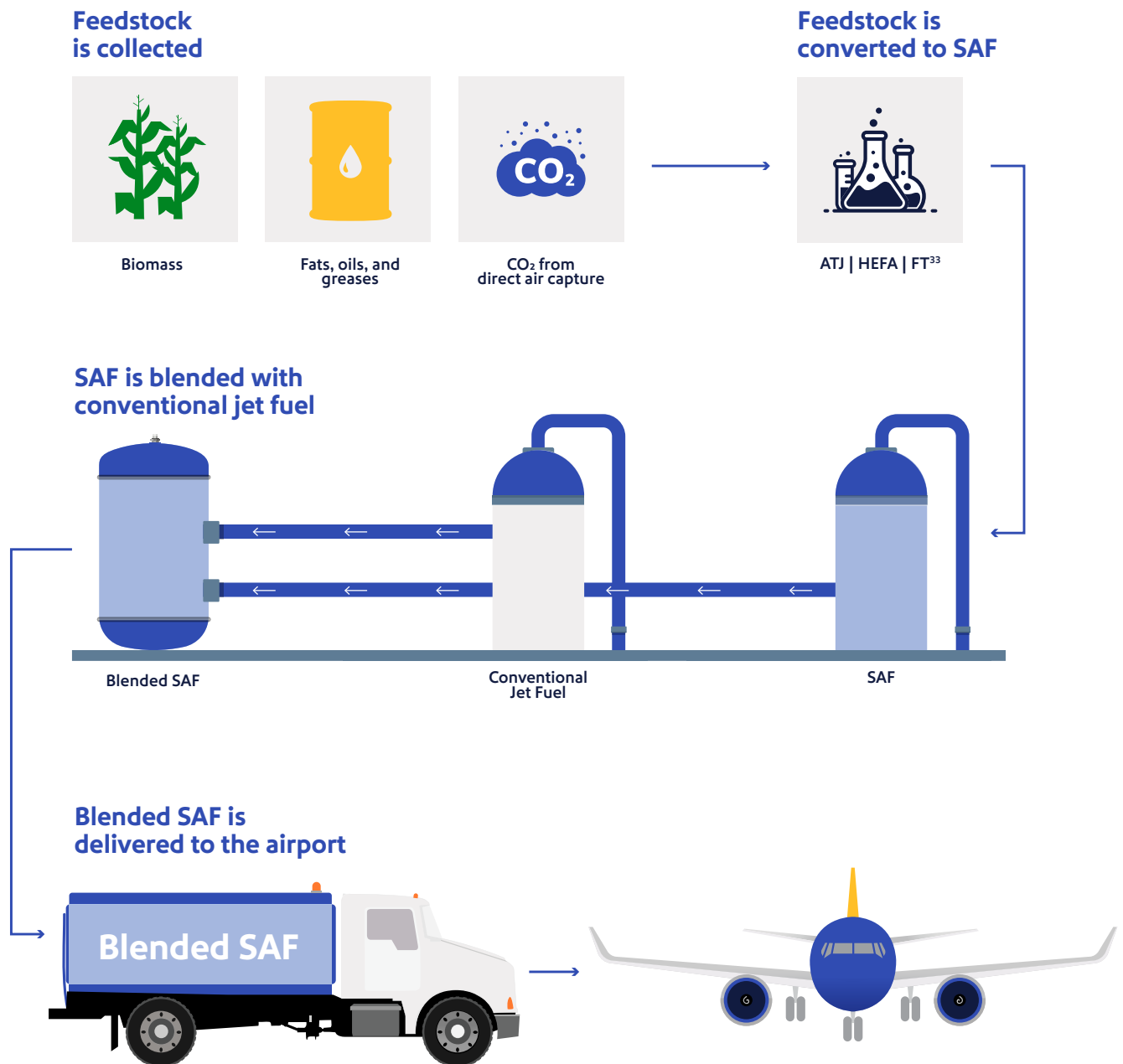
We began using SAF in our operations in January 2022. And in August 2022, we became the first commercial airline to bring SAF to Oakland International Airport (OAK). The SAF used in OAK came from Neste, a SAF producer we began working with

in 2021. OAK is now the third commercial airport in the U.S. to have SAF incorporated into the daily operations of a major airline.

According to Neste, their SAF is made from 100% renewable and sustainably sourced waste and residue raw materials, such as cooking oil and animal waste fat, and it could reduce GHG emissions by up to 80%<sup>32</sup> over the fuel’s lifecycle compared with using conventional jet fuel.

**How SAF Works**

SAF can be made from a variety of feedstocks, both biomass-based and non-biomass based, using different kinds of technologies known as pathways.<sup>33</sup>



## SAFFiRE

In June 2022, we invested in SAFFiRE Renewables, LLC (SAFFiRE<sup>34</sup>), a company formed by D3MAX LLC (D3MAX), as part of a DOE-backed project to develop and produce scalable SAF. SAFFiRE is expected to utilize technology developed at the DOE's National Renewable Energy Laboratory (NREL) to convert corn stover, a widely available agricultural residue in the U.S., into renewable ethanol that would then be upgraded into SAF.

In 2021, the DOE awarded D3MAX a pilot-scale grant for SAF production, with a goal to scale technology that could commercialize SAF. According to NREL, this could produce significant quantities of cost-competitive SAF that could provide up to an 84% reduction in carbon intensity compared with conventional jet fuel on a lifecycle basis. For Southwest, this was a first-of-its-kind investment into what we believe could be potentially game-changing technology that could help us reach our environmental sustainability goals.

## Velocys

As announced in November 2021, we entered into a 15-year offtake agreement with Velocys Renewables LLC (Velocys) for 219 million gallons of SAF. In 2022, Velocys announced that their proposed facility, Bayou Fuels, was re-optimized to improve the expected carbon intensity of their SAF to a negative carbon intensity of  $-375 \text{ gCO}_2\text{e/MJ}$  (previously  $-144 \text{ gCO}_2\text{e/MJ}$ ). With this update, according to Velocys, once blended with conventional jet fuel, the SAF could produce the equivalent of 1.1 billion gallons of net zero fuel and avoid 12.9 million metric tons of  $\text{CO}_2$  over the term of the agreement.<sup>35</sup> Additionally, as part of our offtake agreement, Southwest and Velocys established a long-term strategic relationship, offering us the opportunity to purchase significant volumes of SAF from future Velocys facilities.

## Marathon Petroleum and Phillips 66

We continue to work with Marathon Petroleum Corporation and Phillips 66. In 2021, we entered into memoranda of understanding (MOU) with these two leading energy companies. The MOUs are intended to facilitate the development and production of commercialized SAF. These collaborations may include a variety of initiatives, for example, an increased focus on advocating SAF policies with governmental agencies, cooperation to advance research and development targeted toward greater commercialization of SAF at progressively lower carbon intensities, and partnerships on initiatives to raise public awareness of SAF's benefits.

## Corporate SAF Beta Program

Through our SAF Beta program, our valued corporate Customers played a key part in supporting our use of SAF in our operations. In 2022, we entered into SAF Beta agreements that helped cover a significant portion of the premium over conventional jet fuel for our SAF deliveries.

In 2022, we also partnered with 4Air, an aviation sustainability company providing consulting, documentation, and rating services, to offer corporate Customers in our SAF Beta program independently verified assurance for Scope 3 emission reduction rights associated with their support of the use of SAF in Southwest's operations. This partnership provides an additional layer of transparency for our corporate Customers, helping them track their rights to certain Scope 3 emission reductions.



## Our SAF Policy

We developed and published a robust SAF policy in 2022 to help guide our SAF efforts. This policy will likely evolve over time in this dynamic and developing industry.



**Economics:** We believe in democratizing the skies through friendly, reliable, and low-cost air travel. To continue to enable this as we seek to procure SAF, SAF must be affordable compared to conventional jet fuel, but today, SAF is significantly more expensive than conventional jet fuel. When we evaluate opportunities, the parity of SAF to Jet A fuel is an important driver.



**Lifecycle GHG Reduction:** We require SAF to meet a minimum 60% GHG intensity reduction on a lifecycle basis compared to conventional jet fuel.



**Sustainability Certification:** We require SAF to be certified by an industry-accepted sustainability certification scheme (SCS), such as the International Sustainability and Carbon Certification (ISCC) and The Roundtable on Sustainable Biomaterials (RSB).



**Exclusions:** We won't procure SAF that contains palm oil and its derivatives or by-products, such as palm fatty acid distillates. SAF must not contribute to deforestation or forest degradation in its production.



**Feedstocks:** We encourage the development of sustainable agriculture for crop-based feedstocks, prioritize waste and residue and energy or cover crop feedstocks, and engage in R&D with prospective producers and partners focused on Power to Liquid (PtL) technology.

*“Introducing SAF at OAK is an exciting moment in our environmental sustainability journey at Southwest Airlines, and it’s an honor to be the first carrier to bring SAF to OAK. We’re focused on bringing more SAF into our operations and are thrilled to partner with OAK to take action that supports our environmental sustainability goals.”*

### MICHAEL AUBUCHON



Managing Director, Fuel Strategy & Management



# Offset

Certified carbon offsets continue to be a part of our multi-pronged environmental sustainability strategy.<sup>22</sup> While we recognize that offsets have an important role to play for our Planet, we don't plan to use carbon offsets toward our voluntary near-term emissions intensity reduction targets and net zero goal. Future requirements to use offsets for our international flying as part of CORSIA or from other regulatory measures may arise.<sup>20</sup> In addition, we may complement other environmental initiatives with offset projects.

Carbon offsets are tradeable rights generated from projects that reduce, capture, or avoid a certain amount of emissions. Rights can be purchased from those projects to offset an equal

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amount of carbon emissions from other activities like flying. We recognize that carbon offsets can be complex and that there are differing perspectives on what makes a quality offset.

To that end, we're excited to announce that in December 2022, we began working with Calyx Global, a company that provides independent ratings and insights on the quality of carbon credits, including their GHG integrity and UN Sustainable Development Goal (SDG) benefits.

In December 2022, we engaged with SMBC Aviation Capital (SMBC) to discuss the purchase of carbon credits from SMBC's newly launched carbon credit program, and in March 2023, we agreed to purchase more than 400,000 carbon credits over five years that will be sourced from energy-efficient cookstove projects in Africa and Central America. According to SMBC, its carbon credit projects were subject to independent due diligence by Climate Focus, a Dutch company, and the credits will be certified by either Gold Standard or Verra and align with up to 10 of the 17 United Nations SDGs, including good Health and Wellbeing, Gender Equality, and Climate Action.

We're also proud to share that we've purchased offsets equivalent to the carbon emissions generated by our Employee business<sup>36</sup> and charitable<sup>37</sup> travel for 2021 through a donation to Carbonfund, a nonprofit that provides carbon offsetting and GHG reduction options to individuals, businesses, and organizations. The funds used to purchase the 2021 offsets came from the Southwest Airlines Foundation, a fund facilitated by the Silicon Valley Community Foundation.

We have also purchased and retired additional offsets equivalent to the carbon emissions from these categories generated in 2022.

We look for opportunities to engage with our individual Customers along our sustainability journey, and in 2022, we continued our carbon offset offer.<sup>38</sup>

Additionally, in 2022 we purchased Renewable Energy Certificates (RECs) certified by an industry-recognized third party to target our Scope 2 electricity emissions. While fundamentally different instruments with different impacts, offsets and RECs help address our emissions footprint. In 2022, Southwest matched 100% of our electricity consumption in our Texas operations with RECs.

*"We recognize the important roles that both in-sector and out-of-sector levers play in our sustainability journey. Expanding our existing partnership with SMBC Aviation Capital supports these projects that are expected to help mitigate carbon while contributing positively to local communities in Africa and Central America."*

**CHRIS MONROE**

Senior Vice President, Finance, Treasury, & Sustainability



# Partner

As a hard-to-abate sector, we understand the importance of collaboration with our Customers, partners, policymakers, airports, suppliers, and others. We believe partnerships play a crucial role in Southwest’s sustainability efforts, and we continue engaging with a wide range of Stakeholders to help us further advance our environmental sustainability efforts.

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## Aviation Climate Taskforce

We're a founding member of the Aviation Climate Taskforce (ACT), a nonprofit with a goal of accelerating breakthroughs in emerging technologies required to decarbonize the aviation sector such as synthetic fuels and direct air capture. ACT has expressed plans to support the advancement of these and other technologies aimed at helping air carriers achieve carbon neutrality through an Innovation Network and Collaboration Forum. We're excited to collaborate with this innovative group on decarbonizing aviation and advancing critical science to support that objective.

## Contrail Impact Task Force

We joined forces with academic, technology, nonprofit, and airline partners to launch the Contrail Impact Task Force in 2022. The cross-sector task force was established to explore the formation and mitigation of condensation trails, or "contrails," that might affect the climate impact of some flights. Rocky Mountain Institute (RMI) and Breakthrough Energy, two clean-energy nonprofits, are spearheading the task force, which met for the first time in October 2022 at Southwest's Corporate Campus. We recognize that addressing the potential impact of contrails is an important step in our industry's environmental sustainability journey, and we're eager to better understand how each airline's potential impact may vary based on its routes and schedule.

## ASCENT

In 2022, we became an advisory member of ASCENT, the FAA Center of Excellence for Alternative Jet Fuels and Environment, a coalition of 16 leading U.S. research universities and more than 60 private sector stakeholders focused on reducing the environmental impact of aviation. As a member of the advisory committee, we support ASCENT's mission to meet the environmental and energy goals of the Next Generation Air Transportation system, explore ways to produce SAF at a commercial scale, and discover science-based solutions that benefit the industry and improve the health and quality of life of those living and working around airports.

## SAF Blender's Tax Credit (BTC) Coalition

We participated in the SAF BTC Coalition, a broad partnership of aviation industry stakeholders who support new long-term tax incentives for SAF. Ultimately, the coalition achieved its goals by helping to support the inclusion of important tax SAF credit incentives within the Inflation Reduction Act, which passed in August 2022.

Federal investment is critical to scale up national SAF production quickly. SAF is currently more expensive than conventional jet fuel, making it cost prohibitive for airlines and other end-users. Southwest was proud to work alongside our coalition partners to support policies designed to promote the supply and cost-competitiveness of SAF.

## Repurpose with Purpose

The Repurpose with Purpose program (RwP) is our global sustainability initiative that upcycles items such as leather aircraft seat coverings and transforms them into new products. Through RwP, Southwest partners with organizations across the world to reimagine thousands of pounds of materials every year, helping keep it out of landfills. In 2022, we proudly welcomed the Tropical Agricultural and Higher Education Center (CATIE) to the RwP family. Read more about CATIE and RwP in the [Driving Impact Through Community Outreach](#) story.

## Our Growing Community of Partners

Our work with these partners in 2022 builds upon our growing list of sustainability-focused partnerships that are helping us further advance our sustainability efforts. For example, our \$10 million commitment to Yale University's Center for Natural Carbon Capture and Yale's School of the Environment to fund activity at the center to research and explore innovative natural solutions to mitigate net greenhouse gas emissions.





# Mitigating Climate Risk

Assessing climate-related risk is a part of building organizational resilience in the face of climate change. In 2022, Southwest performed a qualitative scenario analysis in reference to the Task Force on Climate-related Financial Disclosures (TCFD) framework. This work will further inform our understanding and management of potential climate-related risks and opportunities, elevate our voluntary reporting by incorporating aspects of the TCFD’s recommendations, and provide additional information to our Stakeholders.

The successful identification and mitigation of risk are essential for our future success and building our resilience as a Company for our valued Customers and Employees.

Southwest builds enterprise-level risk management (ERM) into our everyday business operations using a tiered, cross-functional Team of Risk Champions, Risk Owners, and an Executive Risk Committee who all work collectively with our ERM Team, as needed, to identify and manage risks. We have worked to identify climate-related risks and integrate them into this Companywide multi-disciplinary ERM process, which

<p><b>SDG</b></p> 	<p><b>GRI</b></p> <p>201-2 305-2 302-1 305-3 302-2 305-4 305-1 305-5</p>
<p><b>SASB</b></p> <p>TR-AL-110a.1 TR-AL-110a.2 TR-AL-110a.3</p>	<p><b>TCFD</b></p> <p>Strategy Risk Management Metrics &amp; Targets</p>

means they receive the same application of processes and attention as any other Company risk.

To further elevate our voluntary reporting, we’ve incorporated aspects of the TCFD’s recommendations into the 2022 One Report—focusing on our governance, strategy, risk management, and metrics and targets. With reference to the TCFD framework, we performed a qualitative scenario analysis,<sup>39</sup> including assessments of physical and transition climate-related risks and opportunities.

## Methodology and Scenario Analysis

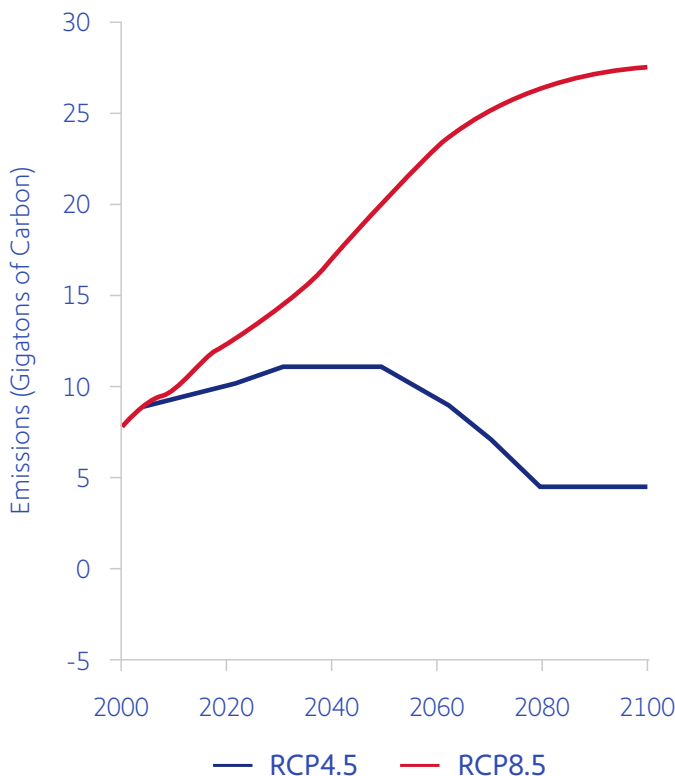
To determine our relevant present-day climate-related risks, our qualitative analysis used current publicly available data on extreme weather events that occurred in 2021 and 2022 alongside internal Stakeholder interviews to understand what impacts we are seeing today from severe weather at the regional scale. Our operations at times have been adversely and materially impacted by severe weather, such as Winter Storm Elliott in December 2022. For more information, see the Risk Factor in our [2022 Form 10-K](#) which begins “The Company’s operations have been, and in the future may again be, materially and adversely disrupted by extreme weather events.” An inability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography has adversely and materially impacted, and in the future could again adversely and materially impact, the Company’s business, results of operations, and financial condition. Our qualitative analysis of potential climate-related impacts to our operations identified significant short-term exposure risks for winter storms and tropical storms only. While we are seeing some other climate-related impacts today, our analysis did not identify them as significant short-term risks. Because these scenarios

are subject to a number of assumptions and projections, we cannot guarantee that this determination will not change or that we will not experience increased short-term risks related to our operations.<sup>20</sup>

After we determined present day climate-related risks on a regional scale, future potential risk exposure in the 2030 and 2050 time horizons were evaluated by projecting how climate change may accelerate extreme weather impacts under varying climate scenarios developed by the Intergovernmental Panel on Climate Change (IPCC).

Two IPCC Representative Concentration Pathway (RCP) scenarios were applied to evaluate our future potential exposure to physical climate-related risks. This set of scenarios proposes different, potential climate futures. For example, RCP8.5 represents a future with higher greenhouse gas emissions (GHG) and greater physical impacts from climate change. In contrast, RCP4.5 represents a future with decreasing GHG emissions after the mid-century and reduced physical impacts (compared to RCP8.5).

### Global Greenhouse Gas Emissions Scenarios Applied for Physical Risk Analysis<sup>40</sup>



**Higher Emissions Scenario**

#### Greater Physical Impacts

- Higher temperatures, higher sea levels
- RCP8.5 represents an upper range of future climate change impacts

**Lower Emissions Scenario**

#### Reduced Physical Impacts

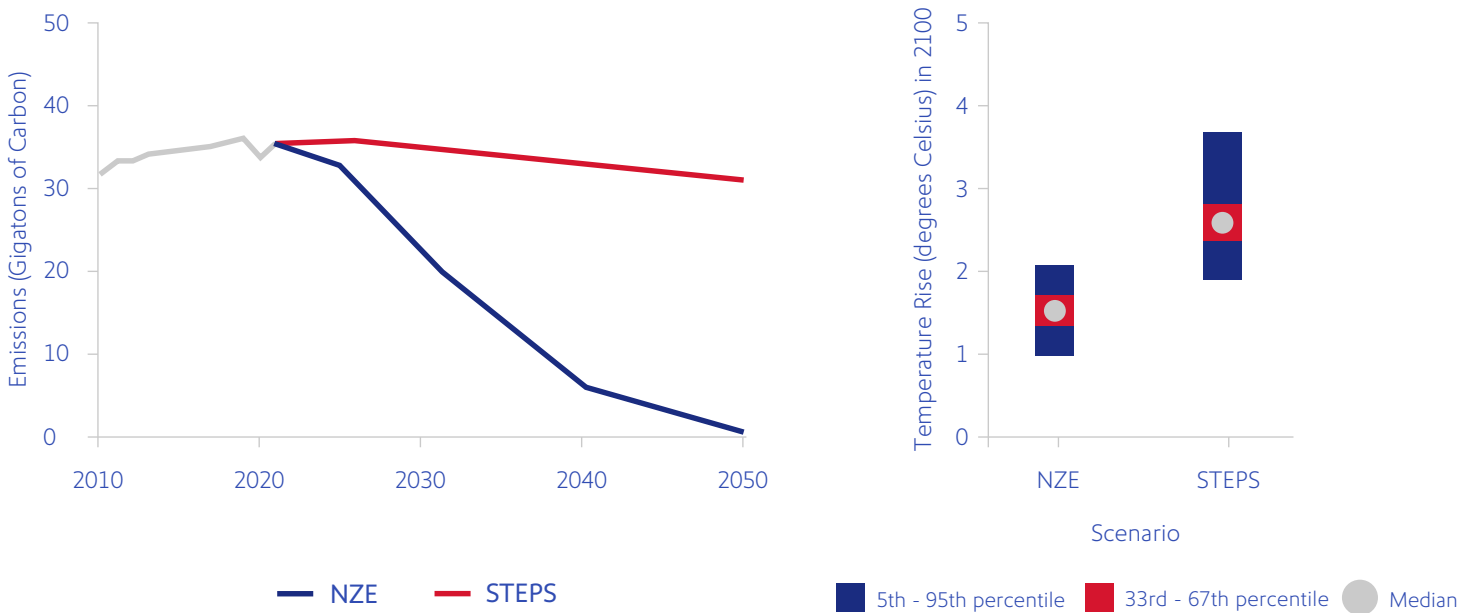
- Temperature and sea levels rise, but not as high as in RCP8.5
- Aligned with the 2015 Paris Agreement and the ambition to limit global temperature rise to 2 degrees Celsius or less

A different set of scenarios [International Energy Agency (IEA)'s 2022 World Energy Outlook (WEO) Net Zero by 2050 (NZE) Scenario and the Stated Policies (STEPS) Scenario]<sup>41</sup> were used to evaluate potential climate-related transition risks and opportunities in the mid- to long-term. Together, these scenarios map out the potential consequences of different choices for energy use and energy security. The STEPS scenario reflects current policy settings, as well as policy initiatives under development. The NZE scenario is a normative IEA scenario that shows a pathway for the global energy sector to achieve net zero carbon emissions by 2050, with advanced economies reaching net zero carbon emissions in advance of others.

Climate-related transition risks and opportunities may be greater under this ambitious, rapidly evolving scenario and, thus, projected impacts to Southwest under the NZE scenario may be higher.

A quantitative impact analysis wasn't part of this scope of work. And given the estimates, assumptions, timelines, and nature of this qualitative analysis, at this time Southwest cannot accurately predict the impact of any potential losses or costs associated with the physical and transitional effects of climate change.<sup>20</sup>

### WEO Global Emissions and Temperatures Rise Scenarios Applied for Transition Risk Analysis<sup>41</sup>



## Physical Risks Assessment

The TCFD-informed qualitative scenario analysis identified present-day climate-related risks<sup>20</sup> and potential future physical climate change hazards and associated risks to our domestic and international operating regions, including the Desert Mountain, Midwest, Northeast, South Central, Southeast, West Coast, and near-international destinations (Mexico, Central America, and the Caribbean). Southwest evaluated present day climate-related impacts, as well as

potential future exposure to acute and chronic physical climate hazards for each region estimated to result from climate change in the 2030 and 2050 time horizons. These forward-looking time horizons are consistent with Southwest's targets and goals. The physical hazards included coastal flooding, drought, increasing temperatures, extreme tropical storms, heat waves, inland flooding, precipitation, wildfires, winter storms, and cold snaps.

## Physical Climate Hazard Exposure Hotspots

Projections of Physical Climate Hazards by Southwest Region in 2030 and 2050

● Higher Impact ● Lower Impact — Not Applicable

Hazards	Desert Mountain Capacity <b>20%</b>		Midwest Capacity <b>14%</b>		Northeast Capacity <b>11%</b>		South Central Capacity <b>16%</b>	
	2030	2050	2030	2050	2030	2050	2030	2050
Coastal Flooding	—	—	—	—	●	●	●	●
Drought	●	●	●	●	—	—	●	●
Increasing Temperatures	●	●	●	●	●	●	●	●
Extreme Tropical Storms	—	—	●	●	●	●	●	●
Heat Waves	●	●	●	●	●	●	●	●
Inland Flooding	●	●	●	●	●	●	●	●
Precipitation	●	●	●	●	●	●	●	●
Wildfires	●	●	—	—	—	—	●	●
Winter Storms & Cold Snaps	●	●	●	●	●	●	●	●

Hazards	Southeast Capacity <b>16%</b>		West Coast Capacity <b>21%</b>		Puerto Rico & International Capacity <b>2%</b>	
	2030	2050	2030	2050	2030	2050
Coastal Flooding	●	●	●	●	●	●
Drought	—	—	●	●	●	●
Increasing Temperatures	●	●	●	●	●	●
Extreme Tropical Storms	●	●	—	—	●	●
Heat Waves	●	●	●	●	●	●
Inland Flooding	●	●	●	●	●	●
Precipitation	●	●	●	●	●	●
Wildfires	●	●	●	●	—	—
Winter Storms & Cold Snaps	—	—	●	●	—	—

The capacity shown in the scenarios above are representative of capacity in 2022 and not a projected capacity for 2030 or 2050.

The results from our physical risk assessment helped our Teams better understand what climate hazards could be most impactful and where we might anticipate those hazards to occur in the mid- to long-term. For example, rising annual average temperatures, extreme heat waves, changes in precipitation patterns, and inland flooding are projected to affect all Southwest regions in both the 2030 and 2050 time horizons under the RCP4.5 and RCP8.5 scenarios.

These climate events could trigger a variety of potential financial impacts on the Company's operations and supply chain, including loss of revenue and increased operational expenditures.<sup>20</sup> For example, financial losses could occur from both acute and chronic extreme weather events, which can cause cancellations, delays, and network disruptions, and over time, could influence Customer desirability of certain leisure destinations. Operating expenses in the form of maintenance repairs, raised insurance premiums, additional airport fees, and supply chain disruptions may increase over time to manage the damage of such events. Increasing temperatures and extreme heat waves pose an additional risk of revenue loss from restricted capacity associated with aircraft weight limits to account for the hotter, less dense air at some airports.

## Physical Risk Mitigation

Preparing for future weather events is a significant part of our physical risk mitigation strategy. For example, we have procedures and processes in place to manage weather events as they occur, with tiered response programs based on the severity of the event. Given that our aircraft are mobile, we are able to plan ahead and move those assets out of a storm's pathway as necessary to prevent avoidable physical damage to our fleet. For weather-related disruptions, such as winter storms, we continually strive to develop, follow, and enhance operational processes and business management procedures for proactive cancellation of flights in an attempt

to manage any disruptions to our operations. We also strive to appropriately staff the operation and determine when to pause and restart our operations in the affected region.

We engage Teams throughout our organization, as necessary, to prepare for, respond to, and attempt to mitigate impacts to our business from significant weather events. Recognizing the importance of weather-related planning, we've invested greater resources into meteorology and network impact analysis, expanding our meteorology staff in 2022 and growing our focus on weather events.

Additionally, we collaborate with a wide range of key Stakeholders, such as the FAA and airports, to evolve our capacity and planning processes. By leveraging various knowledge bases, expanding data sources, and using new methods of air traffic management, we're better equipped to proactively respond to inclement weather, equipment outages, and other factors that can cause delays and cancellations.

We also evaluate and adjust our flight schedules on a regular basis throughout the year, allowing for greater flexibility to meet the needs of our Customers and adapt to changing conditions. To mitigate fuel-related disruptions from weather events, such as floods and hurricanes, we closely monitor the likelihood of disruptions to fuel supply; work to establish and broaden our contacts with fuel trucking companies to obtain priority access to trucks should refinery or pipeline supply be interrupted; and regularly examine strategic reserves, including an annual examination in advance of hurricane season. Our efforts to diversify our fuel supply, including the expansion of SAF within our fuel mix, are also intended to further mitigate such disruptions in the long term. We also engage in the more hazard-specific risk reduction strategies detailed in the physical risks table on the following pages.

# Climate-Related Physical Risks

Exposure to Impacts:<sup>42</sup>



## Potential Mid- to Long-Term Impacts

## Risk Reduction Strategies

Short-Term Present Day	Mid-Term 2030	Long-Term 2050
---------------------------	------------------	-------------------

### Coastal Flooding



Large-scale coastal flood events have the potential to impact transportation infrastructure (e.g., roads, railroads), which could potentially cause fuel supply disruptions and impact Southwest Customers' and Employees' ability to arrive at the airport. Additionally, these impacts may lead to increases in Southwest's operating expenses in the form of increased maintenance or repair costs, insurance premiums, airport fees for repairs or other items, or capital expenditures to replace damaged or waterlogged infrastructure. Smaller, less-developed airports located in areas exposed to coastal flooding may struggle to adapt to increased incidences of coastal flood events.

See [Physical Risk Mitigation](#) section for our comprehensive strategy, which is applicable to coastal flooding.

### Drought



As the frequency and intensity of drought may increase, the possibility of water restrictions caused by drought might impact airport and flight operations. Operating expenses may increase under drought conditions, becoming more frequent as airport lease agreements may require increased infrastructure enhancements for water conservation or include increased water use fees.

At Southwest, we understand the importance of water conservation. Although water consumption is a small part of our operations, it's an important natural resource, and we strive to take measures to conserve water in our facilities and landscaping. The majority of our water consumption comes from domestic use by our Employees, and we have implemented projects to target conservation in this area to preserve this natural resource.

Southwest might also experience medium-term to long-term impacts from tourist destinations becoming less attractive in some areas. For example, loss of snow in winter at ski destinations could impact revenues.

### Extreme Tropical Storms



Acute

Tropical storms can potentially lead to aircraft being grounded for extended periods, an issue that may be exacerbated due to interruptions in fuel supply. This could lead to lost revenues due to cancellations and schedule disruptions in affected areas and knock-on effects through the system. Operating expenses may increase in extreme tropical storm conditions, with increased fuel expended to divert flights, increased maintenance, and airport fees as clean-up and infrastructure upgrades may be increasingly required in affected areas. Insurance premiums may also rise over time, or provide less coverage, with greater frequency and severity of events. For capital infrastructure, investments may be required to replace hard assets damaged by extreme storms, and asset values may be impaired due to potential damage, such as to aircraft. Employees may also be impacted by such storms, which may impact their work availability as well as Southwest's Employee support initiatives and costs.

In addition to the overarching extreme weather response plan detailed in the Physical Risk Mitigation story, we also have a program to help Employees directly affected by weather-related events such as hurricanes, supporting them and getting them back on their feet safely. Specifically, Southwest Employees may take advantage of a Company-supported Catastrophic Assistance Charity, which helps Southwest Employees suffering from severe financial hardship resulting from a catastrophic event in their lives.

### Heat Waves



Heat waves may affect labor productivity, increase cooling costs, and affect aircraft performance. Southwest's Ground Crews are on the tarmac for prolonged periods, potentially leaving them exposed to the effects of heat waves. Potential increases in heat wave incidence, duration, intensity, and the length of the season may increase cooling costs. Tarmac and airplane repair costs may increase as prolonged exposure to heat may expedite the usual wear of assets. Heat waves may also affect aircraft performance and could decrease revenues due to reduced flight payloads and more baggage restrictions necessitated by weight limits imposed by heat. Additionally, related costs may increase, such as fuel. As heat makes the air less dense, aircraft must exert more thrust to produce enough lift for takeoff. In the long term, capital investment in new aircraft or parts may be necessary for greater resilience and greater operational functionality in higher temperatures.

To mitigate weather-related risks to our Employees, especially those such as heat impacts, we provide appropriate personal protective equipment and resources. We have implemented health and Safety procedures and policies, and we monitor compliance with such policies and evaluate them for relevance. For more information about our Safety program, please refer to the [management approach to Safety](#).

# Climate-Related Physical Risks

Exposure to Impacts:<sup>42</sup>



## Potential Mid- to Long-Term Impacts

## Risk Reduction Strategies

Short-Term Present Day	Mid-Term 2030	Long-Term 2050
---------------------------	------------------	-------------------

### Inland Flooding



Extreme precipitation might lead to inland flooding and could create operational challenges for Southwest. Flooding could damage the airport runway and infrastructure, making it unsafe for aircraft to take off and land. This could in turn lead to flight delays and cancellations, impacting revenues. Inland flooding could additionally affect nearby transportation infrastructure and potentially disrupt fuel supply chains. Inland flooding could impact Southwest's Employees' and Customers' ability to travel to and from the airport.

We integrate resiliency into our building design plans for owned ancillary buildings, including hangars, incorporating considerations of the 100-year flood, large hailstorms, and lightning into the design process. Storm systems are designed for 100-year flood and buildings are typically set at a higher elevation to help prevent flooding.

### Wildfires



Extreme wildfires can rapidly change conditions such as visibility and wind speeds that affect air travel. In the event of a spreading wildfire, flights may either be delayed, re-routed, or canceled entirely depending on the severity of the wildfire, leading to potential lost revenues and potential knock-on effects throughout the system. Employees working at certain outdoor locations may be impacted by harmful air quality conditions in the event of a nearby wildfire. Operating expenses may also increase due to wildfire conditions in the form of increased maintenance costs for aircraft engines with severe smoke or ash exposure or increased fuel expenses to re-route around affected areas. Aircraft assets damaged by smoke or ash may require accelerated depreciation, reducing earnings in the year of recognition or reducing the residual asset value of the damaged aircraft asset.

In 2022, we implemented changes to wildfire monitoring procedures to require outdoor personnel in certain states to be provided masks should wildfire smoke become a hazard, based on a parts per million threshold. Those values are monitored locally by ground operations personnel with assistance and support from the Meteorology Team. Monitoring occurs across 31 stations covering California and the western states.

### Winter Storms & Cold Snaps



Snowstorms can create multiple challenges to airline operations: the Safety of aircraft, environmental compliance of deicing equipment and wastewater, which adds operating costs, and disruption to ground transportation and flights that could lead to lost revenue due to cancellations and schedule disruptions in affected areas, with potential follow-on effects through the system. Such impacts may also increase operating costs in the form of premium pay and rerouting of Employees to staff the operation. Extreme winter storms and cold snaps can also affect transportation infrastructure and lead to damage of equipment and supply chain interruptions. Aircraft assets damaged by extreme cold or winter weather, such as hail, may require accelerated depreciation, reducing earnings in the year of recognition and/or reducing the residual asset value of the aircraft asset. Various capital investments in order to mitigate risks and impacts from weather-related events may also become necessary, including as discussed in the next paragraph regarding Winter Storm Elliot.

In late December 2022, we experienced Winter Storm Elliot. After this winter weather event, we implemented a plan to increase our existing winter operational resiliency. This plan includes increasing the number of available deicing trucks and ground equipment; procuring additional deicing pads and increasing glycol capacity at key locations; implementing new weather applications to enhance deicing holdover times; purchasing and deploying additional engine covers and heaters; and augmenting winter staffing levels.

Acute



# Climate-Related Physical Risks

Exposure to Impacts:<sup>42</sup>



## Potential Mid- to Long-Term Impacts

## Risk Reduction Strategies

Short-Term Present Day  
Mid-Term 2030  
Long-Term 2050

### Increasing Temperatures



As the annual average temperature may increase over time in the U.S., additional cooling costs might be needed. In some airports, the restriction on takeoff weight due to hot air might also become a chronic issue that limits Southwest's ability to transport Passengers and cargo. Reduced available seat miles and load factors due to decreased payloads might impact revenues. Increased fuel usage and associated costs may be necessary to gain the same lift in hot conditions, and airport fees may increase to adapt infrastructure to these chronic weather changes, such as by extending runway length and resilience to heat. In the longer-term horizon, capital expenditures may increase to invest in and replace fixed or other ground assets vulnerable to heat, such as new components more resilient and operationally suited to higher temperatures.

Through network planning, we can avoid routing aircraft to areas that are more prone to takeoff load restrictions during the hottest times of the day. This provides an opportunity to mitigate such takeoff restrictions through planning efforts in the long term. Additionally, we can consider changed climate conditions in long-term travel demand forecasts, especially given the regional scenario analysis conducted within this scope of work.

Chronic

### Changes in Precipitation



As extreme precipitation may increase in all regions, this could impact Southwest Customers' and Employees' ability to commute and travel to and from the airport. It may also cause flight delays. Continuous exposure to extreme precipitation could additionally impact hard assets not designed or engineered to withstand frequent, intense precipitation, resulting in higher expenditures in insurance premiums, investments in flood defenses, and increased airport fees to develop resilience upgrades to mitigate these impacts.

We aim to continue to work alongside the airports and local airport authorities within our network to address contingency plans and flood preparedness. In terms of building design, including our owned ancillary buildings and hangars, storm systems are designed for 100-year flood and buildings are typically set at a higher elevation to help prevent flooding.

## Climate-related Transition Risks and Opportunities Assessment

Southwest also performed a TCFD-informed qualitative scenario analysis to identify potential risks and business opportunities that may arise by transitioning toward a low-carbon economy. The scenario analysis explored a variety of potential risks, including the potential market impact of changing Customer behavior, the increased cost of raw materials, policy and legal risks around regulations and enhanced emissions and climate reporting obligations, as well as reputation and technology-related risks.<sup>20</sup>

Southwest's climate-related transition risks were generally the greatest under the NZE by 2050 scenario, increasing from present-day through 2050. Risks that may pose the greatest potential impact centered around projected impacts of regular jet fuel and other supply chain raw material inputs, as well

as assumptions around the SAF market that may not come to fruition. Such risks could impact Southwest's ability to achieve its climate goals, including carbon emissions intensity reduction of 25% by 2030 and 50% by 2035 (as compared with 2019),<sup>3</sup> replacing 10% of total jet fuel consumption with SAF by 2030, and net zero by 2050.

Our scenario analysis focused on potential risks and opportunities that may arise along our path to net zero.<sup>20</sup> For example, using more fuel-efficient technologies for fleet operations could reduce our financial exposure to fossil fuel cost increases and volatility. If Southwest can successfully meet our climate goals and communicate such progress accordingly, we may attract new Customers and generate additional revenue.

# Climate-Related Transitional Risks

Exposure to Impacts:<sup>43</sup>



	Potential Mid- to Long-Term Impacts	Risk Reduction Strategies	Scenario	Short-Term Present Day	Mid-Term 2030	Long-Term 2050
Market	<b>Changing Customer Behavior</b> Concern among consumers of the impacts of climate change may mean some Customers choose to fly less frequently or fly on an airline they perceive as operating in a manner that's more sustainable. Customers may increasingly choose to use alternatives to travel, such as virtual meetings and workspaces. Further development of high-speed rail or autonomous electric vehicles in markets now served by short-haul flights could provide Passengers with lower-carbon alternatives to flying. The Company's collateral to secure loans, including in the form of aircraft, could lose value as Customer demand shifts and economies move to low-carbon alternatives, which may increase the Company's financing costs. As leisure destinations such as snow and tropical destinations face greater frequency and severity of acute and chronic physical events, there may be a change in demand for leisure travel or destinations of choice for such travel, potentially reducing revenues in current markets.	We recognize the importance for the aviation industry to address its environmental impact. As a hard to abate sector, we know there are challenges in achieving this goal. A truly collaborative journey lies ahead, and Southwest remains focused on doing its part. In 2021, we proudly announced long-term and near-term goals and a 10-year environmental sustainability plan, all of which we recently refreshed. Throughout 2022, we've taken important steps toward achieving these goals through, for example, our SAF offtake agreements, our first-of-its-kind investment in SAFfiRE, and our fleet modernization and fuel efficiency initiatives.	NZE	●	●	●
	<b>Increased Cost of Raw Materials</b> Operating costs, such as fossil fuel, may be high or increase over time if global fuel production decreases due to supply chain disruptions or increased regulations such as carbon pricing. There may be additional financing costs to hedge exposure to volatile prices.	Southwest attempts to manage its risk associated with volatile jet fuel prices by utilizing over-the-counter fuel derivative instruments to hedge a portion of its future jet fuel purchases. In addition, we continue to make long-term investments, such as our fleet modernization program, which helps our operations be more fuel efficient. In 2022, fuel-saving initiatives estimated saving more than 33 million gallons of jet fuel, and fuel efficiency (measured in ASMs per gallon) increased by 2% compared with 2019 levels. <sup>24</sup> Additionally, our efforts to diversify fuel supply, including through expansion of SAF within our fuel mix, is also intended to further mitigate such cost volatility—assuming SAF is cost-competitive and less volatile in comparison. <sup>20</sup>	STEPS	●	●	●
Policy and Legal	<b>Enhanced Emissions and Climate Reporting Obligations</b> The Company is subject to federal, state, local, and international laws and regulations relating to the protection of the environment. Federal, state, local, and international legislative and regulatory bodies are generally increasingly focused on climate change and reducing GHG emissions, including CO <sub>2</sub> emissions. For example, the United Nations' International Civil Aviation Organization (ICAO) has implemented its CORSIA program, which seeks to cap carbon emissions from international civil aviation at 85% of 2019 levels from 2024-2035.	We actively monitor emerging regulations and analyze the risks to our business, including engaging with regulators and industry associations such as Airlines for America (A4A) and ICAO to advocate for reasonable and responsible climate policy.	NZE	●	●	●
	<b>Mandates on and Regulation of Existing Products and Services</b> Future policy, legal, regulatory, or other market developments could require Southwest to reduce its emissions, modify its supply chain practices or aspects of its operations, make capital investments to purchase specific types of equipment, software, or technologies to meet reporting requirements, secure carbon offset credits or SAF due to increased obligations, or otherwise incur additional costs related to climate objectives, such as increased reporting and regulatory requirements resulting in increased labor and professional services fees.	We engage with regulators and industry associations such as A4A and ICAO to advocate for reasonable and responsible climate policy. Our Governmental Affairs Department works to stay on top of proposed statutory and regulatory changes to educate a wide range of policymakers and Stakeholder groups directly.	NZE	●	●	●

# Climate-Related Transitional Risks

Exposure to impacts:<sup>43</sup>



	Potential Mid- to Long-Term Impacts	Risk Reduction Strategies	Scenario	Short-Term Present Day	Mid-Term 2030	Long-Term 2050
Reputation	<p><b>Increased Stakeholder Concern or Negative Stakeholder Feedback</b></p> <p>Southwest's reputation or brand could be adversely impacted by, among other things, (i) any failure to meet its sustainability or ESG plans or goals, including those that relate to climate change; (ii) the Company's impact on the environment; or (iii) public pressure from investors or policy groups to change Southwest's policies related to the environment. To the extent that the Company is unable to respond timely and appropriately to negative publicity, Southwest's reputation and brand can be harmed. Damage to our overall reputation and brand could negatively impact its financial results and require additional resources for the Company to rebuild its reputation. Major financial institutions have begun to announce GHG reduction targets for their financed activities in the aviation sector. To the extent that the Company's climate targets are not perceived to align with those of its lenders, the Company's access to credit may be adversely impacted.</p>	<p>Southwest operates one of the world's most admired and awarded airlines, and we take pride in our reputation as the airline with Heart. Famous for an Employee-first corporate Culture, Southwest maintains an unprecedented record of no involuntary furloughs or layoffs in its history. Our formula for success brought industry-leading prosperity and 47 consecutive years of profitability for Southwest Shareholders through 2019 (NYSE: LUV).</p> <p>To address any potential Stakeholder concerns, we frequently engage with our Stakeholders regarding our sustainability efforts through investor calls, individual meetings with corporate Customers, financial partner engagements, and through our communications and outreach. We also measure consumer and Employee sentiment for public posts and press releases related to sustainability published on our channels, and we utilize a quarterly report that monitors our reputation externally and provides insight on a variety of topics, including ESG.</p> <p>We work to maintain our reputation and brand by setting long-term and near-term sustainability goals, and we're taking steps toward achieving these goals through initiatives like SAF offtake agreements and fuel efficiency efforts. We'll continue to make long-term investments, such as our fleet modernization program, which improves fuel efficiency and helps us achieve our climate goals.</p>	NZE	●	●	●
	<p><b>SAF Value Chain</b></p> <p>As Southwest's climate goals are dependent on the scaling of the SAF market, we're inherently reliant on numerous factors to achieve these goals, including: the implementation or extension of SAF government incentives and the performance of third-party SAF producers. Any non-performance of such third parties or lack of appropriate incentives and infrastructure for SAF could cause the Company not to achieve its sustainability goals, increase the Company's costs associated with meeting such goals, or adversely impact the Company's reputation or brand.</p>	<p>SAF plays an important role in our depicted path to net zero by 2050. By 2030, we plan to replace 10% of our total jet fuel consumption with SAF; however, we cannot guarantee that our SAF efforts will be successful or ultimately allow us to meet our goal. In 2022, we invested in SAFFiRE Renewables, LLC. SAFFiRE is expected to utilize technology developed at the Department of Energy's National Renewable Energy Laboratory to convert corn stover, a widely available agricultural residue in the U.S., into renewable ethanol that would then be upgraded into SAF. In addition, as of December 31, 2022, we've secured offtake agreements with Neste and Velocys, and entered into Memorandums of Understanding with Marathon Petroleum Corporation and Phillips 66 with the intention to facilitate the development and production of commercialized SAF. Additionally, in 2022, we participated in the SAF Blender's Tax Credit Coalition, a broad partnership of aviation industry stakeholders who support new long-term tax incentives for SAF. Ultimately, the coalition achieved its goals by helping to support the inclusion of important SAF tax credit incentives within the Inflation Reduction Act, which passed in August 2022.</p>	STEPS	●	●	●
Technology	<p><b>Transitioning to Lower Emissions Aircraft Technology</b></p> <p>Southwest is reliant on MAX aircraft deliveries from The Boeing Company (Boeing) to meet our climate goals. With the emerging focus and advancement of new aircraft technologies, including electric and hydrogen, there may be opportunities for investment in the future. Such investments could result in increased operating expenses in the form of research &amp; development into new fuels and technologies and the potential for sunk costs if certain technologies aren't widely accepted, commercialized, or become obsolete quickly.</p>	<p>We plan to continue to modernize our fleet with more fuel-efficient Boeing 737 MAX aircraft.<sup>27</sup> The 737 MAX, powered by CFM International LEAP-1B engines, includes design updates such as Boeing's Advanced Technology winglet, which results in less drag and further optimizes the 737 MAX's performance, especially on longer-range flights.</p> <p>As SAF is currently recognized as the element that will play the most critical role in decarbonizing the aviation sector by 2050, we are focusing our strategy on SAF for the time being. Additionally, as a fully certified drop-in fuel when blended with conventional jet fuel in accordance with industry standards, SAF is compatible with existing infrastructure, making SAF lower risk than novel propulsion technologies.</p> <p>We've taken action toward our SAF goals with our investment in SAFFiRE, offtake agreements with Neste and Velocys, and our Memorandums of Understanding with Marathon Petroleum Corporation and Phillips 66.</p>	NZE	●	●	●

# Climate-Related Opportunities

Likelihood & Magnitude of Impacts:

Low

Med

High

**Potential Mid- to Long-Term Impacts**

**Enhancement Strategies Scenario**

**Short-Term**  
Present Day

**Mid-Term**  
2030

**Long-Term**  
2050

Energy Source	<p><b>Use of Sustainable Aviation Fuel (SAF)</b></p> <p>Reduced financial exposure to fossil fuel cost increases or volatility as our fuel supply sources are diversified, assuming SAF is cost-competitive and less volatile in comparison. We have seen opportunities such as with low carbon intensity SAF, that benefits from government incentives that reward such lower CI scores (such as the Clean Fuel Production Credit and the Low Carbon Fuel Standard). Additionally, new Inflation Reduction Act credits require domestic blending and/or production, which provides more energy Security than relying on foreign sources of oil. Participation in the SAF marketplace may additionally reduce financial exposure to potential carbon pricing schemes.</p>	NZE	●	●	●
	<p>Southwest has set a goal to replace 10% of our total jet fuel consumption with SAF by 2030. We're working intently on SAF partnerships and utilizing internal resources to develop our SAF supply chain, such as through our investment in SAFIRE. We recognize the SAF market still needs to be scaled in order for us to be able to meet our goal, which requires government support and collaboration across the entire value chain. We support the federal government's ambition for three billion gallons of SAF by 2030 through the SAF Grand Challenge and SAF incentives.<sup>31</sup></p>				
Products and Services	<p><b>Low-carbon Airline and Less Carbon Intensive Products and Services</b></p> <p>Both corporate and individual airline Customers engage with airlines to address the climate impact of their flights, which could lead to increased revenue from new customers.</p>	NZE	●	●	●
	<p>As Southwest communicates progress toward our climate goals, we may attract new customers and generate additional revenue. Additionally, if Southwest successfully meets our climate goals, this could boost our reputation and brand.</p>				
Resource Efficient Technology	<p><b>Use of More Fuel-efficient Technologies for Fleet and Operations</b></p> <p>Reduced operating costs due to improved fuel efficiency. Reduced financial exposure to potential carbon pricing schemes.</p>	NZE	●	●	●
	<p>We're modernizing our fleet, with plans to replace our older 737-700 aircraft with MAX aircraft that are more fuel efficient.<sup>27</sup> On the ground, Southwest continues to electrify our ground support equipment fleet, having electrified 33% of all eligible ground support equipment (GSE) as of December 2022, with plans to continue to electrify more.</p>				
Resource Efficient Technology	<p><b>Use of More Efficient Modes of Transport</b></p> <p>Reduced financial exposure to fossil fuel cost increases or volatility as we diversify fuel types.</p>	NZE	●	●	●
	<p>While Southwest hasn't invested in research and development for battery and hydrogen technologies, we may explore such opportunities as these innovations develop to a point where they're compatible with our aircraft and network. As described in the <a href="#">Replace</a> story of the One Report, our strategy to diversify fuel types is focused on SAF. SAF will play a critical role in decarbonizing the aviation sector by 2050.</p>				

## Planet Data Table

Environmental Impact	2022	2021	2020	2019	2018
Total energy consumption [megawatt-hours (MWh)]	75.9 million	64.6 million	49.8 million	81.1 million	81.1 million
Production activity [revenue ton kilometers (RTKs)] <sup>30</sup>	22.1 billion	18.6 billion	9.8 billion	23.5 billion	23.8 billion
Intensity ratio [MWh/1,000 (RTKs)] <sup>30</sup>	3.4	3.5	5.1	3.5	3.4
Water consumption (gallons) <sup>44</sup>	77.2 million	78.7 million	83.2 million	95.0 million	99.1 million

Greenhouse Gas Inventory	2022	2021	2020	2019	2018
<b>Scope 1</b>					
Conventional jet fuel emissions (metric tons of carbon dioxide equivalents CO <sub>2</sub> e) <sup>28</sup>	18,593,759	16,142,653	12,322,673	20,098,649	20,271,210
Sustainable aviation fuel (metric tons of CH <sub>4</sub> and N <sub>2</sub> O in CO <sub>2</sub> e)	0.4	Not Reported	Not Reported	Not Reported	Not Reported
GSE fuel emissions (metric tons of CO <sub>2</sub> e)	25,601	29,535	35,328	37,578	36,523
Natural gas (metric tons of CO <sub>2</sub> e)	7,899	6,185	6,167	7,277	6,779
Total Scope 1 emissions (metric tons of CO <sub>2</sub> e) <sup>45,28</sup>	18,627,259	16,178,373	12,364,168	20,143,504	20,314,512

### Sustainable Aviation Fuel (SAF) Emissions

Biogenic emissions associated with SAF (metric tons of CO <sub>2</sub> ) <sup>46</sup>	7,642	Not Reported	Not Reported	Not Reported	Not Reported
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<b>Greenhouse Gas Inventory</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Scope 2</b>					
Location based (metric tons of CO <sub>2</sub> e)	36,487	34,977	38,334	44,783	46,972
Market based (metric tons of CO <sub>2</sub> e)	30,376	Not Reported	Not Reported	Not Reported	Not Reported
<b>Scope 3</b>					
Category 1: Purchased goods and services (metric tons CO <sub>2</sub> e)	1,496,394	Not Reported	Not Reported	Not Reported	Not Reported
Category 2: Capital goods (metric tons of CO <sub>2</sub> e)	197,969	Not Reported	Not Reported	Not Reported	Not Reported
Category 3: Fuel and energy-related activities (metric tons of CO <sub>2</sub> e): <sup>47</sup>					
Conventional jet fuel	3,748,969	3,254,768	2,484,563	4,052,397	4,087,190
Sustainable aviation fuel	2,303	Not Reported	Not Reported	Not Reported	Not Reported
Category 5: Waste generated in operations (metric tons of CO <sub>2</sub> e)	1,632	1,574	1,473	2,221	2,136
Category 7: Employee commuting (metric tons of CO <sub>2</sub> e)	162,762	142,230	118,305	151,400	147,200
<b>Total Well-to-Wake Emissions</b>					
Total Scope 1, Scope 2, and Scope 3 Category 3 emissions (metric tons of CO <sub>2</sub> e) <sup>47,28</sup>	22,415,018	19,468,118	14,887,065	24,240,684	24,448,674

<b>Other Air Emissions<sup>48</sup></b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
NO <sub>x</sub> emissions (tons)	7.7	6.0	7.1	7.1	6.8
SO <sub>x</sub> emissions (tons)	0.7	0.6	0.7	0.7	0.7

<b>Regulatory Compliance</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Number of environmental violations resulting in fines	None	None	None	1	None
Total environmental fines	None	None	None	\$1,305	None

<b>Environmental Performance</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Emissions intensity (grams CO <sub>2</sub> e/RTK) <sup>30</sup>	1,012	1,047	1,517	1,032	1,026
Fuel efficiency (ASMs/gallon) <sup>25</sup>	77.3	79.2	81.3	75.7	76.3
Total number of electric Ground Support Equipment (GSE)	1,692	1,492	1,439	1,412	1,304
Purchases of renewable energy certificates (kWh)	More than 59 million	More than 39 million	None	More than 25 million	More than 25 million

<b>Waste Management &amp; Recycling<sup>49</sup></b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total waste generated (tons)	7,259	6,808	6,032	9,310	10,599
Total waste diverted (tons)	1,524	1,470	1,503	2,426	3,757
Total waste directed to disposal (tons)	5,735	5,338	4,529	6,884	6,842
Percent of total waste recycled	21	22	25	26	35
Hazardous waste generated (tons)	19.6	16.1	25.7	27.4	29.2
Hazardous waste managed through recycling and beneficial reuse (tons)	17.1	11.5	19.1	22.3	20.6
Intensity ratio (pounds of hazardous waste generated/aircraft)	51	44	72	73	78



# Performance

Producing strong operational and financial performance, while keeping Safety a top priority, is critically important to our Stakeholders and to the long-term success of Southwest Airlines. We achieved record operating revenues of \$23.8 billion and full year net income of \$539 million in 2022. Excluding special items,<sup>50</sup> we achieved full year net income of \$723 million in 2022. Despite challenges from higher fuel prices, cost inflation, economic uncertainty, and weather events across 2022, we remain financially strong and optimistic about future growth. We have a vast domestic network that we expanded during the pandemic, opening 18 new cities and growing our Hawaii service. We ended 2022 with an investment-grade balance sheet and advantaged cost position within the U.S. airline industry. Moving into 2023, our goals focus on generating consistent profitability, restoring our robust network, and enhancing the Southwest Customer Experience.





# Transforming the Customer Experience: From Booking to Baggage Claim & Beyond

In 2022, we announced our plan to usher in the next generation of the Southwest Customer Experience through more than \$2 billion in planned investments over a five year period. We designed these new initiatives to enhance and simplify Customers' journeys—truly transforming the Southwest Experience—from booking to baggage claim and beyond.

## Onboard Experience

Our Customers' expectations around technology and inflight connectivity aren't slowing down. And neither are we. We're making significant investments in our inflight WiFi connectivity and bandwidth to improve our Customers' ability to stay connected in the air to what's important and accessible to them on the ground. Anticipating the future needs of our Customers, we're working to upgrade WiFi equipment on our existing aircraft with hardware capable of bandwidths far beyond what Customers receive today.

We also entered into an agreement with industry-leading satellite connectivity provider, Viasat, to provide onboard internet and live television programming onboard new aircraft deliveries beginning in 2023. And to help the time fly by while we're in the air, we more than doubled our selection of free-to-watch movies in our inflight entertainment library for Customers to watch on their personal devices.<sup>51</sup> We also released our 3D flight tracker, which allows Customers on flights where the tracker is available to see details about their flight (including ground speed, altitude, heading, distance remaining, and time at destination). For added travel inspiration, we now show destination reels based on a Customer's flight itinerary, such as the top 100 experiences trending in their destination.

We're excited to begin offering the convenience of in-seat power onboard aircraft in 2023. In 2022, we announced our plans to install USB-A and USB-C power ports onboard every seat back in our aircraft, with a space-saving system that won't compromise legroom.

And alongside our famous bags fly free<sup>®</sup> policy that provides every Customer onboard a Southwest flight the option to check two bags for free,<sup>52</sup> we're making more room in the cabin for carryon items with larger overhead bins, making it easier for Customers to store and retrieve luggage onboard. The larger overhead bins will be installed on aircraft deliveries beginning in 2023.

*"We're excited to improve our Customers' connections in the air to those things that are important and accessible to them on the ground. We're investing in our onboard WiFi connectivity and bandwidth capabilities and plugging Southwest Customers into in-seat power to keep them charged while in the air."*

**RYAN GREEN**

Chief Commercial Officer





## From In Line to Online

In 2022, we announced plans to introduce new functionality into our Customer-facing digital platforms and airport kiosks designed to help Customers move more efficiently from curb to gate. As part of the planned enhancements, Customers can purchase Upgraded Boarding A1-A15 positions (when available) 24 hours before their scheduled departure on the Southwest app—no longer needing to stand in line at the airport! We also added lap-child check-in at self-service kiosks. And Customers can now add lap-child travelers when booking online, which creates a smoother travel experience for families with young children.

Introducing more self-service options builds on our effort to reduce wait times and provide a more seamless Southwest experience.

## Flexibility on the Fly

We also announced our Wanna Get Away Plus™ fare, a new fare with even more flexibility in 2022. The fare gives Customers the freedom they love while flying with Southwest, plus the ability to transfer flight credits<sup>53</sup> and confirm a same-day flight change.<sup>54</sup> We also announced a new policy that eliminates expiration dates on all Southwest flight credits created on or after July 28, 2022.<sup>55</sup> This additional flexibility applies to all currently valid, existing flight credits, and any new flight credit issued.<sup>55</sup>

Looking back, 2022 also brought key improvements to My Account, our Customers' one-stop digital shop for managing their booked travel. Customers can now view their unused travel funds, check their funds balance, and buy and change flights using their travel funds on any device—desktop or mobile. In addition, our new frequent travelers feature allows our Customers to store information for the people they travel with most and quickly add their information while booking.

We also introduced new, flexible payment options, making it easier for our Customers to pay their way online and onboard. Southwest Customers now have access to new payment options including Apple Pay, Uplift, and PayPal across all of our online booking platforms. We also simplified paying for inflight purchases. Along with credit cards, Customers can now make inflight purchases with Venmo, Apple Pay, and PayPal. We're the first domestic carrier to accept Venmo for inflight purchases, and it's all part of making searching for your wallet onboard a thing of the past.

The investments we've made throughout 2022 represent our focus on delivering a more efficient and seamless Customer Experience. From boardrooms to beaches and everywhere in between, no matter our Customers' reason for flying, we aim to provide a better Customer Experience.



# Restoring our Robust Network

Our unique point-to-point network, low fares, and famous Hospitality continue to make Southwest Airlines an attractive choice for Customers in cities across the U.S. and near-international destinations. Our near-term plans focus on restoring the depth of our pre-pandemic network, optimizing the breadth of our network, and continuing to provide Southwest’s Legendary Customer Service.

We ended 2022 flying around the same number of trips we flew pre-pandemic. This includes the restoration of roughly 85% of pre-pandemic markets and 15% from incremental trips from new airports and our Hawaii expansion.

We remain focused on restoring our network in 2023 and are confident about the year ahead. We plan to restore the remaining majority of our pre-pandemic markets by the end of 2023. The Company remains focused on maturing new markets that launched during the pandemic and shifting capacity growth to restoring core markets.

The vast majority of our forecasted trip increases for 2023 are aimed at adding frequency in existing markets and

<b>SDG</b>	<b>GRI</b>	
	201-1	203-2
	203-1	

reconnecting markets that have historically served as points of strength for our network. Because of this, we believe these markets will quickly produce strong financial results in 2023 and will also provide additional recoverability options for our Operations Team when disruptions occur to the network.

In addition to our focus on restoring core markets, we’re also optimistic about maturing new markets launched during the pandemic, including our Hawaii expansion. While we expect the percentage of available seat miles (ASMs) in development markets to remain elevated in 2024, we are very pleased with how our portfolio of new markets is performing.

# System Map

(as of December 31, 2022)



**121**  
Destinations Served

# Capacity by Region

(as of December 31, 2022)



- 21% West Coast
- 20% Desert Mountain
- 16% Southeast
- 16% South Central
- 14% Midwest
- 11% Northeast
- 2% Puerto Rico & International

# Top 10 Airports

Daily Departures  
(as of December 12, 2022)

- 01 DEN: 256**  
Denver
- 02 LAS: 215**  
Las Vegas
- 03 MDW: 208**  
Chicago (Midway)
- 04 DAL: 192**  
Dallas (Love Field)
- 05 BWI: 181**  
Baltimore-Washington
- 06 PHX: 168**  
Phoenix
- 07 HOU: 147**  
Houston (Hobby)
- 08 BNA: 124**  
Nashville
- 09 OAK: 111**  
Oakland
- 10 SAN: 108**  
San Diego



# Our Fleet

We ended 2022 with 770 Boeing 737 aircraft in our fleet, the largest Boeing fleet in the world.

We have a robust order book with Boeing for 737 aircraft, including the -7 aircraft, the successor aircraft to the -700 model.<sup>26</sup> Our order book offers tremendous flexibility for our fleet plans through 2030, and underscores our commitment to modernizing our fleet with more fuel-efficient aircraft.<sup>26</sup> As compared with the prior generation of 737 aircraft, the -8 and -7 aircraft provide increased range, improved flight deck capabilities, a quieter engine, and approximately 14% greater fuel efficiency.<sup>27</sup>

SDG



GRI

201-1

305-1


In 2022, we took delivery of 68 -8 aircraft and retired 26 -700 aircraft. Due to Boeing’s supply chain challenges and the current status of the -7 aircraft certification as of December 31, 2022, we didn’t receive 46 of the 114 contractually scheduled 737 deliveries in 2022. However, we expect delivery for the remaining 46 contractual undelivered aircraft to shift to future years.


As of December 31, 2022, our order book contained 417 firm orders and 147 options for new aircraft for the years 2023 through 2030. Given current supply chain and aircraft delivery delays, we’ll continue working with Boeing to solidify future delivery dates.


### Fleet Composition

# 770

Total Boeing 737 fleet<sup>56</sup>  
(as of December 31, 2022)

**426**  55.3%  
737-700

**207**  26.9%  
737-800

**137**  17.8%  
737-8

*“Providing reliable, low-cost air travel, complemented by exceptional Customer Service, has been the cornerstone of Southwest’s Purpose for more than 51 years. Our ongoing efforts to restore our network to pre-pandemic levels and fly the full fleet reflect our dedication to strengthening our operational reliability, boosting resiliency in response to ever-changing market dynamics, and ultimately better serving our Customers and supporting our Employees.”*

**ANDREW WATTERSON**  
Chief Operating Officer





# 2022 Financial Results

In 2022, Southwest generated record operating revenues of \$23.8 billion and full year net income of \$539 million. Excluding special items,<sup>50</sup> we achieved full year net income of \$723 million in 2022. We are encouraged by the post-pandemic recovery in travel demand. When combined with Southwest’s unique point-to-point network, low fares, and famous Hospitality, we believe we’re in a strong position for future growth and achieving our long-term financial goals. Our goals focus on generating consistent profitability, growing our route network and revenue, and enhancing Shareholder value by generating consistent returns on invested capital in excess of our weighted average cost of capital.

SDG



GRI

201-1

We started 2022 still experiencing negative impacts to Passenger demand and revenues due to the Omicron variant of COVID-19, particularly during January and February 2022. Strong travel demand, however, especially associated with leisure travel, accelerated in March and continued throughout the remainder of the year. Business demand also improved during 2022, with managed business revenues down 55% in first quarter 2022, recovering to down only 20% by fourth quarter, both compared with their respective 2019 levels.



Record quarterly revenues in second, third, and fourth quarters contributed to record full year operating revenues of \$23.8 billion in 2022—up 6.2% compared with 2019. We also paid down a significant amount of debt in 2022, retiring a total of \$2.9 billion in principal of debt and finance lease obligations. In addition, in December 2022, our Board of Directors reinstated a return of our pre-pandemic quarterly dividend of 18 cents per share, or 72 cents per share annualized, for our Shareholders.

Southwest, like other U.S. airlines, faced a number of challenges throughout 2022, such as higher fuel prices, cost inflation, economic uncertainty, and weather events. Until we returned to pre-pandemic staffing levels in May 2022, operational challenges resulted from surges in leisure travel demand against constrained personnel resources. The operational disruption in late December 2022 resulted in more than 16,700 flight cancellations and drove a fourth quarter pre-tax negative impact estimated at approximately \$800 million, which resulted in a net loss in fourth quarter.

Despite negative financial impacts in first quarter due to the Omicron variant and in fourth quarter due to operational disruptions, we generated a net income of \$723 million in 2022, excluding special items.<sup>50</sup>

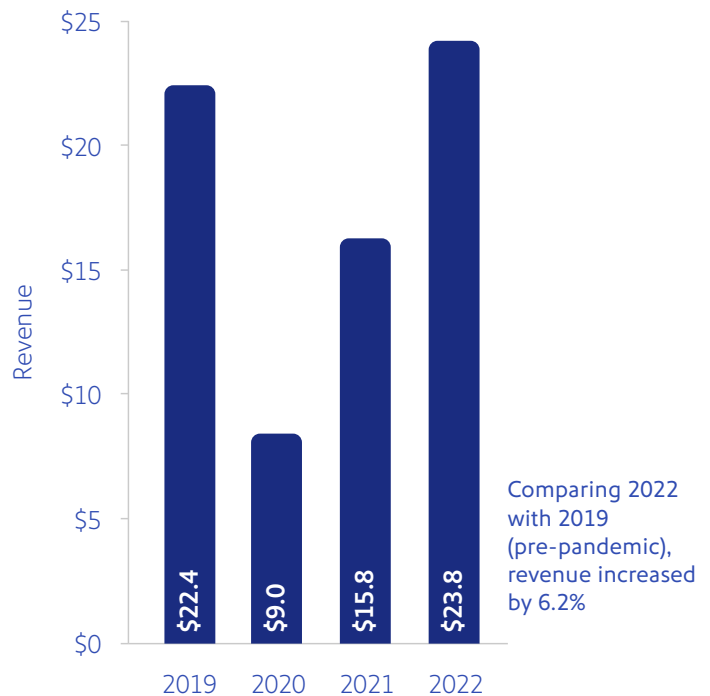
We're emerging from recent challenges with a strong financial position and optimism about the future. During the pandemic, we expanded our domestic network more than any other domestic carrier, opening 18 new cities and expanding our Hawaii service. We ended 2022 with an investment-grade balance sheet and advantaged cost position within the U.S. airline industry. While 2022 was another year of recovery and brought its own challenges, we plan to continue to reinforce and build upon the core strengths of Southwest. This includes several initiatives that we expect to create value and deliver financial benefits as we work to restore our route network and position ourselves for future growth opportunities.

Just as we seek to create value for our Customers, Employees, and communities, we also focus on maximizing Shareholder value. Effectively generating returns to our Shareholders has been a historical focus for Southwest, and with our continued recovery from the COVID-19 pandemic and the stabilization of our business, we have returned to this historical focus. In addition, we engage in an open dialogue with our Shareholders through our Investor Relations Department, so that we can stay focused on what matters most to them.



## Operating Revenues

Revenue (\$ in billions)



## Reporting on Business Performance

Southwest's Annual Report to Shareholders provides an overview of our business and financial performance in 2022. The Annual Report also includes a discussion of our business, risks factors, Management's Discussion and Analysis of Southwest's Financial Condition and Results of Operations, and audited financial statements.

Read our [2022 Annual Report](#).

Southwest's Proxy Statement, provided to Shareholders in advance of the Annual Meeting of Shareholders, describes matters up for Shareholder vote, and includes Executive compensation information.

View the complete [2023 Proxy Statement](#).

## Performance at a Glance

# 50.8%

Increase in operating revenue since 2021

# \$12.3B

Year-end cash and short-term investments

# 770

Boeing 737 aircraft<sup>56</sup>

# \$723M

Annual net income excluding special items<sup>50</sup>

# 83.4%

Load factor

# \$3.8B

Net cash provided by operations

# 121

Airports served

# 66,656

Full-time equivalent Employees<sup>11</sup>

*"We are pleased with the Board's decision to reinstate our quarterly dividend to the pre-pandemic level of \$.18 per share, enhancing returns to our Shareholders. This reinstatement is a reflection of our balance sheet strength and continued focus on generating consistently healthy earnings, margins, and long-term capital returns."*

**TAMMY ROMO**

Chief Financial Officer



# 10-Year Summary

Our 10-Year Summary shows consistent profitability prior to the COVID-19 pandemic. In the decade leading up to 2020, we significantly increased our cities served, and further strengthened our robust network of point-to-point service. We increased our capacity and fleet, introduced near-international service, and added thousands of Employees to our Southwest Family. Our solid execution led to increased earnings per share and returns to Shareholders. While the Omicron variant and operational disruptions negatively impacted financial performance in the first and fourth quarters of 2022, respectively, we earned record operating revenues for the full year. We're laser-focused on building on this momentum as we work toward restoring our robust network and returning to consistent profitability.

<p><b>SDG</b></p> 	<p><b>GRI</b> 201-1</p>
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# 10-Year Summary Data Table

(Dollars in millions except per share amounts, unaudited)

<b>Selected Consolidated Financial Data</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Operating revenues										
Passenger	\$21,408	\$14,066	\$7,665	\$20,776	\$20,455	\$19,763	\$19,068	\$18,299	\$17,658	\$16,721
Freight	177	187	161	172	175	173	171	179	175	164
Special revenue adjustment	–	–	–	–	–	–	–	172	–	–
Other	2,229	1,537	1,222	1,480	1,335	1,210	1,050	1,170	772	814
<b>Total operating revenues</b>	<b>23,814</b>	<b>15,790</b>	<b>9,048</b>	<b>22,428</b>	<b>21,965</b>	<b>21,146</b>	<b>20,289</b>	<b>19,820</b>	<b>18,605</b>	<b>17,699</b>
Operating expenses	22,797	14,069	12,864	19,471	18,759	17,739	16,767	15,821	16,437	16,478
Operating income (loss)	1,017	1,721	(3,816)	2,957	3,206	3,407	3,522	3,999	2,168	1,221
Other expenses, net	289	396	440	–	42	142	72	520	352	12
Income (loss) before income taxes	728	1,325	(4,256)	2,957	3,164	3,265	3,450	3,479	1,816	1,209
Provision (benefit) for income taxes	189	348	(1,182)	657	699	(92)	1,267	1,298	680	455
<b>Net income (loss)</b>	<b>\$539</b>	<b>\$977</b>	<b>\$(3,074)</b>	<b>\$2,300</b>	<b>\$2,465</b>	<b>\$3,357</b>	<b>\$2,183</b>	<b>\$2,181</b>	<b>\$1,136</b>	<b>\$754</b>
Net income (loss) per share, basic	\$0.91	\$1.65	\$(5.44)	\$4.28	\$4.30	\$5.58	\$3.48	\$3.30	\$1.65	\$1.06
Net income (loss) per share, diluted	\$0.87	\$1.61	\$(5.44)	\$4.27	\$4.29	\$5.57	\$3.45	\$3.27	\$1.64	\$1.05
Cash dividends per common share	\$0.000	\$0.000	\$0.180	\$0.700	\$0.605	\$0.475	\$0.375	\$0.285	\$0.220	\$0.130
<b>Total assets</b>	<b>\$35,369</b>	<b>\$36,320</b>	<b>\$34,588</b>	<b>\$25,895</b>	<b>\$26,243</b>	<b>\$25,110</b>	<b>\$23,286</b>	<b>\$21,312</b>	<b>\$19,723</b>	<b>\$19,177</b>
Long-term debt less current maturities	\$8,046	\$10,274	\$10,111	\$1,846	\$2,771	\$3,320	\$2,821	\$2,541	\$2,434	\$2,191
Stockholders' equity	\$10,687	\$10,414	\$8,876	\$9,832	\$9,853	\$9,641	\$7,784	\$7,358	\$6,775	\$7,336

<b>Consolidated Financial Ratios</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Return on average total assets	1.5%	2.8%	(10.2)%	8.8%	9.6%	13.9%	9.8%	10.6%	5.8%	4.0%
Operating margin	4.3%	10.9%	(42.2)%	13.2%	14.6%	16.1%	17.4%	20.2%	11.7%	6.9%
Net margin	2.3%	6.2%	(34.0)%	10.3%	11.2%	15.9%	10.8%	11.0%	6.1%	4.3%
Enplaned Passengers (in millions)	157.0	123.3	67.8	162.7	163.6	157.7	151.7	144.6	135.8	133.2
RPMs (in millions) <sup>29</sup>	123,843	103,562	54,221	131,345	133,322	129,041	124,798	117,500	108,035	104,348
ASMs (in millions) <sup>25</sup>	148,467	132,006	103,456	157,254	159,795	153,811	148,522	140,501	131,004	130,344
Passenger load factor <sup>57</sup>	83.4%	78.5%	52.4%	83.5%	83.4%	83.9%	84.0%	83.6%	82.5%	80.1%
Average length of Passenger haul (miles)	978	1,045	1,002	980	988	991	1,001	994	978	966
Average stage length (miles) <sup>58</sup>	728	790	743	748	757	754	760	750	721	703
Aircraft utilization (hours and minutes per day)	10:31	9:52	8:52	11:10	11:10	11:11	11:08	11:13	10:54	10:45
Trips flown	1,298,219	1,066,934	897,540	1,367,727	1,375,030	1,347,893	1,311,149	1,267,358	1,255,502	1,312,785
Average Passenger fare <sup>59</sup>	\$169.12	\$141.92	\$141.72	\$154.98	\$151.64	\$151.73	\$152.89	\$154.85	\$159.80	\$154.72
Passenger revenue yield per RPM <sup>60</sup>	17.29¢	13.58¢	14.14¢	15.82¢	15.34¢	15.32¢	15.28¢	15.57¢	16.34¢	16.02¢
Operating revenue yield per ASM <sup>61</sup>	16.04¢	11.96¢	8.75¢	14.26¢	13.75¢	13.75¢	13.66¢	13.98¢	14.20¢	13.58¢
Operating expenses per ASM <sup>62</sup>	15.36¢	10.66¢	12.43¢	12.38¢	11.74¢	11.53¢	11.29¢	11.26¢	12.55¢	12.64¢
Operating expenses per ASM, excluding fuel <sup>63</sup>	11.33¢	8.15¢	10.65¢	9.62¢	8.85¢	8.88¢	8.73¢	8.60¢	8.46¢	8.17¢
Fuel cost per gallon including tax	\$3.10	\$1.98	\$1.45	\$2.09	\$2.20	\$1.99	\$1.90	\$1.96	\$2.97	\$3.19
Fuel consumed, in gallons (millions)	1,922	1,668	1,273	2,077	2,094	2,045	1,996	1,901	1,801	1,818
Active, full-time equivalent Employees at year-end <sup>11</sup>	66,656	55,093	56,537	60,767	58,803	56,110	53,536	49,583	46,278	44,831
Aircraft at year-end <sup>56</sup>	770	728	718	747	750	706	723	704	665	681
Average age of fleet (years)	12	13	12	12	11	11	12	12	12	11

## Performance Data Table

Operational Performance	2022	2021	2020	2019	2018
External Customer commendations	More than 44,000	More than 38,000	More than 34,000	More than 88,000	More than 96,000
Ratio of External Customer commendations to personnel complaints	2:1	5:1	3:1	3:1	3:1
American Customer Satisfaction Index (ACSI)	77	79	79	79	80
U.S. Department of Transportation (DOT) Customer Satisfaction rating (consumer complaints per 100,000 enplanements) <sup>64</sup>	6.75	1.36	2.64	0.33	0.36
Percentage of reported flight operations arriving ontime	73.2	75.8	86.0	80.2	79.2
Number of mishandled bags reported per 1,000 enplaned bags	5.40	3.73	2.68	4.40	4.68
Passengers denied boarding per 10,000 Passengers	0.56	0.33	0.06	0.19	0.15
Net Promoter Score	51.2	Not Reported	Not Reported	Not Reported	Not Reported

### Reconciliation of Reported Amounts to Non-GAAP Measures<sup>50</sup>

(Dollars in millions, unaudited)

Year ended December 31,	2022
Net income, as reported	\$539
Add: Fuel hedge contracts settling in the current period, but for which losses were reclassified from AOCI <sup>65</sup>	40
Add: Impairment of long-lived assets	35
Deduct: Mark-to-market impact from fuel contracts settling in current and future periods <sup>65</sup>	(41)
Add: Loss on extinguishment of debt	193
Add: Unrealized mark-to-market adjustment on available for sale securities	4
Deduct: Net income tax impact of special items <sup>66</sup>	(47)
Net income, excluding special items	\$723



# Governance

Sound governance is a fundamental principle at Southwest. We strive to maintain the highest standards of ethical conduct and are proud of Southwest's history of strong corporate governance, beginning with the Company's Board of Directors.



## Bob Jordan's First Year as CEO

**In February 2022, Bob Jordan took the reins as CEO of Southwest Airlines, succeeding Gary Kelly, who assumed his new role as Executive Chairman. A long-time Southwest Executive with broad and deep experience, Bob's remarkable Leadership has been at the Heart of Southwest's success for decades. Combined with support from our deep bench of talented Leaders and thoughtful succession planning, it came as no surprise that Bob's first year as CEO set Southwest on a course for future success.**

Whether it was leading Southwest through the acquisition and integration of AirTran Airways, the development of the new southwest.com e-commerce platform, or any of the numerous transformational projects he's led, Bob has built a track record for inspiring our Teams to achieve big things. Bob's first year as CEO was no different.

Bob kicked off his first year as CEO by sharing with Employees his "Blueprint for Success"—a set of five strategic priorities designed to set the Company's course for the next five years. As Southwest continued to recover from the pandemic, Bob rallied our Teams around the principle of getting back to basics and leaning on the Southwest Way Values that have always helped Southwest stand apart.

To inspire action and progress, Bob and his Executive Leadership Team aligned our five strategic priorities to key Company Focus Areas and measurable Company goals and launched a Companywide Southwest Airlines Gratitude (SWAG) incentive program to recognize our Employees throughout the year for their continuous efforts toward achieving them.

During his first year as CEO, Bob led Southwest through the largest hiring sprint in our Company's history. We ended the year hiring more than 18,000 new Employees, with the vast majority hired into operational roles.



And when nearly one-fifth of your workforce is new, Leadership matters. Bob worked tirelessly with cross-functional Teams to maintain our exceptional standards for recruitment, hiring, and training.

With Southwest still emerging from pandemic challenges and working through the hiring surge, Bob's Leadership helped the Company stay laser-focused on our most important asset—our People. Bob prioritized programs designed to make our New Hires feel welcomed to our Team. Programs like WingMate, which pair New Hires up with experienced Southwest Employees, and sending welcome boxes to New Hires' homes made our new Employees feel welcomed, cared for, and appreciated. We also continued to invest in our Union-represented Employees by working hard to reach contract agreements. In 2022, Southwest ratified new agreements with our Appearance Technicians and Customer Service Employees. As of March 1, 2023, we have also ratified new agreements for our Flight Instructors, Facilities Maintenance Technicians, and Dispatchers, and we remain focused on closing negotiations with all open groups as swiftly as possible.

Southwest also prioritized talent and Leadership development throughout 2022, investing in initiatives to create and enhance meaningful learning and development programs to support our People and their careers. Our High Impact Development Portfolio, Mentorship Program, and the return of our Leadership Summit in 2022 are all strong examples of our ongoing commitment to the development of our People.

Bob's Leadership in getting Southwest properly staffed created a foundation for ongoing improvements in stabilizing and restoring our network. Throughout 2022, we improved our schedule quality by adding more depth and more nonstop flights, adding short-haul flights in business markets, and more flying across our Crew bases.

While our efforts toward improving our operations in 2022 are worth celebrating, we must also acknowledge the operational disruptions that occurred in late December 2022. As Bob shared with Employees and Customers, we recognize the hardships this situation caused so many. Following the disruption, we performed internal reviews and assessments, and also engaged a third-party global aviation firm, Oliver Wyman, for a third-party assessment. We have developed a tactical action plan to boost operational resiliency and significantly reduce the likelihood of repeating an event of that magnitude and impact. We are primarily focused in three

areas. Our first focus area is improving winter operations, which focuses on airport infrastructure, equipment, and winter preparedness. Our second focus area is enhancing cross-Team collaboration, which focuses on our processes, decision-making, escalation procedures, and communication during irregular operations. Our third focus area is accelerating other investments, which includes technology and tools that allow for greater volume and pace during irregular operations. The experience reaffirmed our commitment to having the right People, tools, technology, and processes in place to deliver the exceptional service our Customers have come to expect from us over the decades.

We remain focused on investing in tools to help us streamline our operations moving forward. In 2022, for example, we implemented electronic shift trading for Ground Operations Employees and a new hotel booking system to procure hotel rooms for Crew Members—all with the goal of making it easier for our Employees to focus on getting the job done. We also began setting a framework that we believe will enable us to move to a paperless aircraft turn, which remains a focus in 2023. Together, these efforts helped us gain momentum in improving our on-time performance (OTP), building on our legendary Hospitality, and delivering an unparalleled and modernized Customer and Employee Experience.

A big part of getting the basics right is keeping costs low so we can keep fares low. It's crucial to our business model and has been part of Southwest's DNA and our success since day one. Amidst cost inflation and recession concerns, Southwest stayed vigilant about controlling costs, working efficiently, and taking care of each other and our Customers.

Bob remains extremely proud of the progress Southwest made getting back to basics in 2022. Perhaps even more important to him, though, is the way we achieved these things—together.

He often says the best part of his work week is being with our People, and being invigorated by their enthusiasm, optimism, and honest feedback. Throughout the year, Bob visited more than 30 locations and dropped in on countless training classes, New Hire breakfasts and lunches, Captain upgrade classes, and many more important Company moments. No matter where he goes or who he talks to, one of the loudest themes he hears is to be one Team supporting each other and serving our Customers. And we see that happening as the business stabilizes, our results improve, and we continue to invest in our People.



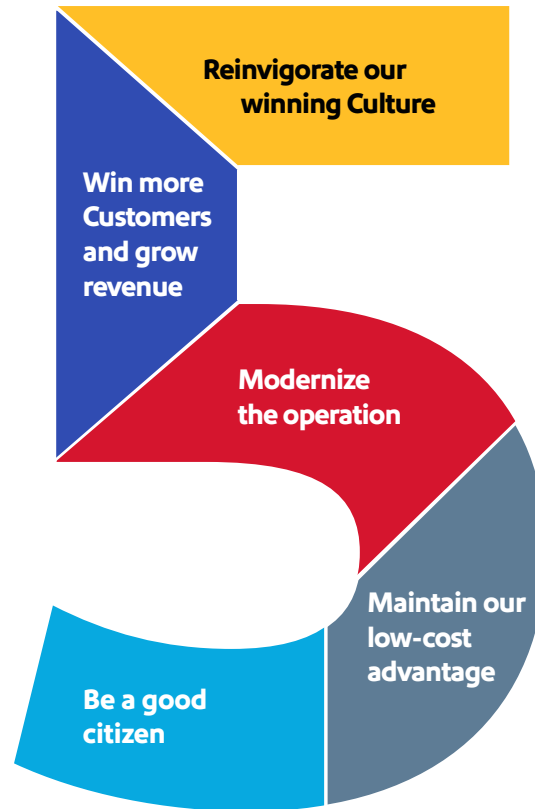
## Foundational Five & 2022 Focus Areas

In 2022, CEO Bob Jordan introduced Southwest Airlines to the Foundational Five, our strategic priorities for the next five years. It's our blueprint for success—communicated to every Department, Team, and Employee at Southwest and shared with

our Investors, too. Together, these inspirational priorities form the strategic foundation Southwest will build upon and help lead all the great work we'll do going forward.

# The Foundational Five

Our Strategic Priorities through 2026



We believe Southwest is a terrific Company and has been for over 51 years. But we're always convinced we can do better. The Foundational Five serve as a Company roadmap to take us into the future, helping to guide all the great work we'll do.

- **Reinvigorate our winning Culture** through Employee engagement, modernizing the Employee Experience, and living The Southwest Way.
- **Win more Customers and grow revenue** by being where and when Customers want to buy and fly and by modernizing the Customer Experience.
- **Modernize the operation** by giving our exceptional Employees the tools they need to serve our Customers—and each other—with our legendary Hospitality.
- **Maintain our low-cost advantage** through everyday discipline and tangible efficiency initiatives.
- **Be a good citizen** by championing causes that matter most, including committing to a diverse and inclusive workforce, addressing our carbon emissions, and investing in community partnerships that drive impact.

## 2022 Focus Areas

Outlining our strategic priorities was only a first step. With an eye on impact, we aligned our priorities to specific Focus Areas and Company goals for 2022. Still emerging from the pandemic, our specific goals for 2022 were all about getting back to the basics.

### Getting Properly Staffed

Listing this Focus Area first was intentional. Without proper staffing, we knew it would be difficult to get the basics right. Looking back on 2022, we're extremely proud of how we came together as a Team—to grow our Team. After the height of the pandemic, it took an incredible effort by our People Department and related groups including Talent Acquisition, Training, Talent & Leadership Development, Employment Screening, and Onboarding Teams just to rebuild their own Teams to support this hiring need. Then, they went above and beyond, hiring more than 18,000 terrific new People in 2022.

It was truly a Team effort. Throughout the year, we called on all Southwest Warriors to help us attract and retain Employees by Living and Working the Southwest Way, taking a New Hire under their wing, serving as a trainer or onboarding champion, and referring great Candidates.

## Focus on People and Culture

Recognition has always been a key part of our world-famous Culture. And in 2022, we doubled down on the power of recognition to reinvigorate our Culture, retain Employees, and reward great work. Throughout the year, we incentivized Employees to show appreciation to a Coheart through our internal SWAG Employee recognition platform. When Employees are recognized for their great work, they can receive SWAG Points they can use to redeem for rewards including Rapid Rewards® points, gift cards, merchandise, and more. In 2022, we surpassed our collective target of sending 350,000 acts of recognition per quarter and sent more than 1.6 million total acts of recognition throughout the year!

## Getting Back to our Historic Operational Reliability and Efficiency

Throughout 2022, we made significant progress toward restoring our robust pre-pandemic network and returning to the historical levels of operational Reliability Southwest is known for while maintaining our focus on Safety. Our immediate efforts to ramp up hiring and make key operational improvements contributed greatly toward key goals like ontime performance.

Key operational improvements focused on schedule quality. This included adding more nonstop flights, adding short-haul flights in business markets, and flying more across our Crew bases. We also continued to work alongside industry and governmental partners to address the impact from a large increase in airspace flow programs in several of our key locations.

We also continued our ongoing investments in Employee-facing technology. We are in the early stages of bringing in a unified communication tool that will allow Flight Operations, Inflight Operations, Dispatch, Tech Operations, and Ground Operations Employees to communicate digitally, in real-time, on a flight-by-flight basis. This is just one of many tools we're working to roll out in order to move to more efficient, digitized operations.

We're focused on giving our Employees and Teams the tools they need to do their jobs, which results in a more efficient and reliable work experience.

## Restore our Customer Service Advantage

In 2022, we announced our more than \$2 billion plan over a five-year period to transform the Customer Experience, including plans to improve WiFi; add in-seat power and larger overhead bins; provide more entertainment options; offer a wider selection of refreshments onboard; and add new Customer self-service capabilities. Our Wanna Get Away Plus™ fare now offers transferable flight credits,<sup>53</sup> and in 2022, we became the first major U.S. airline to eliminate expiration dates on all flight credits unexpired on, or created on or after, July 28, 2022, bringing even more flexibility for our Customers.<sup>55</sup>

While we're transforming the Customer Experience, we aren't losing sight of the basics. That means continuing to stay focused on keeping our airline on time, accommodating and serving our Customers, providing excellent assistance to Customers with disabilities, having a positive attitude when asked for help, and delivering solid baggage handling. We truly believe every interaction is an opportunity to demonstrate our legendary Hospitality and create a Customer for life!

## Return to Consistent Profitability

In 2022, we generated record operating revenues of \$23.8 billion and full year net income of \$723 million, excluding special items.<sup>50</sup> Throughout 2022, resilience and improvement in both leisure and business demand helped drive record quarterly revenues in second, third, and fourth quarters. As we continue to experience cost inflation, we remain laser-focused on strategies to protect our low-cost advantage over the competition. Productivity and efficiency are paramount.

We believe we're in a strong position for future growth and achieving our long-term financial goals, which focus on generating consistent profitability, growing our route network and revenue, and enhancing Shareholder value by generating consistent returns on invested capital in excess of our weighted average cost of capital.

## Looking to 2023 and Beyond

With our Foundational Five still serving as our guide, we've recently updated our Company Focus Areas to build on our momentum in 2023.

- **Live our Southwest Way Values:** Focus on “we” before “me.” We win when we support each other, serve others, and work together as a Team.
- **Build on our legendary Hospitality:** Offer service that our Employees are proud of and our Customers trust, and roll out planned Customer Experience investments. This is how we create Customer loyalty.
- **Be consistently reliable and operate with excellence:** Deliver upgraded technology, tools, and processes, rooted in a Safety-first mindset. This will allow our People to confidently deliver a reliable product in all operating environments.

- **Restore our network and fly the full fleet:** Staff properly and show up for each other and our Customers. This will allow us to regain our historic efficiency and productivity.
- **Produce strong financial results and improve our low-cost edge:** Win Customers with Heart and Hospitality. That will lead to winning profitability that fuels our future.

As a Company, we're excited about what lies ahead for Southwest! As we move through 2023, we will use our Foundational Five to steer us in all we do!

*“You can never stop working to get better. We have a long and proud history of offering Legendary Customer Service and warm Hospitality, and we have bold plans and significant investments to modernize and enhance the Southwest Experience.”*

**BOB JORDAN**

President & CEO

# Governance Data Table

Board of Directors by Gender, Age, and Ethnicity/Race <sup>67</sup>	2022	2021	2020	2019	2018
Gender	85% Male	75% Male	Not Reported	Not Reported	Not Reported
	15% Female	25% Female	Not Reported	Not Reported	Not Reported
Age	100% over age 50	100% over age 50	Not Reported	Not Reported	Not Reported
<b>Ethnicity/Race:</b>					
Black or African American	15%	8%	Not Reported	Not Reported	Not Reported
Hispanic or Latino	0%	8%	Not Reported	Not Reported	Not Reported
White	85%	84%	Not Reported	Not Reported	Not Reported



# RALLY

2022



## Management Approach to Key Topics

### Key Topics Assessment

At Southwest Airlines, we recognize the importance of identifying ESG impacts that are significant to our business and the environments in which we operate. Through our key topics assessment, we plan to regularly assess how our business impacts our People and communities, our Planet, and our Performance.

Together with a third-party consultant, we completed a formal assessment and refresh of our key topics in fall 2022. We used the revised GRI Universal Standards 2021 to evaluate our business's current and potential environmental, economic, and social impact. In addition to external impact, we also evaluated the internal impact of key ESG topics on our business and how they may influence financial performance and our ability to operate in the future.

Throughout the assessment, we conducted peer benchmarking and engaged key Stakeholders. Insights gathered through Stakeholder interviews and desktop research enabled Southwest to assess each topic based on the significance of its internal and external impact.

### Stakeholder Engagement

Our approach to identifying key topics is informed by the GRI guidelines, which call for a systematic process for engaging Stakeholders and prioritizing feedback, including:

- Evaluating relevant CSR and ESG topics
- Identifying internal and external Stakeholders
- Assessing the organization's impacts
- Evaluating the influence on the Stakeholder groups
- Prioritizing topics

## How We Engage

The table below includes a number of ways we engage our various Stakeholder groups on ESG matters

<h3>Employees</h3>	<ul style="list-style-type: none"> <li>Employee surveys</li> <li>Our Company intranet, SWALife</li> <li>Other internal communication channels</li> <li>Weekly messages from our CEO</li> <li>Network of Culture Ambassadors</li> <li>Cross-functional Employee Working Groups</li> </ul> <ul style="list-style-type: none"> <li>Culture &amp; Engagement Department</li> <li>Diversity, Equity, &amp; Inclusion Department</li> <li>People, Learning, &amp; Development Departments</li> </ul>
<h3>Customers</h3>	<ul style="list-style-type: none"> <li>Customer surveys</li> <li>Social media listening</li> <li>Customer focus groups</li> </ul> <ul style="list-style-type: none"> <li>Customer call centers</li> <li>Customer emails</li> </ul>
<h3>Suppliers</h3>	<ul style="list-style-type: none"> <li>Supplier Diversity Commitment</li> <li>Online supplier portal</li> <li>Engagement with internal participants in the procurement process</li> </ul> <ul style="list-style-type: none"> <li>ESG-focused questions in supplier RFPs</li> <li>Supplier Code of Conduct</li> <li>Engagement with external participants in the procurement process (suppliers)</li> </ul>
<h3>Non-Governmental Organizations (NGOs)</h3>	<p>Research and publications from the following NGOs help inform our citizenship approach:</p> <ul style="list-style-type: none"> <li>Commercial Aviation Alternative</li> <li>Fuels Initiative (CAAFI)</li> <li>Rocky Mountain Institute (RMI)</li> <li>Aviation Climate Taskforce</li> <li>Airlines for America (A4A)</li> <li>Boston College Center for Corporate Citizenship</li> <li>World Economic Forum's Clean Skies for Tomorrow Coalition</li> <li>Airport Cooperative Research Program (ACRP)</li> </ul>
<h3>Airports &amp; Government</h3>	<ul style="list-style-type: none"> <li>Employees and Leaders from Governmental Affairs, Airport Affairs, and Network Planning have regular conversations with airport authorities and elected officials</li> </ul> <ul style="list-style-type: none"> <li>We develop public policy positions intended to benefit our Employees, Customers, and communities</li> </ul>
<h3>Investors</h3>	<ul style="list-style-type: none"> <li>Engagement with internal participants in Investor Relations Department and Informal Investor interviews</li> </ul> <ul style="list-style-type: none"> <li>Investor-focused standards such as Sustainability Accounting Standards Board</li> </ul>
<h3>Regulators</h3>	<p>We take regulatory compliance seriously, including with respect to standards and requirements established by:</p> <ul style="list-style-type: none"> <li>Department of Transportation (DOT)</li> <li>Environmental Protection Agency (EPA)</li> <li>Federal Aviation Administration (FAA)</li> <li>Securities and Exchange Commission (SEC)</li> </ul>
<h3>Communities</h3>	<ul style="list-style-type: none"> <li>Employee volunteerism</li> <li>Charitable contributions and donations</li> <li>Nonprofit partnerships</li> </ul> <ul style="list-style-type: none"> <li>Community Relations Team</li> <li>Medical Transportation Grant Program (MTGP)</li> </ul>
<h3>ESG Rating Organizations</h3>	<p>Additionally, we reviewed multiple sustainability reporting standards, frameworks, and results from independent ESG research firms to inform our reporting efforts, including:</p> <ul style="list-style-type: none"> <li>CDP (formerly Carbon Disclosure Project)</li> <li>S&amp;P Global Corporate Sustainability Assessment</li> <li>Human Rights Campaign</li> <li>Institutional Shareholder Services (ISS)</li> <li>JUST Capital</li> <li>Sustainalytics</li> <li>EcoVadis</li> </ul>



## Key ESG Topics

The following key topics matrix outlines the prioritization of our key topics for ESG reporting and management. Topics which rank “high” or “substantial” on each axis are considered to be our key topics. Topics ranking “moderate” or “low” are not considered key topics but remain a priority for our business as we think about our approach to management of ESG and our larger business strategy.

The 2022 key topics assessment revealed how the priority of key topics can fluctuate in an ever-changing world. For example, Employee recruitment was our lowest ranking topic in 2020. In 2022, however, this topic ranked among our highest priorities—having a significant impact both internally and externally.

Our 2022 key topics assessment was critical in helping Southwest to identify focus areas for our ESG strategy and reporting. For Southwest, Safety, ethics, and financial performance are foundational to our business, and necessitate management at the highest level and transparent reporting regardless of internal or external factors.

In the pages that follow, we share how our key topics are managed and who is responsible for the highest level of oversight for the key topics.

## ESG Key Topics Matrix

The matrix reflects the results of our key topics assessment as we evaluated potential impact, both internally to Southwest’s business and externally on society, the environment, & the economy

		Foundational Topics: Safety, Ethics, Financial Performance			
Impact on society, environment, & economy	Substantial			<ul style="list-style-type: none"> <li>• Climate Risks &amp; Impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Fuel, Energy, &amp; GHG Emissions</li> <li>• Diversity, Equity, &amp; Inclusion</li> <li>• Risk &amp; Crisis Management</li> <li>• Cybersecurity</li> <li>• Data Privacy</li> </ul>
	High		<ul style="list-style-type: none"> <li>• Waste</li> <li>• Supply Chain Responsibility</li> <li>• Human Rights &amp; Anti-Trafficking</li> <li>• Community Outreach</li> </ul>	<ul style="list-style-type: none"> <li>• Indirect Economic Impact</li> <li>• Supply Chain Disruption</li> <li>• Environmental Compliance</li> <li>• Public Policy, Regulation, &amp; Transparency</li> <li>• Board Composition</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Retention &amp; Recruitment</li> <li>• Fleet Management</li> <li>• Network &amp; Growth</li> </ul>
	Moderate	<ul style="list-style-type: none"> <li>• Facilities Energy Use</li> <li>• Water Management</li> </ul>		<ul style="list-style-type: none"> <li>• Employee Training, Education, &amp; Career Development</li> <li>• Board Oversight of ESG</li> <li>• Freedom of Association &amp; Collective Bargaining</li> </ul>	<ul style="list-style-type: none"> <li>• Operational Performance</li> <li>• Customer Satisfaction</li> <li>• Employee Compensation, Benefits, &amp; Health</li> <li>• Employee Experience, Culture, &amp; Engagement</li> </ul>
	Low	<ul style="list-style-type: none"> <li>• Marketing &amp; Ethical Branding</li> </ul>	<ul style="list-style-type: none"> <li>• Political Contributions</li> </ul>		
		Low	Moderate	High	Substantial
		Impact on Southwest®			

## Board Oversight of ESG

### Board Duties and Responsibilities

Sound corporate governance begins with the tone from the top. The Company's Board of Directors (the "Board of Directors" or the "Board") is committed to sound corporate governance policies and practices supporting its fundamental responsibility to promote the best interests of the Company and its Shareholders by overseeing the management of the Company's business. The business and affairs of Southwest are managed under the direction of the Company's Board of Directors (the "Board of Directors" or the "Board"). The fundamental responsibility of the Board of Directors is to promote the best interests of the Company and its Shareholders by overseeing the management of the Company's business. Among other duties and responsibilities, the Board of Directors is responsible for (i) overseeing the selection, evaluation, development, and compensation of senior management; (ii) assessing major risks facing the Company and reviewing options to mitigate such risks; (iii) reviewing, approving, and monitoring significant financial and business strategies and major corporate actions; and (iv) overseeing the processes to maintain the utmost integrity and proper management of the Company. To assist the Board of Directors with its oversight responsibilities and best serve

the Company's Shareholders, Employees, and Customers, the Board has created the following committees: (1) Audit Committee; (2) Compensation Committee; (3) Nominating and Corporate Governance Committee; (4) Safety and Compliance Oversight Committee; (5) Operations Review Committee; and (6) Executive Committee.

### Environmental, Social, and Governance (ESG) Board Oversight

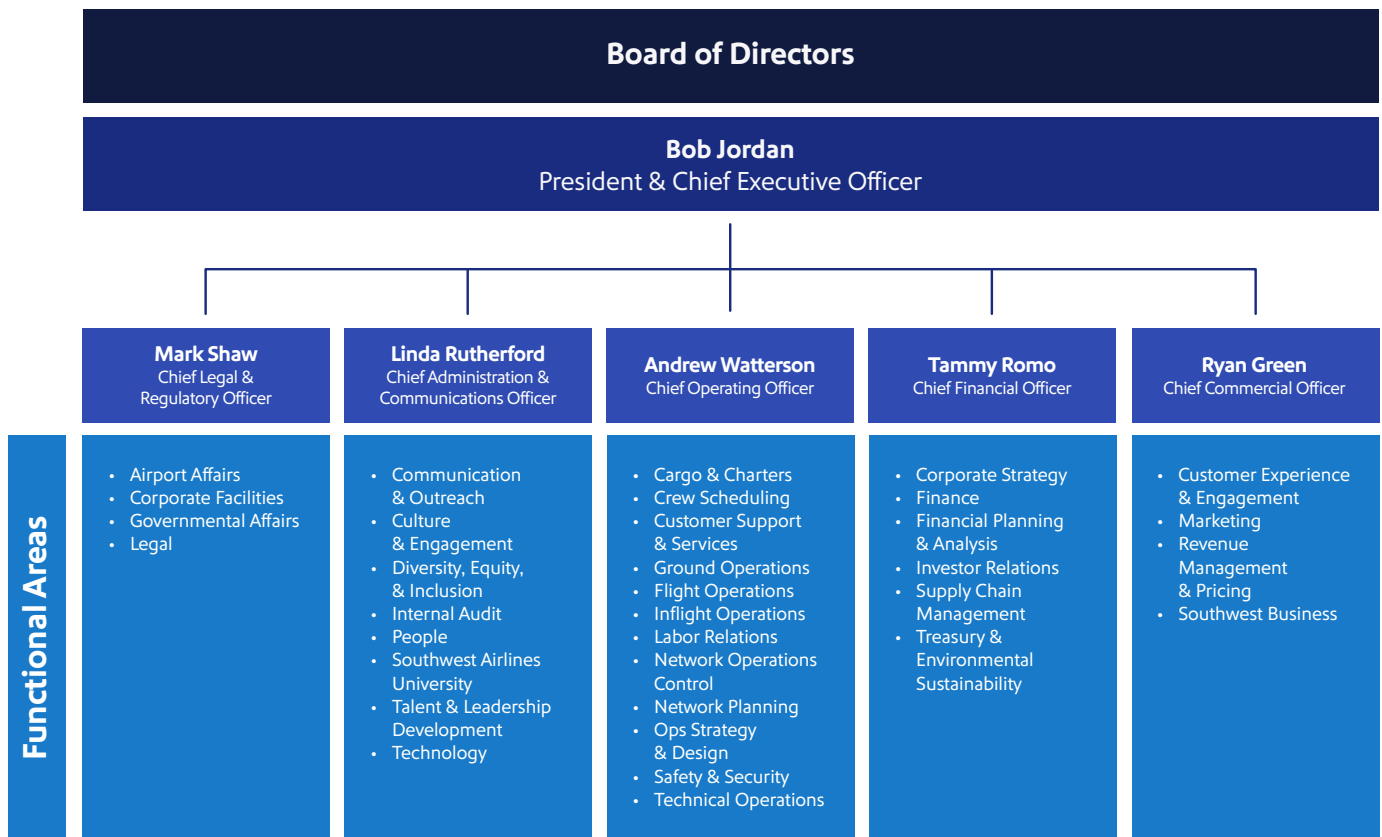
Recognizing the fundamental importance of the Company's corporate responsibility practices, the Board and its committees provide oversight of the Company's ESG-related initiatives, objectives, and progress. The Compensation Committee assists the Board with its oversight of human resources policies and practices, including the Company's DEI philosophy, practices, and initiatives. The Board believes that other ESG matters expand well beyond a single committee and that each Board Member offers a unique perspective and valuable input critical in overseeing ESG matters. Accordingly, the Board has decided the Company, its Employees, and its Shareholders are best served if the full Board is entrusted to oversee and evaluate the Company's other ESG matters.



## Management Oversight and Committees

At Southwest Airlines, our organizational structure is designed to allow our Senior Executives oversight of their functional areas and encourage collaboration and a shared view of success. As it relates to ESG, the core concepts of caring for People, respecting our Planet, and delivering key operational and financial Performance, all surrounded by strong corporate governance, are at the very core of Southwest’s DNA. With respect to executive oversight of ESG matters, President & CEO Bob Jordan has ultimate responsibility for the business of Southwest, including ESG topics. Among other duties

and responsibilities, the Board of Directors is responsible for overseeing the Company’s corporate responsibility practices, including with respect to sustainability and other ESG matters. To help fulfill its oversight responsibilities, the Board receives regular updates on ESG from subject matter experts within the organization. Southwest’s most senior Executives meet weekly through standing Executive Committee meetings. Respective to their organizational pillars, our Executive Leadership provides oversight for specific functional areas, and related key topics as noted below in the organizational chart.



In order to provide cross-functional perspectives, oversight is provided by several management level ESG-related steering committees and groups which are detailed below. Outcomes and topics from each of these steering groups are raised to the full Executive Committee and Board of Directors as necessary. These cross-functional Teams play a critical role in proactively managing and monitoring ESG issues, including social topics and climate-related issues. Examples of these cross-functional Teams include our Fuel Savings Team, Social Topics Committee, DEI groups, and various sustainability taskforces within Facilities, Southwest Business, and more.

### **Citizenship Executive Steering Group**

The Citizenship Executive Steering Group serves as a cross-functional group of Executives, senior-level Leaders, and subject matter experts to collaborate on topics across all ESG areas, and it serves as a centralized space to discuss intersectional ESG topics that have enterprise-wide impact. This group assesses progress toward Southwest's overall corporate citizenship roadmap and maturity.

### **Environmental, Social, and Governance Executive Steering Group**

The Environmental, Social, and Governance Executive Steering Group (ESG2) is a cross-functional group of Vice Presidents and Senior Leaders championed by the Communication and Outreach Department. ESG2 meets regularly to review and collaborate on strategic environmental, social, and governance issues, provide recommendations, and evaluate reporting opportunities presented by the Corporate Citizenship Team. This group discusses specific People, Planet, Performance, and Governance topics and consists of representatives from People, Legal, Finance, Environmental Sustainability, Investor Relations, Communications & Outreach Department, and Diversity, Equity, & Inclusion.

### **Social Topics Committee**

The Social Topics Committee is an Executive forum to review, evaluate, and propose responses to current social topics raised as well as consider areas to take proactive actions and alignment. Senior Leaders and Executives from Communications & Outreach, Governmental Affairs, Ground Operations, Inflight Operations, Investor Relations, Legal, Marketing, People (HR), and Diversity, Equity, & Inclusion Departments participate on this committee. This group meets each month, and on an as needed basis, to discuss social and governance-related topics.

### **Diversity, Equity, & Inclusion Executive Steering Group**

The Diversity, Equity, & Inclusion Executive Steering Group (DEI ESG) is an Executive forum that meets regularly and partners with the Diversity, Equity, & Inclusion Department in formulating DEI corporate strategy initiatives. The DEI ESG aims to promote the DEI strategy through the primary focus areas of Talent; Culture & Values; Brand, Reputation, & Social Topics; and Communication & Reporting. This committee is comprised of Senior Leaders and Executives from the following departments: Communications & Outreach; Culture & Engagement; Customer Support & Services; Flight Operations; Governmental Affairs; Ground Operations; Inflight Operations; Legal; Marketing; Operations & Hospitality; People, Learning, & Development; Southwest Business; Supply Chain Management; Technical Operations; and Diversity, Equity, & Inclusion.

### **Risk Committee**

The Risk Committee is made up of Executive Leaders throughout the organization and is overseen by our President & CEO. The Committee meets quarterly to review enterprise risks and determine appropriate steps to mitigate and reduce risk to acceptable levels. The Risk Committee provides oversight of risk management activities identified by the Enterprise Risk Management Team.

### **Environmental Sustainability Executive Steering Group**

The Environmental Sustainability Executive Steering Group is the key forum for decision-making related to environmental sustainability at Southwest. The Steering Group meets monthly and is comprised of Executive Leadership across our Finance, Legal, Communications & Outreach, and Governmental Affairs Departments, including engagement from the Executive Chairman of the Board of Directors, the Chief Administration & Communications Officer, the Chief Financial Officer, and the President & Chief Executive Officer. This group evaluates climate-related topics such as SAF agreements, progress toward the Company's environmental and sustainability goals, climate disclosures, climate-related risks and opportunities, and any new and/or relevant topics in the sustainability space.



## Board Composition

Southwest's Nominating and Corporate Governance Committee is responsible for recommending to the Board the criteria for Board membership. These criteria are set forth in the Company's Corporate Governance Guidelines, which address Board Member qualifications and independence requirements, among other Board and governance matters. The Board evaluates each Candidate in the context of the Board as a whole, with the objective of recommending to Shareholders a group that collectively can best serve the long-term interests of the Company's Employees, Customers, and Shareholders. While the Board does not have a formal policy with regard to Board Member diversity, in 2020 the Board committed to increasing its diverse representation by 2025 as compared to 2020. In considering diversity, the Board takes into account various types of diversity, including, for example, diversity of experience, geography, gender, ethnicity, and race, with the goals of obtaining diverse perspectives and encouraging constructive debate. The Board's primary consideration is to identify Candidates with the background, attributes, experience, and skills that will best fulfill the Board's and the Company's needs at the time a search is being conducted.

As of February 15, 2023, the Company's Board of Directors is comprised of 14 members, and 33% of the Nominating and Corporate Governance Committee, including the Chair of the Nominating and Corporate Governance Committee, is racially/ethnically and/or gender diverse. Twelve members of the Board are independent, as defined by New York Stock

Exchange (NYSE) rules. All members of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Safety and Compliance Oversight Committee are independent, as defined by NYSE rules.

Understanding the importance of Board composition and refreshment to the effective fulfillment of the Board's oversight responsibilities, and paying particular attention to diversity considerations, the Nominating and Corporate Governance Committee has put forth a concerted and ongoing effort to identify and build a pipeline of possible Candidates to address the evolving needs of the Board and the Company. As part of this effort and with input from the full Board, the Nominating and Corporate Governance Committee regularly reviews its Candidate search process and recruitment criteria, and in 2022, the Nominating and Corporate Governance Committee refreshed its search criteria, including diversity considerations.

In 2022, the slate of nominees for election to the Board at the Annual Meeting included two racially/ethnically diverse Candidates and two gender diverse Candidates. Reflecting the Board's continued attention to diversity considerations, the slate of nominees for election to the Board at the 2023 Annual Meeting includes four racially/ethnically diverse Candidates and three gender diverse Candidates. If all nominees are elected to the Board at the 2023 Annual Meeting, 36% of the Board will be racially/ethnically and/or gender diverse.

## Ethics

Southwest seeks to operate with the highest ethical standards and in compliance with applicable laws and regulations. The Board has adopted a Code of Ethics that sets out basic tenets to guide the behavior of the Company's Employees, Board Members, and business associates with respect to insider trading; competition and fair dealing; payments to government personnel; confidentiality; conflicts of interest; corporate opportunities; protection and proper use of the Company's assets; recordkeeping; reporting illegal or unethical behavior; and compliance procedures. The Board of Directors reviews the [Code of Ethics](#) annually.

In addition to the Code of Ethics, the Audit Committee adopted procedures for the confidential, anonymous submission of Employee complaints regarding accounting, internal accounting controls, or auditing matters, or concerns regarding questionable accounting or auditing matters ("Employee Reports"). The Committee also handles Employee Reports. Both the Code of Ethics and the Audit Committee's procedures prohibit retaliation for reports made in good faith. In addition to the Code of Ethics and the Audit Committee procedures, the Company established channels through which Employees can report employment and/or Safety-related concerns.

The Company's bylaws, Corporate Governance Guidelines, Board committee charters, Code of Ethics, and other corporate policies, as well as additional information about the Company's governance practices, Board of Directors, and officers, are available on southwest.com in the [Investor Relations section](#). As referenced in the Company's Code of Ethics, the Company implemented additional policies pertaining to specific topics, including, for example, an Insider Trading Policy and a Foreign Corrupt Practices Act Policy.

## Risk & Crisis Management

The airline industry has historically been volatile and subject to various operational and financial challenges. Successful identification and mitigation of risks, along with having appropriate response mechanisms in place to quickly address rapidly emerging events, are essential for our continued viability and success in maintaining a resilient brand for our Customers and Employees.

Southwest's Enterprise Risk Management (ERM) Team plays an important role in managing existing and emerging risks that are critical to the overall business goals and objectives of our Company. The ERM Team conducts risk assessments, produces internal reports, defines risk focus areas, and provides a framework to drive cross-departmental alignment. Climate-related risks are integrated into this multi-disciplinary

Companywide ERM process. As part of this, the ERM Team oversees a tiered risk management structure including Risk Champions, comprised of subject matter experts from key departments, Risk Owners comprised of Senior Leaders, and a Risk Committee of Executive Leadership. The ERM Team meets with Risk Champions and Risk Owners on a quarterly and as needed basis to identify, evaluate, document, prioritize, and score risks for impact, vulnerability, likelihood, and velocity. The ERM Team and Risk Champions work together to craft a risk statement, document other qualifying information, develop risk reduction plans, and begin tracking the risks and progress towards mitigation. All risks and mitigation strategies are tracked, and critical risks are escalated to the Risk Committee. The Risk Committee meets quarterly to review risk status and mitigation and validate appropriate actions are in place. The President & CEO has accountability and oversight of the Risk Committee and ERM function.

In addition to the ERM Team, the Southwest Emergency Response and Business Continuity Teams oversee planning and response initiatives to meet our legal obligations, as well as our desire to care for those impacted by emergencies.

The Emergency Response Team is responsible for developing plans, manuals, training, and drills for responses to aircraft accidents, hurricanes, pandemics, campus emergencies, and other disruptive events. They conduct debriefs to identify lessons learned after each response and implements changes to the response plans. The Team also manages and trains the Care Team, which is a group of Southwest volunteers who care for those affected by an aircraft accident. The Emergency Response Team leads an Emergency Response Committee which includes Senior Leaders and members from each response Team throughout the Company and meets bi-annually to train and share program enhancements.

The Business Continuity Team is responsible for providing a framework that enables Southwest to continue business during disruptions to its Employees, facilities, and technology. The Business Continuity Team oversees a dedicated corporate back-up facility, the Remote Operations Center, for key operating departments during disruptions to the primary Network Operations Center. The Team has partnerships with Supply Chain Management on third-party risks, Finance on fuel disruptions, Environmental Sustainability on climate-related risks, and with Technology to prioritize application recovery based on the needs of the business. A Business Continuity Steering Committee meets biannually to align on and drive resiliency initiatives.

## Cybersecurity

Southwest Airlines has adopted the National Institute of Standards and Technology (NIST) Cybersecurity Framework to enable data, system, and application security in all areas of our business. This is a risk-based approach to mitigate organizational cybersecurity risks and impacts to Southwest's facilities, airports, and aircraft. The NIST Cybersecurity Framework helps us understand, manage, and reduce cybersecurity risks and apply the outputs of the framework to help inform the cybersecurity agenda. Southwest also has a dedicated Cybersecurity Team, made up of engineers, analysts, and Leaders, as part of our Technology Department. The Team maintains our cybersecurity products, processes, procedures, and operations and conducts vulnerability management and penetration testing to identify, classify, prioritize, remediate, and mitigate vulnerabilities. The Team also manages and executes the Company's Cybersecurity Incident Response Plan to prepare for and respond to a cybersecurity incident. The plan is tested yearly via a tabletop exercise to identify strengths, weaknesses, and opportunities for change. Vulnerability management, penetration testing, and cybersecurity incidents are tracked via a platform that helps our organization meet internal service level agreement goals.

To stay on top of emerging cyber threats and upcoming cyber regulations, Southwest is proudly a founding member of the Aviation Information Sharing and Analysis Center (A-ISAC) and a member of the Airlines for America Cybersecurity Council. We also subscribe to multiple Cybersecurity Threat Intelligence Feeds to monitor the Global Threat Landscape and apply those learnings to our environment.

Our Employees play a critical role in maintaining the Security of our systems and data. All Employees are expected to adhere to our cybersecurity policies, which are outlined in Guidelines for Employees, our Employee policy handbook, and are acknowledged annually. Educating our Employees on cybersecurity doesn't just stop with our policy acknowledgments. Southwest leverages multiple communication strategies and channels to interact with and educate Employees. For example, in recognition of National Cybersecurity Awareness Month in October, Southwest conducts an annual communication campaign to educate Employees on topics like phishing, social engineering, working securely in a remote environment, and password security. Throughout the year, we also have a regular cadence of reminders and messaging about the importance of cybersecurity.

## Data Privacy

Southwest's business requires us to process, store, and sometimes share the personal information of our Customers, People, and partners. Our Privacy Program is based on a broad set of privacy principles and applicable law. While our Privacy Office is responsible for the day-to-day management and oversight of our program, we believe that privacy is everyone's responsibility and have approximately 50 volunteers or appointed Privacy Champions embedded throughout the Company that go through additional privacy training. This training, supported by relevant internal policies and applicable law, not only educates, but creates broad awareness of the appropriate standards and controls required throughout the lifecycle of the data. The Privacy Champions work with the Privacy Office to operationalize the Privacy Program in a scalable fashion. Southwest offers data privacy training courses for all Employees through Southwest Airlines University. Employees can enroll in classes such as "Privacy at Southwest" and "Privacy by Design" to learn how to identify or report potential data privacy incidents and embed privacy controls throughout the data lifecycle. As part of our implementation and maintenance of the Privacy Program, varying elements of the Privacy Program are audited by our Internal Audit Department. The Privacy Office and the Associate General Counsel, Information Governance report to our Chief Legal and Regulatory Officer.

To learn more about how we process personal information, our [privacy policy](#) is available on southwest.com.

## Supply Chain Disruption

As with many industries, Southwest continued to experience the effects of the pandemic's global impact on supply chains. The supply chain ecosystem was disrupted by new and unforeseen barriers which caused a number of challenges for our Supply Chain Team. From record-long lead times, wide-scale shortages of materials, rising commodities prices, and difficulties in transporting products across countries, our Supply Chain Team mastered each challenge while partnering with current and newly identified suppliers.

As Southwest ramped up the operation in response to Customer demand in 2022, demand forecasting added a new layer of complexity. Scarcity in raw materials translated into cost increases and lower production levels which resulted in modifications to a few of our onboard Customer Experience offerings and Employee-related support functions. Examples of shortages we experienced included onboard service products and Employee uniforms.

Supply Chain Management performs data-driven analyses on current and prospective suppliers in order to manage costs, alleviate risks, and drive continuous improvement. Automation to empower and enable improved processes for Supply Chain Management will allow us to remain focused on lowering our overall costs to support the financial strength of Southwest, while balancing the changing environment and needs of our Customers.

## Supply Chain Responsibility

Southwest's Vision is to be the world's most loved, most efficient, and most profitable airline. This is achieved through the outstanding work of all our Employees to consistently deliver outstanding Hospitality at a low cost to our Customers. In order to keep our costs low, we use a proven strategic sourcing methodology that includes cross-functional Teams to regularly re-evaluate programs, conduct market research, and facilitate competitive bidding. We value suppliers who can increase our productivity and quality while improving our processes and services. Our unique workforce has encouraged innovative business solutions and leveraged our competitive advantage to establish Southwest Airlines as a leader in our industry.

As a Company, we value diversity and seek to create an environment that encourages it, both in the workplace and among our supplier base. With this in mind, our Supplier Diversity Program was designed to enable Southwest to extend opportunities to qualified Small, Small Disadvantaged, HUBZone, Minority, Women, Veteran, Disabled, and Lesbian, Gay, Bisexual, and/or Transgender Businesses (Small/Diverse Businesses), who in turn can help Southwest fulfill its operational needs, satisfy the expectations of our Shareholders and Customers, and meet current and future competitive business challenges.

We understand the powerful impact Southwest has in the markets we operate, which is why we give from the Heart. We strive to make a positive difference by virtue of our outreach initiatives and community engagement. Our corporate commitment to supplier diversity outlines the importance of fostering an environment that moves us forward and recognizes and values the collaboration of diverse thoughts, backgrounds, and experiences. As a prime contractor to the federal government and in partnership with the General Services Administration, Southwest established annual small business goals and surpassed each of the six subcategory goals in 2022.

Additionally, in early 2023, we published our Supplier Code of Conduct and began integrating sustainability questions in our request for proposal (RFP) process. These RFP questions are an important step in engaging with our suppliers on their sustainability initiatives.

As outlined in our Procurement Policy for Employees, all Suppliers are treated fairly and impartially during the evaluation and selection process. We use more than one selection process, depending on Company requirements and supply market conditions. Each selection process is focused on the most efficient way to achieve the same results and the best value combination of quality, Reliability, fit for purpose, and service for Southwest at the lowest total cost. Compliance with the policy allows us to spend our money wisely, improve contract adherence, and protect Southwest from undue risk. In support of connecting People to what's important in their lives, we seek to maintain our low-cost Leadership through effective and efficient procurement practices and spending our valuable capital wisely.

## Public Policy, Regulation, & Transparency

Legislative and regulatory actions have the potential to expand or limit Southwest's growth opportunities. In addition, government policies, including new legislation and regulations and the enforcement of existing regulations, can have a profound impact on how we do business. Our Governmental Affairs Department works to stay on top of proposed statutory and regulatory changes to directly educate a wide range of policymakers and Stakeholder groups. We also present our views on these topics through trade associations, business forums, chamber organizations, and interactions with public officials at the federal level and in the states and communities we serve.

One trade association in which we participate is Airlines for America (A4A), which allows us to gain insight into core issues for the airline industry and to advocate jointly for regulations that support a healthy, competitive industry. We also benefit from the opportunity to share technical expertise and operational knowledge that leads to improved Safety and Security.





In 2021, A4A determined that \$861,000 of the total dues paid by the Company to A4A were nondeductible lobbying expenses. Southwest also paid dues to several other national, state, and local trade associations, business forums, and chamber organizations, in which a portion of those dues were used by these organizations for nondeductible lobbying activities. However, in all cases, that portion was not more than \$5,500 annually for each organization.

Regarding climate change, our advocacy in this regard is focused on Southwest achieving our goal for net zero carbon emissions by 2050 and our new 2035 carbon intensity reduction goal, which is based on scientific models<sup>2</sup> that are in alignment with the goals of the Paris Agreement. Whether it is working through A4A or partnering with other Stakeholders who share our climate-related priorities, it is critically important for Southwest to advocate for governmental policies and programs that will result in Southwest flying more fuel-efficiently and using more SAF. To achieve net zero carbon emissions by 2050, we need the government's assistance to enable greater advances related to air traffic control modernization, new types of aircraft and ground support equipment, and scaling-up and deploying SAF.

## Political Contributions

Southwest has adopted a policy that it will primarily use its affiliated political action committee, the Southwest Airlines Co. Freedom Fund ("Freedom Fund"), financed by contributions made voluntarily by Employees, to support political campaigns. Company funds are limited to supporting selected political campaigns at the state and local level in compliance with the laws of the relevant states and localities.

We hold in high regard the responsibility of managing the Freedom Fund and being good stewards of our Employees' hard-earned dollars. We have a time-tested evaluation process when considering Freedom Fund contribution requests, and we evaluate our criteria for giving annually. Additionally, the criteria, as well as all political campaign contributions from the Freedom Fund or by the Company directly, are approved by the Senior Vice President Governmental Affairs and Real Estate and overseen by Southwest's Chief Legal and Regulatory Officer, with an annual summary of those contributions provided to the Southwest Board of Directors. We intend for all political contributions to promote Company interests and are not guided by any private political preferences of any Employee. We disclose all contributions by the Freedom Fund via publicly available reports filed monthly with the Federal Election Commission. The Company strives to comply with all applicable federal, state, and local campaign finance restrictions and disclosure requirements.

In 2022, contributions from the Freedom Fund totaled \$173,627 to political committees at the federal level and \$75,200 to political committees at the state and local levels. Moreover, the Company contributed \$56,000 directly to state and/or local political campaigns in six states (California, Florida, Hawaii, Illinois, Maryland, and Nevada). In 2022, the Company did not support or finance any state or local ballot measure before voters. At the federal level, no Company funds were used to support or finance any political campaign, nor did the Company support or finance any so-called "Super PACs" or any political committees organized under section 527 of the Internal Revenue Code. The Company made no contributions to a politically affiliated 501(c)(4) organization in 2022.

## Diversity, Equity, & Inclusion

Recognizing, respecting, and valuing differences is at the core of who we are at Southwest and encompasses our approach to DEI. Our Employees bring their own talents, creativity, and individuality with them when they come to work each day, and we foster a Culture of caring that values these differences. Since 1971, belonging and inclusion has always been at the Heart of Southwest Airlines, utilizing diversity of thought and experience. As the underdog creating a new way to fly, we needed everyone's point-of-view to succeed.

Known for putting People first, Southwest is dedicated to advancing our DEI journey to cultivate a workforce and Leadership Team that reflects the diverse communities we serve. We support learning and development efforts that are democratized and inclusive of various career growth paths and equal opportunity for those interested in such career growth. Our DEI vision is to cultivate a diverse and inclusive workplace experience for all our People to thrive—Employees, Customers, and partners.

At Southwest Airlines, our Heart represents our identity. It's more than the symbol of our brand. It's who we are. We're a Company of People. People representing diversity of culture, background, experiences, and viewpoints. Each of our Employees bring their own talents, creativity, and individuality. And together, we make Southwest the incredible Company it is. Our People are the Heart of Southwest Airlines. Southwest's Story of Inclusion is founded on access, unity, and acceptance. We truly believe that it takes every single one of us to build diverse, equitable, and inclusive experiences. We understand that in order for every Employee at Southwest to thrive, we must foster an environment of impartiality, fairness, representation, and balance. We're committed to being a place where Employees feel welcomed and encouraged to bring their whole selves to work without fear of hate, racism, discrimination, harassment, intolerance, disrespect, or injustice.

The DEI Department leads efforts to promote an inclusive Culture and environment in several different ways:

- Championing the enterprise DEI vision
- Leading strong communication efforts to build shared language, meaning, and understanding
- Managing DEI as a valued strategy
- Tracking and assessing progress and improvements
- Reporting to the Board of Directors and Executive Leaders
- Championing informal and formal conversations and perspectives on Southwest's DEI vision with a particular focus on Talent, Culture and Values, Brand and Reputation, and Communication

We're committed to listening to our People—Employees and Customers—and doing our part to drive meaningful change, both inside and outside the Company. We're also dedicated to working alongside our diverse suppliers and community partners to champion DEI in the communities we serve. Like many other companies, we're on a journey, and we recognize that there's always more we can do to make our work environment even better, even more accepting. We're committed to enhancing our DEI efforts with a particular focus in the areas of Talent, Culture and Values, Brand and Reputation, and Communication. In order to reach our goals and aspirations, we must allow for vulnerability, engage in courageous conversations, and listen to our Employees, Customers, and communities.

As we continue on this journey to advance DEI, we use key performance indicators (KPIs) to track success of these efforts, such as:

- Employee surveys
- Employee self-ID data
- Completion of DEI training and education
- Retention, recruiting, and promotion metrics

In September 2020, Southwest announced Company goals to strengthen and improve efforts to create more diverse, equitable, and inclusive job opportunities and Candidate pipelines while championing a welcoming environment for all Employees. Since 2020, we increased the racial diversity of our Senior Management Committee (SMC) by two percentage points. Today, we are making steady progress to increase racial and gender diversity in Leadership. Additional information regarding our Senior Leadership is available in the 2022 DEI Report. The DEI Department formed an Executive Steering Committee to support the strategic direction of this progress. Additional strides include evolving the Company's talent acquisition processes by requiring diverse Candidate slates for new, open Leadership positions (Vice Presidents and below), inclusion training for all hiring Leaders, and the creation of a Center of Excellence (COE). We are currently working with our community partners in support of our efforts to continue developing diverse and inclusive talent pipelines and expanding recruiting efforts. In 2021, we launched an internal DEI Employee resource website, created an Allyship Guide, and introduced the ability for Employees to develop diversity-focused groups. We launched an Inclusive Leadership Guide in 2022.

In 2021, we launched our DEI narrative “Every. Single. One. Of. Us.” which highlights what DEI means at Southwest and our commitment to each and every Employee. We also launched new Inclusion Wearables, inclusive of pronoun pins that give Employees the option to express their gender identities. Additionally, we opened up membership to our Diversity Council, doubling our intake to 135 members. Finally, we launched our very first DEI Report—a companion piece to the One Report—which captures our focus areas and acts as a marker of transparency on our DEI progress and path forward.



Looking ahead, we seek to continue building a solid foundation and cultivate shared understanding among all Employees. Our goal is to launch a self-ID campaign to fully capture our diverse landscape. In early 2023, we formalized our Employee Resource Group (ERG) program connected to our cultural, heritage, and pride months to provide networking and professional development opportunities for Employees.

The purpose of our DEI initiatives is to empower Employees to explore, educate, and further connect in the DEI space. Southwest's motivation is to continue being a healthy organization where Employees thrive, feel appreciated, valued, and have an authentic sense of belonging.

We offer resources for Employees to safely report if other Employees are not aligning with our Company Values. We're committed to our DEI mission and vision, and we don't tolerate discrimination, bullying, retaliation, or harassment. As we move forward, we strive to understand our progress toward our goals. Listening to our Stakeholders—Employees, Customers, Communities, and Shareholders—is a priority and is vital to our DEI growth as it helps us identify areas of strength and opportunity.

## Employee Retention & Recruitment

Southwest seeks to provide a stable work environment with equal opportunities for learning and personal growth. We focus on bringing the best People into the Southwest Family—those who share our Company Values, and providing a competitive total rewards package, on-the-job training, and resources to help Employees succeed.

Finding and retaining top talent is key to our ongoing success. We strive to offer Candidates the best hiring experience, and part of that focus means transparency at every step. We continue streamlining our hiring and employment screening processes to onboard new Southwest Cohearts more quickly and efficiently by automating steps in our hiring process, hosting info sessions and webinars for prospective Candidates, and incorporating remote interview opportunities. Each Candidate receives our famous Southwest Hospitality.

### Referral Program

We know Southwest Employees provide a tremendous resource that allows us to recruit individuals who naturally display our Company Values, invigorate our Culture, and show interest in employment with Southwest. We've invested in an Employee Referral Incentive Program to reward Employees for submitting quality referrals who are hired into the Company and stay at least six months.

## Hiring Events

We returned to in-person hiring events for select high-volume markets and roles in 2022. This approach enabled us to interact with Candidates, complete an interview, make contingent job offers, and begin the initial employment screening process on the same day. Additionally, we partnered with several nonprofit organizations focused on DEI in historically underrepresented workgroups to attract great Candidates. We sponsored and attended hiring events [e.g., Women in Aviation, Organization of Black Aerospace Professionals (OBAP), etc.] and hosted tour days for pipeline programs, like OBAP Aerospace Career Education (ACE) Academy, to impact the pipeline of the future. We invest in recruiting and retention efforts and building pipelines for future talent to enable continued competitiveness in the market. After reviewing the various roles available at Southwest, we recognized that many don't require a college degree for an Employee to be successful. As a result, we removed "degree preferred" verbiage from some job requirements. We hope this update encourages anyone with the right experience to apply for a role at Southwest!

With sustained competition for available talent, we recognize the importance of Southwest's compensation and benefits to attracting and retaining the workforce necessary for continued business recovery and growth. In 2022, we further evolved our compensation approach to become more market competitive. We made additional investments to attract and retain talent, including announcing our desire to increase our starting hourly pay rates so that all hourly Employees make at least \$17 per hour. We're grateful for the ability to make this pay increase—for our current Southwest Family and those considering joining us—at one of the world's most admired companies.

## Tracking Effectiveness & Stakeholder Engagement

We track applicant-to-hire ratios, time to hire, pipeline strength and health, New Hire turnover and retention rates, and progress toward our DEI goals. Beginning in 2023, we'll also track Candidate sentiment at various stages during the hiring process. Stakeholders across the organization are regularly informed of efforts underway and progress toward goals and are engaged in the decision-making process of future initiatives. Stakeholders include but aren't limited to Talent Acquisition, Employment Screening/HR Operations, HR Business Partners, Hiring Managers, the Executive Committee, HR Information Systems and Analytics Teams, SWA U/Training Teams, Employee Experience and Engagement, and Total Rewards.

## Employee Compensation, Benefits, & Health

At Southwest, we believe in supporting our Employees' wellbeing in all aspects of their lives. That's why we offer a comprehensive compensation and benefits package, including a wide variety of robust programs, initiatives, and resources targeted at our Employees' physical, financial, and mental health.

### Benefits

We provide health benefits—including medical, dental, vision, and a host of other voluntary insurance benefits and health support services—to help protect Employees and their loved ones. Southwest's robust retirement plan program, comprised of a 401(k) plan with a generous Company match of up to 9.3% of eligible earnings and a ProfitSharing Plan, is designed to help provide Employees with long-term financial Security. We actively assess Noncontract Employee compensation through monthly measurement reports, an annual merit cycle, and third-party surveys to evaluate whether Employees are in line with, or above, market pay. To align our Ground Operations Employees with market pay, we invested an additional \$27.3 million in compensation to increase starting hourly pay rates from \$15 to \$17 per hour effective March 1, 2022. Our 2022 investment of more than \$1.5 billion in our Employee benefit programs, excluding 401(K), ProfitSharing Plan, and share-based compensation, reflects the importance we place on the wellbeing of our People.

Full-time and part-time Employee benefits include:

- Health coverage, including medical, prescription, dental, vision, and an Employee Assistance Program for mental healthcare.
- Short-term disability for Noncontract Employees and Employees whose collective bargaining agreement (CBA) so provides, loss of license disability for Pilots, and conventional long-term disability for all other Employees.
- Company-provided life insurance and accidental death and dismemberment insurance as well as optional life and other voluntary benefits.
- Paid time off, including vacations, personal time, sick time, disability, holidays, and for Noncontract Employees, paid parental leave.
- Financial benefits including retirement through a 401(k) plan including Company match, Employee Stock Purchase Plan, and ProfitSharing Plan.
- Post-retirement medical and dental coverage for Employees meeting service and age requirements (or the requirements specified in collective bargaining agreements for specific workgroups) from the age of retirement until age 65.

Non-Employee workers, such as Contractors, do not receive all the benefits listed above.

We sponsor Employee savings plans under section 401(k) of the Internal Revenue Code of 1986, as amended. The Southwest Airlines Co. 401(k) Plan includes Company matching contributions subject to limits specified by the Board of Directors, the Internal Revenue Code, and applicable U.S. Treasury regulations. The Southwest Airlines Pilots Retirement Saving Plan has non-elective Company contributions. In addition, the Company may contribute a percentage of its eligible pre-tax profits, as defined in the ProfitSharing Plan, on an annual basis to the Southwest Airlines Co. ProfitSharing Plan (ProfitSharing Plan)—a defined contribution plan. No Employee contributions to the ProfitSharing Plan are allowed. The amount associated with the Company's defined contribution plans expensed in 2022, reflected as a component of salaries, wages, and benefits, was \$793 million.

Additionally, we provide post-retirement benefits to qualified Retirees in the form of medical and dental coverage. Employees must meet service and age requirements as set forth by the Company, or as specified in collective bargaining agreements with specific workgroups. Employees meeting these requirements, as defined, may use accrued unused sick time to pay for medical and dental premiums (or pay them in cash) from the age of retirement until age 65. All post-retirement medical and dental benefits are unfunded, and Southwest pays benefits as they become due. Estimated future post-retirement benefit payments expected to be paid are \$17 million in 2023, \$17 million in 2024, \$18 million in 2025, \$19 million in 2026, \$19 million in 2027, and \$113 million for the next five years thereafter.

Regular communications are provided to our Employees to make them aware of and give them access to these resources throughout the year. From a healthy living and diabetes management platform to financial education sessions with a retirement plan counselor to mental health webinars, we offer a diverse range of options to help our Employees thrive.



### Compensation

We have a commitment to our Employees built into our Compensation Philosophy, which states that “Our People are our single greatest strength and most enduring long-term competitive advantage.” To that end, Southwest endeavors to offer fair and market-competitive pay for all Employees that reflects our commitment to DEI, recognizes and rewards performance, and positions our Company to successfully retain our People. In our efforts to honor that commitment, we put processes in place to routinely evaluate all salary changes using five basic principles. All compensation decisions for Noncontract Employees are assessed through the lens of these guiding principles:

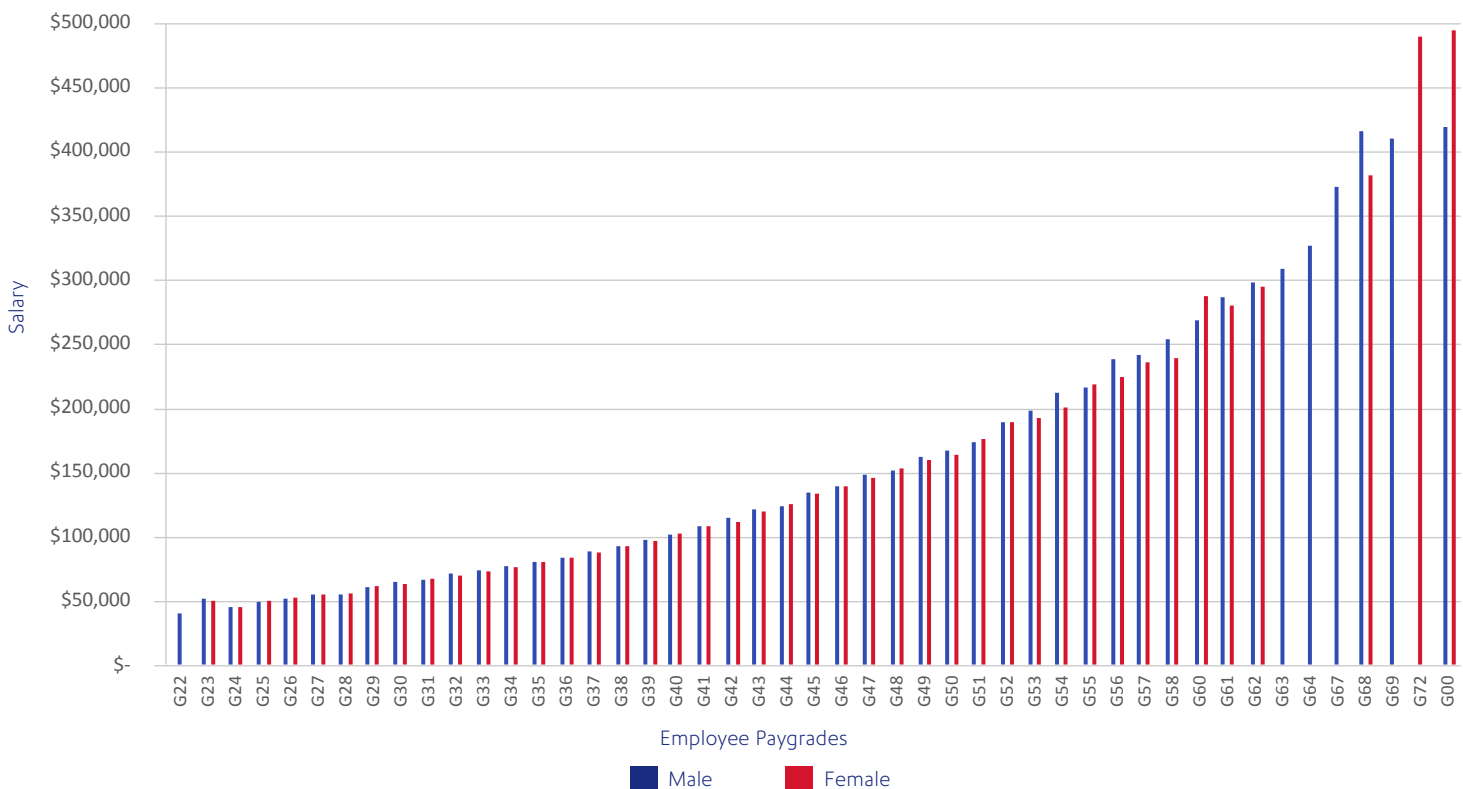
- market data that is sourced from reputable third-party surveys;
- internal equity, which evaluates pay relative to the pay of other Employees performing similar work;
- position history of the individual Employee;
- performance of the Employee in their role;
- and budget availability.

Applying these basic principles in our compensation decisions limits room for bias in making these decisions

for the percentage of our population that is not already covered by CBAs. As of December 31, 2022, approximately 83% of our total Employee population is covered under CBAs that prescribe compensation for all qualified Employees based generally on seniority, which helps to eliminate any potential gender (or other protected class) bias in compensation.

For those Employees not covered by a CBA, the results of the Average Salary by Paygrade and Gender chart indicate very close parity within the organization between male and female salaries. By reviewing our noncontract male and female salaries by grade level, we can closely approximate a comparison of pay equity at the job level and thereby determine the correlation of similar pay for similar work. The Average Salary by Paygrade and Gender chart represents salaries for all Noncontract Employees, with the exception of our Named Executive Officers, whose salaries are disclosed in the [Proxy Statement](#) and whose salaries are determined by the Board of Directors. Certain paygrades may have very few or only one Employee within the grade level. As part of our annual compensation evaluation, we review gender salary equity on a regular basis.

**Average Salary by Paygrade and Gender**  
 Salary assessment by gender indicates very close parity within the organization between male and female salaries by grade level



In addition to internal comparisons, we also assess Noncontract Employee salary competitiveness with the external market. When comparing our noncontract average male Employee salaries to the external market midpoint for male salaries and our noncontract average female Employee salaries to the market midpoint for female salaries, the results are similar, with variations between the male and female ratios of approximately 1% to the market average. For both male and female Employees, salaries are aligned with the external market.

The topic of Employee compensation and benefits can impact Southwest's Employees directly and also can impact external

factors through Employee spend and participation in the economy and society. Having a stable, well-paid workforce can positively impact the economies of the communities' where our Employees live and work. Famous for an Employee-first corporate Culture, Southwest maintains an unprecedented record of no involuntary furloughs or layoffs in its history. Additionally, Southwest acknowledges the impact and importance of Employee wellness and is taking steps to enhance our Employee benefits and mental wellness offerings in the hopes of improving the health and wellbeing of our workforce.





## Employee Experience, Culture, & Engagement

We believe our Culture is truly what sets us apart from the competition. Knowing our Culture was impacted during the pandemic, we had a strong focus in 2022 to reinvigorate our winning Culture and strengthen the Employee Experience.

A cornerstone of Southwest's Culture is captured in our nine Company Values, which describe how we show up as individuals, how we treat each other, and how we work together for the success of Southwest. Our Values, combined with our Company and Employee Promises, define The Southwest Way.

We actively invest in Employee programs and events that create opportunities for Employees to hear from Leadership, connect with each other, and celebrate accomplishments. Southwest has a rich history of hosting Employee-focused events, and in 2022, we brought back some in-person events such as Southwest Rallies (our version of town halls, which have in-person and virtual options), an annual Spirit Party, and a yearly celebration for Employees celebrating milestone anniversaries as Southwest Employees.

Southwest also has Culture Ambassadors—Employees in every Southwest location that champion Culture efforts at the local level—who organize these initiatives. We invest in and support these Ambassadors with dedicated training, communication, and a platform for idea and resource sharing on an internal Company communication channel. While we can never guarantee that every Employee will have the opportunity to participate in every event, we hope to reach the maximum number of Employees through a consistent, year-round cadence of robust programming.

We continually strive to improve the Employee Experience by investing in the moments that matter along the Employee journey. In 2022, our dedicated Employee Experience (EX) Team refreshed the moments that matter along our Employee journey by adding new moments. We also developed a dashboard to assess the effectiveness of each moment that pulls in Employee sentiment from Employee surveys and focus groups as well as other People data and benchmarking studies.

The EX Team also manages Southwest's multi-faceted and ongoing strategy to actively listen to Employees and map the Employee journey. We conduct Companywide surveys of our Employees throughout the year to assess Employee engagement, job satisfaction, and opportunities for improvement. In addition to our Employee Engagement Score (which is comprised of five factors), we also added a wellbeing score in 2022 based on six wellbeing factors. These two scores help us measure sentiment and progress. We are actively adding lifecycle surveys that provide Employees the opportunity to give real-time feedback for key moments all along their Employee journey (e.g., onboarding, offboarding, etc.). Through Employee focus groups, we are able to dive deeper into opportunities for improvement and gauge the importance to our Employees, so we can better prioritize ideas for our EX roadmap and seek feedback and input directly from our People. We actively engage with Employee forums, such as our President's Council, Diversity Council, and Culture Ambassadors, which are comprised primarily of Frontline Employees. When possible, we involve them early in the design of new Employee-focused programs to help meet the needs of our diverse and widespread Employee population.

In 2022, we identified several gaps in our New Hire Onboarding processes through the feedback mechanisms that identified a retention risk for new Employees during a large hiring wave as we focused on reaching pre-pandemic staffing levels to meet travel demand. A cross-functional Team convened to identify efforts and opportunities for improvement at both the Company and individual department levels. Examples of these Onboarding enhancements include:

- A new internal New Hire site on our intranet to help new Employees access the most pertinent information and actions they need to take.
- A WingMate program to pair New Hires with a more tenured Southwest Employee to welcome them and help them in their early days at Southwest.
- Enhancement to the New Hire Now Onboarding class to strengthen content based on New Hire feedback.
- Creating a new Onboarding Experience Team to keep the focus on Onboarding as we continue to grow as a Company.

In 2022, we also invested in a new recognition platform to take our Employee recognition and appreciations to the next level. Employees can earn SWAG Points that they can redeem for merchandise, gift cards, experiences, charitable contributions,

and even Rapid Rewards points. These points can be earned through various Company programs, including:

- **Company Goals Incentive:** At a Company level, we designed a new 2022 Company Goals Incentive program, establishing a metric and target for each of the five Company goals. Each quarter, we rewarded Employees with SWAG Points for each of the five Company goals achieved. As part of this program, we also had several special SWAG Point appreciations in 2022 to thank Employees for their contributions (e.g., Employee appreciation day, Southwest's birthday, etc.).
- **Peer-to-Peer Programs:** We have a strong peer-to-peer recognition program that enables Employees to send a Kick Tail (thank you) to their Cohearts as well as various nomination programs for special SWAG Point-based awards, including our Spotlight Awards, Winning Spirit Award, and President's Award.
- **Leader-driven Program:** In 2022, we enabled all People Leaders to give On the Spot awards to Employees, increased the number of SWAG Points a Leader can give, and added an additional SWAG Point level so Leaders can give more SWAG Points to Employees who are going above and beyond.

Within most of these recognition programs, the sender selects the Value the recipient demonstrated, further reinforcing our Company Values outlined in The Southwest Way.

We view ongoing investment in our Employee Experience as important because it allows us to more effectively improve our ability to attract, develop, and retain engaged Employees who will help us achieve Southwest's business objectives. At the core, we know that our Employees are vital to our competitive advantage and taking care of their needs is important.

Southwest's Culture and Employee engagement positively affects the Customer Experience, which ultimately leads to a better flying experience that shines a positive light on the airline industry. Our Culture has been a priority and a distinction for decades, and it helps set us apart from other airlines. The Culture at Southwest is foundational for our brand. As we invest in Employee engagement, we look to reinvigorate our winning Culture and share the Heart of Southwest—with existing Employees and with the thousands of New Hires we've welcomed to Southwest as well.



## Employee Training, Education, & Career Development

Our Southwest Airlines University (SWAU), Talent & Leadership Development (T&LD), Flight Operations Training, Technical Operations Training, and other operationally focused departments are passionate about cultivating the next generation of talent at Southwest. As the needs of our workforce evolve, we continue to update, enhance, and create meaningful training, programs, practices, and more to support our People. We regularly evaluate the skill sets needed by our Employees to stay competitive in an ever-changing, highly regulated environment. In addition, our Training Teams strive to offer Employees the most effective and efficient learning solutions while focusing on compliance. These efforts start with initial training, which focuses on Safety and operational proficiency; to recurrent training, designed to refresh and update Employee skills throughout their career; to Leadership training, equipping new and seasoned Leaders with the tools and competencies to build great Teams; while also offering optional learning opportunities for Employees to supplement their development. Through various training and curriculum options such as classroom training, distance learning, on-the-job training, mentoring, and blended learning, we empower Employees to create a career that fits their goals and lifestyle.

New Southwest Employees receive most of their training at our Corporate Campus in Dallas, Texas. Employees start the day with a celebratory welcome as they walk the red carpet during their Onboarding class. Afterwards, Employees spend the day learning about our history, Company Culture, benefits, and more. In 2022, we continued offering self-paced, virtual, and in-person learning options to make learning available to more Employees. We've also updated the Southwest Learning Center to provide Leaders and Employees with a clean, simple catalog of virtual training opportunities—addressing required training needs and optional curriculum. Additionally, we introduced an enterprise-wide mentorship program available to all Employees regardless of their job titles. This program enables Employees to develop themselves professionally and personally by learning from one another and building new relationships within the Southwest Family. In 2022, we matched approximately 400 Mentor/Mentee pairs in the fall cycle of the mentorship program.

In 2022, we launched several new development opportunities for Leaders, including an Initial Leadership Development Program to train new Leaders, a continuous development program for existing Leaders, and an immersive Leadership program to grow high-impact Leaders at the Manager/Senior Manager Level. Each program focuses on Leadership competencies, DEI, business acumen, and other Leadership skills to develop dynamic and successful Leaders at Southwest.

We've also continued to provide resources through our Career Mobility Center, a centralized resource for our Employees to learn about the skills, experiences, and education needed for their next career step at Southwest. Career Mobility allows Employees to meet with Career Mobility Coaches who can direct them to relevant classes, temporary opportunities, or interview preparation techniques to increase diversity and vertical and lateral mobility for all Southwest Employees. Since the launch of Career Mobility in 2020, we've conducted more than 5,310 career mobility appointments with more than 2,080 unique Employees. Our most popular appointment types are career advising and interview preparation with 1,044 and 1,102 appointments conducted respectively in 2022. While Career Mobility is available to all departments and Employee levels, most of our appointment demand comes from various operational workgroups. It's all about a career with Heart and Purpose.



Beginning in 2019, Southwest Airlines partnered with Gallup® to launch CliftonStrengths, where Employees discover their strengths and empower others to develop theirs. As of December 1, 2022, all departments in the organization are participating in CliftonStrengths in some manner.

Southwest believes our focus on diversity and inclusion training enables enhanced Teamwork and innovation. In 2022, we continued our partnership with Mind Gym to utilize their Fearlessly Authentic curriculum, which supports our commitment to foster an inclusive environment where Employees embrace differences and feel a sense of belonging. In 2022, Southwest offered additional development for all Leaders around inclusive Leadership and how to build a diverse and inclusive workforce.

## Freedom of Association & Collective Bargaining

At Southwest, we respect the legal rights of our Employees, including the right to free association and collective bargaining. Approximately 83% of our workforce is represented by labor unions (as of December 31, 2022). The Railway Labor Act (RLA) establishes the right of our Employees to organize and bargain collectively. Our approach to collective bargaining focuses on negotiating agreements that achieve positive outcomes for our People and Company. For example, in 2022, Southwest ratified new agreements with our Appearance Technicians and Customer Service Employees. As of March 1, 2023, we've also ratified new agreements for our Flight Instructors, Facilities Maintenance Technicians, and Dispatchers, and we remain focused on closing negotiations with all open groups as swiftly as possible.

Airlines' collective bargaining agreements are governed by the RLA, which protects the right of employees to organize and bargain collectively. Under the RLA, a collective bargaining agreement does not expire, but instead becomes amendable on a certain date. In 2022, we continued traditional negotiations after the pandemic environment waned, and we remain committed to reaching agreements with our union partners in a timely manner. Senior Leadership regularly receives updates on progress in negotiations, and implementation schedules are put in place for changes when a new agreement is reached.

The RLA requires an airline and the union to negotiate and to "exert every reasonable effort" to reach agreement. In the event the parties are unable to reach an agreement, either one or both parties may request the National Mediation Board's (NMB's) mediation services. During this time, there is a long process that must be followed before the parties could be released from mediation and consider "self-help," which could include strikes by labor or implementation of management's proposals. Since 1980, 99% of mediation cases overseen by the NMB resulted in an agreement.

Our Annual Report on Form 10-K contains more information on the various unions representing our Employees. The Company reviews its approach to collective bargaining on an ongoing basis, and as outlined in the Annual Report on Form 10-K, collective bargaining agreements are reviewed and renegotiated periodically.

## Human Rights & Anti-Trafficking

Southwest Airlines is committed to doing the right thing to protect and promote human rights in every aspect of our business as outlined in the Company's Human Rights Policy Statement. By complying with applicable laws and establishing and upholding appropriate policies, we seek to help guard against any potential human rights abuse. We regularly evaluate our approach to human rights and assess our impact in all aspects of our business. Our commitment to human rights can be seen through various initiatives, including our diverse recruitment efforts, robust Employee training, commitment to Hospitality and civility (both internally and externally), dedication to an ethical supply chain, and support of community organizations.

At Southwest, we provide a stable work environment that offers equal opportunity for personal and professional growth. More than half of Southwest Employees received human rights training in 2022. It is expected that our Employees act responsibly to maintain a positive working environment, allowing each Employee to perform at their maximum potential. We encourage all Employees to bring any questions or concerns regarding harassment, sexual harassment, discrimination, or retaliation to their Leaders or to the Employee Relations Team. All inquiries are reviewed and addressed by the Employee Relations Team promptly, impartially, and discreetly under Southwest Airlines Policy Concerning Harassment, Sexual Harassment, Discrimination, & Retaliation. Our commitment to non-discrimination and human rights principles is evident in our Human Rights Policy and the way we carry out our Purpose, our Vision, and our Values.

Overall, our approach to human rights is designed to align with international standards, including the UN Guiding Principles for Business and Human Rights, the International Bill of Human Rights, and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. By regularly evaluating and addressing our impact on human rights, we aim to promote a positive and responsible business.

## Community Outreach

At Southwest, we believe in connecting People and championing communities. In 2022, we supported more than 150 national, state, and local membership organizations, including, but not limited to, the Chicagoland Chamber, Greater Baltimore Committee, Downtown Denver Inc., Dallas Regional Chamber, Hawaii Visitors and Convention Bureau, Los Angeles Area Chamber of Commerce, Greater Houston Partnership, and Florida Economic Development Council.

Through our Community Outreach efforts, we focus on our pillars of loving People, building resilience, and living responsibly, to uniquely contribute to communities we serve in meaningful ways. Our partnerships and programs in human trafficking awareness, DEI, disaster and crisis response, environmental sustainability, life-changing transportation, and workforce development support our desire to drive economic, social, and environmental benefits across the Southwest system and beyond.

We steward our resources to help communities thrive where our Customers and Employees live and work. Our social responsibility approach advances the Southwest business and drives our mission to be a trusted global citizen by connecting People and championing communities.

The Southwest Airlines Foundation, a corporate-advised fund, is an extension of our corporate commitment to social impact and community resilience. The purpose of any foundation is to create a permanent trust where corporate charitable donations can be preserved and invested for future use. The Southwest Airlines Foundation's mission is to affect meaningful change by investing in transformational programs and initiatives that promote equity, prosperity, and sustainability. For example,

Southwest supports two scholarship programs. Through the Southwest Airlines Scholarship we seek to build a diverse talent pipeline, while inspiring future generations to find careers within the airline industry; and The Herbert D. Kelleher and Rollin W. King Scholarship was established for eligible dependents of Southwest Airlines Employees to pursue higher education. We also remain diligent in monitoring emerging societal issues and topics. Our response to these circumstances is based on a number of factors, including the potential impact on our Employees, brand and reputation, business operations, communities, and Customers.

Internally, Southwest's Employees highly value the opportunity to give back. Southwest has offered internal incentives to encourage Employees to log their volunteer hours, aligning with our Heart for service. And, we have a matching program where nonprofits earn tickets in-kind for Employee volunteer efforts as well.

We regularly review our annual community contributions and continue to evaluate their effectiveness through impact reports and ongoing touchpoints with key partners and Stakeholders. As well, we continuously solicit reports and metrics from our partners, and enhance our own reporting process to further refine our overall citizenship progress and results.

Southwest's impact on the community is quite vast because we seek to serve as a hometown carrier for the communities we serve. We have significant breadth of service and with each city Southwest serves, we create relationships and democratize the skies.



## Marketing & Ethical Branding

Southwest Airlines is committed to maintaining the highest standards of ethical business practices as stated in our Code of Ethics. We are required to comply with laws governing advertising and other communications with our Customers and seek to provide low fares and superior Customer Service. We have processes to vet marketing communications and creative ideas through our Legal Team and, where appropriate, our DEI Department and Executive Leadership Team. We seek to clearly communicate our marketing messages with legal disclaimers in compliance with applicable law. As we work to achieve our Vision to be the world's most loved airline, our Customer Insights Team regularly tracks Customer sentiment and Brand Net Promoter Score (BNPS) to help us continuously improve our products and services for our diverse Customer base.

## Climate Risks & Impacts

Southwest identifies, monitors, assesses, and includes climate-related risks and impacts in our business planning processes that may influence our business strategies and operations. Climate-related risk types recommended by the TCFD have been included in the 2022 climate-related physical and transition risk and opportunity assessment. Specifically, this includes current and emerging regulations, legal, technology, market, reputation, as well as physical risks—both acute and chronic.

The results from both the climate-related physical and transition risk and opportunity assessment show that we may experience impacts in the future if we do not mitigate or manage these risks, increase our adaptive capacity, and enhance our organization's resilience to climate change. In response, we are working to enhance our organizational resilience to climate change through our operations and our engagement with Employees and community members. We also engage with many partners that help us further sustainability efforts around the country. Please refer to the [Mitigating Climate Risk](#) story for more information on our climate-related risks and impacts and the measures we are taking to manage these. Please refer to the [Partner](#) story for more information on our partnerships and efforts to remain organizationally resilient to the effects of climate change.

## Fuel, Energy, & GHG Emissions

### Fuel & Energy

Jet fuel is our largest source of emissions, more than 99% of our emitted Scope 1 and 2 GHGs, and represents our second largest operating cost, approximately 26% of operating expenses in 2022.

Airlines are inherently dependent on energy to operate, with jet fuel being one of the most volatile and unpredictable costs. This makes it an area of interest for our Stakeholders. Although the price of fuel is largely influenced by external factors, we can still make an impact by striving for greater fuel efficiency. Because fuel management is integrated into various work streams, we have a dedicated cross-functional working group, our Fuel Design Team, made up of individuals across multiple aspects of the business that identify opportunities to increase efficiency across work streams without impacting Safety or Hospitality. This Team implements, tracks, and reports progress on various fuel saving measures, seeking to increase alignment across the operation and improve fuel efficiency. We maintain detailed records of our actual jet fuel and ground fuel consumption per station for all scheduled and unscheduled flights. For additional information on our fuel efficiency initiatives, please reference our [Reduce](#) story in the Planet section.

### Greenhouse Gas Emissions

Effectively tracking and managing the mitigation of GHGs associated with our business is core to effective climate risk management. To this end, we've publicly reported on our emissions annually since 2009, bringing more than 13 years of monitoring and insight into the GHG impact of our operations. Southwest follows The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol) guidance to collect activity data and calculate emissions. Our 2022 greenhouse gas inventory was assessed by a third-party and completed in accordance with the AA1000 Assurance Standard ([Assurance Statement for 2022 Greenhouse Gas Inventory](#)). This assurance engagement included our Scope 1, Scope 2, and certain Scope 3 GHG emissions.

Southwest follows the operational control approach defined by the GHG Protocol, accounting for emissions from operations over which we have complete authority to apply operating practices. We calculate and incorporate the relevant carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O) emissions from our operations. Emissions are consolidated and disclosed in metric tons of carbon dioxide equivalent (CO<sub>2</sub>e) using the 100-year time horizon global warming potential (GWP) values from the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5). Hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), nitrogen trifluoride (NF<sub>3</sub>), and sulfur hexafluoride (SF<sub>6</sub>) were found to be de minimis, and therefore not reported in association with our operations.

More than 99% of Southwest's Scope 1 emissions are from jet fuel, which is why addressing fuel is imperative to our mitigation plans. Our remaining <1% of Scope 1 emissions is largely from ground fuel use in the form of gasoline, diesel, and propane, as well as natural gas for heating. All Scope 1 emissions were calculated with EPA emission factors except for jet fuel,<sup>68</sup> which used ICAO's emission factors, and CNG (compressed natural gas) emissions, which used the Climate Registry's factors. Scope 2 indirect electricity emissions were calculated using EPA's eGrid factors by subregion. Additionally, in 2023 we included Market-Based Scope 2 indirect electricity emissions in the Planet Data Table for the first time. Previously, we reported the Scope 3 emissions that cover emissions from waste generated in operations and Employee commuting. In 2023, we also expanded our Scope 3 reporting to include purchased goods and services, capital goods, and fuel and energy-related activities.

To manage our Scope 1 and 2 emissions, we have set forth a framework of voluntary interim and long-term goals, actions, and initiatives. In 2023, we updated our carbon intensity goal to the following: reduce our lifecycle carbon emissions per revenue ton kilometer by 25% by 2030 and 50% by 2035 as compared with 2019.<sup>3</sup> In 2022, we reduced our carbon emissions intensity by 1.9% as compared with 2019.<sup>23</sup> We retired 26 of our older -700s in 2022, with plans to retire additional -700 aircraft moving forward through the next decade, replacing them with more fuel-efficient 737-7 and 737-8 aircraft to improve overall fleet efficiency.<sup>26</sup>

Our ultimate long-term goal is to achieve net zero by 2050. We have proudly joined our A4A partners across the industry in concerted work with government leaders toward this aim, recognizing that there is much work to be done, and we are focused on doing our part. In parallel with our efforts to address our environmental impact, we are also engaged in long-term policy objectives through A4A which are aimed at advancing and deploying commercially viable technology, operations, and infrastructure for SAF—all of which are required to enable the industry transition toward net zero.

## Environmental Compliance

Maintaining compliance with local, state, and federal environmental laws and regulations is fundamental to our Environmental Policy. We continually work to meet our annual goal of zero recorded environmental violations. Our Environmental Services Team regularly conducts audits to review compliance. We also work to improve our performance

by utilizing our environmental management system (EMS), following environmental guidelines and procedures, implementing corrective action, and training our Employees to meet our compliance goals. On a regular basis, we meet with our airport Stakeholders both in response to events and incidents (if any), as well as to foster a collaborative approach to our collective compliance.

Our standard auditing protocol assesses a location's recordkeeping permit status, and compliance with requirements of regulatory plans such as Storm Water Pollution Prevention Plans, Spill Prevention Control, and Countermeasure Plans. We perform a visual walk-through inspection to confirm that key compliance practices are enacted in each of the cities we serve. At all our locations, we also track spills, audit findings and corresponding corrective action, and information about permits and their expiration dates. We set goals and use our EMS and chemical management system (CMS) to aid in our effort to maintain compliance with environmental regulations, minimize costs and risk, and measure our efforts to improve our environmental performance.

We also track environmental issues that may have an impact to the broader aviation industry, such as the increased focus of governmental agencies on per- and polyfluoroalkyl substances (PFAS). PFAS are a key component in aqueous film-forming foam (AFFF), which is widely used to fight petroleum-based fires at both commercial and military aviation facilities. The FAA and the U.S. Department of Defense have strict performance specifications for fire suppression systems, which has contributed to the use of AFFF/PFAS over the decades. PFAS is now the focus of regulatory oversight at airports, as well as the source of litigation by airports against AFFF manufacturers. Moreover, regulatory authorities at the federal, state, and local levels are contemplating both the prohibition of PFAS-based AFFF and costly remediation efforts at airports to address groundwater contamination. Southwest actively monitors the conversations, so we can operate with the most updated information.

## Facilities Energy Use

Southwest Airlines actively looks for opportunities to address our environmental impact at our owned and operated facilities. We constantly evaluate and explore ongoing opportunities to embed sustainability into our facility operations.

We are also actively assessing energy efficiency, water conservation, and construction practices at Southwest. We are mindful of the impact of our facilities on the environment, and we have taken action to address those impacts. Here are a few steps Southwest is taking:

- Evaluating and exploring efforts to integrate energy conscious considerations into our facilities standards, including developing an energy roadmap that may include facility-level sustainability goals.
- Finding opportunities to build efficiently and to obtain LEED certifications during construction when appropriate.
- Participating in energy mitigation events to save energy and support our community at our Corporate Campus in Dallas.
- Continuing efforts to improve recycling programs across our system, address our waste and pollution, and measure and address our Scope 1 Natural Gas and Scope 2 Electricity emissions from our facilities.



## Waste

Southwest is working to address our environmental impact through sustainable waste and recycling initiatives. Our goal is to help conserve natural resources by addressing the use of raw materials and comply with applicable local, state, and federal environmental laws and regulations regarding hazardous and non-hazardous waste. To this end, we closely track and monitor our waste generation each year, analyzing trends across our stations where we manage waste and recycling, and breaking waste streams out by category and status. One of our most innovative initiatives is a unique global sustainability initiative, Repurpose with Purpose, that transforms leather seat coverings into new, upcycled products. In addition, we educate and engage our Employees about our internal recycling practices and share recycling tips they can use at work and at home. For additional information on waste generation, please refer to the [Planet Data Table](#).

## Water

At Southwest, we understand the importance of water conservation. Although our water consumption is minimal in comparison to our total environmental impact, we work with certain airports throughout our network to control storm water runoff and mitigate environmental impacts to nearby bodies of water.

Storm water effluent from airports is regulated under the EPA's National Pollutant Discharge Elimination System (NPDES) program. Permits are issued to each airport or to individual airlines operating at an airport under the NPDES program so that aircraft deicing fluid runoff and fluids used to maintain aircraft and equipment are properly managed to prevent adverse impacts to the environment. We work with the airports we serve to take measures to address runoff related to aircraft deicing, including aircraft deicing fluid recovery and other related pollution-reduction technologies. As well, we support storm water management efforts by maintaining compliance with regulatory plans, such as Storm Water Pollution Prevention Plans (SWPPP) and Spill Prevention, Control, and Countermeasure Plans (SPCC), and by including the topic of storm water protection in our annual environmental training required for all our operational groups.

Although water consumption is a small part of our operations, it is an important natural resource, and we strive to take measures to conserve water in our facilities and landscaping. The majority of our water consumption comes from domestic use by our Employees, and we have implemented projects to target conservation in this area in order to preserve this natural resource.

## Safety

Southwest Airlines' Operational Philosophy defines key principles and expectations for Frontline Employees. Most importantly, and without compromise, we put Safety first. Employees are expected to follow Company policies and procedures designed to enable operations at an acceptable level of risk for Southwest in compliance with regulatory requirements. Next, and only after operating safely, we balance being low-cost and reliable, all delivered with world-class Hospitality. The operational philosophy provides a framework to offer Employees a safe work environment, our Customers a safe travel experience, and, in turn, position Southwest Airlines for success. This operational philosophy positively impacts our Customers and Employees and helps to mitigate potential, negative impacts of the operation.

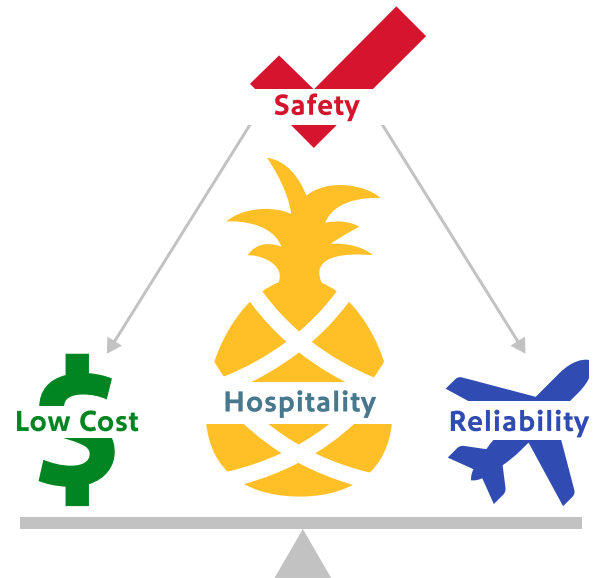
At Southwest, our commitment to Safety is embodied in our Safety Management System (SMS), which establishes the framework that enables Southwest to operate safely. The SMS framework is comprised of four main components: Safety Policy, Safety Risk Management, Safety Assurance, and Safety Promotion. These components are seamlessly integrated into all of our processes, establishing a robust structure for Safety at Southwest.

Southwest's Safety Policy is reflected in our Safety and Security Commitment, which is a public pledge made by all Southwest Employees and Senior Leadership to the Safety and Security of our Customers and Employees. It establishes clear Company and Employee expectations for Safety and Security and holds our Employees accountable for meeting these expectations. Southwest's Safety Policy also covers our Safety and Security Objectives, including Safety Objectives specific to supporting Employees and reducing injuries. Southwest Employees are expected to demonstrate their commitment to Safety by:

- Following Company policies and procedures
- Identifying anything that could cause damage or injury
- Reporting hazards through Companywide reporting tools
- Knowing and understanding our Safety and Security Commitment

Our operational processes incorporate participation from Employees to help identify, develop, and implement procedural changes, including those specific to mitigating hazards (anything that could cause injury or damage) or negative impacts. Being accountable to the Safety and Security Commitment is yet another way that our Employees offer our Customers the Hospitality we're known for—through the lens of a safe operation.

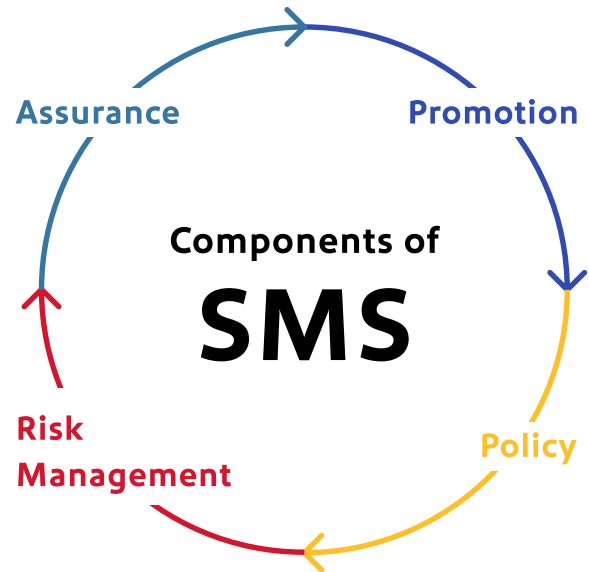
## Operational Philosophy



The Safety Risk Management function of our SMS provides a proactive, systemic, and standardized process designed to identify hazards and risks to the operation and workplace before they become injuries, accidents, or incidents. It is designed to mitigate risk through the implementation of effective risk controls, including tools, technology, and training. One example of our commitment to Safety is the implementation of fire containment bags on all of our aircraft. With the increasing use of electronic devices that contain rechargeable lithium-ion batteries, there's a growing risk of overheating and fire. To address this issue, Southwest invested in fire containment bags that are designed to contain and extinguish any potential fires. These bags play a critical role in our efforts to mitigate the level of risk and maintain the highest level of Safety for our Customers and Employees.

The Safety Assurance function of the SMS relies on data and analytics to continuously measure and analyze the effectiveness of risk controls and overall Safety performance. Southwest monitors Safety performance using a variety of data including Employee reporting, aircraft information, Safety investigations, fatigue programs, and audits. Audit data is specifically used to proactively evaluate the effectiveness of Safety risk controls. We proactively look for things that can cause injury or damage when we implement a new or changed policy or procedure. We also monitor Safety risk controls through assurance systems. Not only do we look at recent controls implemented, but we are always continuously monitoring controls that have been in our systems for an extended period of time. We use our assurance programs to look at control effectiveness across all operational processes; when we have indications that are not what we expect, we do further analysis and have formalized the system assessment process to document decisions and fixes when the Safety performance is not acceptable. In 2022, we conducted more than 100 system assessments. For example, a recent change identified through data was an enhancement to the Safety features of our provisioning trucks. We implemented a fall mitigation for our Provisioning Agents by using an engineered control to prevent the back curtain of the provisioning truck from being open while the back of the truck is raised. A fall from the height of a raised truck could cause serious injury, so implementing the fix reduces that level of risk and enhances Employee Safety. We also conduct further analysis when something we are monitoring is performing really well and look for opportunities to implement similar concepts or ideas in current or upcoming projects. One example of this is our very successful ETOPS (Extended Operations) program. We implemented ETOPS post-SMS, so it required us to conduct Safety risk management. As we built our processes, we proactively identified hazards and developed risk controls to manage the risk prior to operating any ETOPS flight. As an added benefit, this provided the ability to also build in robust assurance. As we implemented Safety risk controls, we knew what data we needed to collect and developed areas to use automation to assist in continuous monitoring. Each area we monitor has defined metrics, which are regularly reviewed and presented to the ETOPS Advisory Board.

As well, we regularly evaluate our performance against Safety Objectives which include reducing injuries and damage in the operation. During the past couple of years, with significant changes to the operational environment, we were able to use data to evaluate and confirm the effectiveness of our risk controls and target areas to improve performance. We monitored the changes supporting the restoration of the operation post COVID-19 and onboarding thousands of new Employees with excellent results; our Employees demonstrate a commitment to keeping each other and our Customers safe.



All areas of the SMS receive Companywide and department-specific Safety Promotion support, which includes both training and communication related to Safety. Southwest developed specific job function training built around comprehensive standards intended to provide Employees the skills they need to operate safely. We also have a robust engagement strategy to promote and educate Stakeholders regarding the Company's Safety and Security Commitment. It includes communication at the enterprise level through a variety of channels, targeted communication to Frontline Employees with Safety messaging refined to their areas of risk, and Leadership communication that identifies trends and provides talking points for Leaders to share areas of concern or improvement. Leaders are also able to access results for their specific location and workgroup to determine what their focus areas should be to improve results moving forward. SMS is designed to create and foster a strong Safety Culture through knowledge and understanding. Our comprehensive approach supports our commitment to making Safety a top priority.



## Financial Performance

Southwest strives to deliver consistently strong financial performance by focusing on our Purpose to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. Our Employees are dedicated to fulfilling our Vision to be the world's most loved, most efficient, and most profitable airline. Jobs and benefits, returns on investment, business partnerships, and Customer Service and Safety are all ways our financial performance matters to our Stakeholder groups—Employees, Customers, Shareholders, suppliers, and the communities in which we operate.

For all Stakeholders, our Leadership Team has set specific annual financial goals to generate consistent profitability, grow the route network and revenue, and enhance Shareholder value by generating consistent returns on invested capital in excess of our weighted average cost of capital. Our Leadership Team, with oversight from our Board of Directors, keeps these focus areas in mind when making business decisions and regularly reviews how each goal is tracking. These goals include:

Focus Areas	Annual Goals
Available seat miles (ASM <sup>25</sup> )	Modest new market growth and leverage robust network to connect dots and add depth and breadth
Non-fuel unit costs (CASM-X <sup>63</sup> )	Maintain competitive cost position and manage inflationary increases
Unit revenues (RASM <sup>62</sup> )	Growth in excess of CASM growth <sup>62</sup>
Pre-tax margin	Maintain industry-leading position
After-tax return on invested capital (ROIC)	Well above weighted average cost of capital (WACC)
Balance Sheet	Maintain adequate cash reserves, investment-grade, and modest leverage

Southwest recognizes the potential positive and negative impacts that our financial performance may have on Employees, Customers, Shareholders, suppliers, and the communities in which we operate. We maintain relationships with all these Stakeholder groups, and we frequently communicate—sharing Southwest's perspective and listening to their feedback which can inform our future actions.

Southwest Employees can share in the Company's success via the Southwest Airlines Co. ProfitSharing Plan ("ProfitSharing Plan"), a defined contribution plan and the first-of-its-kind in the airline industry. Subject to the Board of Directors' discretion and approval of a profitsharing award, Southwest's ProfitSharing Plan gives Employees the opportunity to share in the Company's profits. Greater profitability allows Employees to potentially receive a larger award under the ProfitSharing Plan.

For Customers, fares and routes can be affected by our financial performance—maintaining a competitive cost position allows us to keep fares low and offer more routes, while weak financial performance can bring higher fares and fewer route choices. For Shareholders, strong financial performance can lead to increased returns on their investment.

Additionally, stronger financial performance gives us an opportunity to increase our procurement in accordance with our business needs, which can benefit suppliers. Southwest's financial performance can also impact the communities we serve, as stronger results can protect jobs and positively impact economic growth in those areas.



## Fleet Management

At Southwest, we only operate Boeing 737 aircraft, and, with more than 700 737s, we operate the largest all-Boeing 737 fleet in the world. This single-fleet strategy helps keep costs low, supports efficient operations, and allows for simplified scheduling in our point-to-point network. It also helps streamline our operating procedures and training approach for our Employees and business partners. Above all, operating a single fleet type helps us maintain focus on our number one priority—Safety for our Employees and Customers. While our fleet management strategy has many benefits, we do recognize our reliance on a single manufacturer. We regularly review our fleet strategy with Senior Leadership and our Board of Directors to validate our operational and fleet philosophy.

Part of our approach to fleet management also involves a focus on fleet modernization as we recognize the importance of operating aircraft that are more fuel efficient, optimal for our operation, and which provide our Customers a comfortable experience. To support that goal, as of December 31, 2022, we have firm orders for more than 400 new -7 and -8 aircraft through 2030 to replace older -700s—bringing more fuel efficiency and lowering operating costs.<sup>26</sup>

As compared with the prior generation of 737 aircraft, the -7 and -8 aircraft, with LEAP-1B engines (CFM International), provide increased fuel efficiency, a quieter engine, and inherently contributes to an increased range. Introducing updated aircraft also benefits our Customers: the cabin of

the -7 and -8 aircraft features an adjustable headrest; a lower profile armrest; advanced cushion support; and a raised information pocket and elevated rear seat beam that together bring additional space for personal devices. All -7 and -8 aircraft also enter service WiFi equipped, and, beginning in 2023, larger overhead bins will be installed on aircraft deliveries. We will also begin offering the convenience of in-seat power onboard aircraft in 2023.

Furthermore, we actively manage our fleet to meet our plans for network growth. The -7 is expected to be the longest-range aircraft in the Southwest fleet, enabling us to enhance our existing route network.

Fleet management has an opportunity to influence both internal and external impacts. As the fleet is modernized, our carbon emissions intensity is impacted by better procedures, efficiency, and a focus on modernization. This topic can also be impacted by supply chain implications with a desire to modernize aircraft and retire older aircraft.

Under the Executive Leadership of our CFO, our Fleet Management Team works with Stakeholders across the organization to manage our aircraft acquisitions and retirements. The Southwest Team works toward a strategic goal of optimizing total cost of ownership and improving efficiencies across the fleet while meeting our Customer, Employee, and operational needs.

## Network & Growth

Southwest Airlines is focused on building flight schedules that connect Customers with the important destinations in their lives, at the appropriate time, and with the optimal frequency, while balancing operational efficiency, cost, and long-term growth strategy.

Our network strategy blends nonstop and connecting routes to the top destinations Customers want to fly, designed around the local demand in the communities we serve. More than 50 years of replicating this model has established Southwest as a preferred carrier (No. 1 in market share) in 22 of the top 50 U.S. markets, and we have the No. 1 or No. 2 market share in 54 domestic cities. As of December 31, 2022, Southwest served 825 nonstop city pairs connecting more than 120 airports, resulting in no connections required for approximately 76% of Southwest Customers. And, for Customers who need to connect, Southwest leverages more than 50 cities as connect points across our network, an intentional strategic move to set us apart from the competition which utilizes only a few hubs for connections.<sup>69</sup>

Southwest has boldly taken advantage of network opportunities since 1971. During the COVID-19 pandemic, we put idle aircraft to work and utilized our People to capitalize on new network opportunities, supporting Southwest's short-term recovery and long-term growth. As part of our recovery

from the impacts of the COVID-19 pandemic, Southwest remains focused on maturing newer markets and restoring its network to pre-pandemic levels through adding back breadth and frequency to Southwest's network while balancing our network schedule with our Crew resources. In 2022 specifically, we prioritized growth in stronghold Southwest markets and short and medium-haul routes, added schedule depth through additional flight departures to existing nonstop routes, and supported expansion in key communities like Denver and Austin.

Southwest deeply values the relationships we have with our communities and considers these to be long-term partnerships. Dozens of factors are evaluated when considering a city for potential Southwest service, such as Customer demand, existing airline service provided, proximity to other Southwest cities, and infrastructure capabilities to support Southwest's operating requirements. We strive to provide a competitive product for our Customers and regularly examine destinations as considerations for future Southwest service. Our People work diligently to maintain low costs, provide low fares, and deliver legendary Hospitality, all of which are important to position Southwest well for future network growth opportunities.



## Indirect Economic Impact

When Southwest Airlines chooses to serve a particular city, we design our market presence and low fares to stimulate local economies. We expect our market presence to generate substantial savings for our Customers through the well-known Southwest Effect of invigorating competition by reducing fares and stimulating additional Passenger traffic in the cities where we fly.

Our presence in communities can encourage economic activity beyond the direct economic impact on our financial performance, including creating additional local jobs and increased access to services. By working with local communities and regulators, we strive to maximize our contributions to benefit and enhance local and regional economies and help communities thrive where our Customers and Employees live and work.

To utilize our resources responsibly, we regularly review our annual charitable contributions and continue to evaluate their effectiveness through impact reports and ongoing touchpoints with key partners and Stakeholders.

We believe that educated communities are empowered communities. This is shown through our continued investment in programs that provide educational access for all. From scholarships to a collegiate travel award program, we work to remove financial barriers so students can pursue higher education or other career pathways and, ultimately, have the ability to give back to their communities in meaningful ways.

## Operational Performance

Southwest Airlines is renowned for our Purpose and Vision, firmly rooted in running an operation that connects People to what's important in their lives through friendly, reliable, and low-cost air travel, while simultaneously striving to be the world's most loved, most efficient, and most profitable airline. Beginning with the launch of the airline in the early 1970s, we used the famous "10-Minute Turn" to maintain efficiencies while taking on larger competitors, and since then, committed to a similar philosophy. Over the last 51 years, Southwest's network breadth and fleet size have grown considerably. Teams across the Company are dedicated to the modernization and operational improvements necessary to achieve our strategic priorities, including managing operations from an efficiency and Reliability perspective, relative to Southwest's modern size and scale.

The Company monitors and analyzes the daily, monthly, and annual operational performance of our airline. This includes closely examining data points such as ontime performance for every flight, the time required to turn aircraft by aircraft type, along with other metrics such as the amount of time needed to safely taxi out, takeoff, and fly aircraft to their destinations in various operating conditions. Thousands of additional data points are used to forecast, trend, monitor, and adjust elements of our operation to achieve safe, reliable efficiencies from the time an aircraft arrives at the gate, deplanes, loads up again, and arrives at its next destination—which occurred nearly 4,000 times per day during some peak season days in 2022. Operationally focused Teams at Southwest are dedicated to:

- Identifying problems or opportunities impacting operations and providing diagnostic analysis to inform decisions, including Crew staffing and productivity.
- Providing timely operational performance reporting, forecasting operational trends (including on-time performance trends), and informing our network design decisions.
- Assessing how we design, build, and operate a schedule with a focus on proper staffing and capacity planning, overseeing station readiness and improvements, and strategically responding to unplanned events (e.g., COVID-19 or weather events).

Of course, our focus extends beyond merely monitoring our current performance. We have a defined governance structure in place that provides a clear process to efficiently assess, approve, manage, and deliver outcomes of strategic projects within our Operations portfolio, with the goal of continuously advancing our operational capabilities. Southwest is also always looking for new innovations and tools to shape the future of our airline. This includes regularly developing and testing operational enhancements in simulated and real-world environments to foster a forward-thinking approach to our operational tools and processes through continuous improvement, data science and automation, and a focus on emerging trends. While we will always be proud of our operational legacy, we have our sights set on planning for the operation of the future so that we can continue to offer our Employees and Customers a reliable, efficient, and modern airline experience.



## Customer Satisfaction

Southwest Airlines' Operational Philosophy is based on the belief that the Company prospers when we are safe, low cost, reliable, and hospitable. Delivering Hospitality means that Southwest Employees and Customers feel welcomed, cared for, and appreciated. We have dedicated Teams in place to provide resources and training opportunities to support our People in continuing the legacy of legendary Hospitality that Southwest is known for. A key component of Southwest's Vision is to be the world's most loved airline. We work to achieve this Vision by:

- Improving Customer Satisfaction by enhancing current offerings and working to remove friction from the Customer journey.
- Bolstering Customer loyalty by providing proactive Customer engagement and convenient assistance.

We measure "most loved" through regular reporting on key metrics like the Department of Transportation's (DOT) Customer Satisfaction results, Net Promoter Score (NPS), and Trip Net Promoter Score (TNPS). We actively solicit Customer feedback on their Southwest travel experience through regular post-trip surveys. Customers share their level of satisfaction with multiple aspects of their travel experience, including airport lobby, TSA screening, gate area, boarding process, inflight experience, connection process, deplaning process, and baggage claim. We use these insights to understand wins and pain points for our Customers across all aspects of their travel journey and all Southwest stations to inform future actions. In 2022, Southwest announced major Customer Experience enhancements. We are always looking for additional opportunities to equip our Employees to serve our Customers with even more warmth, Hospitality, and Heart, giving our Customers more reasons than ever to fly Southwest. For more details on our Customer Experience enhancements, please see the [Transforming the Customer Experience](#) story for additional information.

The external impact of Legendary Customer Service is represented in the thought that treating Customers right is not only good for business, but good for society as well. The Heart in our logo celebrates the dignity and worth of every human being. Southwest seeks to raise the bar for Customer Satisfaction throughout the entire aviation industry—but our desire to provide top service doesn't stop there. We aspire to be the gold standard for Customer Satisfaction for every Company worldwide. Internally, Southwest relies heavily on highly engaged Employees to produce the Culture and Customer Experience that has made Southwest famous. The Southwest model lends itself to first creating a strong Employee Experience and Culture, and from that comes an excellent Customer Experience.

# Reporting Frameworks

Since 2009, Southwest has used the Global Reporting Initiative (GRI) standards to guide our disclosures in the One Report. In our ongoing effort to provide the utmost transparency to our Stakeholders, we have elected to reference the updated GRI Universal Standards in the 2022 Southwest One Report. Once again, we also provide information using the Sustainability Accounting Standards Board (SASB) standards and United Nations Sustainable Development Goals (SDGs). Additionally, in 2022, Southwest performed a qualitative scenario analysis in reference to the Task Force on Climate-related Financial Disclosures (TCFD) framework, elevating our voluntary reporting as we provide additional information. Disclosures corresponding to these standards and frameworks can be found in the indices on the pages that follow.

Information is presented in the 2022 Southwest One Report with respect to efforts related to our CSR and ESG key topics, a term we use instead of materiality to avoid confusion with key financial information.

# GRI Index

Indicator	Description	2022 Response
<b>The organization and its reporting practices</b>		
2-1	Organizational details	<p>Southwest Airlines Co. is a publicly traded corporation.</p> <p>Our headquarters is located at: 2702 Love Field Dr. Dallas, Texas 75235 USA</p> <p>During 2022, we operated in 11 countries: the United States, Mexico, Jamaica, the Bahamas, Aruba, Dominican Republic, Costa Rica, Belize, Cuba, the Cayman Islands, and Turks and Caicos.</p>
2-2	Entities included in the organization's sustainability reporting	The 2022 One Report includes the operations of Southwest Airlines Co. and its wholly owned subsidiaries, which include AirTran Airways, Inc., AirTran Holdings, LLC, Southwest Jet Fuel Co., and Triple Crown Assurance Co., which is consistent with our financial reporting contained in Southwest Airlines Co.'s <a href="#">2022 Form 10-K</a> .
2-3	Reporting period, frequency and contact point	<p>The 2022 One Report was published on May 3, 2023, and includes activities for calendar year 2022, unless otherwise stated. It is published annually and aligns with Southwest Airline Co.'s financial reporting period.</p> <p>The contact point for questions regarding the 2022 One Report is <a href="mailto:SWACitizenship@wnco.com">SWACitizenship@wnco.com</a>.</p>
2-4	Restatements of information	<p>Restatements of information provided in previous reports were made for the following items:</p> <p><a href="#">People Data Table</a></p> <ul style="list-style-type: none"> <li>• Employees by Workgroup</li> <li>• Benefits-parental leave</li> <li>• Training</li> </ul> <p><a href="#">Planet Data Table</a></p> <ul style="list-style-type: none"> <li>• Environmental Impact-energy consumption and intensity</li> <li>• Greenhouse Gas Inventory-Scope 1</li> <li>• Environmental Performance-emissions intensity</li> </ul> <p><a href="#">Governance Data Table</a></p> <ul style="list-style-type: none"> <li>• Board of Directors by Gender, Age, and Ethnicity/Race</li> </ul>
2-5	External assurance	<p>Our 2022 greenhouse gas inventory was assessed by a third-party and completed in accordance with the AAI000 Assurance Standard. This assurance engagement included our <a href="#">Scope 1, Scope 2, and certain Scope 3 GHG emissions</a>. The report can be found <a href="#">here</a>.</p> <p>Southwest has obtained third-party assurance of its greenhouse gas inventory since 2017.</p>
<b>Activities and workers</b>		
2-6	Activities, value chain and other business relationships	Southwest Airlines operates in the airline sector. Information regarding our activities, value chain, and other business relationships can be found under Items 1 and 7 in our <a href="#">2022 Form 10-K</a> . Additional information regarding our supply chain is contained in <a href="#">management approach to Supply Chain Responsibility</a> .
2-7	Employees	<p><a href="#">People Data Table</a></p> <p>All Southwest Airlines Co. Employees are classified as permanent. We do not have non-guaranteed hours Employees.</p>
2-8	Workers who are not employees	<a href="#">People Data Table</a>

Indicator	Description	2022 Response
<b>Governance</b>		
2-9	Governance structure and composition	<a href="#">People Data Table</a> <a href="#">Board Oversight of ESG</a> <a href="#">Board Committees</a> <a href="#">Senior Executive Leaders</a> <a href="#">Corporate Bylaws</a> <a href="#">Corporate Governance Guidelines</a> <a href="#">Corporate Policies</a> <a href="#">2023 Proxy Statement</a> , pp. 2-20
2-10	Nomination and selection of the highest governance body	<a href="#">Board Composition</a> <a href="#">Corporate Governance Guidelines</a> <a href="#">Nominating and Corporate Governance Committee Charter</a> <a href="#">2023 Proxy Statement</a> , pp. 11-12 and 19-20
2-11	Chair of the highest governance body	<a href="#">2023 Proxy Statement</a> , pp. 7 and 12-14
2-12	Role of the highest governance body in overseeing the management of impacts	<a href="#">Board Oversight of ESG</a> <a href="#">Management Oversight and Committees</a> <a href="#">Management approach to Ethics</a> <a href="#">2023 Proxy Statement</a> , pp. 14-16
2-13	Delegation of responsibility for managing impacts	<a href="#">Board Oversight of ESG</a> <a href="#">Management Oversight and Committees</a> <a href="#">2023 Proxy Statement</a> , pp. 14-16
2-14	Role of the highest governance body in sustainability reporting	The Southwest Airlines One Report is reviewed by Leaders across the organization, including our Vice Presidents of People, DEI, Legal-Corporate and Transactions, Investor Relations, Accounting & Financial Reporting, Communications & Outreach; Senior Vice President and Controller, Senior Vice President Finance/Treasurer & Sustainability; Chief Administration & Communications Officer; Chief Financial Officer, and President & CEO. It is additionally reviewed by our Executive Chairman.
2-15	Conflicts of interest	<a href="#">Management approach to Ethics</a> <a href="#">Code of Ethics</a> <a href="#">2023 Proxy Statement</a> , pp. 20-21
2-16	Communication of critical concerns	<a href="#">Board Oversight of ESG</a> <a href="#">Management Oversight and Committees</a> <a href="#">Code of Ethics</a> <a href="#">2023 Proxy Statement</a> , pp. 14-16  Nature and total number of critical concerns is confidential information and is not communicated externally by the Company.
2-17	Collective knowledge of the highest governance body	Management reports to the Board of Directors on significant sustainability strategies, plans, initiatives, and progress.
2-18	Evaluation of the performance of the highest governance body	<a href="#">Corporate Governance Guidelines</a> <a href="#">2023 Proxy Statement</a> , pp.19-20
2-19	Remuneration policies	<a href="#">Board Oversight of ESG</a> <a href="#">Corporate Governance Guidelines</a> <a href="#">2023 Proxy Statement</a> , pp. 25-68
2-20	Process to determine remuneration	<a href="#">2023 Proxy Statement</a> , pp. 25-68



Indicator	Description	2022 Response
2-21	Annual total compensation ratio	<p><a href="#">2023 Proxy Statement</a>, p. 50</p> <p>The Company does not report the ratio of the percentage change in annual total compensation ratio as it is not considered meaningful.</p>
<b>Strategy, Policies and Practices</b>		
2-22	Statement on sustainable development strategy	<p><a href="#">From Our President &amp; CEO</a> <a href="#">2022 Form 10-K</a>, pp.12-14 and 28-30</p>
2-23	Policy commitments	<p>The Company's primary corporate policy commitments can be found here: <a href="#">Corporate Governance Guidelines</a> <a href="#">Corporate Policies</a></p> <p>Our Board of Directors or Senior Management have approved the following corporate policies: <a href="#">Corporate Governance Guidelines</a> <a href="#">Code of Ethics</a> <a href="#">Policy on Shareholder Rights Plans</a> <a href="#">Human Rights Policy</a></p> <p>All other corporate policies are approved by presiding Board of Director Committees or Senior Management.</p>
2-24	Embedding policy commitments	<p><a href="#">Board Oversight of ESG</a> <a href="#">Management Oversight and Committees</a> <a href="#">Management approach to Ethics</a></p>
2-26	Mechanisms for seeking advice and raising concerns	<p><a href="#">Management approach to Ethics</a> <a href="#">Code of Ethics</a> <a href="#">2023 Proxy Statement</a>, pp. 14-15</p>
2-27	Compliance with laws and regulations	The Company did not receive any material monetary penalties or any non-monetary sanctions that would restrict the Company's ability to conduct operations.
2-28	Membership associations	<p>We develop and nurture authentic civic and business relationships across the more than 100 communities within the Southwest system. In 2022, we invested in more than 150 national, state, and local membership organizations including, but not limited to, the Chicagoland Chamber, Greater Baltimore Committee, Downtown Denver Inc., Dallas Regional Chamber, Hawaii Visitors and Convention Bureau, Los Angeles Area Chamber of Commerce, Greater Houston Partnership, and Florida Economic Development Council.</p> <p>Southwest also participates in:</p> <ul style="list-style-type: none"> <li>• Airlines for America (A4A)</li> <li>• Aviation Climate Taskforce (ACT)</li> <li>• Coalition for Public Relations Research Standards</li> <li>• National Diversity Council Board</li> <li>• Texas Diversity Council</li> <li>• U.S. Chamber of Commerce</li> <li>• Travelers United</li> </ul>
<b>Stakeholder Engagement</b>		
2-29	Approach to stakeholder engagement	<a href="#">Stakeholder Engagement</a>
2-30	Collective bargaining agreements	As of December 31, 2022, approximately 83% of our Employees are covered by collective bargaining agreements.

Indicator	Description	2022 Response
<b>Material Topics</b>		
3-1	Process to determine material topics	<a href="#">Key Topics Assessment</a>
3-2	List of material topics	<a href="#">Key Topics Assessment</a>
3-3	Management of material topics	<a href="#">Board Oversight of ESG</a> <a href="#">Board Composition</a> <a href="#">Ethics</a> <a href="#">Risk &amp; Crisis Management</a> <a href="#">Cybersecurity</a> <a href="#">Data Privacy</a> <a href="#">Supply Chain Disruption</a> <a href="#">Supply Chain Responsibility</a> <a href="#">Public Policy, Regulation, &amp; Transparency</a> <a href="#">Diversity, Equity, &amp; Inclusion</a> <a href="#">Employee Compensation, Benefits, &amp; Health</a> <a href="#">Employee Experience, Culture, &amp; Engagement</a> <a href="#">Employee Retention &amp; Recruitment</a> <a href="#">Employee Training, Education, &amp; Career Development</a> <a href="#">Freedom of Association &amp; Collective Bargaining</a> <a href="#">Human Rights &amp; Anti-Trafficking</a> <a href="#">Community Outreach</a> <a href="#">Climate Risks &amp; Impacts</a> <a href="#">Fuel, Energy, &amp; GHG Emissions</a> <a href="#">Environmental Compliance</a> <a href="#">Waste</a> <a href="#">Customer Satisfaction</a> <a href="#">Financial Performance</a> <a href="#">Fleet Management</a> <a href="#">Indirect Economic Impact</a> <a href="#">Network &amp; Growth</a> <a href="#">Operational Performance</a> <a href="#">Safety</a>
<b>Economic Performance</b>		
201-1	Direct economic value generated and distributed	<a href="#">Restoring our Robust Network</a> <a href="#">2022 Financial Results</a> <a href="#">10-Year Summary</a> <a href="#">Performance Data Table</a>
201-2	Financial implications and other risks and opportunities due to climate change	<p>Our Heart for the Planet involves using resources efficiently and identifying emerging environmental trends and risks. In the air, we strive to responsibly manage our fuel consumption and improve our emissions intensity. Given fuel is one of our largest expenses, managing fuel consumption is not only important for sustainability, it's also good for our bottom line.</p> <a href="#">Mitigating Climate Risk</a> <a href="#">Management approach to Climate Risks &amp; Impacts</a> <a href="#">Task Force on Climate-related Financial Disclosures (TCFD) Index</a> <a href="#">2022 Form 10-K, pp. 49-51</a> <a href="#">Southwest Airlines CDP Submission</a>
201-3	Defined benefit plan obligations and other retirement plans	<a href="#">Management approach to Employee Compensation, Benefits, &amp; Health - Benefits</a>
201-4	Financial assistance received from government	None in 2022

Indicator	Description	2022 Response
<b>Indirect Economic Impact</b>		
203-1	Infrastructure investments and services supported	<a href="#">Restoring our Robust Network Management approach to Community Outreach</a> <a href="#">2022 Form 10-K</a> , pp. 55-56
203-2	Significant indirect economic impacts	<a href="#">Restoring our Robust Network People Data Table</a> <a href="#">Performance Data Table</a> <a href="#">Management approach to Community Outreach</a> <a href="#">Management approach to Indirect Economic Impact</a> <a href="#">Management approach to Supply Chain Responsibility</a>
<b>Anti-Corruption</b>		
205-2	Communication and training about anti-corruption policies and procedures	<p>At Southwest, we strive to maintain accountability and transparency of our business practices to reduce or eliminate corruption. We expect our Board of Directors and all Employees to acknowledge receipt and understanding of our Code of Ethics and Insider Trading Policy. We also employ robust auditing procedures to analyze and monitor business activities, which further enhance our ability to maintain high ethical standards. We continually review our systems to provide transparency and accountability, and we update our corporate governance policies when appropriate.</p> <p>During 2022, we also distributed our Foreign Corrupt Practices Act Policy and Anti-Corruption Compliance Procedures to the Board of Directors, all Company Officers, Senior Leaders of all departments, and select Employees and Contractors involved with Southwest's financial records and/or international operations. In 2022, more than 95% of Southwest recipients completed a Foreign Corrupt Practices Act Policy compliance questionnaire.</p>
<b>Energy</b>		
302-1	Energy consumption within the organization	<p>No onsite renewable energy consumed, purchase of 59,670 MWh of Green-e certified RECs covering 100% of our Texas operations as of May 2022.</p> <p>Total of 75,883,849 MWh non-renewable energy consumed comprised of:</p> <ul style="list-style-type: none"> <li>• Heating: 44,560 MWh</li> <li>• All electricity including cooling: 87,429 MWh</li> <li>• Jet A: 75,647,122 MWh</li> <li>• Other fuels: 104,738 MWh</li> <li>• Steam not captured due to de minimis impact</li> </ul> <p>We did not sell any electricity, heating, cooling, or steam in 2022.</p> <p>Heating and electricity data is captured through an energy bill aggregation tool which compiles utility data, capturing the electricity, natural gas, and water consumed in our operations. We maintain detailed records of our actual jet fuel and ground fuel consumption per station for all scheduled and unscheduled flights. GSE fuel is tracked and aggregated by fuel type, including auto gas, diesel fuel, dyed diesel fuel, propane fuel, and compressed natural gas. Emission factors and global warming potentials (GWPs) are described in <a href="#">management approach to Fuel, Energy, &amp; GHG Emissions-Greenhouse Gas Emissions</a>.</p> <p><a href="#">Planet Data Table</a></p>
302-2	Energy consumption outside of the organization	<p>Energy consumption outside of the organization is reported under Scope 3 emissions in the Planet table. We report this in metric tons of carbon dioxide equivalent rather than in joules to maintain consistency with the Greenhouse Gas Protocol (GHGP).</p> <p><a href="#">Planet Data Table</a></p>
302-3	Energy intensity	<p>The energy intensity ratio includes the MWh associated with all Jet A, gasoline, diesel, propane, CNG, natural gas, and electricity consumed within our operations, divided by our revenue ton kilometers.</p> <p><a href="#">Planet Data Table</a> <a href="#">Management approach to Climate Risks &amp; Impacts</a> <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions</a></p>

Indicator	Description	2022 Response
302-4	Reduction of energy consumption	<p>Given that jet fuel emissions make up more than 99% of our total Scope 1 and 2 emissions, our tracking is focused on fuel saving initiatives. In 2022, we captured a total of 1.4 million MWh of fuel savings as a result of conservation efforts.<sup>24</sup></p> <p>Fuel savings (gallons) are tracked through a combination of direct measurements and estimates for several ground, air, and weight related fuel efficiency initiatives. The fuel gallons savings in 2022 were summed and converted to MWh using typical TJ/Gg values for Jet A per CDP guidance.</p> <p><a href="#">Reduce</a>  <a href="#">Management approach to Climate Risks &amp; Impacts</a>  <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions</a></p>
302-5	Reductions in energy requirements of products and services	<p>The Company's available seat miles per gallon of fuel consumed was 77.3 in 2022, representing a 2% increase in fuel efficiency over our 2019 baseline levels.</p> <p>Our fuel consumption and fuel saving programs are closely tracked and monitored in order to understand the incremental savings such initiatives yield each year. We track initiatives such as APU utilization, Single Engine Taxiing, Central Monitoring, RNP, Cost Index, and weight saving initiatives.</p> <p><a href="#">Reduce</a>  <a href="#">Planet Data Table</a>  <a href="#">Management approach to Climate Risks &amp; Impacts</a>  <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions</a></p>

Emissions

305-1	Direct (Scope 1) GHG emissions	<p>The baseline 2019 and current 2022 Scope 1 emissions can be found in the Planet Data Table, as are our relevant biogenic CO<sub>2</sub> emissions in 2022.</p> <p>We recalculated our prior years of GHG emissions, including our baseline year of 2019, due to two findings: (1) the emissions factor we had historically applied for jet fuel consumption was misaligned with other forms of reporting, such as CORSIA. We therefore updated our emissions factor for jet fuel to align with the ICAO factor for the aviation industry, at 3.16 kg CO<sub>2</sub>/kg fuel. This new factor was applied to all years going back to 2013; (2) we found a slight double counting of non-scheduled service jet fuel gallons in our baseline year as well as one other year (representing &lt;1% of total gallons), which was addressed and updated during this inventory cycle to reflect the accurate number of gallons consumed. All of these updates to both our baseline year, current year, and prior years were reviewed by a third party and granted assurance.</p> <p><a href="#">Planet Data Table</a>  <a href="#">Management approach to Climate Risks &amp; Impacts</a>  <a href="#">Southwest Airlines CDP Submission</a></p>
305-2	Energy indirect (Scope 2) GHG emissions	<p>The baseline 2019 and current 2022 location-based Scope 2 emissions can be found in the Planet Data Table.</p> <p><a href="#">Planet Data Table</a>  <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions-Greenhouse Gas Emissions</a>  <a href="#">Southwest Airlines CDP Submission</a></p>
305-3	Other indirect (Scope 3) GHG emissions	<p>The baseline 2019 and current 2022 Scope 3 emissions can be found in the Planet Data Table. In 2022, we included three new Scope 3 categories for the first time in our One Report. These include Category 1: Purchased Goods and Services, Category 2: Capital Goods, and Category 3: Fuel-and Energy Related Activities.</p> <p><a href="#">Planet Data Table</a>  <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions-Greenhouse Gas Emissions</a>  <a href="#">Southwest Airlines CDP Submission</a></p>
305-4	GHG emissions intensity	<p>We measure intensity by emissions [including all Scope 1, Scope 2, and Scope 3 Category 3 (upstream emissions of jet fuel)] per revenue ton kilometer (RTK) and includes the use of SAF and excludes the use of carbon offsets. This includes all jet and GSE fuel, as well as the heating and electricity emissions associated with buildings and structures under our operational control.</p> <p><a href="#">Planet Data Table</a>  <a href="#">Management approach to Climate Risks &amp; Impacts</a>  <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions</a>  <a href="#">Southwest Airlines CDP Submission</a></p>

Indicator	Description	2022 Response
305-5	Reduction of GHG emissions	<p>Given that Southwest reports on the relevant CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O associated with our operations only, reported as CO<sub>2</sub>e, we measure our reduction of GHG emissions with this same scope of gases included. We measure reductions in the form of an emissions intensity reduction (Scope 1, Scope 2, and Scope 3 Category 3 (upstream emissions of jet fuel)) per RTK from our baseline 2019. In 2022, our emissions intensity reduced 1.9% compared to the 2019 baseline. In 2022, fuel saving initiatives are estimated to have saved more than 33 million gallons of jet fuel, equivalent to 315,000 metric tons CO<sub>2</sub>e. These incremental savings came largely from closely tracked single engine taxiing, central monitoring, flight optimization, and weight saving initiatives.</p> <p><a href="#">Our Path to Net Zero</a>  <a href="#">Reduce</a>  <a href="#">Planet Data Table</a>  <a href="#">Management approach to Climate Risks and Impacts</a>  <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions</a>  <a href="#">Southwest Airlines CDP Submission</a></p>
305-6	Emissions of ozone-depleting substances (ODS)	<p>One of the most important issues surrounding chemical management is the use of ozone depleting substances. The ozone layer prevents harmful ultraviolet light from passing through the atmosphere, and the use of these substances can cause a decrease in the total volume of the ozone layer. Potential ozone-depleting substances Southwest presently uses include refrigerants found in the HVAC systems and appliances of Southwest operated buildings and the air conditioning systems of Company vehicles. Based on an upper-bound assumption of the expected losses that would occur from Southwest facilities, in 2019, we determined that the emissions from these refrigerants represented less than 0.02% of our total greenhouse gas emissions. We do not produce or import ozone-depleting substances in Southwest operations.</p>
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	<p><a href="#">Planet Data Table</a></p>
<b>Waste</b>		
306-3	Waste generated	<p>Waste generation is tracked through multiple sources and third parties, with reports collected for each year to provide a comprehensive summary of all our waste disposal across our stations. Material data collected includes scrap metal, batteries, e-waste, light bulbs, shredded paper, municipal waste, and all maintenance and cleaning agents (oil filters, glycol, solvents, paints, etc.). All forms of waste are broken out by hazardous and non-hazardous categorization, energy recovery status, quantity of material, and total weight.</p> <p><a href="#">Planet Data Table</a>  <a href="#">Driving Impact Through Community Outreach - Expanding Repurpose with Purpose Partner - Repurpose with Purpose</a></p>
306-4	Waste diverted from disposal	<p>Waste diversion is tracked through multiple sources and third parties, with reports collected for each year to provide a comprehensive summary of all our waste disposal across our stations. Material data collected includes scrap metal, batteries, e-waste, light bulbs, shredded paper, and recycled maintenance and cleaning agents (oxygen generators, sealants, petroleum products, etc.). Each line item of waste is broken out by energy recovery status, quantity of material, and total weight with 3,048,000 lbs of waste recycled in 2022. Additionally, the impact of our repurpose program, Repurpose with Purpose, is separately tracked and reported with 126,000 lbs reused in 2022.</p> <p><a href="#">Planet Data Table</a></p>
306-5	Waste directed to disposal	<p><a href="#">Planet Data Table</a></p>

Indicator	Description	2022 Response
<b>Supplier Environmental Assessment</b>		
308-1	New suppliers that were screened using environmental criteria	Our supplier questionnaire is a crucial part of our procurement vetting process where we expect suppliers to comply with applicable laws. <a href="#">Management approach to Supply Chain Responsibility</a>
308-2	Negative environmental impacts in the supply chain and actions taken	<a href="#">Management approach to Supply Chain Responsibility</a>
<b>Employment</b>		
401-1	New employee hires and employee turnover	<a href="#">People Data Table</a>
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<a href="#">Management approach to Employee Compensation, Benefits, &amp; Health - Benefits</a> <a href="#">People Data Table</a>
401-3	Parental leave	<p>For qualifying Noncontract Employees, Southwest offers six weeks paid leave for a custodial birth parent (mother or father), the spouse or committed partner of a custodial birth parent at the time of birth, a surrogate parent, or a newly adoptive parent. The leave must be taken on a consecutive basis (not intermittent) within 12 months of the date of birth of the child or the date the child is placed for adoption in the Employee's home. This benefit for eligible Employees begins 90 days after the Employee's last date of hire.</p> <p>Our Fight Attendants, Dispatchers, and Meteorologists (Covered Employees) collective bargaining agreements also contain parental leave provisions. Except for those Covered Employees who qualify for Maternity Leave or Post Maternity Leave of Absence, a covered Employee that is the biological parent of a child, adopts, or becomes a permanent legal custodial caregiver to a dependent child that formerly was not, but will be living in their home, will be granted a leave of absence for a period not to exceed 12 consecutive weeks and will retain and accrue seniority for all purposes during such leave and will not lose insurance coverage. Covered Employees have the option to use their Sick Leave or vacation pay during this leave. The leave must be taken in its entirety within 12 calendar months from the date the child begins living in the Covered Employee's home. Any applicable federal, state, or local leaves will run concurrently.</p> <p><a href="#">People Data Table</a> <a href="#">Management approach to Employee Compensation, Benefits, &amp; Health - Benefits</a> <a href="#">Employee Benefits</a></p>
<b>Labor/Management Relations</b>		
402-1	Minimum notice periods regarding operational changes	To create the best possible work environment, we strive to provide our Employees with advanced notice of significant policy or expectation changes through proactive communication. Notice is provided to Contract Employees and/or their respective Unions per the terms of our collective bargaining agreements.

Indicator	Description	2022 Response
<b>Occupational Health and Safety</b>		
403-1	Occupational health and safety management system	<a href="#">Management approach to Safety</a>
403-2	Hazard identification, risk assessment, and incident investigation	<a href="#">Management approach to Safety</a>
403-3	Occupational health services	<a href="#">Management approach to Safety</a>
403-4	Worker participation, consultation, and communication on occupational health and safety	<a href="#">Management approach to Safety</a>
403-5	Worker training on occupational health and safety	<a href="#">Management approach to Safety</a>
403-6	Promotion of worker health	<a href="#">Management approach to Employee Compensation, Benefits, &amp; Health - Benefits</a>
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<a href="#">Management approach to Safety</a>
403-8	Workers covered by an occupational health and safety management system	<a href="#">Management approach to Safety</a>
<b>Training and Education</b>		
404-1	Average hours of training per year per employee	<a href="#">People Data Table</a>
404-2	Programs for upgrading employee skills and transition assistance programs	<a href="#">Management approach to Employee Training, Education, &amp; Career Development</a>

Indicator	Description	2022 Response
<b>Diversity and Equal Opportunity</b>		
405-1	Diversity of governance bodies and employees	<a href="#">People Data Table</a> <a href="#">Governance Data Table</a>
405-2	Ratio of basic salary and remuneration of women to men	<a href="#">Management approach to Employee Compensation, Benefits, &amp; Health - Compensation</a>
<b>Freedom of Association and Collective Bargaining</b>		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<a href="#">Management approach to Freedom of Association &amp; Collective Bargaining</a>
<b>Child Labor</b>		
408-1	Operations and suppliers at significant risk for incidents of child labor	<a href="#">Management approach to Supply Chain Responsibility</a> <a href="#">Human Rights Policy</a>
<b>Forced or Compulsory Labor</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<a href="#">Management approach to Supply Chain Responsibility</a> <a href="#">Human Rights Policy</a>
<b>Security Practices</b>		
410-1	Security personnel trained in human rights policies or procedures	<p>Third party security personnel receive initial training that includes the following topics:</p> <ul style="list-style-type: none"> <li>• Security officer authorities and limitations</li> <li>• Security officer and law enforcement arrest authority</li> <li>• Dealing with disturbed persons and respecting individuals</li> <li>• Use of force and use of force continuum</li> <li>• Safety</li> <li>• Emergency responses</li> </ul> <p>Security officers are required to pass a written exam at the conclusion of the above training. Additionally, monthly sustainment training regarding pertinent topics is conducted including: workplace diversity, de-escalation techniques, and harassment and discrimination.</p>



Indicator	Description	2022 Response
<b>Local Communities</b>		
413-1	Operations with local community engagement, impact assessments, and development programs	Southwest collects impact reports from community partners to understand each organization's overall impacts and programmatic outcomes based on Southwest's contributions and/or grants to support each organization's missions. Impact assessments are administered to all annual partners.
<b>Supplier Social Assessment</b>		
414-1	New suppliers that were screened using social criteria	Our supplier questionnaire is a crucial part of our procurement vetting process where we expect suppliers to comply with applicable laws. <a href="#">Management approach to Supply Chain Responsibility</a>
414-2	Negative social impacts in the supply chain and actions taken	<a href="#">Management approach to Supply Chain Responsibility</a>
<b>Public Policy</b>		
415-1	Political contributions	<a href="#">Management approach to Political Contributions</a>
<b>Customer Health and Safety</b>		
416-1	Assessment of the health and safety impacts of product and service categories	<a href="#">Management approach to Safety</a>
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<a href="#">SASB TR-AL-540a.3</a>
<b>Customer Privacy</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No substantiated complaints regarding Customer privacy from a regulator or consumer during 2022.

# SASB Index

## Sustainability Disclosure Topics and Accounting Metrics

Topic	Code	Metric	Category	Unit of Measure	2022 Response
Greenhouse Gas Emissions	TR-AL-110a.1	Gross global Scope 1 emissions	Quantitative	Metric tons (MT) CO <sub>2</sub> e	18,627,259 <a href="#">Planet Data Table</a> <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions</a>
	TR-AL-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	N/A	<a href="#">Our Path to Net Zero Reduce</a> <a href="#">Management approach to Climate Risks &amp; Impacts</a> <a href="#">Management approach to Fuel, Energy, &amp; GHG Emissions - Fuel &amp; Energy</a>
	TR-AL-110a.3	(1) Total fuel consumed (2) percentage alternative (3) percentage sustainable	Quantitative	Megawatt-hours, Percentage (%) <sup>70</sup>	Total jet fuel consumed in 2022 was 75,647,122 megawatt-hours with 0.04% alternative and sustainable fuels consumed.
Labor Practices	TR-AL-310a.1	Percentage of active workforce covered under collective bargaining agreements	Quantitative	Percentage (%)	Approximately 83%
	TR-AL-310a.2	1) Number of work stoppages and (2) total days idle	Quantitative	Number, Days idle	0 & 0
Competitive Behavior	TR-AL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulation	Quantitative	Reporting currency	\$0
Accident & Safety Management	TR-AL-540a.1	Description of implementation and outcomes of a Safety Management System	Quantitative	N/A	<a href="#">Management approach to Safety</a>
	TR-AL-540a.2	Number of aviation accidents	Quantitative	Number	"Accidents" is defined according to the International Civil Aviation Organization (Annex 13) and the National Transportation Safety Board (Part 830). The five accidents involved three separate Crew Member injuries during flight or upon landing, one Customer injury during flight, and one accident related to aircraft damage.
	TR-AL-540a.3	Number of governmental enforcement actions of aviation safety regulations	Quantitative	Number	No FAA legal enforcement actions.

## Activity Metrics

Metrics that quantify the scale of a company's business and are intended for use in conjunction with accounting metrics to normalize data and facilitate comparison.

Code	Activity Metric	Category	Unit of Measure	2022 Response
TR-AL-000.A	Available seat miles (ASM)	Quantitative	ASM <sup>25</sup>	148,467 million
TR-AL-000.B	Passenger load factor	Quantitative	Rate	83.4%
TR-AL-000.C	Revenue passenger miles (RPM)	Quantitative	RPM <sup>29</sup>	123,843 million
TR-AL-000.D	Revenue ton kilometers (RTK)	Quantitative	RTK <sup>30</sup>	22.1 billion
TR-AL-000.E	Number of departures	Quantitative	Number	1,298,219 (measured as Trips Flown)
TR-AL-000.F	Average age of fleet	Quantitative	Years	12

# TCFD Index

	Description of TCFD Disclosure Requirement	Complete TCFD Disclosure Requirement	2022 Response
<b>Governance</b>	Degree of Board oversight	Describe the Board’s oversight of climate-related risks and opportunities.	<a href="#">Board Oversight of ESG</a>
	Management’s role	Describe management’s role in assessing and managing climate-related risks and opportunities.	<a href="#">Management Oversight and Committees</a>
<b>Strategy</b>	Climate-related risks and opportunities	Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long-term.	<a href="#">Mitigating Climate Risk</a>
	Impacts of risks and opportunities	Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	<a href="#">Mitigating Climate Risk</a>
	Resilience of the organization’s strategy	Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C-or-lower scenario.	<a href="#">Mitigating Climate Risk</a>
<b>Risk Management</b>	Climate risk identification process	Describe the organization’s processes for identifying and assessing climate-related risks.	<a href="#">Mitigating Climate Risk</a> <a href="#">Management approach to Risk &amp; Crisis Management</a> <a href="#">Management approach to Climate Risks &amp; Impacts</a>
	Climate risk management process	Describe the organization’s processes for managing climate-related risks.	<a href="#">Mitigating Climate Risk</a> <a href="#">Management approach to Risk &amp; Crisis Management</a> <a href="#">Management approach to Climate Risks &amp; Impacts</a>
	Integration with other risk-management processes	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	<a href="#">Management approach to Risk &amp; Crisis Management</a> <a href="#">Management approach to Climate Risks &amp; Impacts</a>
<b>Metrics &amp; Targets</b>	Identify risk-assessment metrics	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk-management process.	<a href="#">Our Path to Net Zero Reduce</a>
	Identify GHG emissions	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<a href="#">Planet Data Table</a>
	Identify targets and risk metrics	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	<a href="#">Our Path to Net Zero Reduce</a> <a href="#">Mitigating Climate Risk</a>



# United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are a set of 17 goals created as a call to action to address pressing global challenges. While Southwest supports all 17 SDGs, we have identified eight goals that we have the opportunity to have the greatest impact. These goals help inform our citizenship strategy and help us leverage our People and resources to tackle pressing global challenges. Our work and impact made to support the progress of reaching these goals is detailed in the following pages.



## SDG 3 – Support Healthy Living and Promote Well-being



### 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being

- Southwest's Community Outreach Team is driven by its purpose to connect People and champion communities. We do this by investing in a diverse network of civic and charitable organizations to create innovative programs and partnerships that deliver maximum impact. An important part of our giving strategy focuses on our life-changing transportation pillar in which we provide life-saving air travel to support specialized medical treatment and care, promoting health, and preventing increased mortality rates.
- Southwest awarded more than \$4 million in free transportation to 76 hospitals and medical transportation charities to help patients travel for treatment as part of Southwest's Medical Transportation Grant Program.
- Southwest defines and measures Employee wellbeing over six areas: physical, mental, financial, career, social, and community wellbeing. For physical wellbeing, as provided for in its applicable health and welfare benefits, Southwest offers coverage for preventive exams and medical care from quality care providers. Southwest also arranges for cancer and other healthcare screenings to be offered onsite (where the operation will allow) and educates Employees on the importance of preventive care and on how to select quality care providers. For mental wellbeing, Employee benefits include a variety of programs, initiatives, and resources targeted at Employee mental health, such as up to eight free counseling sessions (per presenting issue per year) as well as the opportunity to attend mental health webinars. We also conduct Companywide surveys to measure Employee wellbeing and to show improvement over time.

### 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol

- Southwest Airlines takes pride in taking care of our Employees and their eligible dependents, especially when it comes to the assistance for substance abuse disorder.
- Southwest has a designated, on-site counselor available to all Southwest Airlines Employees and eligible dependents who provide one-on-one counseling, advocacy via ClearSkies, and education sessions.
- We enhanced healthcare plans and removed financial barriers when Employees or their eligible dependents use an in-network provider for treatment.
- An essential and critical part of a drug-free workplace is providing assistance or support to Employees who need it. Southwest Airlines encourages its Employees to come forward to seek assistance. It offers a Company program to assist the Employee with evaluation, treatment, and follow-up care in an effort to support their sobriety.
- Unshattered, a partner in our Repurpose with Purpose program, is a 501(c)3 nonprofit social enterprise whose mission is to end the addiction relapse cycle by providing pathways toward economic independence and sustained sobriety. Using donated leather from Southwest, the Possibilities Take Flight collection of sustainable travel bags was designed and handcrafted by women in recovery.

## SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



### 4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes

- Our K-12 programs engage future Southwest Employees at an early age and inspire an interest in an aviation career through programs, including Aviation Days, high school internships, Southwest Summer Camp, and more. Learning outcomes include career awareness and preparation. Southwest focuses on equity through K-12 partners including the Organization of Black Aerospace Professionals, Women in Aviation, local schools, and others.
- The Southwest® Adopt-A-Pilot (AAP) Program has inspired thousands of fifth-grade students across the country through fun, STEM-centered activities and experiments since 1997. The program connects Southwest Pilots with classrooms to engage students in aviation-related lessons that define a plan for future success and spark an interest in aviation careers.

### 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship

- Through programs such as Campus Reach, Destination 225°, and Career Mobility, we engage with youth and adults looking to develop new skills for employment while offering accessible pathways. We actively invest in educational programs and partnerships that inspire the next generation to pursue traditional and non-traditional career pathways.
- We partner with organizations such as Colorstack which is a tech nonprofit that provides career development and employment opportunities to Black and LatinX computer science graduates. Our Campus Reach program works with various Minority Servicing Institutions to share our internship and early career opportunities.
- We aim to enable personal and professional advancement to empower individuals and communities through our partnerships. Examples include, but are not limited to:
  - Awarded 176 college students with complimentary travel for the 2022-2023 school year through Southwest's ¡Lánzate!/ Take Off! Higher Education Travel Award Program, in partnership with the Hispanic Association of Colleges and Universities providing the opportunity for Hispanic college students to pursue higher education pathways while remaining connected to their families.
  - Welcomed 200 new participants to the Destination 225° Program which develops skills and experience needed to become First Officers for Southwest Airlines, bringing the total number of participants being educated and mentored through the program to 400.
  - Provided unique learning opportunities through our Adopt-A-Pilot Program to inspire and educate students on career pathways in the aviation industry.
  - Granted \$95,000 of scholarship funds to support students in the pursuit of higher education and to inspire a diverse talent pipeline in the aviation industry.
- Our Apprentice Aviation Maintenance Technician (AMT) Program is administered by the Southwest Airlines Technical Operations Department by agreement between the Collective Bargaining Agreement (CBA) and Southwest Airlines. The program was developed to provide classroom and on-the-job training to applicants with their Mechanics Certificate, but do not meet the minimum experience requirements to become a regular AMT for Southwest Airlines. Applicants must have their Mechanic certificate prior to applying to the Apprentice AMT Program (applicant will obtain this Mechanic certificate on their own time and at their own cost). The apprenticeship is paid based on the starting wage set forth in the CBA. A high school diploma, GED, or equivalent education is required. The apprenticeship is first opened to current, eligible Employees and then opened to external Candidates if there is space available in the class.

**4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship, and appreciation of cultural diversity and of culture's contribution to sustainable development**

- Partnered with hundreds of organizations across the country which provide educational opportunities related to Leadership, sustainable lifestyles, education, human rights, gender equality, and entrepreneurship, including, but not limited to, Hispanic Heritage Foundation, National Urban League, 100 Black Men, Ecorise, Texas Women's Foundation, Student Conservation Association, and MANA de San Diego.
- We offer DEI training and education resources to all Employees, and especially encourage Leadership and those in hiring roles partake. We also have resources on combating human trafficking. This curriculum is optional for all Employees, but there are certain operational portions where such curriculum is required. In 2022, we added required training for Leaders focused on Inclusive Leadership.

## SDG 5 - Achieve gender equality and empower all women and girls



### 5.1 End all forms of discrimination against all women and girls everywhere

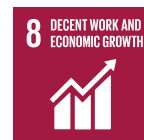
- Our Supplier Diversity Program seeks sustainable, diverse suppliers, including those that are women-owned.
- Southwest continues building our Center of Excellence within Talent Acquisition to support and implement best practices in recruitment and hiring—including, but not limited to, the importance of Candidate engagement, tracking data for representation, requiring diverse panels for all new open Leadership positions (Vice Presidents and below), and building and delivering trainings to hiring Leaders and recruiters so they are aware of best practices.

### 5.2 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation

- Southwest supports prevention, rescue, and restoration initiatives to address the systemic issues impacting human trafficking.
- Supported the National Trafficking Hotline through our partnership with Polaris and provided complimentary travel to transport victims to safety (Southwest Airlines Expands Fight Against Human Trafficking).
- In 2021, we added placards promoting the Human Trafficking Hotline and Crew Member support in aircraft lavatories. Throughout the year, we also display digital banners with a human trafficking message and the Polaris website on the Southwest Inflight Entertainment Portal and in-gate digital signs.
- Offered human trafficking awareness curriculum titled "A Safety Story: Teaming up Against Human Trafficking." This curriculum was created to raise awareness for potential signs of trafficking and to teach how to take action if one suspects trafficking may be taking place. All Employees are encouraged to complete this training, and all Leaders are required to complete the course. In 2022, we had 13,577 Employees complete the training. Additionally, we provided operational training that also includes curriculum on human trafficking and more than 13,000 Employees completed the course.



## SDG 8 – Promote Sustained, Inclusive and Sustainable Economic Growth, Full and Productive Employment and Decent Work for All



### 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation including through a focus on high-value added and labor-intensive sectors

- In 2022, we launched Southwest Business Assist™, a self-service tool that enables travel management companies, travel buyers, and travel decision makers to better manage their Southwest Airlines business travel through the use of unique dashboards, reports, automated processing of contractual benefits, receiving or requesting Customer Service, and more. This removes friction for business Customers, which represents an opportunity to earn a larger share of the managed business market and offers a great product for business travelers.

### 8.4 Improve progressively through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation in accordance with the 10-Year Framework of Programs on Sustainable Consumption and Production, with developed countries taking the lead

- In 2023, we refreshed our climate strategy, including replacing our carbon neutral growth goal<sup>21</sup> with two near-term carbon intensity reduction targets for 2030 and 2035 as stated in Our Path to Net Zero story. Our new 2035 carbon intensity reduction target is based on scientific models<sup>2</sup> that are in alignment with the goals of the Paris Agreement.
- In 2022, we experienced a 1.9% reduction in emissions intensity against our 2019 baseline (measured in Metric Tons CO<sub>2</sub>e per Revenue Ton Kilometer).<sup>23</sup>

### 8.7 Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms

- Southwest Airlines seeks to comply with applicable laws regarding labor and human rights. Our approach to human rights is consistent with international standards, and we support and align with U.N. Guiding Principles for Business and Human Rights, the International Bill of Human Rights, and the International Labor Organization Declaration on Fundamental Principles of Rights at Work.
- Our Human Rights Policy Statement details our commitments with respect to labor issues, human trafficking, and certain supply chain issues, such as forced labor and child labor.
- Our supplier questionnaire is a crucial part of our procurement vetting process where we expect suppliers to comply with applicable laws, including those regarding child and/or forced labor.
- We provide training to Employees through our Human Trafficking Awareness curriculum to recognize and prevent human trafficking on our planes and in the airports we serve.

## SDG 10 – Reduce inequality within and among countries



### 10.1 By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average

### 10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

- With sustained competition for available talent, we recognize the importance of Southwest's compensation and benefits to attracting and retaining the workforce necessary for continued business recovery and growth. In 2022, we made additional investments to attract and retain talent, including announcing our desire to increase our starting hourly pay rates so that all hourly Employees make at least \$17 per hour. We're grateful for the ability to make this pay increase—for our current Southwest Family and those considering joining us—at one of the world's most admired companies.
- We also partnered with several nonprofit organizations focused on DEI in historically underrepresented workgroups to attract great Candidates. We sponsored and attended hiring events [e.g., Women in Aviation, Organization of Black Aerospace Professionals (OBAP), etc.] and hosted tour days for pipeline programs, like OBAP Aerospace Career Education (ACE) Academy.

### 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

- More than 6,000 Leaders and Employees completed the Building a Diverse and Inclusive Workforce training to help Employees recognize and address unconscious bias in the workplace and to promote DEI in the recruiting process.
- In 2022, we matched approximately 400 Mentor/Mentee pairs in the fall cycle of the 2022 enterprise-wide Mentorship Program. The High Impact II Program graduated 35 participants representing 20 Southwest departments. The High Impact Development Portfolio includes two programs: High Impact Leader II and High Impact Leader I. The High Impact Leader II Program is designed for Managers and Senior Managers and the High Impact Leader I Program is designed for Team Leads, Supervisors, Assistant Managers, and Managers. Both programs expedite and develop high-performing Leaders to grow their Leadership acumen and foster opportunities for application in real-world environments.
- Supported nonprofit and advocacy organizations that empower and promote inclusion for all. Some of our partners include: National LGBT Chamber of Commerce (NGLCC), Texas Women's Foundation, Equality California Institute, and Disability:IN.

## SDG 11 – Make cities and human settlements inclusive, safe, resilient and sustainable



### 11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations

- As an airline, we understand how critical it is to be prepared for any situation. Through our community outreach efforts, we demonstrate our commitment to supporting communities and their readiness to respond during a crisis or disaster by partnering with national and local organizations to support preparedness, response, and restoration programs and services.
- Donated \$400,000 in cash and e-passes to American Red Cross, Team Rubicon, and Feeding America to restore and rebuild communities. Southwest Airlines donated an additional \$185,000 to national and local organizations during Hurricane Ian.

### 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

- Southwest strives to be a good neighbor in every community we serve. We work closely with the airports we fly to and abide by local environmental requirements and work with them toward their sustainability goals. On the ground, we have a focus on addressing fuel burn at airports through electrification of our ground support equipment, use of single engine taxiing whenever possible, and a focus on minimizing use of the auxiliary power unit (APU). As of December 2022, we have electrified more than 1,600 of our ground support vehicles, making up 33% of our eligible equipment.

## SDG 12 – Ensure sustainable consumption and production patterns



### 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse

- Through programs like Repurpose with Purpose, we partner with organizations to reimagine thousands of pounds of materials every year, helping keep it out of landfills. In 2022, we donated nearly 126,000 lbs of used aircraft seat covers.
- At the end of their lifespan when our aircraft are ready for retirement to make room for more efficient aircraft, we have a strategic process to reuse, repurpose, and recycle. On average, 7,200 lbs of metal per aircraft are recovered. Additionally per plane, 143 seats are upcycled, approximately 916 square feet of carpet are reused, and 42 miles of wire are recycled.
- Southwest partnered with Owens Group for unclaimed baggage/lost items. Through Owens Group, we find service opportunities and repurpose and distribute non-retail merchandise to those in need. Such as eyeglasses that are given to people who received services from Lions Club international Foundation SightFirst program, and broken wheelchairs that are delivered to prisons where they are repaired and then distributed to children and adults with disabilities.

### 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

- We have annually reported on the progress of our sustainability efforts in our One Report, which includes Global Reporting Initiative (GRI) Standards used to guide our ESG disclosures since 2009. We linked the One Report to Sustainability Accounting Standards Board (SASB) and United Nations Sustainable Development Goals (SDGs) standards starting in 2020. In 2022, Southwest further enhanced our reporting by incorporating aspects of the Task Force on Climate-related Financial Disclosures (TCFD) framework into our reporting.
- Southwest has voluntarily reported our GHG emissions through CDP for the past 11 years. In our CDP response, we report on our climate change impacts, risks, and opportunities on our business, and provide information on how we're integrating climate change into our business strategy.

## SDG 13 – Take urgent action to combat climate change and its impacts



### 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

- Our long-term goal is to be net zero by 2050. An important step in that long-term plan is a tangible strategy, and we have set near term goals to help us work toward net zero by 2050, including goals to:
  - Reduce our carbon emissions intensity 25% by 2030 and 50% by 2035 as compared with 2019.<sup>3</sup>
  - Replace 10% of our total jet fuel consumption with SAF by 2030.
- As one of the six hard-to-abate sectors (i.e., sectors where decarbonization efforts face complications by technology limitations and/or significant costs), we also believe it is important to educate our Stakeholders on the challenges and need for collaboration across the value-chain to combat climate change. In 2022, we took the following actions in collaboration with different third parties as part of our sustainability efforts and are committed to keeping the conversation going as we move aviation toward a more sustainable future together:
  - The first commercial airline to bring SAF to Oakland International Airport (OAK).
  - Made a first-of-its-kind investment for Southwest in SAFFiRE Renewables, LLC (SAFFiRE) for technology that could lead to future SAF production.
  - Launched our SAF Policy to help guide our SAF efforts.
  - Partnered with 4Air to offer corporate Customers in our SAF Beta program independently verified assurance for Scope 3 emission reduction rights associated with their support of the use of SAF in Southwest’s operations.
  - Released an [Environmental Policy](#), conveying how we take steps to address our environmental impact and respect the Planet.
  - Joined forces with academic, technology, nonprofit, and airline partners to launch the Contrail Impact Task Force, hosting the first meeting at our Dallas campus. The cross-sector task force was established to explore the formation and mitigation of condensation trails that might affect the climate impact of some flights.
  - Began working with Calyx Global, a company that provides independent ratings and insights on the quality of carbon credits, including their GHG integrity and UN Sustainable Development Goal (SDG) benefits.

# Endnotes

Number	Endnote Description
1	Based on active and inactive Employees as of December 31, 2022.
2	Based on the modeling of the International Energy Agency (IEA)'s Energy Technology Perspectives report.
3	Our carbon emissions intensity reduction goals are compared against a 2019 baseline on a revenue ton kilometer (RTK) basis [including Scope 1, Scope 2, and Scope 3 Category 3 emissions (upstream emissions of jet fuel)] and includes the use of SAF and excludes the use of carbon offsets.
4	Executives refers to all People Leader positions at Southwest at and above the Vice President (VP) level.
5	Calculated based on Employee birthdate. Generations are defined as follows: Silent (1928-1946); Baby Boomers (1947-1964); Generation X (1965-1980); Millennial (1981-1996); Generation Z (1997 and after).
6	Includes Pilots, Flight Attendants, Dispatchers, Meteorologists, Simulator Technicians, and Training Instructors.
7	Includes Employees who are members of unions, but are serving in Leadership and Individual Contributor positions.
8	Other Leaders refers to all People Leader positions at Southwest below the Vice President (VP) level.
9	Based on active and inactive Employees as of December 31, for specific calendar year.
10	Workers retained by Southwest through third-party agencies to provide temporary, non-collective bargaining agreement (CBA) staff augmentation services (e.g., coverage for noncontract Employees out on leave, supplementary staffing for project work, etc.). Does not include personnel of professional and managed services organizations engaged by Southwest.
11	Active, full-time equivalent Employees as of December 31, for specific calendar year. Active full-time equivalent Employees figure includes an adjustment to count all part-time Employees as a 0.5 full-time equivalent Employee. The Company utilizes active full-time equivalent Employees to measure productivity and efficiency, so it has chosen to not include inactive Employees in the figure. Included less than 250 and 10,421 Employees participating in Extended Emergency Time Off program as of December 31, 2021 and 2020, respectively.
12	Prior year reported values have been adjusted to conform to current year calculation methodology and presentation.
13	Includes Southwest's contributions to Employee health and welfare plans, workers' compensation insurance, and employer payroll taxes. 2020 includes one-time accrual for Employees participating in voluntary separation programs.
14	Reported figures are from prior year to facilitate calculation of return to work and 12-month retention rates.
15	Calculated as total number of Employees that returned from parental leave divided by total number of Employees that took parental leave in the prior year.
16	Calculated as total number of Employees that returned from parental leave and were still employed 12 months after their return divided by total number of Employees returning from parental leave in the prior year.
17	Calculated as number of terminations divided by total active and inactive Employees for the specific calendar year.
18	Prior year figures have been restated to include Pilots' Safety-related training which wasn't previously included.
19	Based on Independent Sector's value of volunteer time of \$29.95 per hour (updated April 2022).
20	Detailed risk factors, including those specific to extreme weather events and climate change, are discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.
21	Our prior goal was to maintain carbon neutral growth to 2019 levels through 2030, as per our 2021 released 10-Year Plan.
22	Certified offsets are defined as credits that have undergone independent third-party verification by an accredited verification body to have followed the methodologies and protocols of the applicable program in the development and execution of project activities.
23	Representative of 2022 performance only, and prior performance does not guarantee that the Company will be able to meet its stated sustainability goals. Intensity reduction percentages represent reductions as of December 31, 2022. The SAF percentage is based on contracted gallons of SAF expected to be utilized in 2030 (as of December 31, 2022). Southwest is working to procure greater volumes of SAF, and to the extent applicable, those volumes will be captured in future reporting of this metric after the agreements for those volumes are executed by the parties.

Number	Endnote Description
24	Historically, fuel savings were shown in incremental gallons, conveying the difference in savings above the prior year. This year, we are reporting in nominal gallons, representing the estimated total gallons of consumption avoided in 2022.
25	An available seat mile (ASM) is one seat (empty or full) flown one mile. Also referred to as "capacity," which is a measure of the space available to carry Passengers in a given period.
26	Southwest has capital commitments associated with our firm orders with Boeing for additional aircraft. Please refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and any additional filings with the SEC for information about the Company's capital commitments and risks.
27	The 737-8 is approximately 14% more fuel-efficient than the 737-800. The 737-7 is expected to produce comparable fuel efficiency improvement compared with the 737-700.
28	Prior year figures have been restated to reflect updated CO <sub>2</sub> e emissions factors per the ICAO factor for jet fuel. (See Endnote 68 for more detail.) This update resulted in a slight reduction in prior year figures.
29	A revenue Passenger mile (RPM) is one paying Passenger flown one mile. Also referred to as "traffic," which is a measure of demand for a given period.
30	A revenue ton kilometer (RTK) is one ton of revenue traffic (Passenger and cargo) transported one kilometer. Previously, production activity was reported as revenue ton miles (RTM). Prior years reporting has been restated to conform to 2022 reporting.
31	See U.S. Department of Energy's SAF Grand Challenge Roadmap released September 2022.
32	Calculated by Neste Oyj with established life cycle assessment (LCA) methodologies, such as CORSIA methodology and based on neat (not blended) SAF.
33	There are several approved pathways to convert feedstocks into SAF, including: Hydroprocessed fatty acid esters and fatty acids (HEFA) converts fats, oils, and greases (FOGs) into jet fuel; Alcohol-to-jet (ATJ) converts ethanol or isobutanol made from biomass into jet fuel; and Gasification/Fischer-Tropsch (FT) converts biomass into jet fuel. FT can also be used to convert carbon from direct air capture (DAC) into jet fuel (Power-to-Liquids (PtL), synfuel, or e-fuel).
34	Sustainable Aviation Fuel From [i] Renewable Ethanol.
35	Net zero is determined by a fuel with a carbon intensity of zero (0) gCO <sub>2</sub> e/MJ or lower on a lifecycle basis.
36	Company Nonrevenue Must Ride (NRMR) flights, inclusive of all Frontline and Corporate Campus-based Employees' work-related travel, including deadheading Employees. This excludes flights flown on other airlines.
37	E-passes donated to national and local charitable partners and programs.
38	Terms and conditions apply. For more information and details on our offset offer, please see <a href="https://www.southwest.com/wannaoffsetcarbon/">https://www.southwest.com/wannaoffsetcarbon/</a> .
39	In the course of our qualitative analysis of potential climate impacts, we did not identify significant short-term exposure risks impacting our operations, except with respect to tropical and winter storms. However, given that these scenarios are subject to a number of assumptions and projections, we cannot guarantee that this determination will not change or that we will not experience increased short-term risks related to our operations.
40	IPCC Sixth Assessment Report (AR6).
41	World Energy Outlook 2022 Report using the specific Net Zero by 2050 (NZE) Scenario and the Stated Policies (STEPS) Scenarios.
42	Exposure means the likelihood and magnitude of chronic and acute physical climate impacts to Southwest regions. The exposure scores use multiple sources of publicly available, peer-reviewed climate science data and confidence levels to reflect the potential acute and chronic changes to the climate. A high impact means a high likelihood of significant changes to the physical climate in the region. This doesn't consider each Southwest region's ability to change, adapt, and continue to operate, nor does it factor in Southwest's and a community's adaptive capacity and resilience measures.
43	Exposure means the likelihood and magnitude of transition activities' impact to Southwest. The exposure scores leverage information provided by Southwest about the present-day exposure and consider how these risks will change over time according to the International Energy Agency (IEA) scenarios. The sensitivity scoring is specific to Southwest and was developed through internal Stakeholder interviews, a review of relevant project materials, as well as disclosures from Southwest's and peers' public risk disclosures.
44	Water consumption is primarily for domestic use at our facilities.

Number	Endnote Description
45	Emissions from refrigerant losses are not included in our emissions inventory due to their de minimis impact on our overall emissions.
46	Represents the gross biogenic product CO <sub>2</sub> emissions from the combustion of sustainable aviation fuel, which are outside of all scopes.
47	Scope 3 Category 3 emissions were not reported in prior year One Reports. Prior year figures have been provided to provide support for progress on our goal to reduce our carbon emissions intensity by 50% by 2035 with an interim goal of 25% by 2030 as compared with 2019 which includes Scope 3 Category 3 emissions.
48	NOx and SOx emissions are reported in our annual emissions inventories for our DAL and PHX facilities. Data is from prior year due to air emissions reporting cycle.
49	Waste and material recycled from aircraft and select facilities as part of Southwest's waste management and co-mingled recycling programs. Data is not available for all locations where Southwest operates. Does not include international flights due to regulations that require waste from international flights to be sterilized.
50	<p>The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These GAAP financial statements may include (i) unrealized noncash adjustments and reclassifications, which can be significant, as a result of accounting requirements and elections made under accounting pronouncements relating to derivative instruments and hedging and (ii) other charges and benefits the Company believes are unusual and/or infrequent in nature and thus may make comparisons to its prior or future performance difficult.</p> <p>As a result, the Company also provides financial information in this report that was not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. The Company provides supplemental non-GAAP financial information (also referred to as "excluding special items"), including results that it refers to as "economic," which the Company's management utilizes to evaluate its ongoing financial performance and the Company believes provides additional insight to investors as supplemental information to its GAAP results. The non-GAAP measures provided that relate to the Company's performance on an economic fuel cost basis include: net income, non-GAAP.</p> <p>The Company's economic fuel and oil expense results differ from GAAP results in that they only include the actual cash settlements from fuel hedge contracts—all reflected within fuel and oil expense in the period of settlement. Thus, fuel and oil expense on an economic basis has historically been utilized by the Company, as well as some of the other airlines that utilize fuel hedging, as it reflects the Company's actual net cash outlays for fuel during the applicable period, inclusive of settled fuel derivative contracts. Any net premium costs paid related to option contracts that are designated as hedges are reflected as a component of Fuel and oil expense, for both GAAP and non-GAAP (including economic) purposes in the period of contract settlement. The Company believes these economic results provide further insight into the impact of the Company's fuel hedges on its operating performance and liquidity since they exclude the unrealized, noncash adjustments and reclassifications that are recorded in GAAP results in accordance with accounting guidance relating to derivative instruments, and they reflect all cash settlements related to fuel derivative contracts within fuel and oil expense. This enables the Company's management, as well as investors and analysts, to consistently assess the Company's operating performance on a year-over-year or quarter-over-quarter basis after considering all efforts in place to manage fuel expense. However, because these measures are not determined in accordance with GAAP, such measures are susceptible to varying calculations, and not all companies calculate the measures in the same manner. As a result, the aforementioned measures, as presented, may not be directly comparable to similarly titled measures presented by other companies.</p> <p>Further information on (i) the Company's fuel hedging program, (ii) the requirements of accounting for derivative instruments, and (iii) the causes of hedge ineffectiveness and/or mark-to-market gains or losses from derivative instruments is included in Note 11 to the Consolidated Financial Statements on Form 10-K for the fiscal year ended December 31, 2022.</p> <p>The Company's GAAP results in the applicable periods may include other charges or benefits that are also deemed "special items," that the Company believes make its results difficult to compare to prior periods, anticipated future periods, or industry trends. Financial measures identified as non-GAAP (or as excluding special items) have been adjusted to exclude special items. For the periods presented, in addition to the items discussed above, special items include:</p> <ul style="list-style-type: none"> <li>• Proceeds related to the Payroll Support programs, which were used to pay a portion of Employee salaries, wages, and benefits;</li> <li>• Changes and adjustments to previously accrued amounts related to the Company's extended leave programs;</li> <li>• Adjustments for prior period losses reclassified from AOCI associated with forward-starting interest rate swap agreements that were terminated in prior periods related to 12 -8 aircraft leases;</li> <li>• Noncash impairment charges, primarily associated with adjustments to salvage values for previously retired airframes;</li> <li>• Unrealized mark-to-market adjustment associated with certain available for sale securities; and</li> <li>• Losses associated with the partial extinguishment of the Company's convertible notes and early prepayment of debt.</li> </ul>

## Number Endnote Description

50 (Continued)	<p>In third quarter 2022, management determined that presentation within its income statement would be enhanced by classification of Loss on extinguishment of debt as a separate line item, rather than its prior presentation where it was included as a component of Other (gains) losses, net. Such losses are incurred as a result of opportunistic decisions made by the Company to prepay portions of its debt, most of which was taken on during the pandemic in order to provide liquidity during the prolonged downturn in air travel. Due to the nature of these losses, which are difficult to accurately predict, and due to the fact that they are not representative of the Company's day-to-day airline operating performance, the Company has included such amounts as special items and thus excluded them from certain of its non-GAAP measures in the accompanying reconciliation.</p> <p>Because management believes special items can distort the trends associated with the Company's ongoing performance as an airline, the Company believes that evaluation of its financial performance can be enhanced by a supplemental presentation of results that exclude the impact of special items, in order to enhance consistency and comparativeness with results in prior periods that do not include such items and as a basis for evaluating operating results in future periods. The following measure is often provided, excluding special items, and utilized by the Company's management, analysts, and investors to enhance comparability of year-over-year results, as well as to industry trends: net income, non-GAAP.</p> <p>Information regarding special items and reconciliation of reported amounts to amounts excluding special items are included in the accompanying reconciliation table in the Performance section.</p>
51	As of May 2022, there were 56 movies in our library. In July 2022, we doubled our movies and had 112 movies onboard. As of December 2022, there were 137 movies onboard.
52	First and second checked bags. Weight and size limits apply.
53	Transferable Flight Credits allow you to transfer your flight credit to someone else. Both must be Rapid Rewards Members and only one transfer is permitted. Transferable Flight Credits unexpired on or created on or after July 28, 2022, do not expire and will show an expiration date until our systems are updated. A Transferable Flight Credit with an expiration date on or before July 27, 2022, is expired in accordance with its existing expiration date. For bookings made through a Southwest® Business channel, there is a limitation to transfer only between employees within the organization.
54	For same-day changes, on your day of travel, if there's an open seat on a different flight on the same calendar day as your original flight and it's between the same cities, you can book a confirmed seat on the new flight free of airline charges. If there isn't an open seat, ask a Southwest Gate Agent to add you to the same-day standby list. If there are any government taxes and fees associated with these itinerary changes, you will be required to pay those. Your original boarding position is not guaranteed.
55	Flight credits for non-refundable fares will be issued as long as the flight is cancelled more than 10 minutes prior to the scheduled departure. Flight credits unexpired on or created on or after July 28, 2022, do not expire and will show an expiration date of 12/31/2040 until our systems are updated. A flight credit with an expiration date on or before July 27, 2022, is expired in accordance with its existing expiration date. See My Account for flight credit expiration dates, if any.
56	Included four and six Boeing 737 Next Generation aircraft in temporary storage and 60 in long-term storage as of December 31, 2022, 2021, and 2020, respectively. Also included 32 and 34 Boeing 737-8 aircraft in long-term storage as of December 31, 2020 and 2019, respectively.
57	Passenger load factor is RPMs <sup>29</sup> divided by ASMs. <sup>25</sup>
58	The average distance in miles the aircraft is flown per trip.
59	The average amount of Passenger revenue per revenue Passenger carried.
60	Calculated as Passenger revenue divided by RPMs. <sup>29</sup> Also referred to as "yield," this is the average cost paid by a paying Passenger to fly one mile, which is a measure of revenue production and fares.
61	Calculated as operating revenues divided by ASMs. <sup>25</sup> Also referred to as "operating unit revenues" or "RASM," this is a measure of operating revenue production based on the total available seat miles flown during a particular period.
62	Calculated as operating expenses divided by ASMs. <sup>25</sup> Also referred to as "unit costs" or "costs per available seat mile," this is the average cost to fly an aircraft seat (empty or full) one mile, which is a measure of cost efficiencies.
63	Calculated as operating expenses minus fuel costs divided by ASMs. <sup>25</sup> Also referred to as "non-fuel unit costs" or "operating expenses per available seat mile, excluding fuel" this is the average cost, excluding fuel costs, to fly an aircraft seat (empty or full) one mile, which is a measure of cost efficiencies.



Number	Endnote Description
64	U.S. Department of Transportation. (2023, March “updated”). Air Travel Consumer Report (ATCR): A Product of the Office of Aviation Enforcement and Proceedings, Aviation Consumer Protection Division. Washington, D.C. The Department of Transportation (DOT) ranks all U.S. carriers based on the lowest ratio of complaints per 100,000 passengers enplaned, as published in the DOT Air Travel Consumer Report (ATCR). As a result of significant operational disruptions experienced at the end of December, Southwest finished sixth in Customer Satisfaction among U.S. Marketing Carriers based on a cumulative 6.75 ratio of DOT complaints per 100,000 enplaned passengers for 2022. A Marketing Carrier is an airline that advertises under a common brand name, sells reservations, manages frequent flyer programs, and is ultimately responsible for the airline’s consumer policies. Operating Carriers only handle the flight operations, passenger check-in/boarding, and baggage handling for the respective Marketing Carriers they serve—Operating Carriers are not responsible for DOT complaints related to policies, procedures, and advertising associated with the Marketing Carrier’s brand. <a href="https://www.transportation.gov/sites/dot.gov/files/2023-04/February%202023%20ATCR_Revised.pdf">https://www.transportation.gov/sites/dot.gov/files/2023-04/February%202023%20ATCR_Revised.pdf</a>
65	See Note 11 to Consolidated Financial Statements contained in the 2022 Form 10-K for further information.
66	Tax amounts for each individual special item are calculated at the Company’s effective rate and totaled in this line item.
67	Based on Board of Directors members’ voluntary self-disclosure. Includes active Board of Directors members as of December 31, for specific calendar year. 2021 figures were previously reported as of the publication date of the One Report and have been restated to conform to current year presentation. While data was not reported in prior One Report publications for 2018 through 2020, this information may have been disclosed in Southwest’s proxy statements or other public filings.
68	Historically, Southwest applied the U.S. Environmental Protection Agency (EPA) factor for jet fuel. In 2022, we recalculated our current and historic emissions using the International Civil Aviation Organization (ICAO) factor to better align with other reporting mechanisms, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA). This recalculation of historic years was included in our 2022 assurance.
69	The U.S. DOT O&D Survey for the twelve months ended December 31, 2022 based on domestic originating passengers boarded. O&D stands for Origin and Destination.
70	Southwest reports our energy consumption in megawatt-hours (MWh), rather than gigajoules as outlined in the SASB metrics.

## Cautionary Statement Regarding Forward-Looking Statements

The 2022 Southwest Airlines One Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on, and include statements about, the Company's current estimates, intentions, beliefs, expectations, goals, strategies, and projections for the future and are not guarantees of future performance. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, statements related to (i) the Company's Vision; (ii) the Company's goals, plans, strategic priorities, initiatives, and focus areas, in particular with respect to operational and performance goals; People goals; diversity, equity, and inclusion goals; and environmental sustainability goals, including with respect to achieving net zero carbon emissions, reducing carbon emissions intensity, replacing conventional jet fuel with sustainable aviation jet fuel, offsetting carbon emissions, engaging with third parties, reducing energy consumption at the Company's corporate campus, and electrifying the Company's ground service equipment; (iii) the Company's plans and expectations regarding enhancing its operational resilience, including plans, timing, and expected expenditures and staffing for improving operating resiliency and mitigating the risks of operational disruption; (iv) the Company's plans, expectations, and goals regarding its fleet, fleet delivery schedule, fleet modernization, and fuel efficiency, including with respect to deliveries, retirements, and capabilities and factors and assumptions underlying the Company's plans and expectations; (v) the Company's plans, goals, and expectations with respect to enhancing and improving the Customer experience, including upgrades to WiFi hardware, larger overhead bins, in-seat power installations, and associated expected expenditures; (vi) the Company's network and capacity plans and expectations, including with respect to the restoration and optimization of the Company's network and maturation of new markets; (vii) the Company's financial and operational outlook, expectations, goals, plans, and projected results of operations, including factors and assumptions underlying the Company's expectations and projections; and (viii) the Company's goal to enhance Shareholder value. These forward-looking statements are based on the Company's current estimates, intentions, beliefs, expectations, goals, strategies, and projections for the future and are not guarantees of future performance. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) the impact of fears or actual outbreaks of diseases, extreme or severe weather and natural disasters, actions of competitors, consumer perception, economic and/or banking conditions, fears of terrorism or war, socio-demographic trends, and other factors beyond the Company's control, on consumer behavior and the Company's results of operations and business decisions, plans, strategies, and results; (ii) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (iii) the Company's ability to obtain and maintain adequate infrastructure and equipment to support its operations and initiatives; (iv) the Company's dependence on its workforce, including its ability to employ sufficient numbers of qualified Employees to effectively and efficiently maintain its operations; (v) the emergence of additional costs or effects associated with cancelled flights, including litigation, government investigation and actions, and internal actions; (vi) the impact of fuel price changes, fuel price volatility, volatility of commodities used by the Company for hedging jet fuel, and any changes to the Company's fuel hedging strategies and positions, on the Company's business plans and results of operations; (vii) the Company's dependence on Boeing and Boeing's suppliers with respect to the Company's aircraft deliveries, fleet and capacity plans, operations, strategies, and goals; (viii) the Company's dependence on Boeing and the Federal Aviation Administration (FAA) with respect to the certification of the Boeing MAX 7 aircraft; (ix) the Company's dependence on the FAA with respect to the NextGen program and other third parties, in particular with respect to its plans and investments to improve operational resiliency, technology enhancements, fuel supply, environmental sustainability initiatives, improvements to the Customer experience, and the impact on the Company's operations and results of operations of any third party delays or non-performance; (x) the Company's ability to timely and effectively prioritize its initiatives and focus areas and related expenditures; (xi) the impact of labor matters on the Company's business decisions, plans, and strategies; (xii) the impact of governmental regulations and other governmental actions on the Company's business plans and operations, including with respect to carbon emissions, sustainable aviation fuel, sustainable aviation fuel tax credits, environmental compliance requirements, and other sustainability matters; (xiii) any negative developments related to the COVID-19 pandemic, including, for example, with respect to the duration, spread, severity, or any recurrence of the COVID-19 pandemic or any new variant strains of the underlying virus; and (xiv) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.





## 2022 One Report

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