

Southwest<sup>®</sup> 

Without a **Heart**,  
it's just a machine.

2014 Southwest Airlines  
**One Report™**



Welcome to the 2014 Southwest Airlines One Report™. As part of our commitment to conserve our natural resources, we're again publishing our annual One Report exclusively online at [Southwest.com/citizenship](http://Southwest.com/citizenship) and [Southwest.investorroom.com](http://Southwest.investorroom.com). Sections of this document are accessible by clicking here in the table of contents or on the upper left corner of each page. Please note that these features will only be available if you are viewing this document through Adobe Acrobat Pro or Adobe Reader. You can download either at [adobe.com](http://adobe.com). Footnotes throughout the report are available at the end of each respective section in the Appendix.

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# Without a **Heart**, it's just a machine.

We've been hard at work transforming Southwest Airlines. We enhanced our cabin interiors with *Evolve*, installed WiFi, and began offering free live TV onboard (courtesy of our valued Partners). With the Boeing 737-800s, we have brought on larger airplanes better suited for longer flights. We expanded in big markets like New York LaGuardia Airport (LGA) and Ronald Reagan Washington National Airport (DCA), and revamped our Rapid Rewards® frequent flyer program. We completed the integration of AirTran Airways in 2014, setting the stage to launch international service. And we were freed from the restrictions of the Wright Amendment,<sup>1</sup> giving us the freedom to serve more nonstop markets from our hometown.

With all these exciting changes happening, it was time for a new visual expression of our look—one that marries our past to our present and sets the course for where we're headed. So in 2014, we introduced a modern, new look. The new logo showcases a heart—fitting for a Company whose very core has always been fueled by the heart of our People.

Heart encapsulates who we are—it conveys how much we care about our People and value their input as the pulse of Southwest, because our People are our most powerful fuel. Placing the heart on the underbelly of the Southwest fleet was natural to our updated look—it embodies our love for People and Customer Service. Southwest's People have been the most valuable element in developing this bold, fresh look that says we are growing, evolving, and ready to serve with Hospitality and Reliability. Because without a Heart, it's just a machine.

## Appendix

<sup>1)</sup> Restrictions still apply with respect to destinations beyond the 50 United States or District of Columbia.



## Gary's Message<sup>F</sup>

The annual Southwest Airlines One Report™ comprehensively covers our financial, social, and environmental performance, illustrated through our triple bottom line of Performance, People, and Planet. For the sixth year, our One Report adheres to the Global Reporting Initiative (GRI), an internationally recognized standard for triple bottom line reporting, and the 2014 One Report fully complies with the GRI's G3 B+ application level.



Gary C. Kelly and the Southwest Family had a lot to smile about in 2014.



Southwest jets received a bold, new look in 2014.

### To Our Stakeholders:

I am immensely proud to say that 2014 will go down as one of the most monumental years in Southwest's history, chock-full of major milestones and historic events—a banner year that we started planning for in 2010 when we laid out our five-year strategic plan. In short, 2014 was epic! It marks the end of one era and the dawn of another as the restrictions of the Wright Amendment were lifted,<sup>1</sup> allowing us to offer additional nonstop service from our home in Dallas. Of equal significance, we spread our wings into international territory and expanded our presence in markets that were once inaccessible to us, like New York City and Washington, D.C. We continued our commitment to efficient operations by signing an agreement to purchase low-carbon renewable jet fuel and remained on track with our fleet modernization efforts. I suppose it is only fitting that 2014 culminated with the completion of the AirTran Airways integration, which has been arguably the biggest project in our Company's history. In celebration of all these exciting changes, we introduced a bold, new look with a new livery and logo. The new look is centered around a heart, which serves as our foundation and symbolizes our commitment to remain true to our Core Values and low-fare philosophy as we seek to spread our Hospitality and Reliability to the rest of the world, because without a Heart, it's just a machine.

We accomplished all of this and more in 2014 while returning significant value to our Shareholders, surpassing our financial target of at least 15 percent pre-tax return on invested capital, excluding special items (ROIC);<sup>2</sup> maintaining a job-secure environment for our People; spreading our Hospitality to our communities; and achieving our 42nd consecutive year of profitability—a record that is unmatched in the U.S. airline industry. Further, our common stock (LUV) was the top performer of the S&P 500. Indeed, 2014 was proof positive of our ongoing commitment to the triple bottom line.



## Performance

Our 2014 net income of \$1.1 billion, or \$1.64 per diluted share, easily surpassed the previous annual record in 2013. Excluding special items,<sup>6</sup> Southwest's record earnings were \$1.4 billion, or \$2.01 per diluted share, and surged more than 73 percent, compared with 2013. Along with it, LUV surged 125 percent to a year-end record \$42.32 per share, besting the previous 2001 record closing price per share by almost double. Operating income increased 74.1 percent, compared with 2013, to a record \$2.2 billion. Our 2014 pre-tax ROIC was 21.2 percent, an increase of 8.1 points compared with 2013, and ahead of our minimum 15 percent target.

Total operating revenues were a record \$18.6 billion, an increase of 5.1 percent compared with 2013. The 2014 results were driven by an increase in passenger revenue yield and an increase in load factor. Our operating revenues per available seat mile, passenger revenue yield, and load factor were all record performances. The revenue generated from our strategic initiatives exceeded our expectations despite the significant mix of developmental routes generated from the AirTran integration, the Dallas Love Field (DAL) expansion, and the slots<sup>2</sup> acquired at New York LaGuardia Airport (LGA) and Ronald Reagan Washington National Airport (DCA).

In 2014, our financial position strengthened, and we were able to return significant value to our Shareholders. We have been an industry leader in these two categories, consistent with our unmatched record of consecutive profitability. As of Dec. 31, 2014, our cash and short-term investments were a strong \$3.0 billion, with a fully-available bank line-of-credit. In May 2014, our Board of Directors authorized a \$1.0 billion share repurchase program and increased the quarterly dividend by 50 percent. These actions enabled Southwest to return virtually all of our strong free cash flow<sup>6</sup> of approximately \$1.1 billion to Shareholders through repurchases of \$955 million of common stock (33 million shares) and payment of \$139 million in dividends. In 2014, Southwest repaid \$261 million of long-term debt and capital lease obligations, net of the new issuance of long-term debt. The net effect on our debt-to-total-capital ratio (including aircraft leases) was a reduction to approximately 35 percent at year-end 2014. Southwest has maintained an investment grade credit rating since 1986, and remained the only investment grade-rated U.S. airline by all three credit rating agencies.



Gary C. Kelly visits with an Adopt-A-Pilot classroom in Dallas.

## People

Our People are our most powerful fuel, and Southwest is stronger today than we ever have been because of their Warrior Spirit. Our People made 2014 a record year for Southwest, which resulted in a record contribution to the Employee ProfitSharing Plan— \$355 million, up 56 percent or \$127 million, compared with 2013. Our Employees' hard work has helped us earn numerous awards and accolades, including repeat recognition as one of FORTUNE World's Most Admired Companies and being named in 2014 as the 2015 Airline of the Year by Air Transport World. We continued to enhance our Customer Experience nationally by launching the mobile boarding pass and evolving the inflight entertainment experience.

Our focus on Hospitality, service, and connecting People to what's important in their lives extends to our communities. Our giving comes from the heart, and we donate our time, tickets, and dollars to support those in need. In 2014, we donated more than \$20 million in corporate monetary, in-kind, and ticket donations to our communities.

## Planet

In our environmental policy, we state our commitment to using natural resources efficiently while continuing to meet our operational requirements. We have a history of efficiency, validated by the fact that our average annual fuel (and hence CO<sub>2</sub>) efficiency improvements have been tracking ahead of Airlines for America's industry-wide goal since 2009. We are committed not only to tracking and reporting progress related to our climate change strategies, but also to advocating for advancements in technology and infrastructure to further the industry's efforts to conserve energy and reduce greenhouse gas emissions.

# 2014: An Epic Year

We took the Southwest brand to

**7** international destinations

**5** countries

Launched our  
**BOLD,**  
new look

September  
**8**

**#1**  
stock price

Up 125%  
for 2014

**S&P 500** 2014

**LUV**

**12.28.14**  
**Southwest**  
**& Airtran**  
officially become **1**

**34 years**  
of anti-competitive  
frustration is over!  
Dallas went from 16 to

**31**  
nonstop  
destinations  
in 2014

Albuquerque • Amarillo • Atlanta • Austin •  
Baltimore/Washington • Birmingham •  
Chicago • Denver • El Paso • Ft. Lauderdale •  
Houston • Kansas City • Las Vegas •  
Little Rock • Los Angeles • Lubbock •  
Midland/Odessa • Nashville • New Orleans •  
New York (La Guardia) • Oklahoma City •  
Orange County/Santa Ana • Orlando •  
Phoenix • San Antonio • San Diego • St. Louis •  
Tampa • Tulsa • Washington, D.C. • Wichita

return on invested capital

**ROIC**

**21.2%**

before taxes and excluding special items

Employees received a

**\$200** cash  
award  
after 2Q  
financial  
results  
**\$200**

as a thank you for exceeding  
ROIC goal of 15%

**Record annual profit**

**42 Years**  
of profitability

**\$355 mil**  
in profitsharing  
up 56% from 2013

More information can be found at [Southwest.investorroom.com](http://Southwest.investorroom.com).

In 2014, we achieved a milestone for our commitment to alternative fuels by signing an agreement to purchase approximately 3 million gallons of low-carbon renewable jet fuel per year beginning in 2016. But that wasn't our only achievement benefiting our planet. We were also recognized for our commitment to implementing design and construction practices that meet LEED® (Leadership in Energy and Environmental Design) standards for new construction and building retrofits when our new Training and Operational Support building in Dallas received LEED® Silver certification.

In recent years, we've realized several milestones in support of our sustainability goals, not the least of which was the *Evolve* redesign of our aircraft cabins which reduced the weight of the aircraft and saved fuel. But at Southwest, we don't stop when we reach a target. We keep going. This was demonstrated with the launch of *LUV Seat: Repurpose with Purpose*, our global initiative to upcycle the used leather seats from the *Evolve* project into new products that give back to the community while protecting the Planet.

## Looking Forward →

Our goals for 2015 are straightforward: grow earnings, meet or beat 2014's pre-tax ROIC, and improve upon our already-exceptional Customer Service with enhanced Hospitality and Reliability. I am proud to announce that in early 2015, we were once again honored with TripAdvisor's Travelers' Choice Award among U.S. airlines. While the strategic initiatives of the past four years are essentially complete or being implemented, work remains to fine-tune the changes implemented and to complete the replacement of our reservation system. Beyond 2015, our objectives are to sustain the strong earnings momentum, grow Southwest at a sensible rate, and continue to enhance our Customer Service and Experience.

*Gary C. Kelly*

**Gary C. Kelly**

Chairman of the Board, President, and Chief Executive Officer  
Southwest Airlines Co.

March 31, 2015

## Appendix

- 1) Restrictions still apply with respect to destinations beyond the 50 United States or District of Columbia.
- 2) A "slot" is the right of an air carrier, pursuant to regulations of the Federal Aviation Administration, to operate a takeoff or landing at a specific time at certain airports.



# Soaring to New Heights<sup>F</sup>

In 2014, Southwest Airlines began connecting People to what's important in their lives beyond the borders of the United States.



On July 1, 2014, our Employees launched an international future to bring our legendary Customer Service to more of North America by inaugurating service to three Caribbean destinations—Jamaica, Aruba, and The Bahamas—from three of our U.S. gateway cities. Thousands of our People had a hand in launching Southwest's international flights, which expand convenient and affordable air travel beyond the continental United States and broaden the horizon for more than 100 million Customers who fly with Southwest every year. Southwest has grown through four decades of profitable service to carry more domestic air travelers than any other airline,<sup>1</sup> and this next chapter plants a flag for bags fly free® and no change fees in foreign soil.

Customers on our inaugural international flights from Baltimore/Washington International Airport (BWI), Hartsfield-Jackson Atlanta International Airport (ATL), and Orlando International Airport (MCO) celebrated alongside Employees with commemorative beach balls, snorkels, and masks. At our corporate headquarters in Dallas, Employees staffed Southwest's world-class [Network Operations Control](#) center in the pre-dawn hours to monitor operational performance and our new technology systems, which were also introduced in 2014 and include our reservations, inventory, and departure control functions for international flights.

Beginning in January 2014, we began selling our first international itineraries, utilizing our new international reservation system, flown by Southwest aircraft. As of Dec. 31, 2014, with the completion of the [AirTran Airways integration](#), we served the Commonwealth of Puerto Rico and five international countries, including Mexico (Cancun, Mexico City, and Cabo San Lucas/Los Cabos), Jamaica (Montego Bay), The Bahamas (Nassau), Aruba (Oranjestad), and the Dominican Republic (Punta Cana). In 2014, Southwest's operating revenues attributable to foreign operations (including those attributable to both Southwest and AirTran) were approximately \$226 million.

**This marked the first time in our history that the Southwest fleet landed in international markets.**



As part of our international service efforts, we have agreed with the City of Houston to an expansion project at the existing William P. Hobby Airport (HOU). This project provides for a new five-gate international terminal with international Customer processing facilities, expansion of the existing security checkpoint, and upgrades to the Southwest ticketing area. Construction began during third quarter 2013 and is estimated to be completed during the second half of 2015. In December 2014, we announced plans to commence service at the new terminal in October 2015 to four destinations in Mexico (Cancun, Cabo San Lucas/ Los Cabos, Mexico City, and Puerto Vallarta), as well as to Belize City, Belize (subject to government approvals), and San Jose, Costa Rica.

We also have entered into an agreement with Broward County, Florida, which owns and operates Ft. Lauderdale-Hollywood International Airport (FLL), to oversee and manage the design and construction of the airport’s Terminal 1 Modernization Project. In addition to significant improvements to the existing Terminal 1, the project includes the design and construction of a new five-gate Concourse A with an international processing facility.

The launch of Southwest’s international service is a monumental milestone in our history, fueled by the countless hours of hard work and dedication of our People. It was an extensive technology project, and our People delivered it on time and on budget.

### Appendix

1) As measured by the number of originating domestic passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2014.

## Looking Forward ➔

In 2014, we announced service to San Jose, Costa Rica, in March 2015 and Puerto Vallarta, Mexico, in June 2015. Subject to government approvals, we also announced plans to serve Belize City, Belize, in October 2015. Within the range of the Boeing 737, we have identified 50 additional destinations we could add to our route network in the future, from Hawaii in the west, to Canada in the north, and stretching to the northern reaches of South America.

### A look at Southwest’s international footprint.



\* Service to San José, Costa Rica, began on March 7, 2015  
 \* Service to Puerto Vallarta, Mexico, begins June 7, 2015  
 \* Service to Belize City, Belize, begins October 2015 (subject to government approvals)



# Free to Fly from Love Field<sup>F</sup>

Southwest Airlines offers new nonstop service from Dallas.



On Oct. 13, 2014, all of the Southwest Warriors who fought tirelessly to Set Love Free over the years celebrated with cheers and excitement as Southwest was freed from the restrictions of the Wright Amendment<sup>1</sup> imposed in 1979. This law, as amended, prohibited the carriage of nonstop and through passengers on commercial flights between Dallas Love Field (DAL) and all states outside of Texas, with the exception of the following states (the “Wright Amendment States”): Alabama, Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, and Oklahoma. Originally, the Wright Amendment permitted an airline to offer flights between DAL and the Wright Amendment States only to the extent the airline did not offer or provide any through service or ticketing with another air carrier at DAL and did not market service to or from DAL and any point outside of a Wright Amendment State. In other words, a Customer could not purchase a single ticket between DAL and any destination other than a Wright Amendment State. These restrictions did not apply to flights operated with aircraft having 56 or fewer passenger seats. The Wright Amendment also did not restrict Southwest’s intrastate Texas flights or its air service to or from points other than DAL. Ten years ago, Southwest’s dedicated Employees launched the efforts to support the repeal of this restriction, leading to the successful overturn of the Wright Amendment.

We did not waste any time exploring our newfound freedom. With the repeal of the Wright Amendment, we immediately began offering new nonstop service to seven cities from DAL (Baltimore/Washington; Denver; Las Vegas; Orlando, Florida; Chicago (Midway); Los Angeles; and Washington, D.C. (Ronald Reagan Washington National)). We added another eight nonstop destinations on Nov. 2, 2014 to Atlanta; Ft. Lauderdale, Florida; Nashville, Tennessee; New York (LaGuardia); Phoenix; San Diego; Orange County, California; and Tampa Bay, Florida.



Southwest counted down the days to the repeal of the Wright Amendment.



As we planned for the sunset of the Wright Amendment, we set out to breathe new life into our hometown airport alongside the City of Dallas with the Love Field Modernization Program (LFMP). Our brand new flights originating out of DAL are provided from a new, revitalized airport facility with new concessions, a remodeled lobby, a new ticketing wing, new baggage claim areas, and a brand new infrastructure. The new DAL is a showpiece for the city of Dallas, and its convenient, close-to-downtown location provides even more benefits for our Customers. The artwork in the airport is modern but keeps a splash of the history for which DAL is known. The LFMP also features leading-edge sustainability, as the terminal is being constructed to achieve LEED® (Leadership in Energy and Environmental Design) Silver certification for new construction and major renovations from the U.S. Green Building Council.

The Wright Amendment repeal allows us to finally connect People to more places they want to go from our hometown airport, giving Customers access to our vast network and making Dallas more accessible for the rest of the country. The city joins eight other major metro areas in the United States that have more than one airport providing long-haul domestic service. This means more flights, more destinations, more choices, and lower fares to and from North Texas.

At Southwest, as we bid farewell to the Wright Amendment, we have a new appreciation for the expression, “It took an act of Congress.” For us, it did. For the first time in more than 30 years, we are now free to move our Customers about the country from our home in Dallas.

Appendix

- 1) Restrictions still apply with respect to destinations beyond the 50 United States or District of Columbia.



Looking Forward ➔

As we moved into 2015, our Southwest Warriors continued to capitalize on the repeal of the Wright Amendment by spreading our low fares even further from DAL. We launched daily nonstop service to two additional cities from DAL beginning Jan. 6, 2015—San Francisco and Oakland, California. We also announced nonstop flights to 18 additional destinations from DAL by August 2015, which will result in Southwest offering 180 weekday departures to 50 nonstop destinations from our hometown airport. These new destinations were made possible, in part, by a long-term sublease agreement that will transfer usage of two additional gates at DAL to Southwest, giving us 18 of the 20 total gates.

Nonstop Love from deep in the heart of Dallas.







# Breaking New Ground<sup>F</sup>

At Southwest Airlines, our cutting edge Training and Operational Support (TOPS) building embodies our commitment to the triple bottom line and our Vision to become the World's Most Loved, Most Flown, and Most Profitable Airline.

“The NOC serves as the nerve center for Southwest that keeps us moving day in and day out and helps us to connect People to what’s important in their lives by providing our Employees with the tools they need to better serve our Customers.”

– **Matt Hafner**  
Vice President Network Operations Control

In 2014, we opened the doors to our LEED® (Leadership in Energy and Environmental Design) Silver-certified, 492,000 square-foot TOPS building in Dallas. This building doesn’t just allow us to provide customized, state-of-the-art training in a centralized location for our People. It also is home to Southwest’s Network Operations Control (NOC) center, which serves as our 24/7 operations center.

In the NOC, our People work around the clock to maximize the [Customer Experience](#) focusing on every part of our Customers’ flights, from Crew planning to flight path to ontime performance. Because of the size and complexity of our network, it was important for Southwest to bring diverse operational disciplines together to support our Frontline Employees, which in turn better serves our Customers and improves our performance. With our operating groups working together closely, along with the help of our [Listening Center](#) that provides real-time Customer feedback via social channels, Employees are able to quickly access real-time information that allows them to better respond to situations that occur in the airline industry, such as weather delays. The crucial decisions that are made in the NOC are based on the needs of the Customer and what will most positively affect the Customer Experience, while balancing our complex operations and network.

In addition to the NOC, the TOPS building houses the Southwest Airlines University (SWA U). In 2014, SWA U took flight in our TOPS building as it marked its first full year of operation and Southwest’s busiest training year in history, with more than 1.7 million learning hours by Employees and suppliers. Among other





The new TOPS building supports SWA U in an integrated, world-class learning environment.

initiatives, SWA U supported the launch of [international destinations](#) on Southwest and the completion of the [AirTran Airways integration](#). SWA U merged our previous Training and Learning departments, including our University for People, to create an integrated, cost-effective learning experience. It provides an innovative, world-class learning environment for all of our People incorporating instructional design, coordination, classroom facilitation, hands-on training, eLearning, and learning reporting.

“The Airport Experience,” as it’s known by our People, is equipped with a realistic ticket counter, gate, Baggage Service Office, passenger loading bridge, and emergency evacuation trainer. We are able to simulate real-life experiences for our Employees so they have the knowledge and skills they need to do their jobs and ultimately provide the best possible Customer Experience.

We’ve shared in past One Reports our commitment to building to LEED® standards for the design, construction, and renovations of our facilities. In 2014, we received recognition of our commitment when we were awarded LEED® Silver certification for our new TOPS building. Applying LEED® standards supports our environmental policy by using natural resources efficiently, minimizing waste and pollution from our operations, and preventing it where possible while remaining true to the triple bottom line of Performance, People, and Planet.

# Looking Forward ➔

Our TOPS building opened in 2014, but the benefits of this building will be realized for many years to come. The NOC facilitates efficient operations and enables us to continue improving our performance and the Customer Experience. Based on training we have planned, SWA U will be even busier in 2015. The energy- and water-efficient features incorporated in the building will help reduce operating costs and minimize our impact on our planet. The building also serves as an opportunity to educate and engage Employees in the benefits of sustainable building practices and our commitment to building to LEED® standards for the design, construction, and renovations of our facilities.



When we worked with our Partners and [suppliers](#) to design and build our TOPS building, efficiency and sustainable procurement were priorities. Sustainable elements of the TOPS building include:

**Alternative Transportation**

**Accessible**  
Public transportation is located nearby and easily accessible

**Available**  
Readily available bicycle parking and shower facilities are provided for convenience

**Close By**  
Community services such as hospitals, schools, parks, and recreational areas are located close by

**Recycling**

**Opportunities**  
Opportunities are readily available for common materials such as paper, plastic, and aluminum

**Construction Efforts**

**Recycled Materials**  
Construction materials containing an average of 21 percent recycled content were utilized

**Local Sourcing**  
39 percent of construction materials used were manufactured—as well as harvested/extracted/reclaimed—within 500 miles, thus reducing transportation emissions

**Low VOC**  
Low Volatile Organic Compound (VOC) emitting materials such as paint, coatings, adhesives, and sealants were utilized

**Flooring**  
Carpet flooring used meets Green Label Plus® standards, and hard flooring is FloorScore®-certified

**Wood**  
Wood carpentry was manufactured with no added urea-formaldehyde, and 89 percent is Forest Stewardship Council (FSC)-certified

**Waste Management**  
88 percent of construction waste was diverted from landfills to recycling or reuse

**Plumbing System**

**Fixtures**  
Flush and flow fixtures reduce indoor water usage by 34 percent compared with 2006 International Plumbing Code requirements

**Irrigation System**  
Water-saving irrigation system reduces outdoor water usage by 52 percent compared with standard systems

**Optimized Energy Performance**

**Energy Efficient**  
The building is overall 13.9 percent more energy efficient than local building code requirements

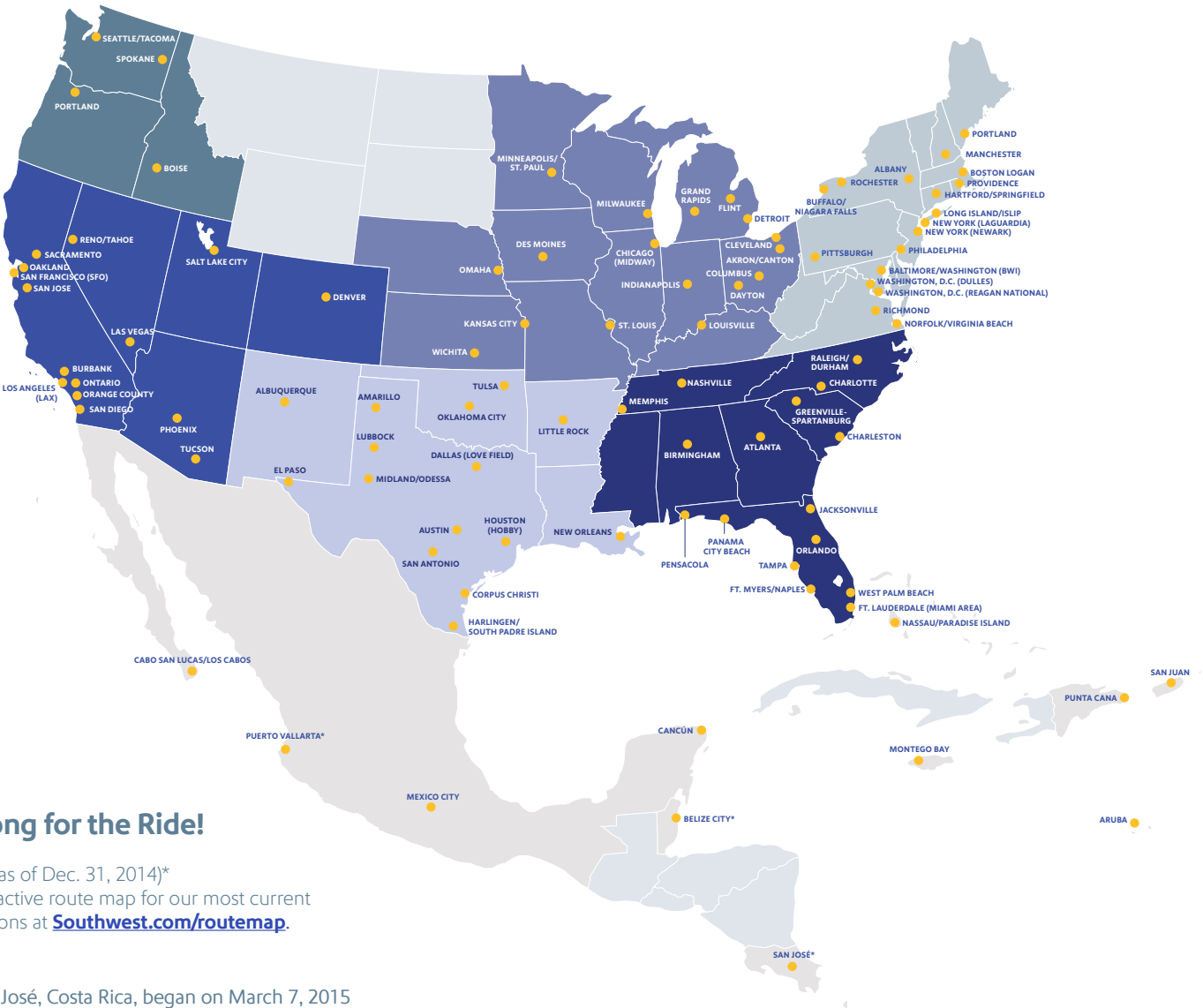
**Low-Emitting/ Fuel-Efficient Vehicle Parking**

**Preferred Parking**  
Efficient vehicles and carpools/vanpools have designated parking near entrances



# 30,000-Foot View<sup>E</sup>

As of Dec. 31, 2014, Southwest Airlines operated more than 3,400 daily flights, serving 93 destinations across the United States and five additional countries. Southwest service to San Jose, Costa Rica began in March 2015; Puerto Vallarta, Mexico, begins in June 2015; and subject to government approvals, service to Belize City, Belize begins in October 2015.

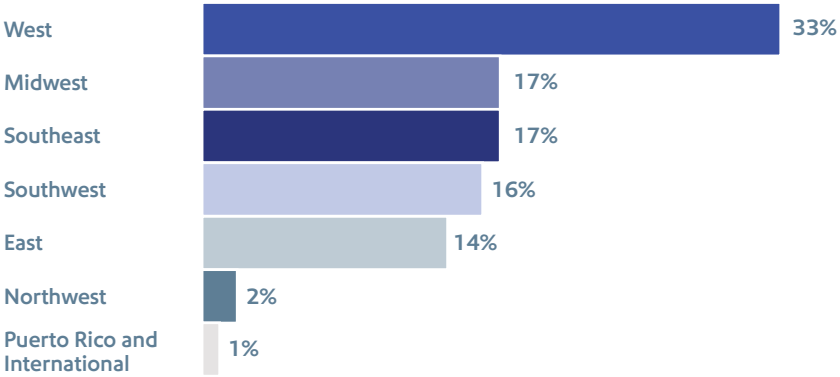


## Come Along for the Ride!

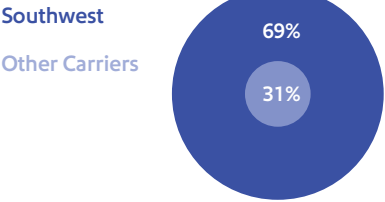
**System Map** (as of Dec. 31, 2014)\*  
View our interactive route map for our most current list of destinations at [Southwest.com/routemap](http://Southwest.com/routemap).

\* Service to San José, Costa Rica, began on March 7, 2015  
\* Service to Puerto Vallarta, Mexico, begins June 7, 2015  
\* Service to Belize City, Belize, begins October 2015 (subject to government approvals)

## Capacity by Region (as of Dec. 31, 2014)



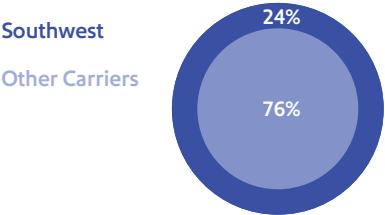
## Market Share<sup>2</sup> (top 100 domestic origin and destination city pairs)



## Top Ten Airports<sup>1</sup> (daily departures as of Dec. 31, 2014)

- |  |                                     |
|--|-------------------------------------|
| 1 <b>MDW: 233</b> Chicago Midway       | 6 <b>HOU: 151</b> Houston Hobby     |
| 2 <b>LAS: 209</b> Las Vegas            | 7 <b>DAL: 149</b> Dallas Love Field |
| 3 <b>BWI: 199</b> Baltimore/Washington | 8 <b>ATL: 132</b> Atlanta           |
| 4 <b>DEN: 167</b> Denver               | 9 <b>LAX: 118</b> Los Angeles       |
| 5 <b>PHX: 164</b> Phoenix              | 10 <b>MCO: 112</b> Orlando          |

## Market Share<sup>2</sup> (total domestic market)



Awards & Accolades

All listed awards were received by Southwest in 2014 unless otherwise noted.

2015  
**Airline  
of the Year**

Air Transport  
World (ATW)  
magazine



Industry-Leading Airline

**Air Cargo Excellence, up to  
299,999 Tons Category, #1**  
Air Cargo World

**International Holistic Safety Rating  
out of 94 Airlines, #8**  
Air Transport Rating Agency

**Domestic Carrier of the Year  
for Cargo**  
Airforwarders Association

**America's Top 500 Companies, #291**  
Barron's

**American Brand Excellence Awards,  
Top 25 Brands of 2014, #1 Among  
Travel-Related Companies,  
#5 Overall**  
The Business Journals

**Airline Quality Rating, #8**  
Embry-Riddle Aeronautical University  
and Wichita State University

**2014 Domestic Airline of the Year**  
Express Delivery &  
Logistics Association



Green Leader

**World's Most Admired Companies,  
#9 in 2014, #7 in 2015**  
FORTUNE

**EquiTrend® Value Airline Brand  
of the Year**  
Harris Poll

**Quest for Quality Excellence  
in Air Cargo Award**  
Logistics Management magazine

**Traveler's Choice Award Winner  
in U.S. Airline Category, 2014  
and 2015**  
TripAdvisor

**Leadership Role in Sustainability  
Performance Reporting**  
NASDAQ OMX CRD Global  
Sustainability Index

**FORTUNE 500 Green Power Partners  
List, #33<sup>3</sup>**  
U.S. Environmental Protection Agency

#4  
**Fuel Efficiency  
U.S. Domestic  
Airline**

International Council  
on Clean Transportation

Gary C. Kelly accepts ATW's Airline of the Year award.







Southwest Employees like to have fun, and it shows.



Southwest Employees show their Servant's Hearts at the spring Companywide Volunteer Project in Dallas.

**Top Airline  
Employer  
Top 20  
Best Employers  
Overall, 2015**

Forbes



### One of the Best Places to Work

**Best Companies for Leaders, #18**  
Chief Executive magazine

**One of the Top 100 Military  
Friendly Employers, #33**  
G.I. Jobs magazine

**One of the 50 Best Places  
to Work, #15**  
Glassdoor.com

**Corporate Equality Index,  
Scored 90/100**  
Human Rights Campaign



### Respected in the Community

**Heroes Award**  
American Red Cross

**National Conference on  
Citizenship's The Civic 50**  
Bloomberg Businessweek, Civic  
Engagement Group, Points of Light,  
and the National Conference

**100 Best Corporate Citizens, #77**  
Corporate Responsibility magazine  
on Citizenship

**One of America's Most Trustworthy  
Public Companies 2014-2010,  
named in 2015**  
Trust Across America-  
Trust Around the World



### Customer Service from the Heart

**Airline Customer Satisfaction, #2**  
American Customer Satisfaction Index

**Reward Seat Availability, #1 in the  
United States, tied for #1 Globally**  
IdeaWorksCompany.com

**Freddie Awards, Best Loyalty Credit  
Card and Best Customer Service**  
InsideFlyer

**Airline Ratings in Low Cost, #2**  
J.D. Power

**Top Domestic Airlines for  
Business Travelers, #6**  
Travel + Leisure

**One of the Best Airline  
Rewards Programs**  
U.S. News & World Report

**#1  
Best Travel  
and Leisure  
Companies**

Vault.com

## Appendix

- 1) Average number of weekday flights as of Dec. 31, 2014.
- 2) As measured by the number of originating domestic passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2014.
- 3) The U.S. Environmental Protection Agency FORTUNE 500 Green Power Partners List is updated quarterly. Southwest ranked 33rd as of Oct. 27, 2014.



# Performance<sup>F</sup>

We had a monumental year at Southwest Airlines in 2014, culminating in record profits to achieve our 42nd consecutive year of profitability.

- Reported record net income of \$1.1 billion and, excluding special items,<sup>6</sup> record net income of \$1.4 billion
- Achieved 21.2 percent pre-tax return on invested capital, excluding special items (ROIC),<sup>6</sup> representing our highest ROIC in 33 years
- Recognized as the top stock performer of the S&P 500 with a 125 percent increase
- Returned \$1.1 billion to Shareholders through repurchases of \$955 million of common stock (33 million shares) and payment of \$139 million in dividends
- Reduced long-term debt and capital lease obligations by \$261 million, net of debt issuance
- Completed the integration of AirTran Airways, achieving net pre-tax synergies of approximately \$500 million (excluding acquisition and integration expenses)
- Launched new nonstop service to 15 destinations from Dallas Love Field (DAL) following the lifting of the Wright Amendment restrictions<sup>1</sup>
- Deployed our international reservation system and launched Southwest's inaugural international service
- Acquired slots<sup>2</sup> at Ronald Reagan Washington National (DCA) and New York LaGuardia (LGA) airports



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Taking Care of Our Own

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All data presented in Performance includes AirTran results as of May 2011.

Performance Data

(dollars in millions except per share amounts, follows generally accepted accounting principles (GAAP))

	2014	2013	Change
Operating revenues	\$ 18,605	\$ 17,699	5.1%
Operating expenses	\$ 16,380	\$ 16,421	(0.2)%
Operating income	\$ 2,225	\$ 1,278	74.1%
Operating margin	12.0%	7.2%	4.8 pts.
Net income	\$ 1,136	\$ 754	50.7%
Net margin	6.1%	4.3%	1.8 pts.
Net income per share - basic	\$ 1.65	\$ 1.06	55.7%
Net income per share - diluted	\$ 1.64	\$ 1.05	56.2%
Stockholders' equity	\$ 6,775	\$ 7,336	(7.6)%
Return on average Stockholders' equity	16.1%	10.5%	5.6 pts.
Stockholders' equity per common share outstanding	\$ 10.03	\$ 10.47	(4.2)%
Revenue passengers carried	110,496,912	108,075,976	2.2%
Revenue passenger miles (RPMs) (000s) <sup>3</sup>	108,035,133	104,348,216	3.5%
Available seat miles (ASMs) (000s) <sup>4</sup>	131,003,957	130,344,072	0.5%
Passenger load factor <sup>5</sup>	82.5%	80.1%	2.4 pts.
Passenger revenue yield per RPM (cents) <sup>6</sup>	16.34	16.02	2.0%
Operating revenue yield per ASM (cents) <sup>7</sup>	14.20	13.58	4.6%
Operating expenses per ASM (cents) <sup>8</sup>	12.50	12.60	(0.8)%
Aircraft at year-end <sup>9</sup>	665	681	(2.3)%
Active, full-time equivalent Employees at year-end	46,278	44,831	3.2%

Reconciliation of Reported Amounts to Non-GAAP Financial Measures<sup>6</sup>

(dollars in millions except per share amounts, unaudited)

	2014	2013	2012	2011	2010
<b>Fuel and oil expense, unhedged</b>	<b>\$ 5,321</b>	<b>\$ 5,645</b>	<b>\$ 5,963</b>	<b>\$ 5,580</b>	<b>\$ 3,296</b>
Add/(Deduct): Fuel hedge (gains) losses included in Fuel and oil expense	(28)	118	157	64	324
<b>Fuel and oil expense, as reported</b>	<b>\$ 5,293</b>	<b>\$ 5,763</b>	<b>\$ 6,120</b>	<b>\$ 5,644</b>	<b>\$ 3,620</b>
Deduct: Net impact from fuel contracts	(28)	(84)	(32)	-	(172)
<b>Fuel and oil expense, economic</b>	<b>\$ 5,265</b>	<b>\$ 5,679</b>	<b>\$ 6,088</b>	<b>\$ 5,644</b>	<b>\$ 3,448</b>
<b>Net income, as reported</b>	<b>\$ 1,136</b>	<b>\$ 754</b>	<b>\$ 421</b>	<b>\$ 178</b>	<b>\$ 459</b>
Add/(Deduct): Mark-to-market impact from fuel contracts settling in future periods	251	(103)	(221)	21	(21)
Add/(Deduct): Ineffectiveness from fuel hedges settling in future periods	5	11	42	33	(11)
Add/(Deduct): Other net impact of fuel contracts settling in the current or a prior period (excluding reclassifications)	24	87	(10)	35	171
Add/(Deduct): Income tax impact of fuel contracts	(104)	2	73	(31)	(52)
Add: Charge for asset impairment <sup>10</sup>	-	-	-	9	-
Add: Charge for acquisition and integration costs <sup>10, 11</sup>	79	54	112	85	4
Add: Labor ratification bonus <sup>10</sup>	6	-	-	-	-
<b>Net income, non-GAAP</b>	<b>\$ 1,397</b>	<b>\$ 805</b>	<b>\$ 417</b>	<b>\$ 330</b>	<b>\$ 550</b>
<b>Net income per share, diluted, as reported</b>	<b>\$ 1.64</b>	<b>\$ 1.05</b>	<b>\$ 0.56</b>	<b>\$ 0.23</b>	<b>\$ 0.61</b>
Add/(Deduct): Net impact from fuel contract	0.25	-	(0.15)	0.07	0.12
Add/(Deduct): Impact of special items <sup>10</sup>	0.12	0.07	0.15	0.13	0.01
<b>Net income per share, diluted, non-GAAP</b>	<b>\$ 2.01</b>	<b>\$ 1.12</b>	<b>\$ 0.56</b>	<b>\$ 0.43</b>	<b>\$ 0.74</b>

Return on Invested Capital (ROIC), Pre-tax:

<b>Operating income, as reported</b>	<b>\$ 2,225</b>	<b>\$ 1,278</b>	<b>\$ 623</b>	<b>\$ 693</b>	<b>\$ 988</b>
Add: Net impact from fuel contracts	28	84	32	-	172
Add: Charge for asset impairment <sup>12</sup>	-	-	-	14	-
Add: Charge for acquisition and integration costs <sup>11</sup>	126	86	183	132	7
Add: Labor ratification bonus	9	-	-	-	-
<b>Operating income, non-GAAP</b>	<b>2,388</b>	<b>1,448</b>	<b>838</b>	<b>839</b>	<b>1,167</b>
Net adjustment for aircraft leases <sup>13</sup>	133	143	117	129	84
Adjustment for fuel hedge premium expense	(62)	(60)	(36)	(107)	(134)
<b>Adjusted operating income, non-GAAP</b>	<b>\$ 2,459</b>	<b>\$ 1,531</b>	<b>\$ 919</b>	<b>\$ 861</b>	<b>\$ 1,117</b>
<b>Average invested capital<sup>14</sup></b>	<b>\$11,470</b>	<b>\$11,664</b>	<b>\$12,580</b>	<b>\$12,439</b>	<b>\$10,431</b>
Equity adjustment for hedge accounting	104	50	145	184	434
<b>Adjusted average invested capital</b>	<b>\$11,574</b>	<b>\$11,714</b>	<b>\$12,725</b>	<b>\$12,623</b>	<b>\$10,865</b>
<b>ROIC, pre-tax<sup>15</sup></b>	<b>21.2%</b>	<b>13.1%</b>	<b>7.2%</b>	<b>6.8%</b>	<b>10.3%</b>



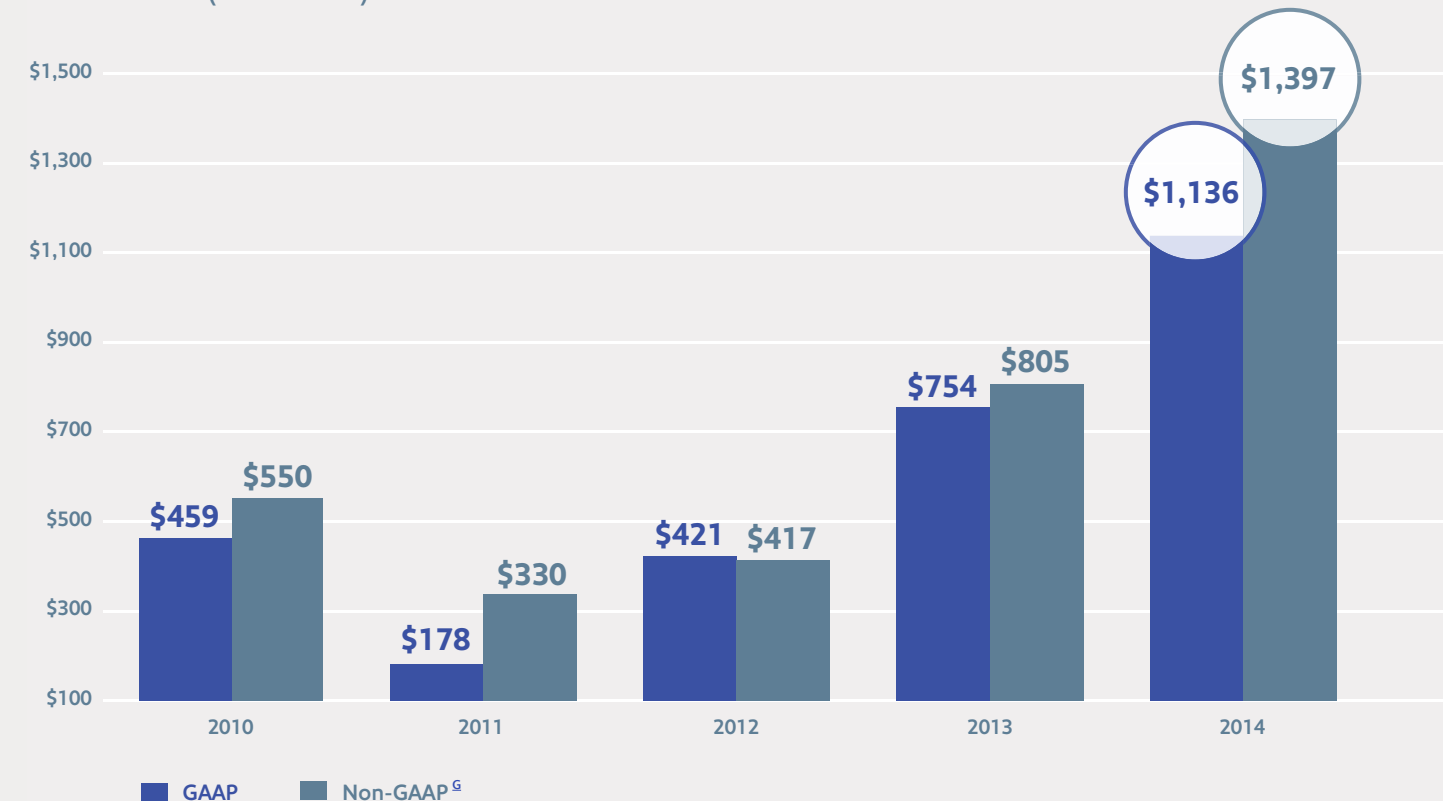
Southwest welcomed a record 110 million Customers onboard in 2014.

## 2014 Performance

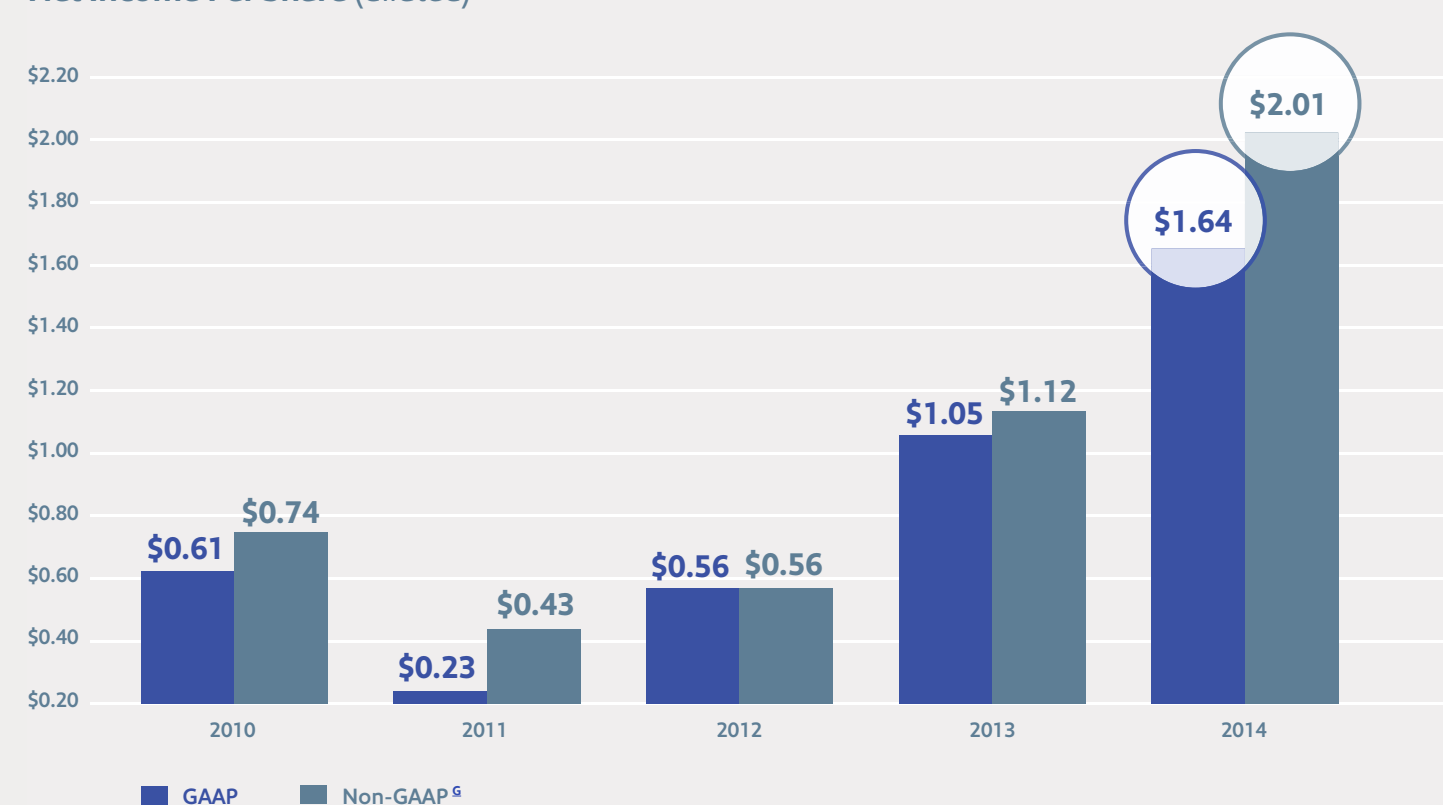
We achieved 21.2 percent pre-tax ROIC, exceeding our minimum 15 percent target.

Our 2014 net income was a record \$1.4 billion, excluding special items,<sup>6</sup> or \$2.01 per diluted share. The year was full of milestones, including the completion of the AirTran integration; launch of international service on Southwest; the repeal of the Wright Amendment; and growth from the acquisition of slots at DCA and LGA. Our People have done a magnificent job transforming Southwest over the past four years through the implementation of our strategic initiatives. They are passionate about Southwest, passionate about serving our Customers, and dedicated to maintaining a reliable, low-cost operation. It is the People of Southwest; our robust domestic network and exciting growth opportunities; compelling brand appeal; and our superior financial position that gives us confidence in our Vision to become the World's Most Loved, Most Flown, and Most Profitable Airline.

### Net Income (in millions)



### Net Income Per Share (diluted)

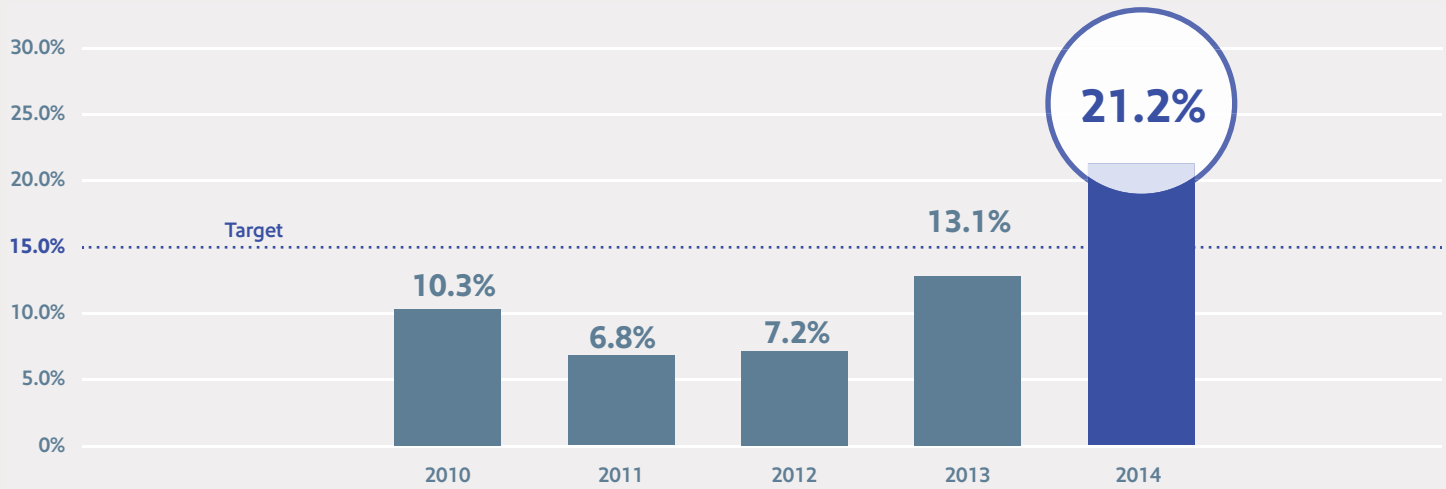




Strategic Plan

Our exceptional 2014 results were propelled by the successful deployment of our five-year strategic plan that began in 2010. Our Rapid Rewards® frequent flyer program continued to exceed our expectations, contributing almost \$400 million in incremental year-over-year revenue in 2014, and approximately \$700 million cumulative since the inception of the new program in 2011. Our ongoing **fleet modernization** efforts contributed approximately \$500 million to earnings before interest and taxes, and we are currently on track to achieve an estimated \$700 million in earnings before interest and taxes in 2015. The **AirTran integration** was completed and produced approximately \$500 million in net pre-tax synergies (excluding acquisition and integration costs). And, in July 2014, we launched international flying on Southwest with the January 2014 deployment of our new international reservation system. During 2014, we also selected Amadeus’ Altéa reservations solution as the Company’s future single reservation system for both domestic and international reservations. While work remains to fine-tune the changes implemented with our strategic initiatives, and to complete the replacement of our domestic reservation system over a multi-year period, the stellar execution of our ambitious and transformative five-year strategic plan to produce record 2014 financial results, is an epic achievement for Southwest.

ROIC<sup>6</sup> (pre-tax and excluding special items)



For additional information about our pre-tax ROIC calculation, visit [Southwest.investorroom.com/financial-statements](http://Southwest.investorroom.com/financial-statements) and click on “Return on Invested Capital Calculation.”



Southwest prepares for another ontime departure.

Robust Domestic Network

Southwest is the nation’s largest domestic airline,<sup>16</sup> serving 24 of the top 25 U.S. metro cities,<sup>17</sup> and 94 of the top 100 domestic origin and destination (O&D) city pairs. We have 69 percent market share in our top 100 O&D city pairs and have the leading market share position in 90 of our top 100 O&D city pairs.<sup>16</sup>

Southwest’s point-to-point network allows for more direct nonstop routing than hub-and-spoke service. For 2014, approximately 73 percent of the Company’s Customers flew nonstop, and the average aircraft trip stage length was 721 miles, with an average duration of approximately two hours. Our point-to-point network provides unique opportunities not only to grow in city pairs we already serve, but each new dot added to our route map has the potential to connect to 86 more domestic dots across our system.<sup>18</sup> The result is a robust network with several dozen cities with significant Southwest presence. Since 2011, we have focused on optimizing the Southwest and AirTran networks. We continuously used profitability management tools to make adjustments to the flight schedules, better matching demand with markets served. The results of our efforts have been substantial.



Through the integration of AirTran and implementation of our international reservation system, we launched an [international future](#) for Southwest. We began service to seven destinations in five countries, including Mexico (Cancun, Mexico City, and Cabo San Lucas/Los Cabos), Jamaica (Montego Bay), The Bahamas (Nassau), Aruba (Oranjestad), and the Dominican Republic (Punta Cana). In 2014, we also announced service to San Jose, Costa Rica, in March 2015 and Puerto Vallarta, Mexico, in June 2015. Subject to government approvals, we also announced plans to serve Belize City, Belize, in October 2015. Within the range of the Boeing 737, we have identified 50 additional destinations we could add to our route network, from Hawaii in the west, to Canada in the north, and stretching to the northern reaches of South America.

With the Oct. 13, 2014, lifting of the flight restrictions imposed by the [Wright Amendment](#) since 1979, Southwest became, and remains, authorized to fly to any U.S. destination from DAL unless such destination is restricted or otherwise limited by law. As a result, we launched 15 new nonstop destinations in 2014, followed by service to an additional two nonstop destinations in January 2015. We also announced nonstop flights to 18 additional destinations from DAL by August 2015, which will result in Southwest offering 180 weekday departures to 50 nonstop destinations from our hometown airport. This will grow our daily departures by more than 50 percent since Oct. 13, 2014. In January 2015, we announced a long-term sublease agreement that will transfer usage of two additional gates at DAL to Southwest, giving us 18 of the total 20 gates at our hometown airport.

Southwest expanded its horizons in 2014 with the launch of international service.





As a result of our acquisition of slots at DCA and LGA, due to the merger between AMR Corporation, the parent company of American Airlines, Inc., and US Airways Group, Inc., we significantly grew our presence in these markets during 2014. At DCA, we acquired 54 slots for a total of 88, increasing the number of daily departures from 17 to 44, to a total of 14 nonstop destinations. Southwest is the second largest carrier out of DCA and the largest carrier in the Greater Washington D.C. area.<sup>19</sup> At LGA, we acquired 12 slots and gained control of ten slots previously leased from American Airlines, for a total of 62, increasing the number of daily departures from 27 to 33, to a total of eight nonstop destinations.

With prudent growth and optimization throughout our network, our overall available seat miles, in 2014, remained virtually flat, as planned and in alignment with our commitment not to grow until we reached our financial targets. We will continue to manage a relatively flat fleet through the end of 2015, relative to a baseline of roughly 700 aircraft, which was our combined fleet at the time of the AirTran acquisition. As part of our ongoing fleet modernization efforts, in 2014, we took delivery of 33 Boeing 737-800s and 22 pre-owned Boeing 737-700s, while removing the remaining 66 AirTran Boeing 717-200s from service, and retiring five Boeing 737 Classic aircraft, to end 2014 with 665 aircraft in our fleet. As of the end of 2014, we had also converted 47 of the 52 AirTran -700s to the Southwest livery with the *Evolve* configuration. We have since completed the conversions of the remaining five -700s. As a result of the AirTran 737 aircraft conversion activity and phase-out of the AirTran 717 fleet in favor of the more efficient -700s and -800s, we had a significant number of aircraft being underutilized during 2014. As we bring in replacement aircraft and utilize them more, we will have fewer idle aircraft in 2015 than in 2014, and will be generating low-cost capacity to fund our 2015 year-over-year growth at DAL, DCA, LGA, and in international markets.



Fleet Composition (percentage of fleet as of Dec. 31, 2014)



\*Southwest removed 36 Boeing 717-200s from service, which were awaiting conversion at Dec. 31, 2014, leaving none in our fleet.

Aircraft Delivery Schedule<sup>20</sup> (as of Dec. 31, 2014)

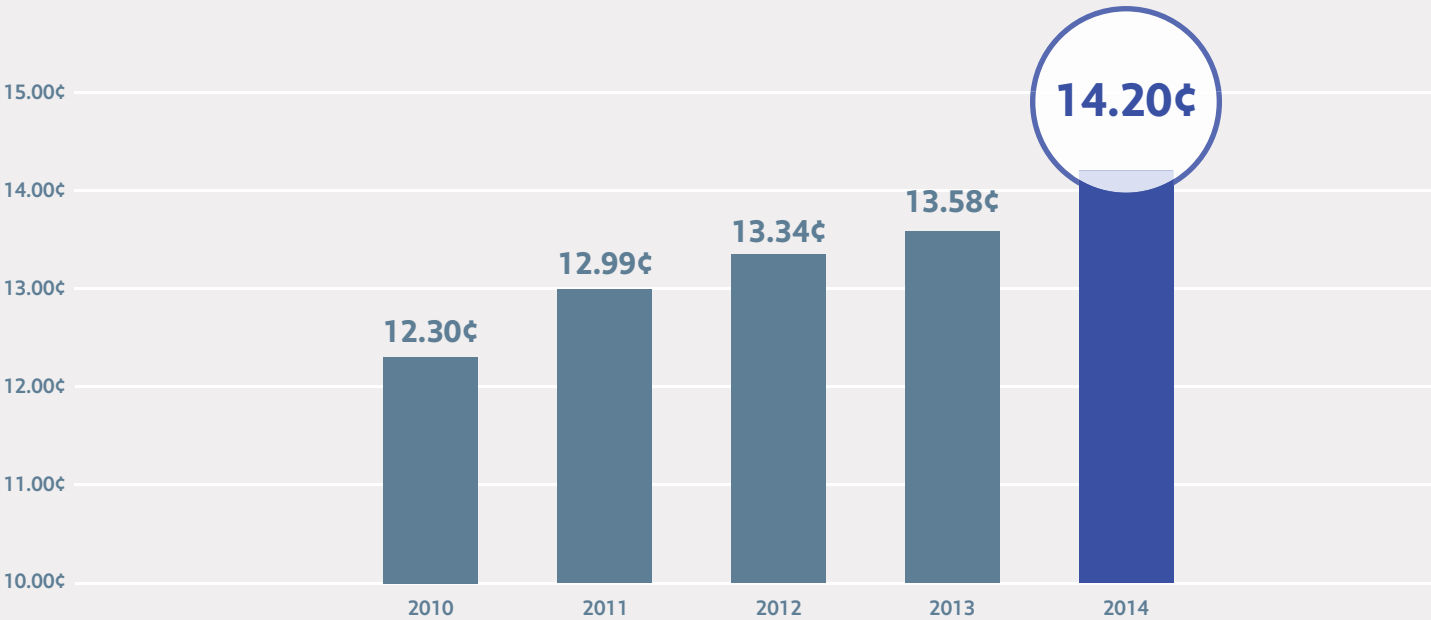
	The Boeing Company 737 NG				The Boeing Company 737 MAX			
	-700 Firm Orders	-800 Firm Orders	Options	Additional -700 A/C	-7 Firm Orders	-8 Firm Orders	Options	Total
2015	-	19	-	16	-	-	-	35
2016	31	-	11	4	-	-	-	46
2017	15	-	12	-	-	14	-	41
2018	10	-	12	-	-	13	-	35
2019	-	-	-	-	15	10	-	25
2020	-	-	-	-	14	22	-	36
2021	-	-	-	-	1	33	18	52
2022	-	-	-	-	-	30	19	49
2023	-	-	-	-	-	24	23	47
2024	-	-	-	-	-	24	23	47
2025	-	-	-	-	-	-	36	36
2026	-	-	-	-	-	-	36	36
2027	-	-	-	-	-	-	36	36
Total	56 <sup>21</sup>	19	35	20	30	170 <sup>22</sup>	191	521

Compelling Brand Appeal

Southwest has offered reliable, low fares for 43 years, and we don't nickel and dime our Customers with hidden fees. We don't charge change fees, and we are the only domestic airline that doesn't charge a fee for checking first or second bags. For this reason, Southwest Customers are not just patrons; they are fans.

Our revenue performance in 2014 reached unprecedented levels. As compared with 2013, operating revenues increased 5.1 percent, to \$18.6 billion, driven by strong demand for air travel and successful execution of our strategic initiatives. Passenger revenues in 2014 increased 5.6 percent, compared with 2013, driven by record load factors and record passenger revenue yield per revenue passenger mile. Freight revenues benefited from new and maturing markets as a result of the AirTran acquisition, while other revenues in 2014 decreased 5.2 percent, compared with 2013. Strength in certain ancillary revenues, such as EarlyBird Check-In® and A1-15 select boarding positions sold at the gate, partially offset the decline in other revenues from the wind down of AirTran and coincident adoption of Southwest's more Customer-friendly fee policies.

Operating Revenues (per ASM)



Source of Passenger Revenues

	2014	2013	2012	2011	2010
Internet	80% <sup>23</sup>	80% <sup>23</sup>	80% <sup>23</sup>	81% <sup>23</sup>	84%
Travel Agency	8% <sup>24</sup>	11% <sup>24</sup>	12% <sup>24</sup>	12% <sup>24</sup>	9%
Other	12%	9%	8%	7%	7%

Our Rapid Rewards frequent flyer program is recognized as one of the best in the industry and was named one of the top airline frequent flyer programs in U.S. News & World Report's 2014 rankings of Best Airline Rewards Programs. Our frequent flyer program offers members the ability to redeem points for every available seat, every day, on every flight, with no blackout dates. Points don't expire as long as Customers have flight or Partner activity every 24 months. We don't charge point restocking fees if Customers cancel reward flights or charge change fees if reward reservations need to change. A point differential may apply. We don't charge Customers fees to use points even if they are redeemed at the last minute. And, there is no minimum point balance requirement to redeem for reward travel. Our revamped frequent flyer program, launched in March 2011, has exceeded our expectations with respect to the number of new frequent flyer members, the amount spent per member on airfare, the number of flights taken by members, the number of Southwest's co-branded Chase® Visa credit card holders added, the number of points sold to business Partners, and the number of frequent flyer points purchased by program members. All told, our program has been a phenomenal success.



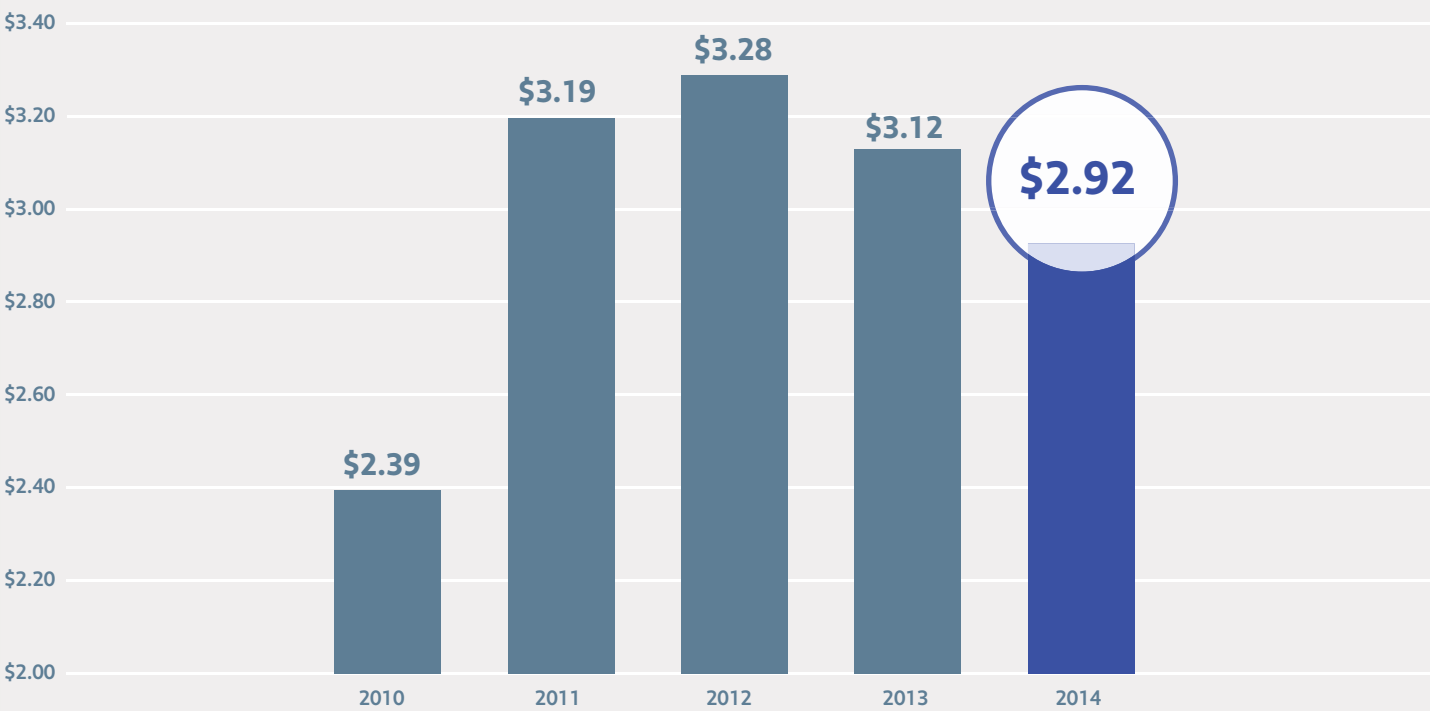


### Superior Financial Position

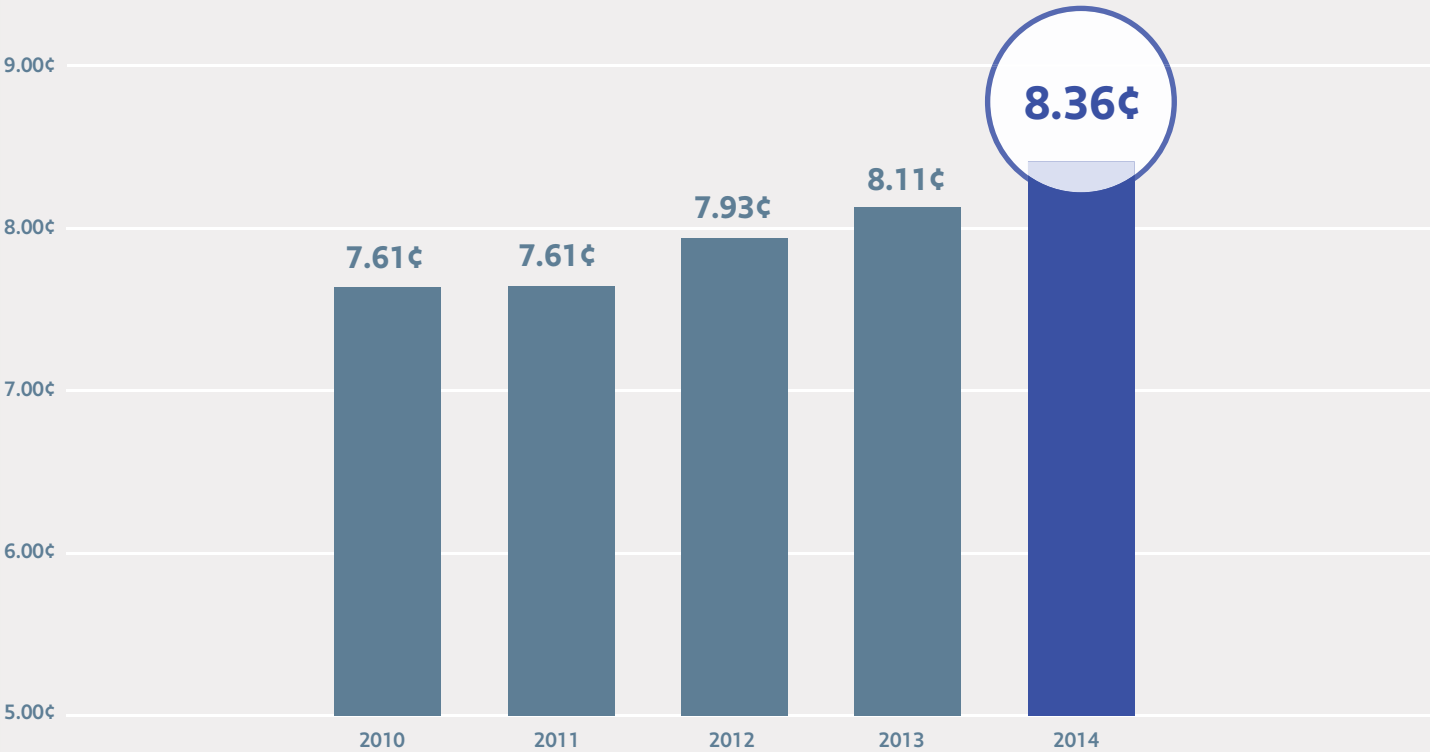
Southwest remains a low-cost leader in the industry, allowing us to profitably provide low fares to our Customers. Based on the latest data available from the U.S. Department of Transportation and adjusted for Southwest’s average stage length, we had a 28 percent cost advantage to network carriers and a 9 percent cost advantage to other low-cost carriers.

Our 2014 operating cost performance was solid, benefitting from ongoing fleet modernization and overall cost control efforts. We also significantly benefited from falling oil prices. Economic fuel price per gallon<sup>6</sup> was \$2.92 in 2014, substantially lower than 2013’s \$3.12 per gallon. In response to the dramatic drop in fuel prices in fourth quarter 2014, we effectively unwound portions of our fuel hedge portfolio to participate in the collapse of fuel prices. As of Jan. 16, 2015, none of our fuel consumption was hedged in 2015, 10 percent was hedged in 2016, and 30 percent in 2017. We will continue to actively manage our portfolio to protect against fuel price volatility. Excluding fuel and special items,<sup>6</sup> our operating costs increased 3.6 percent, compared with 2013, largely due to a record \$355 million profitsharing expense.

Economic Fuel Costs<sup>6</sup> (per gallon, including taxes)



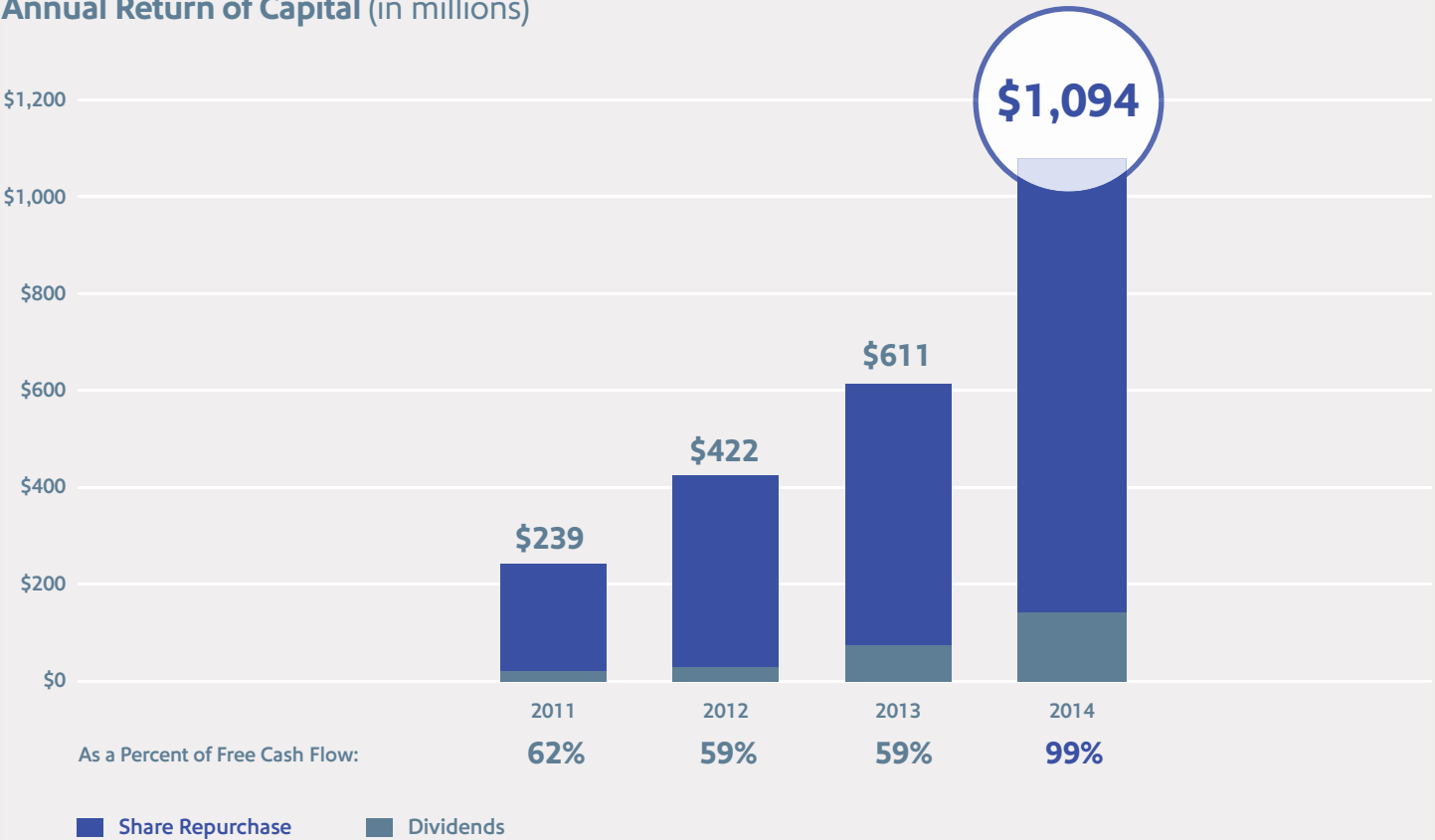
Costs Excluding Fuel and Special Items<sup>6</sup> (per ASM)



Southwest has maintained an investment grade credit rating since 1986, and remained the only investment grade-rated U.S. airline by all three credit rating agencies. As of Dec. 31, 2014, our balance sheet was strong with \$3.0 billion in cash and short-term investments and an unsecured revolving credit line of \$1.0 billion. Our net cash provided by operations in 2014 was \$2.9 billion, capital expenditures were \$1.75 billion, and assets constructed for others, net of reimbursements, were \$53 million, resulting in free cash flow<sup>g</sup> of \$1.1 billion. We returned virtually all of this to our Shareholders through \$139 million in dividends, and the repurchase of \$955 million in common stock, or 33 million shares. In May 2014, our Board of Directors increased the quarterly dividend 50 percent to \$0.06 per share, and authorized a \$1.0 billion share repurchase program, following the completion of the previous \$1.5 billion cumulative repurchase authorization.

At Southwest, we are committed to a balanced capital deployment strategy that includes reinvesting in the business, maintaining a strong balance sheet, managing our invested capital, and returning value to Shareholders.

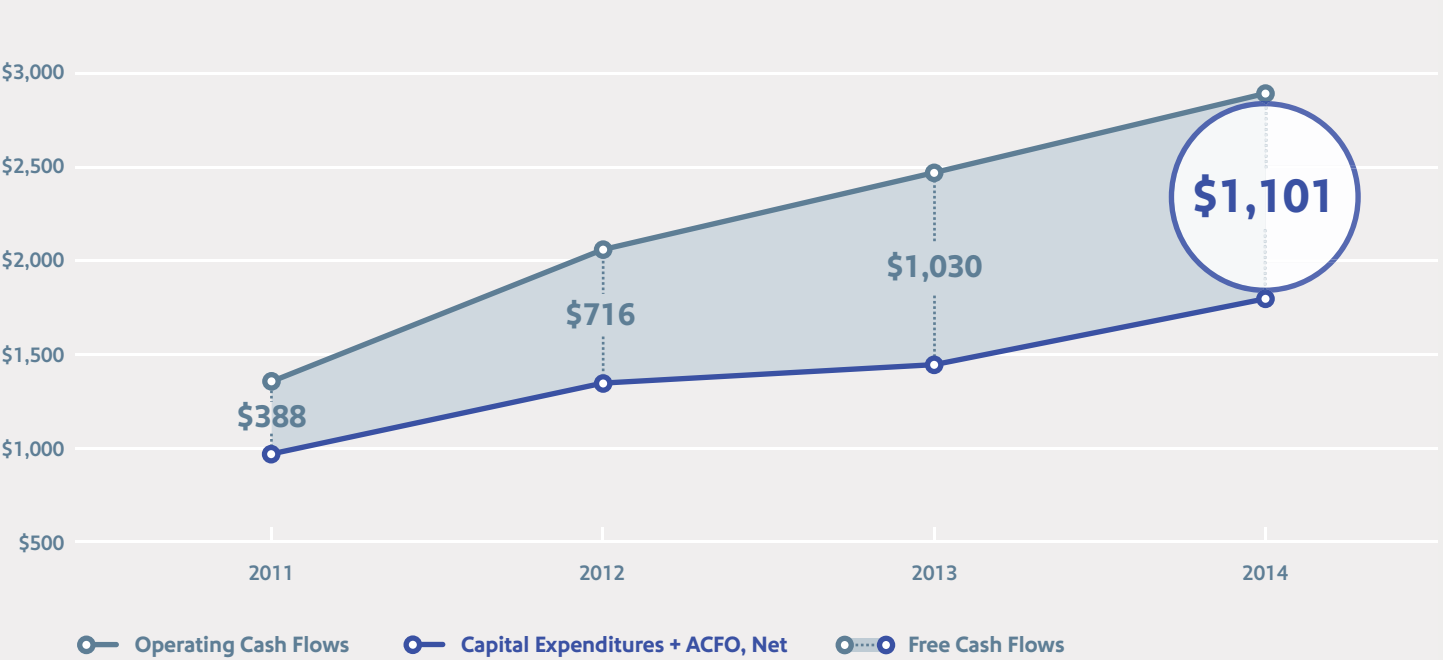
Annual Return of Capital (in millions)



Southwest Airlines Cargo<sup>®</sup> provides expedited Air Cargo services, such as Next Flight Guaranteed for Customers who need fast, friendly, and reliable performance.



Strong Free Cash Flow<sup>g</sup> (in millions)



Free cash flow is calculated as operating cash flows, less capital expenditures plus assets constructed for others (ACFO) net of reimbursements for assets constructed for others. See Footnote <sup>g</sup> for further information about the calculation.



Ten-Year Summary  
(selected consolidated financial data, GAAP)

(dollars in millions, except per share amounts)

Operating revenues:	2014	2013	2012	2011		2010	2009	2008	2007	2006	2005
Passenger	\$ 17,658	\$ 16,721	\$ 16,093	\$ 14,754		\$ 11,489	\$ 9,892	\$ 10,549	\$ 9,457	\$ 8,750	\$ 7,279
Freight	175	164	160	139		125	118	145	130	134	133
Other	772	814	835	765		490	340	329	274	202	172
Total operating revenues	18,605	17,699	17,088	15,658		12,104	10,350	11,023	9,861	9,086	7,584
Operating expenses	16,380	16,421	16,465	14,965		11,116	10,088	10,574	9,070	8,152	6,859
Operating income	2,225	1,278	623	693		988	262	449	791	934	725
Other expenses (income), net	409	69	(62)	370		243	98	171	(267)	144	(54)
Income before income taxes	1,816	1,209	685	323		745	164	278	1,058	790	779
Provision for income taxes	680	455	264	145		286	65	100	413	291	295
Net income	\$ 1,136	\$ 754	\$ 421	\$ 178		\$ 459	\$ 99	\$ 178	\$ 645	\$ 499	\$ 484
Net income per share, basic	\$ 1.65	\$ 1.06	\$ 0.56	\$ 0.23		\$ 0.62	\$ 0.13	\$ 0.24	\$ 0.85	\$ 0.63	\$ 0.61
Net income per share, diluted	\$ 1.64	\$ 1.05	\$ 0.56	\$ 0.23		\$ 0.61	\$ 0.13	\$ 0.24	\$ 0.84	\$ 0.61	\$ 0.60
Cash dividends per common share	\$0.2200	\$0.1300	\$0.0345	\$0.0180		\$0.0180	\$0.0180	\$0.0180	\$0.0180	\$0.0180	\$0.0180
Total assets	\$20,200	\$19,345	\$18,596	\$18,068		\$15,463	\$14,269	\$14,068	\$16,772	\$13,460	\$14,003
Long-term debt less current maturities	\$ 2,434	\$ 2,191	\$ 2,883	\$ 3,107		\$ 2,875	\$ 3,325	\$ 3,498	\$ 2,050	\$ 1,567	\$ 1,394
Stockholders' equity	\$ 6,775	\$ 7,336	\$ 6,992	\$ 6,877		\$ 6,237	\$ 5,454	\$ 4,953	\$ 6,941	\$ 6,449	\$ 6,675

Consolidated Financial Ratios

Return on average total assets	5.7%	4.0%	2.3%	1.1%		3.1%	0.7%	1.2%	4.3%	3.6%	3.9%
Return on average Stockholders' equity	16.1%	10.5%	6.1%	2.7%		7.9%	1.9%	3.0%	9.6%	7.6%	7.9%
Operating margin	12.0%	7.2%	3.6%	4.4%		8.2%	2.5%	4.1%	8.0%	10.3%	9.6%
Net margin	6.1%	4.3%	2.5%	1.1%		3.8%	1.0%	1.6%	6.5%	5.5%	6.4%

Consolidated Operating Statistics

Revenue passengers carried	110,496,912	108,075,976	109,346,509	103,973,759		88,191,322	86,310,229	88,529,234	88,713,472	83,814,823	77,693,875
Enplaned passengers	135,767,188	133,155,030	133,978,100	127,551,012		106,227,521	101,338,228	101,920,598	101,910,809	96,276,907	88,379,900
RPMs (000s)	108,035,133	104,348,216	102,874,979	97,582,530		78,046,967	74,456,710	73,491,687	72,318,812	67,691,289	60,223,100
ASMs (000s)	131,003,957	130,344,072	128,137,110	120,578,736		98,437,092	98,001,550	103,271,343	99,635,967	92,663,023	85,172,795
Passenger load factor	82.5%	80.1%	80.3%	80.9%		79.3%	76.0%	71.2%	72.6%	73.1%	70.7%
Average length of passenger haul (miles)	978	966	941	939		885	863	830	815	808	775
Average stage length (miles)	721	703	693	679		648	639	636	629	622	607
Aircraft utilization (hours and minutes per day)	10:54	10:45	10:55	11:10		10:48	10:50	11:36	11:41	11:34	11:25
Trips flown	1,255,502	1,312,785	1,361,558	1,317,977		1,114,451	1,125,111	1,191,151	1,160,699	1,092,331	1,028,639
Average passenger fare	\$159.80	\$154.72	\$147.17	\$141.90		\$130.27	\$114.61	\$119.16	\$106.60	\$104.40	\$ 93.68
Passenger revenue yield per RPM	16.34¢	16.02¢	15.64¢	15.12¢		14.72¢	13.29¢	14.35¢	13.08¢	12.93¢	12.09¢
Operating revenue yield per ASM	14.20¢	13.58¢	13.34¢	12.99¢		12.30¢	10.56¢	10.67¢	9.90¢	9.81¢	8.90¢
Operating expenses per ASM	12.50¢	12.60¢	12.85¢	12.41¢		11.29¢	10.29¢	10.24¢	9.10¢	8.80¢	8.05¢
Operating expenses per ASM, excluding fuel	8.46¢	8.18¢	8.07¢	7.73¢		7.61¢	7.19¢	6.64¢	6.40¢	6.34¢	6.34¢
Fuel cost per gallon, including tax	\$ 2.93	\$ 3.16	\$ 3.30	\$ 3.19		\$ 2.51	\$ 2.12	\$ 2.44	\$ 1.80	\$ 1.64	\$ 1.13
Fuel consumed, in gallons (millions)	1,801	1,818	1,847	1,764		1,437	1,428	1,511	1,489	1,389	1,287
Active, full-time equivalent Employees at year-end	46,278	44,831	45,861	45,392		34,901	34,726	35,499	34,378	32,664	31,729
Aircraft at year-end <sup>9</sup>	665	681	694	698		548	541	537	520	481	445



## Financial Management Approach

We strive to continuously improve our Performance.

We achieve this by focusing on our Purpose, and our People are dedicated to fulfilling our Vision. We disclose information regarding our financial management approach through our Global Reporting Initiative Disclosures on Management Approach.

Our formula for success is Living and Working the Southwest Way. Living the Southwest Way includes showing our Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude. Working the Southwest Way requires focus on Safety, focus on high Customer Service delivery, and focus on low costs. And, it's still working. Southwest is the only U.S. airline that can claim 42 consecutive years of profitability. We've achieved our success without resorting to layoffs or pay cuts. And, our Employees' dedication shows—we were Air Transport World's 2015 Airline of the Year; we consistently hold one of the top rankings in Customer Satisfaction;<sup>25</sup> and we have repeatedly been ranked as one of the World's Most Admired Companies by FORTUNE.

We are committed to offering impeccable Customer Service and low fares, while achieving a profit for our Shareholders. Furthermore, for the first time in 14 years, we exceeded our financial target of at least 15 percent pre-tax ROIC, excluding special items. We continued to grow our revenues in 2014 through revenue management and optimization of our route network, while continuing our focus on value-added products such as Business Select and EarlyBird Check-In®.

We expect the successful execution of our strategic initiatives to continue to strengthen our brand and solidify our fundamental competitive advantages: low costs, low fares, great Customer Service, a robust route network, and a strong financial position.

Building on our recent accomplishments, our pursuit continues as we continue to implement our fleet modernization plan; grow our Rapid Rewards frequent flyer program; and expand our network. We will strive to build on our past successes and remain passionate about achieving our financial targets.

## Contributing to the Vitality of Our Communities

We encourage creativity and innovation, which, in turn, improves our operational effectiveness and Customer Service. Above all, we offer Employees the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Customer.

Our performance impacts more than our Company. Our low fares stimulate economies in cities where we fly. Our Servant's Heart allows others to thrive, and our green filter helps protect the planet.

As of year-end 2014, we operated more than 3,400 daily flights, serving 93 destinations across the United States and five additional countries. 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. We bring our low fares and Fun-LUVing Attitude to more than 100 million Customers annually.



We give from the heart and strive to make a positive difference in the communities we serve. We believe in championing the causes that matter most to our People. We provide support, leadership, and encouragement to a variety of philanthropic causes through our Community Affairs and Grassroots Team, that works directly with local, civic, and charitable organizations. Through our Community Giving Boards, consisting of local Employees from various workgroups, we identify charitable organizations to support the communities where they live and work. At Southwest, we value empowering others and building meaningful relationships through community outreach and volunteerism.

We believe it’s our responsibility to protect our planet now and for future generations, so we operate with a green filter—a mindset of making environmentally responsible decisions. As good environmental stewards, we recycle onboard and in airports. We are committed to utilizing LEED® (Leadership in Energy and Environmental Design) standards in design, construction, and renovations and continuing our use of renewable energy at our Headquarters and other facilities. In the air, we’re conserving jet fuel, reducing emissions, and using recycled and sustainable materials to furnish our cabins. On the ground, we used electricity to power 18 percent of our ground support equipment (GSE) in 2014. Given fuel is one of our largest expenses, operating with a green filter is not only good for the environment; it’s also good for our bottom line.



Electric GSE contribute to our fuel savings.



Gary C. Kelly presents a \$5,000 check to an Employee as part of our Kick Tail program.

## Taking Care of Our Own

At Southwest, we believe our People are our most powerful fuel. We contribute to the financial wellbeing of our Employees by offering generous 401(k) Company matching contributions and a ProfitSharing Plan. Southwest Airlines University provides training and career development to help Employees learn and grow. We also encourage them to support the local charities close to their hearts by rewarding their volunteer efforts. We take time to celebrate and honor our Employees through our Employee recognition programs, encompassed by [Southwest Airlines Gratitude](#). By taking care of our Southwest Family through opportunities like the [Southwest Airlines Employee Catastrophic Assistance Charity](#), and encouraging our Employees to give back and help others, we create a strong Culture that ultimately contributes to our financial success. After all, happy Customers, happy Employees, and happy Shareholders are a virtuous circle on which our business was built. Read more about how we take care of our own in [Employees](#) in People.

# Appendix

- 1) Restrictions still apply with respect to destinations beyond the 50 United States or District of Columbia.

2) A “slot” is the right of an air carrier, pursuant to regulations of the Federal Aviation Administration, to operate a takeoff or landing at a specific time at certain airports.

3) An RPM is one paying Passenger flown one mile. Also referred to as “traffic,” which is a measure of demand for a given period.

4) An 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.

5) Passenger load factor is RPMs divided by ASMs.

6) Passenger revenue yield per RPM is calculated as Passenger revenue divided by RPMs. 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.

7) Operating revenue yield per ASM is calculated as operating revenue divided by ASMs. Also referred to as “operating unit revenues,” this is a measure of operating revenue production based on the total ASMs flown during a particular period.
- 8) Operating expenses per ASM are calculated as operating expenses divided by ASMs. Also referred to as “unit costs” or “cost 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.

9) Aircraft in the Company’s fleet at year-end, less Boeing 717-200s removed from service in preparation for transition out of the fleet.

10) Amounts shown net of tax.

11) Amounts net of profitsharing impact on charges incurred through March 31, 2011. Pursuant to the terms of the Company’s ProfitSharing Plan, acquisition and integration costs were excluded from the calculation of profitsharing expense from April 1, 2011, through Dec. 31, 2013. These costs, totaling \$385 million, are being amortized on a pro rata basis as a reduction of operating profits, as defined by the ProfitSharing Plan, from 2014 through 2018, in the calculation of profitsharing. In addition, acquisition and integration costs incurred during 2014 and future periods will reduce operating profits, as defined, in the calculation of profitsharing.
- 12) Amounts shown net of profitsharing impact.

13) Net adjustment related to assumption that all aircraft in fleet are owned (i.e., the impact of eliminating aircraft rent expense and replacing with estimated depreciation expense for those same aircraft).

14) Average invested capital is an average of the five most recent quarter end balances of debt, net present value of aircraft leases, and equity adjusted for hedge accounting.

15) ROIC, pre-tax, calculated as adjusted operating income, non-GAAP, divided by adjusted average invested capital.

16) As measured by the number of originating domestic passengers boarded and based on data available from the U.S. Department of Transportation, as of Sept. 30, 2014.

17) A metro city is an area around a city that includes multiple major airports.

18) As of Dec. 31, 2014.

19) Based on scheduled industry seats from March through August 2015, as reported by Diio Mi®.
- 20) For our most recent aircraft delivery schedule, see [Southwest.investorroom.com](#).

21) Southwest has flexibility to substitute -800s in lieu of -700 firm orders.

22) Southwest has the flexibility to substitute MAX 7 in lieu of MAX 8 firm orders beginning in 2019.

23) Includes revenues from [Southwest.com](#), [Swabiz.com](#) (Southwest’s business travel reservation web page), and [Airtran.com](#).

24) Includes online travel agencies.

25) From the 2014 year-end U.S. Department of Transportation Air Travel Consumer Report issued February 2015.



**F) Cautionary Statement Regarding Forward-Looking Statements**

The 2014 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 estimates, expectations, beliefs, intentions, and strategies 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 financial outlook, targets, goals, strategies, plans, expectations, and projected results of operations; (ii) the Company's reservation systems plans and expectations; (iii) the Company's growth plans and opportunities; (iv) the Company's network and capacity plans and expectations, including its plans and expectations with respect to international operations; (v) the Company's Vision; (vi) the Company's strategic initiatives and related plans and expectations; (vii) the Company's fleet plans and expectations, including its fleet modernization plans; (viii) the Company's plans and expectations related to managing risk associated with jet fuel prices; and (ix) the Company's goal with respect to returning value to shareholders. 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) changes in demand for the Company's services and other changes in consumer behavior; (ii) the impact of economic conditions, fuel prices, actions of competitors (including, without limitation, pricing, scheduling, and capacity decisions and consolidation and alliance activities), and other factors beyond the Company's control on the Company's business decisions, plans, and strategies; (iii) 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; (iv) the Company's dependence on third-parties, in particular with respect to its technology and fleet plans; (v) the impact of governmental regulations and other actions related to the Company's operations; (vi) the Company's ability to timely and effectively prioritize its strategic initiatives and related expenditures; (vii) changes in fuel prices, the impact of hedge accounting, and any changes to the Company's fuel hedging strategies and positions; and (viii) 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 Dec. 31, 2014.

**G) Note Regarding Use of Non-GAAP Financial Measures**

The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These GAAP financial statements include (i) unrealized non-cash 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 the Company believes are not indicative of its ongoing operational performance.

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, 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 greater transparency to investors as supplemental information to its GAAP results. The Company's economic financial 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 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 are reflected as a component of Other (gains) losses, net, for both GAAP and non-GAAP (including economic) purposes in the period of contract settlement. The Company believes these economic results provide a better measure of the impact of the Company's fuel hedges on its operating performance and liquidity since they exclude the unrealized, non-cash 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, 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.

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 the Company's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2014.

In addition to its "economic" financial measures, as defined above, the Company has also provided other non-GAAP financial measures, including results that it refers to as "excluding special items," as a result of items that the Company believes are not indicative of its ongoing operations. These include 1) expenses associated with the Company's acquisition and integration of AirTran; 2) a 2011 charge (before the impact of profitsharing and/or taxes) for an asset impairment related to the Company's decision not to equip its Classic (~300/-500) aircraft with Required Navigation Performance (RNP) capabilities; and 3) collective bargaining contract ratification bonuses. The Company believes that evaluation of its financial performance can be enhanced by a presentation of results that exclude the impact of these items in order to evaluate the results on a comparative basis with results in prior periods that do not include such items and as a basis for evaluating operating results in future periods. As a result of the Company's acquisition of AirTran, which closed on May 2, 2011, the Company has incurred substantial charges associated with integration of the two companies. Given that the AirTran integration process had been effectively completed as of Dec. 31, 2014, the Company does not anticipate significant future integration expenditure requirements. While the Company cannot predict the exact timing or amounts of such charges, it does expect to treat these charges as special items in its future presentation of non-GAAP results.

The Company has also provided free cash flow and pre-tax return on invested capital, excluding special items (ROIC), which are non-GAAP financial measures. The Company believes free cash flow is a meaningful measure because it demonstrates the Company's ability to service its debt, pay dividends, and make investments to enhance Shareholder value. Although free cash flow is commonly used as a measure of liquidity, definitions of free cash flow may differ; therefore, the Company is providing an explanation of its calculation for free cash flow. For the four years ended Dec. 31, 2011, 2012, 2013, and 2014, the Company generated \$388, \$716, \$1,030, and \$1,101 million in free cash flow, respectively, calculated as operating cash flows of \$1,356, \$2,064, \$2,477, and \$2,902 million, less capital expenditures of \$968, \$1,348, \$1,433,

and \$1,748 million, less assets constructed for others of \$0, \$0, \$14, and \$80 million, plus reimbursements for assets constructed for others of \$0, \$0, \$0, and \$27 million. The Company believes pre-tax ROIC is a meaningful measure because it quantifies how well the Company generates operating income relative to the capital it has invested in its business. Although ROIC is commonly used as a measure of capital efficiency, definitions of ROIC may differ; therefore, the Company is providing an explanation of its calculation for pre-tax ROIC in the accompanying reconciliation tables.

Information regarding special items and reconciliations of reported amounts to non-GAAP financial measures are included in the accompanying reconciliation tables.



# One Family, One Southwest<sup>F</sup>

In 2014, Southwest Airlines had the best earnings in Company history, and this would not have been achieved without the AirTran Airways acquisition and the dedication of the Southwest Family, who successfully completed the integration that extends Southwest's low-fare brand to more than 100 million Customers.



Employees gathered in Atlanta to send off AirTran's final departure on Dec. 28, 2014.

In September 2010, Southwest announced plans to acquire AirTran—a strategic move that would allow both airlines to join forces and spread low fares farther. We officially closed the deal in May 2011, and ever since, our People have been working hard to create one Southwest Family, one Customer Experience, one Rapid Rewards® frequent flyer program, and one flight schedule. During 2014, we successfully completed the process of integrating AirTran into Southwest's operations, and since 2010 our annual revenues have increased nearly 54 percent; we surpassed our financial target of at least 15 percent pre-tax return on invested capital, excluding special items;<sup>6</sup> and our fleet has grown 21 percent.

The AirTran acquisition has allowed us to expand in a time when we otherwise couldn't. We have gained access to grow in several key markets, including Hartsfield-Jackson Atlanta International Airport (ATL), New York LaGuardia Airport (LGA), and Ronald Reagan Washington National Airport (DCA). The acquisition also gave us the running start we needed to offer [international service](#) on Southwest, which launched in July 2014 with service to the Caribbean, and eventually Mexico.

On the evening of Dec. 28, 2014, AirTran operated its final revenue flight from ATL to Tampa Bay International Airport (TPA). More than 700 Southwest and AirTran Employees, Customers, and special guests gathered in Atlanta to commemorate the event. AirTran Flight 1 retraced a route in a nod to AirTran's first commercial flight in October 1993. Each of the flight's 117 Passengers, consisting of many former AirTran Employees, retirees, special guests, and aviation enthusiasts, received a special keepsake celebrating the historic flight.



By the end of 2014, all AirTran Employees had been integrated into the Southwest Family totaling a combined 46,278 Employees,<sup>1</sup> operating a network of more than 3,400 daily flights, serving 93 destinations across the United States and five additional countries. The AirTran integration has been a top priority of our People, and it has been a massive undertaking—possibly the biggest in Southwest’s history. And our People executed it brilliantly!

Additional highlights of concluding the AirTran integration:

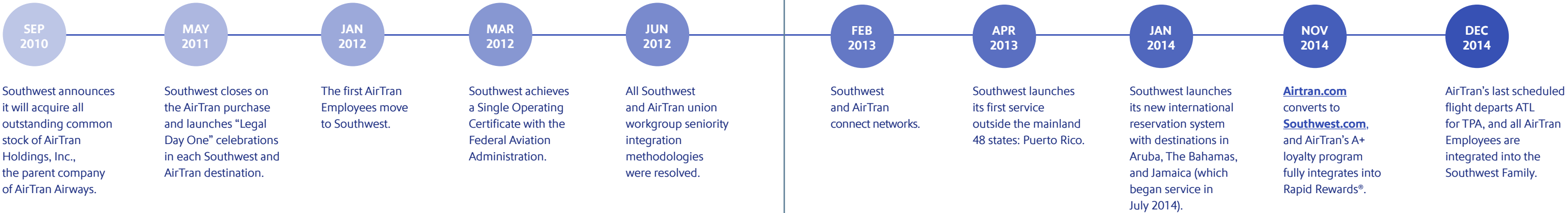
- › We achieved approximately \$500 million in net pre-tax synergies (excluding acquisition and integration costs) in 2014.
- › We removed the remaining 66 AirTran Boeing 717-200 aircraft from service in 2014, enabling us to once again operate an all-Boeing 737 fleet, with the expected efficiencies associated with operating a single aircraft type.
- › We continued to convert AirTran 737-700 aircraft to the Southwest livery. As of Dec. 31, 2014, 47 out of 52 AirTran -700 aircraft had completed the conversion process and re-entered service as Southwest aircraft. The remaining five AirTran -700 aircraft re-entered service as Southwest aircraft in early 2015.
- › We completed the integration of booking and Frequent Flyer functions into [Southwest.com](http://Southwest.com).
- › We expanded Southwest Cargo to the AirTran network.

Appendix

1) Active, full-time equivalent Employees as of Dec. 31, 2014.



AirTran Integration Timeline





# People<sup>E</sup>

## At Southwest Airlines, we are fueled by the Hospitality and Reliability of our People.

Since Southwest first took flight more than four decades ago, we have always been a People-centric Company that puts our Employees first, connects our valued Customers to what's important in their lives, seeks to return value to our Shareholders, and is at the heart of the communities we serve. Every day our Employees aim to deliver warm, hospitable Customer Service that comes straight from the heart and turns a Passenger into a loyal Customer. Our compassion for People extends to our local communities, the places our Employees and Customers call home. This was demonstrated by our 2014 notable accomplishments:

- Transitioned AirTran Airways Employees into Southwest, creating one Family
- Allocated the largest total dollar amount ever to our ProfitSharing Plan
- Launched mobile boarding passes across our network to enhance the Customer Experience
- Named 2015 Airline of the Year by Air Transport World (ATW)
- Introduced a multi-year program, Heart of the Community, as part of our community outreach in Placemaking
- Increased small business spend by 56 percent compared with 2013



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All data presented in People includes AirTran Airways unless otherwise stated.

■ AirTran data is excluded

People Data

Employees <sup>1</sup>	2014	2013	2012	2011	2010
Active, full-time equivalent Employees at year-end	46,278	44,831	45,861	45,392	34,901
Employees by Division <sup>1,2</sup>					
Flight	20,013; 43%	19,003; 42%	19,210; 42%	19,271; 42%	14,810; 42%
Maintenance	2,632; 6%	2,689; 6%	2,626; 6%	2,532; 6%	2,057; 6%
Ground, Customer, and Fleet Services	15,739; 34%	15,464; 35%	16,093; 35%	15,483; 34%	11,942; 34%
Management, Accounting, Marketing, clerical personnel (other)	7,894; 17%	7,675; 17%	7,932; 17%	8,106; 18%	6,092; 18%
Benefits					
Active and inactive Employees who participate in benefits program	More than 49,000	More than 48,000	More than 48,000	More than 40,000	More than 35,000
Employee benefit programs excluding 401(k) and ProfitSharing plans and share-based compensation (accrued) <sup>3</sup>	More than \$880 million	More than \$830 million	More than \$800 million	More than \$670 million	More than \$590 million
401(k) savings plan participation	93%	Nearly 89%	Nearly 85%	93%	86.5%
ProfitSharing Plan participation	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees
401(k) and ProfitSharing plans	Nearly \$644 million	Nearly \$500 million	More than \$370 million	Nearly \$314 million	Nearly \$350 million
Training					
Pilot hours	546,867 <sup>4</sup>	193,644	300,496	165,000	219,440
Flight Attendant hours	474,973	115,900	177,500	272,394	112,116
Maintenance hours	154,723	145,069	159,000	88,754	59,004
Customer Support and Services hours	128,845	57,769	175,278	245,179	125,833
Ground Operations hours	693,687	911,358	439,635	342,946	253,574
Safety and Security hours	More than 820,000 <sup>4</sup>	More than 580,000	More than 520,000	More than 550,000	More than 230,000

People Data

Customers	2014	2013	2012	2011	2010
External Customer commendations	More than 75,000	Nearly 70,000	Nearly 65,000	More than 65,000	More than 65,000
Ratio of external Customer commendations to personnel rudeness complaints	4:1	Nearly 5:1	Nearly 7:1	Nearly 8:1	Nearly 10:1
American Customer Satisfaction Index (ACSI)	78	81	77	81	79
U.S. Department of Transportation (DOT) Customer Satisfaction rating (consumer complaints per 100,000 enplanements)	0.50	0.34	0.25	0.32	0.27
Percentage of reported flight operations arriving ontime	73.0	76.7	83.1	81.3	79.5
Number of mishandled bags reported per 1,000 Passengers	4.06	3.72	3.08	3.65	3.47
Passengers denied boarding per 10,000 Passengers	1.03	1.06	0.84	0.65	1.24
Number of incidents involving the loss, injury, or death of animals during transport	0	0	0	0	0
Communities					
Donation requests received systemwide	15,046	17,941	19,053	17,057	16,678
Tickets donated	43,188	44,019	44,559	40,807	29,664
Total monetary donations	\$ 2,748,305	\$ 2,034,431	\$ 2,104,871	\$ 1,814,077	\$ 934,807
Total corporate monetary, in-kind, and ticket donations	\$20,128,153	\$ 18,951,092	\$20,273,621	\$18,239,850	\$12,974,763
Monies raised through official Southwest fundraising efforts	\$ 640,000	\$ 700,000 <sup>5</sup>	—	—	—
Employee volunteer hours	More than 144,000	More than 144,000	More than 137,000	More than 114,000	More than 80,000
Value of Employee volunteer hours <sup>6</sup>	More than \$ 3,300,000	More than \$ 3,200,000	—	—	—
Social Management Approach					
Employees represented by unions	Approximately 83%	Approximately 83%	Approximately 83%	Approximately 82%	Approximately 82%
Employee human rights training hours	More than 54,000	More than 20,000	More than 17,000	More than 3,700	More than 5,000
Employees trained on human rights	46.4%	6.7%	20.5%	10.1%	10.7%
Employees and business associates who acknowledged the Code of Ethics	More than 50,800	More than 46,500	More than 46,000	More than 43,000	More than 37,000

— Data not reported in Southwest Airlines One Report™ for specified calendar year.



**As of Dec. 31, 2014,  
the Southwest  
Family included  
46,278 active,  
full-time equivalent  
Employees.**

## Employees

People are our most powerful fuel.

At Southwest, we don't think of ourselves as a Company of planes; we are a Company of People, so nurturing a Culture that energizes and respects every Employee is a top priority. Our Employees do more than care about each individual Customer; they generate bold, fresh ideas that lead to an enhanced Customer Experience, think creatively and push the envelope so we can offer affordable fares, give back to our communities, and above all, have fun.

### Breakdown of Employees by Division<sup>2,7</sup>



**Flight**  
20,013—43%



**Maintenance**  
2,632—6%



**Ground, Customer,  
and Fleet Services**  
15,739—34%



**Other**  
7,894—17%



Benefits

We are proud that in 2014 more than 49,000 active and inactive Employees participated in at least one component of the Company’s Employee benefits program, to which we contributed more than \$880 million<sup>3</sup> on an accrual basis, excluding 401(k) and ProfitSharing plans and share-based compensation. Many of the components offered to Employees in the Company’s Employee benefits program also are offered to dependents and/or committed partners.

In 2014, in addition to vacation, paid holidays, and sick leave, we offered our full-time and part-time Employees the following:

- > 401(k) retirement savings plan<sup>8</sup>
- > ProfitSharing Plan
- > Medical and prescription coverage
- > Mental health chemical dependency coverage
- > Vision coverage
- > Dental coverage
- > Adoption assistance
- > Mental health Employee assistance program
- > Life insurance
- > Accidental death and dismemberment insurance
- > Long Term Disability Program<sup>9</sup>
- > Short Term Disability Program<sup>10</sup>
- > Health care flexible spending account
- > Dependent care flexible spending account
- > Employee stock purchase plan
- > Wellness programs
- > Flight privileges

At Southwest, we feel we have a responsibility to take care of our own. We constantly look for ways to improve our Company’s Employee benefits program to make it even better. Beginning July 1, 2014, all eligible Noncontract Employees, for the first time in Company history, were covered by a Short Term Disability Program, as well as an improved Long Term Disability Program.<sup>9</sup> These enhancements to our Company’s Employee benefits program provide a more secure safety net for our Southwest Family.

We also offered our full-time and part-time Southwest Employees:

- > Early retiree health care<sup>11</sup>
- > Concierge services
- > Pre-tax commuter benefit program
- > Health savings account
- > Auto/home insurance
- > Pet insurance
- > Supplemental hospital insurance
- > Flex time for qualifying positions



During 2014, our wellness programs offered onsite vaccinations and other enhanced programs.

Wellness Programs

At Southwest, our Employees come first, and we are committed to their wellbeing both on the job and at home. Our wellness programs were designed with that thought in mind, to help our People and their families achieve their best health and highest quality of life, and in 2014 we began offering financial incentives to eligible participants. Additional wellness offerings included onsite vaccinations, weight management programs, tobacco cessation programs, and diabetes prevention and control programs. We also enhanced accessibility to reach Employees in the field by enabling texting so they also have the immediate opportunity to participate in wellness offerings.

Retirement Planning<sup>8</sup>

We are committed to providing the best opportunities for our Employees to prepare for their future—and share in the success of Southwest through multiple tax-qualified savings plans. We provided nearly \$644 million towards Employee retirement through 401(k) matching contributions and through profitsharing related to 2014 results.

We have tremendous participation in our 401(k) plans, with 93 percent of eligible Employees participating in 2014 compared with the national average of 80.7 percent.<sup>12</sup> Since the inception of our 401(k) plans in the early 1990s, Southwest has contributed more than \$2.6 billion to these plans, including nearly \$290 million in 2014 to match the funds Employees contributed to their 401(k) accounts.

All eligible Employees participate in our ProfitSharing Plan, and in 2014, Southwest provided \$355 million in profitsharing expense, up 56 percent, or \$127 million compared with 2013—an amount equaling nearly 9.5 percent of each eligible Employee’s compensation.

We believe in taking care of our own.

“I am so impressed that Southwest encourages personal development. This class opened my eyes to new opportunities.”

– Southwest Employee

### Training

At Southwest, it’s no secret we put our Employees first and provide them with the tools they need not only to perform their duties but also soar to new heights. We offer a wide array of professional opportunities through internal training programs, and we encourage Employees to extend their knowledge through external training engagements in their respective fields.

We are committed to and prioritize compliance with the training requirements of the appropriate governing organizations such as the Federal Aviation Administration, U.S. Department of Transportation (DOT), U.S. Department of Homeland Security, Occupational Safety and Health Administration, U.S. Environmental Protection Agency, U.S. Food and Drug Administration, Equal Employment Opportunity Commission, and the Office of Federal Contract Compliance Programs. We also offer a variety of additional training opportunities to our Employees. These opportunities for continued development include programs focused on Living and Leading the Southwest Way.

### Safety and Security Training

The Safety and Security of People is our top priority and a part of everything we do both on the ground and in the air through training, communication campaigns, and education. We are committed to fostering a Culture of Safety through our comprehensive Safety and Security training. We have centralized the Safety and Security Department to implement a consistent vision, enable all workgroups to share Safety and Security policies and procedures, and strengthen our risk management and assurance programs. We proactively identify workplace and operational risks and then work to resolve these issues before they become injuries, accidents, or incidents. In 2014, Employees participated in more than 820,000 hours<sup>4</sup> of Safety and Security training.

Throughout the year, the following departments receive additional job-specific Safety and Security training:

- > Inflight
- > Flight Operations
- > Maintenance
- > Ground Operations
- > Provisioning
- > Network Operations

We also offer First Aid, cardiopulmonary resuscitation (CPR), and automated external defibrillator (AED) training to all interested Employees and require this training for all Flight Attendants and all Operations Supervisors.

### 2014 Operational Employee Training Hours







**At Southwest, we believe in being prepared for the disasters that affect our communities, and we know how important caring from the heart is during those difficult times.**

### Emergency Preparedness

We have formal plans in place to respond to aircraft incidents, weather disruptions, and other disasters such as terrorism threats, pandemics, and facility emergencies. Each plan accounts for our operational and humanitarian responses—taking care of Employees, Customers, and communities. We regularly review our plans including a drill at each U.S. airport, every three years. Regular training for our Employees is key to being prepared. When disasters occur, we debrief with lessons learned and update our plans to improve our future response in similar situations. We also stay in regular communication about potential operational problems and have an Emergency Response Team and Business Continuity Team dedicated to making sure we're prepared for emergencies, so we may resume normal operations as quickly as possible.

### Preparedness Month

September is National Preparedness Month and during the month, we take extra time to educate, inform, and remind Employees how to be personally prepared during a natural disaster—it is important to us to equip our Employees with the knowledge to keep themselves safe. We help prepare them for hurricanes, tornadoes, wildfires, flooding, and other natural disasters as well as remind them of Southwest's disaster preparedness plans. During this time, we also remind Employees to update their contact information, so in the event of a disaster we can quickly communicate with them via our automated system to check on their wellbeing and share information.

### Southwest Airlines University

In 2014, Southwest Airlines University (SWA U) opened its doors for the first time in our [Training and Operational Support](#) building. SWA U provides a centralized location for all of our Employees and business Partners to learn in realistic



Employees learn about our environmental stewardship and sustainability efforts.

environments to practice on-the-job skills. The new SWA U consolidates most operational training groups and the former University for People together under one banner to provide greater opportunity for learning and personal growth. SWA U also supports our Talent and Leadership development programs.

### Environmental and Sustainability Training

Our commitment to protecting our planet is integral to our operations, so we include the topics of environmental stewardship and sustainability in our Employee training. At and above our Supervisor level, we have enhanced Leadership courses to include sustainability content. In these courses, we discuss sustainability, our fuel usage and its impact on our greenhouse gas emissions and climate change, our initiatives to decrease emissions, and our recycling programs. We also require annual environmental training for operational groups that includes storm water pollution prevention, proper waste disposal, air permit compliance, and aircraft drinking water compliance. Through this recurrent training, we teach our Employees about current environmental policies and regulations that must be followed in our operations.

### Diversity and Inclusion Education and Outreach

At Southwest, diversity means having an inventive and multifaceted work force that recognizes the strengths of each Employee, the importance of our cultures, and the value of our Customers. Our Employees represent a variety of backgrounds, and those individual experiences help form our unique Culture. That Culture is based on respect and The Golden Rule, or treating others the way we want to be treated. Fostering an environment that encourages diversity of ideas, knowledge, and actions is paramount to our excellence. We are a Company of People that is unique by design, and we are all unified by the Southwest Heart.



In 2014, our Diversity and Inclusion Department launched new initiatives that capitalize on Southwest’s bold, rich history of diversity while remaining watchful of our ever-evolving landscape. We realize that our strengths come from our ability to foster a Culture of inclusion. Our new training platform, Power of Inclusion, takes a holistic approach to educating our Employees about the power of diversity and inclusion at Southwest. This year, our annual Diversity Summit, renamed the Inclusion and Innovation Summit, was open for Employees to better emphasize the role diversity plays in our Culture and how it strategically aligns with our business goals. We announced a Diversity and Inclusion Champion for the first time to honor an Employee who embodies the spirit of diversity and inclusion every day. We are also responding to our evolving Customers and providing our Frontline Employees with new Customer Service training that focuses on diversity and inclusion.

Engagement and Recognition

At Southwest, we treat our Employees the same way they treat our Customers; with warmth and compassion. Our Employees are our strongest competitive advantage and we want to keep our heartbeat strong. This is why we feel it is so important to engage and recognize our Employees by listening to their suggestions and ideas as well as their concerns and rewarding them for outstanding extra effort and Living the Southwest Way.

Employee Survey

We conduct an Employee Survey on a biennial basis, which allows us to take a collective picture of our entire work force from several angles. These snapshots let us know how our Employees feel about working at Southwest. Employees’ candid feedback is critical because it identifies areas of strength at Southwest as well as areas where we have an opportunity to work together as a Team to improve.

In 2014, 53 percent of our Employees participated in the survey and provided feedback regarding their views of the Company. This marked the first year the survey could be taken on a mobile device. The survey, conducted by Sirota, evaluated 12 dimensions, and when we asked our Employees how they would describe their work at Southwest, 71 percent said they would describe it as a calling. This is why our Employees are the Heart of Southwest. The main objectives of the 2014 Employee Survey were to gather Employee perceptions on a broad range of work, environment, and Cultural topics; assess current levels of the components of Employee engagement and identify key drivers; and gather input on what it takes to be a best place to work.

Our Leaders use this survey as a roadmap for improvement, creating action plans to address areas requiring attention and identifying overarching themes we can work on together.



In our 2014 Employee Survey, 71 percent of responding Employees said they would describe their work as a calling.



Southwest Airlines Gratitude

At Southwest, gratitude is a way of life. By clearly linking every recognition and incentive program to our Purpose, Vision, Values, and Mission, we encourage and reward the behaviors and performance that will help Southwest become the World’s Most Loved, Most Flown, and Most Profitable Airline. Recognition is stitched into every aspect of our business—you can walk our halls, talk to our People, and feel the gratitude and compassion we show our Employees and Customers.

Our Employees are recognized on a day-to-day basis by their peers, Leaders, and Customers through a Kick Tail, LUV Reports, and External Customer commendations. We also honor our People through more formal awards such as Heroes of the Heart, Volunteers of LUV, and the President’s Award.

Southwest Airlines Gratitude (SWAG) encompasses all the ways we recognize our Employees. It’s the place Employees go to see the recognition they receive, send recognition to others, and spend the SWAG Points they earn. SWAG Points are the common currency for recognition at Southwest. Employees can turn the SWAG Points they earn into meaningful rewards in the SWAG Shop like Guest Passes, Rapid Rewards® points, dozens of gift cards, thousands of merchandise items, or tickets to concerts and events.

We provide monthly and quarterly SWAG Dashboards to Leaders in each department so we can monitor participation in our recognition programs, hold Leaders accountable for promoting a Culture of recognition in their locations, and encourage friendly competition among peers. In 2014, our People earned more than 1 billion SWAG Points, and were able to turn their points into something that was meaningful to them.

Gary C. Kelly recognized our President’s Award winners at a special luncheon in Dallas.





## Recruitment

The future of Southwest starts with recruiting talented People who want more than a career—they want to join a cause. We seek individuals who are Living the Southwest Way with a Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude. In 2014 alone, we received more than 178,000 resumes from interested individuals who wanted to join the Southwest Family, and we welcomed more than 4,000 external new hires to the Company. Southwest is an Equal Opportunity Employer of women, minorities, qualified disabled, and covered veterans. At Southwest, we like to say that we hire for heart and train for skill because after all, without a Heart, it's just a machine.

In 2014, G.I. Jobs magazine again named Southwest one of the Top 100 Military Friendly Employers® for 2015 because of our efforts to recruit and retain former

and current members of the armed services and reserves. We ranked 33 on the list, an improvement from previous years. Criteria for recognition include the strength of company military recruiting efforts, the percentage of new hires with prior military service, retention programs, and company policies on National Guard and Reserve service. Southwest is committed to providing opportunities for veterans and actively seeks military talent through various recruitment efforts such as career fairs and military job boards. We consider our more than 6,400 military Employees to be a vital part of the Southwest Family. This recognition acknowledges Southwest's continual efforts to recognize our nation's military members, including the Company's celebration of Military Heroes Month in November 2014.

**In 2014, Southwest was recognized as a 2015 Top 100 Military Friendly Employer®.**







Southwest launched the mobile boarding pass in 2014 to make the Customer Experience even more efficient.

**Southwest provides amenities that make the Customer Experience extraordinary.**

## Customers

Our Purpose is to connect People to what's important in their lives through friendly, reliable, low-cost air travel.

At Southwest, we invest considerable time and energy into taking our Customer Service to the next level to make each Customer feel a sense of warmth and Hospitality as we get them from point A to point B. By enhancing the Customer Experience, we are also building a strong brand, which is important to our legacy and our future. Through surveys and industry metrics, we regularly monitor Customer Satisfaction and brand health with the goal to provide the best Customer Experience possible and remain an airline our Customers enjoy flying.

### Customer Experience

We like to think of ourselves as a Customer Service Company that happens to fly planes on schedule, with smiles and perks along the way, making it both fun and simple to fly with Southwest. In 2014, we made it easier and greener for our Customers to get through the airport with the national launch of the mobile

boarding pass, an electronic document that enables Customers to pass through security and board our aircraft by using only their mobile device. Here is how the mobile boarding pass evolved through the dedication of our People:

*In order to make the mobile boarding pass an easy and convenient travel tool, several departments within the Southwest Family came together on a regular basis to design and engineer the product, and also to regularly gather Employee and Customer feedback. Our Frontline Employees who serve our Customers on a daily basis became the Team's eyes and ears for enhancements needed for the product. We solicited Customer feedback by administering surveys once the Customer downloaded the feature in our test markets in 2013. It was critical to make it convenient to fly with Southwest and get our Customers to their destinations in a timely manner with minimal friction, and with the latest technologies. Since the national unveiling of our mobile boarding pass feature, adoption has been extraordinary: more than 1 million Customers, or more than 10 percent, check in for their flights using their mobile devices each month.*

We also continue to evolve our inflight entertainment experience. Customers enjoy live TV (courtesy of our valued Partners), WiFi, movies, messaging, and now fresh music, all from their own devices. A new relationship was formed in 2014 between Beats Music and Southwest allowing our Customers to enjoy their favorite style of music from our WiFi-enabled aircraft gate-to-gate. Customers accessing Beats Music onboard have an opportunity to listen to wide-ranging music programming in pop, rock, country, and other genres to hear fresh new artists and the hottest songs, which are handpicked by Beats Music expert curators. Accessing the service inflight is on the house and includes a library of hundreds of playlists. Adding Beats Music builds on our Purpose of connecting People to what's most important in their lives by making music more accessible. We also continue to provide surprise and delightful moments in the air with Live at 35 concerts and even a Chicago fashion show down the aisle.

Customer Insights

We want to make meaningful connections with each Customer, so we take their feedback to heart. These insights—gathered through social media, formal surveys, industry metrics, and focus groups—help us improve the Customer Experience and strengthen our brand.

Customer Research

In 2012, we updated our Customer Experience Survey and Customer Experience Dashboard to help us understand our Customers' travel experience with Southwest. A daily survey is sent to many Customers after their flight asking them to rate their satisfaction at each point of the travel experience from check-in

through Transportation Security Administration screening to the gate area, inflight experience and, finally, arrival. The survey also asks the likelihood to recommend Southwest to friends, family, or colleagues, giving us our Net Promoter Score (NPS).

This survey now includes additional questions that probe further into our Customers' experiences to learn more about why they might be a promoter or detractor. In addition to gaining more insight with this updated survey, our dashboard helps analyze aspects important to each Customer with actionable reports on individual airports. It also gives insight into our Customer strategy by easily breaking down findings among Customer groups such as business versus leisure travelers, lengths of haul flown, aircraft types, Rapid Rewards membership, and more.

With the recent push of inflight products and entertainment, the survey now also includes questions that allow key workgroups to monitor our inflight products such as WiFi and live TV, and how those products ultimately impact the Customer Experience. These findings will help guide our offerings of these products in the future.

We also enhanced the dashboard's ability to accurately assess the experiences of Customers on delayed flights with the data better assessing the Customers' true itinerary. Though we work hard to avoid delays, it's not always possible to do so. The enhanced dashboard allows Employees in key functions to mine for ways to improve our handling of such situations.

The improvement list continues for next year, as we aim to better the insight generated from our Customer Experience surveys.

We introduced a partnership with Beats Music to much fanfare.



We ask our Customers daily how we can better serve them.



Southwest provides amenities that make the Customer Experience extraordinary.



We also conduct a wide range of research on other topics to continue guiding Customer strategy. As an example, here's how we use Customer feedback when developing our bold, new look:

*In preparing to take on our fresh, new look, our research team established a robust learning plan to explore Customers' and general fliers' views of our brand identity. We held focus groups in a range of cities, then conducted online surveys, all to uncover what imagery would depict us boldly, and with heart. As we later evaluated the impact, we learned that our goals were clearly met. Response has been overwhelmingly positive, with fliers finding the new look to be stylish, modern, fun, and genuine Southwest.*

Listening Center

Southwest has long been regarded as a pioneer in the social media space, and our Social Business Team has been recognized in many ways for embracing social technologies. As we continue to evolve as a leading social business, we continue to look for new and innovative ways to connect with our Customers.

In 2014, the state-of-the-art Listening Center was introduced and symbolizes our commitment to listening to our Customers, using real-time feedback to make smarter business decisions. Located at our Headquarters in Dallas, the Listening Center is the first of its kind in the domestic airline industry, integrating traditional media, social media, and operational data to allow various functions to move quickly and efficiently from insights to action.

The Listening Center is staffed seven days a week with Employees from our Customer Relations, Communication, and Marketing departments. The Employees are available to answer questions, engage with Customers, and share feedback across the organization to enhance the Customer Experience.

The Listening Center works closely with the [Network Operations Control \(NOC\)](#) center, and has staffed a satellite Listening Center within the NOC to relay real-time feedback from Customers as operational challenges arise. The satellite Listening Center allows Employees on the Social Business Team to proactively communicate with Customers as operational updates become available.

American Customer Satisfaction Index

A third-party scoring entity, the American Customer Satisfaction Index (ACSI), measures the satisfaction of customers across the U.S. economy. The ACSI reports scores on a 0–100 scale and produces indexes for ten economic sectors, 47 industries, more than 225 companies, and more than 200 federal and local government services. The ACSI also produces scores for the causes and consequences of customer satisfaction and their relationships. According to the ACSI, in 2014, our score was 78, second place among airlines.

U.S. DOT Performance Metrics

Like our domestic passenger airline counterparts, we file monthly reports with the U.S. DOT Bureau of Transportation Statistics and other DOT departments regarding a number of performance statistics from our operations. This includes information regarding number of Passengers flown, fuel consumed, and baggage fees. It also includes information regarding Southwest operations as they relate to the Customer Experience. These results help us track our performance compared with other airlines and past performance for continuous improvement.

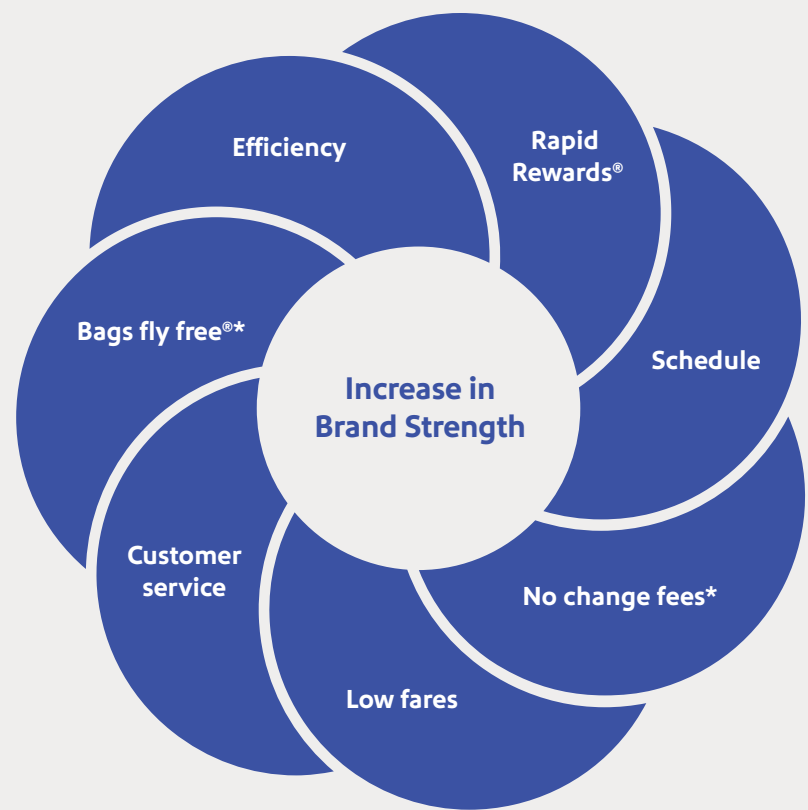
We keep a close eye on these numbers as we strive to always improve. Many factors can impact performance, including several outside of our direct control such as weather and air traffic control practices. We strive to increase our transparency and establish consistency with the information available to our Stakeholders while continuing to get better.

Comparison of 2014 and 2013 Performance Results  
(compiled in the U.S. DOT Air Travel Consumer Report for specified calendar year)

	2014	2013	■ AirTran data is excluded
Consumer complaints per 100,000 enplanements	0.53 0.50	0.34 <sup>13</sup>	
Percentage of reported flight operations arriving ontime	73.5 73.0	76.7	
Number of mishandled bags reported per 1,000 Passengers	4.09 4.06	3.72	
Passengers denied boarding per 10,000 Passengers	1.11 1.03	1.06	
Number of incidents involving the loss, injury, or death of animals during air transportation	0 0	0	

For further Customer performance metrics, see the U.S. DOT Air Travel Consumer Report issued February 2015.

Brand Strength



*\*First and second checked bags, size and weight limits apply. Fare differences may apply.*



Brand Strength

Southwest is proud of our strong brand and the recognition that it receives. We understand this is a legacy developed through years of warm and compassionate Customer Service, low fares, and freedom from hidden fees. To make sure we continue this legacy, we measure our brand strength regularly in a number of ways, including maintaining an ongoing pulse of our brand metrics. We also run a biennial online survey of a national sample of airline fliers from our key markets, to compare Southwest to our competition on many key attributes. In the 2014 evaluation, the commitment to our brand was up significantly versus our last read two years ago. Among other improvements that we had made, Customers appreciated our improved Rapid Rewards frequent flyer program and schedule. This evaluation took place before we launched our new look, so we hope that in future surveys, branding and other improvements continue to provide momentum.

The World’s Most Admired Companies

The FORTUNE World’s Most Admired Companies list is the report card on corporate reputations, a strong measure of brand. In 2014, we ranked ninth among all industries, and we are the only commercial airline to make the top ten. To arrive at the Most Admired Companies overall, the Hay Group asked more than 3,900 respondents to select the ten companies they admired most from a list made up of the companies that ranked in the top 25 percent in last year’s survey plus those that finished in the top 20 percent of their industry.

The Southwest brand remains strong.



### American Brand Excellence Awards

In 2014, The Business Journals named Southwest the top travel-related company in the 11th annual American Brand Excellence Awards. More than 225 business brands were rated, and more than 1,600 small- to mid-sized business owners and managers participated in The Business Journals' study. Honored companies were selected based on criteria such as ease of doing business, industry leadership, forward-thinking, ethical behavior, and value. Southwest ranked fifth among 25 companies honored in 2014.

### Travelers' Choice Award

TripAdvisor, one of the world's largest travel web sites, honored Southwest with a 2014 U.S. Travelers' Choice Award—the only airline to receive that recognition—for being a brand travelers say they must have when traveling. To arrive at the 2014 award winners, a panel of more than 5,500 TripAdvisor travelers was surveyed to develop a short list of brand/product categories of items they prefer to use or take with them on a summer vacation. A total of more than 30,000 U.S. respondents then selected their favorites from the short lists.

### 2015 Airline of the Year

Air Transport World (ATW), the leading monthly magazine serving the needs of the global airline and commercial air transport manufacturing communities, selected Southwest as 2015 Airline of the Year for our extraordinary and consistent standards of service, financial performance, safety, and environmental and corporate responsibility. According to ATW, which announced the award in December 2014, we received it in particular for surpassing our financial target of at least **15 percent pre-tax return on invested capital, excluding special items**,<sup>6</sup> and we remained the world's only airline that could claim 41 consecutive years of profitability.<sup>14</sup> Furthermore, we maintained the highest standards through the integration of AirTran, marking Southwest's transition to serving international destinations. To read more about our 2015 Airline of the Year award please visit [Southwest.investorroom.com/2014-12-19-Southwest-Airlines-Is-2015-Airline-Of-The-Year](http://Southwest.investorroom.com/2014-12-19-Southwest-Airlines-Is-2015-Airline-Of-The-Year).



Gary C. Kelly and the Southwest Family had a lot to celebrate in 2014!

**“CEO Gary C. Kelly’s leadership has allowed Southwest to become the largest domestic airline,<sup>15</sup> and one of the world’s safest airlines. In 2014, Southwest said goodbye to the Wright Amendment and hello to international destinations—massive milestones. All while delivering financial performance that is the envy of airlines worldwide and Customer Service that is renowned for its hospitality.”**

— Karen Walker  
Editor-In-Chief at ATW





Employees rolled up their sleeves and volunteered more than 144,000 hours in 2014.

## Communities

Our Hospitality extends to our communities.

We give from the heart and strive to make a positive difference in the communities we serve. We believe in championing the causes that matter most to our People. We provide support, leadership, and encouragement to a variety of philanthropic causes through our Outreach teams which work directly with civic and charitable organizations. Our Community Giving Boards, consisting of local Employees from various workgroups, donate to local charitable organizations in the communities where they live and work. At Southwest, we value empowering others and building meaningful relationships through community outreach and volunteerism.

We are proud to announce that in 2014, Bloomberg Businessweek—in partnership with civic engagement group, the National Conference on Citizenship and Points of Light—named Southwest to The Civic 50. The Civic 50 recognizes organizations for their strong commitment to corporate civic engagement in communities. For additional information about The Civic 50, visit [pointsoflight.org/corporate-institute/corporate-offerings/civic-50](http://pointsoflight.org/corporate-institute/corporate-offerings/civic-50).

### 2014 Communities by the Numbers

**15,046**

Donation requests  
received systemwide



More than  
**\$3,300,000**  
Value of Employee  
volunteer hours<sup>6</sup>



More than  
**144,000**  
Employee  
volunteer hours



**43,188**

Tickets donated



**\$640,000**

Monies raised through  
official Southwest  
fundraising efforts



**\$2,748,305**  
Total monetary  
donations

**\$20,128,153**

Total corporate monetary,  
in-kind, and ticket donations



Continuing the Legacy

Throughout our 43-year history, we continue to champion the causes that matter most to our People and build lasting relationships in our communities. Through community outreach we strive to make connections that engage, educate, and inspire.

American Red Cross

The American Red Cross helps vulnerable people and communities around the world prepare for, respond to, and recover from natural disasters, humanitarian emergencies, and health crises by mobilizing the power of the world’s largest humanitarian network. At Southwest, we know that disaster can strike at any time, so we reach out to organizations like the American Red Cross to assess the affected community’s needs. As a sponsor of the American Red Cross Annual Disaster Giving Program, we work year-round with the American Red Cross to evaluate needs and prepare proactive and reactive disaster response plans. In 2014, we received the Heroes Award presented by the American Red Cross for the humanitarian spirit our Employees have shown over the years.

Educating Our Youth

Just one educational achievement can transform a person’s life and ripple through a community in a positive way. We strive to connect our upcoming generation of graduates with the tools they need to succeed. In 2014, we collaborated with Lewis University in Romeoville, Illinois, and its aviation maintenance department, where we donated actual aviation equipment so their students could acquire hands-on experience and become better prepared to enter the airline industry. This collaboration has led to an increase of Lewis University graduates working at our maintenance facility base at Chicago Midway International Airport (MDW).

We also support students who soar above their peers through our own scholarships, such as the Kelleher-King Scholarship program for our Employees’ eligible dependents seeking an undergraduate degree and the Endowed Scholarship Fund at Embry-Riddle Aeronautical University. At a national level we give to the Merit® Scholarship Program. Our youth is the next generation of Employees so Southwest takes the time to invest in our future.

Student Conservation Association

In 2014, we extended our commitment to the Student Conservation Association (SCA), the national leader in youth service and stewardship, through 2015 as we boosted Southwest’s pledge to more than \$1 million. Since 2010, our alliance with the SCA has included financial support for SCA programs engaging underserved urban youth as well as air travel for hundreds of SCA volunteers and staff throughout the year. Not only does the SCA engage young volunteers in service from national parks to local communities, it also gives Employees opportunities to work with them in preserving and improving the great outdoor places that mean so much to the communities where we live and work.

In conjunction with our 2014 Messages to the Field, a tour where Chief Executive Officer Gary C. Kelly speaks with our Employees across the nation, we added an opportunity for Employees, Friends, and Family to engage in volunteer projects in some of the communities where the Messages were held.





Employees volunteering at the Ronald McDonald House in Dallas.



Southwest supported the Chinatown Community Development Center 2014 Lunar New Year Luncheon in San Francisco.



## Encouraging Individuals

We recognize that true advancements and change are the results of purposeful efforts. These efforts may be the result of a single person's actions or of a collective group with a common interest. In recognition of this, we actively celebrate diverse viewpoints and support our Customers and Employees in their pursuit of having a positive impact on their own communities through our outreach programs such as [African American Outreach \(Southwest.com/africanamericanoutreach\)](http://Southwest.com/africanamericanoutreach), [Asian Outreach \(Southwest.com/asianoutreach\)](http://Southwest.com/asianoutreach), [LGBT Outreach \(Southwest.com/lgbtoutreach\)](http://Southwest.com/lgbtoutreach), and [Hispanic Outreach \(Southwest.com/hispanicoutreach\)](http://Southwest.com/hispanicoutreach).

## Supporting Others and Our Own

At Southwest, we believe in following The Golden Rule. Supporting others, including our own, has been at the core of our Culture since we first took flight. Building relationships with charitable organizations, large or small, to have a positive impact on our communities is part of our DNA.

## #GivingTuesday

On Dec. 2, 2014, Southwest celebrated #GivingTuesday, a global giving back holiday, by donating \$25,000 to ten nonprofit organizations. Southwest's inaugural participation was a great opportunity to join a worldwide movement that brings people together for one common purpose: to give back. #GivingTuesday also allowed us to raise awareness for ten nonprofit organizations through a \$2,500 donation to each that occurred hourly and was announced through our social channels. To learn more about this program, visit [Swamedia.com/#givingtuesday](http://Swamedia.com/#givingtuesday).

## Make-A-Wish® America

Make-A-Wish® grants the wishes of children with life-threatening medical conditions and believes that a wish experience can be a game-changer. More than 74 percent of wishes involve travel. As a Cause Champion, we are able to help make thousands of travel wishes come true. Over the last three years, Southwest has provided more than \$3 million in travel support.

## Medical Transportation Grant Program

Through the Southwest Medical Transportation Grant Program, we provide complimentary, roundtrip tickets to nonprofit hospitals and medical transportation organizations to help families who are facing serious illnesses get the treatment they need when it is located in another city. Participating nonprofit hospitals and medical transportation organizations determine how to distribute the tickets to patients and/or caregivers. In 2014, we provided \$2.8 million in free transportation to nearly 100 hospitals and organizations nationwide in order to provide some comfort and help to families in great need. To learn more about this program, visit [Southwest.com/medicalgrant](http://Southwest.com/medicalgrant).

## Southwest Airlines Employee Catastrophic Assistance Charity

When disaster strikes, whether it affects hundreds of Employees throughout a region or just one, we truly take care of our own. Through fundraisers and payroll deductions, the Southwest Airlines Employee Catastrophic Assistance Charity (SWAECAC) allows Employees to make tax-deductible donations to a collective assistance fund. These funds are dispersed to Coworkers who apply on the basis of a personal crisis or need. In 2014, our Employees collectively contributed a total of nearly \$1.2 million to SWAECAC.



## Leading the Way

Our Servant's Heart beats strong when we pioneer causes that matter most to Southwest, our People, and our communities. We encourage our Employees to take care of each other and their communities, representing Southwest as volunteers and ambassadors involved in issues that matter through civic involvement and in activities that protect the planet and natural habitats.

## Heart of the Community

In 2014, Southwest announced a multi-year commitment to Placemaking—a movement that reimagines public spaces as the heart of every community. Through the Southwest Airlines Heart of the Community program, our goal is to activate public spaces, transforming them into vibrant places that connect people and strengthen communities in partnership with the nonprofit organization behind Placemaking, Project for Public Spaces (PPS). Our goal is to demonstrate how Placemaking can be a catalyst for building sustainable, healthy, inclusive, and economically viable communities. We believe that public places are truly the hearts of local communities. As a result, the idea of creating and revitalizing public spaces is one that speaks to the heart of who we are.

Building upon successful pilot projects in Detroit and Providence, Rhode Island, in 2013, Southwest and PPS unveiled a third pilot project in 2014 in San Antonio, where a grant was provided to enhance amenities and programming in historic Travis Park. We also awarded Heart of the Community grants for future projects in Baltimore, Houston, and Chicago. In future years, our goal is to expand the Heart of the Community program and support public spaces in all Southwest markets through Placemaking projects. Heart of the Community is a signature part of our broader efforts to connect People and strengthen local communities through our core business, charitable giving, community outreach, and environmental initiatives.

**“Our Purpose is to connect people to what’s important in their lives, and often, those connections include a special place—somewhere with meaning, that brings people together, that creates a sense of belonging and community. We recognize the power public spaces have in communities, so we are proud to support Placemaking efforts.”**

— Gary C. Kelly  
Chairman of the Board, President, and Chief Executive Officer



Some of our best work is done on the ground.



Southwest and PPS extended their reach to the historic Travis Park in San Antonio.

## National Geographic BioBlitz

For the past six years, we have supported National Geographic’s annual BioBlitz, which promotes the biodiversity of our national parks in the decade leading up to the U.S. National Park Service centennial in 2016. This 24-hour event is held at a different national park each year, and in 2014 it was held at Golden Gate National Parks in California. Hundreds of volunteers, including many Employees, worked together to identify as many species of plants, animals, microbes, fungi, and other organisms as possible.

## Key Contact Program and Days on the Hill

Southwest’s Key Contact Program enables Employees to engage their congressional representatives on issues that matter to us most.

To empower our Key Contacts, we host Days on the Hill, an annual grassroots training conference during which our attendees learn about the issues that affect the airline industry and how they can be effective grassroots advocates for Southwest.

Because the airline industry is sensitive to regulatory burdens and changing economic conditions, our Key Contact Program is a vital part of our efforts to affect local issues and national policy that are important to Southwest and aviation in general.



Our fuel vendors perform daily inspections of the fuel systems.

## Suppliers

We believe our diverse supplier base should be held to the same standards we set for ourselves.

Working with our suppliers is an important part of being a good corporate citizen. We partner with our suppliers not only because of the impact they have on the products and equipment we use in the skies, on the ground, and in our offices, but also their impact on our triple bottom line. We build sustainable relationships with our suppliers that take into account diversity, small and minority-owned businesses, environmental aspects, community involvement, human rights, and the highest standards of ethical conduct.

### Sustainable Procurement Practices

We are devoted to finding suppliers who meet our high standards of Customer Service and efficiency and help us maintain a positive impact on our triple bottom line. Effective in 2013, we expanded our existing procurement policy to include sections on green procurement and human rights. These additions require suppliers to do the following:

- › Suppliers comply with applicable environmental legal requirements and regulations.
- › Suppliers have knowledge of the Southwest Environmental Policy, which is referenced in our procurement policy.
- › Suppliers maintain an open dialogue with Southwest concerning environmental achievements, trends, and possible areas for improvement.
- › We ask that our suppliers provide environmental-related data upon request. This includes:
  - › Use of recycled materials in the manufacturing and packaging of products.
  - › Current and future activities and/or programs to help reduce the environmental impact.
  - › Documentation of environmental efforts, achievements, and certifications.
  - › Notices of environmental violations from federal, state, and local regulatory agencies.
- › Our standard request for information encourages suppliers to consider recycled and recyclable materials when selecting materials and design solutions.
- › External audits of regulated waste disposal facilities are performed periodically to validate our waste is managed in compliance with all laws and regulations.
- › External audits of under-wing contractors (ramp services provided by a third-party) are performed periodically to validate that those services are conducted in compliance with all laws and regulations.
- › Southwest will give preference to Forest Stewardship Council-certified paper when purchasing certified paper products.
- › Human rights:
  - › All U.S.-based suppliers comply with federal and state laws regarding child or forced labor.
  - › All U.S.-based suppliers comply with federal and state laws regarding freedom of association and collective bargaining.

Our ongoing discussions with suppliers have led to a more sustainable supply chain and improved procurement practices.



LIFT® Coffee

At Southwest, we are proud of our green partnership with Mother Parkers, our supplier of LIFT® coffee, and its positive impact on our triple bottom line. Our LIFT® coffee is a dark-roasted, 100 percent Arabica blend of South and Central American coffees. Through the support of our supplier, we give back in an environmentally responsible manner by donating to green-energy projects in coffee-growing regions through the Light Up the World Foundation (LUTW). These donations have added up to more than \$53,000 since LIFT’s 2009 debut. As part of LUTW, the Guatemala Light Project (GLP) illuminates isolated villages with renewable energy. GLP was the initial recipient of our donations through May 2012. Starting in June 2012, these donations were directed to green-energy projects in Peru. Through our partnership with our supplier and LUTW, our donations help provide power to off-grid villages with renewable energy.

A Supplier’s Sustainability Efforts

Another example of our sustainable procurement practices in action is our partnership with suppliers that share our commitment to environmental responsibility. Our national waste and single stream recycling Partner, Republic Services, is one of those suppliers that has demonstrated a commitment to renewable energy and emissions reductions. They actively work to turn waste into energy by operating 73 landfill gas and renewable energy projects nationwide with a goal of developing at least two projects per year. To date, they have also converted 2,200 of their waste collection vehicles from diesel to compressed natural gas to reduce greenhouse gas emissions from their fleet.

Supplier Diversity

We believe competitive strength is achieved through diversity. We designed our Supplier Diversity Program to extend opportunities to qualified small; disadvantaged; HUBZone; and minority-, woman-, veteran-, and service-disabled veteran-owned businesses. Our goal for this program is to assist diverse suppliers in their development as competitive suppliers of products and services. Our small business spend increased 56 percent from 2013 to 2014.



We are committed to providing quality diverse suppliers with the opportunity to compete and participate in the procurement process through our Supplier Diversity Program. Our program consists of steps to:

- › Actively seek these suppliers
- › Maintain an open line of communication
- › Make participant information available to internal purchasers
- › Continually encourage our major contract suppliers to utilize qualified diverse businesses as strategic alliance partners

International Terminal at Houston Hobby Airport

In September 2013, we broke ground at Houston William P. Hobby Airport (HOU) as part of our [international service](#) efforts. As part of our Supplier Diversity Program, we are committed to a goal of 25 percent certified small-, minority-, and women-owned business enterprises (SMWBE) participation for professional services on this project. For construction services, we are committed to a goal of 25 percent certified minority- and women-owned business enterprises (MWBE) and 3 percent certified small business enterprises (SBE). As of year-end, we are exceeding these goals with 29.4 percent SMWBE participation in professional services and 25.8 percent MWBE and 25.2 percent SBE participation in construction.



## Terminal 1 Modernization Program at Los Angeles International Airport

In September 2014, Southwest helped kick off construction of the Terminal 1 Modernization Program at Los Angeles International Airport (LAX). The modernization of the terminal is expected to transform the entire Customer Experience from the curb to the gate. Customers will enjoy a brightened Southwest ticketing lobby with sleek design features and additional windows for more natural light. New, more efficient security screening systems and added lanes are anticipated to shorten federal passenger security screening lines. With completion set for 2018, Terminal 1 is expected to accommodate our 737-800s, with updated passenger boarding bridges, aircraft apron pavement, upgraded hydrant fueling system, and electric vehicle chargers to support our electric ground service equipment program. For our professional services on this project we are committed to a goal of 25 percent of our overall project budget consisting of certified minority- and women-owned and disadvantaged business enterprises participation. As of year-end, we have already achieved 60 percent of our goal on this four-year project.



## Social Management Approach

We foster a Culture of Hospitality, Reliability, and prosperity for our Stakeholders, treat our Customers like guests in our home, and give back to the communities we serve.

We understand the powerful impacts that our Company can have on the social systems within which we operate. That is why we are dedicated to connecting People to what's important in their lives through friendly, reliable, and low-cost air travel. We build longstanding relationships not only with our Employees, but also with our Customers and communities and look for every opportunity to enhance these relationships for the betterment of all involved. We disclose information regarding our interaction with these groups through our Global Reporting Initiative Disclosures on Management Approach.

### Labor Practices

We encourage creativity and innovation, which, in turn, improves our operational effectiveness and Customer Service. Above all, we offer Employees the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Customer.



**We want to protect the job security, prosperity, and wellbeing of all of our Employees.**

### Labor and Employment Law Compliance

We recognize and strive to adhere to all labor and employment laws wherever we operate, including those respecting freedom of association, privacy, and equal opportunity. Employees are the heartbeat of Southwest. Therefore, our approach to employment and labor practices is a critical strategy guided by our Executive Vice President and Chief People and Administrative Officer and our People and General Counsel departments, which includes a section devoted solely to labor and Employee relations. We are committed to:

- Seeking talented People
- Maintaining positive union relations
- Investing in training and educational opportunities to enhance Employees' skills
- Fostering an atmosphere that promotes equal opportunity
- Providing our Employees with a safe and stable work environment
- Maintaining equal opportunity for learning and personal growth

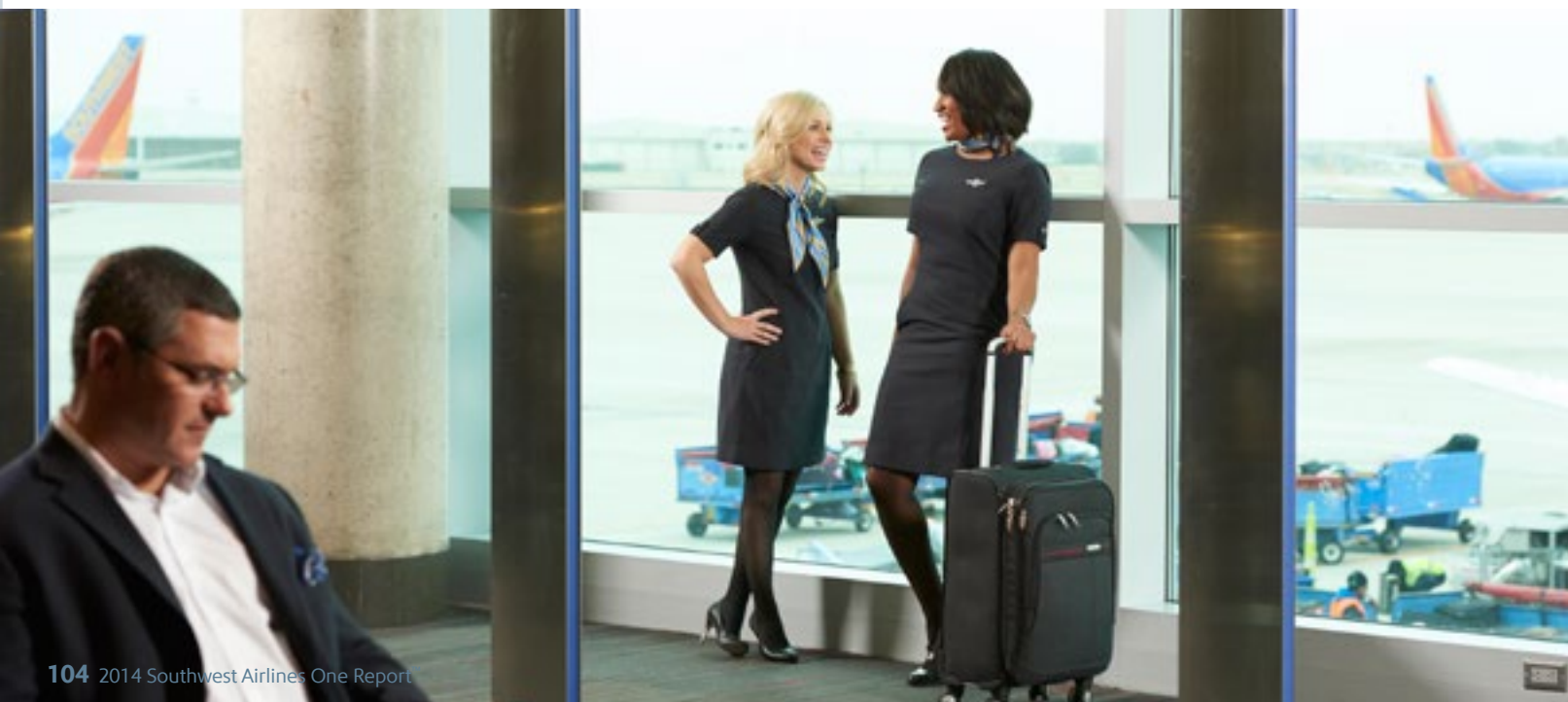
We have a clear vision for our People. We want to protect the job security, prosperity, and wellbeing of all of our Employees. We focus on bringing the best People—with a Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude—into the Southwest Family with a competitive compensation and [benefits](#) package. We then provide a positive working environment, [training](#), and encouragement to help them succeed.

### Safety and Security

Our top priority is to protect the personal Safety of each Southwest Customer and Employee. After Safety, it's job security; beyond this, we follow The Golden Rule, meaning we treat others the way we want to be treated, which is why doing the right thing by our Employees and Customers is so inherent to who we are as a Company. Our Safety and Security commitment is to foster and support a Culture that identifies risks to the operation and workplace and strives to proactively deal with these issues before they lead to injuries, accidents, or incidents. We are also committed to advancing Southwest's Culture of Safety through Employee [training](#) and our Safety and Security Promotions Team, who is dedicated to building Safety awareness within Southwest. Our Safety and Security commitment can be found at [Southwest.com/assets/pdfs/corporate-commitments/safety-commitment-pol.pdf](https://southwest.com/assets/pdfs/corporate-commitments/safety-commitment-pol.pdf).

### Labor Relations

We are proud of our Southwest Culture and the relationships we build with our Employees. We believe communication, transparency, and consistency are keys to fostering strong, long-term relationships. With approximately 83 percent of our Employees represented by unions, we strive to maintain stable relationships with these organizations by having open channels of communication and bargaining in good faith in all matters that involve our Employees.



**Southwest scored 90 out of 100 in the Human Rights Campaign's 2015 Corporate Equality Index released in 2014.**

## Diversity and Inclusion

Building an inclusive environment at Southwest has been a part of our history. Inclusion is about the expanded potential of all who are willing to demonstrate their abilities. With inclusion, Employees feel valued and part of the decision-making process. We have many examples throughout our history where individuals have felt empowered to offer innovative solutions for the Company and our Customers. Some examples of how encouraging an inclusive environment can lead to Employee engagement, higher productivity, workforce retention, openness to thought, and a positive workforce include: our Chief Executive Officer's Messages to the Field, coffee talks with Leaders, town halls, the biennial Employee survey, OnBoarding efforts, the Culture Committee, the Diversity Council, President's Council, the Inclusion and Innovation Summit, and more.

At Southwest, our Vice President of Diversity and Inclusion is responsible for providing Leadership, vision, and advocacy as we continue our work to foster an inclusive work environment. This includes coordination with the leadership of our supplier diversity, diversity recruiting, and training efforts as well as involvement with the Diversity Council on our inclusion and awareness efforts.

Southwest scored 90 out of 100 in the Human Rights Campaign's 2015 Corporate Equality Index released in November 2014. This 13th annual report ranks companies based on a survey of 2014 data. The annual Corporate Equality Index serves as a report card for LGBT equality in corporate America and rates more than 700 businesses across the country in categories such as non-discrimination policies and training, benefits, employee support through diversity councils, and marketing and external engagement.

## Diversity

At Southwest, diversity is more than a word—it's the fabric of our Culture. A diverse workforce keeps Southwest strong and innovative, and we strive to mirror the communities we serve. Our People are our most powerful fuel, and they are an amazing group of Employees from different backgrounds and countries.



Herb Kelleher and Colleen Barrett spending time with the Diversity Council.

This translates to a rich diversity of ideas, knowledge, and actions, which has made us a consistently profitable airline and has helped to create the Fun-LUVing Southwest Culture for which we are known. Inclusion brings our Company together, and we embrace different perspectives and celebrate those who dare to bring their best forward.

## Diversity Council

Southwest devotes full-time resources to creating an environment that celebrates differences and champions inclusion. The Southwest Airlines Diversity Council serves as a key strategic asset to our Company and further enhances our Company's key competitive advantages, diversity of thought, and Company Culture.

## Education and Training

We are dedicated to the continued education and [training](#) of our Employees and seek ways to enhance Employee education.



## Human Rights

At Southwest, we support the preservation of human rights and are guided by fundamental principles to not only comply with the law at all times, but also to avoid the appearance of impropriety in the actions of our Employees and our business Partners. We reflect these principles in various policies and our conduct toward Employees, suppliers, Customers, and the communities we serve. Our Company policies are available at [Southwest.investorroom.com/bylaws-articles-policies](https://southwest.investorroom.com/bylaws-articles-policies).

## Human Trafficking

Southwest has been engaged on the topic of human trafficking for some time. We currently have an internal notification process in place to report details of suspicious behavior, which we share with government agencies. Southwest supports the Polaris Project, and many Southwest Employees are involved in Airline Ambassadors International. In 2013, we increased human trafficking awareness by developing a human trafficking training component in Operational Security Recurrent Training that was implemented in 2014. Southwest also supports several additional organizations focused on this issue.

## Employees

To fulfill our responsibilities to support and respect the protection of human rights within our sphere of influence, we have created and adhere to Company policies defined by our Executive Vice President and Chief People and Administrative Officer and our People and General Counsel departments. These policies include our commitment to:

- Prohibit child and forced labor
- Prevent any form of harassment, discrimination, or retaliation in the workplace based on race, color, religion, age, sex, sexual orientation, gender identity, pregnancy, marital status, national origin, disability, veteran status, genetic information, or other legally protected statuses
- Respect the right of Employees to associate freely
- Recognize lawful rights of Employees to choose or not choose collective bargaining representation

## Suppliers and Business Partners

We expect our suppliers and business Partners to operate in compliance with all applicable laws and regulations, including local environmental, employment, and Safety laws. Read more in our [Suppliers](#) section.

## Training

We conduct training on human rights issues as they relate to harassment, discrimination, or retaliation for all new hires. Human rights training also is available for existing Employees through our *Compliant Leader* training for Leaders and our harassment online learning module. In 2014 alone, our Employees devoted more than 54,000 hours to human rights training, and 46.4 percent of our Employees completed the training. We provide guidance for such issues to all Employees through our Guidelines for Employees, which can be found on our intranet, along with our Policy Concerning Harassment, Sexual Harassment, Discrimination, and Retaliation. All Employees are responsible for maintaining a positive working environment—free of discrimination, harassment, retaliation, and hostile, threatening, or intimidating behavior. We feel that following these policies is simply doing the right thing. Our Policy on Harassment, Sexual Harassment, or Discrimination can be found at [Southwest.investorroom.com/bylaws-articles-policies](https://southwest.investorroom.com/bylaws-articles-policies).



## Product Responsibility

At Southwest, our Mission is dedication to the highest quality of Customer Service with a sense of warmth, friendliness, individual pride, and Company Spirit.

## Customer Service

At Southwest, we recognize the importance of communicating openly, accurately, and responsibly about our service to our Customers, so they can make informed choices. Our formal Customer Service policies are available to our Customers at [Southwest.com/html/about-southwest/index.html](https://www.southwest.com/html/about-southwest/index.html), click on “Customer Commitments.” Our Customer Service actions are further communicated to our Customers through the use of various channels or [Customer Insight](#) opportunities that allow for two-way communication with our Customers.

## Public Relations Research Standards

To more accurately measure how well we are communicating with our Customers, we have adopted the Coalition for Public Relations Research’s voluntary public relations research standards. We’re also contributing our experience; our Vice President of Communication and Outreach sits on the customer panel as part of this initiative. The standards cover traditional media measurement, digital and social media measurement, communications lifecycle (awareness, knowledge, intent, preference, and advocacy), and return on investment. Several industry organizations—including the Public Relations Society of America, the International Association for the Measurement and Evaluation of Communication, the Institute for Public Relations, the Global Alliance for Public Relations and Communication Management, the Council of Public Relations Firms, and The Conclave—formed this coalition to develop a broad platform of standards for research and measurement in the public relations field.

## Marketing

There is a process in place for our General Counsel Department to review our marketing materials for compliance with applicable regulatory and legal requirements. In 2014, Southwest received one fine from the U.S. DOT related to advertising as a result of an error in a television advertisement in one market. In response, the Company has added additional safeguards with regards to future sales.



## Customer Privacy

In 2014, we had no fines for non-compliance with applicable laws and regulations concerning Customer privacy.

## Society

Our Mission, Vision, Purpose, and Culture promote sustaining and respecting our People and our planet and guide our commitment to society. At Southwest, we conserve and innovate, treat others the way we want to be treated, and strive to do the right thing. Read about our [Mission, Vision, and Purpose](#).

## Community

We remain devoted to each and every community that we serve. Our Employees, Customers, and communities all contribute to the Culture of Southwest. We are proud to offer our cities more than just friendly and affordable air service. We provide support—from monetary and ticket donations to volunteer efforts and creating special places that connect People. We reach out to provide help to those in need. We have two Teams, Community Relations and Giving and Community Affairs and Grassroots, dedicated to the goal of making a positive difference by championing the causes that matter most in the communities we serve. By focusing on key areas of strategic giving and by nurturing long-term relationships with national and local organizations, we strengthen our commitment to our [communities](#).

## Avoiding Corruption and Anti-Competitive Behavior

At Southwest, we strive to maintain accountability and transparency of our business practices to reduce or eliminate corruption. We promote vigorous competition that benefits consumers by providing low air fares and a variety of high-quality air service offerings to destinations across the United States and to select international markets.





Public Policy

We must continually adapt to new laws and regulations. Legislative and regulatory changes have the potential to limit our opportunities for growth, and government policies and legislation can have a deep impact on how we do business. We present our views on these topics to a wide range of policymakers and Stakeholder groups through trade associations and interactions with public officials at the federal level and in the states and communities we serve.

We participate in industry associations such as Airlines for America (A4A) and have developed our own public outreach programs such as our [Key Contact Program](#), which features Days on the Hill. Our involvement allows us to gain insight into core issues for the airline industry as a whole 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 better Customer Safety, Service, and overall efficiency.

In 2014, the Company contributed \$3,000 directly to political campaigns at the state or municipal level. No Company funds were used to support political campaigns at the federal level. Also in 2014, A4A, our industry trade association, determined that \$1,007,680 of the total dues paid by the Company to A4A were nondeductible lobbying expenses.

Compliance

As a U.S.-based company, it is our policy to comply with all applicable laws, rules, and regulations of the United States and the individual states and municipalities we serve. We do this through numerous policies and procedures, which are regularly reviewed and updated when necessary, and related Employee certifications. In addition, Employees in various operational areas monitor pending regulation, so associated policies and procedures can be modified to maintain compliance as needed.

Appendix

- 1) Active, full-time equivalent Employees as of Dec. 31 for specified calendar year.

2) Flight includes Cabin Service Support, Inflight, and Flight Operations. Ground, Customer, and Fleet Services includes Provisioning, Customer Services, Ground Operations, and Operations Coordination Center.

3) Includes Southwest's contributions to Employee health and welfare plans, workers' compensation insurance, and employer payroll taxes.

4) 2014 training hours increased due to distance learning and check rides training. Additionally, the transition of AirTran pilots and Part 117 regulation changes increased the number of hours contributing to initial and upgrade classes.

5) Updated in the 2014 Southwest Airlines One Report™ to align with the Company's disclosure of its 2014 monies raised.

6) Based on Independent Sector's estimated value of a volunteer hour. For more information, visit [independentsector.org/volunteer\\_time](http://independentsector.org/volunteer_time).
- 7) Active, full-time equivalent Employees as of Dec. 31, 2014.

8) Southwest does not offer defined benefit plans.

9) Includes full-time and part-time Southwest Employees and full-time AirTran Employees.

10) Includes Noncontract Southwest Employees.

11) Includes Southwest full-time Employees. Noncontract Employees hired after July 1, 2014 were no longer eligible.

12) Based on the Plan Sponsor Council of America 2013 survey results.

13) Leading U.S. Department of Transportation Customer Satisfaction ranking out of 16 airlines evaluated in 2013.

14) 41 consecutive years of profitability is assumed through calendar year 2013 since the award was received in December 2014.

15) As measured by the number of originating domestic passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2014.



# LUV Seat: Repurpose with Purpose<sup>F</sup>

The LUV Seat program demonstrates Southwest Airlines' commitment to the triple bottom line as a global sustainability initiative that combines responsible waste management with building sustainable communities.

“With the pilot of LUV Seat in Nairobi and the United States, we’re embarking on a new vision of social impact through training, job creation, and ultimately product donation.”

– **Bill Tiffany**  
Vice President Supply Chain Management

*LUV Seat: Repurpose with Purpose* is an innovative upcycling project born from our *Evolve* program—the redesign of our cabins. Our *Evolve* program already had a focus on sustainability by replacing the leather seat covers and other interior elements with environmentally friendly materials. As a result of the redesign, we reduced the weight of each aircraft by more than 600 pounds, which saves fuel and the resulting emissions, but we were left with 43 acres of used leather seat coverings.

At Southwest, we are committed to environmental sustainability, and we saw an opportunity to do something innovative with this used material. What if we could not only keep the used leather out of landfills but also have a positive social impact? The LUV Seat upcycling project creates new products from the used seat coverings that will benefit communities by providing employment opportunities, skills training, and donated products.

After many months of planning, we announced the launch of LUV Seat in July of 2014. Our pilot location was Nairobi, Kenya. SOS Children’s Villages Kenya, a nonprofit Partner that serves orphaned children and families in need—along with Alive & Kicking, Maasai Treads, and Life Beads Kenya—received a portion of the used leather to produce goods for distribution to local community groups.

Through the partnership, young adults and community members received vocational and skills training by making shoes, soccer balls, and bags from the used leather.

Watch the  
LUV Seat video



[Swamedia.com/  
luvseat](http://Swamedia.com/luvseat)





Leather from Southwest seats is upcycled to produce goods for distribution to community groups in Kenya.

**Upcycling is the process of converting waste materials into new materials or products of better value.**

Young adults, ranging in age from 17 to 22, from SOS Children's Villages Kenya were given the opportunity to apprentice in leather works with the local sustainable shoe company Maasai Treads. They produced 2,100 pairs of shoes which were being donated to SOS villages and Ahadi Trust as part of a campaign providing closed shoes to impoverished families to help prevent and control jigger (or sand flea) infestation, and to Cura Orphanage, a residence for children who have lost their parents to AIDS. In addition to making shoes, the young adults learned how to hand-stitch 1,000 soccer balls with Alive & Kicking, which uses sports education campaigns to raise awareness about HIV/AIDS and malaria prevention. Kenya-based GoodMakers Films and the Gina Din Foundation were at the helm of managing the project in Kenya and were instrumental in bringing the diverse organizations together. Creative Visions Foundation also was invaluable in getting the LUV Seat program off the ground.

In the United States, Southwest joined with Looptworks, a domestic upcycling company, to create a high-quality collection of travel bags, called LUV Seat bags. Through the LUV Seat bags project, Looptworks provided skills training and jobs for disabled adults. The bags were gifted and sold by Southwest to celebrate the end of the [Wright Amendment](#).

LUV Seat is a program that stays true to the Heart of Southwest. We aim to better people's lives in the communities in which our project Partners operate and raise the environmental standards of our operations. These initiatives are the beginning of a multi-year campaign to reuse Southwest's leather through upcycling projects. The tremendous results we are already seeing and the strong commitment of these organizations excite us for the efforts to come. LUV Seat has fostered the culture of sustainability at Southwest as we look for new ways to responsibly manage our supply chain, consumption and waste.



A LUV Seat bag is produced with leather from a Southwest seat.



Community members received vocational and skills training by making shoes, soccer balls, and bags from the used leather.

## Looking Forward →

Southwest is grateful for the support we have received from Customers and Employees for the LUV Seat program. Many ideas for upcycling and new partnerships have been shared with us through social media. Southwest is exploring new opportunities for additional social enterprise phases of the program with the remaining leather, solidifying our commitment to upcycling and to promoting community. For more information, visit [Swamedia.com/luvseat](https://swamedia.com/luvseat).



# Planet

The heart is a symbol of how much we care,  
and we extend that care to our planet.

At Southwest Airlines, we are committed to conservation, the responsible use of resources, and mitigation of our environmental impacts. With efficiency as a core element of our business and climate change strategies, we strive to minimize our impact on the environment while remaining true to the triple bottom line of Performance, People, and Planet. This was demonstrated in 2014 by the following accomplishments:

- Signed an agreement to purchase approximately 3 million gallons of low-carbon renewable jet fuel per year beginning in 2016
- Decreased absolute greenhouse gas (GHG) emissions for the second year in a row due to continued improvements in fuel efficiency
- Ranked first among the four largest U.S. domestic passenger airlines and fourth overall for in-service fuel efficiency, according to the International Council on Clean Transportation (ICCT) report<sup>1</sup>
- Reached 26 percent improvement in our jet fuel efficiency on a revenue ton miles (RTMs) per gallon basis compared with 2005
- Continued our renewable energy commitments for a total of more than 50 million kilowatt-hours (kWh) of renewable energy in 2013 and 2014
- Received LEED® (Leadership in Energy and Environmental Design) Silver certification for our new [Training and Operational Support \(TOPS\)](#) building in Dallas



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All data presented in Planet includes AirTran Airways starting in 2012 unless otherwise stated. AirTran jet fuel, diesel, and gasoline consumption totals and associated metrics beginning May 2, 2011, are included in Southwest consumption totals. AirTran data is excluded from other Southwest data for 2011 unless otherwise stated.

Planet Data

Environmental Impacts	2014*	2013	2012	2011	2010
Total energy consumption (megawatt-hours (MWh))	69,827,294	70,493,624	71,571,555	68,368,969	55,709,783
Intensity ratio (MWh/1,000 RTMs)	6.39	6.68	6.87	6.93	7.04
Jet fuel consumption (gallons)	1.80 billion	1.82 billion	1.85 billion	1.76 billion	1.44 billion
Natural gas consumption (therms)	1,452,000	1,100,000	801,000	827,000	897,000
Intensity ratio (therms/Employee²)	31	25	17	22	26
Ground support equipment (GSE) diesel consumption (gallons)	2.19 million	2.11 million³	1.79 million	1.78 million	1.75 million
GSE gasoline consumption (gallons)	1,173,000	1,129,000³	944,000	964,000	698,000
Electricity consumption (kilowatt-hours (kWh))	87 million	81 million	79 million	71 million	72 million
Intensity ratio (kWh/Employee²)	Nearly 1,900	More than 1,800	More than 1,700	Nearly 1,900	More than 2,000
Water consumption (gallons)	83 million	69 million	77 million	79 million	73 million
Intensity ratio (gallons/Employee²)	Nearly 1,800	More than 1,500	Nearly 1,700	Nearly 2,100	Nearly 2,100

Greenhouse Gas Inventory (Scope 1 and Scope 2 Emissions)

Scope 1 emissions (metric tons of carbon dioxide equivalent (CO <sub>2</sub> e))	17,784,227	17,956,473	18,232,474	17,417,734	13,930,902
Scope 2 emissions (metric tons of CO <sub>2</sub> e)	51,228	47,680	46,783	41,829	43,960
Total Scope 1 and Scope 2 GHG emissions (metric tons of CO <sub>2</sub> e)	17,835,455	18,004,153	18,279,257	17,459,563	13,974,862
Production activity (revenue Passenger miles (RPMs))	108.0 billion	104.3 billion	102.9 billion	97.6 billion	78.0 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RPMs)	0.165	0.173	0.178	0.179	0.179
Production activity (available seat miles (ASMs))	131.0 billion	130.3 billion	128.1 billion	120.6 billion	98.4 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 ASMs)	0.136	0.138	0.143	0.145	0.142
Production activity (RTMs)	10.9 billion	10.6 billion	10.4 billion	9.9 billion	7.9 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RTMs)	1.63	1.70	1.76	1.77	1.77

\* In 2014, Southwest added the new LEED® Silver-certified 492,000 square-foot [Training and Operational Support](#) building within our organizational boundary. The training and operations activities that take place in this facility were previously located at several facilities, many of them leased and outside our organizational boundary, and therefore not included in previous years' utilities metrics.

Planet Data

Greenhouse Gas Inventory (Scope 3 Emissions)

	2014*	2013	2012	2011	2010
Capital goods—production of aircraft (metric tons CO <sub>2</sub> e)	53,000	32,000	—	—	—
Waste generated in operations—waste to landfill and burned for energy recovery (metric tons CO <sub>2</sub> e)	5,100	5,700	—	—	—
Employee commuting—estimate based on survey (metric tons CO <sub>2</sub> e)	174,000 <sup>4</sup>	188,000	—	—	—

Regulatory Compliance

Number of environmental violations resulting in fines	3	None	1	None	2
Total environmental fines	\$5,738	\$—	\$1,500	\$—	\$603

Environmental Conservation

Fuel efficiency (ASMs/gallon)	72.8	71.7	69.4	68.3	68.5
Total cleaner-burning GSE (pieces of equipment)	Nearly 2,000	More than 1,700	More than 1,500	More than 1,300	Nearly 1,100
Purchases of renewable energy certificates (kWh)	More than 25 million	More than 25 million	More than 15.7 million	More than 15.7 million	More than 15.7 million
U.S. Environmental Protection Agency's (EPA's) FORTUNE 500 Green Power Partners List ranking	33 <sup>5</sup>	39	40	37	32

Environmental Management Systems

Ozone-depleting substances produced or imported	None	None	None	None	None
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Waste Management & Recycling

Recycled co-mingled waste—paper, plastic, aluminum, and cardboard (tons) <sup>6</sup>	More than 3,000	More than 2,700	Nearly 2,900	Nearly 2,700	More than 2,500
Year-over-year change in co-mingled recycling (percent)	Increase more than 10	Decrease more than 5	Increase more than 7	Increase more than 6	Increase more than 65
Recycled industrial waste (tons)	520	660	632	515	650
Energy recovered from industrial waste (British thermal units (Btus))	More than 7.1 billion	More than 7.8 billion	More than 8.2 billion	Nearly 5.8 billion	More than 6.0 billion
Hazardous waste generated (tons)	16.5	14.9	21.9	12.2	16.1
Hazardous waste managed through recycling and beneficial reuse (tons)	12.4	11.6	18.5	9.9	15.3
Intensity ratio (pounds of hazardous waste generated/aircraft)	50	44	63	44	59

— Data not reported in Southwest Airlines One Report™ for specified calendar year.



Southwest reduces emissions by supplying electric ground power to our aircraft while parked at the gate.

# Environmental Impacts

Each year, we measure and report our resource and energy consumption in the Southwest Airlines One Report™.

With our international service expansion, the repeal of the Wright Amendment, and completion of the AirTran integration, 2014 was a monumental year at Southwest. We are proud to say that along with these milestones and an increase in our flight network, we also saw a decrease in our absolute greenhouse gas (GHG) emissions compared with 2013 and 2012. Our GHG intensity ratios based on productivity have also shown a decreasing trend since 2010. By vigilantly maintaining our focus on operating efficiently, we continue to minimize our impact on the environment as we expand our operations.

## 2014 Energy Consumption (MWh)<sup>7</sup>



Jet Fuel  
69,566,584



Gasoline  
42,768



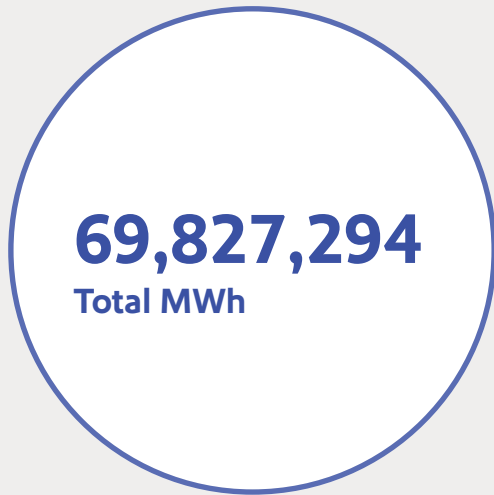
Diesel  
88,560



Natural Gas  
41,987



Electricity  
87,395



## Energy Consumption

Our total energy use was approximately 69.8 million megawatt-hours (MWh), compared with approximately 70.5 million MWh in 2013. As an airline, jet fuel consumption comprises the vast majority of our energy use, so the decrease in overall jet fuel consumption compared with 2013 was the primary reason for the decrease in total energy use. Even as we spread our wings, we remain committed to efficiency and environmentally responsible growth. For more on our jet fuel efficiency improvements and conservation efforts, see [Jet Fuel Conservation](#).

## Greenhouse Gas Inventory

There are no federal, state, or local regulations requiring us to conduct a GHG inventory, but since 2009, we have voluntarily tracked our GHG emissions. We do so to increase the transparency of our operations and, most importantly, to better understand our impact on the environment. We strive to reduce future emissions while continuing to provide safe, reliable, and affordable air transportation to our Customers.

“I take our commitment to the environment very seriously. Southwest was built on efficiency, and our success depends on us continuing to find the most efficient operations and being aware of our impact on our Planet.”

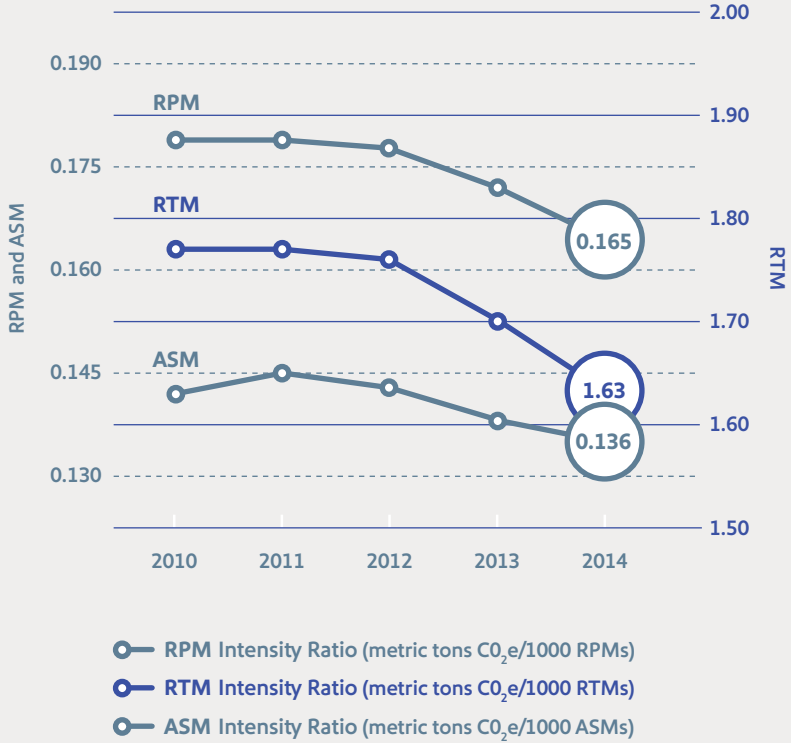
— Mike Hafner  
Vice President  
Cabin Services



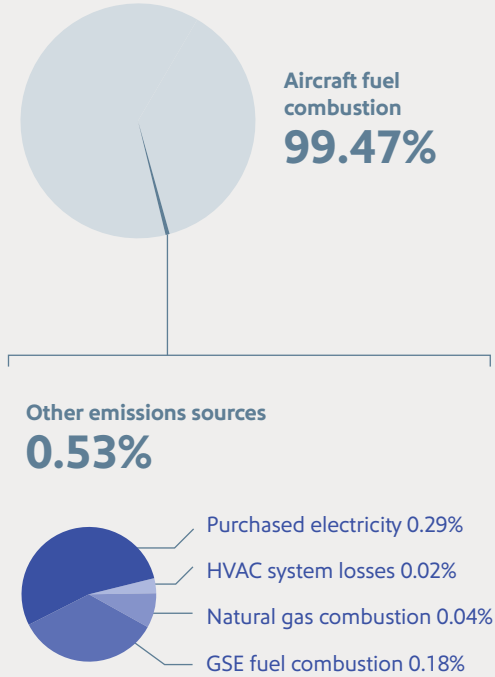
Comparison of Key Operating Statistics Related to Emissions

Metric	2014	2013	2012	2011	2010
Trips flown	1,255,502	1,312,785	1,361,558	1,317,977	1,114,451
Fuel consumed (million gallons)	1,801	1,818	1,847	1,764	1,437
Total Scope 1 and 2 GHG emissions (million metric tons CO <sub>2</sub> e)	17.8	18.0	18.3	17.5	14.0
Available seat miles (ASMs) (thousands)	131,003,957	130,344,072	128,137,110	120,578,736	98,437,092
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 ASMs)	0.136	0.138	0.143	0.145	0.142
Revenue Passenger miles (RPMs) (thousands)	108,035,133	104,348,216	102,874,979	97,582,530	78,046,967
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RPMs)	0.165	0.173	0.178	0.179	0.179
Revenue ton miles (RTMs) (thousands)	10,935,251	10,559,737	10,411,609	9,871,458	7,914,603
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RTMs)	1.63	1.70	1.76	1.77	1.77

Improvement in CO<sub>2</sub>e Intensity Ratios



2014 Emissions Breakdown



Our GHG Inventory has been externally assured by an independent third-party.

Despite the increase in the size of our operations over the previous five years, our GHG intensity ratios based on available seat miles (ASMs), revenue Passenger miles (RPMs), and revenue ton miles (RTMs) have followed a decreasing trend. Our 2014 GHG inventory shows a decrease in the total GHG emissions in tons of CO<sub>2</sub>e compared with the past year, and a decreasing trend in GHG intensity ratios year-over-year because of Southwest’s many efficiency measures discussed throughout the *2014 Southwest Airlines One Report*™.

Scope 1 and Scope 2 Emissions

As with our previous years’ inventories, we have included Scope 1 and Scope 2 emissions in our 2014 GHG inventory. To prepare this inventory, we collected energy consumption data and refrigerant use from our various operations.

Scope 1 Emissions

- › Aircraft fuel consumption
- › Ground support equipment (GSE) fuel consumption
- › Natural gas consumption in offices, hangars, and other facilities controlled by Southwest
- › Refrigerants emitted from chillers and air conditioning units at Southwest-controlled facilities (e.g., HVAC system losses)

Scope 2 Emissions

- › Purchased electricity used in Southwest-controlled facilities

The collected data was converted to GHG emissions using industry-standard factors. Southwest’s Scope 1 and Scope 2 GHG emissions for 2014 totaled approximately 17.8 million metric tons of CO<sub>2</sub>e, with more than 99 percent of those emissions coming from aircraft fuel combustion. A detailed summary of historical GHG emissions by operational boundary is provided in the [Appendix](#).

“Efforts [by our People] to conserve fuel are important to our bottom line as well as the environment, and are very much appreciated.”

– Tammy Romo  
Chief Financial Officer

Scope 3 Emissions (metric tons CO<sub>2</sub>e)

Category	Description	2014	2013
Capital goods	Emissions associated with the production of new aircraft added to the fleet in reporting year	53,000	32,000
Waste generated in operations	Emissions associated with waste sent to landfills and the combustion of materials burned for energy recovery	5,100	5,700
Employee commuting	Emissions associated with the transportation of our Employees between their homes and their work locations	174,000 <sup>4</sup>	188,000

For more information on our suppliers' environmental efforts, see the [Suppliers](#) section.

Scope 3 Emissions

In 2013, we expanded our inventory to include Scope 3 emissions. Scope 3 emissions are defined as emissions occurring from sources owned or controlled by other entities in the Southwest value chain (e.g., materials suppliers, waste management suppliers, and Employees). We have chosen to use the Scope 3 emissions categories defined by the World Resources Institute's The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard—the standard we follow for our GHG inventory—and are reporting on three categories: capital goods, waste generated in operations, and Employee commuting.

Regulatory Compliance

Maintaining compliance with all local, state, and federal environmental laws and regulations is fundamental to our environmental policy. We strive to meet our annual goal of zero recorded environmental violations resulting in monetary fines in our operations by maintaining and improving our environmental management systems, following environmental guidelines and procedures, and training our Employees to meet our compliance goals.

Our Environmental Services Team regularly conducts audits to review environmental compliance. Our standard auditing protocol assesses a location's record keeping, permit status, and compliance with requirements of regulatory plans such as Storm Water Pollution Prevention Plans (SWPPP) and Spill Prevention, Control, and Countermeasure (SPCC) Plans. We perform a visual, walk-through inspection to confirm that key compliance practices are enacted in each of the cities we serve. We also track spills at all our locations, audit findings and corresponding corrective action, and information about permits and their expiration dates, in our [Environmental Management System \(EMS\)](#).

History of Environmental Violations Resulting in Monetary Fines

	Number of Violations Resulting in Fines	Total Fines
2014	3	\$ 5,738
2013	None	\$ -
2012	1	\$ 1,500
2011	None	\$ -
2010	2	\$ 603

Fines and Sanctions

One of the ways we can measure our impact on the environment is by the number of environmental fines and sanctions we receive. We report the number of and dollar amount associated with any environmental violations we receive to environmental Leadership. Our goal is always zero recorded environmental violations resulting in monetary fines. In 2014, we fell short of this goal, with three minor violations and related fines totaling \$5,738. Two of these violations were related to city ordinances—regarding noise curfew and storm water—and the third violation was related to U.S. Department of Agriculture (USDA) baggage inspection requirements.

Operational Spills

We recognize that spills of chemicals, oils, and fuels can have a significant impact on our planet, so we make every effort to prevent them. However, we acknowledge that despite our best efforts, some spills do happen because of equipment failure or human error. We provide our Employees 24/7 access to guidance and emergency response assistance with spill response, and we track our spills using an online spill reporting form. This not only makes it simple for our Employees to report a spill in a timely and accurate manner, but it also provides automatic notification to the entire Environmental Services Team upon submittal for quick response and regulatory agency reporting when required. The Environmental Services Team also compiles and analyzes details from all spills so operating groups can access spill prevention strategies. Only two of the spill incidents in 2014 required reporting to the National Response Center or other governmental agencies. None of the spills required reporting in our financial statements as a liability.

We demonstrate our commitment to transparency by reporting on environmental fines and sanctions and operational spills.



Since 2009, we have voluntarily responded to CDP’s Climate Change Information Request, and in 2014, we responded to our first CDP Supply Chain request.

Noise Reduction

We strive to be a good neighbor in each of the communities we serve, and that includes mitigating noise through our goal of meeting current aircraft noise standards and abiding by locally established curfews. All aircraft in our current fleet are compliant with the minimum Federal Aviation Administration’s (FAA) Stage 3 standard. Eighty percent of our fleet, specifically our Boeing 737-700 and 737-800 aircraft, are compliant with the more stringent Stage 4 standard. The addition of winglets to the majority of our fleet has further reduced the noise footprint for our aircraft operations. In 2014, we were close to meeting our goal with the exception of one local curfew violation that resulted from a flight arriving 38 seconds before the end of the curfew in the morning.

Storm Water Management

We work with 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 pollution-reduction technologies. We also support storm water management efforts by maintaining compliance with regulatory plans, such as SWPPP and SPCC plans, and by including the topic of storm water protection in our annual environmental training required for all our operational groups.

Disclosure to Stakeholders

It’s important to Southwest that we’re transparent with our Stakeholders. Each year we measure and report our resource and energy consumption in the Southwest Airlines One Report™. This annual public report is verified by a third-party and demonstrates our commitment to continual tracking and reporting of our energy and resource use. Setting baselines and tracking usage allows us to evaluate our approach to conservation and determine the best methods to reduce our impact on the planet.



At Southwest, we are committed to continual tracking and annual reporting of our energy and resource use.

CDP is an international, not-for-profit organization that provides a framework that allows respondents to effectively manage their environmental risks, focusing on GHG emissions and climate change strategies. Since 2009, we have voluntarily responded to CDP’s Climate Change Information Request, and in 2014, we responded to our first CDP Supply Chain request. We recognize that companies which measure their environmental risk through CDP’s questionnaire are better able to manage it strategically and compare their risks to others. Learn more about the CDP at [cdp.net](http://cdp.net).

Our disclosure also extends beyond the One Report and CDP. We engage rating and ranking organizations in order to be transparent about our triple bottom line performance and to compare our performance against other organizations. We have provided in-kind donations and expertise in an advisory capacity to research organizations. We volunteer time and share operational data with Boeing and organizations such as the Airport Cooperative Research Program (ACRP) to help improve environmental compliance and planning throughout the airline industry.

Since 2005,  
we have seen  
a 26 percent  
improvement  
in our jet fuel  
efficiency on  
an RTMs per  
gallon basis.

## Environmental Conservation

We are committed to making environmentally responsible decisions while remaining true to our low-cost philosophy.

Throughout our operations—from our aircraft and equipment to our facilities—we are focused on efficiency. We are committed to supporting industry-wide goals for fuel efficiency and emissions reductions. In 2014, we entered a new frontier with our agreement to purchase low-carbon renewable jet fuel while continuing progress on our ongoing fuel-saving initiatives. We also received recognition for our energy and water efficiency efforts in our facilities when our new [TOPS](#) building in Dallas received LEED® Silver certification. Along with our commitment to alternative energy sources, we continue to manage our electricity use by auditing and tracking our monthly utility bills through Summit, our energy management consultant. Our Headquarters building utilizes many Energy Star appliances and has received [Energy Star certification](#). We hope to inspire others by sharing these and other conservation stories with our community of Stakeholders.



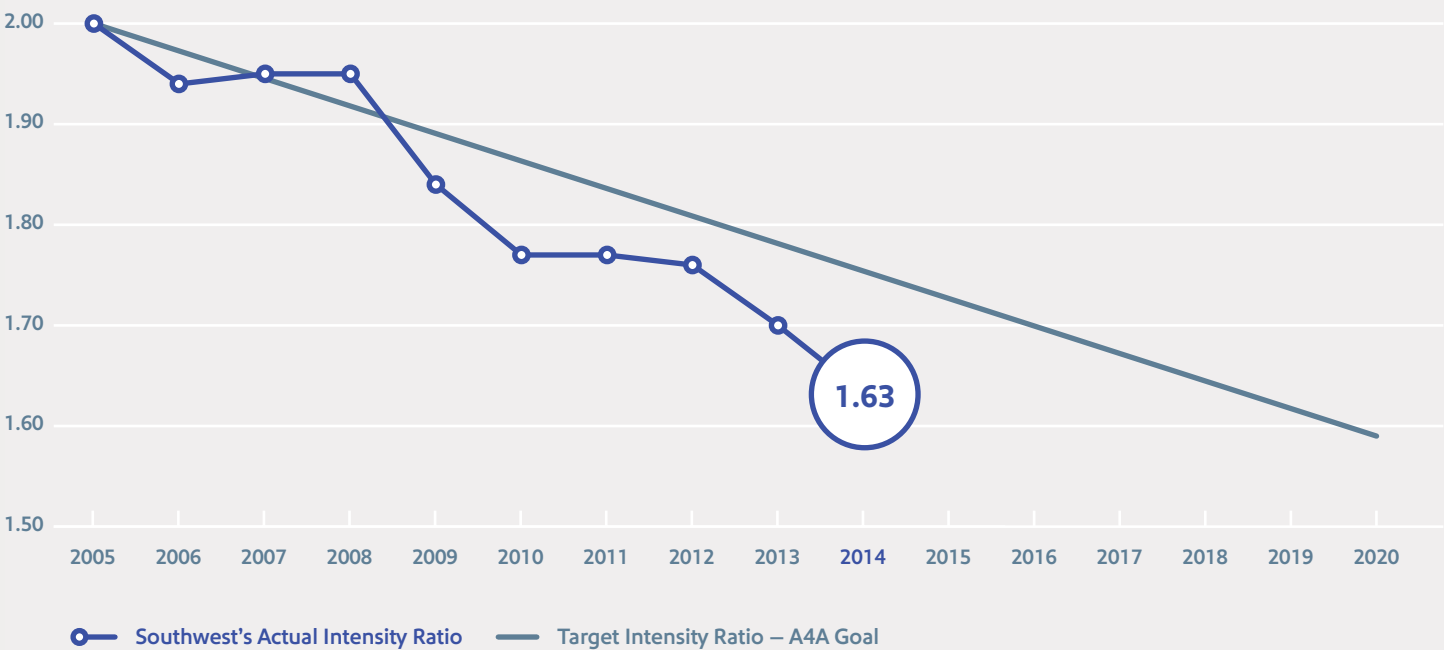
## Climate Change Commitment

As a member of Airlines for America (A4A), we support the A4A climate change commitment and have adopted the A4A's industry-wide goals for fuel efficiency and emissions reductions:

- Continue industry fuel (and, hence, CO<sub>2</sub>) efficiency improvements, resulting in an average annual CO<sub>2</sub> efficiency improvement of 1.5 percent per year on an RTM basis through 2020
- Cap industry-wide CO<sub>2</sub> emissions from 2020 (carbon-neutral growth) subject to critical aviation infrastructure and technology advances achieved by the industry and government
- Contribute to an industry-wide goal of reducing net CO<sub>2</sub> emissions by 50 percent by 2050, relative to 2005 levels

We have contributed to the A4A's goal to continue industry fuel efficiency improvements and are committed to tracking and reporting our progress. Since 2009, our average annual efficiency improvements have been tracking ahead of the industry-wide goal of an average annual CO<sub>2</sub> efficiency improvement of 1.5 percent on an RTM basis through 2020.

Emissions Reduction Target (metric tons CO<sub>2</sub>e/1,000 RTMs)





“Our commitment to sustainability and efficient operations led us on a search for a viable biofuel that uses a sustainable feedstock with a high rate of success. Red Rock Biofuels’ technology, economics, and approved use made entering into an agreement for purchase a win-win situation.”

– Bill Tiffany  
Vice President  
Supply Chain Management

### Emissions Reductions

Operating with a mindset of using resources efficiently supports both our operational and climate change strategies. With the vast majority of our resource consumption and our Scope 1 emissions resulting from our use of jet fuel, the conservation of this resource has been a priority since our inception. Over the last several years, we have limited our Scope 2 emissions with our purchase of renewable energy for a portion of our Dallas and Houston operations and our commitment to implement design and construction practices that meet LEED® standards for new construction and building retrofits. Recently, we have expanded our efforts to include Scope 3 emissions, such as those related to Employee commuting. For example, in 2014, we installed new electric vehicle charging stations at Headquarters after multiple requests from Employees. These charging stations allow drivers of electric cars to extend their commuting distance by getting a charge while they’re at work instead of having to rely only on their at-home charging stations.

### Alternative Jet Fuel

In 2014, Southwest signed an agreement with [Red Rock Biofuels, LLC](#) to purchase low-carbon renewable jet fuel refined in Oregon using forest residues. Use of these residues has the added benefit of helping reduce the risk of destructive wildfires in the western United States. Our agreement with Red Rock Biofuels covers the purchase of approximately 3 million gallons per year at a cost on par with the average cost of conventional jet fuel. The blended product of biofuel and jet fuel is expected to be used at Southwest’s San Francisco Bay Area operations, with first delivery anticipated in 2016.

We actively support key advancements in the protection of our planet, such as biofuels and cleaner alternative fuels. Southwest is a longtime member of Commercial Aviation Alternative Fuels Initiative (CAAFI), which is a coalition of government and industry for the development and deployment of alternative jet fuel for commercial aviation. As a member of CAAFI, we have followed the progress of alternative fuel technologies. Red Rock Biofuels is the first viable opportunity we have found to meet both our financial and sustainability objectives. For more information on alternative aviation fuels, visit [caafi.org](#).

### Jet Fuel Conservation

Increasing fuel efficiency in our operations is key to our business strategy. Fuel efficiency improvements decrease our unit operating costs and help us maintain low fares for our Customers. Fuel savings also directly translate to a decrease in GHG emissions. Many of our ongoing fuel-saving initiatives were featured last year in our *2013 Southwest Airlines One Report™*. Updates on those initiatives for 2014 include:

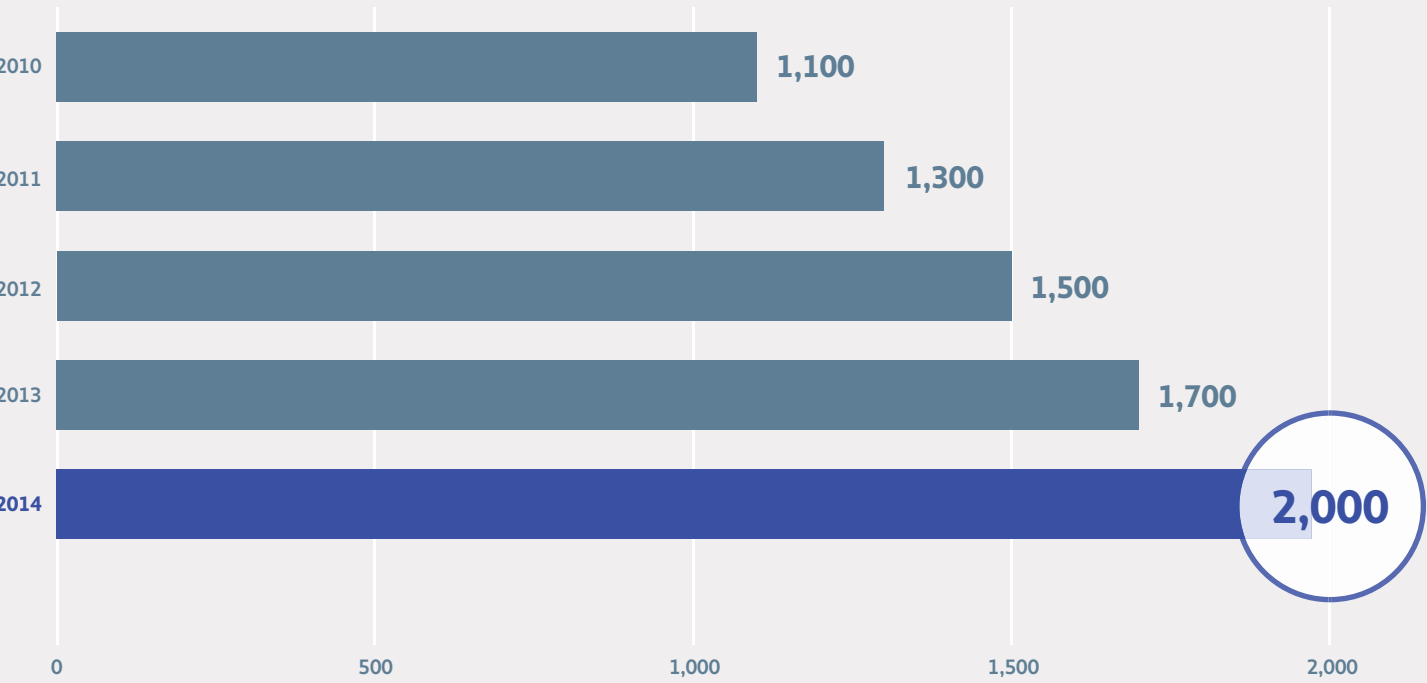


- 1. Split Scimitar Winglets**  
In 2014, we completed installation of Split Scimitar Winglets on 39 of our Boeing 737-800 aircraft. We estimate these new winglets provided an incremental fuel savings of **more than 430,000 gallons** in 2014.
- 2. Single-Engine Taxi**  
We had a significant increase in the frequency of single-engine taxiing in our operations in 2014. This resulted in incremental savings of more than **780,000 gallons** of fuel in 2014.
- 3. Required Navigation Performance (RNP)**  
We continue to work alongside the FAA, airport officials, and industry stakeholders to develop and implement RNP procedures for public use at **46 airports** across the nation.
- 4. Fleet Modernization and the 737-800s**  
Our most significant strategic initiatives to improve fuel efficiency are our fleet modernization plan and our acquisition of -800s. In 2014, these initiatives resulted in substantial increases in our jet fuel efficiency as reflected in our Historic Jet Fuel Efficiency Improvement graph. For more details on our fleet updates, see [Aircraft Delivery Schedule](#).
- 5. Galley Refresh**  
Based on weight-saving changes to how we stock our aircraft galleys implemented in 2013, we saw an incremental savings of approximately **125,000 gallons** of fuel in 2014.
- 6. Fuel and Flight Planning**  
By reviewing our fuel planning calculations and flight planning procedures, we have saved an additional **12 million gallons** of fuel in 2014 while continuing to provide for the absolute Safety of our Customers and Employees.
- 7. Electronic Flight Bag Implementation**  
We rolled out full implementation of this initiative in 2014. We estimate the use of tablets in place of the paper charts and manuals reduced weight by 80 pounds per flight and contributed to incremental savings of more than **60,000 gallons** of fuel.

Historic Jet Fuel Efficiency Improvement (ASMs/gallon)



Number of Cleaner-Burning GSE in the Fleet (pieces of equipment)



**In 2014, 18 percent of our GSE fleet was powered by electricity, resulting in emissions reductions of approximately 7,300 metric tons of CO<sub>2</sub>e – a reduction equivalent to taking 1,500 cars off the road for one year.<sup>8</sup>**

**GSE Fuel Conservation**

We utilize alternative fuels and power sources in our GSE to reduce GHG emissions. Throughout our network, we purchase cleaner-burning equipment to replace retired equipment, and we replace old diesel engines with electric motors through our GSE diesel-to-electric conversion program. In 2014, 33 percent of our GSE fleet was powered by solar, electric, propane, compressed natural gas, or reduced-emissions diesel engines. Some examples of these cleaner-burning GSE include: solar-powered boarding ramps at Bob Hope Airport (BUR) in Burbank, California; belt loaders and other equipment that have been converted to electric power; and new electric belt loaders and baggage tractors. In 2014, we saved more than 770,000 gallons of fuel through the use of electric, rather than petroleum-powered, GSE. We realized additional fuel savings and emissions reductions in 2014 from repowering some nonroad GSE with new, cleaner-burning diesel engines. By repowering these GSE, we also avoided the use of raw materials and energy that would have been required to produce new equipment.



We look for opportunities to convert GSE to electric power where it makes sense without jeopardizing operational and financial integrity. Partnering with airports and nonprofit organizations to obtain funding for a portion of the cost of electric GSE and the necessary battery recharging infrastructure has created opportunities for emissions reductions projects that also make good business sense. In 2014, we partnered with Austin-Bergstrom International Airport (AUS) in Texas and Albuquerque International Sunport (ABQ) in New Mexico to obtain funding for a portion of the projects to electrify ground support operations based on our commitment to electrify a portion of our fleet at those Stations. These projects included the addition of electric vehicle chargers at each of our gates, the associated electrical system improvements needed to support the chargers, and the purchase of 58 new electric GSE. At San Jose International Airport (SJC) in California, the electric vehicle chargers were already in place, but we worked with the airport to obtain grant funding toward the purchase of three electric pushback tractors for that Station. These projects support our commitment to the triple bottom line by minimizing capital costs and payback periods while yielding reductions in fuel consumption and GHG emissions.





A solar-powered fuel cart is used to fuel a Southwest aircraft.

**Our renewable energy commitments total more than 50 million kWh for the two-year period of 2013 and 2014.**

## Renewable Energy

To further reduce the impact our electricity use has on the environment, we have continued our commitment to procure renewable energy certificates through Summit Energy Services, Inc. In 2013, we began purchasing renewable energy credits equivalent to:

- › 50 percent of our estimated total electricity use for our remodeled Headquarters building for two years, and
- › 70 percent of our estimated total electricity use for our new TOPS building for two years, and
- › 30 percent of our estimated total electricity use for our other Dallas and Houston facilities for two years

In addition to purchasing renewable energy certificates, Southwest utilizes renewable energy-fueled equipment such as solar compactors, fuel carts, and passenger boarding ramps at some of our locations.

## Water Stewardship

Although we do not use a significant amount of water in our operations, we still strive to be good stewards of this natural resource. The majority of our water consumption comes from domestic use by our Employees, and we have implemented projects to target conservation in this area including use of water-saving plumbing fixtures in our Headquarters building renovation and the construction of our TOPS building in Dallas. We also focus on water stewardship



We support activities that promote conservation and preservation of our natural resources.

through education and outreach to our Employees about the importance and impact of integrating water conservation habits into their lives at work and home. For more on water efficiency efforts in our facilities, see [Breaking New Ground](#).

## Community Outreach

At Southwest, we consider ourselves much more than a business. We are part of the communities we serve, so we strive to be good environmental stewards in the locations where we live and work. Whether through volunteerism, in-kind donations, or financial giving, we support activities that promote conservation and preservation of our natural resources. We also promote biodiversity and support organizations such as the National Geographic BioBlitz and the Student Conservation Association whose activities help sustain the diversity of species in ecosystems. More information on how we support our [communities](#) can be found in the People section.

We connect to our broader community of Stakeholders through our Nuts About Southwest blog. It includes a weekly feature called “Going Green.” These environmentally focused posts share helpful tips on ways to protect our planet, with topics ranging from green travel tips and electric cars to recycling and gardening. Many of these tips come from our Green Tuesday initiative—a weekly internal blog posted on SWALife (our intranet site) with eco-friendly tips written by and for Employees. For more information or to see some of our “Going Green” posts, visit our Nuts About Southwest blog at [Blogsouthwest.com](#).





## Environmental Management Systems

Our environmental management systems aid in meeting our environmental goals and making future enhancements to improve our performance.

At Southwest, we use an environmental management system to maintain compliance with environmental regulations, foster environmental improvement, and minimize costs and risk. Our EMS ensures adequate plans are in place to address potential environmental impacts and review for continual improvement. We also have a chemical management system (CMS) in place to review and track the use of chemicals in our facilities.

### Environmental Management System

Our environmental policy is the cornerstone of our EMS and is provided in the [Environmental Management Approach](#) section. It requires all Southwest operating groups and procedures that could have an environmental impact be included in the system. Under the EMS, we review our operations to maintain compliance with all local, state, and federal environmental laws and regulations. Our goal is to maintain zero environmental violations as tracked through monetary fines assessed and to aid in identifying pollution-prevention opportunities.



Our EMS includes procedures for monitoring our operations and providing corrective and preventative actions where needed.

Implementation of our EMS includes training and communicating with all Southwest operating groups and engaging all Employees. Document control and document sharing are important elements of effective engagement. Through the EMS, environmental documents and information are available on an internal web site where Employees have access to environmental guidance, emergency response information, and standardized, online forms for reporting.

As part of our EMS, we also track and monitor data related to our environmental goals. Since 2007, we have partnered with outside firms to provide third-party assurance of environmental data included in our sustainability reporting. Our One Report includes data on our generation of waste and consumption of jet fuel, natural gas, GSE fuels, electricity, and water. We are committed to tracking the use, recycling, and disposal of these resources as a way to measure both our environmental impacts and the progress of our conservation efforts. Based on this resource use data, we have completed our sixth annual GHG emissions inventory. External audits of waste disposal facilities are also performed to ensure our waste is managed in compliance with all applicable laws and regulations.

In addition to external assurance, we maintain an internal auditing process for all operations in order to check for compliance and continual improvement. We monitor progress and corrective and preventative actions taken through the EMS database. The Environmental Services Team continually reviews our EMS and provides ideas for improvement with General Counsel Leadership oversight. Changes are approved and implemented on an as-needed basis.



We are committed to tracking and reporting our GHG emissions and resource use data.



Our CMS tracks the use of chemicals, such as this corrosion-inhibitor applied to the inside of the aircraft cargo compartment.

## Chemical Management System

Our CMS is another program encompassed in our EMS. New chemicals are reviewed for environmental and Safety impacts before they are approved for use at Southwest. The CMS was originally tasked with reviewing only chemicals used in aircraft maintenance operations. In 2014, it was expanded to cover all chemicals used throughout the Company. Two Chemical Review Boards—which include Employees from the Safety, Environmental Services, Purchasing, Hazardous Materials, Engineering, Aircraft Appearance, Ground Operations, Provisioning, GSE, and Facilities departments—review all requests for new chemicals, and each department with an approval role must approve the chemical before it can be purchased and added to the CMS. Our CMS also tracks the use of chemicals in our aircraft maintenance facilities.

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. The only ozone-depleting substances Southwest presently uses are refrigerants found in the HVAC systems of Southwest-operated buildings. In every location except our Headquarters Campus, we contract the servicing of our refrigerant systems. For this reason, we estimate the use of these substances for reporting purposes. In 2014, the estimated emissions are 3,395 metric tons of CO<sub>2</sub>e based on an upper-bound assumption of the expected losses that would occur from Southwest facilities. We do not produce or import ozone-depleting substances in Southwest operations.



In 2014, we recycled more than 3,000 tons of co-mingled waste materials.

## Waste Management & Recycling

Efficiency means elimination of unnecessary waste, and we take that meaning to heart.

We recycle co-mingled recyclable materials from our aircraft and facilities as well as some industrial materials and hazardous waste from our maintenance activities. We also provide education and outreach to our Employees about our internal recycling practices, as well as recycling tips they can use at work and home.

### America Recycles Day

On Nov. 18, 2014, we celebrated America Recycles Day at our Headquarters campus. Members of our Green Team and Green Ambassadors were on hand to educate Employees about recycling practices. As part of our remodeling at our Headquarters building, we created Culture Centers—Employee break areas—that included changes and updates to the recycling collection points. Because of these changes, we experienced challenges with contaminated loads of co-mingled recyclables from our Headquarters building. America Recycles Day provided a great opportunity for a refresher on what our Employees can do to contribute to the success of our recycling program. Activities included:

- › Stationing Green Team members and [Green Ambassadors](#) at recycling collection points to answer questions
- › Placing new posters at recycling collection points to aid in understanding which items can be recycled
- › Awarding Employees using the recycling collection points with a [Kick Tail](#)—one of our means of recognizing Employees who exhibit Southwest's values through Living the Southwest Way

Since our program began in 2008, we diverted more than 15,500 tons of material from landfills and into recycling facilities—recycling equivalent to the weight of 370 Boeing -700 aircraft.<sup>9</sup>

## Co-Mingled Recycling

Paper, cardboard, plastic, and aluminum collected onboard our aircraft<sup>6</sup> and at many of our facilities are recycled through our co-mingled recycling program. The environmental benefits of this program include:

- Reducing waste volume to conserve landfill space
- Minimizing future GHG emissions through the contribution of recycled materials, which can be used to make new products with a smaller carbon footprint
- Preserving raw materials, as well as the energy and water required for processing raw materials
- Purchasing renewable energy-fueled equipment such as solar compactors with co-mingled recycling program rebates
- Promoting recycling to our Employees and Customers through education to encourage more recycling onboard our aircraft, in the office, and also at home.

We track our co-mingled recycling program's success through monthly reports compiled by our recycling vendors. In 2014, we diverted more than 3,000 tons of co-mingled waste material from landfills as a direct result of recycling. The quantity of materials recycled onboard our aircraft and in our facilities has remained steady over the last five years. Even though we have been recycling

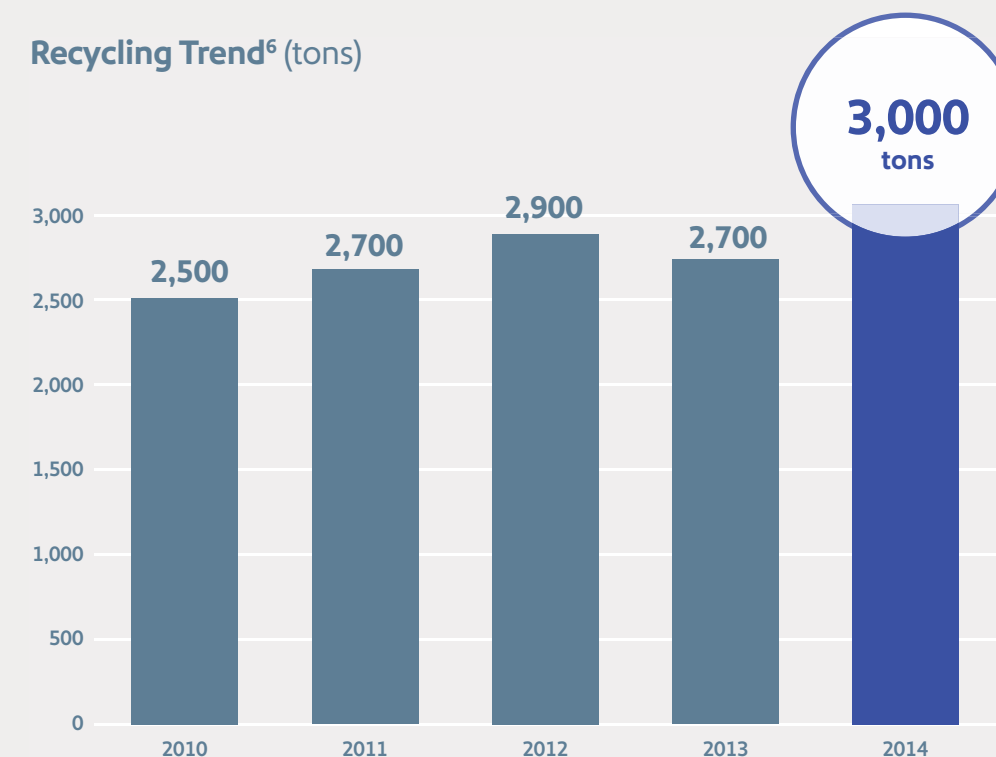
our shredded paper at our Headquarters for many years, 2014 is the first year our vendor has provided the weight of shredded paper recycled. This additional waste stream contributed to the increase in recycled materials for 2014 compared with 2013 and enabled us to meet our co-mingled recycling goal of 2.5 percent per year for a total of a 10 percent improvement by 2015 over our 2011 levels.

Continuing to increase our quantities of co-mingled recycled materials has been affected by our waste minimization effort, which is overall a positive outcome. For example, our water bottle fill stations encourage the use of refillable water bottles and therefore minimize plastic water bottles that would have been recycled. We also provided Employees at our Headquarters campus with reusable plastic cups to further encourage use of refillable containers. We have reduced our paper usage per Employee at our Headquarters by nearly 40 percent since 2010 through printer controls such as double-sided printing. The conversion to electronic flight bags for our Flight Operations group and the introduction of mobile boarding passes have led to an additional reduction in paper use and paper recycling throughout our system. Based on these observations, we are shifting our focus from increasing the quantity of recycled materials to an emphasis on both improved recycling and waste minimization practices.

We have reduced our paper usage per Employee at our Headquarters by nearly 40 percent since 2010.



Recycling Trend<sup>6</sup> (tons)



We recycle paper, cardboard, plastic, and aluminum collected onboard our aircraft<sup>6</sup> and at many of our facilities. In 2014, we also began tracking the amount of shredded paper we recycle at our Headquarters.



The energy recovered from our industrial waste material is equivalent to powering approximately 160 homes with electricity for one year.<sup>8</sup>

Industrial Solid Waste Management and Recycling

Industrial Materials

Maintenance of our aircraft, GSE, and facilities generates industrial waste that could be harmful to our environment if not properly disposed of or recycled. To minimize our impact on the environment, we try to find beneficial reuse options for the industrial waste we generate. In 2014, we recycled approximately 520 tons of industrial waste. This includes both recycling in the traditional sense (processing and remanufacturing materials into new products) and burning waste materials for energy recovery (using industrial waste as a fuel source for unrelated production processes such as cement kilns). In 2014, we avoided nearly 400 metric tons CO<sub>2</sub>e<sup>10</sup> emissions through our recycling program for used oil and solvents.

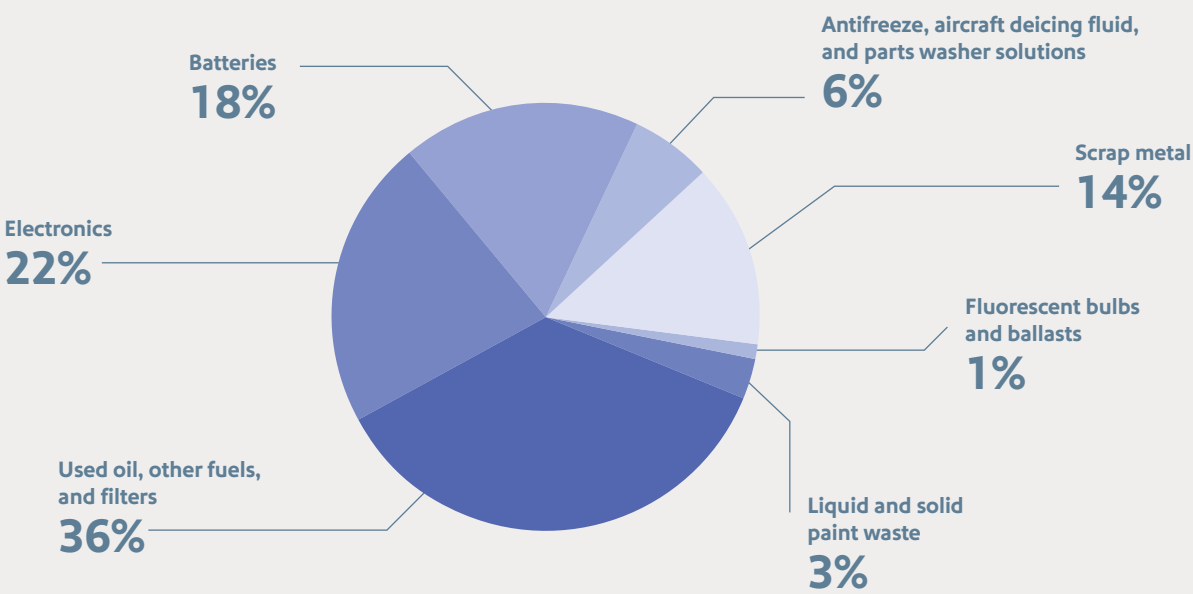
In 2014, our waste vendors sent approximately 38 percent, or 195 tons, of the 520 tons of industrial waste material to be burned for energy recovery. More than 7.1 billion British thermal units (Btus) were recovered from materials such as used oil, filters, and liquid and solid paint waste.

Hazardous Waste

A small percentage of our industrial waste—primarily that resulting from aircraft maintenance operations—meets the regulatory definition of hazardous waste, triggering additional storage, record-keeping, and disposal requirements. These materials all have a mandatory shelf life. Our hazardous waste generation increases every other year due primarily to the expiration of materials. Consistent with past hazardous waste generation trends, our hazardous waste intensity increased in 2014; however, the increase in intensity was not as great due to new chemical inventory control measures put in place to minimize waste in 2014. We also continued to reduce our use of parts washer solvents by replacing them with water-based materials.

We are continuously striving for efficiency in our operations and seeking new and better ways to minimize our generation of hazardous waste. Of the hazardous waste we do generate, our goal is to manage it through the most environmentally beneficial methods. In 2014, we managed more than 12 tons, or approximately 75 percent of our total hazardous waste generated, through recycling or burning for energy recovery.

Breakdown of Industrial Materials Recycled (percentage by weight)



Hazardous Waste Intensity Ratio (pounds per aircraft)<sup>11</sup>



Total Hazardous Waste Generated and Recycled (tons)





Soccer balls are one of the products made from the used leather as part of the LUV Seat project.

**After redesigning our aircraft cabins, we upcycled used leather seats into new products that give back to the community.**

### Aircraft Parts

From aircraft parts to the wooden pallets they are shipped to us on, we look for ways to reuse items or materials that would otherwise be disposed of as waste from our operations. In previous years' One Reports, we shared information on our retired aircraft recycling program. As part of that program, we collect usable spare parts such as oxygen bottles, avionics, and landing gear. These items are kept in our inventory to avoid having to purchase additional parts for aircraft maintenance.

After a successful pilot program, we launched our global upcycling initiative, *LUV Seat: Repurpose with Purpose*. This multi-year environmental program will upcycle approximately 80,000 of our former airline seat coverings into new leather products and provide valuable training and jobs in communities in Kenya in addition to keeping these materials out of a landfill. For more on our LUV Seat initiative, see our feature story [\*\*\*LUV Seat: Repurpose with Purpose\*\*\*](#).



By supplying pre-conditioned air to our aircraft while parked at the gate, we further reduce our jet fuel consumption.

## Environmental Management Approach

Southwest is committed to minimizing the impact of our operations on the environment.

We recognize the importance of environmental stewardship. We do our part to minimize our impact on the environment by operating with a green filter, collecting and analyzing information on our impacts, and continually improving the actions we take to mitigate those impacts. Our environmental policy is a source for all Employees to understand how they can be a part of our Culture of global citizenship. Our goals help us measure our efforts to improve our environmental performance. We disclose information regarding our policy and goals through our Global Reporting Initiative (GRI) Disclosures on Management Approach.





**At Southwest, we believe in doing the right thing. We want to do our part to utilize our resources responsibly and take care of our Planet.**

## Environmental Policy

Southwest is committed to being a good steward of our planet's resources including energy, water, and raw materials. All of Southwest's Leaders and Employees are responsible for carrying out this policy by:

- › Complying with all environmental laws and regulations
- › Striving to meet our annual goal of zero environmental violations in our operations
- › Maintaining our environmental management systems, following procedures, and training our Employees to meet our compliance goals
- › Continuing to improve our performance regarding our environmental goals and initiatives, including our goals for reducing greenhouse gas emissions
- › Auditing our operations for environmental compliance and implementing corrective actions where needed
- › Auditing our environmental vendors to ensure their operations are compliant and they demonstrate a commitment to environmental stewardship
- › Providing transparency of our environmental performance to our Stakeholders through public reporting and third-party verification and assurance of our environmental and climate change data
- › Conserving natural resources, including efficient use of water and raw materials, and using alternative fuels and renewable energy where possible while continuing to meet our operational requirements
- › Minimizing waste, pollution, and emissions from our operations and preventing it where possible while remaining true to the triple bottom line of Performance, People, and Planet



**Management of risks and opportunities related to climate change are integrated into our business strategy.**

## Position on Climate Change

At Southwest, we are committed to protecting our planet, reducing our carbon footprint, and using natural resources efficiently as stated in our Environmental Policy. As a member of Airlines for America (A4A), we support A4A's global approach to aviation climate change through the work of the International Civil Aviation Organization (ICAO), and we are encouraged by ICAO's progress on global industry standards for aviation operations and emissions. We also advocate for advancements in carbon-efficient technologies, alternative fuels, air traffic control procedures, aircraft equipment, and transportation infrastructure to further the airline industry's efforts to conserve energy and reduce GHG emissions. We have adopted A4A's industry-wide goals for fuel efficiency and emissions reductions and understand that it's important for us to continue taking steps to address and report on GHG emissions from our operations.

Over the past decade, we have done our part to reduce GHG emissions and improve the fuel efficiency of our fleet through our fleet modernization, agreement to purchase alternative fuels, and investment of more than \$525 million in projects like winglets, engine upgrades, engine washes, use of ground power at airport gates, controlled ground idle speeds, and equipping our fleet with satellite-based RNP to enable our aircraft to fly more efficient routes. However, one of the biggest opportunities for improvement in emissions reduction and jet fuel conservation rests with the federal government. That is because today's air traffic control system, which is maintained by the FAA, is woefully inefficient. The current system is radar-based and prevents airlines from fully using the advanced capabilities that already exist in modern jet aircraft, such as Southwest's fleet of RNP-equipped Boeing -700 and -800 aircraft, as well as future purchases of Boeing's newly designed 737 MAX aircraft, which are on order and scheduled for delivery beginning in 2017.

“We continue to look for opportunities to invest in dependable, low-price, and sustainable biofuels, and we are hopeful that there are more agreements out there in the future.”

– Gary C. Kelly  
Chairman of the Board,  
President, and Chief  
Executive Officer

The FAA is working toward creating a satellite-based Next Generation Air Transportation System (NextGen). Until NextGen is fully implemented, however, even the most advanced aircraft will be forced to fly inefficient routes. The NextGen system will improve the environmental performance of the industry as a whole by allowing aircraft to fly more directly and efficiently, which will lead to major reductions in emissions, fuel consumption, and flight delays. For more information on NextGen, visit [faa.gov/nextgen](http://faa.gov/nextgen).

Regarding our position on the potential risks associated with climate change, in our CDP response, we have identified risks that could create operational complexities. These risks are divided into two main categories: risks driven by changes in physical climate parameters, and risks driven by changes in regulation. Physical risks are those that may arise from extreme weather events, such as tornadoes and hurricanes, or subtle changes in weather patterns, such as changes in average temperature or precipitation. We recognize that extreme weather events and modified weather patterns may affect airline operations, which could result in impacts to operational and capital costs and ontime performance.

One initiative that we have chosen not to participate in is offering our Customers the ability to purchase carbon offsets from a third-party via our web site. We feel it is the responsibility of Southwest, not our Customers, to reduce our impact on the environment. If our Customers want to make a positive difference for our planet, we encourage them to make a difference in their communities and the environment by volunteering their time and supporting one of the charitable organizations or community projects we sponsor.

Goals and Performance Targets

We are continuously developing systemwide commitments related to environmental performance. Commitments to the following environmental aspects are discussed throughout the One Report:

- |                                     |   |
|-------------------------------------|---|
| > <a href="#">Jet fuel</a>          | > <a href="#">Water conservation</a>    |
| > <a href="#">GSE fuel</a>          | > <a href="#">LEED® certification</a>   |
| > <a href="#">Alternative fuels</a> | > <a href="#">Recycling</a>             |
| > <a href="#">Renewable energy</a>  | > <a href="#">Regulatory compliance</a> |
| > <a href="#">GHG emissions</a>     | > <a href="#">Supply chain</a>          |
| > <a href="#">Noise</a>             |   |



Organizational Responsibility

While the environmental responsibility reflected in our formal environmental policy is inherent in the hearts of our Employees, it’s the job of our Environmental Services Department to formally develop environmental policies, programs, and related procedures. Environmental Services works as part of the General Counsel Department and collaborates with all of Southwest’s operating groups to maintain compliance with federal, state, and local environmental regulations and manage risk while protecting our planet and our bottom line.

In addition to the department formally responsible for environmental compliance, Employees from our operating group have joined together to collect, share, and implement environmentally responsible ideas and initiatives. These Employees are known as our Green Team. Similarly, our Green Ambassadors expand the reach of the Green Team by promoting environmental stewardship in the communities we serve. These groups, dedicated to preserving our planet, collaborate to foster Southwest’s environmental programs and to mitigate our environmental impacts.

Training and Awareness

Because our commitment to protecting our planet is integral to our operations, the topics of environmental stewardship and sustainability are integrated into our Employee training programs. For more information about these programs, see the [Training](#) section.

Monitoring, Correction, and Preventative Actions

Our procedures related to monitoring, correction, and preventative actions are incorporated into our EMS, which is discussed in detail in the [Environmental Management Systems](#) section.



# Appendix

## Environmental Methodologies

### Fuel Consumption and Efficiency

AirTran jet fuel, diesel, and gasoline consumption totals beginning May 2, 2011, are included in Southwest consumption totals. Fuel data for AirTran prior to May 2, 2011, is not included in this report. Jet fuel consumption for international flights is included in fuel consumption totals. Southwest calculates jet fuel efficiency in ASMs per gallon. ASMs measure an airline’s passenger capacity.

### Natural Gas, Electricity, and Water Consumption

In addition to jet fuel, we consume several other types of fuel. This includes natural gas consumption in offices, hangars, and other facilities controlled by Southwest and fuels used to power GSE. The primary fuels used by our GSE fleet are diesel and gasoline. A limited number of GSE consumed propane, liquid petroleum gas, or compressed natural gas. Due to the limited usage of these fuels, which only account for approximately 3 percent of the GSE fleet, and challenges associated with measuring consumption of these fuels, usage numbers for these fuels are not actively tracked.

In tracking our energy consumption and related emissions, we include the facilities and assets we control. This includes both facilities owned by Southwest and those under primary control of Southwest. This does not include any international facilities, as those are not under Southwest control. In facilities where we are a tenant rather than an owner, we do not control, monitor, or pay directly for all utilities used. The energy consumption numbers listed here and utilized in our GHG inventory are based on facilities for which we have primary control and purchase the utilities. The utilities included vary by tenant or lease agreement, which is why the number of Southwest-controlled facilities on which we report varies by utility type.

Southwest-controlled facilities receive water from the local municipal water supply. Our water consumption total does not include canned water served onboard aircraft, which is purchased from a beverage supplier and, therefore, counted in its consumption. The majority of our water consumption is domestic use by our Employees. A portion of our water usage is process water—including facility cleanup and equipment and aircraft washing—at our maintenance bases. We also consume water for landscape irrigation at some of our facilities. Compared with other resources, such as jet fuel, our water consumption is not a material environmental impact for Southwest operations.

### Greenhouse Gas Inventory

Our GHG inventory follows the World Resources Institute’s The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. For more information, visit [ghgprotocol.org/standards/corporate-standard](http://ghgprotocol.org/standards/corporate-standard).

### Inventory Development

Our inventory evaluates the GHGs recognized under the Greenhouse Gas Protocol as contributing to climate change:

- Carbon dioxide (CO<sub>2</sub>)
- Methane (CH<sub>4</sub>)
- Nitrous oxide (N<sub>2</sub>O)
- Hydrofluorocarbons (HFCs)
- Perfluorocarbons (PFCs)
- Sulfur hexafluoride (SF<sub>6</sub>)
- Nitrogen trifluoride (NF<sub>3</sub>)

The emission quantities of the recognized GHGs are converted to metric tons of CO<sub>2</sub>e (carbon dioxide equivalent) using global warming potential (GWP) to normalize the GHGs. GWP is the ratio of radiative forcing to the degree of atmospheric warming that would result from the emission of one mass-based unit of a given GHG compared with one equivalent unit of CO<sub>2</sub> over a period of time. CO<sub>2</sub> emissions account for nearly 99 percent of Southwest’s emissions on a CO<sub>2</sub>e basis.

AirTran data has been incorporated into our emissions calculations. The calculations of emissions related to jet fuel, diesel, and gasoline include AirTran data, as do the facility-related emissions calculations—including electricity usage, natural gas usage, and HVAC losses. We do not calculate emissions for any facilities outside the United States, as those are under the operational control of the airports we serve. Emissions related to jet fuel are included for both domestic and international flights.

Based upon the completeness and precision of the data used for the inventory, we estimate that this inventory is accurate within 5 percent. GHG emissions from some activities, such as HVAC system losses at many of our smaller facilities, are estimated based on an upper-bound assumption of the expected losses that would occur from Southwest facilities. Similarly, Scope 3 emissions from Employee commuting are estimated based on an annual Employee survey. These activities are a very small percentage of our overall GHG emissions. Our larger sources

of GHG emissions, such as the combustion of jet fuel and natural gas, are calculated from actual usage records. We review our measurement methods and calculation methodologies on an annual basis as part of our data assurance process.

### Organizational Boundaries

Organizational boundaries—the degree of an organization’s control over its facilities and equipment—determine the types of GHG emissions that will be included within or excluded from the inventory. In commercial aviation, the majority of the facilities operated by an airline are owned by others and leased by the airline. In this GHG inventory, we are taking the same operational control approach we have used since 2009—including GHG emissions from facilities and assets we control, which includes both facilities owned by Southwest and those under the primary control of Southwest. Examples of the types of facilities under our primary control include Headquarters facilities, aircraft hangars, Customer Support and Services centers, and other airport facilities such as Provisioning, Cargo, or GSE maintenance locations. Facilities controlled by airport operators, such as terminals shared by multiple airlines, have not been included.

### Operational Boundaries

Operational boundaries identify the types of emission sources that will be included in the GHG inventory. GHG emissions are categorized into operational boundaries to avoid double counting. The classifications are:

- **Scope 1 (direct) emissions** originate from sources owned or controlled by the organization. Our main source of Scope 1 emissions is the combustion of jet fuel; however, we also track the impacts of natural gas combustion, GSE fuel combustion, and HVAC system losses.
- **Scope 2 (indirect) emissions** occur from the generation of imported electricity or steam consumed by the organization.
- **Scope 3 (other indirect) emissions** are the consequences of an organization’s activities but arise from GHG sources not owned or controlled by the organization. Examples of these include Employees commuting to work in personal vehicles and waste generated in operations.

### Historical GHG Emissions Inventory Summary (metric tons CO<sub>2</sub>e)

Operational Boundary	2014	2013	2012	2011	2010
Aircraft fuel combustion	17,740,070	17,915,358	18,197,935	17,382,945	13,898,333
Natural gas combustion	7,853	5,950	4,330	4,472	4,842
GSE fuel combustion	32,909	31,770 <sup>3</sup>	26,814	26,922	24,332
HVAC system losses (upper-bound estimate)	3,395	3,395	3,395	3,395	3,395
Total Scope 1 emissions	17,784,227	17,956,473	18,232,474	17,417,734	13,930,902
Total Scope 2 emissions	51,228	47,680	46,783	41,829	43,960
Total Scope 1 and 2 GHG emissions	17,835,455	18,004,153	18,279,257	17,459,563	13,974,862

Intensity Ratios

Intensity ratios are often referred to as normalized environmental impact data that allow a quantification of the GHG impact per unit of physical activity or unit of economic output. Within the airline industry, parameters that reflect productivity include RPMs, ASMs, and RTMs.

- An RPM is one paying Passenger flown one mile.
- An ASM is one seat (empty or full) flown one mile.
- An RTM is one ton of revenue traffic flown one mile.

Waste Management and Recycling

Co-Mingled Recycling

We began tracking recycling data in August 2008. We launched our onboard co-mingled recycling program in November 2009. This program uses a single nationwide contractor to recycle waste collected onboard our entire fleet of aircraft for all domestic flights. We also recycle similar materials on the ground at most Southwest facilities across the United States wherever programs are available, either through our program or programs operated by the airports we serve. Our co-mingled recycling stream includes:

- Paper
- Cardboard
- Plastic (types one and two)
- Aluminum

Because of the volume of material generated at our Headquarters, we recycle many additional waste streams—including plastic types one through seven, empty aerosol cans, and steel and tin cans—beyond our systemwide collection of paper, plastic, aluminum, and cardboard. Our Headquarters campus in Dallas, seven Customer Support and Service centers, 20 aircraft Provisioning facilities, and six of our largest Stations (Baltimore, Chicago, Dallas, Houston, Las Vegas, and Phoenix)—which include Crew bases, Cargo facilities, GSE, and aircraft maintenance bases—participate in our co-mingled recycling program. More than 30 additional Stations participate in their airport-sponsored recycling programs. Most of our recycling of onboard waste happens at our aircraft Provisioning facilities. When we fly into cities that do not have Provisioning facilities or available recycling programs, we keep the recycled materials onboard the aircraft, space permitting, until we return to a Provisioning location. We track our co-mingled recycling program’s success through monthly reports compiled by Republic Services. When available, we also include our data from airport-sponsored recycling programs. Co-mingled recycling numbers in this report exclude AirTran flights.

Industrial Materials

Industrial waste we recycle or burn for energy recovery includes:

- Antifreeze
- Aircraft deicing fluid, both off-specification and captured from defrosting activities
- Batteries from aircraft, equipment, vehicles, and GSE
- Electronics (e-waste), including computers, monitors, and printers
- Fluorescent bulbs and ballasts from facilities and aircraft
- Liquid and solid paint waste
- Off-specification fuel
- Parts washer solvents
- Scrap metal, including copper cable
- Used oil and filters
- Adhesives, sealants, and other aircraft maintenance chemicals
- Wood pallets
- Printer cartridges and copier toner

Hazardous Waste

The hazardous waste reported is the total tons of hazardous waste, including that generated at facilities classified as conditionally exempt small-quantity generators and not required to be reported to federal or state agencies. Examples of hazardous waste generated by Southwest include:

- Expired or otherwise unusable aircraft maintenance materials such as sealants and adhesives
- Paint and paint-related waste
- Parts washer solvent with a flash point less than or equal to 140 degrees Fahrenheit
- Metal-treating waste and wastewater

Since most of our hazardous waste generation stems from aircraft maintenance, and the number of aircraft in our fleet is a good general representation of the size of our aircraft maintenance operations, our hazardous waste intensity ratio for 2014 is based on pounds of hazardous waste generated at controlled facilities divided by the number of aircraft in the fleet as of Dec. 31, 2014, including aircraft acquired from AirTran.

Footnotes

- 1) *Report by International Council on Clean Transportation released in 2014, titled “U.S. domestic airline fuel efficiency ranking, 2013” available at: [theicct.org/aviation](http://theicct.org/aviation); Southwest is ranked highest among United Airlines, Delta Air Lines, and American Airlines, and fourth out of the 13 U.S. domestic passenger airlines included in the study, based on 2013 fuel consumption data.*
- 2) *Active, full-time equivalent Employees as of Dec. 31 for specified calendar year.*
- 3) *This number has been revised since the 2013 Southwest Airlines One Report™ due to a review of GSE fuel usage records for 2013. Related metrics such as energy consumption and GHG emissions have also been updated.*
- 4) *The Employee survey used to collect data for Scope 3 emissions was refined in 2014.*
- 5) *The U.S. Environmental Protection Agency FORTUNE 500 Green Power Partners List is updated quarterly. Southwest ranked 33rd as of Oct. 27, 2014.*
- 6) *Material recycled from aircraft and select facilities as part of the Southwest co-mingled recycling program. Does not include international flights due to regulations that require waste from international flights to be incinerated. Does not include AirTran flights.*
- 7) *Conversions to MWh are based on default densities and heating values from the CDP guidance document, “Technical Note: Conversion of fuel data to MWh.” We use this unit of measurement for consistency with our CDP reporting.*
- 8) *Comparison is based on the U.S. EPA’s GHG Equivalencies Calculator available at [epa.gov/cleanenergy/energy-resources/calculator.html](http://epa.gov/cleanenergy/energy-resources/calculator.html).*
- 9) *Based on maximum takeoff weight of a Boeing -700 loaded with fuel and Passengers.*
- 10) *As certified by our vendor Safety-Kleen.*
- 11) *Pounds of hazardous waste generated at controlled facilities divided by the number of aircraft in the fleet as of Dec. 31, 2014, which included the Boeing 737-700 aircraft acquired from AirTran.*



## Corporate Governance

We believe being a good corporate citizen means operating with the highest standards of ethics and integrity. Quality corporate governance is a necessary foundation for achieving long-term Shareholder, Employee, and Customer value.



### Code of Ethics

Our Code of Ethics sets forth the expectation that our Employees, Board members, and certain business associates comply with the law, both in letter and in spirit, and specifically addresses matters such as confidentiality, insider trading, competition and fair dealing, payments to government personnel, conflicts of interest, corporate opportunities, safeguarding of Company property, and recordkeeping. To read our Code of Ethics, visit [Southwest.investorroom.com/bylaws-articles-policies](https://southwest.investorroom.com/bylaws-articles-policies).

### Insider Trading Policy

Our Insider Trading Policy prohibits our Employees, Board members, and consultants as well as related persons from (i) purchasing or selling Southwest securities while in possession of material nonpublic information about our Company, (ii) purchasing or selling securities of another company while in possession of material nonpublic information about that company that has been acquired while in the course of performing services for our Company, and (iii) communicating material nonpublic information about our Company or about other companies with which we do business to others who may trade based on the information.

### Foreign Corrupt Practices Act Policy and Anti-Corruption Compliance Procedures

Our Foreign Corrupt Practices Act Policy and Anti-Corruption Compliance Procedures apply to our Company, Board members, Employees, agents, consultants, and other business associates and representatives worldwide. They (i) prohibit the making of improper payments directly or indirectly to foreign government officials, foreign political parties or officials thereof, or candidates for foreign political office in order to obtain or retain business or to direct business to any person and (ii) require Southwest to prepare and maintain accurate books, records, and accounts and to devise and maintain an adequate system of internal accounting controls.

### Blackout and Pre-Clearance Procedures

Our Officers, Board members, and selected Employees are subject to quarterly restrictions on trading in Southwest securities during periods surrounding Southwest's release of quarterly earnings. These same individuals are also required to pre-clear all trades in Southwest securities and are subject to additional restrictions on trading in the case of material events that have not been disclosed to the public.

For further reading on our corporate governance, visit [Southwest.investorroom.com/governance-guidelines](https://southwest.investorroom.com/governance-guidelines).



## Acknowledgements

We require all Employees to annually certify receipt and understanding of our Code of Ethics and Insider Trading Policy. In 2014, more than 50,800 Employees and certain business associates certified receipt of these materials. During 2014, we also distributed our Foreign Corrupt Practices Act Policy and Anti-Corruption Compliance Procedures to all Company Officers, Senior Leaders of all departments, and select Employees and contractors who are involved with Southwest’s financial records and/or international operations. In 2014, more than 2,300 individuals received and completed a compliance questionnaire regarding the Foreign Corrupt Practices Act.

## Auditing Procedures

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 needed.

## Southwest Leadership

### 2014 Board of Directors (as of Dec. 31, 2014)

#### David W. Biegler

Chairman  
Southcross Energy Partners GP, LLC  
Retired Vice Chairman of TXU Corp.,  
Audit Committee, Compensation Committee  
(Chair), Safety and Compliance  
Oversight Committee

#### J. Veronica Biggins

Managing Partner  
Diversified Search LLC  
Compensation Committee, Nominating  
and Corporate Governance Committee

#### Douglas H. Brooks

Former Chairman of the Board, President,  
and Chief Executive Officer  
Brinker International, Inc.  
Nominating and Corporate Governance  
Committee, Safety and Compliance  
Oversight Committee

#### William H. Cunningham, PhD (Presiding Director)

James L. Bayless Chair for Free Enterprise  
The University of Texas at Austin Red  
McCombs School of Business  
Former Chancellor, The University  
of Texas System  
Executive Committee, Audit Committee,  
Nominating and Corporate Governance  
Committee (Chair)

#### John G. Denison

Former Chairman of the Board  
Global Aero Logistics Inc.  
Executive Committee, Audit Committee, Safety  
and Compliance Oversight Committee (Chair)

#### Gary C. Kelly

**(Chairman of the Board)**  
Chairman of the Board, President,  
and Chief Executive Officer  
Southwest Airlines Co.  
Executive Committee (Chair)

#### Nancy B. Loeffler

Consultant for Frost Bank and member  
of the Frost Bank Advisory Board  
Longtime advocate of volunteerism  
Compensation Committee, Nominating  
and Corporate Governance Committee

#### John T. Montford

President and Chief Executive Officer  
JTM Consulting, LLC  
Audit Committee (Chair), Compensation  
Committee, Nominating and Corporate  
Governance Committee

#### Thomas M. Nealon

Former Group Executive Vice President  
J.C. Penney Company, Inc.  
Audit Committee, Safety and Compliance  
Oversight Committee

#### Daniel D. Villanueva

Partner  
Rustic Canyon/Fontis Partners, LP  
President of The Villanueva Companies  
Compensation Committee, Safety and  
Compliance Oversight Committee

## Honorary Designations

#### Herbert D. Kelleher

Chairman Emeritus  
Southwest Airlines Co.

#### Colleen C. Barrett

President Emeritus  
Southwest Airlines Co.

To view a list of our  
current Company  
Officers, visit  
**[Southwest.  
investorroom.com/  
company-officers.](http://investorroom.com/company-officers)**

To view a current list of  
our Board of Directors,  
visit **[Southwest.  
investorroom.com/  
board-of-directors.](http://investorroom.com/board-of-directors)**

To read more about  
our five standing  
committees, visit  
**[Southwest.  
investorroom.com/  
board-committees.](http://investorroom.com/board-committees)**



# Global Reporting Initiative<sup>F</sup>

It’s important to Southwest Airlines that we’re transparent with our Stakeholders, so we use the Global Reporting Initiative (GRI)—an internationally recognized framework for communicating and managing our integrated reporting and data.

## GRI

The 2014 Southwest Airlines One Report™ conforms to the principles outlined in the GRI Sustainability Reporting Guidelines version 3.0 (G3) and fully complies with the GRI’s B+ application level. The GRI is a voluntary, internationally recognized framework for sustainability reporting that allows organizations the opportunity to measure and report their economic, social, and environmental efforts in a consistent manner. Using this guidance, we publish a GRI index that depicts our GRI responses for calendar year 2014. Learn more about the GRI at [globalreporting.org](http://globalreporting.org).

As Southwest’s sixth One Report, the 2014 One Report illustrates our continued steadfast focus on the triple bottom line—our Performance, our People, and our Planet—which allows us to achieve our Vision to become the World’s Most Loved, Most Flown, and Most Profitable Airline. The 2014 One Report represents Southwest’s operations for calendar year 2014, unless otherwise stated, and covers only those business activities for which Southwest generally has complete control or ownership. This report does not include facilities primarily controlled by others, such as airport terminal space or outsourced or subcontracted facilities. Since the AirTran Airways acquisition in 2011, we have worked diligently to integrate AirTran data with Southwest data where available and feasible. AirTran data is included unless otherwise stated.

## GRI Index

Profile	Disclosures	Section
1. Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organization.	<a href="#">Gary’s Message</a>
1.2	Description of key impacts, risks, and opportunities.	<a href="#">Gary’s Message, Performance, Environmental Management Approach</a>
2. Organizational Profile		
2.1	Name of the organization.	<a href="#">Front cover</a>
2.2	Primary brands, products, and/or services.	<a href="#">Performance</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
2.4	Location of organization’s headquarters.	<a href="#">Our Mission/Contact Us</a>
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	<a href="#">30,000-Foot View</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
2.6	Nature of ownership and legal form.	<a href="#">Corporate Governance</a>
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	<a href="#">30,000-Foot View</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
2.8	Scale of the reporting organization.	<a href="#">Performance</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	<a href="#">AirTran Integration, Performance</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
2.10	Awards received in the reporting period.	<a href="#">30,000-Foot View</a>

GRI Index

Profile	Disclosures	Section
3. Report Parameters		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	<a href="#">Global Reporting Initiative</a>
3.2	Date of most recent previous report (if any).	<a href="#">Global Reporting Initiative</a>
3.3	Reporting cycle (annual, biennial, etc.).	<a href="#">Global Reporting Initiative</a>
3.4	Contact point for questions regarding the report or its contents.	<a href="#">Our Mission/Contact Us</a>
3.5	Process for defining report content.	<a href="#">Performance, People, Planet, Global Reporting Initiative</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	<a href="#">Performance, People, Planet, Global Reporting Initiative</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
3.7	State any specific limitations on the scope or boundary of the report.	<a href="#">Performance, People, Planet, Global Reporting Initiative</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	<a href="#">Performance</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI indicator protocols.	Addressed throughout the report
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	<a href="#">People Data, Training, People Appendix, Planet Data, Planet Appendix</a>
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	<a href="#">People Data, Training, People Appendix, Planet Data</a>
3.12	Table identifying the location of the standard disclosures in the report.	<a href="#">GRI Index</a>
3.13	Policy practice with regard to seeking external assurance for the report.	<a href="#">External Assurance</a>
4. Governance, Commitments, and Engagement		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	<a href="#">Corporate Governance, 2015 Proxy Statement, Board Committees</a>
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	<a href="#">Corporate Governance</a>
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	<a href="#">Corporate Governance</a>

GRI Index

Profile	Disclosures	Section
4. Governance, Commitments, and Engagement		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	<a href="#">Corporate Governance, Our Mission/Contact Us, Engagement and Recognition, Customer Insights, 2015 Proxy Statement</a>
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance (including social and environmental performance).	<a href="#">Corporate Governance, Corporate Governance Guidelines, 2015 Proxy Statement</a>
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	<a href="#">Corporate Governance, Corporate Governance Guidelines, 2015 Proxy Statement</a>
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	<a href="#">Corporate Governance, 2015 Proxy Statement</a>
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	<a href="#">Financial Management Approach, Social Management Approach, Environmental Management Approach, Our Mission/Contact Us</a>
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	<a href="#">Financial Management Approach, Social Management Approach, Environmental Management Approach</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	<a href="#">Corporate Governance, 2015 Proxy Statement</a>
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	NA
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Addressed throughout the report
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: has positions in governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues, or views membership as strategic.	Addressed throughout the report
4.14	List of stakeholder groups engaged by the organization.	Addressed throughout the report
4.15	Basis for identification and selection of stakeholders with whom to engage.	Addressed throughout the report
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Addressed throughout the report
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting.	Addressed throughout the report



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Profile	Disclosures	Section
Disclosures on Management Approach (DMAs)		
DMA EC	Discuss management approach to performance, market presence, indirect economic impacts as they relate to overall management policies, goals, and performance.	<a href="#">Financial Management Approach</a>
DMA EN	Discuss management approach to overall environmental metrics such as materials, energy, water, emissions, compliance, and transport as they relate to specific goals, policy, and performance.	<a href="#">Environmental Management Approach</a>
DMA LA	Discuss management approach to employment, labor/ management relations, health and safety, training and education, diversity, and equal opportunity as they relate to overall management policies, goals, and performance.	<a href="#">Social Management Approach</a>
DMA HR	Discuss management approach to non-discrimination, collective bargaining, abolition of child labor, prevention of forced labor, complaints and grievance practices, and security practices as they relate to overall management policies, goals, and performance.	<a href="#">Social Management Approach</a>
DMA SO	Discuss management approach to community, corruption, public policy, anticompetitive behavior, and compliance as they relate to overall management policies, goals, and performance.	<a href="#">Social Management Approach</a>
DMA PR	Discuss management approach to customer health and safety, service labeling, marketing communications, and customer privacy as they as they relate to overall management policies, goals, and performance.	<a href="#">Social Management Approach</a>
Economic		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	<a href="#">Performance, Employees, Communities</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	<a href="#">Environmental Management Approach</a>
EC3	Coverage of the organization's defined benefit plan obligations.	<a href="#">Benefits</a>
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	<a href="#">Communities, People Data</a>

GRI Index

Profile	Disclosures	Section
Environmental		
EN3	Direct energy consumption by primary energy source.	<a href="#">Energy Consumption, Planet Data</a>
EN4	Indirect energy consumption by primary source.	<a href="#">Energy Consumption, Planet Data</a>
EN5	Energy saved due to conservation and efficiency improvements.	<a href="#">Environmental Conservation, Planet Data</a>
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	<a href="#">Environmental Conservation</a>
EN8	Total water withdrawal by source.	<a href="#">Planet Data</a>
EN16	Total direct and indirect greenhouse gas emissions by weight.	<a href="#">Greenhouse Gas Inventory, Planet Data</a>
EN17	Other relevant indirect greenhouse gas emissions by weight. <sup>1</sup>	<a href="#">Greenhouse Gas Inventory, Planet Data</a>
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	<a href="#">Environmental Conservation</a>
EN19	Emissions of ozone-depleting substances by weight.	<a href="#">Chemical Management System, Planet Data</a>
EN23	Total number and volume of significant spills.	<a href="#">Operational Spills</a>
Social: Labor Practices and Decent Work		
LA1	Total workforce by employment type, employment contract, and region.	<a href="#">30,000-Foot View, People Data</a> , 2014 U.S. Securities and Exchange Commission Form <a href="#">10-K</a>
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	<a href="#">Benefits</a>
LA4	Percentage of employees covered by collective bargaining agreements.	<a href="#">Social Management Approach, People Data</a>
LA10	Average hours of training per year per employee by employee category.	<a href="#">Training, People Data</a>

GRI Index

Profile	Disclosures	Section
Social: Human Rights		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	<a href="#">Social Management Approach</a> , <a href="#">People Data</a>
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	<a href="#">Social Management Approach</a>
Social: Society		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	<a href="#">Corporate Governance</a>
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	<a href="#">Corporate Governance</a>
SO5	Public policy positions and participation in public policy development and lobbying.	<a href="#">Social Management Approach</a>
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	<a href="#">Social Management Approach</a>
Social: Product Responsibility		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	<a href="#">Customers</a> , <a href="#">Social Management Approach</a>

Appendix

1) Partially reported.

External Assurance

May 8, 2015

Burns & McDonnell Engineering Co. Inc.  
Assurance Statement for 2014 Southwest Airlines One Report™

Southwest Airlines:

Burns & McDonnell Engineering Co. Inc. (Burns & McDonnell) was retained by Southwest Airlines Co. (Southwest) to verify and provide external assurance that the 2014 Southwest Airlines One Report™ (2014 One Report) provides a balanced view of Southwest's triple bottom line profile for the reporting period and includes accurate data and information in line with the principles outlined in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines version 3.0. The purpose of this assurance engagement was to:

1. Assure the 2014 results of the Southwest GRI profile disclosures, disclosures on management approach, and performance indicators contained in the 2014 One Report, including both qualitative and quantitative data.
2. Review the 2014 One Report to ensure Southwest has utilized the GRI G3 sustainability reporting framework to achieve a B+ application level.

In addition to the assurance of the GRI profile disclosures, disclosures on management approach, and performance indicators, Burns & McDonnell also reviewed and assured additional 2014 material metrics and accomplishments presented in the 2014 One Report, with the exception of information presented in Southwest's Annual Report on Form 10-K for year ending Dec. 31, 2014, Southwest's 2014 Proxy Statement, and Southwest's 2014 Annual Report to Shareholders. The financial statements included in the 2014 Form 10-K have been audited by Southwest's independent auditor.

In order to complete external assurance of the 2014 One Report, Burns & McDonnell independently interviewed Southwest employees; obtained, analyzed, and verified data; and conducted independent industry research and benchmarking to substantiate and support the statements contained in the 2014 One Report. The content, structure, and presentation of the 2014 One Report were reviewed against the GRI guidelines to ensure conformation, and Burns & McDonnell utilized the AA1000 Assurance Standard 2008 as frame of reference for assuring the 2014 One Report.

This review determined that Southwest has a systematic, documented, evidence-based reporting process in place. The 2014 One Report includes responses to a minimum of 20 performance indicators with at least one from each of the economic, social, and environmental categories, as well as addressing the required GRI profile disclosures and disclosures on management approach. The 2014 One Report provides a reasonable and balanced presentation of Southwest's triple bottom line performance.

To the best of our knowledge, we have found that Southwest has satisfactorily applied the GRI sustainability reporting framework. The content provided for the 2014 One Report meets the content and quality requirements of the GRI Sustainability Reporting Guidelines version 3.0 B+ application level.

Sincerely,

*Candice Derks*

**Candice Derks**  
GRI Certified, Project Manager, Environmental Group  
Burns & McDonnell Engineering Co. Inc.

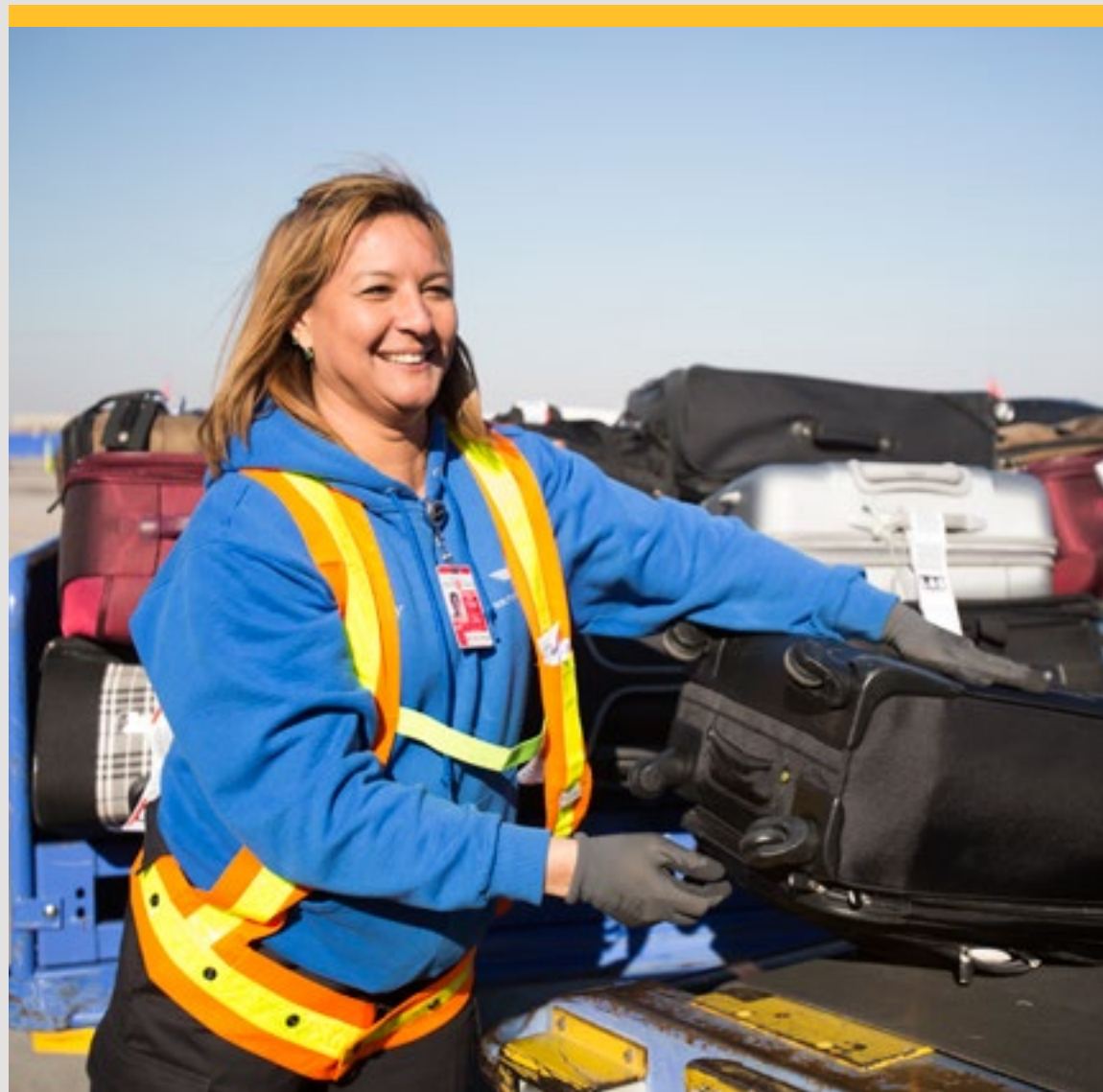


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## Our Mission<sup>F</sup>

The Mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.



### Our Purpose

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

### Our Vision

To become the World's Most Loved, Most Flown, and Most Profitable Airline

### To Our Employees

We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest. Above all, 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.

### To Our Communities

We have a passion to give back from the heart in the communities where we live and work. Bringing People together, inspiring change, and making a difference in people's lives—it's all part of being a good neighbor. We give back to our communities not only with our time and donations, but by supporting global and national nonprofit organizations, championing our own giving programs, and encouraging individual Employees and community members to volunteer and advocate for the causes they believe in most.

### To Our Planet

We strive to be a good environmental steward across our system, and one component of our stewardship is efficiency, which, by its very nature, translates to eliminating waste and conserving resources. Using cost-effective and environmentally beneficial operating procedures (including facilities and equipment) allows us to reduce the amount of materials we use and, when combined with our ability to reuse and recycle material, preserves our resources.

### To Our Stakeholders

Southwest believes in a sustainable future where there will be a balance in our business model between Shareholders, Employees, Customers, and other Stakeholders. In order to protect our world for future generations and uphold our commitments, we will strive to lead our industry in profitability, efficiency that conserves natural resources, fostering a creative and innovative workforce, and giving back to the communities in which we live and work.

### Our Values

#### Live the Southwest Way

- Warrior Spirit
- Servant's Heart
- Fun-LUVing Attitude

#### Work the Southwest Way

- Safety and Reliability
- Friendly Customer Service
- Low Costs

## Contact Us

For questions related to our *2014 Southwest Airlines One Report™*, including our commitment to our Performance, our People, and our Planet, please email [Green@wnco.com](mailto:Green@wnco.com).

For more information on our citizenship efforts, visit [Southwest.com/citizenship](http://Southwest.com/citizenship).

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### To Offer Customer Feedback

Email us through our web site at [Southwest.com/help/customer\\_service.html](http://Southwest.com/help/customer_service.html).

Reply to a blog post on Nuts about Southwest at [Blogsouthwest.com](http://Blogsouthwest.com).

Post a message on our Facebook wall at [Facebook.com/Southwest](https://www.facebook.com/Southwest).

Tweet us at [Twitter.com/SouthwestAir](https://twitter.com/SouthwestAir).

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