

Southwest[®]

2015 Southwest Airlines One Report[™]

One Heart. Endless Possibilities.



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Welcome to the 2015 Southwest Airlines One Report. As part of our commitment to conserve our natural resources, we're again publishing our Annual Report exclusively online at Southwestonereport.com and investors.southwest.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. Footnotes throughout the report are available at the end of the report, in the Appendix.

One Heart. Endless Possibilities.

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Gary's Message^F

Gary C. Kelly

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

March 15, 2016



To our Shareholders:

The year 2015 was a gratifying, successful, and record-setting year. After five years of intense work on five strategic initiatives, 2015 was the first full year to demonstrate results—and the results were superb. Record traffic, record revenues, record profits, and a record year-end stock price (LUV). Southwest® boosted its available seat miles (capacity) 43 percent since 2010, driven by the acquisition of AirTran in 2011. And, Southwest achieved an all-time high pre-tax return on invested capital, excluding special items (ROIC)^G, of 32.7 percent. All combined, since 2010, Shareholder value has increased more than 3 fold; dividends per share have increased more than 16 fold; and \$4.3 billion has been returned to Shareholders in dividends and share repurchases. Southwest has transformed, as the results so clearly demonstrate. Our results were further enhanced by dramatically lower jet fuel costs, driven by a collapse in oil prices. It was our 43rd consecutive year of profitability, an unprecedented achievement in the domestic airline industry.

Our 2015 net income was a record \$2.2 billion, or \$3.27 per diluted share, easily surpassing the previous record, set a year ago. Excluding special items^G, our record 2015 earnings were \$2.4 billion, or \$3.52 per diluted share, which was 75.1 percent higher compared with 2014.

Unique Opportunities

Total operating revenues were up 6.5 percent to \$19.8 billion, on a healthy capacity increase of 7.2 percent, compared with 2014. Given the continuing sluggishness of the overall domestic economy, our 2015 capacity increase appears aggressive, at first blush; however, Southwest capitalized on several secular opportunities that

converged in 2014/2015. First, the long-awaited October 2014 repeal of the domestic restrictions at Dallas Love Field allowed us to increase the flight activity at Love by 50 percent resulting in over half of our year-over-year capacity growth in 2015. Our Dallas market presence, coupled with the pent up demand for low fares, drove a nearly 150 percent increase in our traffic (as measured by revenue passenger miles), and an extraordinary, all-around success with our Dallas Love Field expansion.

Next, we were able to acquire scarce slots and gates at Washington Reagan National and New York LaGuardia Airports, adding 28 and 6 daily flights, respectively. While we don't have the presence in these two airports we have in the DFW Metroplex, we are very pleased with the performance of these new flights.

Following the integration of AirTran into Southwest in 2014, including the launch of Southwest international service in July 2014, we opened four new international destinations in 2015: San Jose, Costa Rica; Puerto Vallarta, Mexico; Belize City, Belize; and Liberia, Costa Rica. These destinations were timed in 2015 to support the opening of a brand new five-gate

international terminal and customs facility at Houston's William P. Hobby Airport in October 2015. That marked the first international scheduled service out of Hobby Airport since 1969.

“Taken all together, it was an exceptionally ambitious and successful year of network growth and development.”

Finally, the last AirTran branded flights operated on December 28, 2014. By year-end 2014, we completed the retirement of the 88 Boeing 717s acquired via the AirTran acquisition in 2011, and we have successfully placed all of those aircraft on lease or sublease. So, 2015 represented the first year Southwest operated all of the former AirTran flights in the Southwest livery and brand.

Taken all together, it was an exceptionally ambitious and successful year of network growth and development. Despite the stout increase in capacity, we were able to drive even stronger traffic growth, with load factors increasing in 2015 to an annual record 83.6 percent. In addition, our award-winning frequent flyer program, Rapid Rewards®, delivered



↑ Gary and DCA Customer Service Supervisor Reecie Howard share a moment at the Dallas Rally (see [page 44](#) for story).

2015: A Record Year



another year of significant revenue growth. Most notably, in July 2015, we were delighted to amend and extend our co-branded credit card agreement with our long-standing Partner, Chase Bank USA, N.A. Since we re-launched Rapid Rewards in 2011, we have more than doubled the membership, the credit card holders, and the revenues from the program.

Cost Performance

While operating revenues grew, operating expenses fell due to a 29.1 percent plunge in economic jet fuel costs per gallon. Even excluding jet fuel costs, Southwest compared well with the year ago period as CASM (operating expenses per available seat mile), excluding fuel and special items, was virtually flat. And, 2015 costs included a significant increase in

ProfitSharing for our Employees correlating with the increased profits. Of note, the continuing work to modernize the fleet, including the retirement of the Boeing 717s, the accelerated retirement and declining mix of the Boeing 737 Classics, and the increasing mix of Boeing 737-800s, are all continuing to pay dividends in terms of lower fuel burn, lower maintenance, and more seats per departure. Lastly, our fleet utilization was less than optimal during the conversion of AirTran into Southwest. With the conversion behind us, we began to gradually restore our fleet utilization to more historic levels throughout 2015. All combined, we had an excellent cost performance in 2015.

Strong Balance Sheet

With revenues up and costs down, our operating profit surged 85 percent. That resulted in record cash flow from operations of \$3.2 billion and strong free cash flow^G of \$1.1 billion. Our financial position strengthened, as did our investment grade credit ratings with an upgrade to Baa1 with Moody's Investor Service and an upgrade to BBB+ with Fitch Ratings. We were able to return \$1.4 billion to Shareholders in 2015 in the form of dividends and share repurchases. And, we were able to maintain strong liquidity with \$3.1 billion of cash and short-term investments at year-end 2015, along with a \$1 billion, fully available, bank line-of-credit. In May 2015, our Board of Directors authorized a \$1.5 billion share repurchase program and increased the quarterly dividend by 25 percent to \$0.075 per share.

"Overall, our near-term outlook is upbeat. We are enjoying one of the strongest starts to a year in over 15 years..."

2016 Outlook

Overall, our near-term outlook is upbeat. We are enjoying one of the strongest starts to a year in over 15 years, in terms of the combination of operational reliability and Customer satisfaction. While the U.S. economy continues to be sluggish, energy prices are low, and travel demand is strong. Industry seat growth is robust, too. We also are encouraged by the continuing growth of our Rapid Rewards program, continuing improvement of our subset of developing markets, and our continuing revenue management enhancements. We will manage our growth carefully, in part by adding fewer new markets, with a goal of producing unit revenue gains in 2016.

We ended the year 2015 with 704 aircraft—all Boeing 737s (B737). Currently, we plan to grow the B737 fleet by approximately 15 aircraft in 2016 and capacity between five and six percent in 2016, as compared with 2015.

As far as new markets are concerned, we are planning on modest 2016 capacity allocations for new service to Cuba, if approved by the U.S. Department of Transportation, and to Long Beach, California. Both of these initiatives fit well within our overall network strategy focused on expanding our presence in North America, boosting our strong presence in California and Florida, and supporting our expansion in the Caribbean. In all, we have close to 50 additional destinations to consider serving within North and South America with the B737. As America's largest air carrier in terms of originating Customers¹, we are in a superb position to continue our growth considering our outstanding service and low operating costs and fares.

Investing in our Future

Speaking of fares, in 2015 we launched our TransfarencySM advertising campaign, which has been enthusiastically received—except by our competitors! Why? Because we lay bare hidden fees. At Southwest, bags fly free^{®2}, there are no change fees³, and we believe we offer the most generous, award-winning frequent flyer program on the planet. All that, in addition to everyday low fares delivered with Hospitality, Southwest style.

“And now, our People have transformed Southwest so it is stronger and better prepared than ever.”

Our People have worked very hard to build Southwest into the extraordinary airline it is today. I am tremendously proud of them and how they persevered through the worst of times in the 2000s. I am overjoyed they are enjoying the fruits of their work and these long-sought best of times. We are all very well aware they don’t last forever, and as our Chairman Emeritus always told us, “we manage in good times to be prepared for the bad times.”

We did just that. We more than just survived the 2000s. We grew; we did not have to retrench. We were profitable; we did not go bankrupt. We were job secure, and added more; we did not furlough or lay off Employees. We were prepared. And now, our People have transformed Southwest so it is stronger and better prepared than ever.

A Passionate Pursuit

In 1971, the People of Southwest began a low fare revolution. It took time, but it ultimately gave America the Freedom to Fly. Now, the battle to best serve America’s travelers continues with more low fare competition than ever. But it is still only Southwest that fights for the Customer with low fares and great service.

With low fares and lots of flights to lots of places. With low fares and Transfarency: no first and second checked bag fees⁴, no change fees³, generous frequent flyer awards with low fares and no second class. After nearly 45 years, Southwest is still a category of one.

Our Purpose is to connect Customers to what’s important in their lives with friendly, reliable, and low-cost air travel. We take great care of our Employees, so they can take great care of our Customers. If we do that well, we can take great care of our Shareholders. And, we have. Whether it’s 45 years or the last 15, no domestic airline has performed better. For the 22nd consecutive year (as of February 2016), Southwest has been named to FORTUNE’s list of World’s Most Admired Companies, coming in again at #7. Please know it is our Vision to become the world’s most loved, most flown, and most

profitable airline. It is a passionate pursuit, and our People won’t give up.

As always, I’m extraordinarily proud of our People for these record results. Please join me in thanking them.

Looking Forward

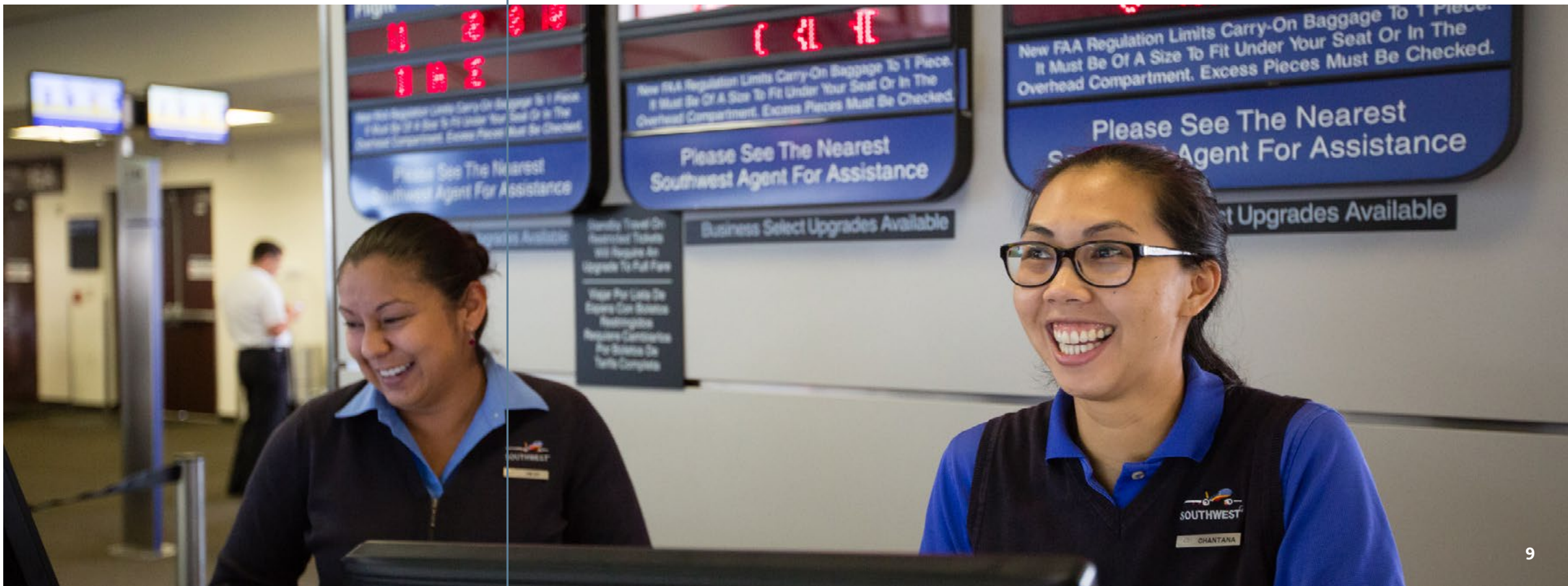
Our goals for 2016 are straightforward and consistent with our record-setting 2015: grow earnings; meet or beat 2015’s record ROIC; and continue to improve our Reliability and Hospitality for which we are famous. We pursue these goals while remaining committed to the triple bottom line of People, Performance, and Planet.

At the same time, we continue to invest in the future. Work continues at a vigorous pace on three major initiatives for 2017: as Boeing’s launch customer, delivery of the 737 -8 (MAX),

the successor to the -800; deployment of a new Amadeus Altéa reservations system; and completion of a new five-gate international terminal, along with the launch of international flights originating from that terminal, in Ft. Lauderdale, Florida. We also are monitoring the status of the recent bilateral agreement between the U.S. and Mexico to relax flight restrictions between our two countries. Once approved, we will evaluate these new opportunities with a high priority since a number of city-pair markets are under served and over-priced as a result of these decades old restrictions.

Of course, at the heart of everything we do, we never lose sight of our ongoing pursuit to be a good neighbor in all of our communities and a responsible global citizen. After all, while we are an airline, some of our best work is done on the ground.

Southwest Employees in Los Angeles offering their world-class Hospitality.



We are Southwest Airlines®^F

Our Mission

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.

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

Our Approach to Stakeholder Engagement

People are at the heart of Southwest. Our Employees, Customers, Shareholders, supplier and community groups all contribute to the many possibilities and opportunities we see for the future of our Company. That is why, since we first started reporting on our triple bottom line of Performance, People, and Planet, we have listened to and learned from our Stakeholders. By getting their input, we are better able to meet the needs of our Stakeholders, offer superior Customer Service, and continue to engage and report in a transparent manner.



30,000 ft View

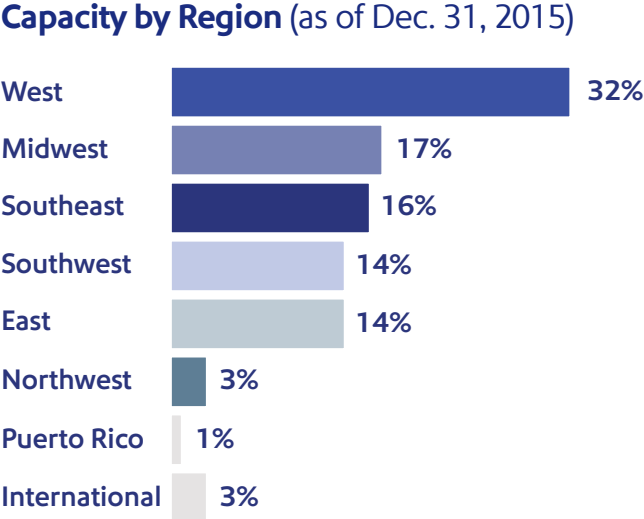
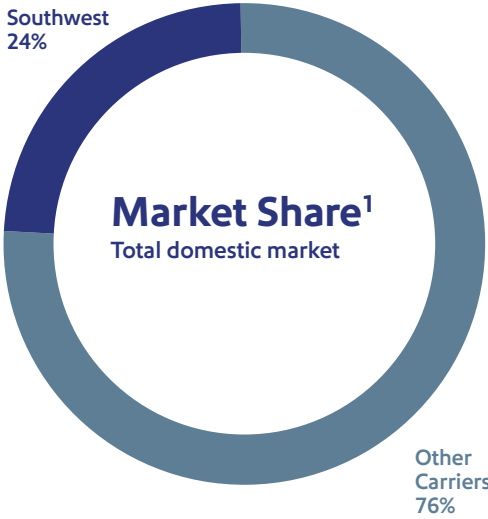
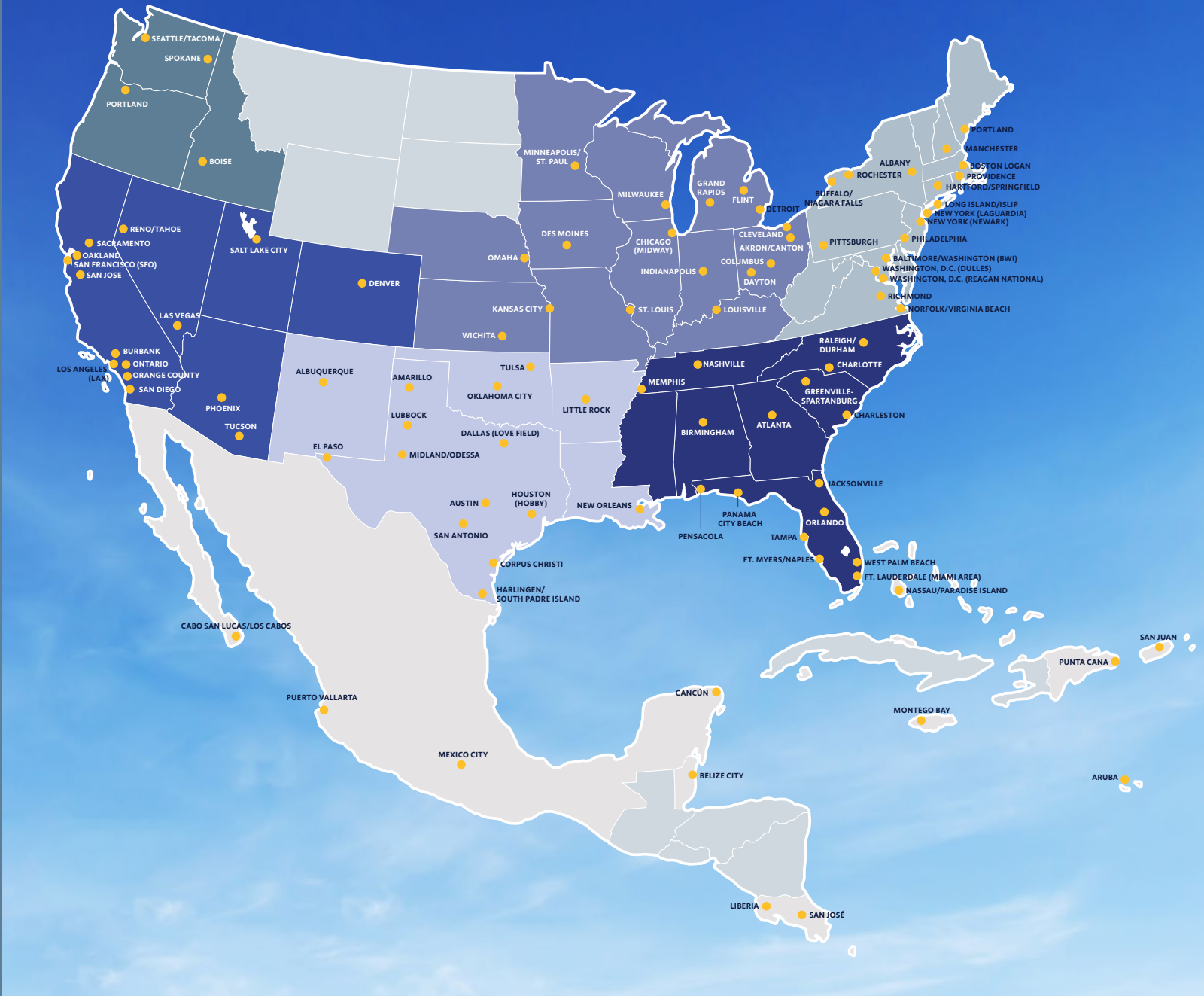
As of Dec. 31, 2015, Southwest Airlines operated more than 3,900 daily flights, serving 97 destinations across the United States and seven additional countries. Southwest began service to San Jose, Costa Rica, on March 7, 2015; Puerto Vallarta, Mexico, on June 7, 2015; Belize City, Belize on October 15, 2015; and Liberia, Costa Rica on November 1, 2015.

Top Ten Airports⁵ (daily departures as of Dec. 31, 2015)

- 1 **MDW: 225** Chicago Midway
- 2 **LAS: 212** Las Vegas
- 3 **BWI: 204** Baltimore/Washington
- 4 **DEN: 182** Denver
- 5 **DAL: 180** Dallas Love Field
- 6 **PHX: 166** Phoenix
- 7 **HOU: 160** Houston Hobby
- 8 **LAX: 121** Los Angeles
- 9 **ATL: 120** Atlanta
- 10 **MCO: 110** Orlando

Come Along for the Ride!

System Map
(as of Dec. 31, 2015)
View our interactive route map for our most current list of destinations at Southwest.com/routemap.



Board of Directors

Southwest Airlines 2015 Board of Directors
(as of Dec. 31, 2015)



David W. Biegler
Chairman
Southcross Energy
Partners GP, LLC
Retired Vice Chairman
of TXU Corp.



J. Veronica Biggins
Managing Partner
Diversified Search, LLC



Douglas H. Brooks
Former Chairman of the
Board, President, and Chief
Executive Officer Brinker
International, Inc.



**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 of The
University of Texas System



John G. Denison
Former Chairman of
the Board, Global Aero
Logistics Inc.



Thomas W. Gilligan, PhD
Tad and Dianne Taube
Director of the Hoover
Institution at Stanford
University



**Gary C. Kelly
(Chairman of the Board)**
Chairman of the Board,
President, and Chief
Executive Officer
Southwest Airlines Co.



Nancy B. Loeffler
Consultant for Frost Bank
and member of the Frost
Bank Advisory Board,
Longtime advocate of
volunteerism



John T. Montford
President and Chief
Executive Officer, JTM
Consulting, LLC



**Ron Ricks
(Vice Chairman
of the Board)**
Southwest Airlines Co.

Honorary Designations



**Colleen C. Barrett
(President Emeritus)**
Southwest Airlines Co.



**Herbert D. Kelleher
(Chairman Emeritus)**
Southwest Airlines Co.

To view a list of our current
Company Officers, visit
investors.southwest.com/corporate-governance/company-officers.

To view a current list of our
Board of Directors, visit
investors.southwest.com/corporate-governance/board-of-directors.

To read more about our five
standing committees, visit
investors.southwest.com/corporate-governance/board-committees.

Awards & Accolades

All listed awards were received
by Southwest in 2015.

#7
**World's Most
Admired**

FORTUNE
Magazine

#18
Best Employers

Forbes
Magazine

#215/500
**in the
Green Rankings**

Newsweek
Magazine

#21
**100 Best Corporate
Citizens**

Corporate Responsibility
Magazine

**Best Low
Cost Carrier
in North America**
(3rd consecutive year)

Premier Traveler
Magazine

**Traveler's
Choice Best of 2015:
Favorite Airline**

TripAdvisor

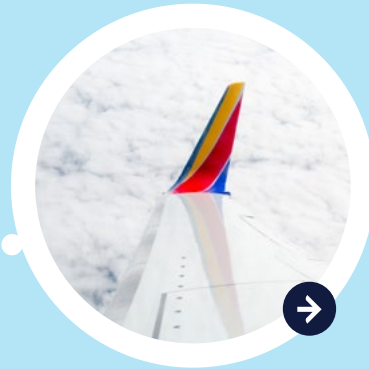


At Any Given Moment

Southwest is working around the globe to promote environmental stewardship and corporate citizenship.

We Conserve.

We're always looking for ways to reduce our impact on the environment and are proud to be ranked among the **top four most fuel-efficient airlines on U.S. domestic operations** for the fourth straight year by the International Council on Clean Transportation. [Read more on page 62.](#)



We Recycle.

Instead of tossing old marketing billboards into landfills, we've found an innovative way to reuse those materials—turning them into unique collectible items like wallets, totes and baggage tags. In 2015, we recycled **24 billboards and 26,688 square feet of vinyl** to make these new products. [Read more on page 72.](#)



We Partner.

In 2015, we teamed up with the Center for BrainHealth and organized a Military Partner Summit to extend the reach and impact of our efforts to support our communities. [Read more on page 46.](#)



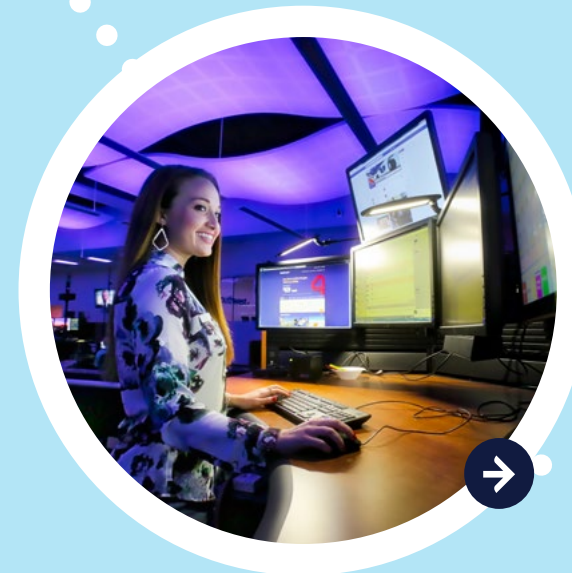
We Teach.

Our Campus Reach program identifies and engages future Southwest Employees with an aim of inspiring an interest in a career in aviation. [Read more on page 34.](#)



We Learn.

We become better Employees—and better People—through professional development training at our own Southwest Airlines University. [Read more on page 38.](#)



We Listen.

Our Southwest Airlines Listening Center uses real time feedback to listen to and engage with our Customers. In 2015, **we communicated with 694,719 Customers through our social media channels.** [Read more on page 44.](#)


We Give.


Our 30th Annual LUV Classic Golf Tournament **raised \$675,000**—we have now donated to every Ronald McDonald House in our system. [Read more on page 50.](#)



Performance^F

In 2015, we set a number of financial records, including an all-time high return on invested capital, before taxes and excluding special items (ROIC)^G, of 32.7 percent. This outstanding annual performance also earned our Employees a record \$620 million in profitsharing and allowed us to return significant value to our Shareholders.

 **Record net income of \$2.2 billion**, or \$3.27 per diluted share; and excluding special items^G, a record \$2.4 billion, or \$3.52 per diluted share

 **Record operating income of \$4.1 billion**; and excluding special items^G, a record \$4.0 billion, resulting in an operating margin^G of 20.1 percent

 **Record ROIC of 32.7 percent**

 **Record profitsharing of \$620 million**, up 74.6 percent from a year ago and represented 15.6 percent of eligible Employees' eligible compensation

 Strong annual **free cash flow^G of \$1.1 billion**

 **Returned \$1.4 billion to Shareholders** through a combination of \$180 million in dividends and \$1.2 billion in share repurchases

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We strive to continuously improve our Performance by focusing on our Purpose and working to fulfill our Vision.

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 a focus on Safety, high Customer Service delivery, and low costs. And, it's still working. Southwest is the only U.S. airline that can claim 43 consecutive years of profitability. We've achieved our success without resorting to layoffs or pay cuts. And our Employees' dedication shows—we have repeatedly been ranked as one of the World's Most Admired Companies by *FORTUNE* magazine.

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.

A Proven Business Model

Southwest Airlines was built on providing consistently low fares with superior Customer Service while maintaining a low cost discipline. We're proud to have never declared bankruptcy or furloughed Employees. We do things differently than our competitors—we don't charge Customers for things we believe are part of the travel experience, like first and second checked bags⁴ and change fees³. We value an honest, open and transparent relationship with our Customers. We call this Transfarency.SM It is this legendary business model that has resulted in an unmatched consecutive profitability record in the U.S. airline industry—topped off with our record 2015 net income and ROIC.



Record Revenues

Our revenue performance in 2015 was outstanding. Passenger revenues reached a record \$18.3 billion, up 3.6 percent from 2014's \$17.7 billion. Operating revenues increased 6.5 percent, year-over-year, to a record \$19.8 billion, including a \$172 million special revenue adjustment⁶ in the third quarter from a required change in accounting methodology as a result of an amended co-branded credit card agreement with Chase Bank USA, N.A. In addition to the special revenue adjustment⁶, the combined impact of the amended agreement and a required change in accounting methodology also benefited 2015 total operating revenues by approximately \$255 million.

Our revenue results were driven by strong demand for low and friendly fares, as evidenced by record passengers carried and a record annual load factor⁶ of 83.6 percent. In addition, considering the

historically high percentage of our network under development, 7.2 percent increase in available seat miles (ASMs), 4.0 percent longer average stage length, and higher average seats per trip, our operating revenue per ASM (unit revenue) performance was solid, particularly in a soft yield environment that existed since May 2015.

Our freight and other revenues grew 2.3 percent and 51.6 percent, respectively, compared with 2014. We continue to experience very nice growth in ancillary revenue for items that Customers see value in paying for, such as our EarlyBird Check-In[®] and A1-15 Boarding products. In addition, our Rapid Rewards[®] program was a significant contributor to our record revenue performance. Since the launch of our new Rapid Rewards program five years ago, we have more than doubled the membership, the credit card holders, and the revenues from the program.

Low Cost Discipline

Adjusted for stage length, we have lower unit costs, on average, than most domestic carriers¹. Our operating costs in 2015 declined 4.1 percent, year-over-year, benefitting from lower fuel prices and continued cost controls, including our ongoing fleet modernization. Excluding special items⁶, our operating costs declined 3.2 percent, and on a cost per ASM (unit cost) basis, declined nearly 10 percent, year-over-year.

Our economic fuel price per gallon⁶ for 2015 was \$2.07, a 29.1 percent decrease year-over-year, which produced fuel savings of approximately \$1.3 billion for the year. As of January 15, 2016, we had derivative contracts in place related to 20 percent of our expected fuel consumption in 2016, 65 percent in 2017, and 35 percent in 2018. We intend to continue actively managing our portfolio to protect against fuel price volatility.

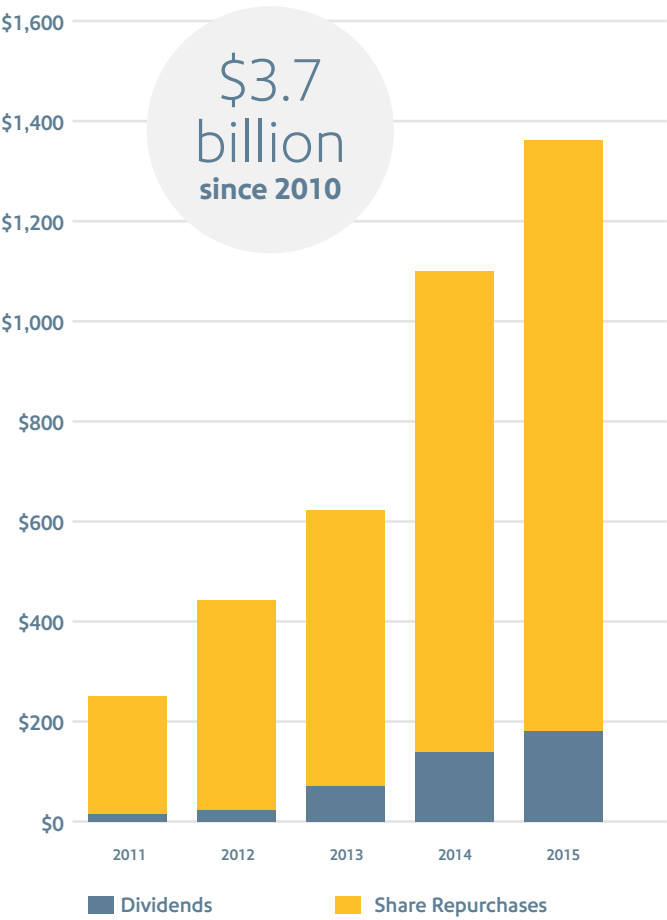
Excluding fuel and special items⁶, our 2015 unit costs, including a record \$620 million in profitsharing, were comparable to 2014.

Strong Financial Position

Our balance sheet remained strong, and we continued to be the only domestic airline with an investment grade credit rating from all three rating agencies. We ended the year with approximately \$3.1 billion in cash and short-term investments and a fully available unsecured revolving credit line of \$1 billion. This strong cash balance does not include the \$835 million in hedge collateral deposits posted to counterparties at year-end. Our leverage at year-end, including off-balance sheet aircraft leases, was approximately 33 percent. For 2015, net cash provided by operations was a record \$3.24 billion, capital expenditures were \$2.04 billion, and assets

Returns to Shareholders

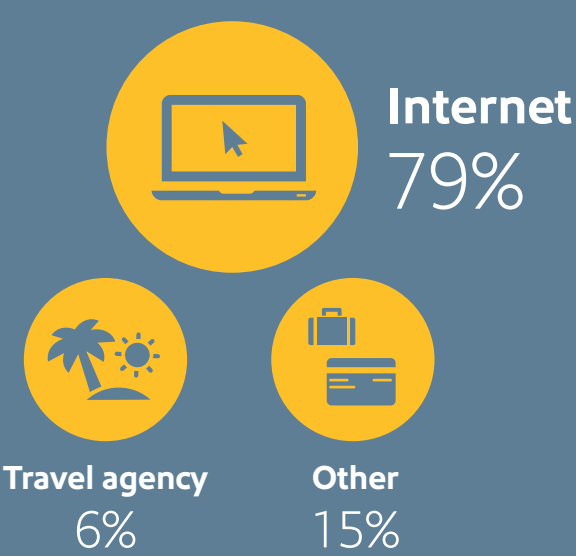
(in millions)



constructed for others, net of reimbursements, were \$78 million, resulting in free cash flow of approximately \$1.1 billion.

We returned \$1.4 billion to our Shareholders through the payment of \$180 million in dividends and the repurchase of \$1.2 billion in common stock. This exceeded our free cash flow generated and demonstrated our ongoing goal to return significant value to our Shareholders. As of March 31, 2016, we have repurchased \$500 million in common stock in 2016 pursuant to an accelerated share repurchase program, and as of March 31, 2016, we had \$200 million remaining under our existing \$1.5 billion share repurchase authorization.

Source of Passenger Revenues



Rapid Rewards Program





Expanding Internationally

We were very excited to bring Southwest service to four new international cities during 2015: Puerto Vallarta, Mexico; San Jose, Costa Rica; Belize City, Belize; and Liberia, Costa Rica, bringing our total international destinations to 11. As of March 31, 2016 we also announced plans to begin service to Liberia, Costa Rica from Los Angeles (LAX) and to The Bahamas from Ft. Lauderdale (Miami Area, FLL) in 2016, bringing our total domestic gateways for international service to 12.

4 new destinations introduced in 2015

11 total international destinations in 2015

Customers having fun and celebrating Southwest's inaugural flight to San Jose, Costa Rica in March 2015. ➔

The Nation's Largest Domestic Airline

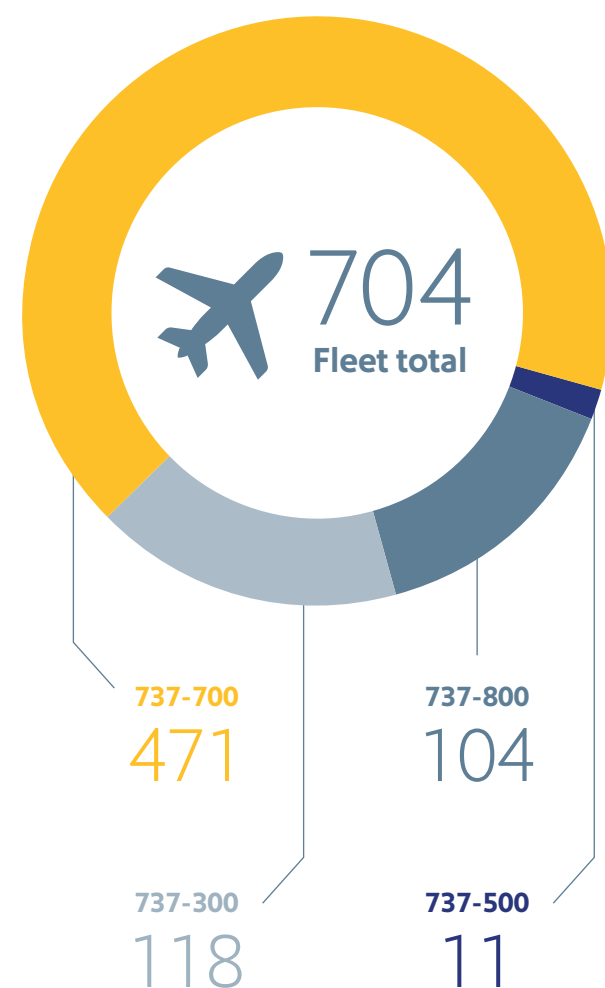
Southwest continues to be the largest domestic air carrier in the United States, as measured by the number of domestic originating passengers boarded and based on the most recent data available from the U.S. Department of Transportation, as of September 30, 2015. We carry 24 percent of domestic

passengers and more than any other carrier in over half of the airports we serve. Our point-to-point network allows for direct routing, which enabled approximately 74 percent of our Customers to fly nonstop in 2015. We proudly serve 637 nonstop city pairs in a network of 97 destinations across the United States and seven additional countries. We ended 2015 with 704 Boeing 737 aircraft in our fleet, representing the largest Boeing fleet in the world.

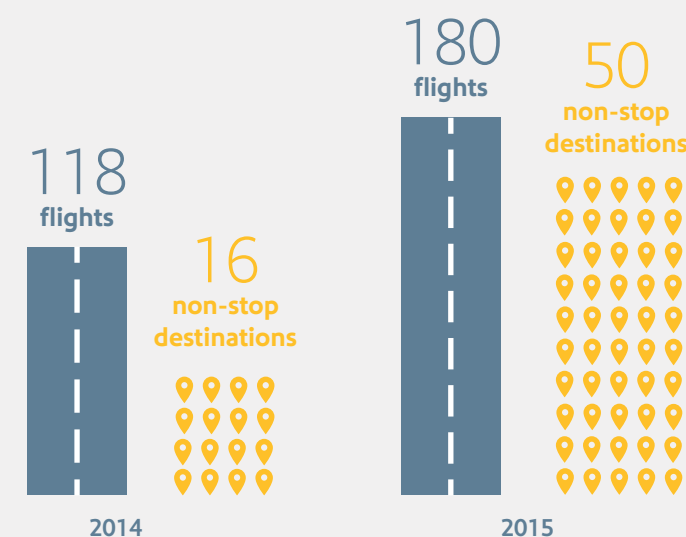
Our 2015 ASMs (capacity) increased 7.2 percent, year-over-year, driven largely by a combination of several unique opportunities: the October 2014 repeal of the Wright Amendment restrictions at Dallas Love Field; the late 2013 and early 2014 acquisition of slots at New York (LaGuardia) and Washington, D.C. (Reagan National), respectively; and our new international expansion, including the October 2015 opening of the five-gate international terminal at Houston's William P. Hobby Airport. Combined, these opportunities generated the majority of the 2015 capacity growth, as well as the majority of the five to six percent planned 2016 capacity growth.

Our network performed well in 2015, particularly our Dallas markets, which continued to exceed our expectations, despite the significant growth in flight activity. In February 2015, we acquired sublease rights from United Airlines to operate two additional gates at Dallas Love Field, enabling Southwest to provide service from 18 of the 20 gates available at the airport. At year-end, we were operating 180 daily flights to 50 nonstop destinations from Dallas Love Field—an increase from 118 flights to 16 nonstop destinations prior to the October 2014 repeal of the Wright Amendment.

Fleet Composition



Dallas Love Field Service Expansion



150%
increase in RPMs at
Dallas Love Field
since 2014

Looking Forward

- We are in the midst of a multi-year project to completely replace our reservation system. In 2014, we successfully implemented the Amadeus Altéa reservations solution to support our international service. We are now working to implement the Altea solution to support a single reservation system for both domestic and international reservations. This system, which we expect to implement in 2017, is estimated to provide hundreds of millions in incremental revenues beyond implementation; allow us to offer product enhancements that will benefit our Customers; enable us to adapt more quickly and efficiently; and reduce business complexities that currently exist as a result of maintaining two separate reservation systems.
- In January 2016, we decided to accelerate the retirement of our Classic (737 -300 and 737 -500) aircraft to no later than mid-2018.

In April 2016, we announced the planned retirement date of our Classic fleet was accelerated to no later than third quarter 2017. While we expect aircraft at the end of 2017 to decline from year-end 2016 as a result of this decision, we intend to manage to an average annual fleet growth for the three-year period ending 2018 of no more than two percent. The retirement of the Classic fleet is expected to reduce operating costs, improve ontime performance, and enhance the Customer Experience by accelerating our ability to provide WiFi-equipped aircraft across the entire fleet. This restructuring of our future delivery schedule was also accomplished with a manageable increase in our capital spending.



See all of the data related
to Performance in the Appendix

Ten-Year Summary

Selected consolidated financial data, GAAP. Dollars are in millions, except per share amounts.

Operating revenues:	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Passenger	\$ 18,299	\$ 17,658	\$ 16,721	\$ 16,093	\$ 14,754	\$ 11,489	\$ 9,892	\$ 10,549	\$ 9,457	\$ 8,750
Freight	179	175	164	160	139	125	118	145	130	134
Special revenue adjustment	172	—	—	—	—	—	—	—	—	—
Other	1,170	772	814	835	765	490	340	329	274	202
Total operating revenues	19,820	18,605	17,699	17,088	15,658	12,104	10,350	11,023	9,861	9,086
Operating expenses	15,704	16,380	16,421	16,465	14,965	11,116	10,088	10,574	9,070	8,152
Operating income	4,116	2,225	1,278	623	693	988	262	449	791	934
Other expenses (income), net	637	409	69	(62)	370	243	98	171	(267)	144
Income before income taxes	3,479	1,816	1,209	685	323	745	164	278	1,058	790
Provision for income taxes	1,298	680	455	264	145	286	65	100	413	291
Net income	\$ 2,181	\$ 1,136	\$ 754	\$ 421	\$ 178	\$ 459	\$ 99	\$ 178	\$ 645	\$ 499
Net income per share, basic	\$ 3.30	\$ 1.65	\$ 1.06	\$ 0.56	\$ 0.23	\$ 0.62	\$ 0.13	\$ 0.24	\$ 0.85	\$ 0.63
Net income per share, diluted	\$ 3.27	\$ 1.64	\$ 1.05	\$ 0.56	\$ 0.23	\$ 0.61	\$ 0.13	\$ 0.24	\$ 0.84	\$ 0.61
Cash dividends per common share	\$ 0.2850	\$ 0.2200	\$ 0.1300	\$ 0.0345	\$ 0.0180	\$ 0.0180	\$ 0.0180	\$ 0.0180	\$ 0.0180	\$ 0.0180
Total assets ⁷	\$ 21,312	\$ 19,723	\$ 19,177	\$ 18,350	\$ 17,805	\$ 15,249	\$ 13,978	\$ 13,703	\$ 16,772	\$ 13,460
Long-term debt less current maturities	\$ 2,541	\$ 2,434	\$ 2,191	\$ 2,883	\$ 3,107	\$ 2,875	\$ 3,325	\$ 3,498	\$ 2,050	\$ 1,567
Stockholders' equity	\$ 7,358	\$ 6,775	\$ 7,336	\$ 6,992	\$ 6,877	\$ 6,237	\$ 5,454	\$ 4,953	\$ 6,941	\$ 6,449

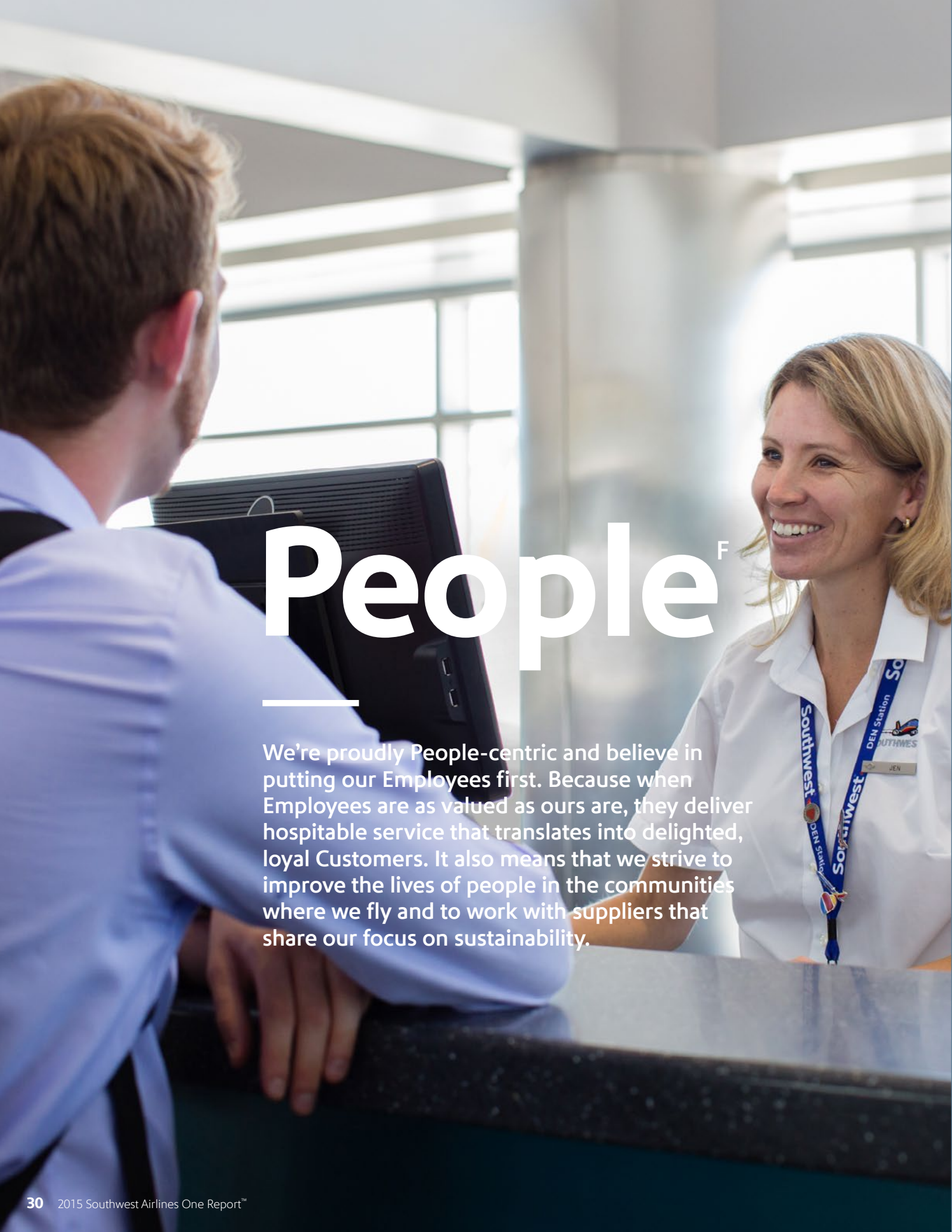
Consolidated Financial Ratios

Return on average total assets	10.6%	5.8%	4.0%	2.3%	1.1%	3.1%	0.7%	1.2%	4.3%	3.6%
Stockholder's equity per Common Share O/S	\$ 11.36	\$ 10.03	\$ 10.47	\$ 9.57	\$ 8.90	\$ 8.35	\$ 7.34	\$ 6.69	\$ 9.04	\$ 8.24
Operating margin	20.8%	12.0%	7.2%	3.6%	4.4%	8.2%	2.5%	4.1%	8.0%	10.3%
Net margin	11.0%	6.1%	4.3%	2.5%	1.1%	3.8%	1.0%	1.6%	6.5%	5.5%

Consolidated Operating Statistics

Revenue passengers carried	118,171,211	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
Enplaned passengers	144,574,882	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
RPMs (000s) ⁸	117,499,879	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
ASMs (000s) ⁹	140,501,409	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
Passenger load factor ⁶	83.6%	82.5%	80.1%	80.3%	80.9%	79.3%	76.0%	71.2%	72.6%	73.1%
Average length of passenger haul (miles)	994	978	966	941	939	885	863	830	815	808
Average stage length (miles)	750	721	703	693	679	648	639	636	629	622
Aircraft utilization (hours and minutes per day)	11:13	10:54	10:45	10:55	11:10	10:48	10:50	11:36	11:41	11:34
Trips flown	1,267,358	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
Average passenger fare	\$ 154.85	\$ 159.80	\$ 154.72	\$ 147.17	\$ 141.90	\$ 130.27	\$ 114.61	\$ 119.16	\$ 106.60	\$ 104.40
Passenger revenue yield per RPM	15.57¢	16.34¢	16.02¢	15.64¢	15.12¢	14.72¢	13.29¢	14.35¢	13.08¢	12.93¢
Operating revenue yield per ASM ¹⁰	13.98¢	14.20¢	13.58¢	13.34¢	12.99¢	12.30¢	10.56¢	10.67¢	9.90¢	9.81¢
Operating expenses per ASM	11.18¢	12.50¢	12.60¢	12.85¢	12.41¢	11.29¢	10.29¢	10.24¢	9.10¢	8.80¢
Operating expenses per ASM, excluding fuel	8.61¢	8.46¢	8.18¢	8.07¢	7.73¢	7.61¢	7.19¢	6.64¢	6.40¢	6.34¢
Fuel cost per gallon, including tax	\$ 1.90	\$ 2.93	\$ 3.16	\$ 3.30	\$ 3.19	\$ 2.51	\$ 2.12	\$ 2.44	\$ 1.80	\$ 1.64
Fuel consumed, in gallons (millions)	1,901	1,801	1,818	1,847	1,764	1,437	1,428	1,511	1,489	1,389
Active, full-time equivalent Employees at year-end	49,583	46,278	44,831	45,861	45,392	34,901	34,726	35,499	34,378	32,664
Aircraft at year-end ¹¹	704	665	681	694	698	548	541	537	520	481

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



People^F

We're proudly People-centric and believe in putting our Employees first. Because when Employees are as valued as ours are, they deliver hospitable service that translates into delighted, loyal Customers. It also means that we strive to improve the lives of people in the communities where we fly and to work with suppliers that share our focus on sustainability.

- Continued our commitment to inclusion with our **Diversity Council**, a cross-departmental, cross-functional group of **Employees** across the Southwest Airlines system
- Introduced our **TransfarencySM campaign**, our unique approach to treating Customers the way they expect and deserve to be treated
- Recognized by **Glassdoor's annual Employees' Choice Awards**
- Gave more than **\$19 million** in monetary, in-kind, and ticket donations to people and groups in our communities
- Increased small business spend by **3.4 percent** compared with 2014

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57	Looking Forward



We foster a Culture of Hospitality and Reliability, treat our Customers like guests in our home, and give back to our communities.



Management Approach

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.

Employees

There's Something About Southwest People

In the air and on the ground, Southwest Airlines Employees are a unique group. And our Customers agree, sending us an average of more than 200 Employee commendations each day.

Recruitment: Finding and Hiring the Right People

Our approach to serving Customers starts by hiring the right People—People who create a welcoming atmosphere and provide great service for Customers and each other. We’re very particular: in 2015, out of 372,925 resumes, only two percent became Southwest Employees. We’re especially proud that 12 percent of our Employees are veterans and that we were ranked #33 on the 2015 list of Top Military Friendly Employers.

Reaching Out to Potential Employees

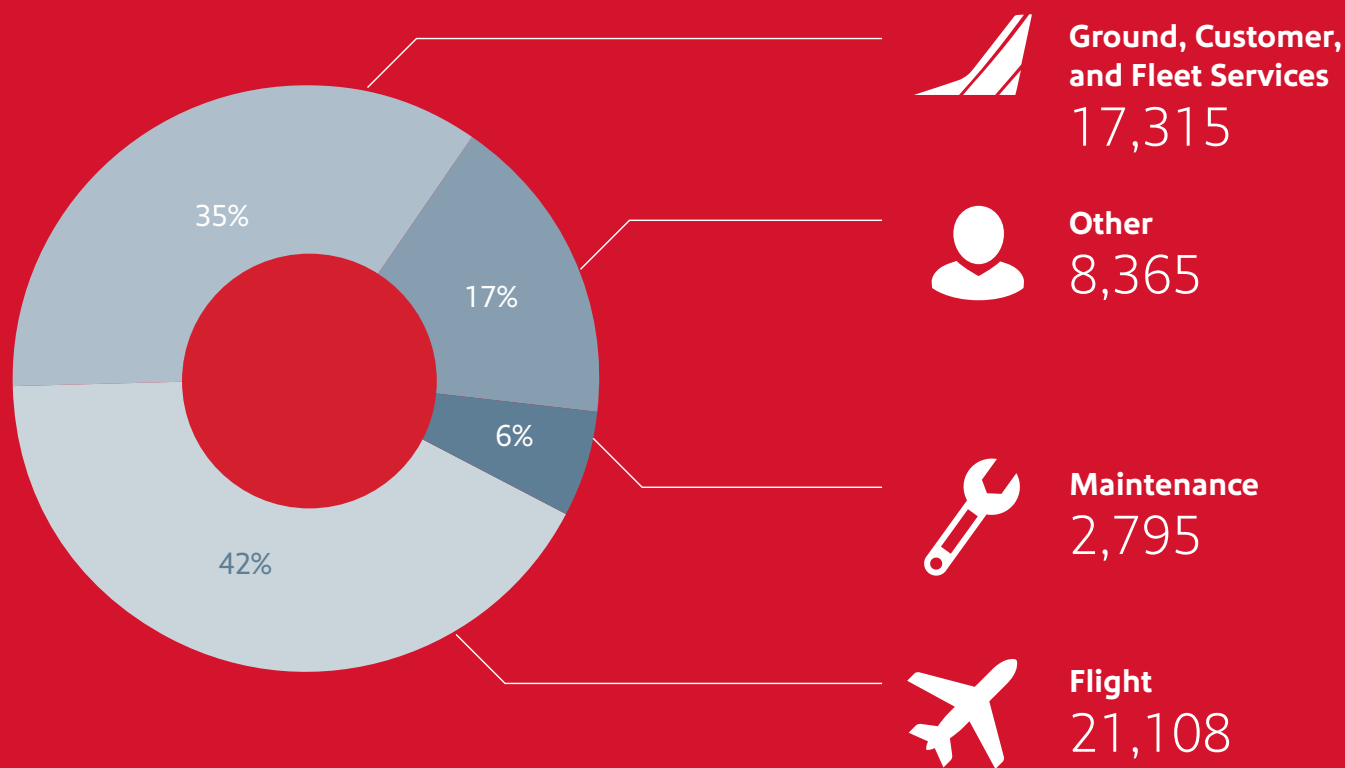
Finding top Employees starts by reaching out to students who may want to join our Team. That’s

the idea behind our Campus Reach program—it identifies and engages future Southwest Employees with an aim of inspiring an interest in an aviation career. Campus Reach’s efforts include:

- High school internships and partnerships
- A nationally recognized college internship program
- Direct hiring opportunities for new college graduates
- An MBA internship bringing talented individuals into more strategic roles within the Company

We also initiated a Summer Camp for Employees’ high school children to introduce them to the world of work and open their eyes to the many careers they can pursue at Southwest.

Breakdown of Employees by Type^{12,13}



Joining the Southwest Team: One Employee’s Experience

Ellen Cameron really, really, really wanted to work for Southwest. “I applied for internships at Southwest three years in a row while in college,” she says. “I’m nothing if not bullheaded.” But when nothing turned up despite her perseverance, she accepted an internship at Boeing, where she worked as a Procurement Analyst helping manage production parts for the 737 MAX Propulsion project.

It was a great experience, but she was glad to return to her native Texas to complete her degree at UT Austin. While there, she attended one of Southwest’s Campus Reach sessions. “Southwest was always my dream company,” she says. “I really liked the corporate culture, and the human, respectful way they conducted their on-campus recruiting and interviews backed up that perception. It was like they brought the essence of Southwest to the campus. I felt that I would get to work on really interesting things and have a fulfilling career—and that it would be a fun place to work.”

↓ Ellen Cameron living her dream of joining the Southwest Family.

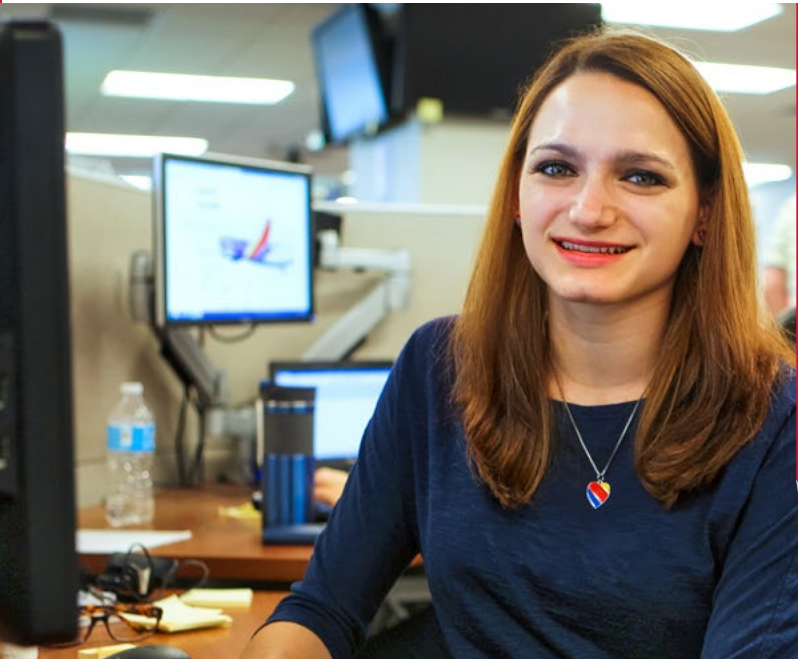
Shortly after graduating from UT, Ellen finally got her dream job. She’s an Associate Business Analyst working on the interface and technology platform for Southwest.com.

“Southwest was always my dream company. I really liked the corporate culture, and the human, respectful way they conducted their on-campus recruiting and interviews backed up that perception.”

— Ellen Cameron, Southwest Airlines Employee

Ellen, who recently celebrated her first anniversary with the Company, has quickly become an active Leader in the Southwest Culture, leading the technology intern program by developing events to foster social engagement and learning opportunities.

Now firmly part of the Southwest Team, Ellen says she’s glad she persisted. “Sometimes I guess ‘no’ really means ‘not yet,’” she says.



Ellen Cameron, Associate Business Analyst, Southwest Airlines

- Q What’s the most surprising thing about working for Southwest?
- A I am constantly surprised by the incredible people in the Southwest Family. I am amazed by their skills and hidden talents, humbled and grateful for their kindness, and often entertained by their jokes and stories (and those inflight messages!).

Path to Success: My Campus Reach Story by Jordan Livingston

In 2013, I received the Kelleher/King Scholarship, which is awarded to assist Southwest Airlines Employees and their eligible dependents with their continued education in an undergraduate program at the college or university level. The scholarship and my recent Campus Reach College internship will make a big difference in helping me make my dream of being a Pilot at Southwest a reality.

I know there will be obstacles along the way. The biggest one I've had to overcome was being born deaf in both ears. What started as speech therapy led to a cochlear implant in my right ear when I lost all of my hearing by age three. After the implant, I quickly adapted into the auditory world and have been oral ever since.

By fifth grade, my desire to become a Pilot was in full flight, and in ninth grade I was accepted into the aviation program at the Rancho High School Aviation Academy, where my elective coursework focused on Private Pilot and Aerospace Engineering. Attending the Aviation Academy has offered me a unique and practical introduction to a career in aviation.

In 2011, I received my FAA medical certification, but was still haunted by the repeated questions if I would ever be able to hear out of my other ear. In response, I just received a second cochlear implant in my left ear.

It's still a long road ahead as I go through intensive auditory verbal therapy to train my second ear to hear. But I believe overcoming the obstacle of my hearing impairment has made me a stronger, more driven individual and has prepared me to overcome my next obstacle in this journey.

The connections I made through receiving the Kelleher/King Scholarship led me to this opportunity as a college intern, and I'm certain this experience will only increase my excitement about a career at Southwest and fulfilling my lifelong aviation dream.



Get the complete story

Jordan Livingston's love of aviation propelled him to overcome being deaf in both ears to a Campus Reach success in his ongoing passionate pursuit of becoming a Southwest pilot one day. ➔



2015 Operational Employee Training Hours



A Wide Range of Training Opportunities

Our training programs include:

- Leadership Development
- Safety and Security
- Emergency Preparedness
- Front Line
- Environmental and Sustainability
- Diversity and Inclusion

Training: Helping Great People Become Greater

Southwest Employees can take advantage of a wide range of internal training programs—and we encourage them to extend their knowledge through external educational options as well. Because we believe strongly in the value of ongoing training,

we’re challenging ourselves to continually offer new training options and to increase the number of hours Southwest Employees spend in all types of training and education.

Southwest Airlines University (SWA U)

SWA U, which is part of our own state-of-the-art training facility, offers technical training and personal and professional development opportunities. It provides a centralized location for Employees and business Partners to learn in realistic environments and practice on-the-job skills.

Safety and Security Training

The Safety and Security of People is our top priority. We foster a Culture of Safety that encourages hazard reporting and mitigation, focuses on preventing injury and damage, and proactively manages risk. In 2015, Employees participated in more than 800,000 hours of Safety and Security training to support compliance. We launched our Safety Management System (SMS) in order to evaluate and mitigate operational risk and support robust Safety Assurance programs.

Turning People into Leaders—and Leaders into People

As a Ramp Supervisor at our Ft. Lauderdale (Miami Area, FLL) Station, Emmanuel Osorio is in charge of some 200 Agents all dedicated to getting airplanes unloaded, serviced, loaded and back in the air. It’s an important job, and Emmanuel wanted to do it as well as he possibly could.

That’s why he took part in our Leadership Development program at SWA U. “I want to grow in this company as far as I can,” said Emmanuel, who traveled from FLL to Dallas Love Field (DAL) to take three courses in three months in the fall of 2015.

“At Southwest, it’s all about People first before anything else.”

— Emmanuel Osorio, Southwest Airlines Employee

SWA U provides Leadership Development for Leaders at all levels. The Manager-in-Training

Programs offer intensive Leadership development to prepare Leaders for the next level. The Emerging Leadership Development program is a rotational program designed to develop well-rounded emerging Leaders.

At SWA U, Emmanuel joined other Southwest supervisors who also wanted to improve their leadership skills—everyone from Operations Supervisors to Customer Care Supervisors. Through Teamwork exercises, role playing, and other instruction, Emmanuel and his classmates learned how to communicate more effectively, improve the accountability of Team Members, and work as a Team—not as a group of individuals.

Emmanuel said the training taught him much more than the practical aspects of leading a Team. “At Southwest, it’s all about People first before anything else,” he said. “The leadership training I took at SWA U is helping me grow not just as an Employee, but also as a human being.”

↓ Class is in session at SWA U, where Employees have an abundance of personal and professional development opportunities.





Human Rights Campaign's 2016 Corporate Equality Index Score of 100:

100/100

(an improvement from 90/100 last year)

We are Grateful for Our People

The People of Southwest Airlines fuel our legendary Culture—a Culture built upon the principle that everyone matters.

That's one reason 71 percent of Employees who took our 2014 Employee Survey (our most recent available) say their work at Southwest is a calling. We were also recognized by Glassdoor's annual Employees' Choice Awards, which honor the Best Places to Work across North America and parts of Europe. We are humbled by both of these recognitions since they come from the people who know us best: our Employees.

At Southwest, gratitude is a way of life. We celebrate, recognize, and appreciate our People and their achievements every chance we get.

We make it easy for Employees to see all of the ways we recognize them in an online recognition platform we call SWAG—Southwest Airlines Gratitude. Employees can send recognition to each other with internal thank you notes we call "Kick Tails." They receive recognition from local Leadership all the way to our CEO, and we even invite Customers to give out Kick Tails to our Employees on the ground or in the air.

Our Employees can earn SWAG Points in our recognition and incentive programs and turn them into further rewards.

Southwest Airlines Diversity Council

Our Diversity Council is a cross-departmental, cross-functional group of Employees across the Southwest Airlines system who work together to strengthen our commitment to inclusion. These Employees are dedicated to bringing their own unique perspectives to serve as inclusion evangelists and change agents for the organization.

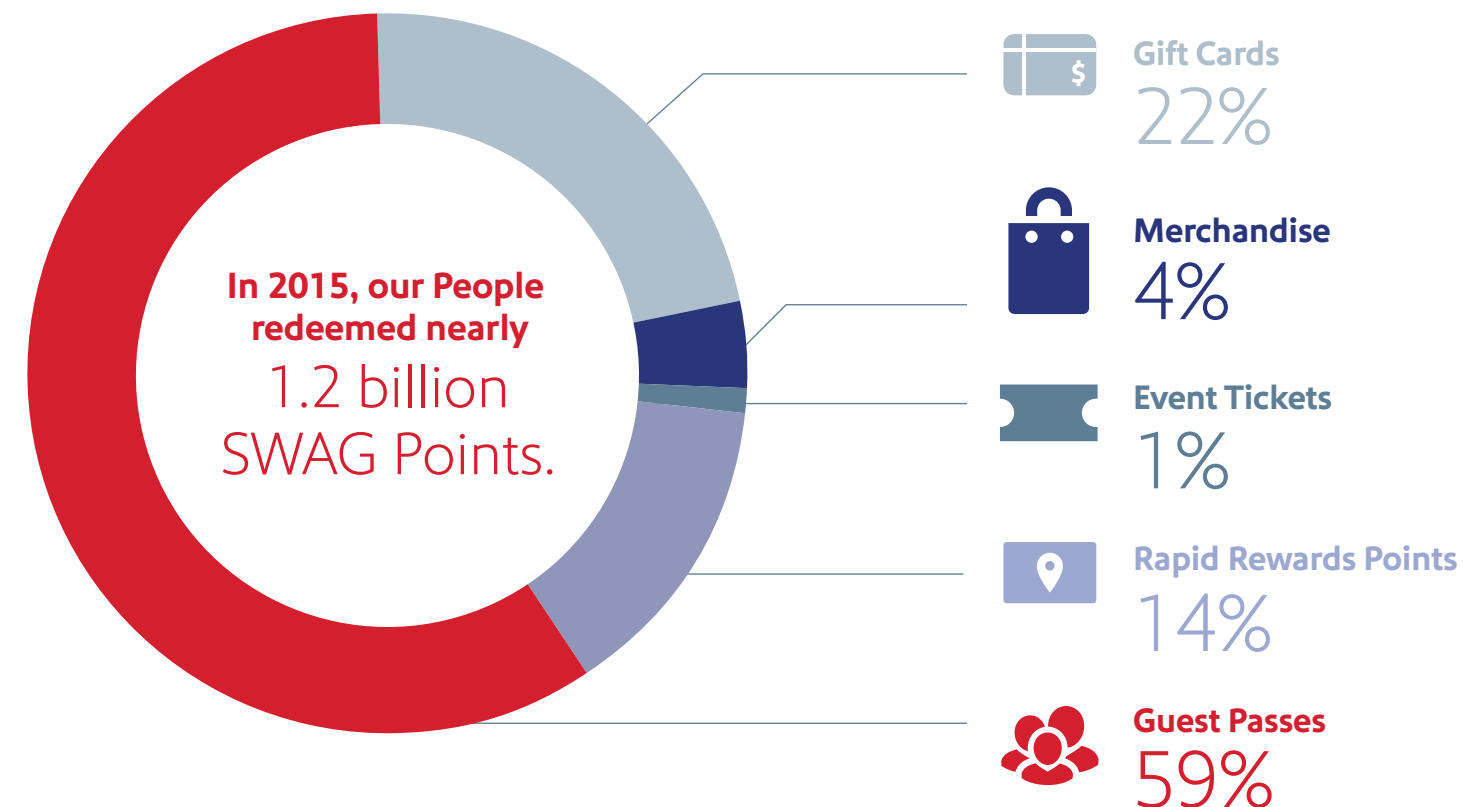
The Council focuses on:

- Expanding reach of the members
- Impacting respect, particularly in the Frontline

The Council seeks to be a strategic asset to the Company in our Vision to be the world's most loved, most flown and most profitable airline.

"Thank you so much for sharing your LUVing Heart with us at the diversity luncheon. I learned so much that I had never contemplated in a lunch and learn, and I'm thankful for Southwest providing us opportunities like this!"

— Kristin Bomstad, Southwest Airlines Employee



How Employees Use Their SWAG Points

Gift Cards: Metalworking Supplies

Technology System Engineer Mitch McDaniel volunteers as a Teaching Assistant at Brookhaven Community College in Farmers Branch, Texas, spending around 12 hours a week helping others learn the art of blacksmithing (forging iron). "I used my SWAG points to buy Visa cards that I used to purchase metal for my blacksmithing projects," he says.



Rapid Rewards Points: Home for the Holidays

Jacksonville Station Admin Carolyn Ross and her husband used SWAG points to get three roundtrip Rapid Rewards tickets to go home for Christmas. "First time we went home for the holidays in five years," she says.

Merchandise: Furnishing a New Home

Georgia Customer Support & Services Team Leader Erica Carter used SWAG Points to help furnish a new home by purchasing dishes, a vacuum cleaner, and other necessities.

← Technology System Engineer Mitch McDaniel shows off a wedding band he made as one of his many blacksmithing projects.

Retirement Planning, Including 401(k) Savings Plan Participation

National Average

Southwest Airlines

83% vs 92%

Benefits: Taking Care of Our Own

In 2015, more than 52,000 active and inactive Employees participated in at least one component of our Employee benefits program. On an accrual basis, we contributed more than \$950 million²⁴ to this program.

Last year, we enhanced our available benefits in a number of ways, including the addition of Compass Professional Health Services, a healthcare concierge service that is available to Employees and their Families who are enrolled in the BenefitsPlus Program and who have elected to enroll in Compass. Compass can provide accurate and timely healthcare information to help Employees make informed healthcare decisions. (Prior to 2015, Compass was available only to Employees enrolled in the Health Savings Plan.) [See a complete list of our benefits.](#)

Southwest Employees exercising →
and getting paid for it!

Wellness is its Own Reward

We're committed to the well-being of our Employees, both on the job and at home. This simple idea is behind every one of our wellness programs: to help our People and their families achieve their best health and highest quality of life.

The Company offers financial incentives to eligible participants—in 2015, Employees and their spouse could earn up to \$400 by taking specific steps to be more engaged in their health through our Wellness Rewards program.

But for Serena McGee, a Customer Support & Services Representative at our Chicago Call Center, wellness is its own reward. "My husband

and I had tried different weight loss programs," she says. "But none of them worked that well and we were ready for something new." That's when Serena learned about Naturally Slim, one of Southwest's Wellness offerings. The online program uses videos to teach Employees new approaches to food and provides tools to track weight loss and help stay motivated.

How did it work? "I lost 70 pounds and my husband lost 100," says Serena. "It literally changed our lives."

Other wellness offerings include onsite vaccinations, tobacco cessation programs, and diabetes prevention and control programs.

Serena McGee, Customer Support & Services, Southwest Airlines

Q What's one of the best things about Southwest's wellness plans?

A That the Company pays Employees to improve their health.

Customers

We Love Our Customers

Every Southwest flight is filled with gratitude. We appreciate every Customer and work to continually improve our ability to serve them.

Customer Experience: Keeping It Simple

We're always looking for ways to make flying with us easier and more convenient. One way is by helping our Customers manage their travel and check in to flights while on the go. In 2015, on average, more than 6 million Customers per month—approximately 67 percent of all travelers—checked in for their Southwest flight using their mobile devices, an increase of 14 percent compared with 2014.

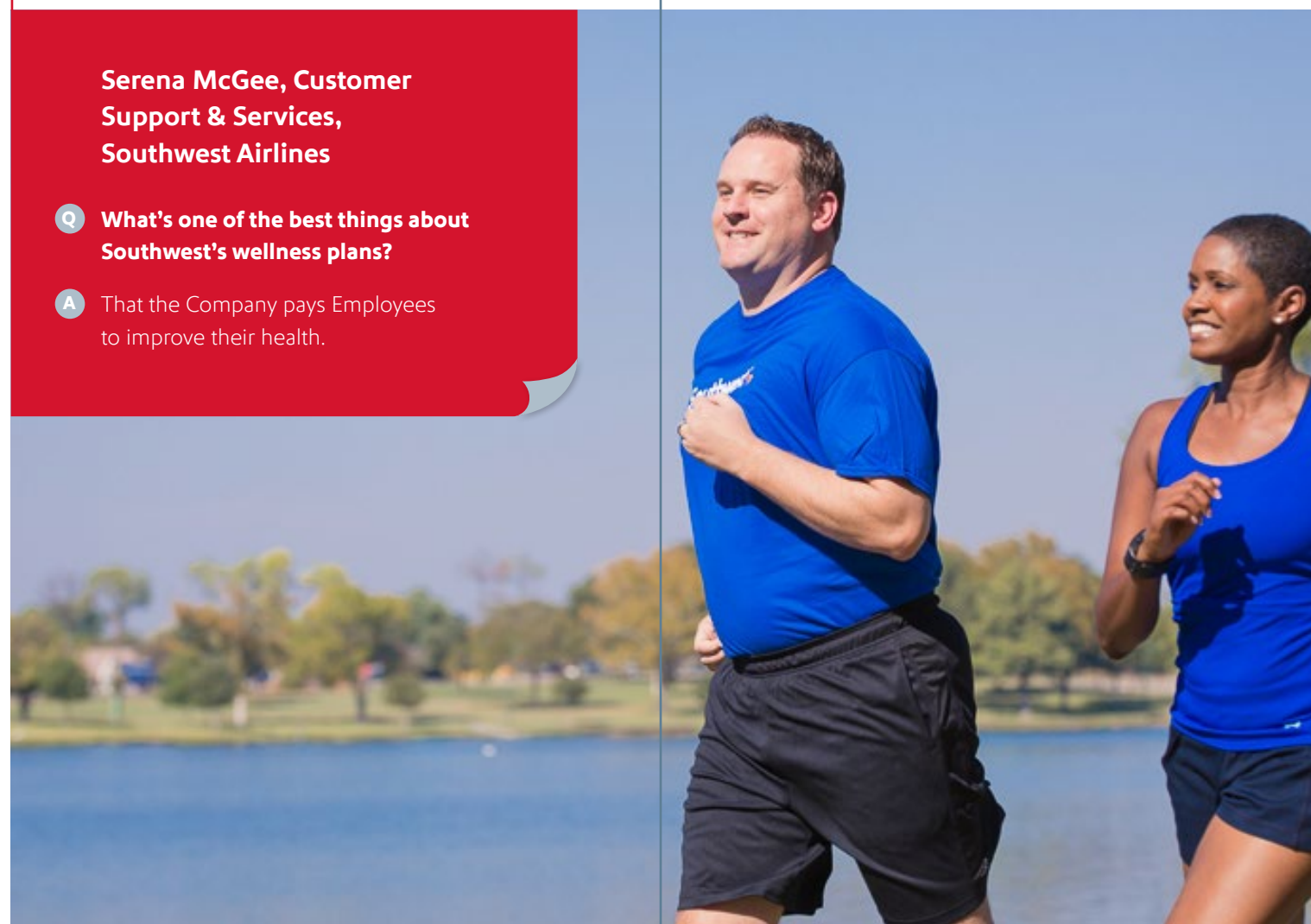
Transparency: It Means Low Fares and No Hidden Fees

Southwest has always focused on the Customer, with features such as no first or second checked bag² or change fees³, and with a constant desire to improve the Customer Experience.

In talking to our Customers, we found that while they loved what we had to offer, it was sometimes difficult to communicate it simply and clearly. So we went in search of a way to share our philosophy of low fares and no hidden fees.

We tested words like Honest. Fair. Transparent. And, while Customers nodded in agreement that these words were accurate, something was missing: the twist that would make it uniquely Southwest.

After a lot of brainstorming and Customer research, we found the perfect word. A word that says exactly what we wanted to say: **Transfarency**.





↑ Employees in the Listening Center keep an eye on our operations while staying engaged with our Customers.

Very simply, Transfarency is about treating Customers the way they expect and deserve to be treated. It's where Customers are treated honestly and fairly, and low fares actually stay low—with no unexpected first or second checked bag fees², change fees³, or hidden fees.

We premiered the Transfarency campaign in October during an exclusive event inside the new international concourse at William P. Hobby Airport in Houston. Customers loved it. Employees loved it.

Transfarency, another way that Southwest is doing it differently.

Always Looking for Ways to Deliver Better Service

Every seat has a story, and so does every social post. That's why Employees in Southwest's Listening Center are always listening for conversations involving our Customers.


In the Listening Center, we're answering questions and looking for ways to connect our Customers to what's important in their lives. Sometimes, that's as simple as a pair of running shoes.

We communicated with 694,719 Customers through social media in 2015.


In late 2015, we came across a tweet that shared a story about a Customer whose relay race was saved by a Southwest Employee. Reecie Howard, one of our Customer Service Supervisors, drove hours to deliver a misplaced bag to Melissa Stirling, a Customer who was just minutes away from embarking on a Ragnar Relay.

Through that one tweet, our Employees in the Listening Center were able to reunite the Customer and Employee, which goes to show the incredible efforts by our Employees to serve our Customers.

Our Listening Center is one more way we continually seek to make flying with Southwest the best possible experience.



Chris Brooks ✓
@chrisobrooks



I've never flown @Southwestair but Reecie just saved our ragnar team. Melissa's bag did not arrive... [instagram.com/p/8WGz49kuLP/](https://www.instagram.com/p/8WGz49kuLP/)

11:51 AM - 02 Oct 2015

Customer Satisfaction

The American Customer Satisfaction Index (ACSI) is a third-party scoring entity that measures the satisfaction of customers across the U.S. economy. Each year, the ACSI interviews hundreds of passengers about their recent flight experiences. In 2015, our score was 78/100. While this continued to place us second among all airlines scored, it was unchanged from the previous year. We intend to continue enhancing our unique brand of service in an effort to improve this score in 2016. For details on how the ACSI determines its scores, visit: <http://www.theacsi.org/industries/travel/airline>

U.S. DOT Air Travel Consumer Report

(compiled for specified calendar year)

	2015	2014*
Consumer complaints per 100,000 enplanements	0.52	0.53
Percentage of reported flight operations arriving ontime	79.7	73.5
Number of mishandled bags reported per 1,000 Passengers	3.27	4.09
Passengers denied boarding per 10,000 Passengers	1.27	1.11
Number of incidents involving the loss, injury, or death of animals during air transportation	0	0

*Includes AirTran data

The Network Operations Control is the nerve center of the airline's operation 24/7, 365 days a year. →

Communities

Being Part of the Communities Where We Live and Work

Each and every month, we receive hundreds of requests for donations from communities throughout the Southwest system. And that's just fine with us. Because, even though we can't fulfill every one, the requests we receive help us understand the priorities in the communities we serve.

In 2015, we gave a total of more than \$3 million in monetary contributions and 38,936 tickets. All told, our total corporate monetary, in-kind, and ticket donations in 2015 added up to more than \$19 million.

Increasing Our Impact through Partnerships

By working with organizations that share our Values, we can extend the reach and impact of our efforts.

Helping the Center for BrainHealth Research the Human Brain

Brain injury is a leading cause of disability and affects lives and livelihoods of nearly two million people in the U.S. every year. Previously, it was believed that the window for brain recovery was at most one year after injury. But research conducted by The Center for BrainHealth has shown that the brain can be

repaired months and even years after injury if the right intervention is applied. With its mission to maximize human cognitive potential across the lifespan in health, injury, and disease, the Center for BrainHealth team is dedicated to understanding, protecting and healing the brain after a traumatic brain injury.

Southwest Airlines has committed to a donation of \$40,000 in travel in support of their Warriors Initiatives, which provides brain training for our service men and women suffering from post-traumatic stress disorder and traumatic brain injury. The tickets are used to bring military in for treatment or fly the Center for BrainHealth clinicians to perform treatment.

Since its founding in 2013, the Center for BrainHealth's Brain Performance Institute has reached more than 1,100 service members, veterans, and military spouses and caregivers in more than 15 states. Through the generous support of the state of Texas, private philanthropists, and corporate sponsors, this top-tier training is made available at no cost to those who have served our nation and their loved ones who have endured sacrifice alongside them.

Company Giving



14,995
Donation requests
received in 2015



38,936
Tickets donated



>\$19M
Total corporate
monetary, in-kind,
and ticket donations

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. Now that we're flying to international destinations, we are developing emergency plans for each new country we enter.

Regular Employee training is key to being prepared. If an incident occurs, we debrief with lessons learned and update our plans to improve our future response in similar situations. Our Emergency Response and Business Continuity Teams are dedicated to monitoring potential operational problems in order to prepare for emergencies and resume normal operations as quickly as possible.

Working Together to Serve Our Military

As part of our focus on supporting the military, in 2015, Southwest organized a Military Partner Summit that brought together our military nonprofit Partners. The Summit’s goal is to provide a referral network among the Partners to help them collaborate on developing additional programs and resources to serve our military more effectively.

The Summit’s effectiveness in facilitating stronger relationships and collaboration was measured through a follow-up survey that showed overall satisfaction at 90.9 percent. “Without the relationships that we were able to make and build through Southwest Airlines, our Dreams for Veterans program would not have its current strength or growth potential,” said Kisa Heyer, Executive Director of the Dream Foundation. “We are truly grateful to Southwest Airlines for not only being one of our strongest partners, but also for helping us engage with others so we can all be successful together.”

Southwest Leadership and Employees also attended to learn more about our military Partners and seek additional ways we could work together such as creating a strong pool of candidates for recruitment and opportunities for Teambuilding through involvement and volunteerism.

“Having the opportunity to tell other Southwest Employees about the ways Southwest is working to support foundations and organizations like ours was amazing.”

— Military Summit Participant

Employees Helping Each Other

The Southwest Airlines Employee Catastrophic Assistance Charity helps Employees of Southwest Airlines suffering from severe financial hardship resulting from a catastrophic event in their lives. These are generally emergency medical or personal circumstances for which a person could not be expected to be prepared for through responsible financial planning or budgeting.

Throwing a Party With a Purpose

When we opened our new international concourse at Houston’s Hobby, we thought it was an event worth celebrating—and that the celebration should help a local organization.

The result: a Spirit Party held at Houston’s popular Kemah Boardwalk assisted with Houston’s disaster recovery.

The party included a raffle sponsored by All Hands Volunteers, one of our charitable Partners who provided relief from the epic flooding that occurred in the area in 2015. Brisk sales of \$5 raffle tickets for fun prizes donated by Southwest resulted in \$8,990 raised for All Hands.

Reaching out to Organizations in our Communities

We strive to make a positive difference in the communities we serve and 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.

One of those organizations is OCA-Asian Pacific American Advocates, one of the largest and oldest Asian American civil rights organizations in the United States. It’s a national, membership-driven organization of community advocates dedicated to advancing the social, political, and economic well-being of Asian Pacific Americans (APA). Through its extensive network of over 100 chapters, affiliates, and partners from around the country, OCA touches tens of thousands of individuals each year. In addition, the organization strives to foster development, leadership, and engagement through its various programs.

↓ Southwest Airlines helped fly students to attend various OCA events and programs throughout the year, including the 2015 OCA National Convention in San Francisco, CA.

In 2015, Southwest was proud to contribute to OCA in ways meaningful to the organization’s growth and sustainability. These efforts included exposing youth to life-changing experiences such as internships, leadership programs, and conferences; helping APA leaders attend trainings in the nonprofit, business, and political arenas; and supporting OCA’s national gala, convention, and corporate achievement awards. In addition, Southwest Airlines has been the official airline of OCA since 2008.

“Southwest Airlines is a key partner and a wonderful supporter of civil rights for our community,” said Ken Lee, CEO of OCA-Asian Pacific American Advocates. “Southwest Airlines’ support has opened doors to new opportunities for our organization and is instrumental in our ability to empower tens of thousands of Asian American and Pacific Islanders each year to make social change. We are continuously humbled and grateful for their support so that we may work together toward advancing our mission of embracing and advancing our community.”





← Gary Kelly and Executive Vice President Jeff Lamb (right) presenting a check to grateful Representatives from the Dallas Children's Medical Center at the 30th annual LUV Classic golf tournament.

LUV Classic Changes Lives

2015 marked the 30th year of our annual LUV Classic golf tournament, and we celebrated by expanding the event and adding more beneficiaries. We donated \$675,000 and reached a milestone of having donated to every Ronald McDonald House in our system, including—for the first time—international Houses. In celebration, we gave to the national Ronald McDonald Charities. The 2015 proceeds went to:

- Children's Medical Center of Dallas
- Ronald McDonald House Charities National
- Ronald McDonald Houses in Mexico City (three houses)
- Ronald McDonald House in Costa Rica
- St. Jude Children's Research Hospital

Sharing Our Time and Talents in Our Communities

In 2015, more than 6,400 Employee volunteers donated more than 145,000 hours, sharing their time and talents with nonprofit organizations and schools all across the system. This volunteerism translates to more than \$3 million in value of volunteer service for organizations near and dear to the hearts of our Employees.

Thanks to our volunteers and [Tickets for Time Program](#), Southwest donated 2,293 Tickets for Time awards in 2015 to support the mission of organizations our Employees volunteer with—a \$917,200 value.

Volunteering as One Across Southwest

Each spring and fall, we have a Companywide volunteer initiative that encourages all Southwest Employees to participate in volunteer projects around the same community issue. In the spirit of making

a difference in the classroom, our focus during fall 2015 was on schools.

Hundreds of Employee volunteers across the system went back to school and shared their Southwest Heart, provided information about careers in aviation, related personal experiences that landed them at our Company, and drove home the importance of working hard in school and life.

We made resources available for Employee volunteers to take into the classroom to share information about careers at Southwest with elementary, middle, junior high, and high school students. Employees helped students think about their own educational paths and the possibilities that await them—maybe even a career at Southwest.

Volunteers also worked with the schools to identify other tasks that needed to be completed, such as organizing the library, reading to students, and completing outdoor beautification projects.

One shining example comes from Phoenix, where a team of 55 Employees and 14 vendor volunteers made a huge impact on Percy L. Julian School, repainting, re-flooring, refreshing and refurbishing. Employees also donated instruments to help revitalize the school's music program and a host of appliances to complete the teacher's lounge facelift.

"We didn't do these things because we had to do it; we did them because we wanted to and loved to do it," said Keith Bady, who is part of our Phoenix Customer Support & Services Team. "Being able to help the community in a positive way is the reason why we do what we do, because we're the love airline and I'm proud to be part of it."

"We didn't do these things because we had to do it; we did them because we wanted to and loved to do it."

— Keith Bady, Southwest Airlines Employee

Working to be the Heart of the Community

In 2014, we launched the Heart of the Community program in an effort to promote social, economic, and wellness benefits in communities which our Employees and Customers call home. This first of its kind program focuses on revitalizing public spaces through the community-led approach of placemaking in partnership with the pioneering nonprofit organization, Project for Public Spaces.

In 2015, Heart of the Community grants supported workshops in which residents contributed to reimagining underutilized spaces into dynamic gathering spots for cities including Albuquerque, Jacksonville, Milwaukee, Ft. Myers, St. Louis and Portland, Maine.

In Portland, for example, residents fought to save a historic town square, which is now filled with music and dancing, and is a place where everybody is welcome and feels part of their city.

We expanded the Heart of the Community program in 2015 by introducing smaller, capacity building grants to support local organizations with initial steps in engaging their community. As a result, we celebrated the announcement of our first international project in the Foro Lindbergh section of Parque Mexico, Mexico City. Residents can now grab a book from the mobile library cart and participate in an array of programs such as yoga and dance lessons, all signs of Southwest’s genuine interest in bringing this type of community engagement to our international markets.

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.

Supporting Youth Service and Stewardship

In 2015, we continued our longstanding commitment to the Student Conservation Association (SCA), the national leader in youth service and stewardship. 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

Mia Callahan, SCA Intern

- Q** What do you get out of participating in the SCA that you didn't expect?
- A** I saw parts of the country I'd never even thought of seeing and learned a ton, including a thing or two about what I'm capable of, some thoughts about my next steps, and just how many new experiences it's possible to pack into a few short months. I better understand the incredible amount of labor and intense level of expertise that conservation work entails, and have a tremendous amount of respect for those who have chosen to make it their careers. Some of the outreach I did turned my eye toward education, and I'm now serving as an Environmental Educator with SCA in Idaho. I never would have even considered the possibility if I hadn't stumbled across the SCA in my last year of undergrad. It was truly a path-changing experience.

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.

As the official airline of the SCA, Southwest provides hundreds of airline tickets each year for members, leaders and staff in fulfilling the SCA mission. Tickets also support the National Youth Crew program, enabling candidates to travel to and from work deployments conducting volunteer projects across the country in an effort to preserve wildlands and protect nature in urban areas.



↑ SCA Intern Mia Callahan (top left) and Team discovering a passion for conservation and showing off their great work.

In addition to our annual support, we're always looking for ways to add value to our Partners, such as providing unique professional development or learning opportunities. Through our annual sponsorship of the Net Impact Conference—a convening of student and professional leaders to tackle the world's toughest social and environmental problems—we were able to extend invitations for SCA students and leaders to attend and contribute, as part of their gaining skills and expertise.

Suppliers

Our Diverse Supplier Base Reflects Our Own Diversity

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 have developed and implemented a thorough procurement policy that includes sections on green procurement and human rights. Southwest Airlines suppliers must meet these high standards.



Helping Southwest Pilots Look Their Best

Murphy & Hartelius/M & H Uniforms, which provides Southwest Airlines pilots with their uniforms, is a small business with a big heart. In fact, it's a lot like Southwest itself. "We're very focused on customer service," said Damian Murphy, whose father started the company in 1960, and who heads up the family-owned business today. Three generations are involved in the day-to-day operations of the company, and Damian's niece Olivia and nephew Aidan are the next generation of family to run the business.

Southwest keeps the company's 50 employees busy—since the company began working with Southwest in 2005, it has had more than 40,000 transactions with Southwest pilots. M&H provides everything from pants to jackets, ties to epaulets. "Whatever a pilot needs, we can supply it," said Damian.

Over the years, Damian and his brothers have been known to take care of their customers personally. For instance if a Southwest Pilot has a problem with a particular order request, or any type of issue with a uniform, one of the Murphy brothers will contact the Pilot and work out a solution to the issue.

"For us," said Damian, "it's all about interacting with the customer, making sure they're satisfied, making sure they have what they need when they need it."

— Damian Murphy



↑ It's a labor of love that goes into operating more than 3,900 flights a day.

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 Customers by providing low fares and a variety of high-quality air service offerings to destinations across the United States and to international markets.



Human Rights

Protecting Human Rights

At Southwest, we are strong supporters of protecting each individual's basic human and civil 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, Customers, suppliers, and the communities we serve.

Human rights training and information (including training on human trafficking and notification to law enforcement authorities) is available for Employees through a variety of vehicles, including, for example,

our Disability Discrimination & Workplace Accommodation Policy, in both written and audio versions; our Most Compliant Leader training, an eight hour program required bi-annually of all Leaders, Supervisors and above; our Guidelines for Employees, which provides policies, procedures, and expectations for all Employees; and our Mission Statement that concludes:

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.

Employee Human Rights Policies

We have created and adhere to Company policies to support and respect the protection of human rights within our sphere of influence. 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

Company policies are available at Southwest. investors.southwest.com/corporate-governance/corporate-bylaws-articles-of-incorporation-and-corporate-policies/corporate-policies

Looking Forward

What we're working on in 2016 and beyond:

- Heart of the Community will continue with additional grants as well as more small grants to assist communities in launching their efforts.
- We will launch Phase 2 of our *LUVSeat: Repurpose with Purpose* upcycling project with a new relationship and new products in Mexico.
- New training facilities will enable increased training, including increasing the number of our flight simulators for Flight Ops Training.
- We are changing the vendor that provides our inflight coffee to Community Coffee, a company that shares our commitment to invest in the communities where our Customers, Employees, and suppliers live and work. As part of this new relationship, we are working with Community Coffee to fund educational programs to support the children, families, and farmers in Mexico where the company's coffee beans are grown.
- We expect to hire approximately 3,000 new Employees across the Company.
- To enhance our preparedness efforts, we are continuously working to improve our emergency response and business continuity capabilities. Enhancements include contingency planning for cyber breaches and supplier and fuel shortages to improve our readiness in a variety of emergency situations.



See all of the data related to People in the Appendix



Planet^F

Every day, more than 3,900 Southwest flights offer a unique perspective on our planet. Seeing the Earth from 30,000 feet is a constant reminder of both the fragility and interconnectedness of the place we all call home. This viewpoint reinforces our ongoing commitment to conservation, the responsible use of resources, and mitigation of our environmental impacts.

- 🏆 Reached **29 percent improvement in our jet fuel efficiency** on a revenue ton miles (RTMs) per gallon basis compared with 2005
- 🏆 Ranked among the **top four most fuel-efficient airlines on U.S. domestic operations** for the fourth straight year by the International Council on Clean Transportation¹⁴
- 🏆 Awarded the Chicago Department of Aviation's **2015 Airports Going Green Award** for airlines
- 🏆 Signed a new contract to purchase **renewable energy for 40 percent of our electricity usage** for our Dallas and Houston facilities

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



Management Approach

We recognize the importance of environmental stewardship. We do our part to minimize our impact on the environment by being mindful of the effect of our operations when making decisions, collecting and analyzing information on our

impacts, and continually improving the actions we take to mitigate those impacts. Our environmental policy is a resource for all Employees to understand how they can be a part of our Culture of global citizenship.

Environmental Management Systems

Working to Improve our Environmental Performance

Our environmental management system (EMS) helps us towards our goal of maintaining compliance with environmental regulations, fostering environmental improvement, and minimizing costs and risk. It helps us implement plans to address potential environmental impacts and review for continual improvement. We use a chemical management system (CMS) to review and track the use of chemicals in our facilities. Learn more about our [EMS](#) and [CMS](#).

Energy Use

Saving Energy, Cutting Costs with LED Lighting

LED lighting can reduce energy consumption, maintenance costs, and shrink our environmental footprint through reduced waste. That’s why our TechOps Team is replacing current lighting in our hangars with energy-efficient, virtually maintenance-free LED lighting solutions at two locations. So far, we have replaced the high bay lights at the Atlanta maintenance hangar and the lower mezzanine and some shop areas in the Dallas hangar.

We are currently evaluating the best lighting solution for the remainder of the Dallas hangar facilities. One of the proposed solutions is projecting annual savings of nearly 1 million kWh and a pay back period of 2.5 years.

We continue to seek additional opportunities to replace existing lighting in our hangars with LED lighting.

Seeking New Opportunities to Save Energy

Efficiency is at the core of our business and our climate change strategies. That’s why we invest in fuel efficiency projects that help us minimize our impact on the environment even as we expand our operations—to date, we have achieved more than 29 percent improvement in jet fuel efficiency on an RTM per gallon basis compared with 2005.

Top 4 in Fuel Efficiency for Fourth Straight Year

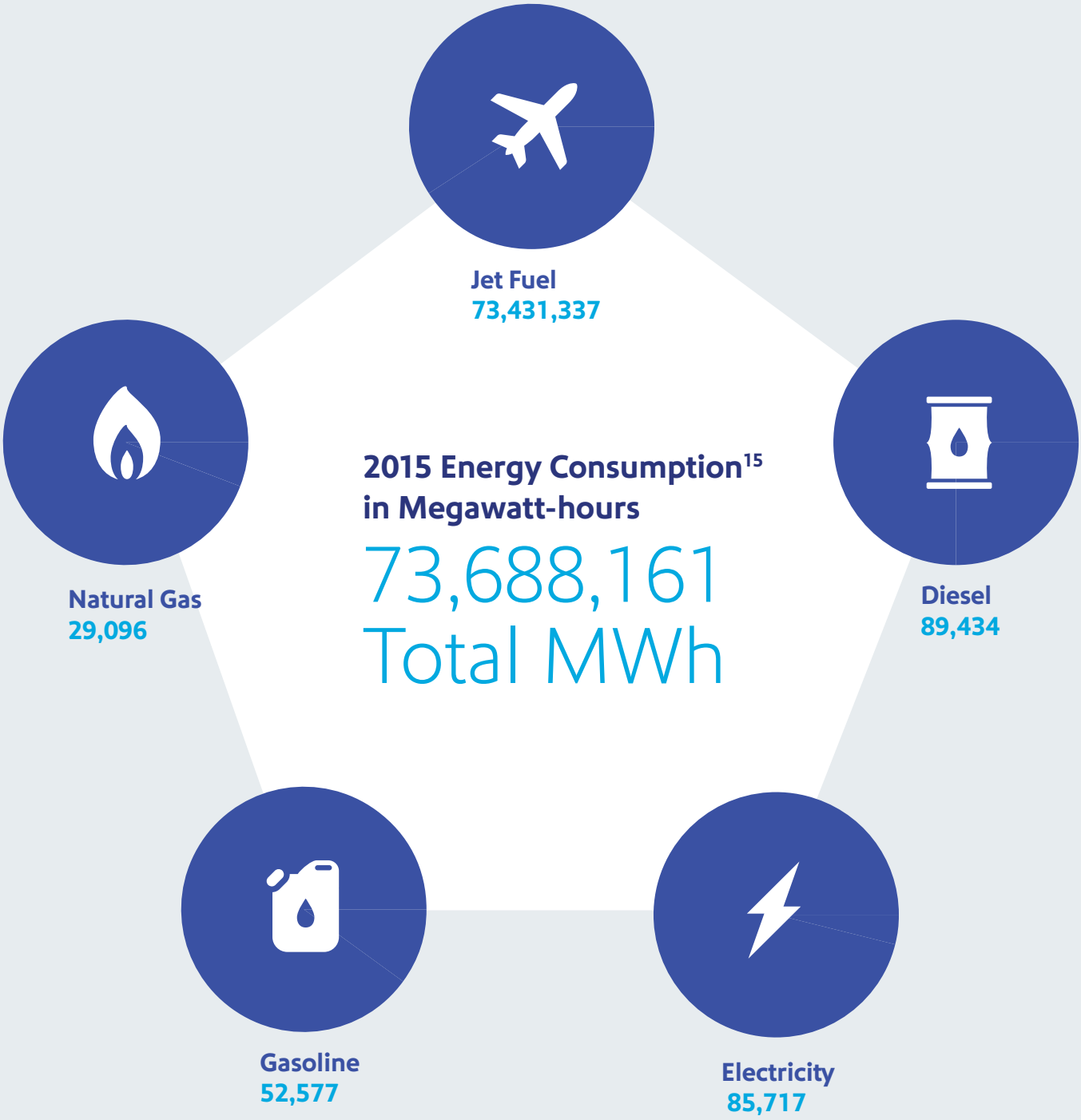
Southwest remains among the most fuel-efficient airlines in U.S. domestic operations for the fourth straight year. We ranked fourth overall for in-service fuel efficiency, according to the International Council on Clean Transportation (ICCT)¹⁴ report released in October 2015.

A Hands-On Commitment to Help the Earth

In 2015, our largest intern class ever made a meaningful impact on the Elm Fork Project in Dallas, an initiative to turn 800 acres of overlooked urban wilderness into a world-class ecological education and recreation center.



Get the complete story



Jet Fuel Conservation

We're always looking for ways to reduce fuel consumption. Here are just a few of our many solutions:



Split Scimitar Winglets:

In 2015, Split Scimitar Winglets were installed on the 19 Boeing 737-800 aircraft added to our fleet, producing estimated incremental fuel savings of more than one million gallons.



Galley Refresh:

The weight-saving changes to how we stock our aircraft galleys that we implemented in 2013 continued to help us save fuel in 2015, with incremental savings of approximately 23,000 gallons of fuel.



Fuel and Flight Planning:

Refining our fuel planning calculations and flight planning procedures enabled us to save more than two million additional gallons of fuel in 2015.



New Seats:

Beginning in mid-2016, new deliveries of Boeing 737-800 airplanes will incorporate industry-leading seats that are wider than current seats and offer increased legroom while decreasing the overall weight of the seats, which contributes to improved fuel efficiency. The seats will also be included on the new 737 -8 (MAX), which we expect to enter service in 2017.



Single Engine Taxi:

In 2015, we continued to taxi with a single engine where possible and practical, contributing to incremental savings of more than 160,000 gallons.



Electronic Flight Bags:

Using tablets instead of paper charts and manuals reduces airplane weight by about 80 pounds per flight and contributes to incremental savings in 2015 of more than 576,000 gallons of fuel.

Historic Jet Fuel Efficiency Improvement (RTMs/gallon)



Teaming Up with Phoenix Sky Harbor (PHX) on a Major Electrification Project

Every time a Southwest airplane parks at an airport gate, it's met by a variety of ground service equipment (GSE), from provisioning trucks to tugs to belt loaders. We are increasingly using alternative fuels to power our GSE to reduce greenhouse gas (GHG) emissions. Currently, more than 19 percent of our GSE fleet is powered by electricity.

In 2014, we approached PHX Airport to partner with us on a project to increase the amount of electrification available at airport gates as part of the Federal Aviation Administration's (FAA) Voluntary Airport Low Emissions (VALE) program, which is designed to reduce airport ground emissions. The program provides funding for airport infrastructure improvements that provide cleaner technology the FAA deems cost effective—including charging stations for electric GSE and ground service units that provide electric power and air conditioning to the aircraft when at the jet bridge.

Created in 2004, the VALE program helps airport sponsors meet their state-related air quality responsibilities under the Clean Air Act.

"For a large electric GSE project, the infrastructure installation is about half the entire cost of the project—including vehicles," says Adam Walters, a Senior Environmental Specialist at Southwest. "So it's an enormous benefit if the airport provides the infrastructure and we purchase the vehicles."

PHX was awarded VALE funding in 2015 and plans to begin construction in 2016. "It's not just a matter of installing chargers," points out Adam. "The airport will be upgrading each terminal's energy supply infrastructure."

The Airport plans to install 15 charging stations to support Southwest's additional 60 pieces of electric GSE: 50 bag tugs and 10 belt loaders. Adam listed some of the advantages of the electric equipment—in addition to its environmental benefits:

- Lowers maintenance costs because there are no fluids to change and fewer moving parts than with diesel-powered GSE.
- Reduces costs associated with storage and disposal of used fluids and reduces spills and drips from fluid leaks.
- Improves working conditions for Employees, who appreciate the quieter, fume-free equipment.

We continue to explore new opportunities for electric GSE and plan to take part in infrastructure improvements in Birmingham (BHM) and Seattle/Tacoma (SEA) in 2016.

Going Green Award for our Environmental Efforts

We were delighted to be awarded the Chicago Department of Aviation's 2015 Airports Going Green (AGG) Award for airlines. This respected award has grown to be recognized as an aviation industry-leading sustainability achievement award. The highly competitive award included 24 nominations for consideration in 2015, making it among the toughest selection processes in the award's history.

The AGG award acknowledged Southwest's *LUV Seat: Repurpose with Purpose*, *Heart of the Community* programs, and efforts to reduce emissions and energy consumption. The LUV Seat program is an innovative upcycling project that creates new products from the used leather seat coverings that were removed during our recent aircraft cabin redesign. At the same time, this program has benefited communities by providing young adults and community members with vocational and skills training by making shoes, soccer balls, and bags from the used leather.

Committed to Renewable Energy

We believe that renewable energy is a key component of environmental responsibility. As a result, we have procured renewable energy certificates through Summit Energy Services, Inc. since 2013. In 2015, we purchased enough renewable energy to cover 40 percent of our electricity usage at our Dallas and Houston facilities combined.

We are also committed to purchasing approximately three million gallons of low carbon renewable jet fuel from Red Rock Biofuels LLC per year beginning in 2018.



40% of electricity used in Dallas and Houston facilities was covered by renewable energy

Adam Walters, Senior Environmental Specialist, Southwest Airlines

Q What's next after electrification?

- A As technology continues to improve, we've made significant investments in next-generation batteries to reduce charging time and extend battery life. Also, charging stations are getting smaller, allowing us to place multiple charging points in a single location without sacrificing work space on the ramp. This allows us to strategically place charging stations near Employee break rooms to ensure battery charging and longevity while making it convenient and efficient for Employees to use the charging stations.



← Adam Walters is proud of our partnership with the Phoenix Airport that will increase the amount of electrification available to power Southwest's Ground Service Equipment.

Greenhouse Gas (GHG) Inventory

A Voluntary Commitment to Conduct a GHG Inventory

We have voluntarily tracked our GHG emissions since 2009 as a means to better understand our impact on the environment and increase the transparency of our operations. We strive to reduce future emissions while continuing to provide safe, reliable, and affordable air transportation to our Customers.

In 2015, our GHG intensity ratios improved based on available seat miles (ASMs), revenue passenger miles (RPMs), and RTMs as a result of our many fuel efficiency initiatives. However, our overall GHG emissions were up due to increased capacity.

In 2015, our Total Scope 1 and Scope 2 GHG emissions were more than 18 million metric tons of CO₂e, compared with more than 17 million in 2014 due to the growth of our operations.

Here's how we define Scope 1 and Scope 2 emissions:

Scope 1 Emissions

- Aircraft fuel consumption
- 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, such as losses from HVAC systems

Scope 2 Emissions

- Purchased electricity used in Southwest-controlled facilities

Collected data was converted to GHG emissions using industry-standard factors. More than 99 percent of our emissions came from aircraft fuel combustion. You can find a detailed summary of historical GHG emissions by operational boundary in the [Appendix](#).

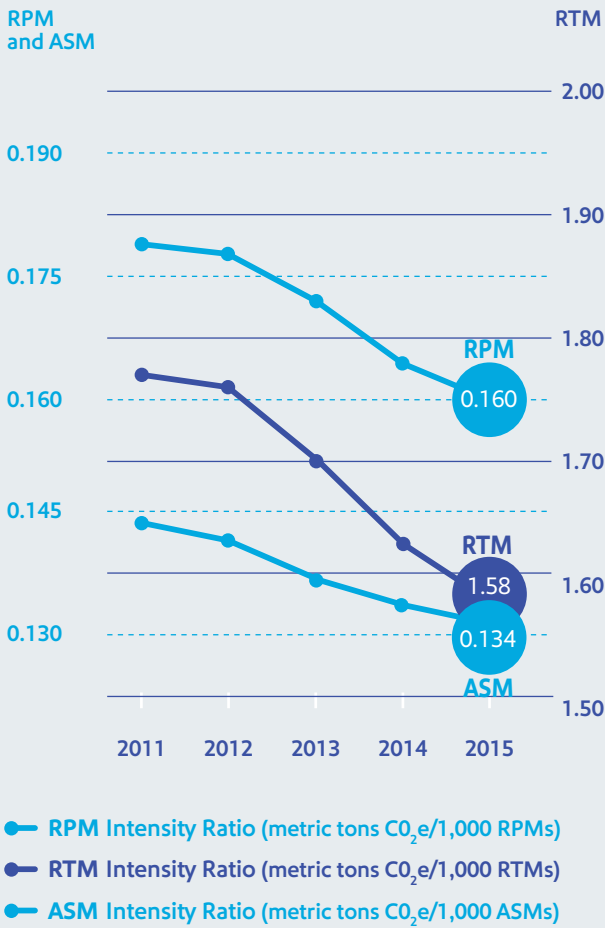
Committed to Industry-wide Climate Change Goals

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:

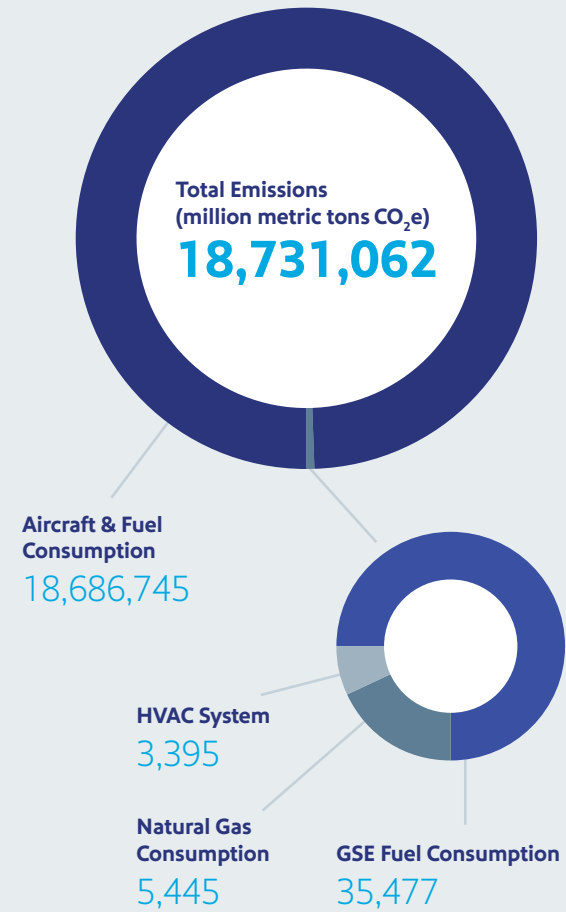
- Continue industry fuel (and, hence, CO₂) efficiency improvements, resulting in an average annual CO₂ efficiency improvement of 1.5 percent per year on an RTM basis through 2020
- Cap industry-wide CO₂ emissions from 2020 (carbon-neutral growth) subject to critical aviation infrastructure and technology advances achieved by the industry and government
- Contribute to an industry-wide goal of reducing net CO₂ 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 CO₂ efficiency improvement of 1.5 percent on an RTM basis through 2020.

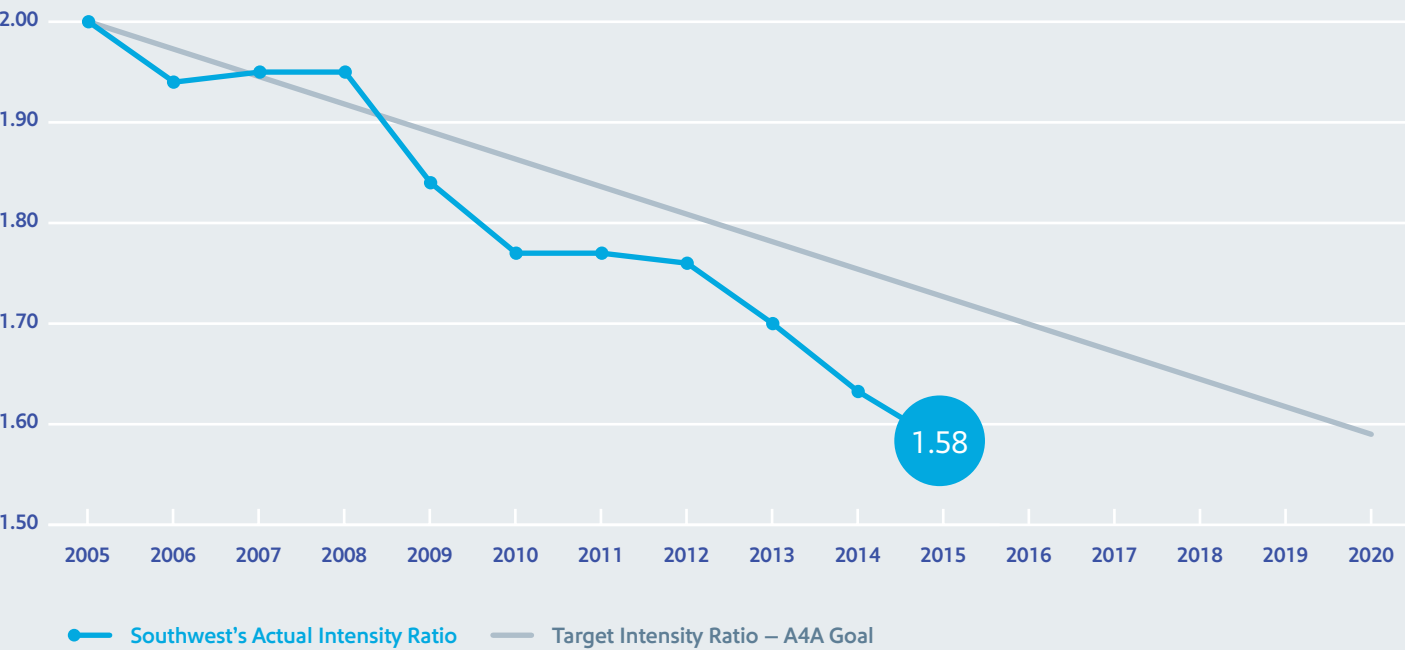
Improvement in CO₂e Intensity Ratios (calculated using Scope 1 & 2 emissions)



2015 Scope 1 Emissions Breakdown



Emissions Reduction Target (metric tons CO₂e from Scope 1 & 2 emissions/1,000 RTMs)



Waste

An Emphasis on Reusing and Recycling

We recycle co-mingled recyclable materials—primarily paper, plastic, aluminum, and cardboard—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 and provide them with recycling tips they can use at work and at home.

The past few years have been challenging for our co-mingled recyclable program as the market for these materials has been reduced due to the decreased price of petroleum, which reduces the price of many raw materials. As a result, recycling facilities have recycled less of the material we collect, but the volatility of the recycling market will not deter us from continuing to support and grow our recycling program.

In 2015, we recycled more than 4,100 tons of waste from our operations.

Green Ambassador Sheilla DiPace → makes a difference in Orlando through her passion for recycling.



Orlando's One-woman Recycling Machine

"Did you know that, on average, only about 20 percent of magazines are recycled from the home? Since I grew up in the lush, green Pacific Northwest, and also because I am an active SWA Green Ambassador, these are things that I often ponder. Here in Orlando, earth stewardship is kind of fringe and not as core of a value as it is back home where recycling is as critical as clean air and water. But I'm working on that."

That's how Sheila DiPace, who works in Operations at our Orlando (MCO) Station describes the journey that led to her role as a Southwest recycling advocate. It all began in 2014 when she began wondering what happened to the copies of *Southwest: The Magazine* at the end of the month when the

new issues come out. "I discovered that we were not recycling them," she says. So in late 2014, she connected MCO's SWA Appearance Technicians, the contracted aircraft cleaners and the airport maintenance department, to recycle 3.5 tons of magazines, Skymall catalogs, plastic, and cardboard in a single month.

Since that time, the airport delivers an open top container on the last day of each month, making it very convenient for cleaners to recycle *Southwest: The Magazine* when the old issues are replaced. The following day, the airport takes them to our recycle center and logs the amount diverted. Since inception, MCO has recycled 21.2 tons of material.

And Sheila isn't stopping with magazine recycling. She has also helped MCO divert more than 709,000 six-pack rings from landfills, which are then used to make new rings or other products. While its progress has been huge, like most Southwest Stations, MCO continues to work to improve its co-mingled recycling.

"I'm a very lucky girl to be able to create such projects with the support of both Southwest and the airport as well," says Sheila. "This green girl from Oregon doesn't feel so far from home now!"

Sheila DiPace, Operations, Southwest Airlines

Q How will you spread the word about recycling to other Southwest Stations?

A We are expanding our Green Ambassador program in 2016 to create additional resources and better communication between Green Team Ambassadors at the individual Stations. Once this is in place, it will streamline idea sharing between Stations.



Giving Southwest Billboards a New Life

What happens to a billboard after it's taken down?

If it was a Southwest Airlines billboard that was part of our campaign to repeal the Wright Amendment in Dallas, there's an excellent chance it was turned into a tote bag, wallet, baggage tag, or other product.

It's called "upcycling," and it all started when Crea+ta, the vendor who supplies our Southwest: The Store, introduced us to the upcycling company, Billboard Ecology. At the time, we had purchased quite a bit of billboard time all over Dallas. The billboards changed frequently as we counted down to the end of the Wright Amendment.

Billboard Ecology took the used vinyl billboard material to its headquarters and manufacturing facility in Denver, where the vinyl was tested by a third-party laboratory to make sure it was safe to use in consumer products. Next, skilled workers transformed the vinyl into colorful, practical, one-of-a-kind products. In the process, we diverted 26,688 square feet of vinyl from landfills.

The products are available for purchase by Southwest Employees at Southwest: The Store and online. We have also given them to some lucky Customers.

Our billboard upcycling project is living proof of how much you can accomplish when the sky's the limit.

Products made from our billboard vinyl include:



Tote Bags



Wallets



Baggage Tags



Cosmetic Bags

24 → 2,400¹⁶

The total number of **billboard vinyls collected**—a 100 percent success rate of those requested from the Southwest campaign.

The number of original **tote bags** that could be made for sale or private label marketing purposes from the 24 vinyls.



Helping Carpet Avoid Landfills

In 2015, we incorporated a new carpet reclamation program into our Facilities Standards. It requires us to recycle scrap or used material when we install or replace carpet in any of our facilities throughout our domestic system, extending the carpet’s useful life while reducing the amount of material that goes to landfill. In 2015, we **recycled nearly 240,000 lbs of carpet material**.



Managing Hazardous Waste

We are always looking for new and better ways to minimize our generation of hazardous waste and—of the hazardous waste we do generate—we aim to manage it through the most environmentally beneficial methods.

In 2015, we managed approximately 19 tons, or more than 75 percent of our total hazardous waste generated, through recycling or burning for energy recovery. But we think we can do better, and continue to work to meet the challenge of reducing our hazardous waste generation.

Regulatory Compliance

A Systematic Approach to Compliance

Maintaining compliance with all local, state, and federal environmental laws and regulations is fundamental to our environmental policy. We continually work to meet our annual goal of zero recorded environmental violations resulting in monetary fines in our operations. While we fell short of that goal in 2015, we are working to improve our performance by maintaining and improving our EMS, following environmental guidelines and procedures, implementing corrective action, 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 and Spill Prevention, Control, and Countermeasure Plans. We perform a visual, walk-through inspection to confirm that key compliance practices are enacted in each of the cities we serve. We also track spills at all of our locations, audit findings and corresponding corrective action, and information about permits and their expiration dates, in our [environmental policy](#).



 **Southwest Airlines** 
@SouthwestAir
The first @BoeingAirplanes 737 MAX scheduled for delivery to us got its wings! The new winglets are looking so fly!
11:01 AM - 29 Jan 2016

Looking Forward

New 737 -8 (MAX) to Join Southwest Fleet in 2017

On Jan. 29, 2016, the new Boeing 737 MAX made its first flight, taking off from Renton Municipal Airport in Renton, Washington, at 9:46 a.m. local time and landing two hours and 47 minutes later at Seattle’s Boeing Field.

The MAX is powered by the LEAP-1B engine. The new engine is quieter and will reduce noise for our airport neighbors. The MAX will also come standard with Boeing’s new Advanced Technology winglets, which are expected to provide even more fuel efficiency benefits.

As the launch customer for this new 737 model, we are encouraged by Boeing’s great production progress as well as our own internal progress

toward taking delivery of the MAX in 2017. The introduction of the MAX aircraft will round out Southwest’s multi-year fleet modernization efforts, which included the transition of AirTran’s Boeing 717-200 aircraft out of the fleet and the accelerated replacement of Boeing Classic (737-300 and 737-500) aircraft with Boeing Next-Generation 737 aircraft.



See all of the data related to Planet in the Appendix

Global Reporting Initiative^F

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

GRI

The 2015 Southwest Airlines One Report™ conforms to the principles outlined in the GRI Sustainability Reporting Guidelines version 3.1 (G3). We have included corresponding G4 indicators in our report as well. 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 content index that depicts our GRI responses for calendar year 2015. Learn more about the GRI at globalreporting.org.

As Southwest's seventh One Report, the 2015 One Report illustrates our continued steadfast focus on the triple bottom line—our Performance, our People, and our Planet—as part of our Vision to become the world's most loved, most flown, and most profitable airline.



GRI Index

GRI 3.1	GRI 4	Disclosures	Section
1. Strategy and Analysis			
1.1	G4-1	Statement from the most senior decision-maker of the organization.	Gary's CEO Message
1.2	G4-2	Description of key impacts, risks, and opportunities.	Gary's Message, Performance, 2015 U.S. Securities and Exchange Commission Form 10-K
2. Organizational Profile			
2.1	G4-3	Name of the organization.	Southwest Airlines Co.
2.2	G4-4	Primary brands, products, and/or services.	Performance, 2015 U.S. Securities and Exchange Commission Form 10-K
2.3	G4-17	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	2015 U.S. Securities and Exchange Commission Form 10-K
2.4	G4-5	Location of organization's headquarters.	2702 Love Field Dr. Dallas, Texas 75235, USA
2.5	G4-6	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.	We operate in eight countries: the United States and seven near-international countries: Mexico, Jamaica, The Bahamas, Aruba, Dominican Republic, Costa Rica, and Belize.
2.6	G4-7	Nature of ownership and legal form.	2015 U.S. Securities and Exchange Commission Form 10-K
2.7	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	We ended 2015 serving 97 destinations in 40 states, the District of Columbia, the Commonwealth of Puerto Rico, and seven near-international countries: Mexico, Jamaica, The Bahamas, Aruba, Dominican Republic, Costa Rica, and Belize.
2.8	G4-9	Scale of the reporting organization.	Performance, 2015 U.S. Securities and Exchange Commission Form 10-K
2.9	G4-13	Significant changes during the reporting period regarding size, structure, or ownership.	2015 U.S. Securities and Exchange Commission Form 10-K
2.10	No longer standard disclosure	Awards received in the reporting period.	Awards & Accolades
3. Report Parameters			
3.1	G4-28	Reporting period.	Calendar Year 2015, unless otherwise stated
3.2	G4-29	Date of most recent previous report.	May, 2015
3.3	G4-30	Reporting cycle.	Annual
3.4	G4-31	Contact point for questions regarding the report or its contents.	Contact Us
3.5	G4-18	Process for defining report content.	Performance, People, Planet, Global Reporting Initiative, 2015 U.S. Securities and Exchange Commission Form 10-K
3.6	G4-20, G4-21	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	2015 U.S. Securities and Exchange Commission Form 10-K

GRI 3.1	GRI 4	Disclosures	Section
3. Report Parameters			
3.7	G4-20, G4-21	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	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. More information in 2015 U.S. Securities and Exchange Commission Form 10-K
3.8	G4-20, G4-21	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.	Performance, 2015 U.S. Securities and Exchange Commission Form 10-K
3.9	No longer standard disclosure	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.	Footnotes
3.10	G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Appendix
3.11	G4-23	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	None
3.12	G4-32	Table identifying the location of the Standard Disclosures in the report.	GRI Content Index
3.13	G4-33	Policy and current practice with regard to seeking external assurance for the report.	This report has not been externally assured.
4. Governance, Commitments, and Engagement			
4.1	G4-34, G4-38	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance Guidelines, 2015 Proxy Statement, Board Committees
4.2	G4-39	Indicate whether the Chair of the highest governance body is also an executive officer.	2015 Proxy Statement, 2015 U.S. Securities and Exchange Commission Form 10-K
4.3	G4-38	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance Guidelines, 2015 U.S. Securities and Exchange Commission Form 10-K
4.4	G4-37, G4-49, G4-53	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance Guidelines, Contact Us, 2015 Proxy Statement

GRI 3.1	GRI 4	Disclosures	Section
4. Governance, Commitments, and Engagement			
4.5	G4-51	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Corporate Governance Guidelines, 2015 Proxy Statement
4.6	G4-41	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance Guidelines, 2015 Proxy Statement
4.7	G4-40	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Corporate Governance Guidelines, 2015 Proxy Statement
4.8	G4-56	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.	Report Introduction, Financial Management Approach, Our Mission Supplier Information
4.9	G4-45, G4-47	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.	Contact Us, 2015 U.S. Securities and Exchange Commission Form 10-K
4.10	G4-44	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	2015 Proxy Statement
4.11	G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	N/A
4.12	G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Airlines for America (A4A) climate change commitment, Public Relations Research Standards
4.13	G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization participates or supports.	Airlines for America (A4A) climate change commitment, Public Relations Research Standards

4. Governance, Commitments, and Engagement																															
4.14	G4-24	List of stakeholder groups engaged by the organization.	<table><tr><th>Stakeholder Group</th><th>Approach to Engagement</th></tr><tr><td>Customers</td><td>A Customer Experience survey sent to a representative sample of Customers each day post-travel, monthly brand monitor and other ad hoc research. Interaction with our Customer Service representatives daily through phone calls, email or social media.</td></tr><tr><td>Employees</td><td>Daily internal communications through internal intranet hosting daily news, department information, blogs and weekly Window Seat, the weekly news recap via video. Employees are able to interact through comment sections. Other: Monthly newsletters, annual Southwest Rallies, ongoing union meetings, bi-annual Employee surveys</td></tr><tr><td>NGOs/Community Groups</td><td>Ongoing through Chambers of Commerce in each of our domestic cities, through working with a variety of charitable organizations, and through one on one meetings or calls and industry associations or community influencers</td></tr><tr><td>4.15</td><td>G4-25</td><td>Basis for identification and selection of stakeholders with whom to engage.</td><td><table><tr><td>Suppliers</td><td>Through emails, meetings, RFP process which includes questions on business and environmental practices</td></tr><tr><td>Shareholders</td><td>Communication with our Investor Relations department through phone calls, email, and mail; Investor presentations; Annual Meeting of Shareholders; Investor Relations website</td></tr></table></td></tr><tr><td>4.16</td><td>G4-26</td><td>Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.</td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table>	Stakeholder Group	Approach to Engagement	Customers	A Customer Experience survey sent to a representative sample of Customers each day post-travel, monthly brand monitor and other ad hoc research. Interaction with our Customer Service representatives daily through phone calls, email or social media.	Employees	Daily internal communications through internal intranet hosting daily news, department information, blogs and weekly Window Seat, the weekly news recap via video. Employees are able to interact through comment sections. Other: Monthly newsletters, annual Southwest Rallies, ongoing union meetings, bi-annual Employee surveys	NGOs/Community Groups	Ongoing through Chambers of Commerce in each of our domestic cities, through working with a variety of charitable organizations, and through one on one meetings or calls and industry associations or community influencers	4.15	G4-25	Basis for identification and selection of stakeholders with whom to engage.	<table><tr><td>Suppliers</td><td>Through emails, meetings, RFP process which includes questions on business and environmental practices</td></tr><tr><td>Shareholders</td><td>Communication with our Investor Relations department through phone calls, email, and mail; Investor presentations; Annual Meeting of Shareholders; Investor Relations website</td></tr></table>	Suppliers	Through emails, meetings, RFP process which includes questions on business and environmental practices	Shareholders	Communication with our Investor Relations department through phone calls, email, and mail; Investor presentations; Annual Meeting of Shareholders; Investor Relations website	4.16	G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.									
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4. Governance, Commitments, and Engagement			
4.17	G4-27	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.	Throughout this report
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.	<p><u>Performance</u>, and response below:</p> <p>Contributing to the Vitality of Our Communities</p> <p>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.</p> <p>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.</p> <p>As of year-end 2015, we operated more than 3,900 daily flights, serving 97destinations across the United States and seven 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.</p> <p>We give from the heart and strive to make a positive difference in the communities we serve. At Southwest, we value empowering others and building meaningful relationships through community outreach and volunteerism. We provide support, leadership, and encouragement to a variety of philanthropic causes through our Community Outreach teams, which work directly with local, civic, and charitable organizations. Through our Community Giving Boards, consisting of local Employees from various workgroups, we support charitable organizations where they live and work.</p> <p>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 more than 19 percent of our ground support equipment (GSE) in 2015. 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.</p>

GRI 3.1	GRI 4	Disclosures	Section
Disclosures on Management Approach (DMAs)			
DMA EN		<p>Discuss management approach, organization-wide goals and policies regarding important environmental issues such as:</p> <ul style="list-style-type: none">• Materials;• Energy;• Water;• Biodiversity;• Emissions, Effluents, and Waste;• Products and Services;• Compliance;• Transport; and• Overall	<p><u>Environmental Initiatives, Planet</u>, and response below:</p> <p>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.</p> <p>Environmental Policy</p> <p>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:</p> <ul style="list-style-type: none">• 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• 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

GRI 3.1	GRI 4	Disclosures	Section
Disclosures on Management Approach (DMAs)			
DMA LA		<p>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.</p>	<p>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.</p> <p>Labor and Employment Law Compliance</p> <p>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 Corporate Services and our People and General Counsel departments, which includes a section devoted solely to labor and Employee relations. We are committed to:</p> <ul style="list-style-type: none">• 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 <p>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.</p> <p>Labor Relations</p> <p>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. See more at swamedia.com/channels/labor-relations/pages/labor-relations.</p> <p>Safety and Security</p> <p>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 www.southwest.com/assets/pdfs/corporate-commitments/safety-commitment-pol.pdf.</p>

GRI 3.1	GRI 4	Disclosures	Section
Disclosures on Management Approach (DMAs)			
DMA LA (cont)			<p>Diversity and Inclusion</p> <p>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 Southwest Rallies, 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. Read more about our Diversity Council and our dedicated outreach for the LGBT, Hispanic, African American, and Asian/Pacific Islander communities.</p> <p>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.</p>
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.	<p>Customer Service</p> <p>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, 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.</p> <p>Marketing</p> <p>There is a process in place for our General Counsel Department to review our marketing materials for compliance with applicable regulatory and legal requirements.</p> <p>Customer Privacy</p> <p>In 2015, we had no fines for non-compliance with applicable laws and regulations concerning Customer privacy.</p>

GRI 3.1	GRI 4	Disclosures	Section
Disclosures on Management Approach (DMAs)			
DMA SO		Discuss management approach to community, corruption, public policy, anticompetitive behavior, and compliance as they relate to overall management policies, goals, and performance.	<p>Suppliers, and response below:</p> <p>Public Policy</p> <p>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.</p> <p>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.</p> <p>Compliance</p> <p>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.</p>
DMA PR		Discuss management approach to customer health and safety, service labeling, marketing communications, and customer privacy as they relate to overall management policies, goals, and performance.	<p>Customer Health & Safety</p> <p>We are committed to ensuring the Safety and Security of our Customers and Employees—it's our number one priority. We continually work to create and foster culture of Safety and Security that proactively identifies and reduces risks to the operation and workplace before they can become injuries, accidents, or incidents. Our formal Safety & Security Statement is available at: https://www.southwest.com/assets/pdfs/corporate-commitments/safety-and-security-commitment-2016.pdf</p> <p>Customer Service</p> <p>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, 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.</p> <p>Marketing</p> <p>There is a process in place for our General Counsel Department to review our marketing materials for compliance with applicable regulatory and legal requirements.</p> <p>Customer Privacy</p> <p>In 2015, we had no fines for non-compliance with applicable laws and regulations concerning Customer privacy.</p>

GRI 3.1	GRI 4	Disclosures	Section
Economic			
EC1	G4-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.	Performance, Employees, Communities, 2015 U.S. Securities and Exchange Commission Form 10-K
EC2	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	<p>Position on Climate Change</p> <p>Southwest is 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 understand that it's important for us to continue taking steps to address and report on GHG emissions from our operations.</p> <p>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 \$550 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 -8 (MAX) aircraft, which are on order and scheduled for delivery beginning in 2017. Southwest supports the FAA's work toward a satellite-based Next Generation Air Transportation System (NextGen) to improve the environmental performance of the industry by allowing aircraft to fly more directly and efficiently.</p> <p>Regarding our position on the potential risks associated with climate change, in our CDP response, we have identified risks associated with regulatory change and physical climate risks such as extreme weather events as having the potential to create operational complexities. These complexities may affect airline operations, which could result in impacts to operational and capital costs and ontime performance.</p>
EC3	G4-EC3	Coverage of the organization's defined benefit plan obligations.	We provided more than \$945 million toward Employee retirement through 401(k) matching contributions and through profitsharing related to 2015 results. Southwest does not offer defined benefit plans.
EC6	G4-EC9	Policies, practices and proportion of spending on locally based suppliers at significant locations of operations.	Suppliers
EC8	G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Communities, Appendix

GRI 3.1	GRI 4	Disclosures	Section
Environmental			
EN3	G4-EN3	Direct energy consumption by primary energy source.	Energy Use, Appendix
EN4	G4-EN3 G4-EN4 G4-EN5	Direct and indirect energy consumption and energy intensity.	Energy Consumption, Appendix
EN5	G4-EN6	Energy saved due to conservation and efficiency improvements.	Planet, Appendix
EN6	G4-EN7	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	<p>Planet, and response below:</p> <p>Environmental Conservation</p> <p>Throughout our operations—from our aircraft and equipment to our facilities—we are focused on efficiency. We are committed to Supporting A4A industry-wide goals for fuel efficiency and emissions reductions. Along with our commitment to alternative energy sources, including the purchase of renewable energy credits, an agreement to use alternative jet fuel and our electrification of GSE, we continue to manage our electricity use by auditing and tracking our monthly utility bills. Our Headquarters building utilizes many Energy Star appliances and has received Energy Star certification, and our TOPS Building is certified to LEED Silver standards. We hope to inspire others by sharing these and other conservation stories with our community of Stakeholders.</p>
EN8	G4-EN8	Total water withdrawal by source.	Appendix
EN16	G4-EN15 G4-EN16	Total direct and indirect greenhouse gas emissions by weight, Scopes 1 and 2.	Greenhouse Gas Inventory, Appendix
EN17	G4-EN17	Other relevant indirect greenhouse gas emissions by weight.	Greenhouse Gas Inventory, Appendix
EN18	G4-EN18 G4-EN19	GHG emissions intensity and initiatives to reduce greenhouse gas emissions and reductions achieved.	Greenhouse Gas Inventory
EN19	G4-EN20	Emissions of ozone-depleting substances by weight.	<p>Chemical Management System (CMS)</p> <p>Our CMS is part of our Environmental Management System. Under our CMS, all chemicals used by Southwest are reviewed for environmental and Safety impacts before approval. 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. Ozone-depleting substances Southwest presently uses include refrigerants found in the HVAC systems and appliances of Southwest operated buildings and the air conditioning systems of company vehicles. 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 2015, the estimated emissions are 3,395 metric tons of CO₂e 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.</p>
EN20	G4-EN21	NOx, SOx and other significant air emissions by type and weight.	Appendix
EN22	G4-EN23	Total weight of waste by type and disposal method.	Appendix

GRI 3.1	GRI 4	Disclosures	Section
Environmental			
EN23	G4-EN24	Total number and volume of significant spills.	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. In 2015, we had four spills that were reportable to the National Response Center per regulatory requirements. None of the spills required reporting in our financial statements as a liability.
EN28	G4-EN29	Value of fines for noncompliance with environmental laws and regulations.	Appendix
Social: Labor Practices and Decent Work			
LA1	G4-10	Total workforce by employment type, employment contract, and region, broken down by gender.	30,000-Foot View , People , Appendix , 2015 U.S. Securities and Exchange Commission Form 10-K
LA3	G4-LA2	Active and inactive Employees who participate in benefits program.	Employees , and response below: Benefits In 2015, more than 52,000 active and inactive Southwest Employees participated in at least one component of the Company's Employee benefits program, to which we have contributed more than \$950 million ²⁴ on an accrual basis, excluding 401(k) and ProfitSharing plans and share-based compensation. Many of the components offered to Employees in our Employee benefits program also are offered to dependents and/or committed partners. In addition to vacation, paid holidays, and sick leave, we offer our full-time and part-time Employees the following: <div> <ul style="list-style-type: none"> • 401(k) retirement savings plan • 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 • Short Term Disability Program • Health care flexible spending account • Dependent care flexible spending account • Employee stock purchase plan • Wellness programs • Flight privileges </div> Retirement Planning 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. Since the inception of our 401(k) plans in the early 1990s, Southwest has contributed more than \$3.2 billion to these plans, including more than \$325 million in 2015 to match the funds Employees contributed to their 401(k) accounts. All eligible Employees participate in our ProfitSharing Plan, and in 2015, Southwest provided \$620 million in profitsharing expense, up 74.6 percent, or \$265 million compared with 2014—an amount equaling nearly 15.6 percent of each eligible Employee's compensation.

GRI 3.1	GRI 4	Disclosures	Section
Social: Labor Practices and Decent Work			
LA4	G4-11	Percentage of employees covered by collective bargaining agreements.	Approximately 83 percent of our Employees are 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.
LA10	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	Training , Appendix
Social: Human Rights			
HR3	G4-HR2	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.	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 2015, our Employees devoted more than 22,600 hours to human rights training, and 36 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. Our Policy on Harassment, Sexual Harassment, or Discrimination can be found at Investors.southwest.com/corporate-governance/corporate-bylaws-articles-of-incorporation-and-corporate-policies/corporate-policies
HR6	G4-HR5	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	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 Corporate Services and our People and General Counsel departments. These policies include our commitment to prohibit child and forced labor.
Social: Society			
SO2	G4-SO3	Percentage and total number of business units analyzed for risks related to corruption.	Corporate Governance Guidelines
SO3	G4-SO4	Percentage of employees trained in organization's anti-corruption policies and procedures.	Corporate Governance Guidelines
SO5	Now Guidance	Public policy positions and participation in public policy development and lobbying.	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.

GRI 3.1	GRI 4	Disclosures	Section
Social: Society			
SO6	G4-SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	<p>In 2015, A4A, our airline industry trade association, determined that \$875,028 of the total dues paid by the Company to A4A were nondeductible lobbying expenses. Southwest pays dues to several other national, state, and local trade associations and chamber organizations, in which a portion of those dues are used by these organizations for nondeductible lobbying activities; however, in all cases, that portion is less than \$5,000 annually for each organization.</p> <p>Southwest has adopted a policy that it will primarily use its affiliated political action committee, the Southwest Airlines Co. Freedom Fund (Freedom Fund), which is financed through voluntary Employee contributions, to support political campaigns, and that Company funds will be limited to supporting selected political campaigns at the state and local level in compliance with the laws of the relevant states and localities. In 2015, the Company contributed \$5,100 directly to political campaigns at the state and local level in California (and no other state or locality). No Company funds were used to support or finance any political campaign at the federal level or to influence any ballot measure, nor has the Company supported or financed any independent expenditure committee or any political entity organized under section 527 of the Internal Revenue Code, including so-called Super PACs.</p> <p>All political campaign contributions from the Freedom Fund or by the Company directly are approved by the Vice President of Governmental Affairs and overseen by Southwest Airlines' Senior Vice President-General Counsel, with an annual summary of those contributions provided to the Southwest Airlines Board of Directors. All political contributions are intended to promote the interests of the Company and are not guided by any private political preferences of any Employee. All contributions by the Freedom Fund are disclosed via publicly available reports filed monthly with the Federal Election Commission. The Company complies with all applicable federal, state, and local campaign finance restrictions and disclosure requirements.</p>

GRI 3.1	GRI 4	Disclosures	Section
Social: Product Responsibility			
PR5	G4-PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	<p><u>Customers</u></p> <p>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, click on “Customer Commitments.”</p> <p>We measure Customer Satisfaction through the Customer Experience survey which is sent to a representative sample of Customers each day post-travel. Survey results are reported to Leaders of the Company and to Leaders in the various Customer touchpoint areas who use the results to measure performance of key activities. We also do monthly brand monitor research and other ad hoc research that evaluates Customer and Non Customer perceptions and experiences. Additionally, we track feedback received through various channels such as call centers and social media to learn how we are doing.</p>

Appendix

Performance Data

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

	2015	2014	Change
Operating revenues	\$ 19,820	\$ 18,605	6.5%
Operating expenses	\$ 15,704	\$ 16,380	(4.1)%
Operating income	\$ 4,116	\$ 2,225	85.0%
Operating margin	20.8%	12.0%	8.8 pts.
Net income	\$ 2,181	\$ 1,136	92.0%
Net margin	11.0%	6.1%	4.9 pts.
Net income per share - basic	\$ 3.30	\$ 1.65	100.0%
Net income per share - diluted	\$ 3.27	\$ 1.64	99.4%
Stockholders' equity	\$ 7,358	\$ 6,775	8.6%
Return on average stockholder's equity	30.9%	16.1%	14.8 pts.
Stockholders' equity per common share outstanding	\$ 11.36	\$ 10.03	13.3%
Revenue passengers carried	118,171,211	110,496,912	6.9%
Revenue passenger miles (RPMs) (000s) ⁸	117,499,879	108,035,133	8.8%
Available seat miles (ASMs) (000s) ⁹	140,501,409	131,003,957	7.2%
Passenger load factor ⁶	83.6%	82.5%	1.1 pts.
Passenger revenue yield per RPM (cents) ¹⁷	15.57	16.34	(4.7)%
Operating revenue yield per ASM (cents) ¹⁸	13.98	14.20	(1.5)%
Operating expenses per ASM (cents) ¹⁹	11.18	12.50	(10.6)%
Aircraft at year-end ¹¹	704	665	5.9%
Active, full-time equivalent Employees at year-end	49,583	46,278	7.1%

Reconciliation of Reported Amounts to Non-GAAP Financial Measures^G

(dollars in millions except per share amounts, unaudited)

	Year End Dec. 31, 2015	Year End Dec. 31, 2014
Operating revenues, as reported	\$ 19,820	\$ 18,605
Deduct: Special revenue adjustment	(172)	—
Operating revenues, non-GAAP	\$ 19,648	\$ 18,605
Fuel and oil expense, unhedged	\$ 3,362	\$ 5,321
Add/(Deduct): Fuel hedge (gains) losses included in Fuel and oil expense	254	(28)
Fuel and oil expense, as reported	\$ 3,616	\$ 5,293
Add/(Deduct): Net impact from fuel contracts	323	(28)
Fuel and oil expense, economic	\$ 3,939	\$ 5,265

Reconciliation of Reported Amounts to Non-GAAP Financial Measures^G (Continued)

(dollars in millions except per share amounts, unaudited)

	Year End Dec. 31, 2015	Year End Dec. 31, 2014
Total operating expenses, as reported	\$ 15,704	\$ 16,380
Deduct: Acquisition and integration costs	(39)	(126)
Deduct: Union contract bonuses	(334)	(9)
Add/(Deduct): Net impact from fuel contracts	323	(28)
Add: Litigation settlement	37	—
Total operating expenses, non-GAAP	\$ 15,691	\$ 16,217
Deduct: Fuel and oil expense, non-GAAP (economic)	(3,939)	(5,265)
Operating expenses, non-GAAP excluding Fuel and oil expense	\$ 11,752	\$ 10,952
Deduct: Profitsharing expense	(620)	(355)
Operating expenses, non-GAAP excluding profitsharing and Fuel and oil expense	\$ 11,132	\$ 10,597
Operating income, as reported	\$ 4,116	\$ 2,225
Deduct: Special revenue adjustment	(172)	—
Add: Union contract bonuses	334	9
Add/(Deduct): Net impact from fuel contracts	(323)	28
Add: Acquisition and integration costs	39	126
Deduct: Litigation settlement	(37)	—
Operating income, non-GAAP	\$ 3,957	\$ 2,388
Net income, as reported	\$ 2,181	\$ 1,136
Add: Mark-to-market impact from fuel contracts settling in future periods	373	251
Add/(Deduct): Ineffectiveness from fuel hedges settling in future periods	(9)	5
Add/(Deduct): Other net impact of fuel contracts settling in the current or a prior period (excluding reclassifications)	(251)	24
Deduct: Income tax impact of fuel contracts	(42)	(104)
Deduct: Special revenue adjustment ²⁰	(108)	—
Add: Union contract bonuses ²⁰	210	6
Add: Acquisition and integration costs ²⁰	24	79
Deduct: Litigation settlement ²⁰	(23)	—
Net income, non-GAAP	\$ 2,355	\$ 1,397
Net income per share, diluted, as reported	\$ 3.27	\$ 1.64
Add: Net impact from fuel contracts ²⁰	0.06	0.25
Add: Impact of special items ²⁰	0.19	0.12
Net income per share, diluted, non-GAAP	\$ 3.52	\$ 2.01

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

Operating income, non-GAAP	\$ 3,957
Net adjustment for aircraft leases ²¹	114
Adjustment for fuel hedge accounting	(124)
Adjusted operating income, non-GAAP	\$ 3,947
Average invested capital ²²	\$ 11,037
Equity adjustment for hedge accounting	1,027
Adjusted average invested capital	\$ 12,064
ROIC, pre-tax ²³	32.7%

People Data

Employees ¹³	2015	2014	2013	2012	2011
Active, full-time equivalent Employees at year-end	49,583	46,278	44,831	45,861	45,392
Employees by Division ^{12,13}					
Flight	21,108; 42%	20,013; 43%	19,003; 42%	19,210; 42%	19,271; 42%
Maintenance	2,795; 6%	2,632; 6%	2,689; 6%	2,626; 6%	2,532; 6%
Ground, Customer, and Fleet Services	17,315; 35%	15,739; 34%	15,464; 35%	16,093; 35%	15,483; 34%
Management, Accounting, Marketing, clerical personnel (other)	8,365; 17%	7,894; 17%	7,675; 17%	7,932; 17%	8,106; 18%
Benefits					
Active and inactive Employees who participate in benefits program	More than 52,000	More than 49,000	More than 48,000	More than 48,000	More than 40,000
Employee benefit programs excluding 401(k) and ProfitSharing plans and share-based compensation (accrued) ²⁴	More than \$950 million	More than \$880 million	More than \$830 million	More than \$800 million	More than \$670 million
401(k) savings plan participation	92%	93%	Nearly 89%	Nearly 85%	93%
ProfitSharing Plan participation	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees
401(k) and ProfitSharing plans	More than \$945 million	Nearly \$644 million	Nearly \$500 million	More than \$370 million	Nearly \$314 million
Training					
Pilot hours	476,272	546,867	193,644	300,496	165,000
Flight Attendant hours	241,900	474,973	115,900	177,500	272,394
Maintenance hours	148,281	154,723	145,069	159,000	88,754
Customer Support and Services hours	214,745	128,845	57,769	175,278	245,179
Ground Operations hours	656,365	693,687	911,358	439,635	342,946
Safety and Security hours	More than 800,000	More than 820,000	More than 580,000	More than 520,000	More than 550,000

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

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

■ AirTran data is excluded

People Data

Customers	2015	2014	2013	2012	2011
External Customer commendations	More than 89,000	More than 75,000	Nearly 70,000	Nearly 65,000	More than 65,000
Ratio of external Customer commendations to personnel rudeness complaints	4:1	4:1	Nearly 5:1	Nearly 7:1	Nearly 8:1
American Customer Satisfaction Index (ACSI)	78	78	81	77	81
U.S. Department of Transportation (DOT) Customer Satisfaction rating (consumer complaints per 100,000 enplanements)	0.52	0.50	0.34	0.25	0.32
Percentage of reported flight operations arriving ontime	79.7	73.0	76.7	83.1	81.3
Number of mishandled bags reported per 1,000 Passengers	3.27	4.06	3.72	3.08	3.65
Passengers denied boarding per 10,000 Passengers	1.27	1.03	1.06	0.84	0.65
Number of incidents involving the loss, injury, or death of animals during transport	0	0	0	0	0
Communities					
Donation requests received systemwide	14,995	15,046	17,941	19,053	17,057
Tickets donated	38,936	43,188	44,019	44,559	40,807
Total monetary donations	\$ 3,258,761	\$ 2,748,305	\$ 2,034,431	\$ 2,104,871	\$ 1,814,077
Total corporate monetary, in-kind, and ticket donations	\$19,571,177	\$ 20,128,153	\$ 18,951,092	\$20,273,621	\$18,239,850
Monies raised through official Southwest fundraising efforts	\$ 675,000	\$ 640,000	\$ 700,000	–	–
Employee volunteer hours	More than 145,000	More than 144,000	More than 144,000	More than 137,000	More than 114,000
Value of Employee volunteer hours ²⁵	Nearly \$ 3,500,000	More than \$ 3,300,000	More than \$ 3,200,000	–	–
Social Management Approach					
Employees represented by unions	Approximately 83%	Approximately 83%	Approximately 83%	Approximately 83%	Approximately 82%
Employee human rights training hours	More than 22,000	More than 54,000	More than 20,000	More than 17,000	More than 3,700
Employees trained on human rights	36.1%	46.4%	6.7%	20.5%	10.1%
Employees and business associates who acknowledged the Code of Ethics	More than 53,500	More than 50,800	More than 46,500	More than 46,000	More than 43,000

Planet Data

Environmental Impacts	2015	2014*	2013	2012	2011
Total energy consumption (megawatt-hours (MWh))	73,688,161	69,827,294	70,493,624	71,571,555	68,368,969
Intensity ratio (MWh/1,000 RTMs)	6.20	6.39	6.68	6.87	6.93
Water consumption (gallons) ²⁶	80 million	83 million	69 million	77 million	79 million
Intensity ratio (gallons/Employee) ¹³	More than 1,600	Nearly 1,800	More than 1,500	Nearly 1,700	Nearly 2,100

Greenhouse Gas Inventory (Scope 1 and Scope 2 Emissions)

Scope 1 emissions (metric tons of carbon dioxide equivalent (CO ₂ e))	18,731,062	17,784,227	17,956,473	18,232,474	17,417,734
Scope 2 emissions (metric tons of CO ₂ e)	48,810	51,228	47,680	46,783	41,829
Total Scope 1 and Scope 2 GHG emissions (metric tons of CO ₂ e)	18,779,872	17,835,455	18,004,153	18,279,257	17,459,563
Production activity (revenue Passenger miles (RPMs))	117.5 billion	108.0 billion	104.3 billion	102.9 billion	97.6 billion
Intensity ratio (metric tons CO ₂ e/1,000 RPMs)	0.160	0.165	0.173	0.178	0.179
Production activity (available seat miles (ASMs))	140.5 billion	131.0 billion	130.3 billion	128.1 billion	120.6 billion
Intensity ratio (metric tons CO ₂ e/1,000 ASMs)	0.134	0.136	0.138	0.143	0.145
Production activity (RTMs)	11.9 billion	10.9 billion	10.6 billion	10.4 billion	9.9 billion
Intensity ratio (metric tons CO ₂ e/1,000 RTMs)	1.58	1.63	1.70	1.76	1.77

Greenhouse Gas Inventory (Scope 3 Emissions)

Capital goods—production of aircraft (metric tons CO ₂ e)	26,500	53,000	32,000	—	—
Waste generated in operations—waste to landfill and burned for energy recovery (metric tons CO ₂ e)	3,000	5,100	5,700	—	—
Employee commuting—estimate based on survey (metric tons CO ₂ e)	183,600	174,000	188,000	—	—

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.

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

* 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

Other Air Emissions	2015	2014*	2013	2012	2011
Ozone-depleting substances produced or imported	None	None	None	None	None
NOx emissions (tons) ²⁷	7.1	—	—	—	—
SOx emissions (tons) ²⁷	0.7	—	—	—	—

Regulatory Compliance

Number of environmental violations resulting in fines	6	3	None	1	None
Total environmental fines	\$7,497	\$5,738	\$—	\$1,500	\$—

Environmental Conservation

Fuel efficiency (ASMs/gallon)	73.9	72.8	71.7	69.4	68.3
Fuel efficiency (RTM/gallon)	6.3	6.1	5.8	5.6	5.6
Total number of electric & solar GSE	1,229	—	—	—	—
Purchases of renewable energy certificates (kWh)	More than 20.5 million	More than 25 million	More than 25 million	More than 15.7 million	More than 15.7 million

Waste Management & Recycling

Total waste generated (tons)	11,135	—	—	—	—
Total waste recycled (tons)	4,148	—	—	—	—
Percent of total waste recycled	37.25%	—	—	—	—
Recycled co-mingled waste—paper, plastic, aluminum, and cardboard (tons) ²⁸	More than 3,700	More than 3,000	More than 2,700	Nearly 2,900	Nearly 2,700
Year-over-year change in co-mingled recycling (percent)	Increase more than 18	Increase more than 10	Decrease more than 5	Increase more than 7	Increase more than 6
Recycled industrial waste (tons)	631	520	660	632	515
Hazardous waste generated (tons)	25.1	16.5	14.9	21.9	12.2
Hazardous waste managed through recycling and beneficial reuse (tons)	18.9	12.4	11.6	18.5	9.9
Intensity ratio (pounds of hazardous waste generated/aircraft)	71	50	44	63	44

Footnotes

- 1) As measured by the number of originating domestic passengers boarded and based on data available from the U.S. Department of Transportation (DOT), as of September 30, 2015.
- 2) First and second checked pieces of luggage, size and weight limits apply.
- 3) Fare differences might apply.
- 4) Size and weight limits apply. Some airlines may allow free checked bags on select routes or for qualified circumstances.
- 5) Average number of weekday flights as of Dec. 31, 2015.
- 6) Load factor is RPMs⁶ divided by ASMs⁹.
- 7) Historical amounts have been restated to align with current presentation. See the Company's Form 10-K for the fiscal year ended December 31, 2015.
- 8) An RPM is one paying Passenger flown one mile. Also referred to as "traffic," which is a measure of demand for a given period.
- 9) 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.
- 10) Year ended 2015 Operating revenue yield per ASM excludes a \$172 million one-time non-cash special revenue adjustment. See the Company's Form 10-K for the fiscal year ended December 31, 2015.
- 11) Aircraft in the Company's fleet at yearend, less Boeing 717-200s removed from service in preparation for transition out of the fleet.
- 12) Flight includes Cabin Service Support, Inflight, and Flight Operations. Ground, Customer, and Fleet Services includes Provisioning, Customer Services, Ground Operations, and Operations Coordination Center.
- 13) Active, full-time equivalent Employees as of Dec. 31 for specified calendar year.
- 14) Report by International Council on Clean Transportation released in 2015, titled "U.S. domestic airline fuel efficiency ranking, 2014" available at: <http://theicct.org/us-domestic-airline-fuel-efficiency-ranking-2014>; 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 2014 fuel consumption data.
- 15) 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.
- 16) Data provided by Billboard Ecology Partners, LLC as part of their Billboard Ecology Partner Sustainability Report which summarizes the collection, receiving, and processing steps taken to transform billboards to product.
- 17) 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.
- 18) Operating revenue yield per ASM is calculated as operating revenue, excluding special items, 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.
- 19) Operating expenses per ASM are calculated as operating expenses, excluding special items, 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.
- 20) Amounts shown net of tax.
- 21) 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).
- 22) 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.
- 23) ROIC, pre-tax, calculated as Adjusted operating income, non-GAAP, divided by Adjusted average invested capital.
- 24) Includes Southwest's contributions to Employee health and welfare plans, workers' compensation insurance, and employer payroll taxes.

- 25) Based on Independent Sector's estimated value of a volunteer hour. For more information, visit independentsector.org/volunteer_time.
- 26) Water consumption is primarily for domestic use at our facilities.
- 27) NOx and SOx emissions are reported in our annual emissions inventories for our DAL and PHX facilities.
- 28) 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.

F) Cautionary Statement Regarding Forward-Looking Statements

The 2015 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 position, outlook, goals, targets, strategies, plans, expectations, and projected results of operations; (ii) the Company's fleet plans and expectations, including its fleet modernization plans; (iii) the Company's capacity plans and expectations; (iv) the Company's growth plans and opportunities and its network plans and expectations; (v) the Company's Vision; (vi) the Company's initiatives and related plans and expectations, including its reservation systems plans and expectations; (vii) the Company's plans and expectations related to managing risk associated with jet fuel prices; (viii) the Company's goal with respect to returning value to shareholders; and (ix) the Company's expectations with respect to capital expenditures. 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 impact of governmental regulations and other governmental actions related to the Company's operations; (iv) 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; (v) the Company's dependence on third-parties, in particular with respect to its technology and fleet plans; (vi) the Company's ability to timely and effectively prioritize its 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, 2015.

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 and benefits the Company believes are not indicative of its ongoing operational performance.

As a result, the Company also provides financial information in this filing 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 December 31, 2015.

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 a one-time Special revenue adjustment due to the July 2015 amended co-branded credit card agreement with Chase Bank USA, N.A. and the resulting change in accounting methodology, expenses associated with the Company's acquisition and integration of AirTran, a gain resulting from a litigation settlement received in January 2015, and union contract bonuses recorded for certain workgroups. 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 the integration of the two companies. The Company does not expect to incur any further Acquisition and integration costs beyond 2015.

The Company has also provided free cash flow and 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 year

ended December 31, 2015, the Company generated \$1.1 billion in free cash flow, calculated as operating cash flows of \$3.24 billion less capital expenditures of \$2.04 billion less assets constructed for others of \$102 million plus reimbursements for assets constructed for others of \$24 million. The Company believes 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 ROIC (before taxes and excluding special items) in the accompanying reconciliation tables.

Operating margin, excluding special items, is calculated as operating income, excluding special items, divided by operating revenues, excluding special items.

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



Acknowledgements

We require all Employees to annually certify receipt and understanding of our Code of Ethics and Insider Trading Policy. In 2015, more than 53,500 active and inactive Employees and certain business associates certified receipt of these materials. During 2015, 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 2015, more than 2,500 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.

Contact Us

For questions related to our *2015 Southwest Airlines One Report™*, including our commitment to our Performance, our People, and our Planet, please email Green@wnco.com.

For more information on our citizenship efforts, visit Southwest.com/citizenship.

Southwest Airlines

P.O. Box 36611
Dallas, TX 75235-1611
214-792-4000
1-800-I-FLY-SWA
Southwest.com

For Investors

Southwest Airlines
Investor Relations, HDQ-6IR
P.O. Box 36611
2702 Love Field Drive
Dallas, TX 75235
214-792-4415
investors.southwest.com

To Offer Customer Feedback

Email us through our web site at Southwest.com/help/customer_service.html.

Reply to a blog post on *Nuts about Southwest* at Blogsouthwest.com.

Post a message on our Facebook wall at Facebook.com/Southwest.

Tweet us at Twitter.com/SouthwestAir.

Write us at:

Southwest Airlines Customer Relations
P.O. Box 36647 HDQ-1CR
Dallas, TX 75235-1611